PRESS RELEASE
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OAO LUKOIL LAUNCHES OIL PRODUCTS PIPELINE «PERM–ANDREEVKA»

The new pilot project of oil products pipeline (OPP) «Perm–Andreevka» was launched today in Perm. The pipeline connected Perm refinery OOO «LUKOIL-Permnefteorgsintez» and the AK «Transnefteproduct» pipeline system. The representative of the President of Russian Federation in Povolzhsky federal district, Sergey Kirienko took part in the launching ceremony.

The length of a first non-government owned oil products pipeline connected to the monopolistic pipeline system is 335.3 km, its volume productivity is 2,4 mln tons of oil products per year. The cost of the pilot project is more than 3 billion rubles (USD 97.2 mln), its payback period is 7 years.

The new complex includes major piping station «Perm», linear part, underwater passages, oil products registration units, motor vehicles filling units. The emergency-repair posts that carry facilities of oil product leaks localization are also installed along the pipeline. The pipeline is equipped with remote control units supplied by «Honeywell» (Germany). The remote control units allow one to set up the connection with a central dispatching unit of a major pumping station at any spot of the OPP within the area of 500–600 meters; the transform signals to open and close valves and establish control over the security posts. Pipeline monitoring and service is to be carried out by helicopters and employees monitoring the status of the system. All of the above ensures highest levels of environmental safety.

The newly launched OPP «Perm-Andreevka» will provide OOO «LUKOIL–Permnefteorgsintez» with a transportation facility to supply its products directly to southern parts of Perm region, Udmurtia, Bashkiria, surrounding regions and further on to the west - to export markets. It will also add new employment opportunities for the countryside. The new OPP will significantly improve the ecological situation in the regions surrounding the oil refinery - the product feed will be carried out in a closed manner which fully excludes the possibility of harmful vapours and leaks. LUKOIL will also be able to control its products pricing at customer-favorable levels due to the decrease in transportation costs.

In the cause of the OPP exploitation some 44 thousand tank trucks per year will not be used by the company and so the savings on railroad tariffs could amount to 60 mln. (USD 1.9 mln) p.a.

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«The launch of a new oil products pipeline is a next step in a Company's marketing network development aimed to supply quality products to the Russian consumers» – LUKOIL's President Vagit Alekperov noted.

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38 mln. tons of oil were refined by the Company's own refineries in 2001, including 29 mln. by the Russian refineries (10.7 mln tons refined by OOO «LUKOIL-Permnefteorgsintez») and 9 mln tons by foreign refineries. The sales volumes for the internal market amounted to 25.6 mln tons while export sales were at the level of 10.7 mln tons.