

TENTATIVELY APPROVED
by the Board of Directors of Open Joint Stock Company
“Oil company “LUKOIL”
Minutes No. 13 of 21 May 2008

Chairman of the Board of Directors
V.I. Grayfer _____
(signature)

[*stamp*]

Annual Report
Open Joint Stock Company
“Oil company “LUKOIL”
for 2007

President V.Yu. Alekperov _____
(signature)

Acting Chief Accountant I.A. Kozyrev _____
(signature)

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Forward-looking statements

- Some of the statements made in this report are not statements of fact, but rather are forward-looking statements. Examples of these statements include:
 - plans and forecasts relating to income, profits (losses), profits (losses) per share, dividends, capital structure, other financial indicators and ratios;
 - our plans, goals and objectives, including those related to products and services;
 - future economic indicators;
 - the assumptions on which the statements are based.
- Words such as “believes”, “expects”, “assumes”, “plans”, “intends”, “anticipates” and similar expressions are used to indicate forward-looking statements. However, the proposed solutions to problems given in these statements are neither the sole possible solutions nor are they exclusive.
- Forward-looking statements inherently involve certain unavoidable risks and ambiguous issues, both general and specific. There is a risk that the plans, expectations, forecasts, and some of these forward-looking statements will not be realized. For a number of different reasons, the actual results may differ materially from the plans, goals, expectations, assessments and intentions expressed in such statements.

OAO “LUKOIL” – the corporate centre of the LUKOIL Group

Open Joint Stock Company “Oil Company LUKOIL” (abbreviated form OAO “LUKOIL”, hereinafter also the “Company”) was founded in accordance with Resolution No. 299 of the Council of Minister–Government of the Russian Federation of 5 April 1993 *On the Foundation of the Open Joint Stock Company “Oil Company LUKoil”*, in execution of Decree No. 1403 of the President of the Russian Federation (the “RF”) of 17 November 1992.

OAO “LUKOIL” is one of Russia’s leading vertically-integrated oil companies. OAO “LUKOIL” is the corporate centre, coordinating the operations of the Company’s subsidiaries that make up the LUKOIL Group (hereinafter also the “Group”) and facilitating the further development and globalisation of the LUKOIL Group’s business.

The main lines of business of companies in the LUKOIL Group are currently oil and gas exploration, production and sales, and also the production and sale of oil products. In 2007 the Company began to develop a new line of business – the electric power sector.

In 2007 the income of OAO “LUKOIL” from ordinary activities, included within revenues, was generated by the following activities:

- sale of oil and oil products;
- sale of gas and the products of gas processing;
- provision of services under commission contracts, agency agreements, paid service contracts, etc.;
- lease of property;
- granting of usage rights to intangible assets;
- sale of other goods.

The most profitable operating segment in 2007 was “Sale of oil”.

Indicators	Segments		Sale of gas and products of gas processing	Sale of other products, goods, services	Total for the Company
	Sale of oil	Sale of oil products			
Sales revenue, thousand roubles	586,404,390	5,879,626	11,540,531	5,997,290	609,821,837

By geographic location of the sales markets, the Company received the greatest revenues from sales (more than 53%) from the sale of products in the Russian Federation.

Indicators	Segments		
	Foreign countries	Russian Federation	Total for the Company
1. Sales revenue, thousand roubles	284,361,574	325,460,263	609,821,837
2. Carrying value, thousand roubles	290,696,775	333,116,047	623,812,822
3. Capital investments in fixed assets (including income-bearing investments in tangible assets) and intangible assets, thousand roubles	2,202,425	2,523,808	4,726,233

The net profits of OAO “LUKOIL” under Russian accounting standards and the value of net assets of OAO “LUKOIL” in 2007 were 65,127,177,000 roubles and 296,713,355,000 roubles, respectively (at year end). Profits before taxes were 86,455,701,000 roubles, versus 71,714,944,000 roubles in 2006.

The management bodies of OAO “LUKOIL” are: the General Shareholders Meeting, the Board of Directors, the Management Committee, and the President of OAO “LUKOIL”. The Audit Commission supervises the Company’s financial and business operations.

The Company’s shareholders include more than 53,000 individuals and legal entities.

The charter capital of OAO “LUKOIL” equals 21,264,081.375 roubles, and is divided into 850,563,255 ordinary registered shares with a par value of 2.5 kopecks each, equalling 100% of charter capital.

The Company’s shares are on the A1 Quotation Lists (highest level) of the Russian exchanges RTS and MICEX.

In March 2007, two issues of non-convertible interest-bearing documentary bearer bonds of OAO “LUKOIL”, series 03 and 04, were listed on the MICEX exchange, to a total amount of 14 billion roubles (the bonds were included on the A1 list).

In 2007 the Company continued to improve its corporate governance system, which not only protects the interests of shareholders and increases the investment appeal of OAO “LUKOIL”, but is also aimed at intensive development and ensuring dynamic growth of the LUKOIL Group.

The Group’s main objectives in the near future include:

in the Exploration and Production business segment:

- dynamic growth in the production of raw materials and full compensation of production by an increase in reserves;

- optimisation of the asset portfolio, disposal of ineffective assets;
- improvement of the efficiency of deposit development based on widespread use of new technologies and management of reserves;
- confirmation of the Company's right to use mineral extraction tax concessions;
- application of an integrated approach to implementing gas projects;
- minimization of the Company's environmental impact.

in the Refining and Distribution business segment:

- increase in oil refining capacity and the depth of oil refining, through modernisation and acquisitions. Expansion of oil refining in new regions: in Western and Central Europe and America;
- a comprehensive solution to issues on the manufacture of products that meet EURO 4 specifications and integration of oil refining and petrochemical production processes;
- development and expansion of the retail network in areas with effective logistics in priority regions for development of internal oil refining;
- formation of an effective arrangement of retail networks and an increase in average daily sales per filling station;
- increase in sales of liquefied petroleum gases.

The management of OAO "LUKOIL" has decided to focus efforts on raw materials; product, sectoral and geographical diversification; and the development and implementation of Special-Purpose Programmes on energy conservation, industrial and environmental safety, and the development of new lines of business: gas and chemical facilities and electric power.

The Programme for the Strategic Development of the LUKOIL Group for 2008–2017 (approved by the Board of Directors of the Company on 22 May 2007) sets the corporate strategy goals for the intensive growth of the Company, chief among which are: growing the Company's value and increasing the profitability of its operations.

The implementation of the Programme for the Strategic Development of the LUKOIL Group for 2008–2017 should facilitate the further development of the Company, ensuring that the Company is one of the world's leading vertically-integrated oil companies.

Events in 2007

January

LUKOIL Group completes consolidation of Geoilbent by purchase of the remaining 34% of the company for \$300 million. The Group previously accounted its investments in Geoilbent based on its stake in share capital. Geoilbent develops fields in the Yamal-Nenets Autonomous District (Western Siberia), as well as carrying out geological exploration work at a number of license areas.

February

OAO "LUKOIL" and the Government of Leningrad Region sign a new cooperation agreement. The document defines main areas of cooperation between the parties for further development and efficiency improvement of the fuel and energy complex in Leningrad Region, increasing production potential, ensuring reliable provision of oil and lubricants to enterprises, organizations and the general public, and improving environmental conditions in the Region.

LUKOIL Group signs a memorandum of mutual understanding with the Qatar state oil company, Qatar Petroleum, on cooperation in exploration, development and rehabilitation of oil & gas fields in Qatar.

LUKOIL Group and the Saudi Arabian state oil company complete drilling of the first exploration well at the Tikhman structure (part of the Block A contract area in the Kingdom of Saudi Arabia). Work on the well began in January 2006, and it was drilled to a depth of 4,800 meters. A hydrocarbon deposit was found and studies were begun to assess its composition and potential. The studies should be completed in 2008.

LUKOIL Group commissions a gas-filling station in Volgograd. The station has annual capacity for 15,000 tonnes of liquefied gas. It will supply high-quality liquefied gas to LUKOIL's multi-fuel filling stations and to households in the Region.

LUKOIL Group completes drilling of an exploration well in the dome of the Medina structure at the Condor exploration block in Colombia. Well depth is 4,500 meters and testing gave a flow of high-quality Vasconia crude oil (1,200 barrels per day). A field with commercial reserves has thus been discovered. This is the first-ever discovery by Russian oilmen in the Western hemisphere.

March

A polypropylene production facility with 120,000 tonnes annual capacity is commissioned at the Stavrolen Petrochemicals Plant (Budennovsk, Stavropol Region). This is the first such facility among LUKOIL Group's petrochemical assets. Output will fully meet Russian market requirements for modern grades of polypropylene.

LUKOIL Group begins construction of a gas-fired power station with 72 megawatt capacity in Western Siberia. The purpose of the station will be to provide all electricity needs of the Vat-Yeganskoye field, which is one of the Group's main sources of crude oil, and it will be the biggest generating facility in LUKOIL Group ownership. The station will burn associated gas from Company fields in Western Siberia.

OAO "LUKOIL" signs a cooperation agreement with the Government of Kirov Region. The agreement concerns provision of high-quality petroleum products, gas processing outputs, and various other services to consumers in the Region, as well as construction of tank farms and filling stations, sustainable use of natural resources, and steps to protect the environment.

LUKOIL Group and GAZ Group sign a cooperation agreement for the period from 2007 to 2010. The agreement is for deliveries of LUKOIL lubricants to fill new vehicles coming off the GAZ production line, as well as inclusion of these lubricants in design and technical documentation. The parties also plan to work together on development and certification of new types of lubricants for engines and transmissions, as well as developing industrial lubricants for use in automotive manufacturing equipment.

OAO "LUKOIL" completes calculation and independent audit of oil & gas reserves as of January 1, 2007. According to the data, which were confirmed by the US company, Miller and Lents, the Company's proved hydrocarbon reserves on January 1, 2007 were 20.36 billion boe, of which 15.93 billion barrels of crude oil and 26.60 trillion cubic feet of gas. Growth of the Group's proved reserves in 2006, including production, was 4.1%. Growth of hydrocarbon reserves has fully covered production in the last seven years.

April

OAO "LUKOIL" obtains an unsecured syndicated \$250 million credit facility for five years at LIBOR +0.4%. The facility represents the cheapest-ever unsecured five-year syndicated borrowing by a Russian company.

LUKOIL Group joins the Technical Association of the European Lubricants Industry (ATIEL). Other members of the Association are 16 of the largest international producers of lubricants.

LUKOIL Group and KAMAZ sign a cooperation agreement for the period from 2007 to 2010. Provisions of the agreement include deliveries of LUKOIL lubricants to fill vehicles on the KAMAZ production line as well as inclusion of these lubricants in KAMAZ design and technical documentation.

OAO "LUKOIL" signs a cooperation agreement with the Russian Ministry of Foreign Affairs. The Ministry undertakes to support the Company in its foreign business and protect its lawful interests abroad. LUKOIL undertakes to provide the Ministry with expert advice on development of cooperation with foreign countries and international organizations in the fuel and energy sector, as well as providing consulting support on issues related to international oil & gas markets and hydrocarbon exports.

LUKOIL Group completes sale of 50% of Caspian Investments Resources Ltd. (former Nelson Resources Limited) to the company Mittal Investments S.A.R.L. for \$980 million. Mittal Investments S.A.R.L. also pays off about \$175 million owed to LUKOIL Group companies by Caspian Investments Resources Ltd. (50% of the total outstanding debt). Caspian Investments Resources Ltd. carries out oil field exploration and development in Kazakhstan.

LUKOIL Group signs an agreement with the American oil & gas company, Vanco Energy, on acquisition of a 56.66% stake in three geological exploration projects at promising offshore blocks in the Gulf of Guinea (Western Africa). Blocks CI-101 and CI-401 are located on the continental shelf of the Republic of Cote d'Ivoire, and the Cape Three Points Deep Water block is located on

the continental shelf of the Republic of Ghana. All three blocks are in the deep-water zone of the Gulf of Guinea, 50–100 km from the coast, and are geologically part of the Tano Basin, where presence of commercial oil & gas reserves has already been proved.

Standard & Poor's rating agency raises its long-term issuer rating and all ratings for OAO "LUKOIL" debt instruments from BB+ to BBB-. This means that LUKOIL now has investment-grade ratings from all three leading rating agencies – Moody's (Baa2), S&P (BBB-) and Fitch (BBB-).

May

OAO "LUKOIL" and Gazprom Neft sign a memorandum of mutual understanding for joint realization of oil & gas projects in the Russian Federation. The companies are creating a joint venture for this purpose, in which LUKOIL Group will own 49% and OAO Gazprom Neft will own 51%. Management of the joint venture will be on parity basis.

OAO "LUKOIL" and the European Bank for Reconstruction and Development sign an agreement on provision of a \$300 million unsecured credit to finance implementation by LUKOIL Group organizations of their Environmental Safety Program in 2004–2008. The syndicated credit is in two tranches of \$150 million each. The first tranche is provided by the EBRD for a period of 10 years at LIBOR +0.65%. The second tranche is provided for seven years by a syndicate of commercial banks at LIBOR +0.45%. The maturity is the longest ever obtained by a Russian private company for an unsecured syndicated credit.

OAO "LUKOIL" signs a cooperation agreement with the Republic of Tatarstan. The agreement envisages cooperation in geological subsurface studies, and production and refining of hydrocarbons, as well as development of the supply system for petroleum products, and of industrial and social infrastructure in Tatarstan. The parties also agree that Tatneft will take part in implementation of the agreement. Tatneft plans to develop mutually beneficial cooperation with OAO "LUKOIL".

LUKOIL Group, ICEM (the International Federation of Chemical, Energy, Mine and General Workers' Unions) and NGSP RF (the Russian Union of Oil & Gas Industry and Construction Workers) sign the third global (framework) agreement on cooperation. By signing the agreement, LUKOIL confirms its commitment to the principles of this global initiative by the United Nations and to fundamental principles of good practice in the labor and environment spheres, as enshrined in conventions of the UN and ILO (International Labor Organization). At the time of signing LUKOIL was the only Russian company to have subscribed to such an agreement.

June

The Annual Report on Company Business and financial statements for 2006 are approved at the Annual General Meeting of Shareholders of OAO "LUKOIL". Shareholders approve payment of dividends on Company operations in 2006 at 38 roubles per ordinary share (compared with 33 roubles for 2005). The AGM also approves amendments and addenda to the Company Charter and to the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL", as well as setting the number of ordinary shares authorized for issuance at 85 million.

OAO "LUKOIL" and the Administration of Yamal-Nenets Autonomous District sign a cooperation agreement. The document envisages creation of favourable conditions for geological study of subsurface areas, conduct of exploration work, production of hydrocarbons, and maximum utilization of associated gas, as well as application of the latest technologies in exploration, production, preparation and processing of oil & gas. The parties also agreed to cooperate in realization of environmental protection programs and sustainable use of natural resources in the District.

LUKOIL Group completes work on creation of a global system for cash management, including measures to ensure more efficient use of cash, improvement of liquidity planning, as well as centralization of currency operations and operations on financial markets. Measures implemented in 2006 to optimize financial management gave overall gains of nearly \$350 million.

LUKOIL Group successfully places two equal tranches of Eurobonds with maturities of 10 and 15 years for a total of \$1 billion. Coupon rate on the 10-year tranche was 6.356%, and the rate on the 15-year tranche was 6.656%. There was more than \$6 billion of demand for the bonds, which obtained the highest rating ever accorded to an issue by a Russian private company.

OAO "LUKOIL" signs a cooperation agreement with the Republic of Kalmykiya. The document provides for cooperation between the parties in exploration and development of oil & gas fields, production and preparation of raw hydrocarbons, development of the petroleum product supply system, and creation of industrial and social infrastructure.

LUKOIL Group opens a modernized refuelling complex at Kishinev International Airport. Holding volume of reservoirs at the complex is 5,200 cubic meters. Modernization of the complex is part of LUKOIL's strategy for development of airport refuelling business, which includes expansion of the aviation fuel market and creation of an extensive network of the Company's own refuelling complexes.

LUKOIL Group completes the deal with ConocoPhillips for acquisition of 100% stakes in companies that own 376 filling stations in Europe (156 in Belgium and Luxemburg, 49 in Finland, 44 in the Czech Republic, 30 in Hungary, 83 in Poland, and 14 in Slovakia). Value of the deal is \$442 million.

July

LUKOIL Group completes certification audit of its Unified Corporate Safety Management, Labor and Environment Protection System, which is intended to ensure compliance with the requirements of ISO 14001:2004 and OHSAS 18001:1999. The certifying organization, Bureau Veritas Certification, confirmed the high level of integration and efficiency of LUKOIL Group's corporate System and recommended it for certification as compliant with ISO 14001:2004 and OHSAS 18001:1999.

August

OAO "LUKOIL" and the Chamber of Commerce and Industry (CCI) of the Russian Federation sign an agreement on cooperation in the information sphere. In accordance with the document, the CCI will assist LUKOIL Group in establishment of business links with foreign partners, mixed chambers of commerce and business councils of foreign countries, and will also help to create a

favourable legal climate for business activity. LUKOIL will provide the CCI with consulting and expert support on issues of development of international oil & gas markets, as well as export of hydrocarbons, petroleum products and petrochemicals produced in Russia.

LUKOIL Group completes installation of a global planning system based on SAP software, including plan preparation and budget modules for all aspects of planning, as well as a set of tools for evaluation and approval of investment projects and formation of the Group's Investment Program. The planning system was installed in more than 70 Russian and foreign enterprises, which are part of LUKOIL Group.

OAO "LUKOIL" becomes the first non-financial Russian company to join the Derivatives Market at the Moscow Interbank Exchange (MICEX). Membership of the MICEX Derivatives Market will enable the Company to minimize currency risks and reduce its financial service costs.

September

Six OAO "LUKOIL" officials are included in a rating of the "1,000 most professional managers in Russia". The rating was compiled by a panel of about 400 experts, who aimed to select the most professional managers and leaders in specific sectors and fields of specialization.

LUKOIL Group takes 6th position among oil & gas companies in Europe, Middle East and Africa and 11th position among international oil companies in Platts rating of the world's 250 largest energy companies in 2007. Companies were assessed by four main criteria: assets, sales, profit, and return on capital employed. LUKOIL took 6th and 15th places in respective categories of the same rating in 2006, and 9th and 16th places in 2005.

OAO "LUKOIL" and the Chinese national oil & gas company, CNPC, sign an agreement on strategic partnership. The agreement provides for broadening of cooperation between the companies in current projects as well as cooperation in promising projects for production, development and refining of crude oil & gas, and production of petroleum products in third countries. The parties will also discuss opportunities for working together in deliveries of oil and natural gas to China and refining of raw hydrocarbons in that country.

LUKOIL Group and the Indonesian state oil company, Pertamina, signed an agreement on conduct of joint geological exploration work in Indonesia over a period of two years. The agreement includes creation of a management committee and joint technical group for study of several promising offshore and onshore territories in various regions of Indonesia. The partners will assess and interpret existing data prior to carrying out geological exploration and development of oil & gas territories.

A second edition of the OAO "LUKOIL" Sustainability Report for 2005–2006 is published. The document contains complete information on main aspects and indicators of industrial, social and ecological activities by the Company in the regions where it is present. This is the only report in the Russian oil & gas sector, which is included in the GRI (Global Reporting Initiative) data base. It is also included in the National Register of Corporate Non-financial Reports, which is administered by the Russian Union of Industrialists and Entrepreneurs, and is referred to in Russian and international reviews and ratings.

October

An isomerization unit with a hydro-treatment block is commissioned at the Perm Refinery. The facility has annual production capacity of 450,000 tonnes and produces isomerizate (a high-octane additive for motor gasoline). Commissioning of the unit enables the Perm Refinery to reduce purchases of high-octane additives, increase volume of production of high-octane gasoline, and start production of gasoline that meets Euro-3 and Euro-4 requirements.

LUKOIL Group completes the first stage of modernization of the Odessa Refinery, including reconstruction of distillation facilities and various other equipment and premises. The second stage of modernization will include construction of a visbreaking unit, which will reduce output of fuel oil and increase output of vacuum gas oil. Refining depth at the Odessa Refinery should rise from 56% to 78% after the modernization has been completed.

LUKOIL Group commissions a power supply unit and Integrated Control Room at the Petrotel Refinery in Romania. Launch of power supply unit №4 with 25 megawatts capacity increases total installed generating capacity at the Refinery's power station to 61 megawatts, making power supply arrangements at the Refinery much more dependable. The power station now fully covers power and heat needs of the Refinery as well as enabling supplies of heat energy for use in the city of Ploiesti.

November

LUKOIL Group starts production at the Khauzak gas area in the Republic of Uzbekistan. Khauzak is part of the Kandym – Khauzak – Shady gas project, which is being jointly implemented by LUKOIL (90% stake) and the national holding company Uzbekneftegaz (10% stake). Target annual production levels at Kandym – Khauzak – Shady are about 12 billion cubic meters of natural gas.

The Ukhta Refinery commissions a vacuum residue visbreaking unit with annual design capacity of 800,000 tonnes. The unit will enable 77% increase of vacuum gas oil production through reduction of fuel oil output, increasing refining depth by five percentage points and improving ecological security at Ukhta.

OAO "LUKOIL" and the Government of Saratov Region sign a new cooperation agreement. The document provides for construction of new LUKOIL Group facilities in the Region and reconstruction of the Company's existing facilities for production of petrochemicals, transport, storage and sale of petroleum products, including expansion of the network of filling stations, which operate non-cash forms of payment. In accordance with the agreement, LUKOIL also commits to implementing measures for environmental protection and accident prevention.

December

OAO "LUKOIL" and Gazprom Neft set up a joint oil & gas company, Regional Development. The joint venture will acquire rights for subsurface usage, geological studies of specific areas, exploration and production of hydrocarbons, field preparation, realization of infrastructure projects, and transport and sale of produced hydrocarbons. OAO "LUKOIL" takes a 49% stake in capital of the joint venture, while Gazprom Neft takes 51%. Capital is paid in cash. The venture is managed by the partners on parity basis.

LUKOIL Group obtains the distribution network of the company Rostovneft for 1.4 billion roubles (about \$56 million). The acquired asset includes 55 filling stations as well as tank farms. Acquisition of the Rostovneft distribution network will enable the company to double its retail sales of petroleum products in Rostov Region, increasing its share of the retail market in the Region from 6% to 12%.

LUKOIL Group wins the nomination, “Best Program for Effective Cooperation between Business, Non-profit Organizations and Regional Government” as part of the annual competition, “Russian Corporate Donor of 2007”. The competition panel also acclaimed LUKOIL as the rating leader by volumes of assistance assigned to charity programs.

LUKOIL Group commissions an isomerization unit at the Volgograd Refinery. Annual production capacity is 370,000 tonnes and the unit produces the high-octane gasoline additive, isomerizate. The new unit will enable the Refinery to start production of gasoline in full compliance with Euro-3 and Euro-4 standards from 2008.

Exploration & Production

Strategy

- Creating the potential for long-term Company growth by reserve replacement in traditional production regions and faster development in new production regions both in Russia and abroad.
- Improving efficiency of geological exploration work through careful selection of projects and application of the latest technologies.
- Achieving at least 5% average annual growth rate of hydrocarbon production in the medium term.
- Improving production indicators and lowering lifting costs by application of modern technologies, and by optimization of the well stock and of field development systems.
- Applying financial criteria for assessment of projects and business results and for optimization of the asset portfolio.

LUKOIL Group continued successful development of its Exploration & Production segment in 2007 in accordance with the Company's strategic goals and tasks.

Net profit in the Exploration & Production segment was \$4,686 million, which is 31% more than in 2006. Daily production of marketable hydrocarbons grew by 1.5% to 2.178 million boe, including increase of oil production by 1.4% and of marketable gas by 2.5%.

The Company achieved record financial results thanks to a favourable price environment, increased size of the business and improved production efficiency. Efficiency gains were made through withdrawal of non-core assets, better use of the well stock, application of new technologies, optimization of corporate structure and logistics, and acquisition of new highly efficient assets.

A key event in 2007 was launch of natural gas production as part of the Kandym – Khauzak – Shady PSA project in Uzbekistan. Peak production in the project will be about 12 billion cubic meters per year, which exceeds overall natural gas production by LUKOIL Group in 2007.

There was negative impact on results from high tax burden in Russia and strengthening of the rouble in real terms, which led to higher hydrocarbon production and transportation costs. Results were also negatively affected by slower-than-planned rates of production growth, due mainly to the warm winter of 2006–2007, which led to reduction in purchases of gas from Company fields by Gazprom, and to postponement of commissioning of the Yuzhnaya Khylychuya field in Timan-Pechora. Sale of a 50% stake in Caspian Investments Resources Ltd. and problems with power supplies at LUKOIL Group fields in Western Siberia had additional negative impact on production growth rates.

Pricing and Tax Environment

Crude Oil Market

The price environment on the international market for crude oil was favourable in 2007. The average annual price for Brent crude was 11.1% higher than in 2006. Prices fluctuated within an overall upward trend due to a policy of supply limitations by OPEC, low rates of production growth by independent producers and rapid increase of demand from developing countries. Price growth was also encouraged by political instability in production regions and weakening of the

dollar against other main currencies. Prices for Brent crude had reached a historical maximum of \$96 per barrel by the end of 2007.

More than 94% of oil production by LUKOIL Group in 2007 was in Russia. So prices for Urals crude (Russian export blend) had major impact on Company results. The Transneft oil pipeline system does not provide any quality bank, so crude oil of any quality, which is supplied via the system, is sold at the Urals price, and Urals is therefore LUKOIL's main export commodity. LUKOIL exported about 5% of its crude oil in 2007 bypassing the Transneft system. These deliveries were priced according to factual quality of the crude oil supplied, mainly with a premium to Urals prices.

The average price per barrel for Urals blend in 2007 was \$69.3, which is 13.0% higher than in 2006. Faster growth of prices for Urals compared with Brent (reduction of the price differential between the two types of crude) was due to ending of growth in export deliveries of Russian crude to Europe (export volumes even declined in 2007) in a context of increased attractiveness of the domestic market, and was also due to resolution of imbalances on international markets for light and dark petroleum products. Reduction in the differential between Urals and Brent is positive for the Company and gave additional revenue of \$0.7 per barrel in 2007.

The Company pays mineral extraction tax on its crude production inside Russia. Mineral extraction tax on oil grew by 16.0% in dollar terms in 2007 and the average tax rate was \$13.2 per barrel. The mineral extraction tax rate grew faster than prices for Urals crude because the tax uses a progressive scale.

A law on differentiation of mineral extraction tax on oil came into force on 1 January, 2007. For LUKOIL this means introduction of a zero tax rate for fields with high-viscosity oil and use of a reducing coefficient for fields which are more than 80% depleted. These remissions depend on observance of requirements for direct accounting of production volumes, which acquires preparatory works at fields. There are also difficulties rising from lack of experience in application of these remissions.

By the end of 2007 LUKOIL Group had more than 60 fields with depletion levels higher than 80%. Just over 20 of them had annual production levels in excess of 50,000 tonnes, and these fields were prioritized in preparation for application of the remissions. During 2007 a total of 7 fields with depletion levels above 80% were prepared for application of the tax remissions (5 in Western Siberia and 2 in the Volga region). Production volume at these fields in 2007 was about 2.9 million tonnes. However, not all of the fields were ready for application of the remissions from the start of the year and the actual volume of crude production, subject to the remissions, was about 1.4 million tonnes. Total declared remissions for these fields were about \$35 million.

LUKOIL Group produces high-viscosity oil in the Komi Republic at a deposit, which is part of the Usinskoye field, and at the Yaregskoye field. Production of high-viscosity oil in 2007 was about 2.1 million tonnes. Preparatory work has to be completed at fields before tax remissions for production of high-viscosity oil can be obtained.

LUKOIL Group has revised its plan for development of fields with high-viscosity oil following introduction of the remissions on mineral extraction tax. The target for annual production of such oil by 2017 has been raised to 5 million tonnes. High-viscosity oil from the Yaregskoye field will be refined at the Ukhta Refinery, where a unit for primary distillation of such oil will be installed.

The Company pays export tariffs on crude oil exported from Russia, calculated using a progressive scale based on Urals prices. Export tariffs on crude oil rose by 4.9% in 2007 and the average rate for the year was \$28.2 per barrel. Slower growth of export tariffs compared with growth of Urals prices was due to a time lag in calculation of the tariff level (under Russian law

the level of export tariff for the coming two months is calculated based on the average oil price for the previous two months).

The Urals crude price for a Russian exporter net of taxes (the international market price less export tariff and mineral extraction tax) was \$27.9 per barrel in 2007, which is 21.2% more than in 2006. This was one of the main reasons for growth of the LUKOIL Group's financial results in 2007 in the Exploration & Production business segment.

LUKOIL Group pays tax in international projects in accordance with PSA conditions and concession agreements. The only significant tax paid by the Company in Egypt is income tax, which is paid as a share of production. The tax rate is progressive and depends on oil prices. In Kazakhstan the Company pays income tax at a fixed rate in cash form. But Kazakh PSAs also require payment of a share of profit production (the size of the share depends on a project's internal rate of return), while other Kazakh projects require payment of royalties and tax on super profits. So taxation for all the Company's projects in Kazakhstan is progressive. Due to oil price growth in 2007 tax payments as part of international projects increased.

Gas Market

LUKOIL Group produces most of its gas inside Russia and as part of the Karachaganak project in Kazakhstan. Rates of output in the Shakh-Deniz project in Azerbaijan, which was launched in December 2006, also grew rapidly during 2007. Marketable gas produced in Russia is sold to OAO Gazprom and to Russian consumers. The Company cannot export the gas, which it produces, since Gazprom has a monopoly on exports and owns the gas transport system. Natural gas produced in the Karachaganak project is supplied to the Orenburg Gas-processing Plant. Gas produced as part of the Shakh-Deniz project is supplied to the domestic market of Azerbaijan and also via the Southern Caucasus pipeline to Georgia and Turkey, where it is sold at market prices.

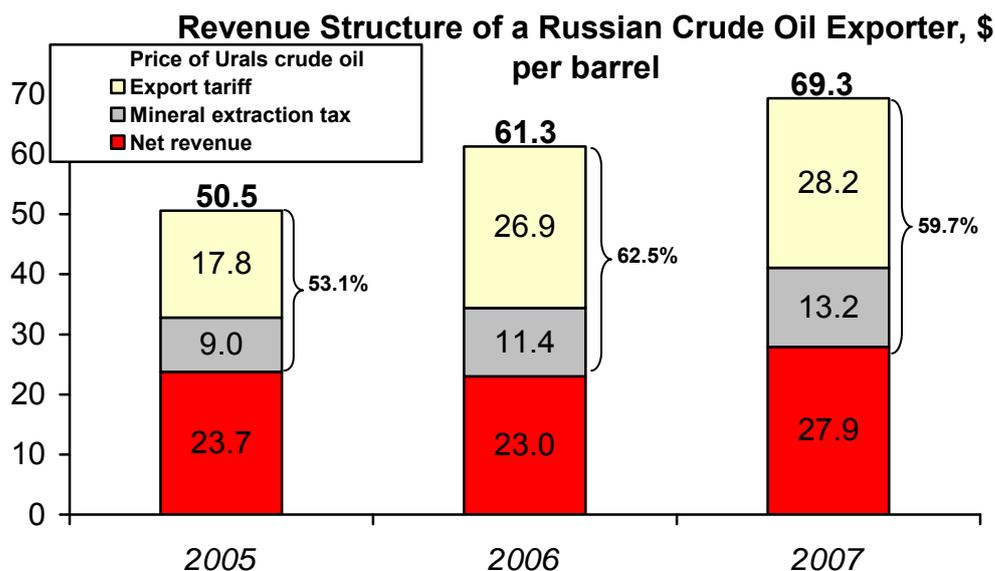
The price environment on the market for natural gas inside Russia was very favourable in 2007. Sale prices for gas from the Nakhodkinskoye field rose by 84%, from \$22.5 to \$41.4 per 1,000 cubic meters, due to a new agreement which became effective between LUKOIL Group and Gazprom. The average weighted price for gas supplies to other customers rose by 37% to \$43.7 per 1,000 cubic meters.

The LUKOIL Group pays mineral extraction tax on its gas production in Russia. The tax rate in 2007 remained unchanged from 2006 at 147 roubles per 1,000 cubic meters. However, the rate increased by 6.3% in dollars due to nominal strengthening of the rouble against the US currency.

Taxation in the Karachaganak project is in accordance with PSA conditions (see the section "Crude oil market").

In Azerbaijan LUKOIL group organisations are exempt from payment of taxes in cash on production and export of gas in accordance with PSA conditions. The only significant tax, which the Company pays, is fixed-rate profit tax (the tax is withheld as a share of production).

Production of gas as part of the Kandym – Khauzak – Shady PSA project in Uzbekistan began in November 2007. The gas produced in the project is sold to a Gazprom subsidiary on the border between Uzbekistan and Kazakhstan at an official price defined in an agreement between Russia and Uzbekistan. The price in 2007 was \$100 per 1,000 cubic meters. It increased to \$130 as from 1 January, 2008, and will increase further to \$160 per 1,000 cubic meters on 1 July, 2008. Under the agreement royalties are paid on production at a privileged rate and LUKOIL Group has a seven-year holiday from income tax, at the end of which income tax will also be paid at a privileged rate. The government share in profit oil varies depending on the internal rate of return of the project for LUKOIL Group, so the tax scale is, in effect, progressive.



Inflation and Exchange Rates

LUKOIL Group produces most of its hydrocarbons inside Russia, so that a significant part of the Group's costs are in roubles and strengthening of the rouble against the dollar, both nominal and real (taking account of inflation), leads to growth of Company costs in dollars, with negative effect on financial results and cash flows. Real strengthening of the rouble against the dollar in 2007 compared with 2006 was 16.0%. Appreciation of the Russian currency accelerated in 2007 due to more rapid depreciation of the dollar against main world currencies and increase of inflation rates in Russia.

Strengthening of the rouble in real terms was the main reason for growth of the Company's hydrocarbon lifting costs in Russia. They grew by 17.9%, from \$3.01 to \$3.55 per boe. However, growth of hydrocarbon lifting costs in real terms was only 1.6%, which shows the Company's success in controlling costs through optimization of production and application of modern technologies. Hydrocarbon lifting costs in Russia declined by more than 20% in real terms between 2003 and 2007.

Real appreciation of the rouble was also one of the main factors behind 47.5% growth of capital expenditures in the Exploration & Production segment in Russia. Excluding the effect of real strengthening of the rouble, Russian capital expenditures in the Exploration & Production segment grew by 27.2%.

Devaluation of the dollar also leads to growth of the Group's operating and capital expenditures in international projects. Nominal year-on-year appreciation of the tenge (the national currency of Kazakhstan) was 3.7%, the Egyptian pound strengthened by 1.7%, and the Azerbaijani manat gained 4.3% against the US currency.

Group average lifting costs rose by 16.1% in 2007, from \$3.08 to \$3.58 per boe. Capital expenditures in the Exploration & Production segment grew by 41.8% to \$7.3 billion.

Acquisition of Assets

The Company continued to consolidate existing assets and to seek and acquire highly efficient new assets during 2007 in order to expand resource potential and production capacities. Spending on consolidation of existing companies and acquisition of new assets in the Exploration & Production segment totalled \$434 million.

In January 2007 LUKOIL Group completed a transaction for acquisition of the remaining 34% stake in Geoilbent. Value of the transaction was \$300 million. The Group had previously accounted its investments in Geoilbent based on its stake in share capital (66%). This was because the minority shareholder had a right of significant participation in the company. Geoilbent developed the Severo-Gubkinskoye, Prisklonovoye and Yuzhno-Tarasovskoye fields in Yamal-Nenets Autonomous District, and also carried out geological exploration work at a number of license areas. Geoilbent was reorganised in 2007 through merger into LUKOIL-Western Siberia. Production at Geoilbent fields in 2007 totalled 1.096 million tonnes. Total proved reserves of the company as of 1 January, 2008, were about 152 million boe (including 100 million barrels of oil). Addition to LUKOIL Group production as a result of the consolidation was 337,000 tonnes, and addition to proved reserves was 52 million boe (including revaluation of reserves at Geoilbent's fields at the start of 2008). LUKOIL paid a price of \$5.8 per boe for acquisition of the proved reserves.

LUKOIL Group won an auction at the start of 2007 for acquisition of an exploration and development license at the Oshskoye oil field in Nenets Autonomous District. The license price was just over \$230 million. Proved, probable and possible reserves at the field are estimated at 43 million barrels. So the price per barrel of reserves was \$5.4. Available information suggests that the license area has high geological potential. Oshskoye is located only 8 km from the Kharyaginskoye field, which is one of LUKOIL Group's largest fields, and is immediately adjacent to the Yuzhno-Oshskoye field, which is being developed by Nobel Oil Group. Production is already underway at Oshskoye from re-activated wells. Oil is transported via a temporary pipeline to the Kharyaga – Usinsk trunk pipeline. Output volumes will be rapidly increased in 2009 and planned annual production level is 0.6 million tonnes.

In April 2007 LUKOIL Group signed an agreement with the US oil & gas company, Vanco Energy, on acquisition of 56.66% stake in three projects for exploration of promising offshore blocks in the Gulf of Guinea (West Africa). Blocks CI-101 and CI-401 are located on the continental shelf of the Republic of Cote d'Ivoire, and the Cape Three Points Deep Water block is located on the continental shelf of the Republic of Ghana. All three blocks are in the deep-water zone of the Gulf of Guinea, 50–100 km from the coast, and are geologically part of the Tano Basin, where presence of commercial oil & gas reserves has already been proved. Total area of the blocks is about 15,000 km² and water depth is between 200 and 3,000 meters. Other parties to the contracts are the state oil companies PETROCI Holding (blocks CI-101 and CI-401) and Ghana National Petroleum Company (Cape Three Points Deep Water) with 15% stakes. Vanco Energy has retained a 28.34% stake. The deal for blocks CI-101 and CI-401 was closed in 2007, and closure of the deal for Cape Three Points Deep Water is expected in 2008. Geological exploration at blocks CI-101 and CI-401 is being carried out on the basis of a PSA, signed in September 2005. Duration of the exploration period is 5.5 years and part of the work has already been carried out. LUKOIL Group is committed to completing seismic exploration work and drilling one exploration well at each block by the end of the period. Geological exploration at Cape Three Points Deep Water is being carried out on the basis of an oil & gas agreement, which was signed in August 2002. The exploration period is seven years and part of the work has already been completed. Drilling of one exploration well at the block is scheduled for 2008.

Major Discoveries

Drilling of an exploration well by LUKOIL Group at the Denisovskaya Depression in the Komi Republic led to discovery of the Bayandyskoye field, a large field with high-quality oil. Well tests gave flows of high-quality oil at a daily rate of up to 4,900 barrels. Proved, probable and possible oil reserves at the field are estimated at nearly 270 million barrels.

The Bayandyskoye field is located not far from the Usinskoye field, which is under development by the Company. This will enable launch of test production in 2008 without significant costs for construction of transport infrastructure. Oil from the new field will be fed into the Transneft system.

Optimization of Corporate Structure and Consolidation

LUKOIL continued to optimize its corporate structure in 2007, aiming to improve efficiency of business management and to reduce administrative costs.

The Company completed transfer of Nazymgeodobycha (a company acquired by LUKOIL Group in 2006 as part of assets of Marathon Oil Corporation) to the LUKOIL subsidiary, RITEK. The transfer was justified since RITEK has the necessary experience and technologies to carry out efficient exploration work and development of Nazymgeodobycha's 6 fields, which are located on the right bank of the Ob river and have complex geology. Production at the fields in 2007 totalled 62,000 tonnes of crude oil. Nazymgeodobycha was transferred to RITEK in exchange for newly issued shares of RITEK. Nazymgeodobycha was reorganized through merger with RITEK. The stake of LUKOIL Group in RITEK increased to 74.86% as a result of this operation and partial buy back of shares from RITEK minority shareholders.

Geoilbent, whose consolidation was completed in January 2007 as a result of acquisition of the remaining 34% stake, was reorganized through merger with LUKOIL-Western Siberia.

LUKOIL Group increased its stake in Khantymansiyskneftegazgeologiya, acquired among other assets from Marathon Oil Corporation in 2006, from 95% to 100% by purchase of shares from minorities. A total of 1.407 million tonnes of oil were produced at the Company's fields in 2007, and its proved oil reserves at the start of 2008 were 216 million barrels.

The Company continued consolidation of its assets in Timan-Pechora and optimization of their structure during 2007. The Group's stake in most companies was increased to 100% through purchase of shares from minorities. In February 2007 LUKOIL-SEVER was transferred to LUKOIL-Komi. As a result of consolidation and optimization of corporate structure in recent years assets of more than 15 companies, which own licenses for exploration and development of reserves in Timan-Pechora, were united into two companies: Naryanmarneftegaz and LUKOIL-Komi Group (the latter consisting of LUKOIL-Komi itself and its subsidiaries, YaNTK, SeverTEK, Bitran and LUKOIL-SEVER).

Asset Sales

In April 2007 LUKOIL Group completed sale of a 50% stake in Caspian Investments Resources Ltd. (former Nelson Resources Limited) to Mittal Investments S.A.R.L. Caspian Investments Resources Ltd. carries out oil exploration and production in Kazakhstan and participates in a number of production projects (KarakudukMunai, North Buzachi, Arman, Kazakhoil-Aktobe), as well as in the South Zhambai and South Zaburunye geological exploration projects. Oil production by Caspian Investments Resources Ltd. in 2007, measured by its project stakes, was 2.323 million tonnes and proved oil reserves, measured by project stakes, were 224 million barrels at the start of 2008. Value of the transaction was \$980 million. Mittal Investments S.A.R.L. also settled debt of about \$175 million owed by Caspian Investments Resources Ltd. to Group companies (50% of total outstanding debt).

Licensing

The main tasks for the Company as regards licensing inside Russia are: to obtain new licenses for mineral resource exploitation; to extend the terms of licenses up to full field depletion; to secure reissue of licenses to reflect reorganization of subsidiary companies; and to change and add to conditions for mineral resources exploitation. The Company was successful in all these tasks during 2007.

LUKOIL Group had 413 licenses on its balance for use of mineral resources at the end of 2007, of which 373 carried production rights and 40 were for geological exploration, including prospecting and field assessment.

The Company obtained 13 new licenses in 2007, of which 8 licenses with production rights were obtained based on evidence of field discoveries. Another 4 licenses with production rights were obtained as a result of auctions (the Oshskoye field in Timan-Pechora, the Nadezhdinsky area in Western Siberia, and the Yuzhno-Khoreiversky and Predtimansky-II areas in Timan-Pechora). Spending to acquire these four licenses was \$255 million. One license was obtained on the basis of an application to carry out geological studies.

Two licenses for geological studies and 2 licenses for exploration and production of hydrocarbons were surrendered by LUKOIL Group due to expiry of the period of validity and on the Company's own initiative.

22 licenses were re-issued during 2007 in connection with ongoing restructuring of the Group and optimization of its corporate structure.

Also in 2007 a total of 29 licenses were extended up to complete field depletion and five were extended until completion of geological sub-surface studies at the license areas. Work continued on amendments and addenda to current license agreements. A total of 59 additions were made concerning rescheduling of development launches at fields, changes to geological exploration programs, clarification of borders of license areas, confirmation of ownership rights to production from the license areas, and clarifications concerning obligations to achieve specific production levels in accordance with project documentation, as well as other issues.

Oil and Gas Reserves

LUKOIL Group pays much attention to reserve replacement, which is the basis for future production. The Company carries out extensive geological exploration work in Russia and abroad in order to increase its reserves as well as maintaining constant monitoring of new projects and assets, which could represent acquisition targets. LUKOIL has always fully replaced its hydrocarbon production through increase of reserves. By doing so the Company creates potential for steady, long-term growth of production.

As of today LUKOIL Group is one of the leaders among Russian and international oil & gas companies by volume of proved hydrocarbon reserves. The Company's share of total proved oil reserves worldwide is 1.3% and its share of gas reserves is 0.4%.

Proved hydrocarbon reserves of LUKOIL Group as of January 1, 2008 by SPE¹ international classification were 20.369 billion boe, of which 15.715 billion barrels of oil and 27.921 trillion cubic feet of gas.

¹ In 2007 Miller and Lents (USA) carried out its thirteenth annual technical and economic audit of oil & gas reserves of LUKOIL Group. Reserve measurement was in accordance with requirements of the Petroleum Resources Management System devised by the US Society of Petroleum Engineers (SPE-PRMS), as reviewed and approved by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), and the Society of Petroleum Evaluation Engineers (SPEE). Reserves

The ratio of proved hydrocarbon reserves to production is 25 years (22 years for oil and 48 years for gas).

Most of LUKOIL Group's proved oil reserves are in Western Siberia, the Timan-Pechora oil & gas province and the Urals region. Most of proved gas reserves are in the Bolshekhetskaya Depression and the Caspian region. 56% of the Group's proved reserves are under development (64% of oil reserves and 29% of gas reserves). This reserves structure reflects high potential for production increases by the Group in the medium term, particularly for increases in production of gas.

Most of proved reserves are traditional. Only about 4% of hydrocarbon reserves consist of high-viscosity oil and 7% of reserves are at offshore fields. This reserve structure enables LUKOIL Group organisations to ensure efficient control of development costs and to commission new fields rapidly.

The level of LUKOIL Group's proved reserves remained almost unchanged in 2007 compared with 2006, but increased by 4.0% including production. Growth of oil reserves, including production, was 3.1% and the equivalent figure for gas was 7.2%. The reserve replacement rate was 101% (70% for oil and 329% for gas).

