PRESS RELEASE
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LUKOIL SELLS 100% STAKE IN ZAO ARKTIKNEFT

LUKOIL has closed a deal selling a 100% stake in ZAO Arktikneft. The Cyprian Urals Energy Holdings Ltd. purchased the Company. With the total amount of the deal of up to US$40 million, the purchaser had paid roughly US$20 million for the stocks and would have to settle Arktikneft's debt to LUKOIL's structures worth US$20 million.

LUKOIL announced its decision to sell 100% of Arktikneft's shares in August 2004. But the offers coming from potential buyers did not meet LUKOIL's commercial interests. Therefore additional negotiations with interested parties were held, which resulted in signing a purchase agreement with Urals Energy Holdings Ltd.

ZAO Arktikneft registered in July 1998 was set up to develop oil fields in Russia's Nenets autonomous district. The Company's major activities include prospecting, complex development and operation of oil and gas fields, development of technical projects for wells construction and drilling, oil production and processing. The major commercial product is export-grade crude oil extracted in Pestchanoozersky oil and gas condensate field.

As of January 1, 2005, proven oil reserves at Pestchanoozersky field came to 3.6 million tons (28.6 million barrels) according to SPE standards. In 2003 the Company produced 82 500 tons of crude. In 2004 ZAO Arktikneft oil production made 73 000 tons, the return and net profit (as per Russian Accounting Standards) accordingly came to 422 and 15.7 million rubles.

Apart from this deal LUKOIL subsidiaries - LUKOIL-Komi and OAO Komineft - also signed a Memorandum of Intent with the Belgian company NAFTA (B) N.V. agreeing to sell assets related to the Voivozhskaya group (Voivozhskoye, Nizhne-Omrinskoye and Verkhne-Omrinskoye oil fields). The deal is expected to be closed in 6 to 9 months. The total value of the deal will amount to $1.5 million (without adjustment for the amount of working capital of the Companies being sold).

The deals represent the next implementation stage of OAO LUKOIL program for asset portfolio optimization, production costs reduction and increase of return on investments.

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