PRESS RELEASE
MARCH 31, 2004

COLORADO APPELLATE COURT IN US HAS AFFIRMED THE COLORADO TRIAL COURT'S DISMISSAL OF ARCHANGEL DIAMOND CORPORATION'S CLAIM AGAINST OAO ARKHANGELSKGEOLDOBYCHA AND OAO LUKOIL

On March 25, 2004, OAO LUKOIL ("LUKOIL") and OAO Arkhangelskgeoldobycha ("AGD") won yet another expected victory in the courts of Colorado. The Colorado Court of Appeals affirmed a previous ruling of the District Court of the City and County of Denver to dismiss a case filed by Archangel Diamond Corporation ("Archangel"). The appellate court's decision affirms the fact that LUKOIL and AGD are not subject to the exercise of Colorado's jurisdiction.

Archangel had sought to recover approximately $4.8 billion in damages, comprised of $1.2 billion of actual damages and $3.6 billion of punitive damages from LUKOIL and AGD. Despite the parties' negotiations having taken place outside of the United States, the property in question being located outside of the United States, and all required contractual performance occurring in the Russian Federation, Archangel argued in circumvention of Colorado law and the Due Process Clause of the United States Constitution and brought its claim in a Colorado court. Recognizing this, the Colorado trial court dismissed this case based on lack of jurisdiction on October 15, 2002.

Archangel appealed this dismissal. After hearing oral argument and receiving voluminous briefing, the Colorado Court of Appeals has affirmed the trial court's judgment in a well-reasoned opinion issued on March 25, 2004. In this opinion, the Colorado Court of Appeals expressly agrees that LUKOIL and AGD are not subject to personal jurisdiction in Colorado. This decision confirms what LUKOIL has consistently argued – that this case should be decided by the courts of the Russian Federation. OAO LUKOIL has already publicly stated that it will submit to the jurisdiction of the courts of the Russian Federation, and will abide by whatever ruling the Russian court system reaches with regard to the contested diamond license.

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