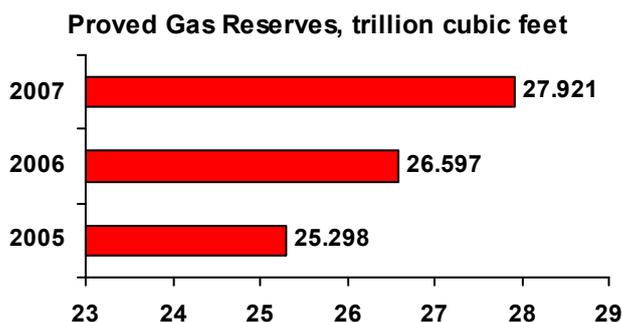
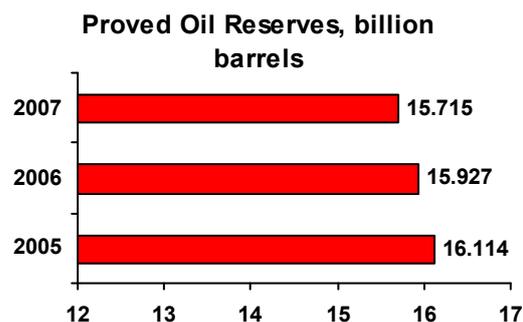
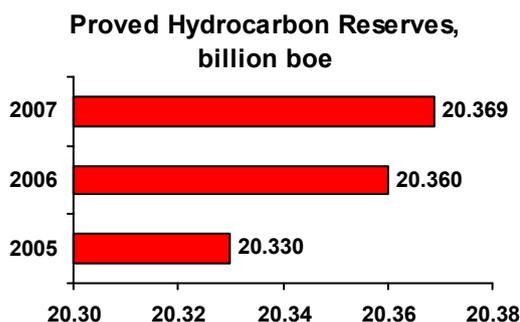
Change in reserve levels of LUKOIL Group during 2007 were due to production, geological exploration work, and acquisition and sale of assets. The favourable price environment also had impact on reserve levels as of the start of 2008.

Growth of reserves in 2007 due to geological exploration work and new data obtained in the course of production drilling totalled 659 million boe (518 million barrels of oil and 844 billion cubic feet of gas). So organic reserve growth covered about 81% of hydrocarbon production (73% for oil and 146% for gas). Most of the organic growth of proved reserves of oil was in Western Siberia (75% of the total) and Timan-Pechora (14% of the total). Most organic growth in proved reserves of gas was in the Yamal-Nenets Autonomous District – at fields in the Bolshekhetskaya Depression and Geoilbent fields (33% of the total), – in the Northern Caspian (27% of the total), and in the Kandym – Khauzak – Shady and Shakh-Deniz international projects (25% of total growth).

Acquisitions and asset consolidation also made a contribution to growth of proved reserves. Acquisition of the remaining 34% stake in Geoilbent in January 2007 increased proved reserves of LUKOIL Group by 30 million barrels. Reassessment of Geoilbent's reserves as of the start of 2008 led to additional growth of reserves by 15 million barrels of oil and 51 million boe of gas. Proved oil reserves at the Oshskoye field, for which LUKOIL obtained a development license in 2007, were estimated at 24 million barrels as at the beginning of 2008. Review of previous reserve estimates (mainly due to the favourable price environment) led to increase of LUKOIL Group's proved hydrocarbon reserves by 190 million boe.

The transaction for sale of a 50% stake in Caspian Investments Resources Ltd. was completed in April 2007. Proved reserves of the company, measured by its stakes in projects, were 224 million barrels of oil at the start of 2008. So LUKOIL Group reserves decreased by 112 million barrels due to sale of the stake in Caspian Investments Resources Ltd.

were accounted both within the time limits of license agreements and beyond expiry of license agreements up to the end of profit oil. Company reserves in all categories include 100% of the reserves of subsidiaries and shares in reserves of equity affiliates.



Oil & Gas Reserves of LUKOIL Group

1 January, 2008	Oil, million barrels	Gas, billion cubic feet	Hydrocarbons, million boe
Proved reserves	15,715	27,921	20,369
of which:			
developed	10,059	8,055	11,402
undeveloped	5,656	19,866	8,967
Probable reserves	8,679	21,048	12,187
Possible reserves	4,446	11,134	6,301

Geological Exploration

The chief objective of LUKOIL Group's geological exploration work is to replace production with new commercial reserves of hydrocarbons and to prepare reserves for rapid launch and expansion of production in promising regions (Timan-Pechora, Northern Caspian and the Bolshekhetskaya Depression). The Group maximizes efficiency of its geological exploration work by use of the latest technologies.

Most of the Company's geological exploration work in 2007 was concentrated in Western Siberia, the offshore Caspian, Volgograd Region, and the Timan-Pechora oil & gas province.

During 2007 the Company carried out 7,736 km of 2D seismic and 5,451 km² of 3D seismic in order to locate and detail geological structures and to prepare for drilling of prospecting and exploration wells at promising sites. In recent years the LUKOIL Group has improved quality of its seismic exploration work and speeded up processing and interpretation of data, mainly thanks to installation of the latest IT solutions. High quality of seismic exploration has improved the success rate of exploration drilling to a level above 70% in the last five years.

Geoelectric exploration totalled 2,513 km. Vertical seismic profiling, which details the geological structure around a drilled well, was carried out at 30 wells. Total exploration drilling in 2007 was 143,000 meters with efficiency of more than 920 tonnes of reference fuel per meter. LUKOIL drilled up 47 prospecting and exploration wells in 2007, of which 36 were productive, and the drilling success rate was 77%.

A total of 7 new fields were discovered in 2007: the Bayandyskoye and Osvanyurskoye fields in the Republic of Komi; the Novoye field in the offshore Azov Sea (jointly with Rosneft); the Chekaldinskoye field in the Republic of Tatarstan; the Tsentralno-Stanovoye field in Volgograd Region; and the Preobrazhenskoye and Maltsevskoye fields in Perm Territory. The Company also found 17 new deposits at previously discovered fields.

Commercial reserves under Russian classification discovered by LUKOIL Group in 2007 through geological exploration work totalled 132 million tonnes of reference fuel (including shares in international projects). Extensions and discoveries of proved reserves under SPE classification, through geological exploration work and through additional findings in the course of production drilling, totalled 659 million boe. Spending by LUKOIL on geological exploration in 2007 was \$558 million.

Most growth of liquid hydrocarbon reserves due to geological exploration work was achieved in Western Siberia, Timan-Pechora and as part of the Kumkol project. Most of the growth in gas reserves was from the offshore Caspian, the Bolshekhetskaya Depression and the Kandym – Khauzak – Shady project in Uzbekistan.

Russia

Exploration drilling in Russia in 2007 totalled 130,000 meters, 2D seismic exploration was 6,265 km and 3D seismic was 2,629 km². Geological exploration spending in Russia was \$378 million.

Western Siberia

Khanty-Mansiysk Autonomous District - Yugra

The Khanty-Mansiysk Autonomous District - Yugra is the main oil production base of LUKOIL Group. The chief aim of geological exploration work there is replacement of reserves in order to maintain the Group's current production levels in the region.

Total 3D work in the region during 2007 was 1,373 km² and exploration drilling was 53,000 meters. A total of 22 wells were drilled, of which 17 were productive, so the success rate of exploration drilling was 77%. 5 new oil deposits were detected at previously discovered fields during 2007. The Company's proved oil reserves in the Khanty-Mansiysk Autonomous District (including production) increased by 435 million barrels, or by 5.1%.

Testing of an exploration well at the Nong-Yeganskoye field, which is currently under development, gave daily oil flow of up to 500 barrels. Proved reserves at the field increased by 7% including production.

Drilling of an exploration well at the Severo-Pokachevskoye field, which is currently under development, also proved successful. Proved oil reserves at the field grew by 33% including production.

Drilling of exploration well №42 at the Galyanovskoye field gave a gushing flow of oil at daily rate of 500 barrels a day and a new oil stratum was discovered. Testing was continued at an

exploration well in the Zapadno-Tugrovskoye field and oil flow of 260 barrels per day was obtained.

Proved reserves at several major Company fields were substantially increased as a result of production drilling and revision of previous estimates due to the favourable price environment. In particular, reserves at the Povkhovskoye field grew by 10% including production, growth at the Uryevskoye field was 15%, and 4% at the Nivagalskoye field.

Yamal-Nenets Autonomous District

LUKOIL Group is developing gas reserves at the Bolshekhetskaya Depression in Yamal-Nenets Autonomous District as part of its program for accelerated production of gas.

A total of 6,000 meters of exploration drilling was carried out in the region during 2007, and 4 new deposits were found at the Pyakyakhinskoye field, increasing proved reserves at that field by 5.5%. Improvement of the geological-hydrodynamic model at the Nakhodkinskoye field led to increase of its proved gas reserves by more than 13%, and by 21% including production.

Proved reserves of gas at Company fields in the Bolshekhetskaya Depression had been increased to 13.2 trillion cubic feet by the end of 2007 (47.4% of total proved gas reserves of LUKOIL Group). Reserves grew by 3.6% compared with the previous year.

LUKOIL Group is also carrying out geological exploration at license areas of Geoilbent located in Yamal-Nenets Autonomous District (the Severo-Gubkinskoye, Prisklonovoye, and Yuzhno-Tarasovskoye oil & gas condensate fields, as well as the Urabor-Yakhinsky and Vansko-Namyssky areas).

Drilling of an exploration well at the Severo-Gubkinskoye field discovered 4 productive horizons. Proved reserves of oil at the field were increased by 15% to 75 million barrels. Gas reserves grew by 51 million boe as a result of the start of gas utilization system construction. The Company carried out 1,000 km of 2D seismic work at the Urabor-Yakhinsky and Vansko-Namyssky license areas.

Timan-Pechora

The Timan-Pechora province (the Nenets Autonomous District and the Komi Republic) is a promising oil-producing region for the Company. The region is little studied and has high potential for new discoveries. The Company carried out extensive geological exploration work in Timan-Pechora during 2007, including 800 km of 2D seismic and 168 km² of 3D seismic. Exploration drilling was 18,100 meters. Geological exploration work in 2007 led to discovery of two new fields and one new stratum at a previously discovered field.

In the **Republic of Komi** the Company drilled a first prospecting well at the Bayandyskaya structure in the Denisovskaya Depression. Well testing gave flows of high-quality oil at a rate of up to 4,900 barrels per day. Proved, probable and possible reserves of oil at the field are estimated at nearly 270 million barrels. Discovery of the Bayandyskoye field was the biggest discovery by LUKOIL Group in 2007. Density of oil at the field is 43 API, which compares with 38 for Brent crude and 32 for Urals. Test production at the field is scheduled for 2008.

Drilling of Osvanyurskaya well №2 led to discovery of a new field – the Osvanyurskoye field. C1+C2 reserves (Russian classification) at the field are estimated at 5.1 million tonnes. The field was brought into production.

Drilling of a well at the Severovolminskaya structure, which is a part of the Makaryel-Nizevaya area, did not lead to any reserve discoveries and the well was closed down. 2D seismic exploration was carried out in 2007 at the Denisovskaya Depression area, the Yuzhno-Makaryelsky area and the Lyaelskaya area. 3D seismic exploration work was carried out at the Aresskoye, Yuzhno-Lyzhskoye, Yuzhno-Yuryakhinskoye and Verkhnegrubeshorskoye fields.

In the **Nenets Autonomous District** a further exploration well was drilled at the Vostochno-Sarutayuskoye field, which was discovered in 2003. Oil was obtained from all formations, which were tested at the well.

Naryanmarneftegaz (a joint venture between LUKOIL Group and ConocoPhillips) discovered a new oil stratum at the Yuzhnaya Khylychuya field. Well testing gave an oil flow from the new deposit at a rate of 800 barrels per day. Testing of an exploration well at the Severo-Saremboyskoye field gave an oil flow at a rate of 2,300 barrels per day. In addition, 2D seismic work was carried out in 2007 at the Perevoznoye field and Vostochno-Perevoznaya area.

Urals region

The Urals is a traditional production region for the LUKOIL Group, and reserves in the region have been extensively explored. LUKOIL carried out 239 km² of 3D seismic exploration in the region during 2007, and exploration drilling totalled 8,600 meters. Two new fields were discovered.

Drilling of an exploration well at the Zabrodovskaya area led to discovery of the Preobrazhenskoye field, where well testing gave a gushing flow of water-free oil at a rate of 300 barrels per day. Proved reserves are estimated at one million barrels of oil.

Drilling of an exploration well at the Volimskaya area led to discovery of the Maltsevskoye field, where well testing gave a gushing flow of water-free oil at a rate of 400 barrels per day.

Drilling of a prospecting well was completed at the Perspektivnaya structure in the Yenapaevskaya area. Well testing gave gushing flows of water-free oil at maximum daily rate of 1,000 barrels. Work began to appraise the discovered reserves, which will be related to the Mokhovskoye field.

Volga (onshore)

The Volga is also a traditional production region for LUKOIL Group and its geology has also been extensively explored. The Company carried out 3,090 km of 2D seismic in this region in 2007 and 200 km² of 3D seismic. Exploration drilling was 19,000 meters. The work led to discovery of two fields.

In **Volgograd Region** drilling of two exploration wells was completed at the Berezovsky license area. Well testing gave oil flows at a rate of up to 600 barrels per day and led to discovery of the Tsentralno-Stanovoye field. Proved oil reserves at the field were estimated at just over 2 million barrels of oil and production has been started.

Two prospecting wells were drilled at the Levoberezhny license area. One slant well was drilled in order to carry out additional exploration of the Rechnoye field, and testing gave oil flows at a daily rate of 1,400 barrels. The second well was drilled at the Severo-Alexeyevskaya structure and testing gave flows of oil, gas condensate and gas.

In **Astrakhan Region** the Company carried out 350 km of 2D seismic and 200 km² of 3D seismic exploration at the Poimenny license area, where the giant Tsentralno-Astrakhanskoye gas-condensate field is located. Drilling of Tsentralno-Astrakhanskaya prospecting well №2 is scheduled for the start of 2008. Probable and possible reserves at the Tsentralno-Astrakhanskoye field were estimated at 10.2 trillion cubic feet and 1.2 billion barrels of condensate as of the start of 2008. These reserve volumes are comparable with those at the Karachaganak field in Kazakhstan. Gas at the Tsentralno-Astrakhanskoye field contains very high levels of hydrogen sulfide. However, this problem can be solved by application of modern technologies, as shown by Gazprom during development of the adjacent Astrakhanskoye field. The Tsentralno-Astrakhanskoye field will be one of the main sources for increase of gas production by the Company after 2012.

In the **Republic of Tatarstan** the Company carried out 365 km of 2D geological exploration at the Agryzsky license area. A prospecting well was drilled and oil flows were obtained as a result of testing, leading to discovery of the Chekaldinskoye oil field with recoverable C1+C2 reserves (Russian classification) of 4 million barrels.

Northern Caspian

The Northern Caspian is one of the key regions for increase of oil & gas production by LUKOIL Group in the medium term and the Company is putting special emphasis on development of resource potential in the region.

Studies of promising structures in the Northern Caspian were continued in 2007. Drilling of an exploration well at the Diagonalnaya structure in the central Caspian license area was completed to a depth of 1,950 meters. No productive formations were found and the well was closed down. Study of the geological information obtained during drilling was continued. 3D seismic and offshore geoelectric exploration work was carried out at a sub-surface area north-east of the Rakushechnaya structure, in accordance with the license agreement.

The geological model of the V.Filanovsky field was specified in 2007 using data obtained from drilling of the second exploration well. Proved reserves of gas at the field were increased by 42 million boe as a result.

Interpretation of 2D seismic materials was completed in the framework of the Caspian Oil Company, in which LUKOIL Group has a stake of 49.89% (another 49.89% belongs to Rosneft and the residual stake is held by Gazprom). The work led to identification of one main structure, the Zapadno-Rakushechnaya structure, and two satellites – Rybachiya and Zapadno-Rybachiya. Preparations were also made for drilling of a prospecting-and-appraisal well at the Zapadno-Rakushechnaya structure. The main result was completion of a base structure for prospecting-and-appraisal drilling in shallow water. Drilling of the first well is scheduled for 2008.

Work began on drilling of a prospecting well at the Tsentralnaya structure in the framework of Tsentrcaspneftegaz, in which OAO “LUKOIL” has a 50% stake (the other 50% belongs to Gazprom). The Tsentralnaya structure is located on the border between Russia and Kazakhstan. An agreement between the two countries, reached in 2002, puts the structure under Russian jurisdiction, but any discovered commercial reserves will be developed on a parity basis by Russia and Kazakhstan. At the start of 2008 the borehole bottom was at a depth of 1,470 meters. The well should be completed to a depth of 4,200 meters in 2008.

Azov Sea

Drilling of a slant prospecting-and-appraisal well at the Novaya structure, in the offshore Azov Sea, was completed in 2007 in the framework of Priazovneft, in which LUKOIL Group has a 42.5% stake (another 42.5% belongs to Rosneft and 15% to the State Property Fund of Krasnodar Territory). Well testing gave a mixed oil & gas flow at a daily rate of about 1,000 barrels, leading to discovery of the Novoye field and giving the first proof of high potential of the Azov Sea shelf. Appraisal of field reserves has begun and the next prospecting-and-appraisal well will be drilled at the Gelendzhikskaya structure. Drilling is to be carried out in 2008.

Kaliningrad Region

LUKOIL Group's resource base in Kaliningrad Region consists of a number of small onshore fields and the large Kravtsovskoye field on the Baltic Sea shelf.

A new onshore oil deposit was discovered in Kaliningrad Region during 2007 at the Yuzhno-Oktyabrskoye field. LUKOIL Group also began intensive work on the Baltic Sea shelf, where 600 km of 2D seismic profiles were processed in preparation for prospecting drilling at promising oil structures, including the D29 structure. C3 recoverable reserves (Russian classification) at the structure are estimated at 40 million barrels of oil.

International Projects

The emphasis in geological exploration work abroad is to prepare the resource base for rapid launch of production as part of LUKOIL Group's strategy for intensive development of its international business. 2D seismic work in international projects totalled 1,470 km in 2007, 3D work was 2,822 km² and overall exploration drilling was 13,000 meters. Spending on geological exploration outside Russia was \$180 million. The Company continued rapid development of its international Exploration & Production business.

The Group was involved in 15 geological exploration projects outside Russia during 2007: in Azerbaijan, Colombia, Iran, Kazakhstan, Saudi Arabia, Uzbekistan, Venezuela, and Cote d'Ivoire.

LUKOIL Group constantly monitors opportunities for participation in new, promising international projects, and the Company acquired stakes in three new projects during 2007: an agreement was signed in April with the American oil & gas company, Vanco Energy, for acquisition of a 56.66% stake in three projects for geological exploration of promising offshore blocks in the Gulf of Guinea (Western Africa) (see the section, "Asset Acquisitions").

An agreement was also signed with the Indonesian state oil company, Pertamina, for conduct of joint geological exploration work in Indonesia over a two-year period. The agreement envisages creation of a management committee and joint technical group for study of several promising offshore and onshore areas in various parts of Indonesia. The objective is to assess and interpret existing data in preparation for subsequent geological exploration work and development of oil & gas areas.

LUKOIL signed a memorandum in 2007 with the state oil company, Qatar Petroleum, on cooperation for exploration, development and rehabilitation of oil & gas fields in Qatar.

LUKOIL Group continued geological exploration work in 2007 as part of international projects in the offshore Caspian.

The **Tyub-Karagan** project in the Kazakh sector of the Caspian Sea was continued, including geoelectric work and specification of parameters of promising structures. Work as part

of the **Atash** project, located not far from Tyub-Karagan, enabled parameters of the Atash structure to be specified and led to a decision on location of the first exploration well. Preparations were begun for drilling of the well.

Work at the **South Zhambai** and **South Zaburunye** offshore blocks, located in the Kazakh sector of the Caspian Sea, included processing and reinterpretation of geological and geophysical data in preparation for exploration drilling, which should begin in 2009. In April 2007 a new version of the foundation documents of Zhambai, the South Zhambai and South Zaburunye PSA operator, were signed following exercise by Caspian Investments Resources Ltd. of an option for acquisition of a stake in Zhambai. In accordance with the new documents, the owners of Zhambai are KazMunaiGaz (50%), Caspian Investments Resources Ltd. (25% through a subsidiary), and Repsol (25% through a subsidiary). LUKOIL Group's stake in the PSA is 12.5%, since the Company sold a 50% stake in Caspian Investments Resources Ltd. to Mittal Investments S.A.R.L. in April 2007.

The **D-222** project, which relates to a part of the Yalama-Samur structure, located in the Azerbaijani sector of the Caspian Sea (the second part is located in the Russian sector), saw completion of analysis of geological and geophysical materials for the Yalama-Samur structure. A location was decided for the second prospecting well (no commercial reserves were found as a result of drilling of the first well in 2005), and preparatory work was carried out (drilling of the well is scheduled for the end of 2008). It was also decided to extend the license for geological exploration work at the Russian part of the structure until the end of 2011. The new license agreement reduces the license area by three times. Drilling of a prospecting well is scheduled for 2010.

The **Shakh-Deniz** project in the Azerbaijani sector of the Caspian Sea was continued with drilling of an appraisal well in the south-western part of the structure. Drilling results helped to clarify field reserves: proved reserves of oil and gas condensate rose by 9%, and proved reserves of gas increased by 51%. Work on drilling of another appraisal well is scheduled to start in 2008.

Work also continued on other projects.

In the **Kungrad** project (part of the large-scale **Kandym – Khauzak – Shady** project in Uzbekistan) 574 km of 2D seismic work was carried out and a certificate for structure of the South Shege structure was prepared.

Work as part of the **Aral** project in the Uzbek sector of the Aral Sea included 329 km of 2D seismic exploration work.

At the **Block A** gas project in Saudi Arabia drilling of a well at the Tukhman structure led to discovery of a hydrocarbon accumulation. Well testing was carried out at the Muleiha structure and drilling of wells began at the Mushaib, Kharif and Fadil structures. 2D and 3D seismic work was continued. Information on reserves at Block A is not disclosed, in accordance with conditions of the agreement.

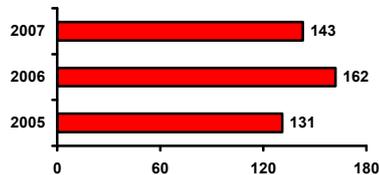
Test operations were carried out as part of the **Condor** project in Colombia at the field, which was discovered in 2006, and 1,400 tonnes of oil were produced. Reserves at the Medina structure were recounted as of the beginning of 2008, and proved, probable and possible reserves were estimated at 35 million barrels of oil. Preparations were made for commercial production at the field. Location of a well at the Lengupa structure was decided and preparatory work was carried out for construction of the well. Results of seismic exploration at the Las Palomas and Faraiones structures were reinterpreted and reprocessed.

In the **Meleiha** project in Egypt drilling of a prospecting-and-appraisal well led to discovery of commercial hydrocarbon reserves at the Gavakher structure, and work began to measure the reserves.

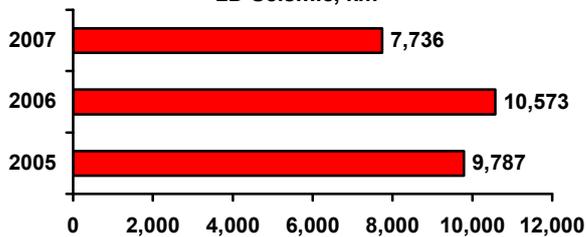
In the **Junin-3** project in Venezuela 7 stratigraphic wells were drilled as part of the second stage of appraisal of high-viscosity oil reserves. 2D seismic work was also carried out. A total of 10 stratigraphic wells will be drilled at the block. This should enable better definition of the geological model of Junin-3, based on seismic and drilling data, and will allow comparison of these data with those obtained at neighbouring blocks.

The Group carried out work at newly acquired blocks in Cote d'Ivoire during 2007. Reinterpretation and reprocessing of 3D seismic materials were carried out for block **CI-205** leading to confirmation of potential oil&gas-bearing qualities of structure A. Total 1,109 km² of 3D seismic work was carried out at blocks **CI-101** and **CI-401**.

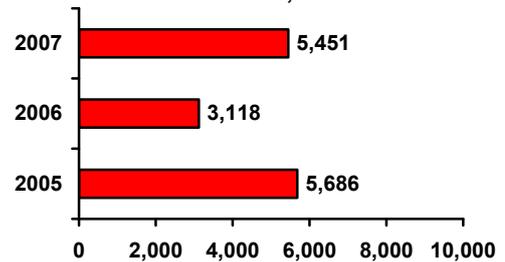
Exploration Drilling, thousand meters

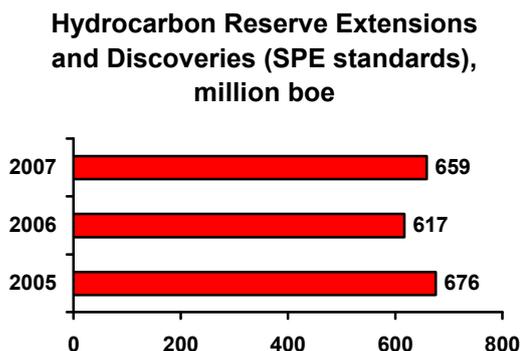
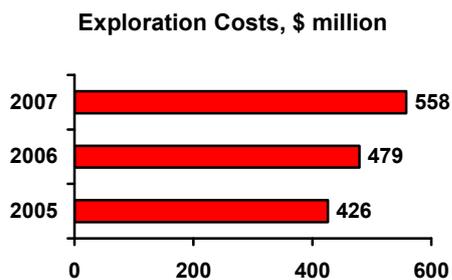
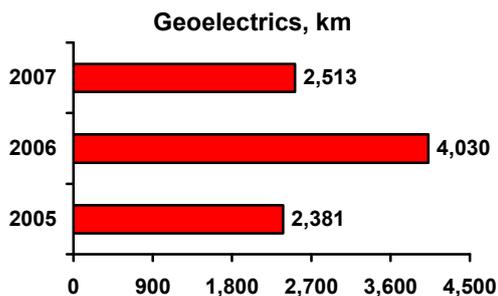


2D Seismic, km

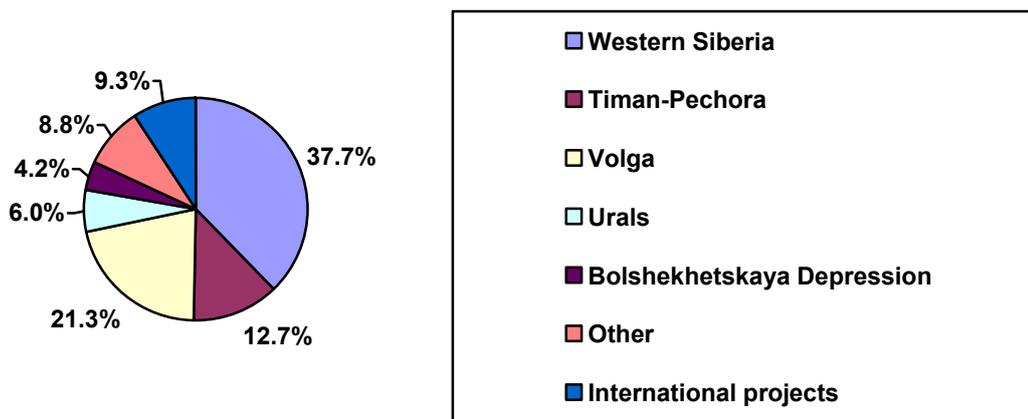


3D Seismic, km2





Exploration Drilling by Regions (2007)



Oil Field Development and Production

Crude oil production by LUKOIL Group (including share of production by equity affiliates) in 2007 totalled 96.645 million tonnes (1.953 million barrels per day), of which 94.147 million tonnes were produced by Company subsidiaries. The Group's average daily crude production level rose by 1.4% compared with 2006.

Most of the increase in crude production by LUKOIL Group was due to increased levels of production drilling and new well launches, as well as various measures to ensure reservoir enhanced oil recovery at fields. The Group achieved production increases in excess of 50,000 tonnes at over 20 fields. The largest production increases (in excess of 200,000 tonnes) were achieved at three fields (the Pashshorskoye field in Timan-Pechora, and the Uryevskoye and Severo-Pokachevskoye fields in Western Siberia) and added more than 1.1 million tonnes to overall output for the year. Substantial organic growth of output as part of international projects,

including Karachaganak, North Buzachi, and KarakudukMunai, compensated production losses due to sale of a 50% stake in Caspian Investments Resources Ltd. It is important to emphasize that sale of the stake in Caspian Investments Resources Ltd. was one of the main reasons for non-fulfilment of crude oil production targets in 2007. The second reason was problems with power supplies at the Group's fields in Western Siberia, and the third reason was postponement of production launch at Yuzhnaya Khylochuya, the Company's giant field in Timan-Pechora until the middle of 2008, due to the warm winter in 2006–2007, which made it impossible to complete field preparation in time for the scheduled launch.

The LUKOIL Group worked hard in 2007 to prepare and launch production at fields in Russia and abroad as part of its strategy of accelerated production growth. Special emphasis was placed on fields in Timan-Pechora and the Northern Caspian.

OAo "LUKOIL" subsidiaries and equity affiliates produced crude oil at 361 fields during 2007, and 12 new oil fields were put under development: the Tsentralno-Stanovoye field (Volga region), the Chekaldinskoye and Vladimirovskoye fields (Tatarstan), the Mokhovskoye, Dozortsevskoye, Sypovskoye and Lesnoye fields (Urals region), the Verkhnee-Volminskoye, Oshskoye, and Osvyanyurskoye fields (Timan-Pechora), the Domnovskoye field (Kaliningrad Region), East Kumkol (Kazakhstan), and one gas field – the Khauzak field (Uzbekistan). Test production was carried out at the huge Yuzhnaya Khylochuya field in Timan-Pechora which is due to enter full production in the middle of 2008. Test production was also carried out at the Condor field in Colombia.

Work continued in 2007 to improve efficiency of field development and reduce operating expenses as part of OAo "LUKOIL"'s program for optimization of development and production of oil in the period 2006–2008. LUKOIL Group's production companies took systematic measures in 2007 for increase of well productivity and oil recovery rates in order to achieve oil production targets. Development costs totalled \$6,660 million.

A total of 264 fields had been included in the Group's multi-level system of field development monitoring by use of geological- hydrodynamic models by the end of 2007, and the system underwent intensive development during the year. Modelling of more than 60 fields was carried out in the course of the year. Geological-hydrodynamic models are helpful in selecting optimal technical solutions for field development, matching solutions to specific geology and structure of existing reserves. Modelling raises the oil recovery ratio and reduces field development costs. The LUKOIL Group makes extensive use of models for drilling at fields and for application of enhanced oil recovery techniques. In 2007 use of models enabled maintenance of relative efficiency of geotechnical measures at a level of 9.8 tonnes per day, equal to the level in 2006, despite worsening in the structure of residual reserves and increase in the number of measures, which had to be undertaken for extraction of hard-to-reach reserves. The number of geological-hydrodynamic models of Group fields should be increased to over 300 by 2010, so that 85% of all Company fields will be modelled. Models will be prepared for all fields in Western Siberia, Timan-Pechora and Kaliningrad Region.

The Group had 28,470 production wells at the end of 2007, of which 24,100 were actually in use. The number of injection wells was 9,060, of which 6,660 were under pressure. The number of production wells increased by 2.3% compared with 2006 due to increase in volumes of drilling. The share of wells that were out of use had reduced marginally by the end of 2007 compared with the end of 2006, and stood at 15.3% of all production wells.

Total production drilling in 2007 was 2.968 million meters, which is 27% more than in 2006. There was an increase in the share of international projects in total production drilling, which reflected intensive field development work as part of projects, in which Caspian

Investments Resources Ltd. was a participant. A total of 1,193 new production wells were commissioned, including 109 horizontal wells. Average daily flow at new wells was 37.8 tonnes, including 65.5 tonnes from horizontal wells. Total production from new wells (Group share) was 5.47 million tonnes. Drilling of horizontal wells has been found to be highly efficient and the Company plans to increase their numbers in the medium term.

The Company continued to increase drilling of sidetracks in 2007. A total of 188 wells with sidetracks were commissioned during the year and they gave average daily oil flows of 19.2 tonnes. The biggest production increases through drilling of sidetracks were obtained at a number of fields around Kogalym in Western Siberia, where average growth of daily oil flows at 47 wells, where sidetracks were drilled, was 33.4 tonnes. That is almost equal to flow rates from new wells. 21 sidetracks, drilled from old wells, were brought into operation in the Urals region. Average increase of daily flow was 13.7 tonnes, which is more than twice higher than average flow rates from the Group's wells in the region. Sidetracks have proved highly efficient and the Group plans to drill more of them in the medium term. Also in the Urals region LUKOIL has started to use radial drilling which represents a new technique for intensification of oil production. Radial drilling was used at 39 wells in 2007 and gave average daily flow rate increases of 8 tonnes.

A total of 548 new injection wells (including 21 steam-injection wells) were put under pressure in 2007 as part of efforts to optimize field development and maintain reservoir pressure. 454 million cubic meters of water were pumped into productive formation, which is 7.8% more than in 2006. However, power supply interruptions at some fields in Western Siberia meant that pumping of water for maintenance of reservoir pressure was less than planned, and this led to under-achievement of production growth targets. The Company is building small-scale generating facilities at its fields in order to resolve this problem (see the section, "Energy-saving Technologies"). The Company will continue to improve its systems for maintenance of reservoir pressure at fields that are currently under development in order to increase production volumes.

Steps were taken in 2007 to increase well productivity through mechanization, selection of optimal operating regimes, and intensification of flow rates. A total of 2,158 operations were carried out in 2007 in order to optimize functioning of the Company's mechanized wells, and 116 wells were transferred to mechanized operation. Additional oil, obtained from these measures, totalled 1.93 million tonnes (Group share). The Group continued to make intensive use of enhanced oil recovery (EOR) techniques in order to compensate natural decline of oil production as fields approach depletion and structure of their reserves worsens. A total of 5,292 EOR operations on productive formation were carried out during the year using physical, chemical, hydrodynamic and heat methods to raise oil recovery rates (see the section, "Exploration and Production Technologies"). Additional oil production from wells due to these operations totalled nearly 24 million tonnes in 2007, which is equal to the level in 2006 and represents over 26% of total Group production in Russia.

All the described efforts allowed the Group to maintain average daily oil flow from wells at a level of 11.55 tonnes (based on Group share in projects), helping to minimize growth of lifting costs. It should be emphasized that average daily flows at oil wells in Russia grew from 9 to 11 tonnes between 2002 and 2007.

Russia

Crude oil production by LUKOIL Group in Russia in 2007 was 91.100 million tonnes, including 90.735 million tonnes produced by subsidiaries. Russian production was 1.7% higher than in 2006.

Subsidiaries and equity affiliates of the Company produced oil at 337 fields in Russia during 2007. Production drilling was 2.641 million meters, which is 24.5% more than in 2006. The number of Company production wells in Russia at the end of 2007 was 27,450, of which 23,240 were actually in use. 981 new wells were commissioned during 2007 and production at new wells totalled 5.05 million tonnes.

Western Siberia accounted for 65.8% of oil production by LUKOIL in Russia during 2007 and production in the region was marginally higher than in 2006 at 59.92 million tonnes. Production growth was due to consolidation of Geoilbent, acquisition in June 2006 of the assets of Marathon Oil Corporation, and also to increase of output at several large fields. However, growth of production in Western Siberia was lower than planned as a result of power supply interruptions. Power shortages led to technical losses and made it impossible to pump sufficient volumes of water to maintain reservoir pressure. This had a particularly serious effect on two of the Group's largest fields: Tevlinsko-Russkinskoye and Vat-Yeganskoye. The Company is addressing the electricity supply problem at fields by building its own mini-power stations, running mainly on associated oil gas (see the section, "Energy-saving Technologies").

Most fields in Western Siberia have been under development for a long time and levels of reserve depletion are high. The Group is therefore focusing its efforts on optimization of development systems in order to limit the natural decline of crude output. However, several fields in the region have significant growth potential. For example, the Uryevskoye and Severo-Pokachevskoye fields both showed record growth of oil production in 2007.

Oil production at the Uryevskoye field, which was commissioned in 1978, grew by nearly 21% in 2007 compared with 2006 to a level of 2.23 million tonnes. This achievement was mainly due to drilling and launch of new wells. Production drilling was over 190,000 meters and 65 wells were commissioned with average daily oil flow of 34 tonnes. All wells at the field used hydrofracturing of formation and work continued on a system for maintaining reservoir pressure: 14 injection wells were put under pressure, which helped to minimize flow rate declines at operating wells. Work was also carried out at 26 wells to deepen the borehole and develop new formations.

Oil production at the Severo-Pokachevskoye field, which was commissioned in 1995, increased by 28% to 1.09 million tonnes. The increase was mainly due to high volumes and efficiency of production drilling. A total of 21 new wells were commissioned in 2007 (including 8 horizontal wells). Thanks to drilling of highly efficient horizontal wells average daily oil flows at new wells reached 74.4 tonnes. Increase of production volumes was also achieved by drilling of 4 sidetracks at old wells, which gave average daily flow increases of 20.1 tonnes. In addition, hydrofracturing of formation was applied at 6 wells, obtaining average growth of daily flow rates by 29.6 tonnes. Operating regimes were optimized at 5 wells, giving average extra daily flows of 14.4 tonnes.

The biggest growth of production achieved by the LUKOIL Group in Russia was at its fields in the **Timan-Pechora** oil & gas province. Output of oil in Timan-Pechora grew by nearly 1 million tonnes to 14.58 million tonnes, increasing the region's share in total Group production to a level of 15%. Timan-Pechora will be the main source of oil production growth for LUKOIL in the medium term, and the Company is making every effort to speed up commissioning of large reserves in the region. However, production growth in Timan-Pechora was lower than had been planned in 2007 due to postponement of production launch at the Group's biggest field in Timan-Pechora, the Yuzhnaya Khylochuya field.

The warm winter in 2006–2007 made it impossible for the LUKOIL Group to prepare the Yuzhnaya Khylochuya field for commissioning – specifically, to complete construction of a

pipeline to the Varandey terminal – since deliveries of equipment to the region where the field is located can only be made in winter, when the temperature is below zero, using so-called “ice roads”. It was initially planned to commission the field at the end of 2007, but it has been necessary to make a postponement until the middle of 2008. However, test production was successfully carried out at the field in 2007. Proved oil reserves at the Yuzhnaya Khylochuya field are in excess of 500 million barrels. Planned annual production at the field is 7.5 million tonnes (more than 150,000 barrels per day), and this target level will be reached in 2009. The amended development plan envisages 64 wells at the field. Crude from the field will be delivered by pipeline to the Varandey terminal, from where it will be carried by tanker to the international market (see the section, “Oil Deliveries”). By channelling oil from the Yuzhnaya Khylochuya field via the Varandey terminal LUKOIL will be able to preserve quality of the oil, which is superior to average quality of Urals export blend: density is 35.5 API (compared with 32.0 for Urals) and sulfur content is 0.71% (1.30% for Urals). It will therefore be possible to sell oil from the Yuzhnaya Khylochuya field on the international market at a premium to Urals.

Development of the Yuzhnaya Khylochuya field will be the main factor of production growth by the Company in 2008–2009. The field is being developed by Naryanmarneftegaz, which is a joint venture between LUKOIL Group and ConocoPhillips.

Several other fields entered production in Timan-Pechora during 2007: the small Verkhnee-Volminskoye field, the Osvanyurskoye field (discovered in 2007) and the Oshskoye field, the development license for which was obtained by LUKOIL in 2007. Most oil production growth in the region was provided by the Pashshorskoye, Kyrtaelskoye and Perevoznoye fields, at which production increased by 0.8 million tonnes.

Oil production at the **Pashshorskoye field**, which was commissioned in 2004, grew by 545,000 tonnes in comparison with the previous year to 629,000 tonnes. The production growth was due to commission of new wells and increase of output at old exploration wells thanks to launch of an inter-field pipeline between Pashshorskoye and the Yuzhno-Shapkinskoye fields. 9 new wells were commissioned in 2007 and gave average daily flow of 174 tonnes.

Naryanmarneftegaz, the joint venture between LUKOIL Group and ConocoPhillips produced 617,000 tonnes of oil in 2007, which is 23.4% more than in 2006. All of the growth was due to development of the Perevoznoye field. The joint venture also continued preparations for development of the Yuzhnaya Khylochuya field in 2007.

Oil production by LUKOIL Group in the **Urals** region rose by 334,000 tonnes or 3.1%. This region accounted for 22% of oil production growth by the Group in Russia and all of the increase was organic. Such high rates of growth were achieved thanks to application of new technologies, such as drilling of sidetracks, radial drilling, and acid fracturing of formation.

Oil production in the **Volga** region in 2007 was 3.24 million tonnes, representing a slight increase compared with 2006. Improvement of field development efficiency in the region led to rise of the recovery rate, maintaining production levels despite considerable depletion of reserves.

Preparations continued in 2007 for development of fields on **the Caspian Sea shelf**. Development of these fields will be the main factor in oil production growth by the Company from 2010. The V.Filanovsky and Yu.Korchagin fields will be the first to be commissioned and will be the main source of output growth. Development plans envisage annual production of about 12 million tonnes (250,000 barrels per day) at these fields by 2015. Development will be on a zero-discharge basis, minimizing impact on the natural environment of the Caspian Sea.

Work was carried out in 2007 on construction of an ice-resistant stationary platform for use in development of the Yu.Korchagin field, and mounting of drilling equipment on the platform

was begun. Building of the second tug-and-transport vessel for use on the Caspian was completed. An overall concept was designed for development of the V.Filanovsky field, which is the largest in the Northern Caspian. Forecast daily production at the field based on current data is 210,000 barrels of high-quality oil. The V.Filanovsky field contains light, low-sulfur oil with density of 44 API and 0.1% sulfur content. It will be sold on international markets with a premium to Brent.

International Projects

LUKOIL Group's share of production in international projects was 5.545 million tonnes in 2007, which is 2.3% less than in 2006. The volume reduction was due to completion of the transaction for sale of a 50% stake in Caspian Investments Resources Ltd. Daily oil production by Caspian Investments Resources Ltd. at the time of the sale (based on its share in projects) was about 46,000 barrels. So the sale reduced daily output of crude oil by LUKOIL Group by 23,000 barrels. However, organic production growth in international projects was 9.8%, which almost completely compensated shrinkage of production due to the sale of Caspian Investments Resources Ltd. Most of the organic growth was from the KarakudukMunai, Karachaganak and North Buzachi projects.

Production drilling in the Group's international projects was 327,000 meters, which is 49% more than in 2006. The large growth of production drilling in 2007 reflects intensive field development as part of projects involving Caspian Investments Resources Ltd. and as part of the Kumkol project. The number of oil production wells outside Russia was 1,017, of which 861 were in use. 212 new production wells were commissioned during the year. Average oil flow at wells was 61.7 tonnes per day. Launch of new wells gave 420,000 tonnes of additional production (Group share).

LUKOIL Group continued intensive development of its production projects in Kazakhstan, investing \$287 million in development of Kazakh fields during 2007.

The KarakudukMunai project in Kazakhstan commissioned 28 new production wells in 2007, which gave average daily flows of 29.1 tonnes. Total output increase in KarakudukMunai was a record 45%, to 1.02 million tonnes. However, LUKOIL Group's share in production was reduced to 668,000 tonnes due to sale of a 50% stake in Caspian Investments Resources Ltd. Work was begun on design and construction of a complex gas processing unit as part of the project for utilization of associated gas, which was agreed with supervisory authorities in Kazakhstan in 2006. Marketable gas will be delivered to Russia through the Bukhara-Ural gas pipeline. A railway loading rack and terminal were commissioned, which will enable transportation of oil produced in the project to the port of Aktau without detriment to its quality. High-quality oil, produced in the project, was previously transported via the pipeline system, which led to average value losses of \$4 per barrel due to mixing of Karakuduk oil with oil from other fields.

LUKOIL produced 1.60 million tonnes of oil and gas condensate in 2007 as its share of the **Karachaganak** project in Kazakhstan. Production rose by 10.5% compared with 2006. One multi-bore horizontal well with daily oil flow of 1,400 tonnes was launched in 2007 and construction of another multi-bore well was completed. A further 6 such wells are due to be commissioned in 2008. Work was carried out in 2007 for the third stage of the project, which will involve substantial capacity increases. Implementation of the third stage is scheduled to start in 2008.

Intensive development of **the North Buzachi** field in Kazakhstan was continued in 2007, with commissioning of 127 new production wells, giving average daily oil flow of 22.6 tonnes. Project production increased by 20.5% to 1.61 million tonnes, but LUKOIL Group's share in production decreased to 524,000 tonnes due to sale of a 50% stake in Caspian Investments Resources Ltd. A scheme for utilization of associated gas was selected and agreed with the

supervisory authorities in Kazakhstan, and began to be implemented. The initial plan was to sell the gas to the company KarazhanbasMunai, but this company failed to meet its commitments. It was therefore decided to use the associated gas for heating of water prior to its injection into formation.

Eight new production wells with average daily output of 840 tonnes were commissioned as part of the **Tengiz** project in Kazakhstan. Expansion of production capacities at Tengiz gave a 4.6% increase of output and LUKOIL share of production was 376,000 tonnes.

Intensive development of the **Kumkol** field in Kazakhstan was continued. A total of 25 production wells were commissioned and sidetrack drilling technology was tested. Average oil flows from new wells, commissioned in 2007, were 77.9 tonnes per day. A unit for primary disposal of water and a group pumping station were completed as part of development of the system for maintaining reservoir pressure. A scheme for utilization of associated gas was selected and agreed with the supervisory authorities in Kazakhstan, and implementation was begun. The East Kumkol satellite field was brought into production in 2007. Total output in the Kumkol project rose by 2.9% in 2007 to 1.76 million tonnes (LUKOIL's share). Output has now reached the planned level and LUKOIL's objective is to maintain production at this level for as long as possible. 32 new production wells are to be drilled in 2008 and sidetracks will be drilled at 10 wells.

