PRESS RELEASE
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LUKOIL AND ITALIAN ERG ENTER INTO A JOINT VENTURE IN THE REFINING BUSINESS

Vagit Alekperov, President of OAO LUKOIL ('LUKOIL'), and Alessandro Garrone, CEO of ERG S.p.A. ('ERG') yesterday in Rome signed an agreement to establish a joint venture. This joint venture will operate the ISAB refinery complex in Priolo, Sicily.

As part of the transaction, LUKOIL will acquire a 49% stake in the joint venture for a cash consideration of EUR 1.347 billion excluding inventory. ERG will retain 51%. The transaction structure provides LUKOIL with a possibility to increase its stake in future.

The ISAB refinery complex with Nelson complexity index of 9.3 is one of the largest refineries in the region and is well positioned to meet the growing middle distillate demand in Europe (mainly kerosene and diesel fuel). The refinery includes two sites which are united by a pipeline system and integrated in a single refining unit with total annual refining capacity of 16 million tons. The refining unit comprises a wide range of sophisticated refining processes such as catalytic cracking, hydrocracking and others. The unit also includes three jetties, storage tanks of 3,700 thousand cubic meters, 99 MW power generation plant and other related infrastructure.

Each partner will be responsible for procuring its share of crude and marketing its share of products in accordance with its equity stake in the joint venture. The ISAB refinery has the flexibility to process crudes such as Urals, and LUKOIL intends to fully integrate its share of the refinery into its supply chain.

Commenting on the transaction, Mr. Vagit Alekperov, President of LUKOIL, said, "Establishment of a refining joint venture in Italy is a cornerstone of LUKOIL's growth strategy in the area of developing its downstream operations in Western Europe. LUKOIL's overall refining capacities will increase by 13% and overseas refining capacities will increase by 60%. The refinery's advantegeous location and an opportunity to process Russian crude make this project very attractive. In ERG, LUKOIL acquires an experienced and reliable partner in one of the world's energy centers."

The transaction is contingent upon necessary antitrust approvals and other

customary closing conditions, including an approval by the European Commission for Competition, and is expected to be closed in the fourth quarter of 2008.