PRESS RELEASE
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# LUKOIL RESTRUCTURES ITS PACKAGED OIL DISTRIBUTION NETWORK

The Management of LUKOIL resolved to restructure the Company's Russia-located dealership network engaged in its packaged oils retailing. The restructuring is supposed to boost the sales and improve the motor oils distribution.

Several "sales areas" will be created in the course of the restructuring process with dealers nominated to operate within each of them. LUKOIL's subsidiaries involved in petroleum products marketing will become the dealers. The number of the dealers operating in a sales area will be restricted. Their main challenge will be to promote the packaged products. A new pricing pattern will be introduced to provide a stable margin for the dealers.

However, LUKOIL intends to make high demands on the dealers. For instance, a two-year practice of regional marketing of packaged motor oils, lubricants, auto cosmetics and other technical chemistry products will be mandatory. Among other requirements is an obligation by a dealer to provide its own or leased storage facilities for commodities delivered by rail or trucks. Computer systems tracking commodity movement will be essential. Also, a dealer will have to ensure direct shipments to regional retail networks or to non-networked retail intermediaries in the amount exceeding 20% of its total sales figure. A dealer will also have to comply with certain sales targets set by the Company.

All companies which intend to become LUKOIL dealers and match the above requirements will need to e-mail an application form (sample is posted at www.lukoil-masla.ru) to the Lubricants Production and Marketing Department at aromanenko@lukoil.com. After an applicant becomes a dealer, LUKOIL concludes a dealership agreement with it and instruct an appropriate distributor to conclude an agreement for packaged products deliveries.

LUKOIL plans to complete the restructuring of the dealership network by the end of August. In September 2005, LUKOIL plans to convene a dealership conference to discuss the results of the renovation.

Over the past five years LUKOIL has done a lot of work to improve the quality of its products. The Company has invested considerable funds in the development of state-of-the-art technologies, including the VHVI (LUKOIL-VHVI-4) base oil production technology, and consequently reached full compliance with

international standards. Now the Company is willing to set up an effective client-oriented marketing and distribution structure distinguished by the best quality products, services and latest technologies.