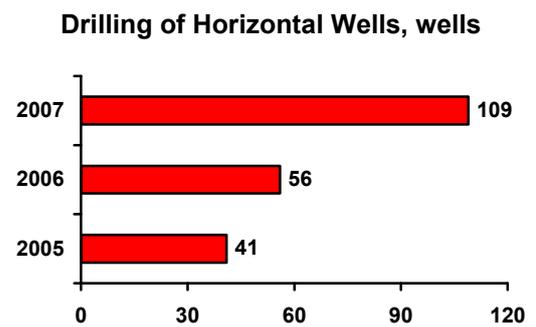
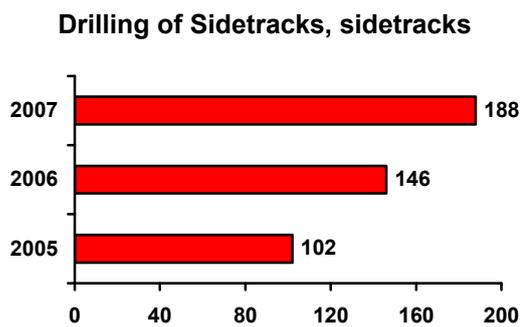
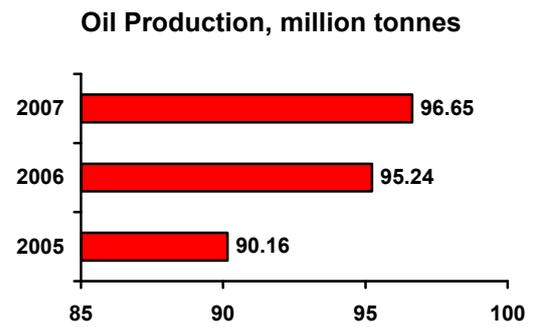
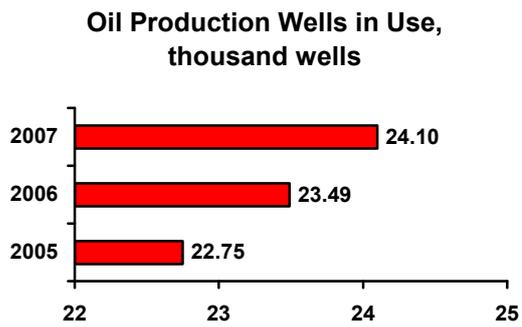
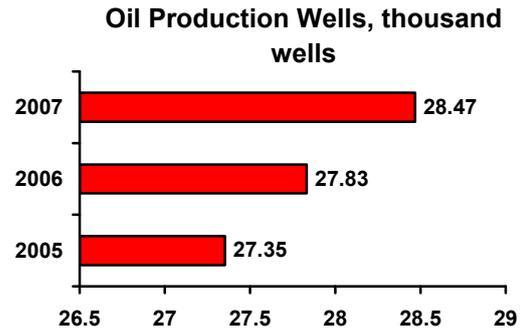
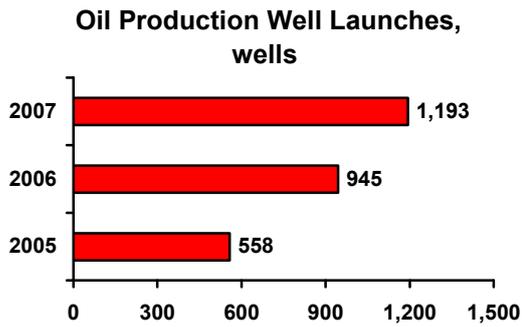
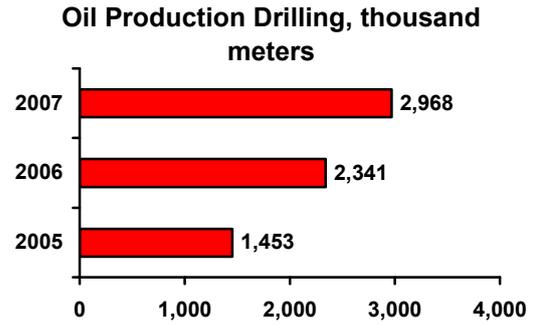
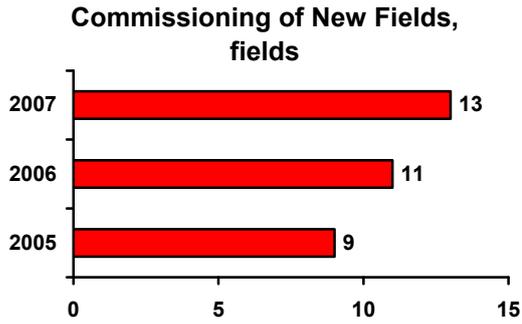
Ten new production wells were launched at the **Alibekmola and Kozhasai** fields as part of the Kazakhoil-Aktobe project in Kazakhstan and gave average daily oil flows of 52.5 tonnes. A new drill fluid was successfully used at the Kozhasai field to enable safe drilling of saline interlayers. Work was continued for use of associated gas and field preparation. Total output at the two fields was 869,000 tonnes and LUKOIL share was 286,000 tonnes.

Volumes of oil and gas condensate production in the **Shakh-Deniz** project in Azerbaijan (launched in December 2006) increased rapidly thanks to successive launch of three new production wells in addition to the well, which was commissioned in 2006. Total oil and gas condensate production was 895,000 tonnes and LUKOIL Group's share was 88,000 tonnes. Two more production wells are to be drilled in 2008.

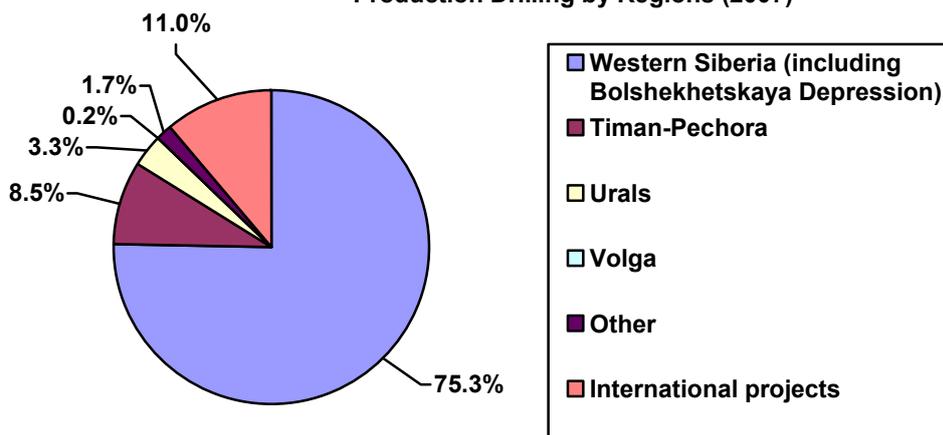
Test production was carried out at the first exploration well as part of the **Condor** project in Colombia and 1,400 tonnes of high-quality Vasconia crude was produced. Work began on a development plan and a schedule for field preparation.

In Egypt 13 new wells were launched as part of the **Meleiha** project. They gave average daily oil flow of 43 tonnes. An extension of the concession agreement for the Meleiha block up to 2024 came into force in 2007. A further 32 wells are to be drilled in 2008. A system of reservoir pressure maintenance was made ready for launch as part of the **WEEM** project in Egypt and well drilling will be restarted in 2008. A total of 5 new production wells are to be drilled in the project. The share of production of LUKOIL Group in Egyptian projects remained at its level in 2006 (200,000 tonnes).

Production of gas condensate began in 2007 at the **Khauzak** area (part of the Dengizkul gas condensate field in Uzbekistan, which is being developed as part of the **Kandym – Khauzak – Shady** project). A complex system was put in place for transportation of gas condensate to Uzbekistan's Dzharkurgansky Oil Refinery.



Production Drilling by Regions (2007)



Gas Field Development and Production

The objectives of LUKOIL Group's gas program are accelerated growth of gas production both in Russia and abroad and increase in the share of gas to a third of total hydrocarbon production by the Group. The strategic aim is to commercialise gas reserves and reduce the Company's exposure to price volatility on the international oil market.

Gas production by LUKOIL Group in 2007, including the Company share of production by equity affiliates, was 16.397 billion cubic meters (1.586 billion cubic feet per day). Output of marketable gas (net of own use, reinjection into reservoir formations and transport losses) totalled 13.955 billion cubic meters (1.350 billion cubic feet per day), of which 13.731 billion cubic meters were produced by subsidiaries. Average daily production of marketable gas grew by 2.5% compared with 2006. LUKOIL Group's net profit from gas projects was over \$150 million, which is more than twice higher than in 2006.

Production of natural gas was 10.787 billion cubic meters, of which 9.652 billion cubic meters was marketable. Output of marketable natural gas was 1.7% lower than in 2006 due to reduction of purchases by OAO Gazprom from the Nakhodkinskoye field. The main achievement in gas production during 2007 was launch of production at the Khauzak gas field as part of the Kandym – Khauzak – Shady project.

Production of associated gas was 5.610 billion cubic meters. Associated gas is used at LUKOIL Group fields for maintenance of reservoir pressure (by injection of the gas), for production of electrical energy at gas-fired generating stations and for other production needs. Marketable associated gas is delivered to gas-processing plants and to local consumers. Production of marketable associated gas was 4.303 billion cubic meters, which is 13.5% more than in 2006. Faster growth in production of marketable associated gas compared with production of oil was mainly due to capacity increase at the Lokosovsky gas-processing complex in Western Siberia, which was completed in 2006, as well as development of the system for utilization of associated gas at Company fields.

The utilization rate for associated gas¹ was 69.0% in 2007 which is lower than in 2006. This was mainly due to acquisition in 2005–2006 of new production assets (Geoilbent and Khantymansiyskneftegazgeologiya), which do not have developed systems for gas utilization, as well as rapid growth of oil production by these assets.

¹ Share of produced gas in total volume of gas extracted from formations. The remainder is flared off.

The system for utilization of associated gas at Company fields was further developed in 2007 by construction of compressor stations and gas pipelines. The level of utilization at main Group fields in Western Siberia exceeded 95%. Implementation of projects for use of associated gas at newly acquired assets will enable production of the gas to be increased by more than one billion cubic meters.

LUKOIL Group is carrying out a small-scale generating program, based on construction of gas-fired mini power stations at fields in order to increase associated gas utilization. As a result the Company is able to reduce flaring of associated gas and cut electricity costs, thus reducing oil lifting costs. These measures are important for implementation of LUKOIL's program, which aims to increase associated gas utilization to 95%, and which was approved in 2003.

The Group had 376 gas production wells at the end of 2007, of which 277 were in use.

Russia

Production of marketable gas in Russia in 2007 was 12.273 billion cubic meters, which is 1.2% less than in 2006. The share of natural gas was 66%, which is 5 percentage points less than in 2006. LUKOIL Group had 297 gas production wells in Russia by the end of 2007, of which 221 were in use.

Most of the Company's natural gas production in Russia was at the Nakhodkinskoye field in the Bolshekhetskaya Depression. Gas production there in 2007 was 7.8 billion cubic meters, which 8.1% less than in 2006. The decline was due to reduction of gas purchases by OAO Gazprom due to lower demand for gas because of the warm winter of 2006–2007. A new agreement with OAO Gazprom, effective from 1 January, 2007, almost doubled the price for gas from Nakhodkinskoye to 1,059 roubles per 1,000 cubic meters (see the sections, "Pricing and Tax Environment" and "Gas Deliveries"). This significantly improved economics of the project.

LUKOIL continued preparations for development of the Khvalynskoye gas field in the Northern Caspian during 2007. The field is located on the border between Russia and Kazakhstan. An agreement between the two countries, reached in 2002, puts the field under Russian jurisdiction, but it will be developed on a parity basis by Russia and Kazakhstan in a PSA framework. The organizations officially authorized to participate in the project from the Russian and Kazakh sides are OAO "LUKOIL" and KazMunaiGaz. Work is being carried out through Caspian Oil & Gas Company, which is a joint venture between OAO "LUKOIL" and KazMunaiGaz. The focus in 2007 was on preparation of a technical scheme for field development and preparation of the feasibility study.

International Projects

Production of marketable gas in 2007 as part of international projects was 1.682 billion cubic meters, which is 41.6% more than in 2006. The share of natural gas was 89%, which is 4 percentage points higher than in 2006. The Shakh-Deniz and Kandym – Khauzak – Shady projects accounted for most of the growth in gas output. LUKOIL Group gas production wells in international projects totalled 79 at the end of 2007, of which 56 were in use.

The biggest volumes of marketable gas (1.046 billion cubic meters by LUKOIL's project share) were produced at the **Karachaganak** field in Kazakhstan, where output increased by 4.2% compared with 2006. One multi-bore horizontal well was launched at Karachaganak in 2007 and drilling of another multi-bore well was completed. A further 6 such wells are to be brought into operation during 2008. Project work was carried out in 2007 on the third stage of field

development, which will significantly increase capacities. The third stage will start to be implemented in 2008.

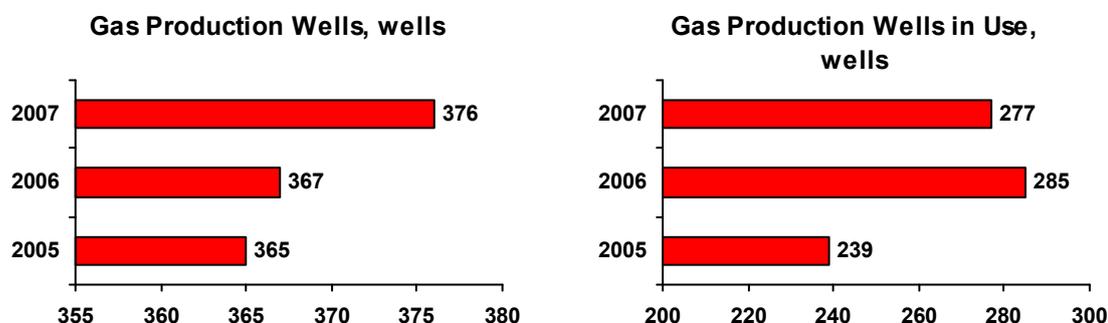
Output volumes in the **Shakh-Deniz** project in Azerbaijan (launched in 2006) grew rapidly in 2007 thanks to successive launch of three new production wells in addition to the well launched in 2006. Another two production wells will be drilled in 2008. Production of marketable gas in 2007 was 3.15 billion cubic meters, of which LUKOIL share was 309 million cubic meters). Gas from the field is supplied to the domestic market and also to Georgia and Turkey via the South Caucasus pipeline.

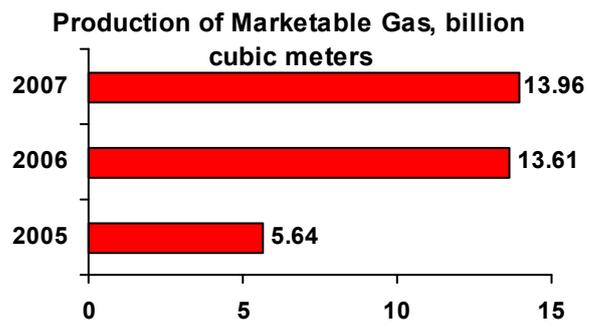
One of the Company's main achievements in 2007 was launch of natural gas production at the Khauzak gas area (part of the Dengizkul gas condensate field, which is being developed as part of the Kandym – Khauzak – Shady project in Uzbekistan). Supplies of natural gas from Khauzak via the Dengizkul–Mubarek pipeline began in November 2007. 10 slant wells were put into operation during the year, a gas treatment unit was commissioned, gas processing capacities at the Mubarek Gas-processing Plant were prepared for use and measures were taken to enable transportation of the gas through the Central Asia – Center trunk pipeline network. Drilling and additional exploration at the Khauzak area were carried out using three drilling rigs.

Gas produced in the project is delivered through the Central Asia – Center pipeline or the Bukhara–Ural pipeline to the border with Kazakhstan, where it is sold at a price that is officially established by an agreement between Russia and Uzbekistan. The price in 2007 was \$100 per 1,000 cubic meters. The price rose to \$130 per 1,000 cubic meters as from 1 January, 2008, and will be increased to \$160 per 1,000 cubic meters from 1 July, 2008 (see the section, “Pricing and Tax Environment”).

Twelve new production wells will be launched at the Khauzak area in 2008 and production should rise to 2.5 billion cubic meters of gas. Specifying of the geological model and reappraisal of assets are also planned.

Proved reserves in the Kandym – Khauzak – Shady project at the start of 2008 totalled 3.338 trillion cubic feet of gas and 6.5 million barrels of oil and condensate (of which LUKOIL Group's share was 3.290 trillion cubic feet of gas and 6.4 million barrels of oil and condensate). Peak production in the project will be about 12 billion cubic meters of gas, which exceeds total production of natural gas by LUKOIL Group in 2007.





Oil Refining, Gas Processing and Petrochemicals

Strategy

- Maximizing refinery throughputs
- Production of high-quality, environmentally friendly petroleum products with high added value
- Increase of light-products yield
- Control over production expenses
- Optimizing logistics: reduction of transportation expenses
- Increasing efficiency of trade operations
- Increasing retail sales volume of petroleum products and of related products and services

Net profit in 2007 in the Refining & Marketing segment reached an all-time high of \$4.770 billion, which is 31% more than in 2006. Excellent financial results were achieved mainly by increase of refinery throughputs and retail sales volumes thanks to favourable macroeconomic environment and improvement of business efficiency in the segment. Net profit in petrochemicals was \$148 million, which is 54% more than in 2006.

Oil Refining

LUKOIL Group Refineries

Refinery	Nelson Index	Annual capacity, mln tonnes	Refining in 2007, mln tonnes
Perm Refinery	8.0	12.4	11.94
Volgograd Refinery	5.2	11.0	9.61
Ukhta Refinery	3.1	3.7	4.14
Nizhny Novgorod Refinery	3.6	17.0	16.67
Mini-refineries in Uray and Kogalym		0.4	0.19
Total, Russian refineries		44.5	42.55
Odessa Refinery (Ukraine)	3.2	2.8	0.01
Petrotel-LUKOIL (Romania)	9.9	2.4	2.54
LUKOIL Neftokhim Burgas (Bulgaria)	8.3	8.8	7.06
Total, foreign refineries		14.0	9.61
Total		58.5	52.16

LUKOIL Group developed its oil refining business very rapidly in 2007, particularly at Russian refineries, thanks to intensive modernization and extension of capacities, in a context of high refining margins.

The price environment on the petroleum product market was favourable in 2007. Price growth for main products inside Russia was between 5% and 15%. Wholesale prices for gasoline in Russia (not including VAT) were 14% higher than in 2006, prices for diesel fuel rose by 6% and for fuel oil by 11%. Prices for gasoline and diesel fuel in Europe rose by about 10% compared with 2006 and prices for fuel oil were almost 20% higher. The tax environment was also favourable for the refining segment. Excises on petroleum products in Russia were unchanged.

Russian refining margin in the accounting year was more than twice higher than its average level in the last three years. The main factor driving Russian refining margin is the difference between export tariffs on oil and on petroleum products. For example, in 2007 export tariffs on light petroleum products were on average a little above 73% of export tariffs on crude oil, while export tariffs on dark petroleum products were only 39.5% of the level for crude. This ratio is roughly the same as in 2006 and it has been kept stable by the government in order to encourage development of the refining industry in Russia. So,

all other things being equal, higher export tariffs on crude oil entail higher Russian refining margin. It is also important to note that domestic price levels for petroleum products in 2007 were higher than export netbacks. This is another key factor, which supported Russian refining margin at a high level, since about 40% of outputs from LUKOIL Group Russian refineries are sold on the domestic market.

Refining margin in Europe during 2007 was more than 40% higher than its average level in the last 5 years. This was due to strong demand for petroleum products, particularly light products, as well as a deficit of refining capacities capable of producing fuels that meet new environmental requirements.

LUKOIL Group organizations refined 56.77 million tonnes of oil in 2007 (including processing at third-party refineries), which is 5.4% more than in 2006. LUKOIL's own facilities refined 52.16 million tonnes (6.7% more than in 2006). The Group's program for modernization and reconstruction of its refineries was continued in 2007 with capital expenditures of \$830 million. LUKOIL also consolidated its oil refining assets, including increase of its stake in the Nizhny Novgorod Refinery to 96.91%. Investments in Group refineries during 2007 totalled \$157 million.

As part of ongoing modernization and expansion of refining capacities the LUKOIL Group installed two new isomerization units with annual capacity of over 800,000 tonnes, one unit for isomerization of *n*-butane with 50,000 tonnes annual capacity, and one visbreaking unit with 800,000 tonnes annual capacity. The Group strategic development program for 2008–2017 targets increase of annual refinery throughputs at Company facilities to 65 million tonnes and rise of the Nelson index (refinery complexity) to 8.2 (from 5.8 in 2007). Gasoline yield should be increased from 14% in 2007 to 20% by 2017, and diesel fuel yield should rise from 28% in 2007 to 36% in 2017. On the contrary, fuel oil yield should be reduced to 13% from 24% in 2007, and yield of vacuum gas oil should decline to 3% from 9% in 2007.

Work began in 2007 on efficiency improvement at LUKOIL Group refineries in order to reduce the gap compared with global industry leaders. Principal measures for raising efficiency are optimization of production capacities and increase of capacity load, more efficient use of energy, better management of personnel numbers and rotation, improving reliability of equipment (specifically, by increasing periods of use between overhauls), as well as standardization of business processes and systems.

Russian Refineries

Refinery throughputs at LUKOIL Group own Russian refineries rose by 7.7%, to 42.55 million tonnes in 2007. Capacity load in Russia was 96.5%, which is the highest level in Company history. LUKOIL processed 3.59 million tonnes of crude oil at third-party refineries in Ufa, helping to take best advantage of the favourable price environment.

The share of high-octane gasoline in total output of gasoline at LUKOIL Group refineries in Russia (not including mini-refineries) rose to 83.5% in 2007, up from 76.6% in 2006. Refining depth was 74.0% and light product yield was 49.9%. The biggest output increases in 2007 were of fuel oil (18.4% increase compared with 2006), heating oil (+13.9%) and motor gasolines (+11.4%).

Measures were implemented in 2007 to reduce operating expenses and raise production efficiency of Russian refineries. As a result irretrievable losses at refineries were reduced from 0.70% to 0.65%. Irretrievable losses at the Nizhny Novgorod and Ukhta Refineries were among the lowest in the Russian refining industry at 0.38% and 0.22%, respectively. There was also a 2% reduction in average personnel numbers at LUKOIL's Russian refineries during the year.

Capital expenditures for modernization of the Company's Russian refineries were \$606 million and investments were \$157 million in 2007.

At the **Perm Refinery** an isomerization unit was installed and put into operation. The unit, with annual production capacity of 450,000 tonnes, reduces purchases of high-octane additives, increases output of high-octane motor gasoline and reduces levels of benzol, aromatics and sulfur to conform to Euro-3 and Euro-4 standards. Economic effect (NPV) from installation of the unit is estimated at \$85 million.

The Perm Refinery also commissioned an automated mixing station for motor gasolines with daily capacity of 6,500 tonnes. The station enables automated production of any grade of gasoline, thus

reducing necessity for storage and, consequently, reducing working capital, while increasing gasoline production volumes.

Annual refining capacity at the Perm Refinery was increased from 12.0 to 12.4 million tonnes in 2007 thanks to overhaul of fractionation columns on distillation units.

The **Volgograd Refinery** commissioned an isomerization unit with annual production capacity of 370,000 tonnes. The unit enables increase in yields of high-octane gasolines conforming to Euro-3 and Euro-4 standards. Economic effect (NPV) is estimated at \$50 million.

At the **Ukhta Refinery** the Company commissioned a vacuum residue visbreaking unit with 800,000 tonnes annual capacity. The unit increases refining depth, reduces output of fuel oil and raises output of vacuum gas oil. Estimated economic effect (NPV) of the new unit is \$94 million.

At the **Nizhny Novgorod Refinery** the Company completed most of the work on installation of a vacuum residue visbreaking unit with 2.4 million tonnes annual capacity, and commissioning of the unit is scheduled for the second quarter of 2008. Economic effect (NPV) of the new installation is estimated at \$383 million thanks to greater depth of refining and efficiency improvements.

The first stage of modernization (from 2006 to 2010) involves construction of catalytic cracking facilities, which will enable all motor gasolines at the Refinery to be produced to Euro-4 standards (the Refinery has produced gasoline to Euro-3 standards since 2006) and increase in overall output of motor fuels by 1.5 times. Qualitative indicators of the Refinery should be improved by 2010: Nelson index will rise to 7.4 (from 3.6 in 2007), light product yields will reach 60% (42.6% in 2007), and the share of high-octane gasoline in overall gasoline output will reach 100% (86.6% in 2007). Annual EBITDA of the Nizhny Novgorod Refinery should rise by \$240 million (in 2007 prices) as a result of launch of the new facilities.

International Refineries

Refinery throughputs at the Group's international refineries grew by 2.5% in 2007 to 9.61 million tonnes. Total international refinery throughputs, including processing, were 10.63 million tonnes, which is 4.1% less than in 2006. The reduction was due to scaling down of deliveries to third-party refineries outside Russia by 39.9% due to redirection of crude oil flows to refineries in Russia. Average capacity load at the Ploiesti (Petrotel) Refinery in Romania and at the Burgas Refinery in Bulgaria was 85.8%, which is slightly higher than the level in 2006.

Average refining depth at the Company's foreign refineries rose to 81.0% in 2007 from 80.4% in 2006. Light product yield was 64.1%, down slightly from 66.1% in 2006, which was due to unscheduled stoppages of catalytic cracking units at the Petrotel-LUKOIL Refinery and unscheduled repairs to catalytic cracking units and distillation unit at the Burgas Refinery. Irrecoverable losses were 1.11%. The share of high-octane gasoline in total output of gasoline at foreign refineries was 100% in 2007 (as in 2006).

The highest rates of output growth at international refineries were for jet fuel (+20.5%) and coke (+13.5%). Production of motor gasoline rose by 1.8%, and increase of diesel output was 3.5%.

Capital investments in modernization of foreign refineries were \$224 million in 2007.

At the **Burgas Refinery** in Bulgaria construction of a unit for isomerization of *n*-butane with 50,000 tonnes annual capacity was completed. Its launch will increase production of feedstock for the sulfuric acid alkylation unit at Burgas, raising production potential and enabling greater flexibility in production of high-octane gasolines (by increasing output of alkylate, which is a high-octane component) at the Refinery. Economic effect (NPV) from launch of the new unit exceeds \$70 million.

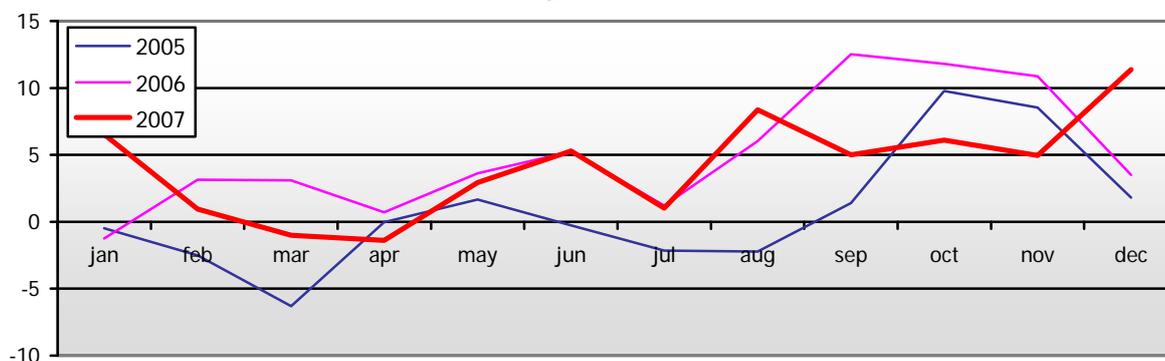
A 25 megawatt power supply unit was commissioned in 2007 at the **Petrotel-LUKOIL Refinery** in Romania, increasing total installed generating capacity at the Refinery to 61 megawatts. The new power supply unit increases reliability of power supplies to the Refinery, fully covering its electricity and heat

needs, and also creates potential for supplies of heat to meet needs of the city of Ploiesti. The first stage of reconstruction of the power generating facilities at the Refinery has now been completed. The overall project also includes construction in the second half of 2009 of a boiler complex with 245 megawatts heat capacity, fired by petroleum coke. Petroleum coke is also produced at the Refinery and is considerably cheaper than fuel oil, which is currently used at the Refinery's generating station.

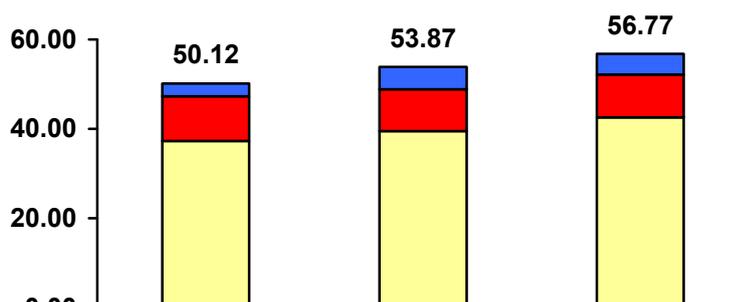
Petrotel-LUKOIL also commissioned an automated system, which ensures efficient management of technical processes at various Refinery units and can react in real time to any changes in the Refinery's production cycle.

The **Odessa Refinery** in Ukraine completed the first stage of reconstruction, which was begun in August 2005. The distillation unit and various other facilities were rebuilt during this first stage. Test operation was successfully carried out at the Refinery in 2007. In 2008 the Refinery completed the second stage of modernization by installation of a visbreaking unit, which will lower output of fuel oil and raise output of vacuum gas oil. The Odessa Refinery was put back in operation in April 2008. Modernization of the Refinery will increase refining depth from 56% to 78%. Economic effect (NPV) from the modernization is estimated at \$87 million.

Refining Margin in Russia (average refinery in European Russia without catalytic cracking), \$ per barrel

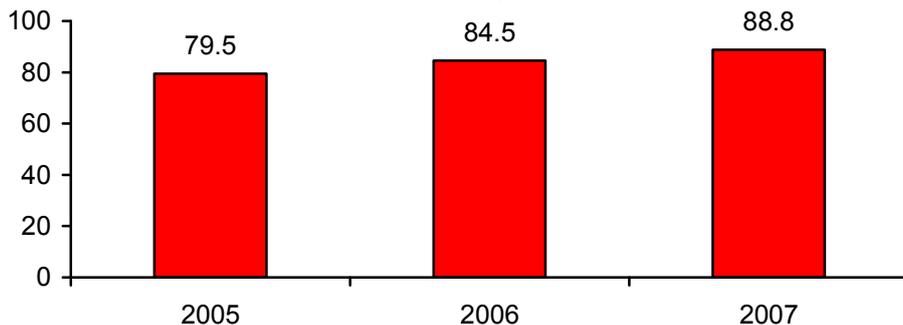


Oil Refining by LUKOIL, million tonnes

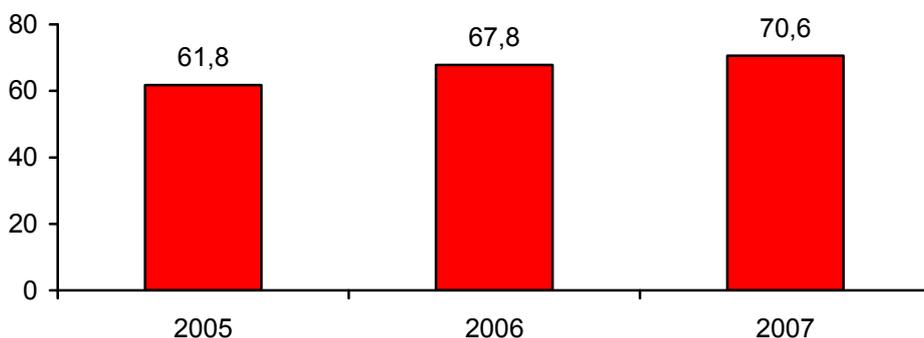


	2005	2006	2007
At third-party refineries	2.85	4.99	4.61
At the Company's foreign refineries	9.97	9.38	9.61
At the Company's refineries in Russia	37.30	39.50	42.55

Share of High-octane Gasoline in Total Gasoline Production, % ¹

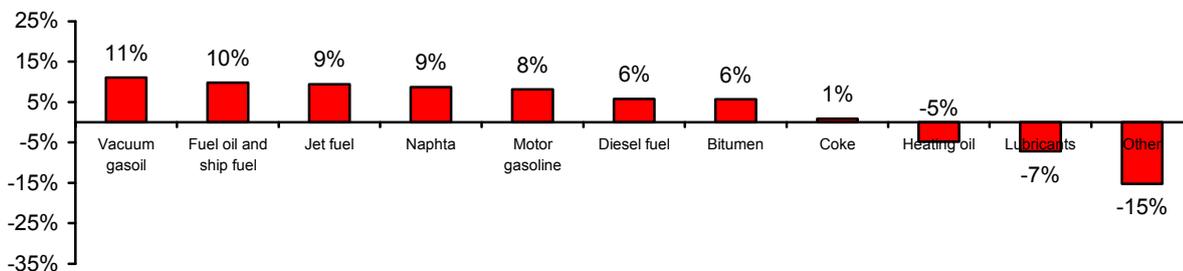


Share of Diesel Fuel with Sulfur Content below 0.05% in Total Diesel Production, % ¹



¹ Excluding mini-refineries.

Change in Output Levels of Petroleum Products at Company Refineries in 2007 Compared with 2006, % ¹



Oils and Lubricants

LUKOIL motor oils match international requirements of the Society of Automotive Engineers (SAE), the American Petroleum Institute (API), the European Automobile Manufacturers Association (ACEA) and the Russian Association of Automobile Engineers (AAE). Company oils are produced using the latest technologies and contain efficient additives supplied by Russian and foreign producers.

High performance qualities of LUKOIL lubricants are acknowledged by major automotive manufacturers in Russia and abroad. Company lubricants have passed tests at western certification centers on engines made by DaimlerChrysler, BMW, Volkswagen, MAN, Porsche, Volvo, Renault trucks and Cummins and have been approved for use in these engines.

Production and sale of oils and lubricants is an important aspect of LUKOIL Group's business. They are produced at Group refineries in Perm, Volgograd and Nizhny Novgorod, and the LUKOIL Group accounts for almost 45% of total Russian production of lubricants. The Company also mixes

lubricants from ready-made components (both produced by the Company and bought from third parties) at facilities in Russia, Romania and Finland. The LUKOIL Group produces about 120 lubricant types to international standards. They include base oils (used as inputs for production of ready-to-use oils, lubricants, and additives), industrial oils for use in factory equipment, as well as motor and transmission oils for all types of transport.

Company refineries produced 1.12 million tonnes of oils and lubricants in 2007. Mixing and packaging of oils and lubricants (including those produced at Group refineries) at other Group facilities totalled almost 100,000 tonnes. LUKOIL introduced new specifications for its base oils in the accounting year and started production of improved base oils, as well as increasing marketable product yield and energy saving. The Company began production of a number of new, secondary products (axle lubricants for Russian Railways, engine flushes, and ingredients for protective coatings). A total of 21 new and reformulated products were launched in the course of the year.

LUKOIL became a member of the Association of European Lubricant Producers, ATIEL (Association Technique de L'Industrie Européene des Lubrifiants) in 2007. Members of the Association, 16 major lubricant producers, decide on technical issues, set rules for compatibility between lubricants, reach agreements with engine manufacturers and additive developers, and develop regulations and procedures for testing of new lubricant specifications. Adherence to ATIEL represents acknowledgement of LUKOIL as an equal member of the European market and enables the Company to take part in design of quality standards for lubricant producers, working closely with manufacturers of engines and industrial equipment.

The joint enterprise for production of additives, which was created in 2006 together with the Belarus company, Naftan, continued to develop successfully in 2007. The enterprise provided about 40% of LUKOIL Group's additive needs in the accounting year, and that figure should rise to 80% in the medium term.

Consistent quality improvements and expansion of the Company's lubricant range is supporting demand growth. Sales volume of packaged and branded LUKOIL lubricants rose by 17% in 2007. The first stage of restructuring of the Company's lubricant packaging business on foreign markets was completed, leading to increase in export sales of packaged and branded LUKOIL lubricants by 70% to Ukraine, 75% to Belarus, and 20% to Kazakhstan.

The Company takes a modern approach to the lubricants business, as shown by creation of a system of client relationship management. LUKOIL is one of the first companies in the sector to offer a full service of product support, from placement of a client order to delivery and, ultimately, disposal of used lubricants. This approach enables the Company to sell more than 80% of its output to end-users.

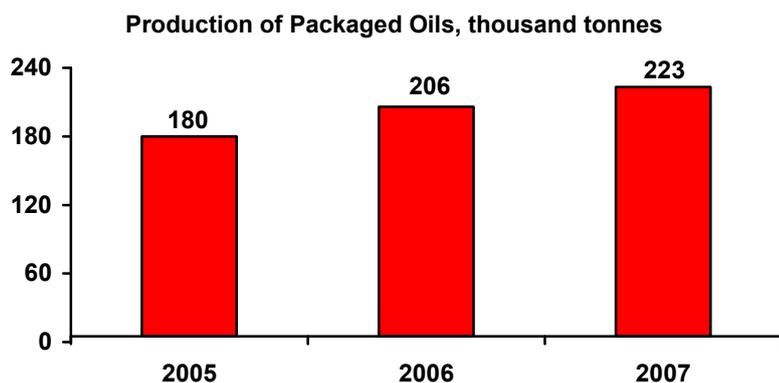
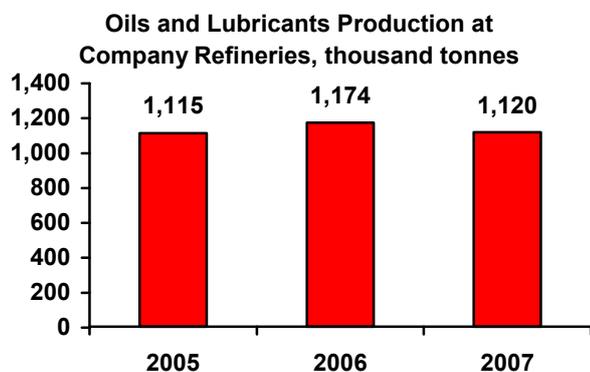
LUKOIL further developed its cooperation with machine builders and industry associations in 2007, obtaining 33 approvals, including several approvals for use of its lubricants for first-fill purposes on assembly lines and for vehicle servicing. The share of the Company in total volumes of lubricants supplied to Russian vehicle manufacturers for first-fill purposes reached a record level of 97% in 2007. The Company also carried out a program to obtain approvals from leading international manufacturers of marine engines.

LUKOIL Group's oils and lubricants are sold in 30 countries around the world, including many countries in Western Europe (under the Teboil brand), confirming excellent quality and environmental characteristics of LUKOIL products. In 2007 oils and lubricants produced at LUKOIL plants began to be sold directly to end-users in Italy, France, Holland, Belgium and Greece, as well as via subsidiaries and traders to Turkey and African countries. The Company won a tender in 2007 to deliver base oils to the Syrian state company, Sytrol. LUKOIL intends to significantly expand its oil and lubricant sales network in the near-abroad (former Soviet republics), the Baltics, and countries in South-East Asia.

LUKOIL worked hard on improvement of its oil and lubricant marketing in 2007. The range of branded lubricants was adapted to suit the structure of the market, and a pricing strategy was designed and implemented. Also in 2007 LUKOIL carried out its first sales of base oils through long-term contracts, tied to European price levels.

LUKOIL Production of Oils and Lubricants

Nizhny Novgorod Refinery		Full-cycle lubricant production	242,000 tonnes
Perm Refinery		Full-cycle lubricant production	417,000 tonnes
Volgograd Refinery		Full-cycle lubricant production	461,000 tonnes
LLK Lubricants Romania S.R.L.	Ploiesti, Romania	Mixing of lubricants from ready components	33,000 tonnes
LLK Finland Oy	Hamina, Finland	Mixing of lubricants from ready components	31,000 tonnes
Subsidiary of LLK International	Tyumen Region	Mixing of lubricants from ready components	29,000 tonnes



Gas Processing

LUKOIL Group's gas-processing plants process associated gas, produced by the Company in Russia, into marketable gas (which is fed into OAO Gazprom gas pipeline system) and into liquid hydrocarbons.

Gas-processing plants of LUKOIL Group processed 3.317 billion cubic meters of gas feedstock and 882,000 tonnes of natural gas liquids in 2007. Gas processing rose by 25% compared with 2006 and processing of natural gas liquids was 40% higher. Major growth of processing volumes was due to capacity expansion at the Lokosovsky complex, which was completed in 2006. LUKOIL Group plants produced 2.595 billion cubic meters of stripped gas. They also produced 960,000 tonnes of LPG (36% more than in 2006). Output of liquid hydrocarbons (stable gas naphta, isopentane, hexane-heptane fractions, and natural gas liquids) totalled 873,000 tonnes, which is 38% more than in 2006.

Permneftegazpererabotka commissioned a new railway rack for loading of liquefied hydrocarbon gases and discharging of feedstock. The new installation will increase productivity of discharge and loading capacities by 1.5 times, enabling the plant to accept an extra 500,000 tonnes of natural gas liquids each year for processing.

Gas-processing Plants of LUKOIL Group

<i>Plant</i>	<i>Location</i>	<i>Annual capacity</i>		<i>Processing in 2007</i>	
		<i>Gas processing, mcm</i>	<i>Processing of liquid hydrocarbons, th. tonnes</i>	<i>Processing, mcm</i>	<i>Processing, th. tonnes</i>
Lokosovsky Gas-processing Plant	Langepas (Western Siberia)	2,300	–	2,038	–
Permneftegazpererabotka	Perm	505	900	587	822
Korobkovsky Gas-processing Plant	Kotovo (Volgograd Region)	450	161	445	60
Usinsk Gas-processing Plant	Usinsk (Komi Republic)	533	–	247	–
Total		3,788	1,061	3,317	882

Petrochemicals

LUKOIL Group Petrochemical Plants

<i>Plant</i>	<i>Location</i>	<i>Profile</i>
<i>Petrochemical plants</i>		
Stavrolen	Budennovsk (Stavropol Region, Russia)	Polyethylene and other products
Saratovorgsintez	Saratov (Russia)	Acrylonitrile and other organic synthesis products
Karpatneftekhim	Kalush (Ukraine)	Polyethylene, vinyl chloride and other products
<i>Refineries with petrochemical units</i>		
LUKOIL Neftokhim Burgas	Burgas (Bulgaria)	Polymers and organic synthesis products

LUKOIL Group's petrochemical business is the biggest in Russia and Eastern Europe. Company plants in Russia, Ukraine and Bulgaria make pyrolysis and organic synthesis products, fuel fractions and polymer materials. LUKOIL meets a major share of Russian domestic demand for various chemicals and is a major exporter of chemicals to more than 50 countries.

In accordance with its development strategy in the petrochemicals segment, LUKOIL is steadily increasing production of chemicals with high value-added (polymers, monomers and organic synthesis products) and reducing production of chemicals with low value-added (secondary pyrolysis products and fuel fractions). LUKOIL Group petrochemical plants in 2007 produced 2.041 million tonnes of marketable petrochemicals, including 844,000 tonnes of polymers and monomers, 578,000 tonnes of organic synthesis products and 611,000 tonnes of pyrolysis products and fuel fractions. The Group made 477,800 tonnes of polyethylene (6.8% more than in 2006), 225,000 tonnes of propylene (3.2% less than in 2006), and 82,900 tonnes of polypropylene (18.1% more than in 2006). Net profit in the petrochemicals sector was \$148 million, which is 54% more than in 2006.

Conditions on markets for petrochemicals were favourable in the accounting year. The market price for polyethylene rose by 8% in Europe and 4% in Russia. Prices for polypropylene were 7% higher in Europe, although they declined by 3% in Russia, and the market price for benzol rose by 10% in Europe and 2% in Russia.

LUKOIL Group took various steps for modernization of its existing petrochemical facilities and setting up of new production lines in 2007 as part of Company strategy for development in the petrochemical sector. Capital expenditures in the segment were \$171 million and investments were \$20 million.

During 2007 Otechestvennye Polimery, a joint venture between LUKOIL Group and SIBUR, acquired a controlling stake in POLIEF, which owns Russia's only polyester facilities and is the country's sole producer of terephthalic acid. Production volumes in 2007 were about 180,000 tonnes and annual capacity is 230,000 tonnes. Terephthalic acid is the raw material for production of polyethylene terephthalate (PET), which is widely used in the textile and packaging industries as well as in other sectors. Launch of PET production with annual capacity of 120,000 tonnes by Otechestvennye Polimery, using its own feedstock, is scheduled for the first half of 2008.

A sodium cyanide unit with 15,000 tonnes annual capacity was installed in 2007 at **Saratovorgsintez**. The unit was brought into production in the first quarter of 2008. The sodium cyanide production process uses DuPont technology, which is highly dependable and secure. Sodium cyanide is used in gold mining for separation of precious metals from ore material. Current annual needs of the Russian gold mining industry are 20,000 tonnes, nearly all of which is met by imports. Economic effect (NPV) of the new unit is estimated at \$20 million.

Work was carried out during 2007 for installation of chlorine and caustic soda production facilities at **Karpatneftekhim** using membrane technology. The facilities will enable annual production of up to 200,000 tonnes of caustic soda. The facilities should be commissioned in the third quarter of 2008. Estimated economic effect (NPV) is more than \$200 million. Work was also carried out to install a unit for production of suspended polyvinylchloride, with annual capacity of 300,000 tonnes. Integration of the new unit with production of vinylchloride monomer will greatly increase overall production efficiency. Economic effect (NPV) is estimated at \$140 million.

An aggregate for inputs to pyrolysis furnaces was overhauled at Karpatneftekhim in 2007 in order to allow partial replacement of naphtha feedstock by cheaper *n*-butane fraction (up to 20,000 tonnes per month) for production of ethylene. The work was completed in the first quarter of 2008 and economic effect (NPV) is estimated at \$65 million.

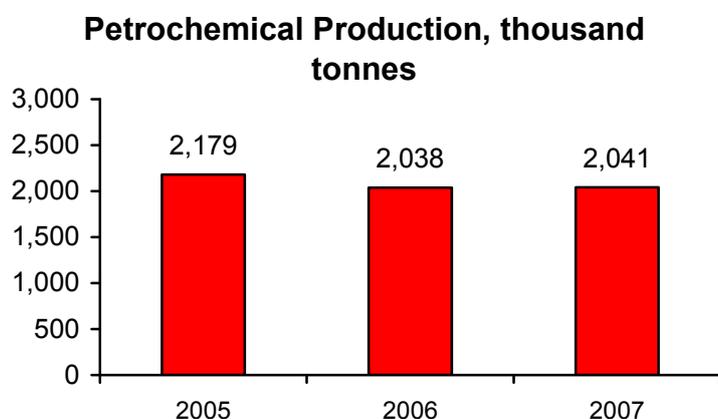
Stavrolen commissioned a new polypropylene unit with 120,000 tonnes capacity in 2007. The unit is the first of its kind at LUKOIL's petrochemical assets in Russia. The Unipol process, which the unit uses, was designed by DOW Chemical and has better environmental parameters than other polypropylene production methods. The technology enables production of shock-proof and cold-resistant polypropylene

as well as various modifications for use in medicine and agriculture. General-purpose polypropylene from Stavrolen will be supplied to Russian producers of fibers and threads, pipes and technical and consumer goods. Economic effect (NPV) from the unit is estimated at \$130 million.

Work on installation of a new polyethylene compounding line was also carried out at Stavrolen during 2007 and the line will be commissioned in the second quarter of 2008. The purpose of the project is to improve quality of finished production.

