PRESS RELEASE
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LUKOIL BOARD OF DIRECTORS LISTENED TO DOWNSTREAM OPERATIONS REPORT AND DISCUSSED GUIDELINES ON SECURITIES TRADING

LUKOIL Board of Directors was held in Moscow today to listen to the downstream operations report. The directors also discussed procedures for securities trading by people which have access to insider information which may affect the value of LUKOIL securities.

The Company's downstream segment includes assets which provide for prompt logistics and oil marketing, petroleum refining and petroleum products marketing. This business segment comprises 7 refineries, 3 petrochemical enterprises, 24 regional marketing subdivisions, and 4 special purpose marketing subdivisions including LITASCO, the international operator.

Changes in the downstream management structure became inevitable after substantial transformations had been made to business organizational framework. Thus, in 2005 industry Main Divisions coordinating refining and marketing were replaced with two Main Divisions for Petroleum Products Refining and Marketing, in Russia and abroad. In addition to this, Department for Technical Development and Investment Projects Implementation was set up.

In 2003-2005 downstream capital expenditures amounted to approximately USD 3.5 billion. Positive KPI performance was ensured by considerable investments. Crude refining by LUKOIL Group refineries is expected to come to about 47.6 mln ton in 2005, which is 13% higher as compared to 2003.

Enhancing production structure and improving quality of light petroleum products have been the two major focuses in the petroleum refining sector. A number of large-scale projects, including reconstruction of Petrotel-LUKOIL, commissioning of an advanced petroleum refining unit in LUKOIL-Permnefteorgsintez and a catalytic reforming unit in LUKOIL-Nizhegorodnefteorgsintez, have been implemented over this period. Preliminary estimates suggest that output of light petroleum products supplied to LUKOIL Group refineries will increase up to 53% in 2005 (as compared to 50% in 2003), while the share of high-octane gasoline in the total gasoline production will reach 79% (against 66% in 2003).

In terms of infrastructure development, the major share of investment was

contributed to construction of a transshipment unit in Vysotsk. Today, oil and petroleum products throughput of the unit is 10.7 mln ton/year. Further differentiation of handled cargoes is an important target for complex development. Own cargo handling facilities considerably reduce infrastructure restrictions and represent an efficient tool for maintaining balance between demand and supply in the internal market of petroleum products.

Since 2005 special attention has been paid to cost management based on “costs per one ton of sold product” as part of the evaluation system designed to monitor regional marketing operations. This figure reflects both the operating efficiency and investment performance. In addition, transition from control over individual indicators reflecting business activity to working capital management based on supply chain in general and using an integral performance indicator, “working capital turnover rate in a certain business segment”, was launched. Since 2004, an integral indicator “offering price for crude” has been introduced for evaluation of operating efficiency.

Based on the LUKOIL Group Strategic Development Program for 2005-2014, general development plans for the downstream segment have been adopted. Two development plans, for Russia and for foreign countries, are currently prepared. Likewise, the plan targeted at development of unified Central Russia – Eastern Europe transport corridors is being formulated. A more detailed study of general plans is scheduled for the future, which implies competitive analysis of certain counties or regions to formulate downstream business strategy for specific markets.

Among other things, LUKOIL Board of Directors considered an issue related to the improvement of corporate governance.

Since the UK Financial Services Authority introduced Disclosure Guidelines, the LUKOIL Management Committee has approved the Regulations for LUKOIL Group organizations concerning LUKOIL securities trading performed by people which have access to insider information.

The Regulations establish procedures, which enable the Company to: (1) to ensure control over the list of employees and other people which have access to insider information; (2) to eliminate unlawful use of nonpublic information about the Company; (3) to preclude insiders from taking advantages of their positions in personal interests and/or for the benefit of interested people; and (4) to protect legal interests of shareholders and investors as well as their rights to equal access to information which may affect the value of LUKOIL securities.