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LUKOIL INTENDS TO PURCHASE CONTROLLING INTEREST IN OAO UGK TGK-8 FROM IFD KAPITAL

LUKOIL and IFD Kapital have reached an agreement in principle to purchase an 80% interest in OAO UGK TGK-8 ('TGK-8') at a price equivalent to \$640-660 per kW of rated capacity. The transaction will be closed after all corporate approvals have been obtained and the Federal Antitrust Authority permit has been issued.

Under the transaction settlement terms, LUKOIL will transfer approximately 23.5 million treasury shares to IFD Kapital at the price set by the Company's Board of Directors. These shares have been previously bought out by OAO LUKOIL in the open market.

TGK-8 is one of the major gas consumers in the Southern Federal District with the annual consumption reaching 6 billion cubic meters per year. Its power plants are located in Astrakhan, Volgograd and Rostov regions, Krasnodar and Stavropol Districts, and the Republic of Dagestan.

Rated capacity of electric and thermal power generation facilities of TGK-8 makes up 3,601 MW and 13,366 Gcal/hour, respectively. On average, the company's market share in the regions of its presence makes 17% in terms of electric power, and about 60% - in terms of thermal energy. The 2006 consolidated profit of the company came to RUR 14.3 billion, with net profit at RUR 3.4 billion.

By purchasing TGK-8 assets, LUKOIL expects significant synergies through natural gas supply to the TGK-8 plants from the Company's gas fields located in the Northern Caspian and in Astrakhan region.

LUKOIL is planning to continue developing its electric power business. The TGK-8 investment program stipulates construction of plants with the total capacity of over 1,000 MW in the next 5 years, including construction of new power generation facilities and replacement of retired capacities. By now, RUR 24 billion have been accumulated on the accounts of TGK-8. The funds have been raised by the company through additional stock issue, and will be used to finance most of the TGK-8 Investment Program.

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