A key project for LUKOIL in the next few years is construction of **the Caspian Gas-chemical Complex**, which will use natural gas and condensate produced by LUKOIL Group in the Caspian region. The purpose of the project is to increase added value through deeper processing of gas feedstock and to achieve highly efficient chemical processing of ethane, natural and gas condensate. The Complex will also carry out complex processing of natural gas and its components into basic organic synthesis products, polyethylene, polypropylene and other petrochemicals. A pre-feasibility study for construction of the Complex was completed in 2007, including selection of the configuration and structure of marketable output. A provisional decision was taken to build a gas-processing plant with annual capacity exceeding 6 billion cubic meters at the town of Artezian in the Republic of Kalmykiya, from where over a million tonnes of hydrocarbon feedstock will be delivered each year via a product pipeline for deep processing at Stavrolen. The feedstock will be processed at Stavrolen using new facilities for production of ethylene and its derivatives to be constructed for that purpose. Total annual capacity of Stavrolen will thus increase to 950,000 tonnes of ethylene, 900,000 tonnes of polyethylene, and 300,000 tonnes of polypropylene. Also, stripped gas produced at the Caspian Gas-processing Plant will be supplied to the Company's power generating assets in the Southern Federal District.

Conceptual engineering for ethylene and ethylene derivative production from Northern Caspian hydrocarbons will be carried out in 2008, and negotiations will be held to secure agreements for licensing, equipment deliveries and construction of units to produce ethylene, polypropylene, and high- and low-density polyethylenes.



Product Deliveries and Marketing

Crude Oil Deliveries

Crude oil deliveries by the Group in 2007 totalled 97.8 million tonnes, which is equal to the level in 2006. The Russian market environment in the accounting year was favourable due to growth of export tariffs and refining margins. LUKOIL therefore maximized profits by rapid redirection of crude oil volumes away from less efficient exports to the domestic market and to its own and third-party refineries inside Russia.

The Company sold 1.60 million tonnes of crude oil **in Russia** during the year, which is 12.0% less than in 2006. Refining at the LUKOIL Group's own refineries inside Russia was 42.55 million tonnes, which is 7.7% more than in 2006. LUKOIL Group's organizations also increased deliveries to third-party

refineries in Russia by 9.1% to 3.59 million tonnes, in order to take advantage of favourable conditions on the domestic market. LUKOIL bought 47,000 tonnes of oil in Russia in 2007 compared with 1.85 million tonnes in 2006. The reduction of crude purchases was due to consolidation of Geoilbent, which previously accounted for the largest share of purchases.

The Company was successful in limiting growth of transportation costs by optimization of delivery routes. Tariffs of the pipeline monopolist, Transneft, rose by 12.1% in 2007, while LUKOIL Group pipeline transportation costs per tonne of crude oil on the internal market increased only by 9.5%.

Measures for route optimization included an agreement with Transneft on increase of daily pipeline deliveries to the Volgograd Refinery from 26,400 to 27,500 tonnes giving estimated annual economic effect (NPV) of \$15.8 million per year through increase in refinery throughputs. Organizational and technical measures also enabled increase of crude deliveries for refining at the Nizhny Novgorod Refinery by the end of 2007 from 43,000 to 49,000 tonnes per day, with estimated economic effect of \$70 million per year.

Crude oil exports from Russia by OAO “LUKOIL” subsidiaries (including oil purchased from other producers) declined to 42.15 million tonnes, down by 4.5% from 2006, due to redirection of a part of export oil to the domestic market. LUKOIL exported 38.10 million tonnes to the far-abroad countries and 4.05 million tonnes to the near-abroad. The Company managed its export deliveries efficiently in 2007, selecting the most profitable routes. The largest share of export volumes was delivered via the ports of Primorsk and Novorossiysk, which accounted for 50% of total exports (46% in 2006). A further 13% of exports were directed to Germany via the Druzhba pipeline (16% in 2006).

Most crude exports by LUKOIL in 2007 were made via the Transneft pipeline system. Export deliveries via Transneft totalled 39.99 million tonnes (3.6% less than in 2006) and their share in overall exports rose from 94% to 95%. Average cost of pipeline export delivery of one tonne of crude rose by only 7.3%, which is nearly 4 percentage points less than growth of Transneft tariffs, reflecting efforts by LUKOIL to improve efficiency of transportation and to select the most advantageous delivery routes. The Company did not use infrastructure of its refineries for export of crude oil during 2007, because export capacities provided by Transneft proved sufficient and because additional volumes of oil were retained in Russia to load Russian refineries. Export volumes by-passing the Transneft system declined by 18.7% in 2007 to 2.16 million tonnes.

The Group continued to develop its own export capacities, which enable reduction of transportation costs and make transport arrangements more flexible. A total of 1.9 million tonnes of oil were exported via the Company’s own transport terminals in 2007.

Work on the unique Varandey terminal on the Barents Sea was almost completed in 2007. The terminal will enable year-round transportation of up to 12.0 million tonnes of oil from the Timan-Pechora oil & gas province, initially from the Yuzhnaya Khylochuya field. Capital expenditures on the project were about \$620 million in 2007. A stationary, ice-resistant sea loading terminal was fully built and tested and work on construction of two reservoirs and laying of an underwater pipeline was completed. Work also continued on construction of an oil pipeline from the Yuzhnaya Khylochuya field to Varandey, which will be used to transport oil produced at Yuzhnaya Khylochuya and (in later periods) oil from the southern part of Timan-Pechora.

The terminal is due to be completed in 2008. The project includes construction of a stationary, ice-resistant loading terminal at sea, an underwater pipeline, a system of onshore reservoirs, and an offshore transshipment base adjacent to Murmansk. The terminal will operate as follows: ice-class shuttle tankers with 70,000-tonne deadweight will transport oil to a floating reservoir in the ice-free waters near Murmansk, from where long-distance tankers with 150,000-tonne deadweight will deliver the oil to Western Europe and the USA.

Work in 2007 to improve pricing formulas raised sale prices of LUKOIL Group’s export crude deliveries for nearly all destinations reached via the Druzhba pipeline. Total additional revenue thanks to improvement of price formulas was \$10.1 million. Sales formulas for Hungary and Slovakia were

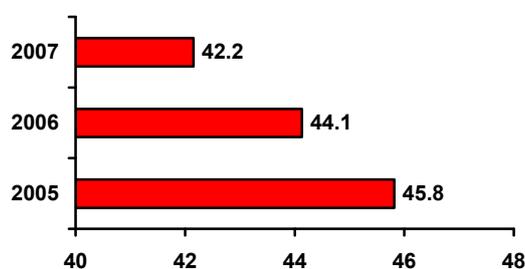
improved by 25 cents per barrel, the contract price for deliveries to the Czech Republic increased by 61 cents per barrel, and the price formula for deliveries to Germany was improved by 26 cents per barrel.

The Company applied a new approach to price formation as part of its work to improve efficiency of crude oil deliveries in 2007. The new approach takes account of developments on the international market for purposes of oil sales in Russia and the near-abroad countries. The result was an improvement in quality of commercial decisions thanks to better justification and predictability of financial results at the planning stage, creating additional revenue of about \$20 million.

Crude oil deliveries to foreign refineries of LUKOIL Group were 9.61 million tonnes, which is 2.5% more than in 2006. In addition to deliveries to its own refineries, the Company also supplied its own crude for processing at third-party refineries (Naftan and the Mozyrsky Refinery in Belarus and the Panchevo Refinery in Serbia). Volumes of these deliveries in the accounting year were 1.02 million tonnes, which is 39.9% less than in 2006. The reduction was due to redirection of crude oil flows to refineries inside Russia.

The Company sold 39.41 million tonnes of crude oil on the **international market**, of which 2.71 million tonnes in near-abroad countries and 36.70 million tonnes in countries of the far-abroad.

Crude Oil Exports, million tonnes



Gas Deliveries

The gas segment is a new and promising segment of OAO “LUKOIL”’s business, and the Company is prioritizing its development with emphasis on commercialization of gas reserves in order to boost Company value.

Sales of natural, associated and stripped gas by Group enterprises in Russia totalled 11.520 billion cubic meters in 2007, which is 2.7% less than in 2006. Lower sales volumes were due to reduction of purchases by OAO Gazprom from the Nakhodkinskoye field.

The average sale price for gas rose from 690 roubles to 1,070 roubles per thousand cubic meters in 2007 (1,052 roubles for Gazprom and 1,117 roubles for end-users). Additional revenue from price increases to Gazprom was \$133 million, and gains from price increases to other customers were \$42 million.

Higher prices for sales to Gazprom were based on an additional agreement for deliveries of natural gas from fields in the Bolshekhetskaya Depression at a price, which is 35% higher than the minimum wholesale price established by the Federal Tariff Service for the Yamal-Nenets Autonomous District.

At the end of 2006 LUKOIL Group began gas trading with other customers at market prices using the electronic trading system of Mezhhregiongaz. The Company sold 702.2 million cubic meters of gas by this means in 2007. Sales volumes via the electronic trading system should rise to one billion cubic meters in 2008.

OAO “LUKOIL” and OAO Gazprom set up a 50/50 joint venture, Gas-Oil Trading, in 2007 for supplies to customers of natural, associated and dry stripped gas produced by LUKOIL Group and other companies. The joint venture will help the Company to ensure a long-term, guaranteed market for its gas, to obtain access to the Gazprom gas transport system, and to sell gas to end-users in Russian regions at the maximum price, and will also provide opportunities for buying additional gas volumes from OAO Gazprom.

Petroleum Product Marketing

Wholesale Trading in Petroleum Products

LUKOIL's petroleum product wholesale business **in Russia** is carried out by its refineries and by 8 petroleum product organizations inside the Group operating in 60 regions of the country. Volume of petroleum products wholesale in Russia in 2007 was 13.70 million tonnes, which is 9.6% less than in 2006 due to increase in retail sales.

LUKOIL Group introduced prompt management of its wholesale petroleum product supplies from its refineries in 2007 in order to improve marketing efficiency. The result was an increase in sales of petroleum products under direct agreements at a premium to average wholesale market prices. The Company also launched a new planning system for deliveries of petroleum products from refineries. The system creates 10-day schedules with counter parties for each month, making the planning process more transparent and increasing refinery throughputs.

LUKOIL **exported** 25.1 million tonnes of petroleum products to the near- and far-abroad in 2007 (22.0% more than in 2006). The growth compared with 2006 was due to production and export increases at nearly all of the Group's Russian refineries. The bulk of exports (over 85%) consist of fuel oil, diesel and vacuum gas oil.

Most petroleum products are delivered to export by railway (83.5% of the total in 2007). LUKOIL optimized its product deliveries by rail in 2007, using its own tankers and tankers provided by other private companies, and obtaining lower tariffs and discounts on main export routes. These efforts enabled the Group to limit growth of rail delivery costs in 2007: cost for LUKOIL Group of rail delivery of a tonne of products to export rose by 11.9% during the year, compared with 13.0% tariff increase by Russian Railways.

The Company also exports its products by water and pipeline. LUKOIL continued to develop its own export terminals during the year and reached an agreement with Russian Railways in April 2007 on development of rail infrastructure for transportation of up to 12 million tonnes of petroleum products per year to the Vysotsk terminal. The agreement led to increase in volumes of transshipment at Vysotsk by 2.5 million tonnes to 11.7 million tonnes, which gave savings of \$60 million compared with alternative export routes.

LUKOIL Group developed new routes for pipeline exports of petroleum products in 2007, including diesel fuel deliveries to Hungary and Belarus. Gains from deliveries to these countries compared with deliveries via the port of Vysotsk were \$15.6 million.

Exports of Regular A-92 motor gasoline to the far-abroad, mainly the USA, increased by nearly 1.5 times in 2007. The exports were via the ports of Murmansk and Vitino. Increased exports of motor gasoline were due to growth of output at Russian refineries and consequent increase of supply on the domestic market.

LUKOIL Group is working hard to develop its **international product trading business** through increase of business scale and geographical diversification. The objective of this business is to place Company resources more efficiently, including direct sales to final users, by-passing third-party traders.

LUKOIL Group has trading offices in 15 countries worldwide. In 2007 the Company prepared all the offices for introduction of global book in order to enhance business coordination and scale. LUKOIL made deliveries of crude oil and products to markets in Europe, the USA and the Asia-Pacific region, as well as building sales volumes in new regions (Africa, Latin America and the Middle East).

While placing its products LUKOIL consistently monitors the state of global hydrocarbon markets. This creates opportunities for arbitrage deliveries from the Company's own resources and third-party resources. The Company also carries out blending of products, including biofuels, in order to achieve the best-possible match with consumer preferences and quality demands.

The volume of LUKOIL's wholesale product sales on the international market in 2007 was 64.39 million tonnes, which is 11.9% more than in 2006.

Petroleum Product Retail

LUKOIL Group's retail network extends to 24 countries, including Russia, the near-abroad and European countries (Azerbaijan, Belarus, Georgia, Moldova, Ukraine, Bulgaria, Hungary, Finland, Estonia, Latvia, Lithuania, Poland, Serbia, Montenegro, Romania, Macedonia, Cyprus, Turkey, Belgium, Luxemburg, Czech Republic, and Slovakia) as well as the USA and includes 197 tank farm facilities with total capacity of 3.11 million cubic meters as well as 6,090 filling stations, including franchises.

Retail sales continued to grow in 2007. The Group sold 12.76 million tonnes of petroleum products through its own filling stations, which is 14.3% more than in 2006. Growth of retail sales was mainly due to increase of average sales per filling station supported by the favourable macroeconomic environment and optimization of the distribution network including acquisition of highly efficient filling stations.

Optimization of the filling station network was mainly through withdrawal of filling stations and tank farms with low-efficiency. 21 low-efficiency filling stations were withdrawn from the Group in Russia, more than 250 in the USA, and the numbers of low-margin filling stations in Europe were almost halved. Construction and acquisition of high-efficiency stations was continued, and additional construction work was carried out at existing stations. A total of 142 new stations were built, upgrading work was carried out at 148 stations, and 533 stations were acquired. Capital investments in the retail sector in 2007 were \$620 million. Average daily sales per filling station (owned and leased) rose to 7.9 tonnes, or nearly by 10%.

Retail sales volumes will continue to grow in the medium term thanks to further optimization and development of the retail network, and thanks to acquisitions that were made in 2007 and are planned to be completed in 2008.

The Company designed a program for development of its marketing and sales network for liquefied and compressed gas in 2007, aiming to increase annual sales of these products in Russia by more than 6 times to 530,000 tonnes in the period up to 2014. Liquefied gas sales already increased by 31% in 2007 compared with 2006 to a level of 101,000 tonnes. During the reporting year LUKOIL Group commissioned a gas-filling station in Volgograd as part of the program. Annual capacity of the station is 15,000 tonnes of liquefied gas and it will supply high-quality liquefied gas to the Company's multi-fuel filling stations and to regional consumers.

LUKOIL added 10 new multi-fuel filling stations to its chain in Russia during 2007, bringing the total number of such stations in Russia to 79. LUKOIL Group also owns 4 gas-filling stations in Russia. The Group owns 697 multi-fuel and gas stations outside Russia. Total volumes of liquefied and compressed gas sales abroad were 486,000 tonnes in 2007, of which 216,000 tonnes were retail sales.

Russia

The Group's retail network in Russia consists of 1,815 filling stations (including franchises) and 122 tank farm facilities with reservoir capacity of 1.87 million cubic meters. Filling stations and tank farms are operated by 8 petroleum product organizations in 60 of Russia's administrative regions.

Volume of product retail sales on the domestic market in 2007 was 4.85 million tonnes (21.5% more than in 2006). Capital expenditures by the Group in the Russian retail sector were \$264 million. A total of 43 new filling stations were built in 2007 (including 30 in St. Petersburg and Leningrad Region), 94 were upgraded and 94 were acquired. LUKOIL also carried out reconstruction and modernization of its tank farm facilities.

The Group withdrew (sold, closed down or mothballed) 6 low-margin tank farm facilities and 21 filling stations in 2007 as part of the program for optimization of the sales network.

In 2007 LUKOIL acquired the retail network of Rostovneft, consisting of 55 filling stations and tank farm facilities, for \$56 million. The purchase will enable LUKOIL Group to double its retail sales in Rostov Region and to increase its market share on the Region's retail market from 6% to 12%.

Average daily product sales per filling station in Russia increased by 16% to 9.4 tonnes in 2007 thanks to growth of demand, optimization work and acquisition of highly efficient new assets.

There was steady growth during 2007 in sales of LUKOIL's EKTO branded motor fuels, production of which was launched in 2006 (the name in Russian is short for "ecological fuels"). Sales volumes of EKTO gasolines increased from 27,000 tonnes in January to 44,000 tonnes in December 2007, and sales of EKTO diesel fuel rose from 10,000 tonnes to 38,000 tonnes respectively. Sales geography of the new fuels is also expanding: there were 158 filling stations selling EKTO gasolines and 286 stations selling EKTO diesel fuel in a total of 12 regions around the country in 2007, representing a significant increase from total 98 stations offering EKTO gasoline and diesel in 2006 in 3 regions. The new fuels fully meet requirements of European environmental standards (Euro-3 for gasolines and Euro-4 for diesel), and they offer improved operational features, which justify a price premium for quality. Additional income from sale of EKTO fuels was about \$5.3 million in 2007. The target for 2008 is to nearly triple the number of filling stations that sell EKTO fuels and to expand the project geography to 25 Russian regions.

Work continued in 2007 on expansion of the filling station network that uses the LICard fuel card system. The network grew by 15.4% and included 2,514 filling stations by the end of 2007, of which 1,472 are LUKOIL stations. The number of cards in circulation increased by 1.5 times to 1.75 million. A total of 2.2 million tonnes of petroleum products were sold using these cards, which is 41.9% more than in 2006.

Work continued in the reporting year on the program for development of retail sales of non-fuel products and services by LUKOIL Group's Russian petroleum product organizations in the period up to 2014. By the end of 2007 more than 1,500 of the Company's filling stations in Russia had their own shops. Revenue from sale of non-fuel products and services through the Group's retail network was over \$120 million, which is 30% more than in 2006. The revenue increase reflects improvement of service quality at Company filling stations and extension of the range of goods and services on offer. Development of non-fuel business is an important factor in positioning of LUKOIL as a customer-oriented company with European standards of service.

International

LUKOIL Group's retail network in Europe, the near-abroad countries and the USA consists of 4,275 filling stations (including franchises) and 75 tank farm facilities with capacity of 1.24 million cubic meters. The Company built or acquired 538 new filling stations outside Russia in the accounting year and upgraded 54 stations. LUKOIL entered new product markets during the year in Central Europe (Czech Republic, Slovakia, Belgium and Luxemburg) thanks to acquisition of a chain of filling stations from ConocoPhillips.

Capital expenditures in international retail were \$356 million in 2007.

Volume of retail product sales on the international market in 2007 was 7.91 million tonnes (10.3% more than in 2006). Average daily sales per filling station in Europe and the near-abroad increased by more than 20% in 2007 to 6.8 tonnes thanks to network optimization and acquisition of highly efficient assets. Daily sales per station in the USA were 7.9 tonnes.

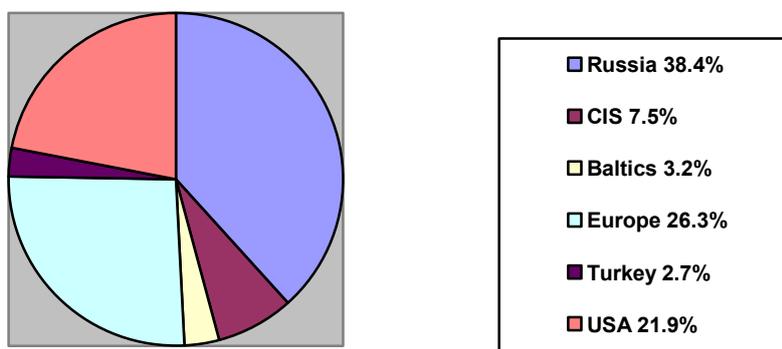
In 2007 LUKOIL Group completed the transaction, begun at the end of 2006, for acquisition of retail business, consisting of 376 filling stations in 7 European countries, from ConocoPhillips. Value of the transaction was \$442 million. The acquired assets include 156 filling stations in Belgium and Luxemburg, 49 in Finland, 44 in the Czech Republic, 30 in Hungary, 83 in Poland, and 14 stations in Slovakia. These filling stations are among the most efficient on their markets: average daily sales per station were 10.4 tonnes in 2007, which is more than 1.5 times greater than average sales at other

LUKOIL stations in Europe and the near-abroad. In 2007 the 49 stations in Finland were transferred to the Teboil brand (owned by LUKOIL Group), and rebranding of the 327 stations in other countries will be completed in 2008.

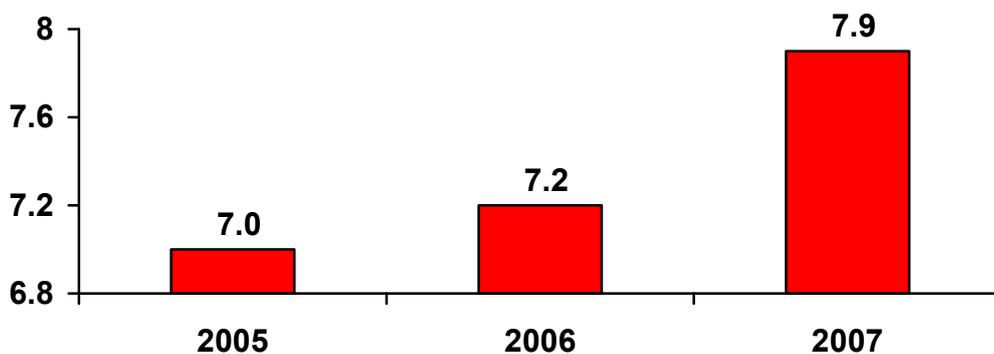
LUKOIL is working hard to increase profitability of its filling stations internationally as well as in Russia, and development of retail sales of non-fuel products and services is an important way of doing this. Revenue from sales of non-fuel products and services at international filling stations more than doubled in 2007 compared with 2006 to \$320 million. The growth was due to increase in numbers of filling stations in the Group's international network as well as broadening of the product range, improvement of service quality, optimization of work with suppliers and intensive marketing efforts.

The LICard system was in use at 418 LUKOIL filling stations outside Russia (mainly in Ukraine) by the start of 2008. Volume of fuel card sales was 97,000 tonnes.

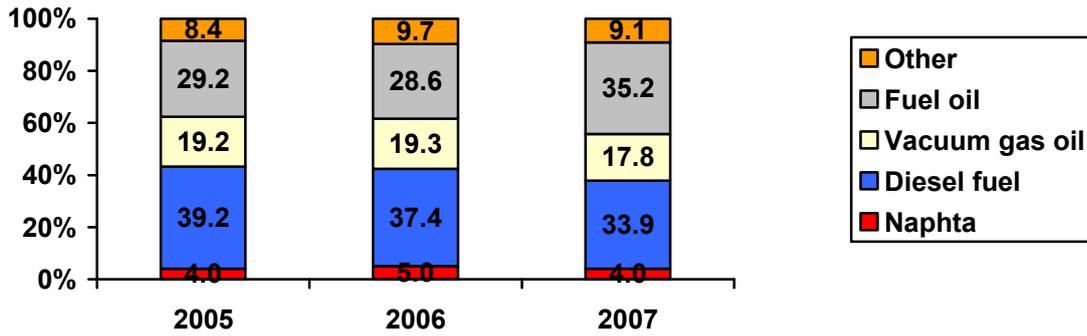
Structure of Petroleum Product Sales in 2007 (wholesale and retail)



Average Daily Sales of Petroleum Products per Filling Station, tonnes per day



Petroleum Product Export Structure, %



Technology and Innovation

Commitment to innovative technologies is one of LUKOIL's competitive strengths. We improve existing technologies and design new and promising solutions. Use of the very latest technologies in all spheres ensures consistent growth of our business and increase of its efficiency. New technologies have made an invaluable contribution to LUKOIL's success in protecting the environment and achieving sustainable use of natural resources.

LUKOIL Group spent more than \$60 million on research & development in 2007, of which almost \$50 million was spent on R&D in Exploration & Production.

LUKOIL obtained 23 intellectual property patents in the reporting year (for inventions, models, industrial items, and computer software), and patent authorities are currently considering 93 patent applications for unique technical solutions and other LUKOIL designs. The Company had a total of 531 intellectual property items on its balance sheet at the end of 2007, and LUKOIL is among the leaders, both in Russia and internationally, by the rate of commercialization of its intellectual property (over 40%).

The Company devised a framework in 2007 for improvement of its R&D activity, based on priorities of the LUKOIL Group strategic development program for the period up to 2017. The framework will enhance coordination of scientific and technical operations, ensure efficient use of money and expand the Company's planning horizon.

Exploration & Production Technologies

Most R&D spending in the E&P segment was on development of geological and geophysical study techniques, improvement of reserve assessment methods (including work on methods to assess hydrocarbon reserves in reservoirs with complex structure), as well as design and improvement of methods for increasing oil recovery and optimizing the technology used for development of new license areas and hydrocarbon deposits. The Company pays special attention to technologies for ensuring environmental safety during field development, particularly in development of offshore fields.

A key outcome of our R&D activity is efficient application of technologies for intensification of oil production and enhanced oil recovery (EOR) technologies. EOR offers significant increase of recoverable reserves and oil production levels, enabling commercial development of high-viscosity oil reserves, reserves in almost impenetrable collectors and hard-to-recover reserves at late stages of field development. In recent years the share of oil produced at LUKOIL fields using various EOR techniques has been over 20% of total oil production.

The LUKOIL Group carried out 5,292 EOR operations in 2007, which is equal to the level of 2006. Physical, chemical, hydrodynamic and heat techniques were applied. Additional production in 2007 thanks to EOR was 23.7 million tonnes, representing more than 26% of total oil production by the Group in Russia.

Most of the additional production (14.4 million tonnes, or 61.3%) was obtained using physical methods, particularly hydrofracturing.

Further testing of acid hydrofracturing techniques was carried out at 12 fields in the Urals in the reporting year. A total of 31 operations gave average 9.4 tonnes growth of daily flow rate per well (59,000 tonnes for the year). The results justify broad extension of acid hydrofracturing to LUKOIL Group's other oil production regions.

Other forms of EOR (hydrodynamic, heat, chemical methods and oil production intensification) gave 9.2 million tonnes of production. Analysis of results showed high efficiency of chemical methods in preventing growth of water cut at wells. Extensive use of chemical technologies at fields in Western Siberia lowered growth of the water cut from 2.4% in 2006 to 1.2% in 2007. Use of chemical technologies more than doubled in 2007 compared with the previous year, from 494 to 1,004 operations, and additional output due to application of the technology was 1.3 million tonnes.

The Group continued testing new WAG (water-alternating gas) technologies on oil & gas deposit in 2007, using a booster unit to enhance oil recovery. Total additional production due to application of WAG technologies since November 2005 at the Vostochno-Perevalnoye field in Western Siberia has been 8,300 tonnes, of which 3,100 tonnes were obtained in 2007. Extension of the technology to other LUKOIL Group production sites is scheduled for 2008.

Drilling of sidetracks at existing wells has also proved a highly efficient form of EOR and the Company increased drilling of sidetracks in 2007. A total of 188 sidetracks were brought into operation in 2007, compared with 146 in 2006, and gave average daily flow rate increase of 19.2 tonnes. Total additional production due to sidetracks was 579,000 tonnes in 2007, which is 17.2% more than in 2006. The largest growth rates were achieved at a number of fields in Western Siberia: average daily flows at 47 wells in the region, where sidetracks were drilled, increased by 33.4 tonnes (nearly equal to flow rates from new wells).

The Company continued test-production work using radial drilling in the Urals region. Drilling of radial channels at existing wells is a relatively inexpensive way of increasing production and reaching hard-to-recover reserves. 39 operations were carried out, giving average daily growth of well output by 8 tonnes. Additional production due to application of radial drilling was 21,500 tonnes and the positive results justify extension of the technique to the Group's other oil-producing regions.

Horizontal drilling also improves efficiency of production, increasing productivity per well by 1.5–2 times. 109 new horizontal wells were commissioned in 2007 with average daily flow rate of 65.5 tonnes.

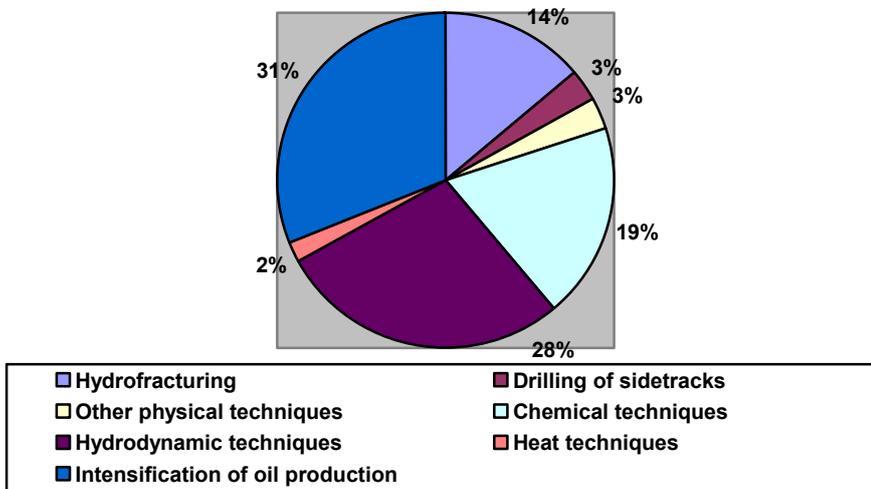
In 2007 the Company used new technologies of drilling and construction of horizontal wells. In order to ease construction of two horizontal wells in Western Siberia a model of the productive formation was created on the basis of data obtained from drilling of pilot boreholes. Downhole surveying (logging) during the drilling process helped to refine the model in real time and to choose the best-possible well trajectory in accordance with porousness and oil saturation.

The Company used smart well completion systems at a horizontal well in permocarbon deposit at the Usinskoye field in the Komi Republic, where heavy oil is produced. The horizontal area was divided into four sections, each with pressure and temperature sensors as well as a device, operated in real time from the surface, for opening and closing of the perforation interval. This enables separate operation of each well section and efficient monitoring of reservoir parameters.

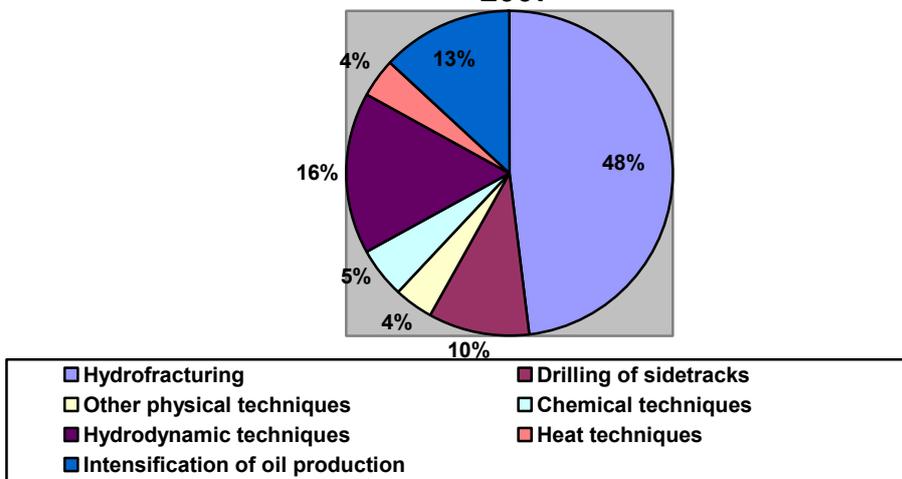
The Company has been carrying out test-production work since the end of 2005 at the high-viscosity Yaregskoye field in the Komi Republic to adapt thermo-gravitational deposit-draining technologies, using horizontal wells for secondary steam-heat development of the field. There has been steady growth of main production indicators in the two years since the technology was first applied. Monthly output at the test area grew from 200 tonnes in January 2006 to 1,000 tonnes by the start of

2008. A program was developed in 2007 for adaptation of the technology at new test areas of the Yaregskoye field, and implementation will begin in 2008. In 2007 LUKOIL created a special method for development of fields with high-viscosity oil, using approaches similar to those at Yaregskoye. The method is now being examined by Rospatent (the Russian patents agency).

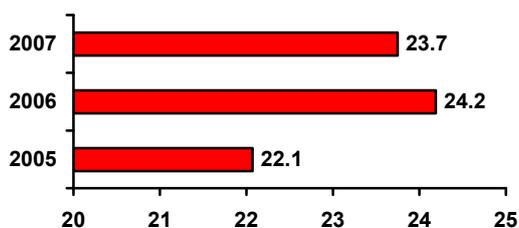
EOR Techniques used by LUKOIL Group in 2007



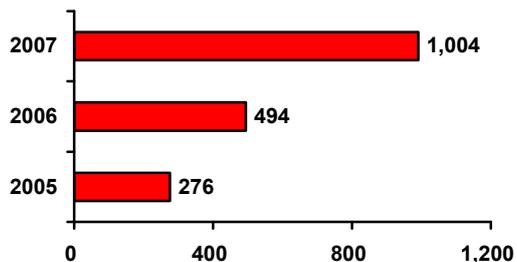
Shares of Various Techniques in Overall EOR Production in 2007



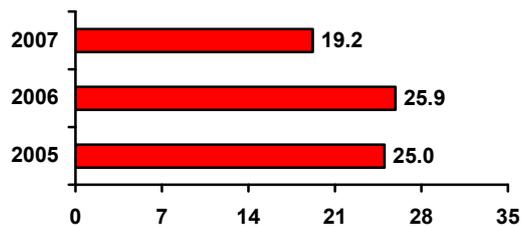
Additional Production from EOR in Russia, mln tonnes



Chemical EOR Operations, wells



Average Increase in Flow Rate from Sidetracks, tonnes per day



Effect from EOR in Russia (2007)

LUKOIL Group in	EOR production, th. tonnes	Share of EOR production in total production, %
Russia	23,748	26.1%
Western Siberia	18,187	30.3%
Timan-Pechora	2,688	18.4%
Urals	2,171	19.3%
Volga	637	16.2%
Other	65	4.6%

Refining Technologies

LUKOIL carried out research work in the refining segment in 2007 to design and test new fuels and lubricants. LUKOIL is working hard on modernization, development and construction of high-tech equipment, which both reduces refining costs and enables the Company to offer new high-quality products on the market. Products with more value-added generate extra profits for the Company, and consistent quality improvements serve the interests of both customers and the environment.

Much work was carried out during 2007 for installation of new equipment at Company refineries. Isomerization units were built at the Volgograd and Perm refineries under license from UOP Ltd. (USA). The units produce isomerizate, a high-octane component for motor gasolines, which enables production of gasolines with less than 42% aromatics, 1% benzol and 150 ppm sulfur. The new units will reduce purchase volumes of high-octane additives and significantly increase output of high-octane motor gasolines that meet European standards.

The Company also completed construction of an *n*-butane isomerization unit with 50,000 tonnes annual capacity at the Burgas Refinery. The unit enables to increase production of feedstock for the Refinery's sulfuric acid alkylation unit, making the production process for high-octane gasolines more flexible (thanks to increased output of alkylate, which is a high-octane gasoline component) and increasing the Refinery's potential production capacity.

Development of up-to-date production technologies for oils, lubricants and additives has priority importance for LUKOIL, and the Company has established a science-and-technology department for this purpose. Tasks of the department are development and marketing of new, high-tech products, designed for modern machine technologies, as well as application of new technologies and development of new blends. The Company's work in this direction is in close association with Russian scientific centers. LUKOIL began production of 21 completely new and reformulated products during 2007.

Energy-saving Technologies

LUKOIL has strived constantly to reduce spending on energy resources and to maximize dependability of its electricity supply arrangements. These efforts are now coordinated in the framework of the Company's energy-saving program for 2006–2010. Steps towards realization of the program gave fuel and energy savings of about \$26 million during the reporting year. The other key component of the Company's fuel and energy policy is a program for the period 2006–2010, which aims to improve dependability of electricity supplies at Company subsidiaries. About \$51 million were spent in 2007 on measures as part of the latter program. The Company has also approved an energy audit schedule of its oil & gas production subsidiaries for the period from 2006 to 2010, which will identify wasteful use of energy resources and design measures to address root causes of such waste. Audits of LUKOIL-Kaliningradmorneft and of RITEK were carried out during 2007 as part of this schedule.

All Company subsidiaries now use an automated commercial metering system for electricity use. The system takes advantage of three different levels of tariffs, in force at different times of the day, and increases accuracy in measurement of electricity consumption, reducing spending on electric power and keeping track of the Company's power supply arrangements.

LUKOIL is rapidly developing its own generating facilities, which enables large savings on purchases of electricity and increase rates of utilization of associated gas, which is used as fuel at gas-fired power stations. A new gas-fired power station in Western Siberia with 72 megawatt capacity was completed during 2007 and became the largest generating facility in the Group's ownership as of the end of 2007. The purpose of the new station is to provide constant supplies to the Vat-Yeganskoye field. The station uses associated gas from the Company's Western Siberian fields as feedstock. There are a total of 352 generating units installed at Group power stations and they have combined generating capacity of 300.5 megawatts (including the new station in Western Siberia). LUKOIL generating facilities produced 395.2 million kilowatt-hours of power in 2007 representing 2.9% of Group consumption, and over 90% of Group power was provided by gas-fired stations.

Development of electricity business is an important factor for growth of Company capitalization in the long term, and the LUKOIL strategic development program for 2008–2017 sets the goal of separating electricity generating into an independent business sector.

Information Technologies

We are keen to apply the latest information technologies, enabling us to optimize business processes in various areas of the Company's activity. Work continues on development and application of automated systems for management of production and technological processes, and of localized IT systems. Improvements are being made to information security, telecommunications, computer equipment and other business equipment.

We pay particular attention to development of technologies that improve efficiency of both operational and management activity. LUKOIL has been working since 2001 on installation of an integrated management system based on SAP R/3, which will help to optimize decision-making processes and automate management accounting. By the beginning of 2007 the system was being used at 13 production and refining subsidiaries. The system was also installed in the course of the year at 9 other organizations within the Group (LLK-International, LUKOIL-Tsentrnefteprodukt, LUKOIL-Volganefteprodukt, LUKOIL-Nizhnevolzhsknefteprodukt, LUKOIL-Yugnefteprodukt, LUKOIL-Permnefteprodukt, LUKOIL-Uralnefteprodukt, LUKOIL-Severnefteprodukt and LUKOIL-Severo-Zapadnefteprodukt). Some parts of the system were also operated in test mode in the parent Company. So elements of the system, at the design and installation stage, are gradually being extended to all spheres of LUKOIL business.

Preparations continued in the accounting year for changeover from projects in specific business areas to implementation of a global integrated management system and a global system for monitoring of information infrastructure throughout the Company. This will help to ensure that business management in the Group as a whole is more balanced and functional.

Social Responsibility

Protecting the Environment

We are fully aware of our responsibility to society for protecting the environment and for rational use of resources. LUKOIL therefore adheres to the highest standards in protection of the environment and industrial safety. We make every effort to raise the level of environmental safety at our production facilities, to reduce burden on the environment due to our industrial activities, and to ensure that natural resources (both those directly employed in production and those adjacent to our production sites) are used in the most rational way possible. Protection of the environment is a prime consideration at all stages of project implementation, from investment idea to disposal of production assets and equipment.

We aim to ensure that Company activity is in full compliance with national legislation and international standards for environmental protection, and that Company products match the higher environmental requirements, which are now in force.

The Company continued work on the program for environmental security at LUKOIL organizations, which is scheduled for implementation in the period from 2004 to 2008. The program contains more than 400 environmental actions at overall cost of about \$1.2 billion. LUKOIL spent almost \$600 million on protection of the environment during 2007, compared with \$380 million in 2006.

There was some worsening of key environmental impact indicators in the reporting year, including the number of accidents with acknowledged environmental impact. This was due to increase of production volumes and proliferation of pipeline accidents due to corrosion and ageing of pipeline systems. However, it is important to emphasize that most Company indicators were unchanged or showed improvement by comparison with 2006, and are still significantly better than average indicators for the oil & gas sector in Russia.

The Company borrowed \$300 million in 2007 for financing of measures as part of the 2004–2008 environmental safety program for organizations of LUKOIL Group. The money is to be invested in

construction of new facilities and reconstruction of existing units at oil production and oil refining enterprises, reducing atmospheric emissions and pollution levels in waste water. Part of the money will be spent on steps to reduce consumption of water by Company enterprises and to reduce gas flaring, as well as to increase waste utilization.

In 2007 the Company approved a corporate planning concept for industrial activities by LUKOIL Group organizations, based on principles of the Kyoto Protocol. Planned measures include a corporate system for management of greenhouse gas emissions, which will facilitate more efficient planning of industrial activities by Group organizations, reducing costs and optimizing use of natural resources. Pilot projects for environmental control systems continued to be put in place at Group organizations during the reporting year, and preparations were completed for creation of a Fire and Accident Prevention Center at Group organizations.

LUKOIL understands that reduction of environmental impacts depends to a large extent on increasing output of high-quality products. About 20% of all capital expenditures by the Company are therefore directed to the Refining & Marketing segment. A large part of these investments is spent to organize production of fuels with improved environmental features. LUKOIL launched isomerization units at its refineries in Volgograd and Perm during 2007. The units produce isomerizate, the high-octane component of motor gasolines, and their launch will reduce need for external purchases of high-octane additives, increase output of high-octane gasoline and enable production of gasoline to Euro-3 and Euro-4 standards. LUKOIL's new gasoline, which is sold under the EKTO ("Ecological Fuel") brand, significantly reduces emissions of carcinogens, sulfur compounds, nitrogen and other harmful substances. The Company's refinery in Ukhta has commissioned a vacuum residue visbreaking unit. The unit will increase output of vacuum gas oil through reduction of fuel oil output, increasing depth of refining and improving environmental parameters of refinery processes.

Environmental protection measures are also applied in transportation and marketing. LUKOIL's new filling stations use systems for return of gasoline fumes from the reservoir to the tankers during product discharge as well as systems for prevention of product spillages from reservoirs and facilities for waste-water purification.

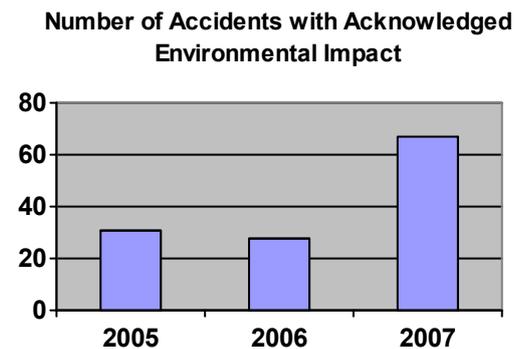
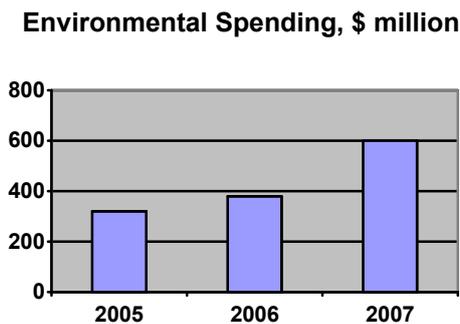
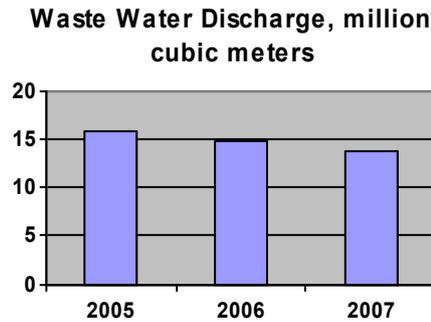
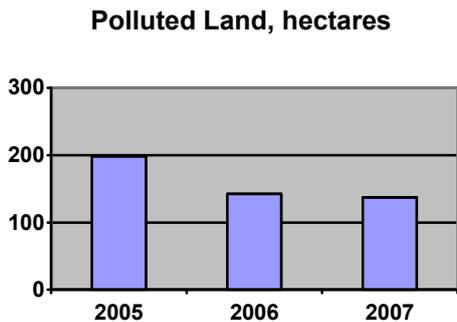
Work by LUKOIL Group to protect the environment has been acclaimed by social organizations over a number of years. In 2007 the Independent Ecological Rating Agency placed LUKOIL shares in the highest section of its environmental stock index as part of a social and environmental responsibility rating. The Agency assessed environmental efficiency of 1,500 enterprises in order to compile the rating.

The Company operates in conditions of strict state and social control over environmental issues, as well as ongoing reform of natural resource and environmental legislation in Russia and other countries. Relevant developments in 2007 were as follows:

- Decisions by the G-8 Summit established tougher environmental control over facilities in the fuel and energy sector. All LUKOIL organizations carried out inspections to ensure compliance with legislation;
- New Water, Forest and Urban Codes came into force in Russia on 1 January, 2007;
- The Russian Ministry for Economic Development and Trade set maximum levels for reduction of greenhouse gases in the period from 2008 to 2012;
- Administrative procedures for preparation and approval of documents that certify accordance with environmental norms have become more complex. Changes include a new, more complex form of settlement for negative environmental impacts;
- Rostekhnadzor (the Federal Service for Environmental Supervision) submitted a proposal to the Russian government, which would increase fines for release into the atmosphere of combustion products from flaring of associated gas by 163 times;
- New rules came into force governing agreements on water use, rules on fire safety and pollution in forest areas, rules on waste generation and limits on its disposal, etc.;

- Work continued on drafts of the Environment Code, of several laws (“On environmental control”, “On compensation payments for negative environmental impact”, and “On mineral resources”) and of documents to support Russia’s enactment of the Kyoto Protocol, and also on a number of technical regulations concerning environment protection;
- Activity by national and international environmental NGOs has intensified in all regions where the Company has operations, and influence of such organizations on economic decision-making has increased.

The Company has taken prompt account of all changes in Russian legislation governing nature conservation and the Company was not subject to any criticisms or claims from monitoring and supervisory agencies in the course of 2007.



Industrial Safety and Labour Protection

The Company recognizes its duty to ensure safe working conditions and to care for the health of its employees.

LUKOIL continued work in 2007 on implementation of its 2006–2010 program for industrial and labour safety, improvement of working conditions, and prevention and resolution of emergency situations at Group organizations. Work as part of the program included construction and reconstruction of technical facilities, installation of modern automated management and accident prevention systems at industrial sites, checks on compliance of work places with legal requirements, and making sure that personnel are provided with protective clothing and equipment. Spending on measures as part of this program was in excess of \$190 million.

