

PRESS RELEASE
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LUKOIL DOUBLES ITS PRESENCE ON THE US GASOLINE RETAIL MARKET

LUKOIL Oil Company announced that it has agreed to acquire 795 gas stations from ConocoPhillips in the states of New Jersey and Pennsylvania. The purchase price of the acquisition is \$265,75 mln., out of which \$50 mln. is LUKOIL's capital contribution. The remaining financing will be solely arranged by US bank Lehman Brothers which shall also act as sole financial and M&A advisor. This loan will be issued to LUKOIL for six years with the real estate assets as collateral.

The volume of acquired retail network is 1.2 bln. gallons and will allow LUKOIL to double its market share in the Northeast U.S.A. This acquisition meets the investment criteria of the Company and is in accordance with development strategy of the most profitable retail sector of oil products in the "Refining and Marketing" unit. This is in compliance with the "Program of Strategic Development of LUKOIL Group for the years 2004-2013".

Acquisition and expansion in new markets will allow the Company to intensify its production projects in Timan-Pechora province and double the production volume.

The Company's own retail network of gas stations in the US market will enable it to more efficiently use export facilities of the terminal in Vysotsk (Leningrad region). The transfer of oil products via this terminal will provide for significant increase of shipments of its own products to the United States and Europe and decrease export transportation expenses by \$40-50 mln. per year. The Vysotsk terminal is designed to transfer oil products, such as fuel oil, diesel fuel, gasoline and lubricants from the railroad and will be able to initially accept tankers with deadweight 20,000 mt and up to 80,000 mt by the end of the construction period. The first stage with capacity of 2.5 mln tons is planned to be in operation by spring of 2004.

LUKOIL owns more than 4,700 service stations around the world with about 2000 sites in the United States (after acquisition). In the year 2000 LUKOIL acquired about 1300 gas stations of the US company Getty Petroleum located in the northeastern part of the USA.