PRESS RELEASE
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LUKOIL FREEZES PRICES FOR PETROL AND DIESEL FUEL

LUKOIL freezes the retail prices for the petrol and diesel fuel at its retail petrol service stations in all regions of Russia from September 19, 2005, till the end of the year, Vagit Alekperov, LUKOIL President, stated. “This will allow to restrain the fuel prices growth and continue the constructive dialog between the Government of Russia and oil companies to stabilize the domestic prices for the oil products”, Vagit Alekperov said.

LUKOIL believes that the situation in the Russian fuel market may be improved by releasing the taxes for mineral resources production from being linked to the global oil prices, stimulation of the diesel fuel consumption in Russia and motivating large investments into upgrade of the national refinery industry.

LUKOIL accounts that the main reasons for the oil products domestic prices growth are dependence of the national prices for oil on the global prices, the tax burden proportional increase, consumption rise within Russia against the limited offer as well as a significant (65%) number of retail petrol service stations networks that do not belong to any vertically-integrated company.

From December 2004 till May 2005 LUKOIL lowered unilaterally by 5% and frozen the retail prices for the petrol and diesel fuel serviced from the LUKOIL retail stations in Russia. However, the initiative was not supported by other participants of the market. Moreover, the Company faced lack of understanding from some governmental bodies and resistance from the competitors.

LUKOIL owns four refineries and about 1,500 retail petrol service stations (including rented and franchised) in Russia.

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