Efforts by LUKOIL to ensure industrial safety and labour protection were rewarded in 2007 by a reduction in the number of fatal accidents at Group enterprises in comparison with 2006.

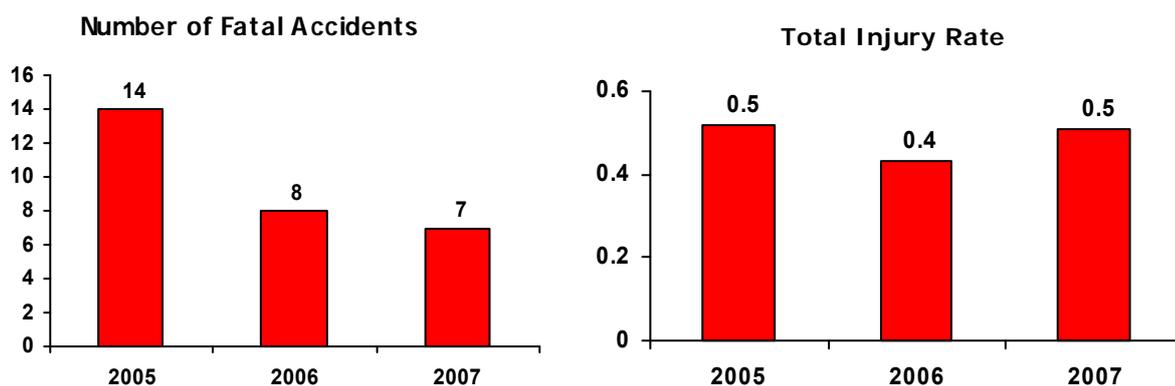
Good working conditions and low accident levels enable many LUKOIL subsidiaries to obtain discounts on standard rates for obligatory insurance covering industrial accidents and job-related illness. The amounts, which are saved, are spent on further improvements to industrial safety.

Work on improvement of industrial safety, labour protection and care for the environment is carried out in accordance with the Company’s official Policy on Industrial Safety, Protection of Labour and Environment in the 21st Century.

In 2001 LUKOIL became the first Russian oil company to obtain certification under the ISO 14001 international standard and the OHSAS 18001 specification. In 2007 the Company's systems were acknowledged in compliance with these standards following conduct of a regular external audit.

Compliance with the **ISO 14001** standard entails that the Company has an environmental policy in place, observes provisions of this policy in its business, makes constant improvements to environmental management systems, and takes all measures to prevent negative environmental impact.

The **OHSAS 18001** specification is intended as guidance for organizations in management of their project risks associated with protecting health and safety of personnel and members of the public. Key elements of the specification are identifying, assessing and controlling risk factors, as well as observance of legal requirements and consistent improvement of safety in the work place.



Personnel and Social Programs

Our business is based on a clear understanding that the Company's most valuable asset is its employees, on whom the growth of shareholder value and business efficiency depends. We place a high value on the contribution of all our employees to the overall objective of Company success and we strive to acknowledge the work done and the efforts made by each of them. The goal of our social policy is to improve efficiency of our employees in the work place and to ensure that they are protected by social guarantees. We also take motivation of our employees seriously and try to ensure that each of them is personally interested in attainment of best possible results by the Company.

We are constantly improving standards of personnel management, which is an important factor for steady and successful development of the Company. A new stage was reached in 2007 in systematization of personnel management processes at LUKOIL organizations and improvement of the Company's regulatory framework in this sphere. Most importantly, the Company developed and approved a functional strategy for personnel management at LUKOIL Group in the period from 2008 to 2017.

Work continued in 2007 on restructuring of LUKOIL Group in order to increase efficiency of the Group's productive and financial activities and reduce expenses. One aspect of this work was optimization of the organizational structure of existing sub-divisions and creation of new structural sub-divisions, as well as reshaping organizational structure at subsidiaries to match new standards. Withdrawal of non-core and low-margin assets from the Group was also continued in 2007. One result of these measures was reduction in personnel numbers at oil & gas production and refining organizations. However, company personnel numbers rose by 1.9% overall in 2007, mainly due to growth of employees in the rapidly expanding network of filling stations, and also due to acquisition of new assets.

Improvements to the system of employee compensation are a priority in the Company's personnel policy, since adequate compensation is an essential tool for maintaining motivation and ensuring commitment of employees to growth of shareholder value. Systematic analysis of the labour market in regions where the Company operates is carried out on a permanent basis, as well as monitoring of wages and other benefits. This helps to ensure that LUKOIL's wage levels are competitive and adequate for

attracting new employees to the Company. Average wages at LUKOIL Group organizations rose by 17% in 2007, and Company payroll expanded by more than 60% between 2005 and 2007, from \$1.5 billion to \$2.5 billion.

LUKOIL uses other means in addition to material incentives in order to support morale of its employees. 29 Company employees received national awards in 2007 for professional excellence, and for conscientious and successful work, while 1,126 were awarded sectoral marks of distinction, and 644 employees and 43 employee groups were awarded marks of distinction within the Company. Also in 2007 the Company held a competition entitled “The Best Employees and Organizations of LUKOIL Group”.

As well as material and non-material incentives, LUKOIL offers its employees a social package consisting of a system of programs and special measures, as follows:

- Health care and medical treatment, including voluntary health insurance;
- Rest and recreation for employees and their families, organization of sport and fitness events;
- Help to employees in buying their own homes;
- Social support to women and families with children;
- Social support for young specialists;
- Non-state pension support for employees on the basis of shared funding, consisting of contributions by the Company and its employees. This system has been in operation since 2004. It enables employees to raise their pension to over 60% of their salary level at the time of retirement after 20 years of taking part in the program. Over 64,000 people had subscribed to this scheme by the end of 2007 in Russia, and their contributions in the accounting year were \$20.4 million. The Company’s total contributions as part of non-state pension programs in Russia and abroad amounted to \$37 million.

Total spending on realization of social guarantees for employees and pensioners of LUKOIL Group organizations in 2007 was over \$350 million, of which spending on social programs was \$280 million.

An efficient system of social guarantees helps to attract qualified specialists to the Company, reduces employee churn, strengthens Company morale and provides the best basis for successful conduct of business.

LUKOIL understands the importance of professional training of Company personnel. The Company has a system of continuous training, helping employees to obtain the knowledge and professional know-how, which they need in their jobs. LUKOIL uses the whole range of modern educational techniques: workshops, seminars away from the work place, special training programs, secondments abroad, training sessions, courses for raising of qualifications, training days, distance learning, MBA programs, etc. LUKOIL organizations have 27 functioning study centres, and the Company also has its own School of Corporate Trainers. The Company is developing cooperation with leading institutions of higher education, including the Gubkin State Oil & Gas University, the Oil & Gas Business Institute, the Financial Academy and the Higher School of Economics. In 2007 the Company reached a cooperation agreement with the Diplomatic Academy of the Russian Ministry of Foreign Affairs. The Company also established a coordination council for work with higher education institutions.

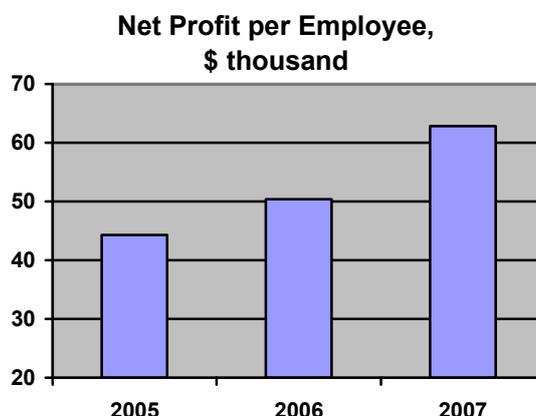
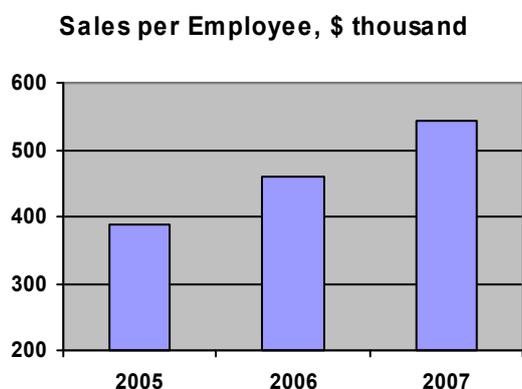
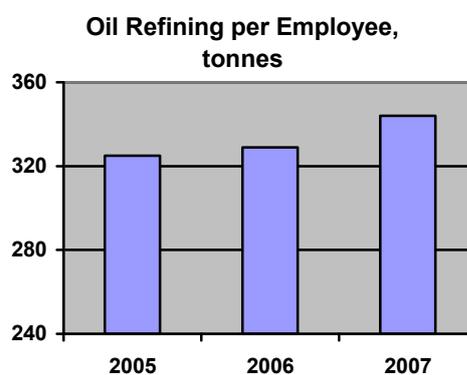
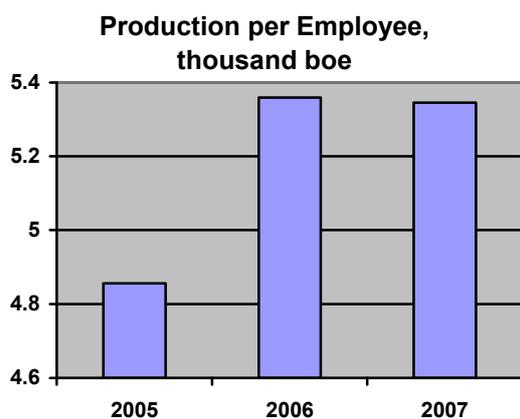
The personnel exchange program, which is part of the strategic partnership between LUKOIL Group and ConocoPhillips, was continued in 2007. A third group of 13 Company employees was selected and dispatched for a period of work at ConocoPhillips, and a fourth group was also selected, ready to travel to the US company in July 2008.

Implementation of the program for training of Iraqi specialists, which is part of the memorandum of understanding and cooperation signed with the Iraqi Oil Ministry in March 2004, was continued in the reporting year. A group of 85 people underwent a short course of work experience at LUKOIL Group enterprises in Western Siberia and a further 55 people were trained at Group enterprises in Perm. A total of 522 Iraqi specialists have worked at LUKOIL Group enterprises since the program came into operation.

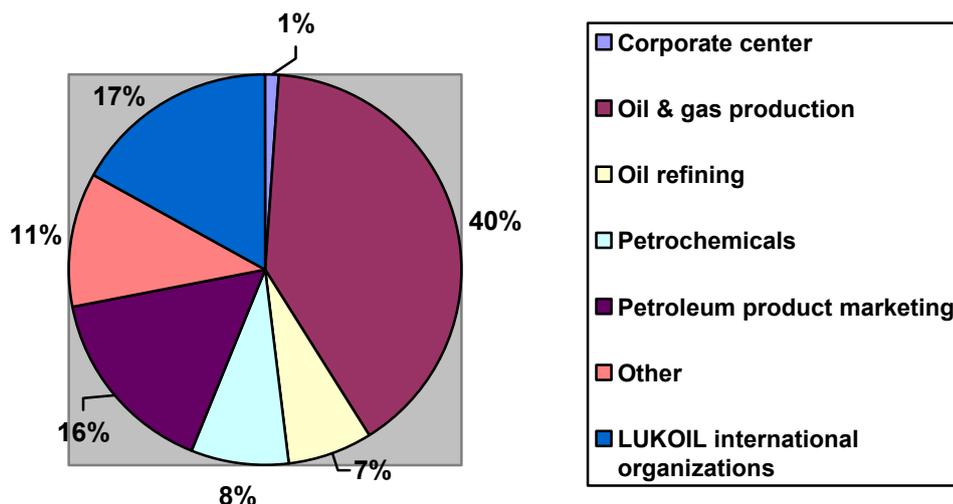
Encouragement of young specialists is particularly important to the Company and is the main objective of the Group’s program for work with young people and young specialists in the period from 2005 to 2010. In 2007 the Company held a competition for the best scientific design by young R&D experts, as well as holding the 7th scientific and technical conference for young researchers and specialists at LUKOIL organizations, and a competition to find “The Best Young Specialist of the Year” from among Company employees.

In order to enhance transparency of its social policy in 2007 the Company issued a Sustainability Report on its activities in the Russian Federation in 2005–2006 in accordance with the AA 1000 international standard, using recommendations of the Global Reporting Initiative. LUKOIL issues such reports once every two years.

Efficiency of OAO “LUKOIL” activities in personnel management has been independently attested. In 2007 the Company was acclaimed winner of the All-Russian annual competition “The Best Russian Human Resources Department”.



Employee Structure by Business Segments (1 January, 2008)



Social Policy and Charity Activities

Social and charity programs are an integral part of the Company's corporate strategy and help to ensure constructive partnership with the state, business and society. LUKOIL's social and charity programs have a targeted character and are based on the special professional experience and human potential of the regions, where they are implemented.

The Company continues to deliver on commitments, which it undertook voluntarily and on its own initiative under the OAO "LUKOIL" Social Code. This Code is obligatory for all LUKOIL organizations and represents a set of principles and norms of socially responsible behaviour towards all parties, whose interests are affected by Company business. Commitments under the Code are additional to commitments arising from collective negotiations with employees. The principles, which are set out in the Code, regulate Company dealings with its employees, pensioners and shareholders as well as business partners, the state and society as a whole.

As well as traditional forms of charity, LUKOIL carries out strategic charity programs and social investment programs, which connect solution of social problems with the Company's own strategic goals. Total spending by the Company in 2007 on charity and social partnership was in excess of \$170 million.

The Company's social and charity programs are highly appreciated by the society. The annual competition, "Russian Corporate Donor, 2007", acclaimed LUKOIL as winner in the category: "Best program for realizing cooperation potential between business, non-profit organizations and regional government". This competition is supported by the Donor Forum, the Ministry for Economic Development of the Russian Federation, the Russian Union of Industrialists and Entrepreneurs and the Commission of the Public Chamber of the Russian Federation for Charity, Aid and Voluntary Action. The competition panel recognized LUKOIL's leadership in Russia by volume of spending for charity purposes.

Support for Children's Homes and Schools

Help to children has priority for LUKOIL, and the Company designs all of its social programs (charity, sponsorship, support for child and youth sport, and cultural programs) with this priority in mind. The Company tries to achieve a balanced approach, providing assistance both to children who are relatively disadvantaged due to family circumstances or for health reasons and to children from secure family backgrounds in order to encourage their natural abilities and talents.

LUKOIL helps children in more than 50 children's homes and boarding schools. The Company ensures that children at these institutions obtain education and good health care, and helps them to find a profession and a place in life. The Company provides financial support for various needs of the homes,

schools and boarding schools, from organizing vacations to major repairs to buildings. Every year LUKOIL organizes summer vacations on the Black Sea and Caspian Sea coasts as well as educational trips for children from homes sponsored by the Company in the towns of Ishim, Langepas, Kirov, St. Petersburg, and Baku. Since 2006 LUKOIL has provided grants to students who continue their education in higher or vocational colleges after leaving children's homes, which the Company sponsors.

Children with disabilities are in special need of help. LUKOIL's charity project, "A book for each blind child", has been in operation for several years as part of the program, "Illustrated Books for Blind Children". In 2007 such books were provided to specialized children's institutions in Nizhny Novgorod Region.

Education Programs

LUKOIL is keen to support preparation of qualified young specialists for the Russian oil & gas industry, since they are essential for the Company's future success and prosperity.

LUKOIL provides financial support to a number of higher education institutions which train oil & gas specialists. These include specialized universities and institutions in Moscow, St. Petersburg, Perm, Ukhta, Tyumen, Ufa, Volgograd, Samara, and Arkhangelsk. Sector training institutes in the near-abroad countries, such as the State Oil Academy of Azerbaijan, also receive support from LUKOIL. As well as supporting oil & gas institutes, LUKOIL also helps the Russian Civil Service Academy, the Khrulev Military Base and Transport Academy, and secondary schools, including the Kstovo technical college and Moscow upper secondary school № 45.

Since 2000 the Company has paid grants to particularly talented students at oil industry and technical institutes. Such corporate grants are currently paid to 170 students in various towns and cities across Russia. LUKOIL plans to extend this scheme in order to provide incentives to young people when they are still at school.

The Company is also concerned to maintain quality of teaching staff and pays special grants to 50 talented young teachers at leading Russian oil & gas institutes.

Support for Medical Institutions

Another integral part of LUKOIL's social effort is support to the medical care system in regions where the Company has operations, as well as support to a number of major specialized medical research centers. These include the Scientific Center for Obstetrics, Gynaecology and Perinatal Care, the Center for Haematology Research, the Russian Cardiovascular Scientific and Production Complex, the Research Center for Children's Surgery, as well as the Seventh Central Military Clinical Hospital.

Social Projects Competition

LUKOIL's social project competitions offer a particularly efficient way of channelling financial assistance to help improve social and economic conditions in regions, where the Company is present. The purpose of the competitions is to support regional projects and initiatives, which address urgent regional needs.

LUKOIL-PERM has been holding competitions for social and cultural projects since 2002. There were 1,100 entries at the sixth such competition in 2007, of which about 200 were deemed worthy of financing. Most of the winners are well-considered (sometimes innovative) and socially valuable projects, which address various social problems. The grant fund for distribution in Perm has grown by 14 times over 6 years. A total of about 4,500 projects have been considered during that time, of which 800 have been financed.

Since 2004 competitions have also been held in Volgograd and Astrakhan Regions, since 2005 in the Komi Republic and Western Siberia, and the tradition came to Nizhny Novgorod Region for the first time in 2007. A total of 65 projects were selected for financing in these regions in 2007 respectively.

Numbers of participants and quality of the projects put forward for financing are rising year by year. Total grant funding made available through the competitions has grown from 2 million roubles in

2002 to more than 150 million roubles (about \$6 million) in 2007. The number of projects that obtain financing has risen from 33 to 266.

Preserving Cultural and Spiritual Heritage

Support for cultural, historical and spiritual heritage is a traditional aspect of LUKOIL's charity activities. The Company does all it can to preserve and revive cultural, historical and religious values and traditions, whose loss would have inevitable negative impact on the lives of current and future generations, leading to spiritual degeneration and impoverishment of society as a whole.

LUKOIL provides support to a number of leading Russian museums, including the Pushkin Museum of Fine Art, Museums of the Moscow Kremlin, the Russian Museum and the Tretyakov Gallery. The Company also supports the Astrakhan Kremlin, the Museum-House of Mikhail Sholokhov in Volgograd Region and the Kirov Art Museum. During 2007 LUKOIL purchased the picture, "Evening Café", by the Spanish impressionist painter, Hermengildo Anglada y Camarasa as a gift for the Pushkin Museum of Fine Art and also provided significant funding for restoration of a picture by Karl Brullov, "Portrait of General V.Perovsky", which is a permanent exhibit at the Tretyakov Gallery. LUKOIL worked with Museums of the Moscow Kremlin in 2007 and the start of 2008 to organize a visiting exhibition in Volgograd entitled "The Moscow Kremlin in Volgograd. Relics of Russian History".

LUKOIL also has programs of support for theaters and performing art groups. The Company has worked for many years with the Tchaikovsky Symphony Orchestra, conducted by Vladimir Fedoseyev, and also supports the Perm State Theater of Opera and Ballet as well as the Volgograd Youth Theater. The Company is a member of the Council of Patrons of the Bolshoi Theater in Moscow and the Moscow Conservatory.

LUKOIL makes significant contributions to restoration and preservation of religious traditions and spiritual heritage. In 2007 LUKOIL continued its program of support for restoration work at the Optina Pustyn Monastery in Kozelsk as well as providing funding for construction of the residence of the Patriarch of Moscow and All Russia (the Church and Bell-tower of the Three Holy Hierarchs). LUKOIL is a constant patron of the Church of Michael the Archangel and the Church of Tsars Constantine and Helen in Volgograd Region and the Pherapont Monastery in Vologda Region. In Kaliningrad Region the Company supports the Church of Vera, Nadezhda, Lyubov and their Mother, Sofia. A number of churches in Perm Region receive assistance from the Company: the Belogorsk Monastery of St. Nicholas, the Obvinsk Monastery of the Assumption, and the Church of St. Nicholas.

The LUKOIL Museum, which was opened in June 2005, has special importance for formation of the Group's corporate culture. It operates as a coordination center for educational and cultural work with Group employees, oil industry veterans and visitors to the Company. The Museum is equipped with the latest information technologies, which help visitors to look into the history of the Company's development and development of the Russian oil sector as a whole. The Museum is used for presentations by veterans of the Russian oil industry, and admission ceremonies for new company employees who have successfully undergone a trial period of employment. The Museum is also used for regular meetings of LUKOIL veterans and celebration of jubilees.

LUKOIL organizations operate a total of 20 museums, some of which are members of the Association of Scientific and Technical Museums (part of the Russian Committee of the International Museums Council).

Help to War Veterans and the Disabled

Oil workers and other veterans of the Great Patriotic War (World War II), as well as veterans of the labour front, have a special place in LUKOIL's social programs. Every year veterans who live in regions where the Company has operations receive special payments and gifts from the Company to coincide with Victory Day.

LUKOIL also provides financial assistance to disabled people. Specifically, the Company helps them to earn a living and thus to feel a part of society.

Support for Northern Peoples

Operations by Group companies in Siberia and the Far North of Russia can have significant impact on the living conditions of small indigenous peoples, creating various social and economic problems. LUKOIL respects the traditions and customs of these peoples and understands the importance of preserving their age-old way of life. The Company is therefore implementing special programs to help such indigenous groups, and LUKOIL's policy is to shift gradually from charity provision to economic partnership.

In the Komi Republic, Nenets Autonomous District and Western Siberia LUKOIL Group organisations have signed agreements with local administrations, with heads of lands that are traditionally inhabited and exploited by indigenous groups, and with social organizations. The agreements guarantee money compensation to indigenous families for use of their traditional lands, provision of tools and equipment for reindeer herding and household purposes, construction of housing and communications, medical care and air transportation. The Group organizes traditional celebrations and sports events, as well as holding competitions which offer financing for projects to support spiritual, historical and cultural values of indigenous peoples. LUKOIL understands that material support alone is not enough, and that northern peoples also need help to improve education levels and find employment. The Company therefore works hard to provide various special training to local people and to find them subsequent employment at LUKOIL enterprises.

Sport

Company priorities in the sphere of physical education and sport are encouragement of health and fitness activities among employees and their families, development of mass sport, support to Russian sports professionals, national federations and the national Olympic Movement, as well as assistance for development of children's sport in Russia.

LUKOIL's international amateur sports competitions are large-scale events that help to promote sport and fitness among the Company employees. The first such competition was held in 2001 in Astrakhan and the second in Perm two years later. The third event was held in Kaliningrad in June 2005, and a fourth winter event, celebrating the Company's 15th anniversary, was held in Kogalym in 2007. As many as 350 sportsmen and women in 9 teams, drawn from regions of Company presence, competed in the finals.

The Company is an important source of support for several leading Russian sports teams, including Spartak football club (Moscow), Zarya Kaspiya handball team in Astrakhan (known until 2007 as LUKOIL-Dinamo), and Spartak water polo team in Volgograd (known until 2007 as LUKOIL-Spartak).

The Company makes a strong contribution to development of ski sport in Russia, providing support to the national ski-racing team and acting since 2006 as general sponsor to the Russian Federation of Ski-Racing, and thus as sponsor of both the male and female national teams. LUKOIL also supports one of the biggest children's sport organizations in Russia, the Children's Football League, through which about 250 teams from all over Russia compete annually in regional and international championships.

LUKOIL was a long-standing official partner of the Russian Olympic Committee and has cooperated with the Foundation for Support of Russian Olympic Sport since 2005. In 2007 the Company provided financial assistance to the Sochi-2014 Bid Committee in its successful proposal of Sochi as a candidate venue for the 22nd Winter Olympics, which will be held in 2014.

Sport means more to LUKOIL than backing sports teams – it is also a way of testing the Company's own products in extreme conditions. The victories and successes of LUKOIL Racing Team (Moscow), and Sura Motorcross Team (Penza) serve as proof of the excellence of LUKOIL Group's fuels and motor oils.

Board of Directors and Management Committee

Board of Directors

Valery Isaakovich Grayfer

Chairman of the Board of Directors of OAO “LUKOIL”,

General Director, OAO RITEK

Born: 1929

Graduated from the I.M. Gubkin Moscow Oil Institute in 1952. Candidate of Technical Sciences (PhD). Recipient of six orders, four medals, and a Certificate of Honour of the Supreme Soviet of the Tatar ASSR. 1985: USSR Deputy Minister of Oil and Gas in charge of the Chief Tyumen Production Division for the oil and gas industry. Since 1992: General Director of OAO RITEK. Since 2000: Chairman of the Board of Directors of OAO “LUKOIL”. Professor of the I.M. Gubkin Russian State Oil and Gas University, Lenin Prize winner and the Government of the Russian Federation Prize winner.

Vagit Yusufovich Alekperov

President of OAO “LUKOIL”,

Member of the Board of Directors of OAO "LUKOIL",

Chairman of the Management Committee of OAO “LUKOIL”

Born: 1950

Graduated from the M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Recipient of four orders and eight medals. Two times winner of the RF Government Prize. Employed since 1968; worked at oil fields in Azerbaijan and Western Siberia. 1987-1990: General Director of the Production Association Kogalymneftegaz of Glavtyumenneftegaz of the Ministry of the Oil Industry of the USSR. 1990–1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas. 1992-1993: President of the Oil Concern Langepasuraikogalymneft. 1993–2000: Chairman of the Board of Directors of OAO “LUKOIL”. Since 1993: President of OAO “LUKOIL”.

Mikhail Berezhnoi

Member of the LUKOIL Board of Directors

Chairman of the Trusteeship Council of Non-state Pension Fund LUKOIL-GARANT

Member of the Audit Committee of the Board of Directors of OAO “LUKOIL”

Born 1945

Graduated from Saratov Law Institute in 1974. Candidate of Philosophical Sciences (PhD). Recipient of two medals. Since 1994: General Director, President, Chairman of the Trusteeship Council of the Non-State Pension Fund LUKOIL-Garant.

Oleg Emelyanovich Kutafin

Independent member of the Board of Directors of OAO “LUKOIL”

President of Moscow State Academy of Law

Chairman of the Audit Committee of the Board of Directors of OAO “LUKOIL”

Born: 1937

Graduated from the M.V. Lomonosov Moscow State University in 1959. Professor, Doctor of Legal Sciences, Academician of the Russian Academy of Sciences, Academician of the Russian Academy of Education, Distinguished Scientist of the Russian Federation. 1987-2007: Rector of Moscow State Academy of Law. Since 2007: President of Moscow State Academy of Law. Chairman of the Citizenship Commission of the President of the Russian Federation, Deputy Secretary of the RF Public Chamber. Recipient of the “Order of Merit Before the Fatherland” of I, II, III and IV degree, and ten medals.

Ravil Ulfatovich Maganov

Member of the Board of Directors of OAO "LUKOIL"

Member of the Management Committee of OAO "LUKOIL"

First Executive Vice President of OAO “LUKOIL” (Oil and Gas Exploration and Production)

Member of the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”

Born: 1954

Graduated from the I.M. Gubkin Moscow Institute of the Oil and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of two orders and three medals. Three times winner of the RF Government Prize in Science and Engineering. 1988–1993: Chief Engineer, Deputy General Director, General Director of PO Langepasneftegaz. 1993–1994: Vice-President of OAO “LUKOIL”. 1994-2006: First Vice-President of OAO “LUKOIL”. Since 2006: First Executive Vice-President of OAO “LUKOIL”.

Donald Evert Walette, Jr.

Member of the Board of Directors of OAO "LUKOIL"

President of ConocoPhillips Russia/Caspian Region

Member of the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”

Born: 1958

Graduated from University of Southern California in 1981, BA in Chemical Engineering. 2002-2005: Manager, production assurance and optimization, ConocoPhillips. 2005-2006: Vice-President, Shtokman Project, ConocoPhillips Russia/Caspian region. Since December 2006: President of ConocoPhillips Russia/Caspian Region.

Richard Herman Matzke

Independent member of the Board of Directors of OAO "LUKOIL"

Chairman of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"

Born: 1937

Graduated from Iowa State University in 1959, Pennsylvania State University in 1961, and St. Mary's College of California in 1977. MA in Geology, Master of Business Administration. 1989–1999: President of Chevron Overseas Petroleum, member of the Board of Directors of Chevron Corporation. 2000–2002: Vice-Chairman of Chevron, Chevron-Texaco Corporation. 2006: Awarded a public non-governmental medal "For the Development of the Oil and Gas Complex of Russia" and the "Director of the Year 2006" National Award, Russia, in the "Independent Director of the Year" nomination category, inspired by the Independent Directors Association (IDA) and PricewaterhouseCoopers.

Sergei Anatolievich Mikhailov

Independent member of the Board of Directors of OAO "LUKOIL"

General Director of OOO Management-Consulting

Member of the Audit Committee of the Board of Directors of OAO "LUKOIL"

Member of the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"

Born: 1957

Graduated from the F.E. Dzerzhinsky Military Academy in 1979, Moscow Aviation Institute (Refresher Training Course) in 1981, the Plekhanov Russian Economics Academy in 1998. Candidate of Technical Sciences (PhD), Doctor of Economics, professor. Recipient of four medals. 1974–1992: service in the armed forces. 1992-1996: head of department, Deputy Chairman of the Russian Federal Property Fund. 1996–1997: head of the department of restructuring and investment of the Ministry of Industry of the Russian Federation. 1997-2003: General Director of ZAO Upravlyayushchaya Kompaniya Menedzhment-Tsentr [asset management company]. Since 2001: General Director of OOO Menedzhment-Konsalting [Management Consulting limited liability company]. Since 2003: Chairman of the Board of Directors of ZAO Upravlyayushchaya Kompaniya Menedzhment-Tsentr.

Nikolai Alexandrovich Tsvetkov

Member of the Board of Directors of OAO "LUKOIL"

Chairman of the Board of Directors of URALSIB Financial Corporation

Member of the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"

Born: 1960

Graduated from the F.E. Dzerzhinsky Tambov Higher Military Aviation Engineering School in 1980, the N.E. Zhukovsky Air Force Academy in 1988, and the G.V. Plekhanov Russian Economics Academy in 1996. Candidate of Economics (PhD). 1994–1997: President of AOZT Oil Investment Company NIKoil, executive director of the Securities Department of OAO "LUKOIL", Vice-President of OAO "LUKOIL". 1998-2003: Chairman of the Management Committee of AB IBG NIKoil. 2003-2005: Chairman of OAO AKB AVTOBANK-NIKOIL.

2005-2007: Chairman of the Management Committee of URALSIB BANK. Since 2007: Chairman of the Board of Directors of URALSIB Financial Corporation.

Igor Vladimirovich Sherkunov

Member of the Board of Directors of OAO "LUKOIL"

Chairman of the Board of Directors of ZAO Investitsionnaya Gruppa Kapital [Capital Investment Group]

Member of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"

Born: 1963

Graduated from Moscow Finance Institute in 1985, and the All-Russian Foreign Trade Academy in 1993. 1993–1996: Vice-President of OAO Strakhovaya Kompaniya "LUKOIL" [LUKOIL Insurance Company]. 1996–2002: General Director of OOO LUKOIL-Reserve-Invest. Since 2003: Chairman of the Board of Directors of ZAO Investitsionnaya Gruppa Kapital [Capital Investment Group]

Alexander Nikolaevich Shokhin

Independent member of the Board of Directors of OAO "LUKOIL"

President of the Russian Union of Industrialists and Entrepreneurs

President of the State University – Higher School of Economics

Chairman of the Human Resources and Compensation Committee of OAO "LUKOIL"

Born: 1951

Graduated from the Economics Department of the Lomonosov Moscow State University in 1974. Doctor of Economics, professor. Recipient of an order and a medal. Employed since 1969. 1991–1994: Deputy Chairman of the Government of the Russian Federation, Minister of Economy of the Russian Federation, Minister of Labor and Employment of the Russian Federation. 1994–2002: Deputy of the State Duma (Parliament) of the Russian Federation of three convocations. 1996–1997: First Deputy Chairman of the State Duma of the Russian Federation, 1997 – 1998: Chairman of 'Our Home is Russia' Duma faction. 1998: Deputy Chairman of the Government of the Russian Federation. 2002–2005: Chairman of the Supervisory Board of Renaissance Capital Group. Since 2005: President of the Russian Union of Industrialists and Entrepreneurs. Member of the RF Public Chamber, Member of the Presidential Council for the Implementation of Priority National Projects and Demographic Policy, Member of the Business Competition and Entrepreneurship Board under the Chairman of the Government of the Russian Federation, Member of the Governmental Commission for Administrative Reform.

Management Committee of OAO "LUKOIL"

Vagit Yusufovich Alekperov

President of OAO "LUKOIL"

Member of the Board of Directors of OAO "LUKOIL"

Chairman of the Management Committee of OAO "LUKOIL"

Born: 1950

Graduated from the M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Recipient of four orders and eight medals. Two times winner of the RF Government Prize. Employed since 1968; worked at oil fields in Azerbaijan and Western Siberia. 1987-1990: General Director of the Production Association Kogalymneftegaz of Glavtyumenneftegaz of the Ministry of the Oil Industry of the USSR. 1990-1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas. 1992-1993: President of the Oil Concern Langepasuraikogalymneft. 1993-2000: Chairman of the Board of Directors of OAO "LUKOIL". Since 1993: President of OAO "LUKOIL".

Anatoly Alexandrovich Barkov

Member of the Management Committee of OAO "LUKOIL"

Vice-President of OAO "LUKOIL", Head of the Main Division for General Affairs, Corporate Security and Communications

Born: 1948

Graduated from Ufa Oil Institute in 1992. Candidate of Economics (PhD). Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of an order and ten medals. 1987-1992: Director of the Central Headquarters of Production Services, Director of the Oil and Gas Production Department, Chief Engineer of PO Kogalymneftegaz. 1992-1993: Executive Director, Director of the Foreign Projects Department of the Oil Concern Langepasuraikogalymneft. Since 1993: Vice-President of OAO "LUKOIL", Head of the Main Division for General Affairs, Corporate Security and Communications.

Sergei Petrovich Kukura

Member of the Management Committee of OAO "LUKOIL"

First Vice-President of OAO "LUKOIL" (Economics and Finance)

Born: 1953

Graduated from the Ivano-Frankovsk Oil and Gas Institute in 1979. Doctor of Economics. Distinguished Economist of the Russian Federation. Recipient of an order and five medals. 1992-1993: Vice-President, First Vice-President of the Oil Concern Langepasuraikogalymneft. Since 1993: First Vice-President of OAO "LUKOIL".

Ravil Ulfatovich Maganov

Member of the Board of Directors of OAO "LUKOIL"

Member of the Management Committee of OAO "LUKOIL"

First Executive Vice President of OAO "LUKOIL" (Oil and Gas Exploration and Production)

Member of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"

Born: 1954

Graduated from the I.M. Gubkin Moscow Institute of the Oil and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of two orders and three medals. Three times winner of the RF Government Prize in Science and Engineering. 1988–1993: Chief Engineer, Deputy General Director, General Director of PO Langepasneftegaz. 1993–1994: Vice-President of OAO "LUKOIL". 1994-2006: First Vice-President of OAO "LUKOIL". Since 2006: First Executive Vice-President of OAO "LUKOIL".

Ivan Alexeevich Maslyaev

Member of the Management Committee of OAO "LUKOIL"

Head of the Main Division of Legal Support of OAO "LUKOIL"

Born: 1958

Graduated from Lomonosov Moscow State University in 1980. Candidate of Legal Sciences (PhD). Recipient of three medals. 1992–1993: Head of the Legal Department of the Oil Concern Langepasuraikogalymneft; 1994–1999: Head of the Legal Division of OAO "LUKOIL", since 2000: Head of the Main Division of Legal Support of OAO "LUKOIL".

Alexander Kuzmich Matytsyn

Member of the Management Committee of OAO "LUKOIL"

Vice-President of OAO "LUKOIL" – Head of the Main Division of Treasury and Corporate Finance

Born: 1961

Graduated from Lomonosov Moscow State University in 1984. Candidate of Economics (PhD). Master of Business Administration (Bristol University, 1997). Recipient of a medal of the "Order of Merit Before the Fatherland" of II degree. 1994-1997: Director, General Director of KPMG, international auditors. Since 1997: Vice-President – Head of the Main Division of Treasury and Corporate Finance of OAO "LUKOIL".

Anatoly Alexeevich Moskalenko

Member of the Management Committee of OAO "LUKOIL"

Head of the Main Division of Human Resources of OAO "LUKOIL"

Born: 1959

Graduated from the Supreme Soviet of the RSFSR Moscow Higher Combined Arms Academy in 1980, Military Diplomatic Academy in 1987, Russian Academy of Government Service under the President of the Russian Federation in 2005. Candidate of Economics (PhD). Recipient of five orders and twenty medals. 1976-2001: service in the armed forces. 2001–2003: Head of the Human Resources Division, Head of the Human Resources Department of OAO "LUKOIL". Since 2003: Head of the Main Division of Human Resources of OAO "LUKOIL".

Vladimir Vitalievich Mulyak

Member of the Management Committee of OAO "LUKOIL"

Vice-President – Head of the Main Division of Oil and Gas Production and Infrastructure

Born: 1955

Graduated from the I.M. Gubkin Moscow Institute of the Oil and Gas Industry in 1977. Candidate of Geological and Mineral Sciences (PhD). Recipient of a medal of the "Order of Merit Before the Fatherland" of II degree.

1990 -1996: Chief Engineer, Director of Oil and Gas Production Department of Lasyeganneft of AOOT LUKoil-Langepasneftegaz. 1996-2001: First Deputy General Director for production, General Director of PO Belorusneft. 2001: Senior Vice-President for production of OAO NK KomiTEK. 2002-2007: Chief Engineer – First Deputy General Director, General Director of OOO LUKOIL-Komi. Since 2007: Vice-President – Head of the Main Division of Oil and Gas Production and Infrastructure.

Vladimir Ivanovich Nekrasov

Member of the Management Committee of OAO "LUKOIL"

First Vice-President of OAO "LUKOIL" (refining, marketing and distribution)

Born: 1957

Graduated from Tyumen Industrial Institute in 1978. Candidate of Technical Sciences (PhD), full member of the Academy of Mining Sciences. Recipient of an order and three medals. RF Government Prize Winner. 1992–1999: Chief Engineer, General Director of TPP Kogalymneftegaz of OOO LUKOIL-Western Siberia. Since 1999 - 2005: Vice-President of OAO "LUKOIL", General Director of OOO LUKOIL-Western Siberia. Since 2005 - First Vice-President of OAO "LUKOIL".

Leonid Arnoldovich Fedun

Member of the Management Committee of OAO "LUKOIL"

Vice-President of OAO "LUKOIL", Head of the Main Division of Strategic Development and Investment Analysis

Born: 1956

Graduated from the M.I. Nedelin Higher Military Command School in Rostov in 1977. Candidate of Philosophical Sciences (PhD). Recipient of an order and seven medals. 1993–1994: General Director of AO LUKOIL Consulting. Since 1994: Vice-President of OAO "LUKOIL", Head of the Main Division of Strategic Development and Investment Analysis.

Evgeny Leonidovich Khavkin

Member of the Management Committee of OAO "LUKOIL"

Secretary of the Board of Directors, Head of the Office of the Board of Directors of OAO "LUKOIL"

Born: 1964

Graduated from the Moscow Institute of Economics, Management and Law in 2003. Recipient of two medals. 1988: employed at entities in Western Siberia. 1997–2003: Deputy Head of the Office of the Board of Directors, First Deputy Head of the Office of the Board of Directors of OAO "LUKOIL". Since 2003: Secretary of the Board of Directors, Head of the Office of the Board of Directors of OAO "LUKOIL".

Lyubov Nikolaevna Khoba

Member of the Management Committee of OAO "LUKOIL"

Chief Accountant of OAO "LUKOIL"

Born: 1957

Graduated from Sverdlovsk Institute of the National Economy in 1992. Candidate of Economics (PhD). Distinguished Economist of the Russian Federation. Recipient of an order and two medals. 1991–1993: Chief Accountant of PO Kogalymneftegaz. 1993–2000: Chief Accountant of OAO "LUKOIL". 2000–2003: Vice-President of OAO "LUKOIL", Head of the Main Division of Financial Accounting. 2003–2004: Chief Accountant, Vice-President of OAO "LUKOIL". Since 2004: Chief Accountant of OAO "LUKOIL".

Dzhevan Krikorovich Cheloyants

Member of the Management Committee of OAO "LUKOIL"

Vice-President of OAO "LUKOIL", Head of the Main Technical Division

Born: 1959

Graduated from Grozny Oil Institute in 1981. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of a medal of the “Order of Merit Before the Fatherland” of II degree, and of four medals. RF Government Prize winner. 1990–1993: Departmental Head, Deputy General Director for foreign economic relations of PO Langepasneftegaz. 1993–1995: Vice President of commerce on foreign markets of AO “LUKoil”. 1995–2001: Vice-President of OAO "LUKOIL", Head of the Main Division of Sea and Foreign Projects. 2001–2007: Vice-President of OAO “LUKOIL”, Head of the Main Division of Oil and Gas Production and Infrastructure. Since 2007: Vice-President of OAO “LUKOIL”, Head of the Main Technical Division.

Vagit Sadievich Sharifov

Member of the Management Committee of OAO "LUKOIL"

Vice-President of OAO “LUKOIL”, Head of the Main Division of Control and Internal Audit

Born: 1945

Graduated from the M. Azizbekov Oil and Chemistry Institute (Azerbaijan) in 1968. Doctor of Economics. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of two orders and six medals. 1985–1994: Chief Engineer, General Director of Association Volgogradnefteprodukt, AOOT LUKoil-Volgogradnefteprodukt. 1994–1995: General Director of a branch of AO LUKoil Financial Company. 1995–1996: General Director of the Volgograd Territorial Division of OAO “LUKOIL”. 1996-2002: Vice-President of OAO “LUKOIL” for petroleum product sale, marketing and distribution. Since 2002: Vice-President of OAO “LUKOIL”, Head of the Main Division of Control and Internal Audit.

Committees of the Board of Directors

Strategy and Investment Committee

The purpose of this Committee is to make proposals to the Board concerning:

- long-term strategic development goals,
- the analysis of strategic development concepts, programs and plans,
- the amount of dividends and the dividend payment procedure,
- the distribution of profit and losses for the financial year.

The Committee consists of Richard Matzke (Chairman), Don Walette, Jr., Ravil Maganov and Igor Sherkunov.

Audit Committee

The purpose of this Committee is to make proposals to the Board concerning:

- the professional skills and quality of services provided by the auditors and their compliance with auditor independence requirements,
- the selection and performance evaluation of the auditors.

The Committee consists of Oleg Kutafin (Chairman), Mikhail Berezhnoi and Sergei Mikhailov.

HR and Compensation Committee

The purpose of this Committee is to make proposals to the Board concerning:

- HR policies and procedures,

- executive selection policies and standards in order to attract and retain talent of the highest quality.

The Committee consists of Alexander Shokhin (Chairman), Sergei Mikhailov and Nikolai Tsvetkov.

Shares of members of the Board of Directors and Management Committee in Charter Capital as at 31 December 2007

<i>Members of the Board of Directors and Management Committee</i>	<i>Share in charter capital, %*</i>
V.Yu. Alekperov	1.85
M.P. Berezhnoi	0.005
D.E. Walette	-
V.I. Grayfer	0.005
O.E. Kutafin	0.0002
R.U. Maganov	0.49
R. Matzke	-
S.A. Mikhailov	0.003
N.A. Tsvetkov	0.32
I.V. Sherkunov	0.04
A.N. Shokhin	-
A.A. Barkov	0.07
S.P. Kukura	0.39
I.A. Maslyaev	0.02
A.K. Matytsyn	0.29
A.A. Moskalenko	0.009
V.V. Mulyak	0.012
V.I. Nekrasov	0.03
L.A. Fedun	1.14
E.L. Khavkin	0.01
L.N. Khoba	0.34
D.K. Cheloyants	0.10
V.S. Sharifov	-

* Share stakes of BoD and Management Committee members are shown in accordance with the requirements of Russian law for disclosure of such information, and include shares held directly by Board/Management Committee members as well as shares held by nominee investors in their name.

Information on transactions with OAO “LUKOIL” shares performed by BoD and Management Committee members during 2007

<i>Full Name</i>	<i>Number of shares</i>	<i>Type of transaction</i>	<i>Date of transaction</i>
V.Yu. Alekperov	1,539,451	purchase	09.02.2007
V.Yu. Alekperov	595,300	purchase	17.09.2007
A.A. Barkov	32,000	sale**	24.01.2007
R.U. Maganov	60,000	sale**	24.01.2007

I.A. Maslyaev	24,000	sale**	24.01.2007
A.K. Matytsyn	32,000	sale**	24.01.2007
A.A. Moskalenko	24,000	sale**	24.01.2007
A.A. Moskalenko	20,000	sale	30.01.2007
V.I. Nekrasov	32,000	sale**	24.01.2007
L.A. Fedun	1,834,381	purchase	08.02.2007
E.L. Khavkin	24,000	sale**	24.01.2007
L.N. Khoba	40,000	sale**	24.01.2007
V.S. Sharifov	94,581	sale	27.02.2007
V.S. Sharifov	65,419	sale	27.02.2007

** The transaction was concluded for the purpose of paying for shares received while participating in the Employee Restricted Share Plan approved by the Board of Directors in 2003. Under the Programme, payment for shares received by participants may be financed from the participant's funds and from the partial sale of shares to the operator of the Programme. Under the terms of the Programme, the operator buys out shares at the weighted-average share prices for December 2006 on the RTS stock exchange.

Information on transactions with OAO "LUKOIL" shares performed by BoD and Management Committee members after the end of 2007

<i>Full Name</i>	<i>Number of shares</i>	<i>Type of transaction</i>	<i>Date of transaction</i>
I.V. Sherkunov	160,000	purchase	25.01.2008

Information on funds paid to BoD and Management Committee members in 2007

<i>Management bodies</i>	<i>RUB, thousand</i>				<i>Total</i>
	<i>Remuneration</i>	<i>Wages</i>	<i>Bonuses</i>	<i>Other payments</i>	
Board of Directors	42,414.6	-	-	5,501.8***	47,916.4
Management Committee	23,327.3	377,207.0	197,878.9	15,212.1	613,625.3

*** reimbursement of expenses

In accordance with the decision of the General Shareholders Meeting of 28 June 2007, each of the members of the Board of Directors was paid remuneration of 125,000 currency units in 2007 for performing their duties as Board members.

