

PRESS RELEASE
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LUKOIL PUTS PHASE-I OF VYSOTSK TERMINAL INTO OPERATION

The inauguration ceremony of Phase-I of a transshipment and offloading complex (“Complex”) was held today in the framework of the 8-th Saint-Petersburg Economic Forum in the city of Vysotsk, Leningrad region, today. The Complex, named LUKOIL-II, is designed for oil products export.

The terminal’s Phase-I annual capacity is 4.7 million tons, whereas the designed annual capacity is planned to reach almost 12 million tons.

The construction of the terminal started in June 2002. So it took LUKOIL only two years to build a unique facility which will allow the Company to significantly increase the existing oil and oil products export capacity whilst spending less on its transportation. LUKOIL plans to use the Vysotsk terminal to supply petroleum products to its filling stations in the USA.

The construction is done on a turnkey basis by ZAO LUKOIL-Neftegazstroy together with Fluor Corporation, a leading US engineering company.

In September 2003, HBK Fund, an American private investment fund, extended a \$225 million credit to finance the construction of the terminal for a period of 12 years. OPIC (Overseas Private Investment Corporation) acted as a guarantor of a \$130 million loan. CSFB arranged financing and provided a \$75 million guarantee. It was the first time that LUKOIL attracted a credit facility for such a long period of time without using its export earnings as collateral. As for OPIC, never before had it funded a project with 100% Russian share capital.

Oil and oil products are delivered to LUKOIL-II complex mostly by railway. Besides, in the summertime fuel oil may be delivered by river-sea class tankers with a deadweight of 6,000 tons each.

A two-sided trestle with a capacity of 36 carriages for each side will be used to discharge products. It is planned to construct 17 storage tanks with a capacity of 20,000 cubic meters each. At present, 8 storage tanks are prepared to come on stream and one of the two discharge trestles is operational.

Also, the terminal can now receive tankers with a 20,000-ton deadweight. Tankers with a 50,000-ton deadweight will be able to moor the terminal after the ongoing

dredging is completed. The terminal is designed to receive tankers with a deadweight of 80,000 tons when operating at its full capacity.

Part of the terminal is a 104-meter tower which houses sea traffic control systems. The terminal's local navigation system is a part of the sea traffic control system of the Finnish Gulf area.

The first railway cars with oil arrived at the terminal on 17 April, 2004 to start the filling of tanks.

On May 19, the first ice-class tanker from LUKOIL's fleet, "Kaliningrad", was loaded at the terminal. There will be two moorings at the terminal; one of them is already operational and is capable of receiving up to 175 vessels annually.

LUKOIL's efforts to preserve environment while constructing the terminal were unprecedented. The Russian Federation Ministry of Natural Resources confirmed compliance of the project with the requirements of Russian laws regulating environmental protection and utilization of natural resources. The terminal is safely distanced from the inhabited area.

All tankers entering the terminal area must be double-hulled. The tankers must also be equipped with isolated systems for ballast water and cargo, modern navigation systems with electronic maps. "LUKOIL-II" will only receive vessels equipped with gas return systems which allow to recover oil products vapors when loading tankers.

The terminal is also equipped with a system of laser mooring to ensure precise control over any traffic in the nearby waters. The quality of navigation equipment allows the terminal to network the Global Marine Distress and Safety System (GMDSS).

The Company's own fleet consists of five vessels, including oil-spill boats, and allows to quickly localize and fight oil and oil products spillages. There are 25 skimmers and 4.8 kilometers of slick bar. One of the skimmers is controlled remotely at a distance of up to 40 meters from an oil-gathering barge. There is always a tug-boat near the terminal.

The storage tanks are double-walled to prevent leakages. All of the constructions are built on special platforms to protect soil and subsoil waters.

The railway discharge trestle has concrete bottoms to protect soil from oil products spills. The terminal is equipped with state-of-the-art purification systems for wastewater treatment. The treated water is either used repeatedly for industrial

purposes or is discharged into the basins connecting the Vyborg bay. The water to be poured out into the basins is purified in a specific way to meet the strictest discharge standards.

Fire-fighting protection includes water spray extinguishing system to protect the tanks. It also includes foam fire-fighting facilities and water screens at the mooring sites.

Unprecedented safety precautions along with state-of-the-art equipment make LUKOIL terminal one of the world's most secure ports in terms of ecological safety.

OAO "RPK-Vysotsk LUKOIL-II" is registered in Leningrad region. It is expected that in 2005 the Company will pay over 100 million rubles in taxes to the local budget. The start-up of the terminal will create at least 500 new jobs. Purification and repair works of the water intake facility were funded by LUKOIL. In May 2004 the Company allocated 4 million rubles to build a gym in one of the city's schools.