PRESS RELEASE
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LUKOIL SIGNS A PRODUCTION SHARING AGREEMENT ON THE KANDYM-KHAUSAK-SHADY PROJECT IN UZBEKISTAN

Today in Tashkent, Deputy Prime-Minister of the Republic of Uzbekistan Utkir Sultanov, Chairman of the National Holding Company Uzbekneftegaz Abdusalom Azizov and President of OAO LUKOIL Vagit Alekperov signed a Production Sharing Agreement ("PSA") on the Kandym-Khausak-Shady project, calling for production of natural gas in the Bukharo-Khivinsky Region in the south-west of the country.

The document was signed as a part of an official visit of President of Russia Vladimir Putin to the Republic of Uzbekistan.

The investment consortium includes LUKOIL and Uzbekneftegaz, with LUKOIL having a 90% and Uzbekneftegaz a 10% share.

The PSA is for 35 years, with estimated capital expenditures of USD1 billion. The first commercial production of natural gas is expected to begin in 2007.

Recoverable reserves of natural gas within the contract area amount to 283 bcm. The largest of the fields, Kandym, contains over 150 bcm of gas.

Annual gas production is expected to peak at around 9 bcm, while cumulative production of natural gas under the project may reach 207 bcm.

The project provides for the construction of a modern gas-chemical complex with 6 bcm capacity, the first phase of which is scheduled for commissioning in 2010. Additionally, it is planned to drill 240 production wells, lay 1,500 km of pipelines. It is also planned to build two compressor stations, gathering points, camps, high-voltage power lines, a separate 40 km railway section, roads and access roads.

Creation of a large number of new jobs and involvement of Uzbek service contractors is planned along the project's progress. Gas will be distributed through OAO Gazprom trunk pipelines.

The feasibility study of the project has been prepared by UzLITIneftegaz research institute, a subsidiary of Uzbekneftegaz, and the PSA has been developed by US legal firm Baker & McKenzie. The feasibility study and the PSA have been

approved by the Special State Committee of Uzbekistan on subsurface development terms and review of production sharing agreements.

In February 2003, LUKOIL Overseas, LUKOIL's international upstream projects operator, established a representative office in Tashkent.

"Implementation of a project in Uzbekistan fully corresponds with LUKOIL's development strategy, which includes acceleration of gas sector development and transformation into a multi-profile oil and gas company," said Vagit Alekperov, President of LUKOIL.