In addition to their remuneration for performing the duties of members of the Board of Directors, the following payments were made:

- to the Chairman of the Board of Directors for performing the functions of Chairman – 30,000 c.u.;
- to each of the chairs of the committees of the Board of Directors – 15,000 c.u. for performing the functions of Committee chair.

To calculate the amount of remuneration, a conditional monetary unit was used, corresponding to the rouble equivalent of one US dollar at the exchange rate of the RF Central Bank on the date of the General Shareholders Meeting at which the decision to pay remuneration was taken.

In addition to remuneration for the performance of functions of members of the Board of Directors, Board members were paid for attending meetings of the Board of Directors, and for attending meetings of the Board or a Board committee, where attendance required a transcontinental flight, in the amount established by decision of the annual General Shareholders Meeting of 24 June 2004 (Minutes No. 1), in accordance with the actual attendance of Board members at meetings.

Members of the Board of Directors were also reimbursed for expenses associated with their performance of the functions of members of the Board of Directors, the types of which are established by decision of the annual General Shareholders Meeting of 24 June 2004 (Minutes No. 1), in the amount of actually incurred documented expenses.

The annual General Shareholders Meeting of OAO "LUKOIL", held on 28 June 2007, passed a decision to establish new amounts of remuneration, denominated in roubles, for newly elected members of the Board of Directors. Specifically, remuneration for performing the duties of a member of the Board of Directors was established as 4,300,000 roubles. Additional remuneration will be paid for performing the functions of Chairman of the Board of Directors, Chairman of a Committee, and also certain other forms of compensation related to the duties of a Board member or committee member.

In 2007 the members of the Management Committee were paid:

- remuneration in accordance with the contract with the member of the Management Committee^{****};
- a basic annual salary (the monthly payments for the position during the year, pursuant to employment contracts);
- annual performance bonuses for 2006 in accordance with the *Regulations on the System of Payment and Incentives for Management Personnel of OAO "LUKOIL"*, approved by the Board of Directors of OAO "LUKOIL" on 26 May 2006;
- additional social benefits.

^{****} In accordance with the terms of contracts concluded with members of the Management Committee, they are paid remuneration in the amount of one monthly salary for primary employment. The remuneration payment shall depend on the achievement of corporate-wide key performance indicators during the reporting period.

Report of the Board of Directors of OAO “LUKOIL” on the results of the development of OAO “LUKOIL” in priority lines of business and the development prospects of OAO “LUKOIL”

In accordance with the Work Plan for the Board of Directors of OAO “LUKOIL” for 2006–2007, and the Work Plan for the Board of Directors of OAO “LUKOIL” for 2007–2008, approved at meetings on 20 July 2006 (Minutes No. 18) and 20 July 2007 (Minutes No. 18), in the reporting year the Board of Directors held 8 meetings and 21 absentee voting meetings. On 22 May 2007 a field meeting was held in Astrakhan.

The Board of Directors of OAO “LUKOIL” operated in accordance with its authorities as defined in the Federal Law *On Joint Stock Companies*, the Charter of the Company and the *Regulations on the Board of Directors of OAO “LUKOIL”*.

In carrying out the overall management of the Company, the Board of Directors paid special attention to the development, planning and monitoring of the execution of the OAO “LUKOIL” investment programme, implementation of the budget, and oversight of the Company’s performance indicators.

At the meeting on 12 January 2007 (Minutes No. 2), the Board of Directors determined the main task of the Company and its subsidiaries in 2007 to be the attainment of the planned levels of return on capital employed and net profit growth (including through asset management) to ensure an increase in shareholder returns.

To achieve this, the Board of Directors of OAO “LUKOIL” determined the following priority areas of development for specific segments:

- ***in the Exploration and Production business segment:***
 - Dynamic growth in the production of raw materials and full compensation of production by an increase in reserves;
 - Optimisation of the asset portfolio, disposal of ineffective assets;
 - Improvement of the efficiency of development of deposits based on widespread use of new technologies and management of reserves;
 - Confirmation of the Company’s right to use mineral extraction tax concessions;
 - Application of an integrated approach to implementing gas projects;
 - Minimization of environmental damage.
- ***in the Refining and Distribution business segment:***
 - Increase in oil refining capacity and the depth of oil refining, through modernisation and acquisitions. Expansion of oil refining in new regions: in Western and Central Europe and America;
 - A comprehensive solution to issues on the manufacture of products that meet EURO 4 specifications and integration of oil refining and petrochemical production processes;
 - Development and expansion of the retail network in areas with effective logistics in priority regions for development of internal oil refining;
 - Formation of an effective arrangement of retail networks and an increase in average daily sales per filling station;
 - Increase in sales of liquefied petroleum gases.

For the LUKOIL Group as a whole, the Board of Directors recommended to the Management Committee that it concentrate efforts on raw materials, product, sectoral and geographical diversification,

and the development and implementation of the Special-Purpose Programmes on energy conservation, industrial and environmental safety, and development of new lines of business: gas and chemical facilities and electric power.

For the purposes of further development of the Company and ensuring that it is one of the world's leading vertically-integrated oil companies, the Board of Directors recommended using the benchmarks of leading world companies when developing Long-term Sectoral Development Plans, including the LUKOIL Group Strategic Development Programme for 2008–2017.

The Strategic Development Programme of the LUKOIL Group for 2008–2017 (approved by the Board of Directors on 22 May 2007 (Minutes No. 13)) sets out the priorities for corporate strategy and target asset portfolios, determines the set of strategies for developing the business segments Exploration and Production and Refining and Marketing, argues for the removal of low-margin assets, sums up the objectives of the functional development programmes, and provides the consolidated indicators for the long-term development of the LUKOIL Group. The analysis and calculations given in the Strategic Development Programme of the LUKOIL Group for 2008–2017 were performed using the baseline and optimistic variants of the Unified Macroeconomic Conditions for 2008–2017.

Growth in the value of the Company and profitability of operations were chosen as the target objectives of the Programme; to achieve them, the following areas of activity were stipulated:

- transition to a balanced asset portfolio;
- an aggressive investment strategy in the field of gas assets in Russia and international exploration and production projects;
- removal of some low-margin projects from the Company's assets;
- strict compliance with the financial efficiency criteria for projects and limits on capital costs;
- growth in oil refining capacity, with the synergy from supplying our own oil;
- development of new types of business in the Company: electricity, gas chemistry;
- increase in production, transition to new areas of petrochemical development;
- stable international trade in priority products on the main markets;
- financing of additional projects by increasing the share of debt in capital employed.

The priority financial indicator in the Strategic Development Programme of the LUKOIL Group for 2008–2017 is return on capital employed, the level of which should be comparable to that of leading global oil companies, taking into account significant investments. The efforts of management should be directed to ensuring stable dividends and share price growth for shareholders, greater oil and gas production, an increase in the value of hydrocarbon reserves, further growth in operating income, control over production costs, reduction in energy consumption, higher labour productivity, and simplification of the organisational structure.

Approval of the Strategic Development Programme of the LUKOIL Group for 2008–2017 by the Board of Directors of OAO "LUKOIL" will make it possible to use the indicators of strategic development when drawing up plans and budgets in OAO "LUKOIL" and its subsidiaries, and improve the Company's manageability and efficiency.

Reviewing the LUKOIL Group's results in the first half of the reporting year, at their meeting of 30 August 2007 (Minutes No. 21) the Board of Directors considered the agenda item "On Preliminary Results of the LUKOIL Group in the First Half of 2007 and Progress in the Execution of the Budget and Investment Programme in 2007". Among other things, it was noted at the meeting that measures under the "Comprehensive Programme for Optimizing Oil Development and Production for 2006–2008" had achieved the stabilisation of the average oil well yield in Russia at 11.2 t/day, and also maintained the average efficiency of workovers at 10.3 t/day.

Oil exports by OAO “LUKOIL” subsidiaries in the first half of 2007 were down 3% from the level in the same period of 2006. This was related to an increase in oil refining in Russia given the higher margin available. Oil refining at Russian refining companies of the LUKOIL Group rose by 10.1% compared to the first half of 2006.

The production of high-octane gasoline at the Company’s Russian refineries rose by more than 37% compared to the first half of 2006, while their share in the total output of automotive gasoline rose to 82.4%. The output of low-sulphur Euro-4 diesel (50 ppm sulphur) and Euro-5 diesel (10 ppm) at the LUKOIL Group’s Russian refineries rose by 16% year-on-year, and amounted to 63% of total diesel output.

The meeting of the Board of Directors of OAO “LUKOIL” on 29 October 2007 (Minutes No. 25) approved the Key Indicators of the LUKOIL Group Medium-Term Plan for 2008–2009, and the LUKOIL Group Budget and Investment Programme for 2008.

The indicators of the LUKOIL Group Medium-Term Plan for 2008–2009 were drafted in further development of the parameters of the LUKOIL Group Strategic Development Programme for 2008–2017, approved by the Board of Directors of the Company in May 2007.

The draft medium-term plan was created assuming a Brent price of USD 65/bbl and an exchange rate of RUB 25.50/USD, and was approved by the LUKOIL Management Committee.

It is expected that the main growth in hydrocarbon production in 2008–2009 will be affected chiefly by the start of production at the Yuzhno-Khylchuyuskoe deposit in Timan-Pechora and the Khauzak gas field (part of the Kandym–Khauzak–Shady project) in Uzbekistan.

In the business segment Refining and Marketing, an additional effect is expected from an increase in the product quality resulting from the introduction of new facilities and the reconstruction and modernisation of existing facilities, including the introduction at the end of 2007 of an isomerisation unit at the Volgograd and Perm refineries and the installation of a vis-breaking units at OAO LUKOIL-UNP, and in 2008 the installation of vis-breaking units in Nizhny Novgorod and Odessa. Product quality will also be positively affected by the reconstruction of diesel hydrotreating units at Group refineries in Perm, Nizhny Novgorod, Bulgaria and Romania.

An electromembrane unit will be commissioned in OOO Karpatneftekhim in 2008, which will make it possible to produce up to 200,000 tonnes of sodium hydroxide per year. Work will be completed in 2009 at this company on the construction of a PVC suspension unit with a capacity of 300,000 tonnes per year.

After intense study, the Board of Directors set out specific steps to develop certain lines of business of the LUKOIL Group. This work was carried out within the framework of the following issues:

- On prospects for the development of projects in Exploration and Production and Refining and Marketing, in the Caspian Sea and adjacent countries (Minutes No. 13 of 22 May 2007), under which the Board of Directors considered results and plans for the operations of the LUKOIL Group in the Caspian region. Specifically, it was noted that in a whole range of aspects, the Company’s “Caspian project” is unique in the recent history of the Russian resource sector in terms of the amount of work performed, the effectiveness of exploration, and the significance of the discoveries of hydrocarbons made. Over a historically short period from the end of 1995 and without using government funds, the Group has conducted geological–geophysical exploration of an entire region – the Russian sector of the Caspian Sea, with an area of more than 63,000 km².

- On measures to increase the effectiveness of the oil refining and petrochemical enterprises of the LUKOIL Group (Minutes No. 28 of 3 December 2007). The meeting of the Board of Directors took into account the following priority areas of activity in this respect:
 - Industrial safety;
 - Profitability;
 - Sustainable development.

To achieve these goals, a whole range of targeted programmes has been developed. Among others, the goal of the Programme to Increase Equipment Reliability is to ensure that technological facilities operate reliably, while reducing the duration of overhauls and extending the period between repairs at Russian refineries to four years (five years at foreign refineries). The goal of Programme on Industrial, Occupational and Environmental Safety is to reach a zero level of accidents and on-the-job injuries.

- On projects aimed at increasing the market value of the Company (Minutes No. 28 of 3 December 2007).
- On the Arbitration Tribunal of OAO “LUKOIL” (Minutes No. 27 of 30 November 2007),
- On the system of education, training, and requalification of personnel for the needs of organisations of the LUKOIL Group (Minutes No. 25 of 29 October 2007).

As decisions on bond issues lie within the competence of the Board of Directors, in 2007 the following decisions were taken:

- On approval of the Report on the results of a securities issue – non-convertible certified interest-bearing bearer bonds series 03 with mandatory centralised custody, in the number of 8,000,000 (eight million) units with a nominal value of 1,000 (one thousand) roubles each, maturing on the 1,820th (one thousand eight hundred twentieth) day from the commencement date of the offering, placed by public subscription (Minutes No. 1 of 10 January 2007);
- On approval of the Report on the results of a securities issue – non-convertible certified interest-bearing bearer bonds series 04 with mandatory centralised custody, in the number of 6,000,000 (six million) units with a nominal value of 1,000 (one thousand) roubles each, maturing on the 2,548th (two thousand five hundred forty-eighth) day from the commencement date of the offering, placed by public subscription (Minutes No. 1 of 10 January 2007).
- On the approval in accordance with sub-point 9.7.19 of point 9.7 of the OAO “LUKOIL” Charter of inter-related transactions of OAO “LUKOIL” related to the issue and placement by the company LUKOIL International Finance BV of eurobonds in the amount of USD 1,000,000,000, issued in two tranches of USD 500,000,000 each for a term of 10 years and 15 years, respectively, with an interest rate of up to 10 percent per annum (Minutes No. 11 of 23 April 2007).

The Code of Corporate Governance, approved at the meeting of the Government of the Russian Federation on 28 November 2001 and recommended by the Federal Commission on the Securities Market, assigns the Board of Directors of a joint stock company a special role in improving the system of corporate governance of the company.

In this field, in 2007 the Board of Directors:

- at its first meeting on 28 June 2007 (Minutes No. 16), in accordance with the Regulations on the Board of Directors of OAO “LUKOIL”, elected V.I. Grayfer as Chairman of the Board of Directors, and also appointed E.L. Khavkin as Secretary of the Board of Directors, on the recommendation of the Chairman,
 - appointed the members of committees (Minutes No. 16 of 28 June 2007),
 - approved the Report on the activity of the Board of Directors of OAO “LUKOIL” in 2006–2007, took under consideration the reports of the committees of the Board of Directors of OAO “LUKOIL” and passed a resolution positively assessing the work of the Board of Directors in 2006–2007 (Minutes No. 13 of 22 May 2007);

- took under consideration information on the execution of decisions of the Board of Directors of OAO "LUKOIL" in 2006-2007 (Minutes No. 13 of 22 May 2007);
- approved the terms of the contract with OAO Registrator NIKoil (Minutes No. 25 of 29 October 2007).

Another important area of activity of the Board of Directors is preparations for the General Shareholders Meeting of the Company.

In 2007 the annual General Shareholders Meeting was held in Moscow on 28 June.

Issues concerning preparations for the General Shareholders Meeting were decided by the Board of Directors of the Company in strict compliance with the requirements of the Federal Law *On Joint Stock Companies* and the Company Charter.

The following decisions were taken on 3 February 2007 (Minutes No. 4) by absentee/distance voting:

- On determining the list of candidates for election to the Board of Directors of the Company based on nominations put forward by shareholders that own at least two percent of voting shares;
- On determining the list of candidates for election to the Audit Commission based on nominations put forward by shareholders that own at least two percent of voting shares.

On 25 April 2007 (Minutes No. 12) the Board of Directors approved the date for the preparation of the list of persons entitled to participate in the Meeting, the agenda of the annual Meeting, and gave preliminary consideration to draft decisions on issues on the Meeting agenda, and also approved the text and form of the ballots.

At the meeting on 22 May 2007 (Minutes No. 13), the Board of Directors tentatively approved the OAO "LUKOIL" Annual Report for 2006, to submit it to the general shareholders meeting.

In 2007 the Board of Directors, exercising their function of approving internal documents of the Company, adoption of which is assigned to the competence of the Board of Directors, approved the following:

- amendments and addenda to the *Regulations on the System of Payment and Incentives for Management Personnel of OAO "LUKOIL"* (Minutes No. 11 of 23 April 2007 and No. 25 of 29 October 2007);
- amendments to the *Procedure for the Remuneration and Compensation of Expenses of Members of the Board of Directors and Audit Commission of OAO "LUKOIL"* (Minutes No. 19 of 20 August 2007).

The competence of the Board of Directors includes the formation of the executive body of the Company (the Management Committee) and the early termination of its authorities.

At its meeting on 20 July 2007 (Minutes No. 18) the Board of Directors approved the 14 members of the Management Committee of OAO "LUKOIL" and approved the main terms and conditions of the contracts to be concluded with the members of the Management Committee.

On 5 February 2007 (Minutes No. 5) the Board of Directors established the main terms of Supplemental Agreement No. 1 to the contract with the Company President.

In accordance with the requirements of the Federal Law *On Joint Stock Companies*, on 20 July 2007 (Minutes No. 18) the Board of Directors established the maximum amount of payment for the services of the Auditor of OAO "LUKOIL".

On 12 January 2007 (Minutes No. 2), the Board of Directors passed a decision on the termination of the Employee Restricted Share Plan of OAO "LUKOIL" and its Subsidiaries, begun by the Company in 2003. In accordance with the decision taken in November 2006 on the long-term incentives of employees of OAO "LUKOIL" and its subsidiaries, in 2007 the Board of Directors passed decisions within the framework of the *Regulations on the Long-Term Incentives for Employees of OAO "LUKOIL"*

and its Subsidiaries (Minutes No. 8 of 12 March 2007, Minutes No. 18 of 20 July 2007 and Minutes No. 29 of 24 December 2007).

The Company Charter and the Federal Law *On Joint Stock Companies* assign the approval of interested-party transactions to the competence of the Board of Directors.

In addition, the Charter stipulates the approval by the Board of Directors of transactions related to the acquisition, alienation or possible alienation of property with a value of 10 to 25 percent of the carrying value of the Company's assets. The Board of Directors approved four such transactions in 2007.

Dividends

OAO “LUKOIL” bases its dividend policy on balancing the interests of the Company and its shareholders, on raising the Company’s investment appeal and its capitalisation, and on respecting and strictly complying with shareholders’ rights as stipulated by the laws of the Russian Federation, the Company’s charter and its internal bylaws.

In determining the size of dividends to recommend to the General Shareholders Meeting (calculated per share), the Board of Directors proceeds on the basis that the amount of funds used for dividend payments should be at least 15% of the net profits determined on the basis of the US GAAP consolidated financial statements of OAO “LUKOIL”.

<i>Year</i>	<i>Amount of dividends (roubles)</i>	<i>Accrued, million RUB</i>	<i>Paid*, million RUB</i>	<i>Share of net profits of OAO “LUKOIL” used for dividend payments, %</i>
for 2002	19.50	16,586	16,552	35
for 2003	24.00	20,414	20,351	42
for 2004	28.00	23,816	23,745	31
for 2005	33.00	28,069	27,823	42
for 2006	38.00	32,321	32,252	59
for 2007	On 24 April 2008 the Board of Directors of OAO “LUKOIL” recommended to the General Shareholders Meeting of 26 June 2008 that it approve the payment of dividends based on the Company’s 2007 performance in the amount of 42 roubles per ordinary share.			

* *Dividends are not paid in full by reason of some shareholders’ failure to provide full and accurate information necessary to receive dividends (incorrect mailing or banking details, lack of mailing or banking details).*

Market for the Company's securities

During 2007, OAO "LUKOIL" shares were among the most liquid securities circulating on the Russian stock market. The main trading floors for the Company's shares in Russia were ZAO FB MICEX, where OAO "LUKOIL" shares accounts for 8.1% of all trading in 2007, and OAO RTS (6.9% of trading). In terms of trading on these exchanges, the Company's shares were in the top five securities for the year.

The programme of American depository receipts and global depository receipts for Company shares continued in 2007; these were traded on the over-the-counter market in the USA, on the London, Frankfurt, Munich and Stuttgart exchanges, and others. At year end 2007 the total number of ADRs issued on ordinary shares was equivalent to 592 million shares (69.6% of the Company's charter capital). ADRs issued on OAO "LUKOIL" shares held second place in 2007 in terms of trading in ADRs of foreign companies listed on the London Stock Exchange in the IOB system (15.5% of total monthly trading in this system).

Shares in OAO "LUKOIL" are an underlying instrument for the trading of securities on the Russian futures market. Futures contracts for OAO "LUKOIL" shares are one of the key instruments of the Futures Market Section of OAO RTS, which holds third place in terms of trading volume. In 2007, trading in these contracts accounted for about 9% of total transactions in the futures market on OAO RTS.

The price of the Company's shares decreased by 1.08% in 2007 to USD 87.0 at year end (based on trading on the RTS exchange). The capitalisation of OAO "LUKOIL" as at 31 December 2007 was USD 74.0 billion. Among the main external factors negatively affecting share price, experts name the following:

- reallocation of capital from companies in the oil industry to other sectors of the economy (finance, metals, retail trade), which to a large extent was due to a large number of IPOs on the Russian market (initial public offerings in 2007 amount to USD 23.3 billion);
- the strict fiscal policy of the state authorities in relation to oil companies;
- the desire of investors in the oil industry to give preference to state-owned oil and gas companies in the run-up to the parliamentary and presidential elections in Russia.

Despite the drop in capitalisation in 2007 under the effect of the short-term negative factors, there are serious fundamental reasons to expect further growth in the Company's share value – these include a rich resource base, supporting the potential for increased production; significant refining capacity, which under the current tax regime creates significant value for the Group; and a highly effective network of filling stations. All of these factors create significant competitive advantages for the Company, creating substantial potential for the growth of its value in the longer term.

In June OAO "LUKOIL" carried out a bond issue to a total value of USD 1 billion. The securities were divided into two tranches with terms of 10 and 15 years, respectively. The coupon rate was 6.4% on the 10-year bonds and 6.7% on the 15-year bonds. The organizer of the placement of the Company's eurobonds were Credit Suisse and Deutsche Bank. The debt securities of OAO "LUKOIL" have been awarded the highest rating among securities of non-state Russian companies. The goal of the bond issue was to attract funds for general corporate needs, including the refinancing of existing debt and capital investments.

In November, OAO "LUKOIL" made a scheduled redemption of convertible eurobonds issued in 2002, to a total of USD 350 million. Securities that had not previously been converted into Company ADRs were redeemed on the terms at placement.

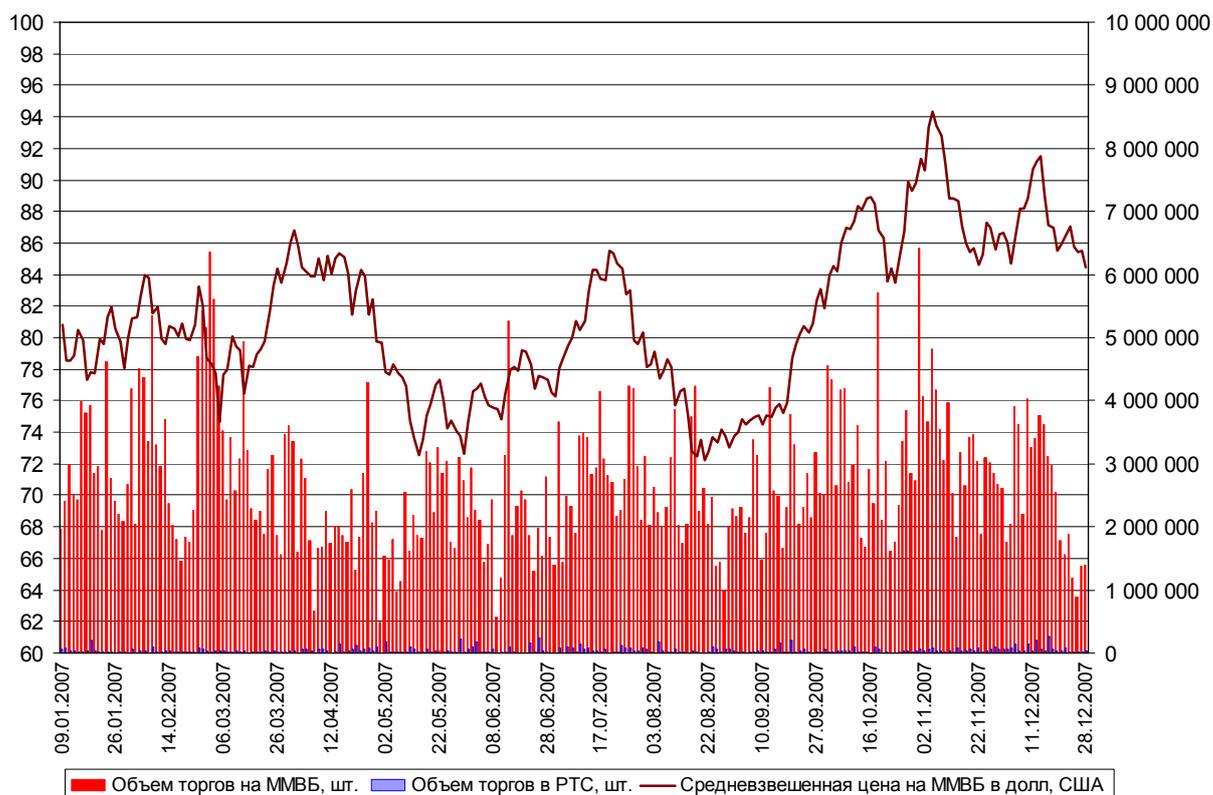
Figure No. 1



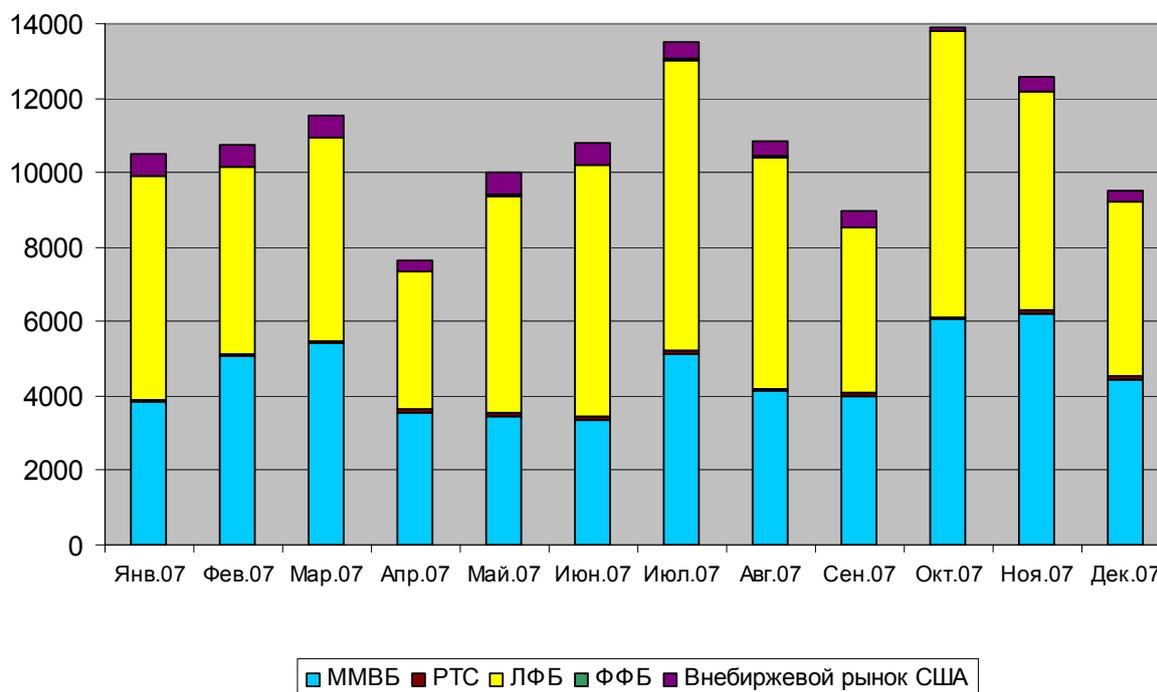
* BWOILP – Bloomberg World Oil and Gas Producers INDEX

Figure No. 2

ДИНАМИКА ЦЕНЫ ОБЫКНОВЕННЫХ АКЦИЙ ОАО "ЛУКОЙЛ" в 2007 году



**Monthly trading in shares (ADRs) of OAO "LUKOIL" in 2007,
million USD**



Equity structure of OAO "LUKOIL" as at 31 December 2007

	Number of holders of registered ordinary shares	Number of shares	% of total number of shares
Foreign legal entities	11	97,488	0.01%
Russian legal entities, including:	163	824,054,825	96.88%
ZAO ING Bank (Eurasia)*		600,052,544	70.55%
ZAO KB Citibank*		67,431,596	7.93%
ZAO DKK*		60,124,748	7.07%
SDK Garant*		35,375,790	4.16%
ZAO NDTs*		32,607,234	3.83%
ZAO DK URALSIB*		20,667,261	2.43%
Individuals	53,355	26,410,942	3.11%
TOTAL	53,529	850,563,255	100.00%

* Nominee shareholder

Description of the main risk factors associated with the operations of OAO “LUKOIL”

The operations of OAO “LUKOIL” are associated with a number of risks, which under certain circumstances may affect the results of the Company’s activity and the value of its securities. These risks can be divided into the following main groups:

- industry risks,
- country and regional risks,
- financial risks,
- legal risks,
- other risks.

Industry risks

Risks associated with the price for oil, gas and oil products

OAO “LUKOIL” has active operations on the domestic and international markets as a seller of crude oil, oil products, and natural gas.

The Company’s activity depends significantly on world energy prices.

World prices for oil, oil products and gas have historically been subject to significant fluctuations, which depend on a large number of factors:

- the state of the global economy and also the economic and political situation in oil-producing regions;
- global supply and demand, as well as forecast future supply and demand for oil and gas and oil products (to a lesser degree);
- the cost of exploration, development, production, refining and marketing of oil, gas and oil products;
- the capabilities of OPEC and other oil exporting countries to control the level of world prices;
- the cost and availability of alternative energy sources;
- the actions and resolutions of Russian and foreign state authorities, including in respect of taxation and export regulations, requirements on oil product quality and the level of harmful emissions;
- climatic conditions in countries that are the largest oil and gas consumers.

The sale of gas on the domestic market is a low-margin activity, because domestic market prices are significantly lower than world prices, and is associated with the risk of a change in existing contractual relations with OAO Gazprom, as well as the risk of a change in OAO Gazprom’s tariff policy.

The increasing pressure on the sales and distribution structures of the LUKOIL Group on the part of the Federal Anti-Monopoly Service and the Company’s policy of restraining retail prices may have a negative effect on the operating results of the LUKOIL Group. However, this restraint on retail prices improves the Company’s image as a socially responsible corporation.

OAO “LUKOIL” cannot affect the factors that determine prices for oil, gas and oil products. Despite the fact that energy prices have remained at a high level over the past several years, there is a risk that they may fall in the medium and long term. In the event of an adverse price climate, OAO “LUKOIL” will be forced to reallocate commodity flows, reduce current costs, reconsider its investment

projects, and accelerate the sale of non-core assets, which will allow it to meet its obligations to the greatest extent.

Risks associated with the price of purchased goods, work and services

Despite the development of alternative capabilities for bringing oil to consumers (for example, by rail and through the construction of the Company's own pipelines and ports), to transport oil OAO "LUKOIL" depends mainly on the system of major pipelines and railroads of OAO AK Transneft, OAO AK Transnefteprodukt and OAO RZhD; tariffs and access to these systems are regulated by the state. As a result, there are risks associated with the possible restriction of the Company's access to the pipeline and rail systems. The state regulates access to export capacities and sets the principles for access, which has a direct effect on the Company's ability to export oil and oil products.

The proved gas reserves of the LUKOIL Group constitute about 23% of its total hydrocarbon reserves in oil equivalent, but this gas can only be delivered to consumers through the gas pipeline system of OAO Gazprom. A refusal by the Russian government to grant independent companies access to Gazprom's natural gas export transport system could have a considerable negative effect on the Company's operations.

The cost of services and materials purchased by the Company also has a material effect on financial performance. The Company constantly monitors the offers of suppliers, including suppliers of transportation services, and has a transparent procedure for holding tenders which makes it possible to acquire the necessary materials and services at the best possible price. The Company uses its own sources of fuel and energy in those cases when the production cost of internal production is lower than the offers of independent suppliers. The Company regularly analyses all cost items with the aim of optimising them.

Risks associated with competition

The oil sector is distinguished by a high level of competition. OAO "LUKOIL" constantly competes with other Russian and international oil companies for the right to obtain licenses for specific deposits, access to export terminals, refining and marketing capacity, production equipment, personnel resources and services, and sales markets for oil products. The Company may also encounter competition from suppliers of alternative energy sources, due to the continuing high prices on fossil fuels and the possible future exhaustion of its reserves. The invention of new oil-refining technologies may require major investments in re-equipping facilities or the construction of new facilities. Risks related to the competitive struggle may demand additional financial expenditures and in certain circumstances may have a negative effect on the image of the Company.

The Company holds a leading industry position both in Russia and in the world, which significantly improves its competitive position. The Company has a significant portfolio of new projects to maintain and improve its future market positions.

Environmental and technological risks

There are potential environmental risks associated with the production and refining of oil and gas. The elimination of oil spills and other production accidents may have a substantial negative effect on the financial performance of OAO "LUKOIL".

Country and regional risks

OAO "LUKOIL" operates throughout Russia, as well as in a number of foreign countries.

The Group's main oil production and refining operations are located in Russia. Despite the fact that positive changes have occurred in Russia over the past several years in all social spheres – steady economic growth, political stability, successful economic reforms – Russia remains a state with a developing political, economic and financial system. Oil production and refining in Russia is associated with a whole array of risks.

Risks associated with the operations of OAO “LUKOIL” in the Russian Federation:

Political risks

The specific nature of the Russian political system is associated with its relatively brief period of existence and insufficient stability, which involves the following risks for the Company:

- The possibility of a change in the foreign or domestic policies of the country's leadership, which may negatively affect the investment appeal of the country as a whole and OAO “LUKOIL” in particular, and may limit the Company's ability to attract financing;
- The probability of adverse changes to legislation, including tax legislation, aimed at maximising government revenues from the raw-materials sectors of the economy;
- The process of government reforms may dissolve various ministries and agencies and create new ones with regulatory authority over the Company's operations, which may lead to a lack or delay in approval of regulatory documents affecting the Company's operations;
- The possibility of conflicts between federal and regional authorities;
- Terrorist and criminal risks.

Economic risks

The Russian operations of OAO “LUKOIL” entail material economic risks associated with the particular circumstances of the Russian economy:

- The immaturity and weakness of the Russian financial system may hinder the Company's access to investment resources (financial risks are discussed in more detail below);
- The Russian economy is poorly diversified and depends to a substantial degree on world commodity prices. A significant extended downturn in world commodity prices may lead to a fall in the profits of raw materials producers, and subsequently to the contraction of the entire Russian economy;
- The obsolete infrastructure of the Russian economy, which does not meet modern standards, has a substantial negative effect on the Company's ability to develop its oil-production and oil-refining businesses.

In order to minimise economic and financial risks, OAO “LUKOIL” strives to diversify the sources of finance for its operations, attracting funds on both the Russian and international financial markets, and is expanding the geographic reach of its operations and the range of its products.

Risks associated with production and refining operations in foreign countries:

The risks associated with the operations of the LUKOIL Group in foreign countries vary materially from country to country. The following main risk groups by country can be identified:

Countries formerly part of the USSR: Ukraine, Belarus, Moldova, Kazakhstan, Georgia, Azerbaijan, Uzbekistan, Estonia, Latvia, and Lithuania

The Company's risks in these countries are currently comparable to the risks associated with Russian operations.

Countries of Eastern Europe (Bulgaria, Romania, Hungary, Poland, Serbia, Macedonia, Slovakia, the Czech Republic, and Montenegro)

The transition process, due among other things to the entry of a number of these countries into the EU, carries with it substantial risks related to changes to the legislation of these countries and to changes in the terms of trade between Russia and these countries. There is also a risk of increased operating costs due to the introduction of an EU-mandated minimum wage. There is also a risk of government intervention in the formation of prices on oil products.

Egypt, Iran, Iraq, Saudi Arabia, Columbia, and Venezuela

Operations in these countries carry the following risks:

- possibility of political instability, as well as the reconsideration of contractual obligations by the leadership of these countries;
- possibility of the suspension or termination of the operations of LUKOIL Group organisations in these countries due to the introduction of international sanctions, and in the event of military action;
- existence of a terrorist threat against both the assets and employees of LUKOIL Group organisations.

Financial risks

Risks associated with the Russian banking system

The Russian banking system remains immature and crisis-prone. The majority of Russian banks do not meet international banking standards, while the transparency of the Russian banking sector lags far behind international norms. The Company is forced to conduct banking operations with a limited number of solvent Russian banks. The possibilities of a banking crisis or the bankruptcy of individual banks may have a negative effect on the Company's ability to work with Russian banks, and may also negatively affect the Company's business, financial position, and business performance.

The Company faces inflation and currency risks, as well as interest-rate and credit risks, all of which may have a negative effect on its performance.

Inflation risks

Despite declining inflation rates over the past several years and the favourable outlook for lower inflation in the future, the Company faces inflation risks that may have a negative effect on its operating results. Some of the Company's expenses, including wage costs, depend to a significant degree on the overall level of prices in Russia, while most of its income is expressed in or tied to US dollars and is determined primarily by world oil prices. Higher rates of inflation, if not matched with corresponding devaluation of the Russian rouble vis-à-vis the US dollar or an increase in oil prices, may have a negative effect on the Company's financial performance.

Currency risks

The Company is exposed to risks of unfavourable changes in exchange rates; this relates mainly to the strengthening of the Russian rouble against the US dollar. This results from the fact that the bulk of the Company's revenues come from export operations and are denominated in US dollars and various European currencies, while part of the Company's expenses are denominated in roubles.

At the same time, the Company's revenues from the sale of oil and oil products on the domestic market are denominated in roubles, which mitigates the negative effect from the possible strengthening of

the rouble. In addition, the currency structure of the Company's debt broadly reflects the structure of its income, which also reduces its sensitivity to exchange-rate fluctuations.

The Company monitors the potential effect of unfavourable changes in exchange rates on the Company's operating performance, and currency risks may be subject to hedging in the event of an unfavourable market situation.

Interest-rate risk

The Company is a major borrower on both the international and domestic capital markets. The Company requires these borrowings to finance its current operations and its investment projects.

The international debt markets are the main source of borrowings. For this reason the Company is sensitive to changes in interest rates, especially those of the US Federal Reserve System. An increase in the discount rate of the Federal Reserve may lead to an increase in the Company's cost of borrowing. On the other hand, the rising creditworthiness of OAO "LUKOIL", which is reflected in the improvement in its credit ratings, and the rise in the creditworthiness of Russia are important factors in decreasing the Company's future borrowing costs.

The Company was given the following ratings by major world rating agencies in 2007:

- Standard & Poor's raised its long-term corporate rating from BB+ to BBB- (investment grade)
- Moody's confirmed its long-term corporate rating of Baa2 (investment grade)
- Fitch confirmed its long-term corporate rating of BBB- (investment grade) and short-term corporate rating of F3. On 24 January 2008 the rating outlook was changed from "stable" to "positive".

Credit risks

The Company is subject to risks that counterparties will not discharge their obligations to pay for goods delivered. The bulk of credit risks arise on the sale of Company products. In order to reduce credit risks, the Company is oriented to working with counterparties that have a high credit rating; in addition, restrictions are in place on the maximum risk per counterparty. To reduce credit risks, letters of credit/guarantees from first-class banks and sureties are used, and in a number of cases the Company requires advance payment for products to be delivered.

Legal risks

Risks associated with changes in currency regulation

The Company is a participant in foreign trade relations, some of the Company's assets and liabilities are expressed in foreign currency, and accordingly changes in currency regulations may affect the Company's operating results.

Possible changes in currency regulations, which may affect the mandatory repatriation of part of foreign-currency proceeds, and restrictions on investments by Russian companies outside of the Russian Federation may lead to losses for the Company.

However, OAO "LUKOIL" believes that the apparent trend to liberalisation of currency regulations reduces the risks of negative impact for the Company associated with future changes to currency laws.

Risks associated with changes in the rules on customs control and duties

There are risks associated with changes in the rules on customs control and duties. In particular, a possible increase in export customs duties on oil and oil products could have a negative effect on the Company's financial results.

The Company constantly monitors changes to existing laws of the Russian Federation and takes them into account in its operations, which makes it possible to minimize risks associated with these changes.

Risks associated with legislation on the subsoil

In the event of a possible change to requirements on licensing subsoil use, there is a risk that possible restrictions will be introduced on participation in tenders and auctions to obtain subsoil usage rights, as well as an expansion of the list of cases of the termination and suspension of licenses. This may have a negative effect on the Company's operations and the value of its assets.

OA O "LUKOIL" works systematically to analyse and assess legislative initiatives of the relative ministries and agencies in the field of legislation on the sub-soil and licensing of certain types of activity, and takes them into account in its operations, which makes it possible to minimise risks associated with possible legislative changes.

Risks associated with changes in tax legislation

Russian tax legislation has not existed as long as that of countries with a more developed economy, and therefore it is not uncommon that the state's application of tax legislation is unclear or contradictory. This leads to the existence of more substantial tax risks in the Russian Federation than in any country with a more mature tax system.

The Russian tax system is currently undergoing reforms. If new types of taxes are introduced, or if changes are made to the procedures for paying existing taxes, the Company may be forced to pay higher taxes, which may have a negative effect on its operations.

The Company constantly monitors changes to tax legislation, assesses them and forecasts their potential effect on its operations, and takes them into account in its operations.

Risks associated with labour laws

Risks in the field of labour legislation are associated with the Company's possible failure to meet statutory quotas for the creation of jobs for the handicapped, due to the lack of extended and stable practices in the application of statutory norms in the area of quotas of jobs for the handicapped.

Other risks

If Group organisations are unable to discover and develop additional hydrocarbon reserves, the level of reserves and volume of production may fall from current indicators, which would have a negative effect on the Company's operating performance and financial position.

Information on the Group's reserves consists of calculated data and depends on a number of variables and assumptions. The actual output of deposits, the profitability of production, and development costs may differ from estimates, and these differences may be material.

The licenses held by the Company and its subsidiaries could be suspended or recalled prior to their expiration date in connection with a violation of licensing terms, late payment or for other reasons.

A number of the Group's international projects involving reserves, production and refining are being carried out in politically and economically unstable regions.

If the Company is unable to successfully integrate newly acquired organisations, this may slow rates of growth and cause harm to its operations and financial position.

In certain cases, the provisions of Russian law may hold the Company liable for the obligations of its subsidiaries.

There are risks of direct or indirect losses from improper or erroneous internal processes, employee actions and organisational systems (operating risks).

LUKOIL Group organisations are involved in a number of court cases that relate to the Group's operations. Despite the fact that these court cases have the potential to cause significant losses for the Group, there are currently no grounds to believe that their end result will have a material effect on the LUKOIL Group's performance.

Risk management procedures at OAO "LUKOIL"

For the purposes of risk management, OAO "LUKOIL" has created coordinating groups on risks and a expert group on risk management for each of the Company's lines of business: "Geology and development", "Production", "Industrial safety", "Human resources management", "Economics: planning and investments", and others. Advanced training has been organised for the Company's experts. Internal regulatory documents are being drafted on the further development of the corporate risk management system.

In the Exploration and Production business segment, the Company systematically monitors possible risk events while carrying out foreign projects. Various means of reacting to risks are used:

- risk avoidance – rejection of a risky project;
- risk mitigation – preventative measures to either fully eliminate risk or to reduce potential losses and reduce the likelihood of their occurrence;
- risk transfer – hedging, insurance, surety, guarantee, involvement of partners in the project, reduction of the Company's share in the project;
- risk retention – creation of a financial reserve to cover insignificant losses from equity.

A centralised risk-management system has been introduced in a number of major subsidiaries, which encompasses all business processes and functional areas of operations and makes it possible to effectively manage risks, minimising their effect on the company's operating results.

The Company also makes active use of insurance against the risk of physical loss of assets.

An effective centralised system of cash management implemented by the Company's treasury makes it possible to minimise liquidity risks.

The purpose of these measures is to prevent/reduce the possible harm from identified risks in order to increase the capitalisation and raise the shareholder value of the Company.

