PRESS RELEASE
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LUKOIL MANAGEMENT DETERMINES TERMS OF SALE TO DIVEST ITS NON-CORE DRILLING ASSET

Today's session of OAO LUKOIL Management Committee approved the decision to sell 100% of the charter capital of OOO LUKOIL-Bureniye, its non-core drilling asset with a par value of 573,170,000 rubles, at an open tender.

The Management Committee also approved the terms of the tender. Thus, the transaction price should not be lower than US$ 68.5 million. The payment should be done in cash equivalent in rubles. In addition, the buyer should also assume responsibility for repayment of loans (at market interest rates) worth over US$60 million extended by OAO LUKOIL to companies of OOO LUKOIL-Bureniye Group. As additional terms, it is planned to sign 5-year contracts with OOO LUKOIL-Bureniye Group companies to drill not less than 6 million meters of wells for OAO LUKOIL.

The terms of the tender will be published in "Vedomosty", "Izvestiya" and "Rossiyskaya Gazeta" newspapers on July 8, 2004.

The decision to sell the shares in the charter capital of OOO LUKOIL-Bureniye is part of the LUKOIL Strategic Development Program till 2013 aimed at achieving higher capitalization and better investment attractiveness by way of divestment of the LUKOIL Group non-core assets. The Program also envisages a gain in profit from the non-core assets divestiture. Moreover, the Program targets lower fixed costs in the Company's cost structure, better transparency and improved governance of LUKOIL Group as well as more stringent competitive environment in the sphere of service operations. Also, the Program stipulates the reduction of workforce while increasing its efficiency.

The LUKOIL-Bureniye group was set up in 1995 on the basis of production entities of LUKOIL's upstream subsidiaries responsible for oil-well construction. In 1999-2003, the Company's share in the domestic drilling market ranged from 12% to 17.5%. In 2003, the meterage drilled by the group amounted to 1,242 thousand meters while its revenues totaled 11,260 million rubles. The Company employs 14.5 thousand people.

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