PRESS RELEASE
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LUKOIL ENHANCES ITS ACTIVITIES IN RUSSIA'S NORTH WEST

Today LUKOIL President Vagit Alekperov spoke at an International Conference "Investments in 2001: New Realities - New Opportunities of Russia's North West" which was held in St. Petersburg. In his presentation he stressed that the Company was regarding the North Western federal region as the most promising region in Russia of a high strategic importance. Within 10 years LUKOIL plans to invest no less than RUB130bn in the region.

Given a certain degree of depletion of traditional oil provinces in West Siberia, Volga region the Company is facing a problem of bringing new oil and gas deposits to operation. The Timan Pechora province is the most significant one among the presently explored reserves. The estimated explored reserves of 190 hydrocarbon deposits in this region are close to 2 billion tons.

In this respect LUKOIL is viewing development of the Timan Pechora oil and gas province as an important state task. A detailed plan of this work is described in a draft of the Federal Plan of a Complex Development of Oil and Gas Resources of the Timan Pechora Province until 2005 and thereafter worked out jointly with the Company. According to this plan, the Company's G&G costs will exceed RUB13bn. Implementation of this plan will allow to add 400 million tons of oil reserves and 30 billion m3 of gas reserves within 10 years. 30 new fields are expected to be developed. Oil production in 2010 is likely to increase to 30 million tons compared to 13 million tons in 2000.

LUKOIL intends to use all opportunities available in the region to solve this task. The shipbuilders of the Admiralty Shipyards are building powerful ice-going tankers for operation in the North. Modern steam generators are also produced for the Republic of Komi in St. Petersburg. Murmansk and Arkhangelsk mariners are involved in oil transportation. The Varandei terminal project has been designed by scientists of St. Petersburg.

Vagit Alekperov said that LUKOIL policy is based on a clear understanding of the fact that Russia's natural resources belong to the country and, therefore, are under control of the federal government. This requires an explicit federal program on development of natural resources of Russia. The North Territories project with estimated production of 100 million tons of crude oil and capital expenditures of USD3bn is an example of such a program. This project was approved by the State

Duma, Council of the Russian Federation, and was signed by the President of the Russian Federation. The estimated revenue for the country generated by this project will exceed USD2.3bn.

Northern regions are known for poorly developed transportation infrastructure and transportation is considered a key issue in the development of natural resources of the North Western region. LUKOIL exercises a complex approach to solution of production and transportation problems.

The Company supports creation of the Baltic Transportation System (BTS) that will allow to develop the southern group of the Timan Pechora oil fields. And LUKOIL will adjust its field pipelines, including construction of the pipeline between the Kharyaga field and the Usinsk Headworks, accordingly.

A comprehensive analysis proved that it is more advantageous to arrange oil transportation from north fields of the Timan Pechora by sea. In this connection, a study for creation of the northern transportation system, which will allow to pump up to 7.5 million tons of oil, were prepared jointly by LUKOIL and Conoco of USA. The system will include an onshore and offshore pipelines and a stationary ice-resistant sea terminal. This program also envisages construction of ice-going tankers (LUKOIL already built 8 vessels of this type), development of ice-going fleet, enhancement of a transshipment base of the northern fleet, construction of an oil refinery in the Murmansk region and use of the Varandei sea terminal. In 2000 efforts aimed at improvement of the transportation system resulted in construction of the transshipment terminal in Kaliningrad.

The Company expands refining capacities of the Ukhta refinery. In 2000 about RUB400m were invested in that refinery. LUKOIL develops a chain of oil storage facilities and retail outlets in the North Western region. Today LUKOIL-Komineftepro dukt satisfies 90% of the needs of the Komi Republic in oil products. Modern retail outlets will be built in the Arkhangelsk, Kaliningrad, Leningrad, Vologda, Pskov, Novgorod regions, in the Nenets Autonomous region, in the Karelia and Komi republics and in St. Petersburg.

A complex approach to development of oil production stipulates solution of a complex of economic, social and environmental tasks. In every region LUKOIL social costs will amount to some RUB2bn. Implementation of investment programs in the North Western federal region will allow to increase budget revenues up to RUB400bn within 10 years.

By rectifying mistakes made by its predecessors, the Company plans a wide scope of environmental protection measures aimed at reclamation of polluted areas, sharp decrease of environmental discharge while maintaining a required level of

environmental safety. Relevant costs will surpass RUB17bn by 2005.

Thus, LUKOIL plans to streamline practically one fifth of its investment in North Western region of Russia.

"Natural resources companies always were and will always remain national companies as they work in the area of natural resources development and, as distinct from the capital, cannot be taken out of the country or hidden away. They will always be, in fact, national companies as their performance conditions well-being of every citizen of our country," said LUKOIL President Vagit Alekperov.