Information on adherence to the Corporate Governance Code

	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
<i>General meeting of shareholders</i>			
1.	Notification of shareholders of general meetings of shareholders at least 30 days before the date of the meeting, regardless of the items on the agenda, unless the law stipulates a longer term.	Compliance	Point 8.7 of the Charter of OAO "LUKOIL"
2.	Shareholders have the opportunity to study the list of parties entitled to participate in the general meeting, starting from the date of the notification of the general shareholders meeting up to the closing of the meeting (if held in the form of joint attendance) or to the deadline for receipt of voting ballots (if held through absentee voting).	Compliance	Point 4.4 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
3.	Shareholders have the opportunity to study the information (materials) to be provided during the preparations for holding the general shareholders meeting, using electronics means of communication, including over the Internet.	Compliance	Point 5.5 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
4.	Shareholders have the opportunity to submit an item to the agenda of the general shareholders meeting or demand the convocation of a general shareholders meeting without submitting a statement from the shareholder registry, if their rights to shares are accounted for in a shareholder registry system, or if rights to shares are accounted on a deposit account, then a statement from the deposit account is sufficient to exercise the given rights.	Compliance	Point 3.3 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
5.	The charter or internal documents of the joint stock company contains a requirement on the mandatory attendance at the general shareholders meeting of the General Director, members of the Management Committee, members of the Board of Directors, members of the Audit Commission, and the auditor of the joint stock company.	De facto compliance	In accordance with point 6.2 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i> , the Board of Directors send an invitation to attend the general Shareholders Meeting to the President of the Company, members of the Board of Directors, the Management Committee and the Audit Commission of the Company and the Auditor of the Company. Pursuant to this point, the Board of Directors also sends invitations to candidates in cases where the general Shareholders Meeting will consider issues of the election of the President of the Company, members of the Board of Directors, members of the Management Committee, and also the issue of the approval of the Auditor of the Company.
6.	Mandatory attendance of candidates in cases where the general shareholders meeting will consider issues of the election of the members of the Board of Directors, General Director, members of the Management Committee, and also the issue of the approval of the Auditor of the Company.	De facto compliance	See note to item 5
7.	The internal documents of the joint stock company contain the procedure for registering the participants in the general shareholders meeting.	Compliance	Point 10.1 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>

Board of Directors			
8.	The charter of the joint stock company contains the authorities of the Board of Directors regarding the annual approval of the financial business plan of the joint stock company.	-	In accordance with point 10.6.3 of the Charter of OAO "LUKOIL", the development and approval of quarterly, annual and future plans, the budget and the investment programme are assigned to the authority of the Management Committee.
9.	The Board of Directors has approved a procedure for risk management at the joint stock company.	Compliance	<p>Point 3.1.10 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i></p> <p>In accordance with this point, the authorities of the Audit Committee include an evaluation of the risk management system at the Company and the preparation of the relevant recommendations to the Board of Directors of the Company.</p> <p>Points 1.5, 1.7, 3.2, and 4.8 of the <i>Regulations on Internal Controls and Internal Audit at OAO "LUKOIL"</i>, approved by the Board of Directors of OAO "LUKOIL".</p> <p>The Management Committee of OAO "LUKOIL" has also approved Recommendations on the organisation of the system of internal controls, risk management and internal audit of the LUKOIL Group (Appendix No. 2 to the Regulations on Internal Audit in the LUKOIL Group).</p>
10.	The charter of the joint stock company defines the rights of the Board of Directors to take a decision on terminating the authority of the General Director appointed by the general shareholders meeting.	-	<p>The Charter of OAO "LUKOIL" assigns the appointment of the President and the early termination of the authorities of the President to the competence of the general Shareholders Meeting.</p> <p>The President is appointed by the general Shareholders Meeting for a term of five years.</p>
11.	The charter of the joint stock company defines the right of the Board of Directors to establish requirements on the qualifications and amount of remuneration of the General Director, members of the Management Committee, and directors of the main structural units of the joint stock company.	Compliance	<p>Point 9.7.10 of the Charter of OAO "LUKOIL"</p> <p>The authorities of the Board of Directors include the establishment of the main terms of contracts to be concluded with the President and members of the Management Committee.</p> <p>Sections 2 and 3 of the <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i>.</p> <p>One of the purposes of the committee is to develop and submit to the Board of Directors recommendations on issues of human resources and Company standards on recruiting candidates to the management bodies. The</p>

			Committee determines the criteria for selecting candidates to the Board of Directors, Management Committee, and for the position of President of the Company, makes a preliminary assessment of candidacies to the positions of the management bodies, and makes the corresponding recommendations to the Board of Directors of the Company. The Committee also makes recommendations to the Board of Directors on the material terms and conditions of contracts being concluded with members of the Management Committee and the President of the Company.
12.	The charter of the joint stock company defines the right of the Board of Directors to approve the terms of contracts with the General Director and members of the Management Committee.	Compliance	Point 9.7.10 of the Charter of OAO "LUKOIL" The authorities of the Board of Directors include the establishment of the main terms of contracts to be concluded with the President and members of the Management Committee.
13.	The charter or the internal documents of the joint stock company contain a requirement that when approving the terms of the contract with the General Director (management organisation, manager) and the members of the Management Committee, the votes of members of the Board of Directors who hold such positions are not counted in the voting.	Compliance	Point 9.8.4 of the Charter of OAO "LUKOIL"
14.	The Board of Directors of the joint stock company includes at least three independent directors that meet the requirements of the Code of Corporate Governance.	Compliance	Point 9.2 of the Charter of OAO "LUKOIL" contains a provision that shareholders will attempt to nominate and elect to the Board of Directors at least three independent directors.
15.	The Board of Directors of the company does not contain persons who have been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who have been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.	Compliance	The Company has no information to the effect that any person on the Board of Directors has been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who has been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market
16.	The Board of Directors of the company does not contain persons who are a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with the company.	Compliance	The Board of Directors of OAO "LUKOIL" does not contain anyone who is the General Director (manager), member of management bodies, or employee of a legal entity that competes with OAO "LUKOIL". Certain members of the Board of Directors have insignificant shareholdings (in percentage terms) in other oil companies (Russian and foreign), but these shareholdings are strictly for financial purposes, and due to their insignificant size do not provide the ability to affect the operations of these companies.

17.	The charter of the company contains a requirement that the Board of Directors be elected by cumulative voting.	Compliance	Point 9.2 of the Charter of OAO "LUKOIL"
18.	The company's internal documents specify the obligation of members of the Board of Directors to refrain from actions that will or potentially could lead to a conflict between their interests and the interests of the company, and the obligation, in the event of the appearance of such conflict, to immediately disclose information on this conflict to the Board of Directors.	Compliance	<p>Point 1.2 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i> indicates that the Board of Directors performs the overall management of the operations of the Company in the interests of the Company, its shareholders and investors.</p> <p>Point 1.5 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i> stipulates that the Board of Directors are obligated not to disclose and not to use, <i>inter alia</i> in their personal interests, confidential information on the Company and insider information.</p> <p>Pursuant to point 11.1 of the Charter of OAO "LUKOIL", in exercising their rights and performing their duties, Company officials shall act in the interests of the Company, and exercise their rights and perform their duties in respect of the Company reasonably and in good faith.</p> <p>In accordance with point 3.1.10 of the <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i>, the Human Resources and Compensation Committee performs an analysis of information provided by members of the Board of Directors regarding changes to personal data, which members of the Board of Directors are obligated to disclose by effective legislation, the Company Charter and the Code of Corporate Governance approved by the Government of the Russian Federation on 28 November 2001, in respect of the existence/absence of interest in transactions performed by the Company, when the Board of Directors takes the relevant decisions; the appearance and termination of related-party status relative to the Company; the onset of circumstances preventing effective work as a member of the board of directors; loss by a director of the status of independent director.</p>
19.	The company's internal documents specify the obligation of members of the Board of Directors to notify the Board of Directors of their intention to complete a transaction with the securities of a company on whose board they serve, or the securities of the subsidiaries (equity affiliates) of such company, and also to disclose information on transactions they have performed with such securities.	Compliance	<p>Point 3.9 of the <i>Regulations on the Information Policy of OAO "LUKOIL"</i></p> <p>Point 1.5 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i></p>
20.	The company's internal documents contain a requirement that meetings of the Board of Directors be held at least once every six weeks.	Compliance	Point 2.1 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i> .
21.	During the year for which the annual report of the company is being prepared, meetings of the Board of Directors are held with a frequency of at least once every six weeks.	Compliance	-

22.	The company's internal documents specify the procedure for holding meetings of the Board of Directors.	Compliance	Section 3 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i>
23.	The company's internal documents contain a provision on the mandatory approval by the Board of Directors of the company's transactions involving 10 percent or more the value of the assets of the company, except for transactions carried out in the normal course of business.	Compliance	Point 9.7.19 of the Charter of OAO "LUKOIL"
24.	The company's internal documents specify the right of the Board of Directors to receive the information necessary to perform their functions from the executive bodies and heads of the main structural units of the company, and also liability for the failure to provide such information.	Compliance	Point 5.2 of the <i>Regulations on the Information Policy of OAO "LUKOIL"</i> .
25.	The Board of Directors has a strategic planning committee, or the functions of this committee are entrusted to another committee (except the audit committee or the human resources and compensation committee).	Compliance	<i>Regulations on the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"</i>
26.	The Board of Directors has a committee (the audit committee) that recommends the company's auditor to the Board of Directors and interacts with the auditor and the company's audit commission.	Compliance	<i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>
27.	The audit committee consists only of independent and non-executive directors.	Compliance	Point 4.1 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i> The audit committee is elected from the non-executive directors of the Company. In addition, at least one member of the committee must be an independent director, if any have been elected to the Board of Directors of OAO "LUKOIL".
28.	Leadership of the audit committee is entrusted to an independent director.	Compliance	Point 5.2 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>
29.	The company's internal documents specify the right of all members of the audit committee to have access to any documents and information of the company, provided they do not disclose confidential information.	Compliance	Point 14.1 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>
30.	A committee of the Board of Directors has been created (human resources and compensation committee) whose functions are to determine criteria for the recruitment of candidates to the Board of Directors and the development of the company's compensation policy.	Compliance	<i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> .
31.	Leadership of the human resources and compensation committee is entrusted to an independent director.	Compliance	Point 5.2 of the <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> .
32.	The human resources and compensation committee does not contain company officers.	Compliance	Point 4.1 of the <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> . The Human Resources and Compensation Committee is elected from the non-executive directors of the Company. In addition, at least one member of the committee must be an independent director, if any have been elected to the Board of Directors of OAO "LUKOIL".
33.	The Board of Directors has a risk committee, or the functions of this committee are entrusted to another committee (except the audit committee or the human resources and compensation committee).	-	The possibility of creating such a committee is under consideration

34.	The Board of Directors has a corporate conflicts committee, or the functions of this committee are entrusted to another committee (except the audit committee or the human resources and compensation committee).	-	The possibility of creating such a committee is under consideration
35.	The corporate conflicts committee does not contain company officers.	-	See point 34
36.	Leadership of the corporate conflicts committee is entrusted to an independent director.	-	See point 34
37.	The company has internal documents approved by the Board of Directors that stipulate the procedure for the creation and operation of board committees.	Compliance	<i>The Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL", the Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL", and the Regulations on the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL".</i>
38.	The company's charter stipulates the procedure for determining quorum for meetings of the Board of Directors, such that the attendance of independent directors is mandatory for meetings of the Board of Directors.	Compliance	Point 9.10 of the Charter of OAO "LUKOIL"
Executive bodies			
39.	The company has a collective executive body (management committee).	Compliance	Point 10.4 of the Charter of OAO "LUKOIL" <i>Regulations on the Management Committee of OAO "LUKOIL"</i>
40.	The company's charter or internal documents contain a provision on the mandatory approval by the management committee of transactions with real estate or the receipt of a loan by the company, if the given transactions do not constitute major transactions or their performance is not part of the normal course of business of the company.	Compliance	The Company has in place a <i>Procedure for Approving Major Transactions by subsidiaries of OAO "LUKOIL"</i> , approved by decision of the Management Committee of OAO "LUKOIL" of 14 December 2004 (Minutes No. 36). In accordance with this document the Management Committee should approve transactions being carried out by subsidiaries, except for transactions in which the counterparty is OAO "LUKOIL" and/or a subsidiary of OAO "LUKOIL", on the acquisition (alienation) of fixed assets and/or intangible assets, provision of loans, credits, guarantees and suretyships, targeted financing, and also the receipt of loans and credits, if such transactions meet specific criteria related to the size of transactions in monetary terms, and also (for transactions with real estate) the percentage share of the value of fixed assets and/or intangible assets in the carrying value of the assets of the subsidiary. Approval of one or several related transactions involving the acquisition, alienation or possibility of alienation of property the value of which is between 10 percent and 25 percent of the carrying value of the Company's assets, except transactions performed in the normal course of the Company's

			business, are assigned to the competence of the Board of Directors by point 9.7.19 of the Charter of OAO "LUKOIL".
41.	The company's internal documents specify the procedure for the coordination of operations that fall outside the normal course of business of the company.	De facto compliance	The decision of the Board of Directors of 31 October 2006 (Minutes No. 25) established that the Management Committee of the Company has the right, in the event of substantial changes to the macroeconomic operating conditions, and in coordination with the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL", to make revisions to the Investment Programme of the LUKOIL Group, provided that these revisions are in accord with the strategic goals of the Company. A similar decision was taken by the Board of Directors on 29 October 2007 (Minutes No. 25), which also indicates that such changes should be supported by sources of financing.
42.	The executive officers of the company do not include persons who are a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with the company.	Compliance	The executive bodies of OAO "LUKOIL" do not contain anyone who is a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with OAO "LUKOIL".
43.	The executive bodies of the company do not contain persons who have been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who have been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market. If the functions of the individual executive body are performed by a management organisation or a manager, the general director and members of the management committee of the management organisation or the manager meet the requirements made on the general director or members of the management committee of the company.	Compliance	The Company has no information to the effect that any person on the Management Committee has been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who has been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.
44.	The company's charter or internal documents prohibit the management organisation (manager) from performing similar functions in a competing company, and also from having a property relationship with the company, other than providing services as a management organisation (manager).	-	The Charter and internal documents do not foresee the possibility of transferring functions to a management organisation (manager)
45.	The company's internal documents specify the obligation of the executive bodies to refrain from actions that will or potentially could lead to a conflict between their interests and the interests of the company, and the obligation, in the event of the appearance of such conflict, to inform the Board of Directors of this.	Compliance	Pursuant to point 11.1 of the Charter of OAO "LUKOIL", in exercising their rights and performing their duties, Company officials shall act in the interests of the Company, and exercise their rights and perform their duties in respect of the Company reasonably and in good faith.
46.	The company's charter or internal documents contain criteria for selecting the management organisation (manager).	-	See point 44
47.	Provision by the executive bodies of monthly reports on their work to the board of directors	-	In accordance with article 69 of the Federal Law <i>On Joint Stock Companies</i> , the executive bodies of a joint stock company are subordinate to

			the Board of Directors, and thus the right of members of the Board of Directors to receive information on the work of the executive bodies is an inalienable right and requires no special stipulation
48.	Establishment of liability in the contracts concluded by the company with the general director (management company, manager) and the members of management for violation of the provisions on use of confidential and official information	Compliance	<p>In accordance with the contracts concluded with the members of the Management Committee of OAO "LUKOIL", the members of the Management Committee are obligated to keep confidential the work of the Management Committee and not to disclose information that becomes known to them in connection with their performance of the duties of a member of the Management Committee.</p> <p>These contracts also stipulate the liability of members of the Management Committee for losses caused to the Company as a result of their culpable actions (inaction) as members of the collective executive body of the Company.</p> <p>In accordance with the contract with the President of OAO "LUKOIL", the President is obligated to ensure the integrity of information that constitutes a state or commercial secret and other secrets protected by law.</p> <p>Point 11.2 of the Charter stipulates that officials of the Company are liable to the Company for losses caused to the Company by their culpable actions (inaction), unless other grounds and amounts of liability are established by federal laws.</p>
<i>Company secretary</i>			
49.	The company has a designated official (i.e. the company secretary) who is responsible for ensuring compliance by the company's bodies and officials with procedural requirements guaranteeing the observance of the company's rights and legal interests	Compliance	By decision of the Board of Directors of 29 August 2003, the duties of the corporate secretary were assigned to the secretary of the Board of Directors and Head of the Office of the Board of Directors.
50.	The company has a procedure in its charter or internal documents for appointing (electing) the company secretary and defining his/her responsibilities	Compliance	See point 49. The procedure for appointing the secretary of the Board of Directors is established in point 2.1 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i> .
51.	The company charter contains requirements on the candidates for the post of company secretary	-	See point 49.
<i>Material corporate actions</i>			
52.	The company charter or internal documents contain requirements on approving major transactions prior to their conclusion	De facto compliance	Pursuant to point 9.7.17 of the Charter of OAO "LUKOIL", the competence of the Board of Directors includes approval of major transactions, the subject of which is property with a value equal to between 25 percent and

			50 percent of the carrying value of the assets of the Company, determined according to the data of its financial statements on the latest reporting date, except for transactions carried out in the normal course of business of the Company, transactions related to the placement by subscription (sale) of ordinary shares of the Company, and transactions related to the placement of issuable securities convertible to ordinary shares of the Company. In the reporting year OAO "LUKOIL" performed no transactions that are considered major transactions in accordance with the Federal Law <i>On Joint Stock Companies</i> .
53.	Mandatory hiring of an independent appraiser to assess the market value of property that is the subject of a major transaction	De facto compliance	Pursuant to point 9.7.7 of the Charter of OAO "LUKOIL", the competence of the Board of Directors includes the determination of the price (monetary valuation) of property, and the price of placement and buyback of issuable securities pursuant to the laws of the Russian Federation. Article 77 of the Federal Law <i>On Joint Stock Companies</i> stipulates that an independent appraiser may be engaged to determine the market value of property.
54.	The company charter contains a ban on taking any actions during the acquisition of major shareholdings in the company (takeover) aimed at protecting the interests of the executive bodies (members thereof) and the members of the Board of Directors or worsening the position of shareholders in comparison with the current situation (specifically, prior to the end of the scheduled period for acquisition of shares the Board of Directors is prohibited from passing a decision on issue of additional shares, on the issue of securities convertible into shares, or securities conferring the right to purchase shares of the company, even if the right to adopt such a decision is granted thereto by the charter)	Compliance	For the purposes of complying with the requirements of article 84.6 of the Federal Law <i>On Joint Stock Companies</i> , point 9.7 of the Charter of OAO "LUKOIL" was amended to stipulate a restriction of the competence of the Board of Directors of OAO "LUKOIL" in cases where decisions on issues listed in this point can only be taken by the general meeting of shareholders in accordance with effective legislation.
55.	The company charter contains requirements on mandatory hiring of an independent appraiser to assess the current market value of shares and possible changes in their market value as a result of a takeover	-	-
56.	The company charter does not release the buyer from the obligation to propose that shareholders sell the ordinary shares in the company belonging thereto (issuable securities convertible into ordinary shares) during a takeover	Compliance	Point 5.8 of the Charter of OAO "LUKOIL"
57.	The company charter or internal documents contain requirements on the mandatory hiring of an independent appraiser to determine the share conversion ratio during reorganisation	-	-
<i>Disclosure of information</i>			
58.	An internal document has been approved by the board of directors that determines the company's rules and approaches to the disclosure of information (Regulations on Information Policy)	Compliance	<i>Regulations on Information Policy at OAO "LUKOIL"</i>
59.	The company's internal documents contain requirements on disclosing information on the objective of placement of	Compliance	Point 3.11 of the <i>Regulations on the Information Policy of OAO</i>

	shares, on the parties that plan to purchase the placed shares (including a major shareholding), and whether the company's top officials will participate in the purchase of the company's placed shares		"LUKOIL".
60.	The company's internal documents contain a list of information, documents and materials which should be provided to shareholders for resolution of the issues on the agenda of the general shareholders meeting	Compliance	Point 5.6 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
61.	The company has an Internet website and regularly discloses information on the company on this website	Compliance	The Company has websites in Russian and English; procedures for maintaining these sites are governed by the <i>Regulations for the Maintenance of the OAO "LUKOIL" Internet Portals and Websites of LUKOIL Group Organisations</i>
62.	The company's internal documents contain requirements on the disclosure of information on transactions with parties designated by the charter as top officials of the company and on transactions with organisations in which top company officials own directly or indirectly an equity shareholding of 20 or more percent or in which such parties can exert significant influence through other means	Compliance	<i>The Regulations on the activity of the structural divisions of OAO "LUKOIL" and the LUKOIL Group companies on ensuring the performance of obligations associated with the listing of the securities of OAO "LUKOIL" on the London Stock Exchange</i> , point 4.1, Appendix No. 2. Information on one-time transactions or a series of transactions with related parties, if the amount of such transactions exceeds a specific threshold or are concluded outside the normal course of business, must be disclosed if this information could have a material effect on the exchange rate of the securities. Information on operations with related parties is also regularly disclosed in the notes to the financial statements of the LUKOIL Group prepared according to US GAAP
63.	The company's internal documents contain requirements on disclosing information on all transactions which could have an effect on the market value of the company's shares	Compliance	Point 4.1 of the <i>Regulations on the activity of the structural divisions of OAO "LUKOIL" and the LUKOIL Group companies on ensuring the performance of obligations associated with the listing of the securities of OAO "LUKOIL" on the London Stock Exchange</i>
64.	The company has an internal document approved by the board of directors on the use of material information on the company's operations, the shares and other securities of the company, and transactions therewith, where such information is not publicly available and its disclosure may have a material effect on the market value of the shares of the company.	Compliance	Section 7 of the <i>Regulations on the Information Policy of OAO "LUKOIL"</i>
<i>Control over the financing and operating activity of an enterprise</i>			
65.	There are internal procedures approved by the board of directors for control over the company's financial and business activity	Compliance	<i>Regulations on Internal Audit in the LUKOIL Group, Regulations on Internal Control and Internal Audit at OAO "LUKOIL"</i>
66.	The company has a special division responsible for ensuring compliance with the internal control procedures (the control and audit service)	Compliance	The Main Division of Control and Internal Audit

67.	The company's internal documents contain requirements on determination by the board of directors of the structure and composition of the company's control and audit service	-	The Main Division of Control and Internal Audit is subordinate to the Company President. In this regard, the authorities of the Audit Committee of the Board of Directors of OAO "LUKOIL" include study of the system of internal controls at the Company and analysis of the effectiveness of the work of the Main Division of Control and Internal Audit, in order to report to the Board of Directors of the Company on the financial and business operations of the Company
68.	The control and audit service does not contain persons who have been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who have been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market	De facto compliance	The Company has no information to the effect that any person who is an employee of the Main Division of Control and Internal Audit has been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who has been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.
69.	The control and audit service does not contain persons who are members of the company's executive bodies or persons who are participants, the general director (manager), members of the management bodies or employees of a legal entity that competes with the company	-	The Head of the Main Division of Control and Internal Audit is a member of the Management Committee of OAO "LUKOIL"
70.	The company's internal documents contain a deadline for submitting documents and materials to the control and audit service for assessment of the financial and business operations performed, and also the liability of company officials and employees for the late submission of such documents and materials	De facto compliance	Section 3 of the <i>Instructions on Documentary Support for Management Activity at OAO "LUKOIL"</i> . Documents and materials are to be provided to the control and audit service in accordance with the general procedure for document flow.
71.	The company's internal documents contain the obligation of the control and audit service to report to the audit committee regarding any violations discovered, and in the absence of such committee, to the board of directors of the company	Compliance	Point 4.9 of the <i>Regulations on Internal Control and Internal Audit at OAO "LUKOIL"</i>
72.	The company charter contains requirements on preliminary assessment by the control and audit service of the advisability of performing operations that are not stipulated by the company's financial and business plan (unusual operations)	-	The feasibility of having such a provision in the Charter is under consideration.
73.	The company's internal documents contain the procedure for agreeing unusual operations with the board of directors	Compliance	Point 9.7.20 of the Charter of OAO "LUKOIL"
74.	There is an internal document approved by the board of directors that determines the procedure for the audit commission to conduct audits of the company's financial and operating activities	Compliance	<i>Regulations on the Audit Commission of OAO "LUKOIL"</i> , approved by the general Shareholders Meeting of OAO "LUKOIL".
75.	The audit committee evaluates the audit opinion prior to its submission to the shareholders at the general shareholders meeting	Compliance	Point 3.1 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>
Dividends			
76.	There is an internal document approved by the board of directors that is used by the board of directors when making recommendations on the amount of dividends (Regulations on dividend policy)	Compliance	<i>Regulations on the Dividend Policy of OAO "LUKOIL"</i>

77.	The Regulations on the Dividend Policy contain a procedure for determining the minimum share of net profit of the company to be used to pay dividends and the conditions under which dividends are not paid or are not paid in full on preferred shares, the amount of dividends on which was determined by the company charter	Compliance	Point 3.2 of the <i>Regulations on the Dividend Policy of OAO "LUKOIL"</i>
78.	Information on the company's dividend policy and the amendments thereto are published in the periodical stipulated by the company charter for publishing notices on the holding of general shareholders meetings, and the given information is placed on the company's Internet website	Compliance	<p><i>Regulations on the Dividend Policy of OAO "LUKOIL"</i> were approved by decision of the Board of Directors of OAO "LUKOIL" of 29 August 2003 (Minutes No. 37).</p> <p>After approval of this document, information on it was published in the newspaper <i>Vedomosti</i> and other mass media.</p> <p>The <i>Regulations on the Dividend Policy of OAO "LUKOIL"</i> are published on the Company's website.</p>

List of transactions performed by OAO “LUKOIL” in 2007 that are recognised as major transactions under the Federal Law *On Joint Stock Companies*, and also other transactions covered by the procedure for approving major transactions in accordance with the Charter of OAO “LUKOIL”

In 2007 OAO “LUKOIL” did not carry out any transactions that are recognised as major transactions under the Federal Law *On Joint Stock Companies*, or any other transactions covered by the procedure for approving major transactions in accordance with the Charter of Open Joint Stock Company “Oil company “LUKOIL”, as amended on 12 August 2002, 26 June 2003, 24 June 2004, 24 January 2005, 28 June 2005, 28 June 2006, and 28 June 2007.

List of transactions performed by OAO “LUKOIL” in 2007 that are recognised as interested-party transactions in accordance with the Federal Law *On Joint Stock Companies*

Interested-party transactions approved by the annual General Shareholders Meeting of OAO “LUKOIL” of 28 June 2007 and concluded in 2007

1. Number of the transaction approved by the annual General Shareholders Meeting	1*
2.1. Price (amount in USD)	The approximate amount of the loan is up to USD 423,076,923.08.
2.2. Price (amount in RUB)	The approximate amount of the loan is up to RUB 11,000,000,000.
3. Names of parties	OAO “LUKOIL” (Lender) OOO Naryanmarneftegaz (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Shareholder Loan Agreement (hereinafter the “Agreement”).
6. Subject of the transaction	The Lender is providing the Borrower with a special-purpose loan in the amount of up to 11,000,000,000 roubles. The Borrower undertakes to repay the loan amount received and to pay interest thereon by the dates and according to the procedure determined by the Agreement. The loan is provided for a term of 30 years from the date of signing of the Agreement, and may be extended for another 30 years. Early repayment is possible on agreement with the Lender. The Borrower will pay the Lender interest at the Applicable interest rate established by the Lender relying on market interest rates, as determined based on the fixed interest rates on Russian rouble loans offered to companies by the leading international commercial creditors on the Russian market on similar loans for the relevant term. The Lender will provide the Borrower with a written notice on the amount of the Applicable interest rate, which will be used from the date of signing of the Agreement. The interest rate may be changed by the Lender.
7. Grounds for status as an interested party	Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OOO Naryanmarneftegaz.
8. Other material terms of the transaction	Any repayment of principal, interest or other amounts due and payable under the Agreement shall be made exclusively using the income and other funds of the Borrower received from operations other than Sole Risk Operations. Sole Risk Operations shall be understood to mean all oil and gas operations performed and financed by any party to the agreement at its own risk and expense.

* Transactions 1 and 2 are considered related transactions.

1. Number of the transaction approved by the annual General Shareholders Meeting	2*
2.1. Price (amount in USD)	The approximate amount of the loan is up to USD 384,615,384.6.
2.2. Price (amount in RUB)	The approximate amount of the loan is up to RUB 10,000,000,000.
3. Names of parties	ОАО "ЛУКОЙЛ" (Lender) ООО Naryanmarneftegaz (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Shareholder Loan Agreement (hereinafter the "Agreement").
6. Subject of the transaction	The Lender is providing the Borrower with a special-purpose loan in the amount of up to 10,000,000,000 roubles. The Borrower undertakes to repay the loan amount received and to pay interest thereon by the dates and according to the procedure determined by the Agreement. The loan is provided for a term of 30 years from the date of signing of the Agreement, and may be extended for another 30 years. Early repayment is possible on agreement with the Lender. The Borrower will pay the Lender interest at the Applicable interest rate established by the Lender relying on market interest rates, as determined based on the fixed interest rates on Russian rouble loans offered to companies by the leading international commercial creditors on the Russian market on similar loans for the relevant term. The Lender will provide the Borrower with a written notice on the amount of the Applicable interest rate, which will be used from the date of signing of the Agreement. The interest rate may be changed by the Lender.
7. Grounds for status as an interested party	Dzhevan Krikorovich Cheloyants, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of Directors of ООО Naryanmarneftegaz.
8. Other material terms of the transaction	Any repayment of principal, interest or other amounts due and payable under the Agreement shall be made exclusively using the income and other funds of the Borrower received from operations other than Sole Risk Operations. Sole Risk Operations shall be understood to mean all oil and gas operations performed and financed by any party to the agreement at its own risk and expense.

* Transactions 1 and 2 are considered related transactions.

1. Number of the transaction approved by the annual General Shareholders Meeting	3
2.1. Price (amount in USD)	up to USD 10,000 – premium for coverage A; up to USD 1,490,000 – premium for coverage B.
2.2. Price (amount in RUB)	up to RUB 275,000 – premium for coverage A; up to RUB 40,975,000 – premium for coverage B.
3. Names of parties	ОАО Kapital Strakhovanie (Insurer) ОАО "ЛУКОЙЛ" (Policyholder)
4. Names of beneficiaries	Under coverage A – the President, members of the Board of Directors, members of the Management Committee of ОАО "ЛУКОЙЛ", pursuant to the list given in the appendix to the policy, and also any individual who occupied in the past or occupies in the future the aforementioned positions in ОАО "ЛУКОЙЛ". Under coverage B – ОАО "ЛУКОЙЛ".
5. Name of transaction	Policy (contract) on insuring the liability of directors, officers and corporations.
6. Subject of the transaction	The Policyholder undertakes to pay the insurance premium by the date established by the contract and to comply with the terms of the contract, and the Insurer undertakes to pay insurance compensation in accordance with the contractual terms in the event of the occurrence of an insured event.

	<p>Coverage A “Insurance of Directors and Officers” insures the losses of each and every Director and Officer of OAO “LUKOIL” arising from suits initially filed against these persons during the insurance period (effective term of the policy) or the discovery period (a 30-day period beginning after the end of the insurance period, if the contract is not renewed), for any real or alleged improper actions in their performance of the relevant functions of the Directors and Officers of OAO “LUKOIL”.</p> <p>Coverage B “Insurance of Liability of the Corporations and Officers” insures the losses of OAO “LUKOIL” arising from suits on compensation of losses on securities, initially filed against OAO “LUKOIL” and/or suits initially filed against the Directors or Officers, where OAO “LUKOIL” is obligated and may compensate the Director or Officer for expenses borne thereby as a result of the compensation of losses under suits filed.</p>
7. Grounds for status as an interested party	Persons performing the functions of the President, members of the Board of Directors and Management Committee of OAO “LUKOIL” are simultaneously beneficiaries under the transaction.
8. Other material terms of the transaction	<p>The policy is effective from 19 July 2007 to 19 July 2008.</p> <p>The premium under coverage A applies in equal measure to each of the Directors and Officers indicated in the list shown in the appendix to the policy.</p> <p>The liability limit is at least USD 30,000,000 (total aggregate limit for coverage A and B, including legal defence costs).</p> <p>All settlements are made in roubles at the exchange rate of the Bank of Russia on the date of payment.</p>

Interested-party transactions of OAO “LUKOIL” concluded in 2007 and approved by the Board of Directors of OAO “LUKOIL”

1. Number of the transaction approved by the Board of Directors	1
2.1. Price (amount in USD)	USD 12,259.13, plus VAT of USD 2,206.65.
2.2. Price (amount in RUB)	RUB 323,029.44, plus VAT of RUB 58,145.30.
3. Names of parties	OAO “LUKOIL” (Holder of rights) Vagit Yusufovich Alekperov, Alexander Vasilievich Bezzubov, Matvei Yakovlevich Ginzburg, Vladimir Nikolaevich Gusarov, Vladimir Markovich Dovgalenok, Oleg Grigorievich Klochkov, Valery Alexeevich Kudryavtsev, Vitaly Fedorovich Lesnichy, Ravil Ulfatovich Maganov, Vladimir Ivanovich Pavlenko, Vladimir Iosifovich Sagalovsky, and Igor Nikolaevich Khokhlov as the lawful heir of Nikolai Pavlovich Khokhlov (Authors)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Agreement No. 0510299 of 20 April 2005 on the procedure for paying remuneration to the authors of the utility model “Installation of a deep-well pump”, under RF Certificate No. 5220 (hereinafter the “Agreement”).
6. Subject of the transaction	<p>In accordance with the Agreement, the Holder of Rights undertakes to pay the Authors remuneration in connection with the transfer of rights to the Utility Model under License Contract No. 0210832 of 16 August 2002 and Agreement No. 0411296 of 3 September 2004 on compensation for use of utility model No. 0411296 of 3 September 2004 (hereinafter the Contract).</p> <p>In accordance with the Supplemental Agreement, the Holder of Rights undertakes to pay the Authors remuneration in accordance with point 2 of the Agreement in connection with the receipt on the account of the Holder of Rights of funds in the amount of RUB 406,938.09 (payment order No. 34 of 14 January 2005), RUB 32,669.41 (payment order No. 156 of 2 February 2005), RUB 406,323.32 (payment order No. 446 of 31 March 2005), RUB 456,047.23 (payment order No. 870 of 1 July 2005), and RUB 603,895.68 (payment order No. 239 of 26 September 2005) under the Contract.</p>
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO “LUKOIL”, is simultaneously a party to the transaction.

	Ravil Ulfatovich Maganov, a member of the Management Committee and the Board of Directors of OAO "LUKOIL", is simultaneously a party to the transaction.
8. Other material terms of the transaction	In aggregate, the Holder of rights will pay the Authors remuneration in the amount of 20% of proceeds from the sale of the license. The royalties will be paid to each Author in the amount of 1/12 of the total amount of remuneration due to all Authors in accordance with the Supplemental Agreement.
1. Number of the transaction approved by the Board of Directors	2
2.1. Price (amount in USD)	The lease payment for 11 months equals USD 28,370.92, plus VAT of USD 5,106.77.
2.2. Price (amount in RUB)	The lease payment for 11 months equals RUB 747,573.86, plus VAT of RUB 134,563.33.
3. Names of parties	OAO "LUKOIL" (Lessor) Independent non-profit organisation LUKOIL Athletic Club (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0610146 of 1 February 2006 on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 80.5 m ² , located in the building at the address: Pokrovsky bulvar 3, building 1, Moscow. In accordance with the Supplemental Agreement to the Contract: on 1 January 2007 the Lessee returns to the Lessor part of the leased premises with a total area of 16.9 m ² ; from 1 January 007 the lease payment for the use of the non-residential premises shall increase to RUB 67,961.26 per month, plus VAT of RUB 12,233.33.
7. Grounds for status as an interested party	Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Supervisory Board of the Independent non-profit organisation LUKOIL Athletic Club.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	3
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	Open joint-stock company Rossiyskie zheleznnye dorogi [Russian Railroads] (OAO RZhD). OAO "LUKOIL" (Client) OOO LUKOIL-Volgogradneftepererabotka, OOO LUKOIL-PNOS, OAO LUKOIL-Nizhegorodnefteorgsintez, OAO LUKOIL-UNP, OOO Permneftegazpererabotka, and OOO LUKOIL-Nizhnevolzhskneft (Cargo Consigners).
4. Names of beneficiaries	-
5. Name of transaction	Agreement on the electronic exchange of documents signed by an electronic digital signature, when organising the carriage of cargo (hereinafter the "Agreement").
6. Subject of the transaction	The subject of the Agreement is to define the procedure for the electronic exchange of documents signed by an electronic digital signature, between the computerized management systems of the Client and the Cargo Consigners, composing a unified management information system, and the computerized system of centralized preparation and registration of shipping documents of OAO RZhD. The electronic exchange of documents signed by an electronic digital signature shall be carried out using the Client's computerized work station for preparing electronic documents and the computerized work station for preparing electronic documents of OAO RZhD. The Client's computerized work station includes a computerized work station for preparing shipping documents, certified information security devices and an information security encryption device.

7. Grounds for status as an interested party	Vagit Sadievich Sharifov, a member of the Management Committee of OAO "LUKOIL", is the father of Ruslan Vagitovich Sharifov, a member of the Management Committee of OOO LUKOIL-Volgogradneftepererabotka.
8. Other material terms of the transaction	The Agreement enters into force from the date of its signing, applies to the legal relations of the Parties arising from 25 December 2006, and shall remain in force until 31 December 2007.
1. Number of the transaction approved by the Board of Directors	4
2.1. Price (amount in USD)	The approximate value of the transaction is USD 600,000.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 15,948,000.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to perform transactions on the export sale of the oil of the Principal produced at the Sredne-Khulymskoe deposit in its own name, at its own expense, and in its own interests.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	Remuneration for the performance of the transaction will be withheld by the Commission Agent in foreign currency on the receipt from the buyer of payment for the goods, but not before the report is approved by the Principal.
1. Number of the transaction approved by the Board of Directors	5
2.1. Price (amount in USD)	The approximate value of the services for the period from 1 February 2007 to 31 August 2008 will equal USD 1,306,577.46, including VAT.
2.2. Price (amount in RUB)	The approximate value of the services for the period from 1 February 2007 to 31 August 2008 will equal RUB 34,663,500, including VAT.
3. Names of parties	OAO "LUKOIL" (Company) OOO LUKOIL-Volgogradneftepererabotka (Enterprise)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Service Contract No. 0610055 of 1 January 2006 (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, the Company undertakes to provide the Enterprise with services on monitoring of market trends on the market of products of oil refining and services on development of targets. Effective term of the Contract – to 31 January 2007. In accordance with the Supplemental Agreement, the term of the Contract is extended until 31 March 2008.
7. Grounds for status as an interested party	Vagit Sadievich Sharifov, a member of the Management Committee of OAO "LUKOIL", is the father of Ruslan Vagitovich Sharifov, a member of the Management Committee of OOO LUKOIL-Volgogradneftepererabotka.

8. Other material terms of the transaction	-
1. Number of the transaction approved by the Board of Directors	6
2.1. Price (amount in USD)	The lease payment equals USD 2,296.80 per month, plus VAT of USD 413.42.
2.2. Price (amount in RUB)	The lease payment is RUB 61,026.05 per month, plus VAT of RUB 10,984.69.
3. Names of parties	Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Lessee) OAO "LUKOIL" (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Agreement on the lease of non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Lessor leases for the temporary use of the Lessee non-residential premises with a total area of 56 m ² , namely rooms No. 1, 2 and 3, located (according to the passport of the Bureau of Technical Inventory) in Premises No. I on the 5 th floor of the building at the address: Sretensky bulvar 11, Moscow.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT. Mikhail Pavlovich Berezhnoi, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the President and Chairman of the Fund Board of NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	The term of the lease is 11 months from the date of the signing of the act of transfer of the premises. If neither party has sent the other a written notice on its refusal to extend the Agreement one month before the end of the term of the lease, it shall be automatically extended for the same period and on the same terms.
1. Number of the transaction approved by the Board of Directors	7
2.1. Price (amount in USD)	The monthly payment for providing services under the Agreement equals USD 31.77.
2.2. Price (amount in RUB)	The monthly payment for providing services under the Agreement equals RUB 844.
3. Names of parties	OAO URALSIB (Bank) OAO "LUKOIL" (Recipient)
4. Names of beneficiaries	-
5. Name of transaction	Agreement on sending information along electronic communications channels (hereinafter the "Agreement").
6. Subject of the transaction	Based on the agreements (concluded using the form stipulated by Appendix No. 2 to the Agreement) with legal entities having bank accounts in the Bank (hereinafter "Clients"), the Bank sends the Recipient information on cash flow (hereinafter the "Information") on Clients' accounts opened with the Bank and its branches (hereinafter the "Accounts") using electronic communications channels according to the procedure stipulated by the Agreement and the agreements concluded between the Clients and Bank.

7. Grounds for status as an interested party	Nikolai Alexandrovich Tsvetkov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of OAO URALSIB and the Chairman of the Board of OAO URALSIB.
8. Other material terms of the transaction	Payment for services are made through the direct debit of cash from the account of the Recipient in the Bank.
1. Number of the transaction approved by the Board of Directors	8
2.1. Price (amount in USD)	EUR 1,100,306.60
2.2. Price (amount in RUB)	RUB 37,828,540.91
3. Names of parties	OAO "LUKOIL" (Guarantor) ABN AMRO Bank ZAO (Bank)
4. Names of beneficiaries	LUKOIL Chemical B.V. (Enterprise)
5. Name of transaction	Surety agreement (hereinafter the "Agreement").
6. Subject of the transaction	<p>The Guarantor assumes a commitment to the Bank for the complete and appropriate performance by the Enterprise of all of its obligations under the Bank Guarantee Contract pursuant to which the Bank, at the request of the Enterprise at its own expense and risk and on the basis of the Application of the Enterprise, plans to issue a bank guarantee in the form of a counter-guarantee in favour of ABN AMRO Bank N.V. (Hamburg) for a total principle amount not exceeding EUR 1,100,306.60, with an effective term to 15 February 2008, with a request to ABN AMRO Bank N.V. (Hamburg) to issue a payment guarantee in favour of UHDE GmbH located at the address: Friedrich-Uhde-Strasse 15 44141 Dortmund, Germany.</p> <p>The Guarantor will be jointly and severally liable with the Enterprise for the payment in full measure of all funds due from the Enterprise under the Bank Guarantee Contract, including the principle amount of the bank guarantee (not more than EUR 1,100,306.60) and also any other amounts due for repayment by the Enterprise in accordance with the Bank Guarantee Contract: all mandatory payments, all amounts of commission income, documented expenses and all penalties stipulated by the Bank Guarantee Contract.</p>
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Chemical B.V.
8. Other material terms of the transaction	<p>In the event of non-payment by the Guarantor of any amount under the Contract by the indicated deadline, the Guarantor will be obligated to pay the Bank for the entire period of delay in the following amounts:</p> <ul style="list-style-type: none"> - in the event of a delay in payment in Russian roubles, in the amount of two times the refinancing rate of the Bank of Russia; or, - in the event of a delay in payment in US dollars or in euros, in the amount of LIBOR plus 10% per annum. <p>The Guarantor authorizes the Bank to make a direct debit of funds from any accounts that are or may be opened by the Bank in future, against repayment of debt.</p> <p>The Bank has the right to offset any obligations of the Guarantor to the Bank under the Contract that have come due, against any obligations of the Bank to the Guarantor that have also come due, regardless of the currency of said obligations.</p>
1. Number of the transaction approved by the Board of Directors	9
2.1. Price (amount in USD)	The approximate value of the transaction is USD 7,538,635.51.

2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 200,000,000.
3. Names of parties	<p>OAo "LUKOIL" (Lender)</p> <p>OAo RITEK (Borrower)</p>
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement")
6. Subject of the transaction	In accordance with the Agreement, the Lender will provide the Borrower with a special-purpose loan in an amount of up to RUB 200,000,000, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAo "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAo RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAo RITEK.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo RITEK.</p>
8. Other material terms of the transaction	<p>The loan will be a revolving loan provided as a lump sum or in instalments, up to a limit of 200,000,000 roubles, for a term to 31 January 2010.</p> <p>The Borrower will pay the Lender interest at a rate to be determined on the basis of information received from one or more reputable banks on the indicative interest rates, taking into account their adjustment depending on the state of the liquidity of the LUKOIL Group organisations and the money market in the Russian Federation, as well as key terms of the loan in accordance with the Marketing policy for determining interest rates on loans between OAo "LUKOIL" and the Russian organisations of the LUKOIL Group, approved by decision of the Management Committee of OAo "LUKOIL" of 30 August 2006 (minutes No. 26), as amended.</p> <p>The Borrower will be notified in writing of any changes to interest rates.</p> <p>The Agreement will remain in effect until performance by the Parties of their obligations in full.</p>
1. Number of the transaction approved by the Board of Directors	10
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	<p>OOO LUKOIL-Volgogradneftepererabotka (Buyer)</p> <p>OAo "LUKOIL" (Supplier)</p>
4. Names of beneficiaries	
5. Name of transaction	Supplemental agreement to oil supply contract No. 0610679 of 29 June 2006 (hereinafter the "Contract").
6. Subject of the transaction	<p>In accordance with the Contract, the Supplier undertakes to supply the Buyer with crude oil during the period from 1 June 2006 to 30 June 2007 in the amount of up to 900,000 tonnes per month.</p> <p>The Supplemental agreement adds sub-point 3.1.6 to point 3.1 of the Contract, which establishes that if the average monthly quotation for Urals fit Nizhnevartovsk published in <i>Argus Oil Market of Russia</i> for the period from the 1st of the month following a shipment differs by more than 1% from the quotation for Urals fit Nizhnevartovsk published in <i>Argus Oil Market of Russia</i> for the last date prior to the 25th of the month preceding the month of shipment, the price for the reporting period shall be adjusted (no later than the last day of the month of shipment). The adjusted price is shown in the Protocol on a change in the price of oil, on the form approved by the parties.</p> <p>Point 4.1 of the Contract is appended with a paragraph establishing that in case of an adjustment of the price of oil the parties to</p>

	the Contract shall be obligated to make the relevant adjustments to the source documents (protocols of acceptance and invoices) to the price agreed by the parties in the Protocol on a change in the price of oil.
7. Grounds for status as an interested party	Vagit Sadievich Sharifov, a member of the Management Committee of OAO "LUKOIL", is the father of Ruslan Vagitovich Sharifov, a member of the Management Committee of OOO LUKOIL-Volgogradneftepererabotka.
8. Other material terms of the transaction	The Supplemental agreement enters into force from the time of its signing and extends to the legal relations between the parties arising from 25 December 2006.
1. Number of the transaction approved by the Board of Directors	11
2.1. Price (amount in USD)	The approximate value of the transaction is USD 3,000,000.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 79,500,000.
3. Names of parties	OAO "LUKOIL" (Company) Non-profit organisation "Russian Olympian Support Fund" (the Fund)
4. Names of beneficiaries	-
5. Name of transaction	Contract of donation (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Agreement, the company will transfer a charitable contribution to the Fund on a gratuitous basis, and the Fund undertakes to use the funds received to finance measures organised to achieve the charter goals.
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the assembly of founders of the Fund and a member of the Board of Trustees of the Fund.
8. Other material terms of the transaction	The company has the right to demand a report from the Fund on the use of funds and to demand the return of the funds if they are not appropriately used. The Agreement will remain in effect until performance by the parties of their obligations in full.
1. Number of the transaction approved by the Board of Directors	12
2.1. Price (amount in USD)	No financial terms stipulated
2.2. Price (amount in RUB)	No financial terms stipulated
3. Names of parties	OAO "LUKOIL" (Buyer) ZAO RITEKtrading (Supplier)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to oil supply contract No. 0610858 of 1 September 2006 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Supplier undertakes to supply the Buyer by rail with crude oil in an amount up to 60,000 (sixty thousand) tonnes in the period from 1 September 2006 to 31 December 2007 inclusive. In accordance with the Supplemental Agreement to the Agreement: - a paragraph is added to point 3.1 of the Contract that establishes that if the average monthly quotation for Urals fit Nizhnevartovsk published in <i>Argus Oil Market of Russia</i> for the period from the 1 st of the month following a shipment differs by more than 1% from the quotation for Urals fit Nizhnevartovsk published in <i>Argus Oil Market of Russia</i> for the last date prior to the 25 th of the month preceding the month of shipment, the price for the reporting period shall be adjusted (no later than the last day of the month of shipment). The adjusted price is shown in the Protocol on a change in the price of oil, on the form approved by the parties; - point 4.1 of the Contract is appended with a paragraph establishing that in case of an adjustment of the price of oil the parties to the Contract shall be obligated to make the relevant adjustments to the source documents (protocols of acceptance and invoices) to the price agreed by the parties in the Protocol on a change in the price of oil;

	- point 4.5 establishes a monthly reconciliation of settlements (not later than the 15 th of the month following the reporting month).
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is the father of Elena Valerievna Panakova, Chairman of the Board of Directors of ZAO RITEK Trading.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	13
2.1. Price (amount in USD)	The approximate value of the transaction is USD 150,000.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 3,951,000.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes for a fee to perform transactions involving the sale of oil of the Principal for export to the Republic of Belarus on the instructions of the Principal, but in its own name, at its own expense and in its own interests.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	Remuneration for the performance of the transaction will be withheld by the Commission Agent in foreign currency on the receipt from the buyer of payment for the goods, but not before the report is approved by the Principal.
1. Number of the transaction approved by the Board of Directors	14
2.1. Price (amount in USD)	The approximate value of the transaction is USD 400,000.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 10,536,000.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes for a fee to perform transactions involving the sale of oil of the Principal for export on the instructions of the Principal, but in its own name, at its own expense and in its own interests.

