

PRESS RELEASE  
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OAo LUKOIL MANAGEMENT BOARD APPROVES FUNDAMENTALS OF  
INSURANCE STRATEGY AND POLICY OF OAO LUKOIL AND ITS  
SUBSIDIARIES

OAo LUKOIL Management Board has approved «Fundamentals of Insurance Strategy and Policy of OAO LUKOIL and its Subsidiaries». The document defines the purpose of the Insurance System of OAO LUKOIL and its subsidiaries, its goals and structure. It also stipulates the requirements for the System's participants and the insurance companies which provide insurance coverage for OAO LUKOIL and its subsidiaries.

The purpose of the System is to ensure sustainable functioning and development of OAO LUKOIL and its subsidiaries by way of economically effective insurance against risks which may have a negative effect on the business, health of personnel and shareholders' and investors' interests.

To accomplish the mission the following goals are to be achieved:

- Identification of all risks which might present a threat to the business, i.e. to the stability of OAO LUKOIL and its subsidiaries.
- Complete and timely compensation of all financial losses (including damage resulting from loss of crude oil, intermediate or end products; costs of localization of accidents and liquidation of their consequences, as well as associated mandatory costs, etc.) resulting from emergencies. Compensation shall be effected by transfer of unplanned costs (time-wise and volume-wise) for the coverage of probable losses to the category of planned and economically feasible insurance payments.
- Recovery of property to the pre-accident condition.
- Full compensation of legal liability for inflicting damage to the life, health and property of other persons and the environment.
- Full compliance with the requirements of OAO LUKOIL's Social Code with respect to insurance of personnel of OAO LUKOIL and its subsidiaries.

In the course of preparation of OAO LUKOIL Insurance Program for 2003, an independent surveyor company, Suregrove Ltd. (London), was hired to review the

insurance risks. This company performed an engineering assessment of oil-producing, refining and marketing companies. Specialists of ZAO «Industrialny Risk» were also involved in the assessment.

The main threat to the business of a vertically integrated oil company is associated with accidents at oil refineries and petrochemical plants. Therefore the focus this year is on the insurance of the Company's refining and petrochemical facilities. The world's largest re-insurance brokers, Heath Lambert Group, Marsh and Willis, participated in developing the most adequate insurance solutions. The brokers were assigned to develop acceptable solutions for insurance coverage considering OAO LUKOIL's specific insurance risks, and also the situation on the world re-insurance market. All this resulted in a considerable growth (2 to 6 times) of the insurance payments in 2003. These payments now add up to the recovery cost of the Company's refining and petrochemical facilities. The maximum insurance compensation for one insurance case was raised from US\$100 mln. to US\$300 mln.

Potential insurers of OAO LUKOIL risks are to be selected on the basis of their reliability, financial credibility and rating.

The following requirements are mandatory for companies providing independent insurance services for OAO LUKOIL.

- Experience in dealing with large corporate clients operating in a highly hazardous industry like oil and gas.
- Presence in OAO LUKOIL's regions of operations and possession of appropriate service capabilities, including those required to settle eventual losses.
- Ability to efficiently monitor insured risks on a permanent basis.