7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	Remuneration for the performance of the transaction will be withheld by the Commission Agent in foreign currency on the receipt from the buyer of payment for the goods, but not before the report is approved by the Principal.
1. Number of the transaction approved by the Board of Directors	15
2.1. Price (amount in USD)	The value of the transaction is USD 1,348,455.97.
2.2. Price (amount in RUB)	The value of the transaction is RUB 35,370,000.
3. Names of parties	OAO "LUKOIL" (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)
4. Names of beneficiaries	Individuals appointed by the Depositor (Participants).
5. Name of transaction	Supplemental Agreement to Decretal Pension Contract No. 994-515 of 14 August 2000 (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, non-state pension coverage is provided to the individuals designated by the Depositor (Participants) according to the procedure and on the terms and conditions set forth by the legislation of the Russian Federation on non-state pension coverage and the Pension Rules of the Fund. Under the terms of the Contract, the Depositor undertakes to make pension contributions to the Fund, and the Fund in turn undertakes to pay a non-state pension to the Participants. In accordance with the Supplemental Agreement to the Contract, the Depositor undertakes to remit the contribution for the individuals (Participants) for the first quarter of 2007 in the amount of RUB 35,370,000 to the Fund's settlement account by 30 March 2007.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT. Mikhail Pavlovich Berezhnoi, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the President and Chairman of the Fund Board of NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	The date funds are remitted is the day they are debited from the settlement account of the Depositor.
1. Number of the transaction approved by the Board of Directors	16
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OOO LUKOIL-Volgogradneftepererabotka (Buyer) OAO "LUKOIL" (Supplier)
4. Names of beneficiaries	
5. Name of transaction	Supplemental agreement to oil supply contract No. 0610831 of 23 August 2006 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Supplier undertakes to supply the Buyer with up to 60,000 tonnes of crude oil per month during the period from 1 January 2007 to 31 December 2007. In accordance with the supplemental agreement:

	<p>- paragraphs 3 and 4 are added to point 3.1 of the Contract and establish that if the average monthly quotation for Urals fit Nizhneartovsk published in <i>Argus Oil Market of Russia</i> for the period from the 1st of the month following a shipment differs by more than 1% from the quotation for Urals fit Nizhneartovsk published in <i>Argus Oil Market of Russia</i> for the last date prior to the 25th of the month preceding the month of shipment, the price for the reporting period shall be adjusted (no later than the last day of the month of shipment). The adjusted price is shown in the Protocol on a change in the price of oil, on the form approved by the parties;</p> <p>- a paragraph is added to point 4.1 of the Contract establishing that in case of an adjustment of the price of oil the parties to the Contract shall be obligated to make the relevant adjustments to the source documents (protocols of acceptance and invoices) to the price agreed by the parties in the Protocol on a change in the price of oil.</p>
7. Grounds for status as an interested party	Vagit Sadievich Sharifov, a member of the Management Committee of OAO "LUKOIL", is the father of Ruslan Vagitovich Sharifov, a member of the Management Committee of OOO LUKOIL-Volgogradneftepererabotka.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	17
2.1. Price (amount in USD)	USD 83,937,428.46
2.2. Price (amount in RUB)	RUB 2,200,000,000
3. Names of parties	OAO "LUKOIL" (Guarantor) ZAO Mezhdunarodny Moskovsky Bank (the Bank)
4. Names of beneficiaries	OOO LUKOIL-Volgogradneftepererabotka (Enterprise)
5. Name of transaction	Suretyship Contract (hereinafter the "Contract")
6. Subject of the transaction	The Guarantor undertakes to be responsible to the Bank for the full and due performance by the Enterprise of all of its obligations under the Agreement on Special Terms for the Provision of a Line of Credit to Perform Documentary Operations, concluded between the Enterprise and the Bank.
7. Grounds for status as an interested party	Vagit Sadievich Sharifov, a member of the Management Committee of OAO "LUKOIL", is the father of Ruslan Vagitovich Sharifov, a member of the Management Committee of OOO LUKOIL-Volgogradneftepererabotka.
8. Other material terms of the transaction	<p>The Guarantor irrevocably undertakes, jointly and severally with the Enterprise, to pay the Bank at its first request any amount due and payable to the Bank by the Enterprise under the Agreement on Special Terms for the Provision of a Line of Credit to Perform Documentary Operations (the "Agreement"), concluded between the Enterprise and the Bank in the amount of RUB 2 200 000 000 (two billion two hundred million), including interest, forfeits, fines and penalties, and also all documented expenses, in the event the Enterprise fails to make any payment against its debt under the Agreement in accordance with its terms. The Bank is given the right to automatically withdraw this amount from the Guarantor's settlement account opened with the Bank (where necessary, including currency conversion at the Bank's exchange rate), and also, in the absence or insufficiency of funds on this account, from any other accounts of the Guarantor in the Bank (for withdrawals from accounts in currencies other than the rouble – at the Bank's exchange rate as at the date of withdrawal and with remittance to the aforementioned settlement account).</p> <p>Any failure to discharge its obligations under the Surety Agreement shall obligate the Guarantor to pay the Bank a forfeit in the amount of 0.1% (one-tenth of one percent) of the amount of outstanding obligations for each day of delay, starting from the fourth day from the date the Guarantor receives a claim from the Bank. The Bank shall have the right to automatically withdraw the amount of the forfeit from the Guarantor's settlement account.</p>

1. Number of the transaction approved by the Board of Directors	18
2.1. Price (amount in USD)	USD 83,937,428.46
2.2. Price (amount in RUB)	RUB 2,200,000,000
3. Names of parties	OOO LUKOIL-Volgogradneftepererabotka (Debtor) OAO "LUKOIL" (Guarantor)
4. Names of beneficiaries	
5. Name of transaction	Indemnity contract (hereinafter the "Contract").
6. Subject of the transaction	The Debtor undertakes to return to the Guarantor any funds paid thereby under the Surety Agreement concluded between the Guarantor and ZAO Mezhdunarodny Moskovsky Bank (the "Bank"), with the aim of securing the Debtor's obligations to the Bank under the Agreement on Special Terms for the Provision of a Line of Credit to Perform Documentary Operations, in the amount of RUB 2 200 000 000.00, plus interest, forfeits, fines and penalties, and also all documented expenses incurred by the Guarantor as a result of the performance of the conditions of the Surety Agreement.
7. Grounds for status as an interested party	Vagit Sadievich Sharifov, a member of the Management Committee of OAO "LUKOIL", is the father of Ruslan Vagitovich Sharifov, a member of the Management Committee of OOO LUKOIL-Volgogradneftepererabotka.
8. Other material terms of the transaction	The Parties have agreed to consider the amount formed as a result of performance by the Guarantor of its obligations under the Surety Agreement as a loan granted to the Debtor by the Guarantor. Throughout the entire period of actual use of the borrowed funds, the Debtor will pay the Guarantor interest on the loan amount received at a rate to be established in accordance with the Marketing Policy for Determining Interest Rates on Loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group, approved by decision of the Management Committee of OAO "LUKOIL" on 30 August 2006 (minutes No. 26) as amended.
1. Number of the transaction approved by the Board of Directors	19
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO "LUKOIL" (Lessor) Non-profit organisation LUKOIL Charitable Fund (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract No. 06112239 on the lease of non-residential premises of 27 December 2006 (the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Lessor leases for the temporary use of the Lessee non-residential premises with a total area of 16.2 m ² , specifically rooms No. 21 and 22, located (according to the passport of the Bureau of Technical Inventory) in Premises No. I on the 4 th floor of the building at the address: Sretensky bulvar 11, Moscow. In accordance with the Supplemental Agreement the Parties have agreed: - to establish the lease term under the Contract as up to 15 March 2007; - to delete point 5.3 of the Agreement on the automatic extension of the Contract.
7. Grounds for status as an interested party	Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board. Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the

	Chairman of the Board of the Fund. Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperova, a member of the Fund Board.
8. Other material terms of the transaction	-
1. Number of the transaction approved by the Board of Directors	20
2.1. Price (amount in USD)	The lease payment for 11 months equals USD 18 464.04, including VAT.
2.2. Price (amount in RUB)	The lease payment for 11 months equals RUB 483 757.89, including VAT.
3. Names of parties	OAO "LUKOIL" (Lessor) Non-profit organisation LUKOIL Charitable Fund (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Lease Agreement on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides to the Lessee for temporary use non-residential premises with a total area of 34.2 m ² , specifically: rooms No. 16, 17, located (pursuant to the passport of the Bureau of Technical Inventory) in Premises No. 1 on the 4 th floor of the building at the address: Sretensky bulvar 11, Moscow. Title to the building belongs to the Lessor (Certificate on state registration of title 77 AG 837049, issued by the Main Department of the Federal Registration Service for Moscow on 5 October 2006). The leased premises will be used by the Lessee as an office.
7. Grounds for status as an interested party	Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board. Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of the Fund. Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperova, a member of the Fund Board.
8. Other material terms of the transaction	The term of the lease is 11 months from the date of the signing of the act of transfer of the premises. The Lessor undertakes to transfer the Premises to the Lessee pursuant to an act of transfer in a condition suitable for use for the purposes indicated in the Agreement, no later than three business days after the signing of the Agreement. The total lease payment under the Agreement equals 43,977.99 roubles per month, including VAT.
1. Number of the transaction approved by the Board of Directors	21
2.1. Price (amount in USD)	EUR 1,100,306.60
2.2. Price (amount in RUB)	RUB 37,916,565.44.
3. Names of parties	OAO "LUKOIL" (Guarantor) LUKOIL Chemical B.V. (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Indemnity contract (hereinafter the "Contract").

6. Subject of the transaction	In accordance with the Contract, the Debtor will reimburse the Guarantor with monetary funds in connection with the Guarantor's assumption of a commitment under a surety contract concluded in favour of ABN AMRO Bank ZAO (the "Bank") in order to secure the Debtor's obligations under the Bank Guarantee Contract pursuant to which the Bank, at the request of the Debtor at its own expense and risk and on the basis of the Application of the Debtor, plans to issue a bank guarantee in the form of a counter-guarantee in favour of ABN AMRO Bank N.V. (Hamburg) for a total principle amount not exceeding EUR 1,100,306.60, with an effective term to 15 February 2008, with a request to ABN AMRO Bank N.V. (Hamburg) to issue a payment guarantee in favour of UHDE GmbH located at the address Friedrich-Uhde-Strasse 15 44141 Dortmund, Germany. The Debtor will indemnify the Guarantor in the amount in which the Guarantor executed its obligations under the Surety Agreement, with the payment of interest at a rate of three-month LIBOR + 3% for their use. The Debtor shall pay remuneration to the Guarantor in the amount of EUR 110.03, plus VAT of EUR 19.81 within 90 days from the time the Surety Agreement is signed.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Chemical B.V.
8. Other material terms of the transaction	The Debtor shall indemnify the funds to the Guarantor by the dates, in the form and pursuant to the procedure indicated in the notice of the Guarantor. The Contract will remain in effect until performance by the parties of their obligations in full.
1. Number of the transaction approved by the Board of Directors	22
2.1. Price (amount in USD)	USD 122,137.40
2.2. Price (amount in RUB)	RUB 3,200,000
3. Names of parties	OAO "LUKOIL" (Company) Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Union)
4. Names of beneficiaries	-
5. Name of transaction	Contract of donation (hereinafter the "Contract").
6. Subject of the transaction	The Company will provide the Union with charitable assistance in the form of a donation of monetary funds in the amount of RUB 3 200 000. The Union undertakes to use the funds received for the performance of charter activities in 2007.
7. Grounds for status as an interested party	Alexander Nikolaevich Shokhin, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the President of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Employers). Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Employers).
8. Other material terms of the transaction	The date funds are remitted is the day they are debited from the settlement account of the Company. The contract extends to relations between the parties arising from 21 February 2007.
1. Number of the transaction approved by the Board of Directors	23
2.1. Price (amount in USD)	The approximate value of the transaction is USD 73,282,442.75.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 1,920,000,000.

3. Names of parties	<p>OAo "LUKOIL" (Lender) OOO TsentrKaspneftegaz (Borrower)</p>
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	The Lender will provide the Borrower with a special-purpose loan in an amount of up to RUB 1,920,000,000, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.
7. Grounds for status as an interested party	Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO TsentrKaspneftegaz.
8. Other material terms of the transaction	<p>The loan is provided in a lump sum or in instalments up to a limit of RUB 1,920,000,000, for a term to 25 December 2009. The Borrower shall pay the Lender interest at rate of 8.5%. The Agreement will remain in effect until performance by the Parties of their obligations in full.</p>
1. Number of the transaction approved by the Board of Directors	24
2.1. Price (amount in USD)	USD 4,999,922.27
2.2. Price (amount in RUB)	RUB 130,647,968.94
3. Names of parties	<p>OAo "LUKOIL" (Guarantor) Commercial joint stock bank Bank Societe Generale Vostok (ZAO) (the Bank)</p>
4. Names of beneficiaries	OAo Naryanmarneftegaz (Enterprise)
5. Name of transaction	Suretyship Contract (hereinafter the "Contract")
6. Subject of the transaction	The Guarantor undertakes without charge to be liable to the Bank for the performance in full measure by the Enterprise of its obligations undertaken by the Enterprise on the basis of the Agreement on opening a letter of credit concluded with the Bank, including any amendments and addenda thereto, recorded in the relevant supplemental agreements and/or contracts
7. Grounds for status as an interested party	Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO Naryanmarneftegaz.
8. Other material terms of the transaction	<p>The Guarantor is unconditionally, irrevocably and jointly liable to the Bank in the event of the non-performance or inappropriate performance by the Enterprise of its obligations under the Agreement on opening a letter of credit, in the same scope and extent as the Enterprise, including payment of the amount of the letter of credit, commission charges, and penalties, compensation of any duly documented expenses of the Bank associated with but not limited to the court-ordered collection from the Enterprise of the monetary amounts owed, and also compensation for the losses of the Bank, including lost profits, caused by the non-performance or inappropriate performance by the Enterprise of its obligations under the Agreement on opening a letter of credit. For the non-performance of its obligations under the Contract, the Guarantor is obligated to pay the Bank a forfeit in the amount of 2% (two percent) of the amount of outstanding obligations for each day of delay.</p>
1. Number of the transaction approved by the Board of Directors	25
2.1. Price (amount in USD)	USD 227,707.62
2.2. Price (amount in RUB)	RUB 5,950,000
3. Names of parties	<p>OAo "LUKOIL" (Company) International Association of Trade-Union Organisations of Open Joint Stock Company "Oil Company "LUKOIL" (Association)</p>
4. Names of beneficiaries	-

5. Name of transaction	Charitable contribution agreement (hereinafter the “Agreement”).
6. Subject of the transaction	The Company will transfer a charitable monetary contribution to the Association on a gratuitous basis, and the Association undertakes to use the funds received to finance measures organised to achieve the charter goals.
7. Grounds for status as an interested party	Sergei Petrovich Kukura, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”. Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”. Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.
8. Other material terms of the transaction	The company has the right to demand a report from the Association on the use of funds and to demand the return of the funds if they are not appropriately used. The Agreement will remain in effect until performance by the parties of their obligations in full.
1. Number of the transaction approved by the Board of Directors	26
2.1. Price (amount in USD)	USD 40,095,598.93
2.2. Price (amount in RUB)	RUB 1,047,698,000
3. Names of parties	OAO “LUKOIL” (Lender) ZAO LUKOIL-Neftekhim (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0611081 of 27 November 2006 (hereinafter the “Agreement”)
6. Subject of the transaction	In accordance with the Agreement, the Lender will provide the Borrower with a special-purpose loan in the amount of up to RUB 1,009,250,000 on the conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement: - the amount of the loan is increased from RUB 1,009,250,000 to RUB 1,047,698,000. - the maturity of the loan is extended from 31 July 2009 to 31 December 2009.
7. Grounds for status as an interested party	Vladimir Ivanovich Nekrasov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Supervisory Board of ZAO LUKOIL-Neftekhim. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Supervisory Board of ZAO LUKOIL-Neftekhim.
8. Other material terms of the transaction	The loan amount has been increased by RUB 38,448,000.
1. Number of the transaction approved by the Board of Directors	27
2.1. Price (amount in USD)	Maximum cost of services – USD 1,833.91 per month, exclusive of VAT.
2.2. Price (amount in RUB)	Maximum cost of services – RUB 47,700 per month, exclusive of VAT.
3. Names of parties	OAO Bank Petrocommerce (Bank) OAO “LUKOIL” (Client)

4. Names of beneficiaries	-
5. Name of transaction	Agreement on provision of services of the CCC (Client Clearing Centre) (the "Agreement").
6. Subject of the transaction	Under the Agreement, the Bank provides CCC services to the Client; a list of services is given in the appendix to the Agreement.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The Client pays for the CCC services in accordance with the Bank's "Individual-Moscow" tariff plan. CCC services are provided as part of a pilot project (in the "settings" regime of the complex) until the Parties sign a Protocol of acceptance. The duration of the pilot project shall be no more than three months from the date of signing of the Agreement and may be extended by agreement of the Parties.
1. Number of the transaction approved by the Board of Directors	28
2.1. Price (amount in USD)	USD 5,022,989.96.
2.2. Price (amount in RUB)	RUB 130,647,968.94.
3. Names of parties	OAO "LUKOIL" (Guarantor) OOO Naryanmarneftegaz (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Indemnity contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Debtor undertakes to return to the Guarantor funds paid thereby under the Suretyship Contract concluded by the Guarantor with the Commercial Joint-Stock Bank Bank Société Générale Vostok (a closed joint-stock company) (the "Bank"), with the aim of securing the obligations of the Debtor to the Bank under the Contract on opening a letter of credit in the amount of 130,647,968.94 roubles, plus interest, forfeits, penalty interest and fines and other guaranteed payments.
7. Grounds for status as an interested party	Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO Naryanmarneftegaz.
8. Other material terms of the transaction	The Parties have agreed to consider the amount formed as the result of the performance by the Guarantor for the Debtor of the latter's obligations under the Suretyship Contract to be an amount subject to repayment by the Debtor to the Guarantor, with payment of interest for its use on terms, according to the deadlines and the procedure determined by the Contract. The Debtor shall pay the Guarantor interest at a rate determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group, approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended.
1. Number of the transaction approved by the Board of Directors	29
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.

3. Names of parties	OAO "LUKOIL" (Lessor) ZAO Mosizdatinvest (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0510988 of 1 October 2005 on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Lessee has the use of non-residential premises with a total area of 89.6 m ² , namely room 23, located (according to the passport of the Bureau of Technical Inventory) in Premises No. III on the 1 st floor of the building at the address: Pokrovsky bulvar 3, bldg. 1, Moscow. In accordance with the Supplemental Agreement, the term of the lease under the Contract is established to 30 June 2007 inclusive.
7. Grounds for status as an interested party	Mikhail Pavlovich Berezhnoi, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of ZAO Mosizdatinvest.
8. Other material terms of the transaction	Point 5.3 on the automatic extension of the Agreement has been deleted.
1. Number of the transaction approved by the Board of Directors	30
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO FK Spartak-Moskva [Spartak Moscow Football Club] (Lessee) OAO "LUKOIL" (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0411156 of 1 October 2004 on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Lessor provides to the Lessee for temporary use non-residential premises with a total area of 640.5 m ² , located on the 3 rd floor of the building at the address: Pokrovsky bulvar 3, bldg. 1, Moscow. In accordance with the Supplemental Agreement: 1. Amendment of the wording of point 5.2 of the Contract: the term of the lease under the Agreement is set to 30 June 2007 inclusive. 2. Deletion from the text of the Agreement of point 5.3, stipulating the extension of the Agreement if neither party has sent written notice declining to extend the Agreement within one month before the end of the lease term.
7. Grounds for status as an interested party	Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO FK Spartak-Moskva. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva.

	Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	31
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OOO LUKOIL-Volgogradneftepererabotka (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Contract of Commission No. 0611217 of 21 December 2006 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes for a fee to perform transactions from 1 January 2007 involving the sale of oil products belonging to the Principal on foreign markets in its own name, but on the instructions and using the funds of the Principal. In accordance with the Supplemental Agreement, changes are made to point 10.4 of the Contract, stipulating that the effect of the Contract extends to legal relations of the Parties from 1 November 2006.
7. Grounds for status as an interested party	Vagit Sadievich Sharifov, a member of the Management Committee of OAO "LUKOIL", is the father of Ruslan Vagitovich Sharifov, a member of the Management Committee of OOO LUKOIL-Volgogradneftepererabotka.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing and extends to legal relations between the Parties in existence from 1 November 2006.
1. Number of the transaction approved by the Board of Directors	32
2.1. Price (amount in USD)	The approximate value of the transaction is USD 24,461.54, not including VAT.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 636,000 roubles, not including VAT.
3. Names of parties	OAO "LUKOIL" (Company) ZAO RITEK Trading (Enterprise)
4. Names of beneficiaries	-
5. Name of transaction	Service contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Company undertakes to provide information and consulting services to the Enterprise on issues of the placement of oil and determination of oil prices.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is the father of Elena Valerievna Panakova, Chairman of the Board of Directors of ZAO RITEK Trading.
8. Other material terms of the transaction	The cost of services will be agreed on by the 25 th of each month preceding the reporting period, in a Protocol, which shall be an integral part of the Contract. The Contract enters into force from the time of its signing and will remain in force until 31 March 2008, and as regards mutual settlements – until they have been completed in full, and shall extend to the legal relations of the parties arising from 1 April 2007.

1. Number of the transaction approved by the Board of Directors	33
2.1. Price (amount in USD)	The value of the transaction is USD 179,407.89, plus VAT of USD 32,293.42.
2.2. Price (amount in RUB)	The value of the transaction is RUB 4,661,016.95, plus VAT of RUB 838,983.05.
3. Names of parties	OAO FK Spartak-Moskva [Spartak Moscow Football Club] (Club) OAO "LUKOIL" (Company)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Advertising Services Agreement No. 0710236 of 1 March 2007 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Company provides the Club with funds in payment of the services of the Club stipulated by the Agreement, on the condition that the Club distributes advertising on the Company and its products. In accordance with the Supplemental Agreement, the value of services under the Contract for the period from 1 January 2007 to 31 December 2007 is RUB 4,661,016.95, plus VAT of RUB 838,983.05.
7. Grounds for status as an interested party	Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO FK Spartak-Moskva. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to relations between the Parties arising from 1 March 2007. The Company shall make payment for services within ten days from the receipt of an invoice issued by the Club after the entry into force of the Supplemental Agreement, but not later than 20 May 2007.
1. Number of the transaction approved by the Board of Directors	34
2.1. Price (amount in USD)	USD 2,830.72, plus VAT of USD 509.51, to a total of USD 3,340.24.
2.2. Price (amount in RUB)	RUB 73,542, plus VAT of RUB 13,237, to a total of RUB 86,779.56.
3. Names of parties	OAO RITEK (Buyer). OAO "LUKOIL" (Seller)
4. Names of beneficiaries	-
5. Name of transaction	Purchase contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Buyer acquires title to seven light boxes (with internal illumination for posters) from the Seller.

7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	The Buyer will make 100% pre-payment.
1. Number of the transaction approved by the Board of Directors	35
2.1. Price (amount in USD)	The amount of the agency fee equals USD 66.67, including VAT. The amount of the Agent's expenses is USD 666,700, including VAT.
2.2. Price (amount in RUB)	The amount of the agency fee is RUB 1,718.09, including VAT. The amount of the Agent's expenses is RUB 17,180,859, including VAT.
3. Names of parties	<p>OAO "LUKOIL" (Agent)</p> <p>OOO LUKOIL-Volgogradneftepererabotka (Principal 1)</p> <p>OOO LUKOIL-PNOS (Principal 2)</p> <p>OAO LUKOIL-Nizhegorodnefteorgsintez (Principal 3),</p> <p>OAO LUKOIL-UNP (Principal 4),</p> <p>LUKOIL Neftokhim Burgas AD (Principal 5);</p> <p>PETROTEL-LUKOIL SA (Principal 6)</p>
4. Names of beneficiaries	-
5. Name of transaction	Agency agreement (hereinafter the "Agreement").
6. Subject of the transaction	<p>In accordance with the Agreement, the Agent undertakes to perform legal and other actions for a fee on the organisation of research by HSB Solomon Associates LLC in its own name, but on the instructions and at the expense of the Principal:</p> <ul style="list-style-type: none"> - on a competitive analysis of the functioning and cost controls of the fuel-segment oil refineries of Europe, Africa and the Middle East for the 2006 operating year, with the receipt of a final report determining the ratio of the indicators of 6 (six) oil refineries producing fuel – OOO LUKOIL-Volgogradneftepererabotka, OOO LUKOIL-PNOS, OAO LUKOIL-Nizhegorodnefteorgsintez, OAO LUKOIL-UNP, LUKOIL Neftokhim Burgas AD, and PETROTEL LUKOIL SA, with similar indicators of fuel production in the region of Europe, Africa and the Middle East; - on a competitive analysis of the functioning and cost controls of oil refineries specialising in the production of lubricants worldwide for the 2006 operating year, with the receipt of a final report determining the ratio of the indicators of 3 (three) oil refineries producing paraffin oil: OOO LUKOIL-Volgogradneftepererabotka, OOO LUKOIL-PNOS, and OAO LUKOIL-Nizhegorodnefteorgsintez, with similar indicators in global production of paraffin oils.
7. Grounds for status as an interested party	Vagit Sadievich Sharifov, a member of the Management Committee of OAO "LUKOIL", is the father of Ruslan Vagitovich Sharifov, a member of the Management Committee of OOO LUKOIL-Volgogradneftepererabotka.
8. Other material terms of the transaction	<p>The Principals will pay fees and compensation of expenses to the Agent within 10 calendar days from the receipt of the original of the invoice.</p> <p>Dates for the performance of work under the Agreement will be determined by the terms of the contract between the Agent and HSB Solomon Associates LLC on behalf of the Principals, but should not exceed 10 months from the date the Agreement is signed.</p>

1. Number of the transaction approved by the Board of Directors	36
2.1. Price (amount in USD)	The lease payment equals USD 4,415.22 per month, plus VAT of USD 794.74.
2.2. Price (amount in RUB)	The lease payment is RUB 113,427.03 per month, plus VAT of RUB 20,416.86.
3. Names of parties	OAO "LUKOIL" (Lessor) ZAO Mosizdatinvest (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Agreement on the lease of non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides to the Lessee for temporary use non-residential premises with a total area of 119.6 m ² , specifically: rooms 212, 213 and 77 (the "Premises") located in the building at the address: Pokrovsky bulvar 3, bldg. 1, Moscow.
7. Grounds for status as an interested party	Mikhail Pavlovich Berezhnoi, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of ZAO Mosizdatinvest.
8. Other material terms of the transaction	The term of the lease is 11 months from the date of the signing of the act of transfer of the Premises. If neither party has sent the other a written notice on its refusal to extend the Agreement one month before the end of the term of the lease, it shall be automatically extended for the same period and on the same terms.
1. Number of the transaction approved by the Board of Directors	37
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO "LUKOIL" (Commission Agent) OOO LUKOIL-Volgogradneftepererabotka (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Contract of Commission No. 0611217 of 21 December 2006 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes for a fee to perform transactions from 1 January 2007 involving the sale of oil products belonging to the Principal on foreign markets in its own name, but on the instructions and using the funds of the Principal. In accordance with the Supplemental Agreement: - amendments are made to points 2.1.11, 3.2, 3.6 and 3.7 of the Contract, stipulating the withholding of commissions from revenues received from goods, and also the calculation and withholding of expenses by the Commission Agent on the basis of a notice on expenses paid (incurred), with the attachment of supporting documents; - new points 2.1.16 and 2.1.17 are included in the text of the Contract, stipulating the sending of notices to the Principal on expenses paid (incurred) and shipments made of the Principal's goods.
7. Grounds for status as an interested party	Vagit Sadievich Sharifov, a member of the Management Committee of OAO "LUKOIL", is the father of Ruslan Vagitovich Sharifov, a member of the Management Committee of OOO LUKOIL-Volgogradneftepererabotka.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing and extends to legal relations between the Parties in existence from 1 April 2007.
1. Number of the transaction approved by the Board of Directors	38
2.1. Price (amount in USD)	The approximate value of the transaction is USD 600,000.

2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 15,480,000.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes for a fee to perform a transaction involving the sale of the Principal's oil (hereinafter the "goods") on the foreign market in its own name, but on the instructions and at the expense of the Principal on terms of FOB Kamenny (Gulf of Ob) and/or FOB Murmansk.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	Remuneration for the performance of the transaction will be withheld by the Commission Agent in foreign currency on the receipt from the buyer of payment for the goods, but not before the report is approved by the Principal.
1. Number of the transaction approved by the Board of Directors	39
2.1. Price (amount in USD)	The approximate value of the transaction is USD 38,387,715.93.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 1,000,000,000.
3. Names of parties	OAO "LUKOIL" (Lender) OOO Naryanmarneftegaz (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender will provide a special-purpose loan to the Borrower. The Borrower undertakes to repay the loan amount received and to pay interest thereon by the dates and according to the procedure determined by the Agreement.
7. Grounds for status as an interested party	Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO Naryanmarneftegaz.
8. Other material terms of the transaction	The loan is provided in whole or in part as a revolving facility, total debt on which at any moment in time during the effective term of this Contract may not exceed RUB 1,000,000,000.00, for a term to 9 July 2007. During the entire period of the actual use of borrowed funds, the Borrower shall pay the Lender interest for the amount of the loan received, at a rate determined in accordance with the Marketing Policy to Determine Interest Rates on Loans between OAO "LUKOIL" and the Russian Organisations of the LUKOIL Group, approved by decision of the Management Committee of OAO "LUKOIL" on 30 August 2006 (minutes No. 26), as amended. The Agreement will remain in effect until performance by the Parties of their obligations in full.
1. Number of the transaction approved by the Board of Directors	40

2.1. Price (amount in USD)	USD 147,070,161.912
2.2. Price (amount in RUB)	RUB 3,815,000,000.
3. Names of parties	OAO "LUKOIL" (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0611238 of 25 December 2006 (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the supplemental agreement all rights and obligations of the borrower under Loan Agreement No. 0611238 of 25 December 2006, concluded between OAO "LUKOIL" and OAO NGD are transferred to OAO RITEK as the successor of OAO NGD due to the reorganisation of OAO NGD through a merger with OAO RITEK.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The supplemental agreement will enter into force from the time of its signing, and shall apply to the legal relations of the Parties arising from 29 May 2007.
1. Number of the transaction approved by the Board of Directors	41
2.1. Price (amount in USD)	The value of the transaction is USD 2,193,384.91.
2.2. Price (amount in RUB)	The value of the transaction is RUB 56,699,000.
3. Names of parties	OAO "LUKOIL" (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)
4. Names of beneficiaries	Individuals appointed by the Depositor (Participants).
5. Name of transaction	Supplemental Agreement to Decretal Pension Contract No. 994-515 of 14 August 2000 (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, non-state pension coverage is provided to the individuals designated by the Depositor (Participants) according to the procedure and on the terms and conditions set forth by the legislation of the Russian Federation on non-state pension coverage and the Pension Rules of the Fund. Under the terms of the Contract, the Depositor undertakes to make pension contributions to the Fund, and the Fund in turn undertakes to pay a non-state pension to the Participants. In accordance with the Supplemental Agreement to the Contract, the Depositor undertakes to remit the contribution for the individuals (Participants) for the third quarter of 2007 in the amount of 56,699,000 roubles to the Fund's settlement account by 31 July 2007.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT. Mikhail Pavlovich Berezhnoi, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the President and Chairman of the Fund Board of NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	The day when the monetary funds are debited from the Depositor's settlement account shall be considered the date of performance of the payment obligations.
1. Number of the transaction approved by the Board	42

of Directors	
2.1. Price (amount in USD)	No financial terms are stipulated by the Supplemental Agreement.
2.2. Price (amount in RUB)	No financial terms are stipulated by the Supplemental Agreement.
3. Names of parties	Open Joint Stock Company "Oil Company "LUKOIL" (Company) International Association of Trade-Union Organisations of Open Joint Stock Company "Oil Company "LUKOIL" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract No. 0310992 of 27 July 2003 on gratuitous use of property (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, the Company will provide property for the gratuitous use of the Association. According to the Supplemental Agreement, the Company will also provide office equipment for the gratuitous use of the Association (monitors, printers, portable computers).
7. Grounds for status as an interested party	Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".
8. Other material terms of the transaction	The property is to be transferred under an act of acceptance within three days after the date of signing of the Supplemental Agreement.
1. Number of the transaction approved by the Board of Directors	43
2.1. Price (amount in USD)	-
2.2. Price (amount in RUB)	-
3. Names of parties	OAO "LUKOIL" (Guarantor) HSBC Bank plc. (Bank)
4. Names of beneficiaries	SLB Commercial Bank (Principal)
5. Name of transaction	Supplemental agreement No. 2 to Contract of Guarantee No. 0510811 of 29 July 2005 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Guarantor undertakes to secure the performance of the obligations of the Principal under the Agreement on the provision of a revolving credit line between the Principal and the Bank in an amount of up to USD 20,000,000. Pursuant to the Supplemental Agreement the effective term of the Contract is extended to 2 February 2009, in connection with the extension of the Agreement on the provision of a revolving credit line between the Principal and the Bank (hereinafter also the "Agreement") to 2 August 2008 inclusive.
7. Grounds for status as an interested party	Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of SLB Commercial Bank. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously the President of the Board of Directors of SLB Commercial Bank.
8. Other material terms of the transaction	The Guarantor agrees with the terms of the Supplemental Agreement to the Agreement on the provision of a revolving credit line

	between the Principal and the Bank concerning the extension of the Agreement to 2 August 2008 inclusive, the change of the Final Repayment Date to 2 August 2008, the reduction of the margin on the Agreement from 0.5% per annum to 0.45% per annum for the period from 3 August 2007 to 2 August 2008, and to the change in the form of the Disbursement Application. The other terms of the Contract of Guarantee remain unchanged.
1. Number of the transaction approved by the Board of Directors	44
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Supplement to Commission Contract No. 0710080 of 12 February 2007 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of Sredne-Khulymsky oil in its own name and at the expense and in the interests of the Principal. In accordance with the Supplement: 1) Amendments are made to point 5.7 of section 5 of the Contract, stipulating that the Principal will reimburse the Commission Agent for costs which became known to the Parties after the remittance of revenues from the sale of goods to the Principal's account. These costs will be reimbursed by the Principal on the basis of the relevant supporting documents submitted by the Commission Agent. 2) Point 5.11 is added to Section 5 of the Contract; this point stipulates that the Principal shall reimburse expenses indicated in point 5.7 of the Contract within the month following the month in which the relevant Commission Agent's report is approved. Demurrage should be reimbursed no later than 60 calendar days from the date of the Act of Reconciliation on the amount of demurrage under the Contract.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplement will enter into force from the time of its signing, and shall apply to the legal relations of the Parties arising from 1 August 2007.
1. Number of the transaction approved by the Board of Directors	45
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO RITEK (Commission Agent) OAO "LUKOIL" (Sub-Commission Agent).
4. Names of beneficiaries	-
5. Name of transaction	Supplement to Sub-Commission Contract No. 0611206 of 22 December 2006 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Sub-Commission Agent undertakes for a fee and on the instructions of the Commission

	<p>Agent, acting under Commission Contract No. R-NGD-2007 of 22 November 2006 between OAO NGD and OAO RITEK, to carry out oil export sale transactions in its own name and at the expense and in the interests of the Commission Agent.</p> <p>In accordance with the Supplement:</p> <ol style="list-style-type: none"> 1) Amendments are made to point 5.2 of section 5 of the Contract, stipulating the procedure for distributing the foreign-currency revenues remitted to the transit foreign-currency account of the Sub-Commission Agent; 2) Amendments are made to point 5.6 of section 5 of the Contract as concerns amendment of the deadline for the reimbursement of costs incurred by the Sub-Commission Agent in the implementation of the Contract; 3) Point 5.11 is added to Section 5 of the Contract; this point stipulates that the Commission Agent shall reimburse the expenses indicated in point 5.6 of the Contract within one month following the month in which the relevant Sub-Commission Agent's report is approved. Demurrage should be reimbursed no later than 60 calendar days from the date of the Act of Reconciliation on the amount of demurrage under the Contract.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	<p>The Supplement shall enter into force from the time of its signing.</p> <p>As concerns point 5.2, the Contract shall apply to the legal relations of the Parties arising from 1 January 2007.</p> <p>As concerns point 5.6, the Contract shall apply to the legal relations of the Parties relating to oil accepted on sub-commission starting from 1 August 2007.</p>
1. Number of the transaction approved by the Board of Directors	46
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Supplement to Commission Contract No. 0710473 of 21 June 2007 (hereinafter the "Contract").
6. Subject of the transaction	<p>In accordance with the Contract, the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions on the sale on the external market of the Principal's oil, in its own name and at the expenses of the Principal, on terms of FOB Kamenny (Obskaya guba) and/or FOB Murmansk.</p> <p>In accordance with the Supplement:</p> <ol style="list-style-type: none"> 1) Amendments are made to point 5.7 of section 5 of the Contract, stipulating that the Principal will reimburse the Commission Agent for costs which became known to the Parties after the remittance of revenues from the sale of goods to the Principal's account. These costs will be reimbursed by the Principal on the basis of the relevant supporting documents submitted by the Commission Agent. 2) Point 5.12 is added to Section 5 of the Contract; this point stipulates that the Principal shall reimburse expenses indicated in point 5.7 of the Contract within the month following the month in which the relevant Commission Agent's report is approved. Demurrage should be reimbursed no later than 60 calendar days from the date of the Act of Reconciliation on the amount of demurrage under the Contract.

7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	The Supplement will enter into force from the time of its signing, and shall apply to the legal relations of the Parties arising from 1 August 2007.
1. Number of the transaction approved by the Board of Directors	47
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Supplement to Commission Contract No. 0410195 of 10 March 2004 (hereinafter the "Contract"s).
6. Subject of the transaction	<p>In accordance with the Contract the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of the Principal's oil in its own name and at the expense and in the interests of the Principal.</p> <p>In accordance with the Supplement:</p> <ol style="list-style-type: none"> 1) Point 5.2 of section 5 of the Contract has been deleted; 2) Amendments are made to point 5.4 of section 5 of the Contract, stipulating that the Principal will reimburse the costs incurred by the Commission Agent to the settlement account of the Commission Agent within the month following the month when the relevant Commission Agent's report is approved; 3) Amendments are made to point 5.6 of section 5 of the Contract, stipulating that the Principal will reimburse the Commission Agent for costs which became known to the Parties after the remittance of revenues from the sale of goods to the Principal's account. These costs will be reimbursed by the Principal on the basis of the relevant supporting documents submitted by the Commission Agent. 4) Point 5.11 is added to Section 5 of the Contract; this point stipulates that the Principal shall reimburse expenses indicated in point 5.6 of the Contract within the month following the month in which the relevant Commission Agent's report is approved. Demurrage should be reimbursed no later than 60 calendar days from the date of the Act of Reconciliation on the amount of demurrage under the Contract.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	<p>The Supplement shall enter into force from the time of its signing.</p> <p>As concerns point 5.2, the Contract shall apply to the legal relations of the Parties arising from 1 January 2007.</p> <p>As concerns points 5.4 and 5.6, the Contract shall apply to the legal relations of the Parties relating to oil accepted on commission starting from 1 August 2007.</p>

1. Number of the transaction approved by the Board of Directors	48
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Supplement to Commission Contract No. 0710170 of 19 March 2007 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of the Principal's oil in its own name and at the expense and in the interests of the Principal. In accordance with the Supplement: 1) Amendments are made to point 5.6 of section 5 of the Contract, stipulating that the Principal will reimburse the Commission Agent for costs which became known to the Parties after the remittance of revenues from the sale of goods to the Principal's account. These costs will be reimbursed by the Principal on the basis of the relevant supporting documents submitted by the Commission Agent. 2) Point 5.11 is added to Section 5 of the Contract; this point stipulates that the Principal shall reimburse expenses indicated in point 5.7 of the Contract within the month following the month in which the relevant Commission Agent's report is approved. Demurrage should be reimbursed no later than 60 calendar days from the date of the Act of Reconciliation on the amount of demurrage under the Contract.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplement will enter into force from the time of its signing, and shall apply to the legal relations of the Parties arising from 1 August 2007.
1. Number of the transaction approved by the Board of Directors	49
2.1. Price (amount in USD)	USD 25,650,000.
2.2. Price (amount in RUB)	RUB 654,075,000.
3. Names of parties	OAO "LUKOIL" (Guarantor) OOO TsentrKaspneftegaz (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Indemnity contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Debtor undertakes to repay to the Guarantor all monetary funds paid by the latter under the Suretyship Contract concluded between the Guarantor and ABN AMRO Bank ZAO (the "Bank") in order to secure the obligations of the Debtor to the Bank under Bank Guarantee No. 2725840147 of 26 July 2007 in favour of Maersk Contractors Caspian Sea A/S and the Bank Guarantee Contract consisting of the provisions of the Bank's approved "General Terms for the Release by ABN AMRO Bank ZAO of Guaranties, Commercial and Standby Letters of Credit", and the Guarantee Application

	No. 1 of 13 July 2007 submitted by the Debtor to the Bank and concluded between the Bank and the Debtor in the amount of USD 25,650,000.00 (twenty-five million six hundred fifty thousand), and the amount of all documented expenses and losses paid (incurred) by the Guarantor in connection with the performance of the Suretyship Contract.
7. Grounds for status as an interested party	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO TsentrKasneftegaz.
8. Other material terms of the transaction	<p>Within 50 (fifty) calendar days from the time of signing of the Suretyship Contract, the Debtor undertakes to pay in favour of the Guarantor an amount in roubles equivalent to USD 2,565 (two thousand five hundred sixty-five) plus VAT of USD 461 (four hundred sixty-one) and 70 cents, converted at the rate of the Bank of Russia on the date of signing of the Suretyship Contract, as compensation to the Guarantor for providing the surety.</p> <p><i>The Debtor will pay the Guarantor interest on the funds remitted by the Guarantor to the Bank in performance of its obligations under the Suretyship Contract, at a rate of 8.5% per annum.</i></p> <p><i>Interest shall accrue on a monthly basis on the actual debtor owed by the Debtor.</i></p>
1. Number of the transaction approved by the Board of Directors	50
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO Bank Petrocommerce (Bank) OAO "LUKOIL" (Counterparty)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement No. 1 to General Agreement No. 0511480 of 29 December 2005 on general terms for conversion operations (the "Agreement").
6. Subject of the transaction	<p>The subject of the Agreement is the general terms for the performance and execution of transactions involving the sale/purchase of one non-cash currency for another non-cash currency. The Agreement does not govern operations on the mandatory sale of part of foreign-currency revenues from exports.</p> <p>In accordance with the Supplemental Agreement:</p> <ol style="list-style-type: none"> 1. Appendix No. 3 "Confirmation of netting" is added to the Agreement; 2. Amendments are made to point 4.3 of article 4 of the Agreement "General transaction terms" as regards the form for the exchange of confirmation for accounting and control purposes when carrying out the transactions; 3. Points 5.4 and 5.5 are added to article 5 of the Agreement "Terms and procedures for performing transactions"; point 5.4 establishes the procedure the sale of foreign currency from the transit account, and point 5.5 concerns the date of valuation and confirmation of the offset (netting); 4. Point 6.7 is added to article 6 of the Agreement; this point establishes the procedure for making payments stipulated by the netting, in accordance with the payment instructions.
7. Grounds for status as an interested party	<p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p>

8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time it is signed by the Parties, and shall remain in effect until the termination of the Agreement. The other terms and conditions of the Agreement remain unchanged.
1. Number of the transaction approved by the Board of Directors	51
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO "LUKOIL" (Commission Agent) OAO RITEK (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Supplement to Commission Contract No. 0710171 of 19 March 2007 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of the Principal's oil to the Republic of Belarus, in its own name and at the expense and in the interests of the Principal. In accordance with the Supplement: 1) Amendments are made to point 5.6 of section 5 of the Contract, stipulating that the Principal will reimburse the Commission Agent for costs which became known to the Parties after the remittance of revenues from the sale of goods to the Principal's account. These costs will be reimbursed by the Principal on the basis of the relevant supporting documents submitted by the Commission Agent. 2) Point 5.10 is added to Section 5 of the Contract; this point stipulates that the Principal shall reimburse expenses indicated in point 5.6 of the Contract within the month following the month in which the relevant Commission Agent's report is approved.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplement will enter into force from the time of its signing, and shall apply to the legal relations of the Parties arising from 1 August 2007.
1. Number of the transaction approved by the Board of Directors	52
2.1. Price (amount in USD)	The lease payment due and payable for the remaining 1.5 months of the term of the Agreement is USD 86,910.13, plus VAT of USD 1,542.77.
2.2. Price (amount in RUB)	The lease payment due and payable for the remaining 1.5 months of the term of the Agreement equals RUB 2,218,815.73, plus VAT of RUB 39,386.83.
3. Names of parties	OAO "LUKOIL" (Lessor) OAO Bank Petrocommerce (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Agreement No. 200-0347 on the Lease of Non-Residential Premises of 19 May 2000 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total

	<p>area of 119.4 m², located at the address: Sretensky bulvar 11, Moscow, basement floor of building D, room Nos. XI- 3, 4, 5, 6, 7, 8, 9, 10, 11, 11a, 12, 13, 14, 15, and 15a, to be used for housing the operating division.</p> <p>Pursuant to the Supplemental agreement, from 1 September 2007 the lease payment for use of the non-residential premises will increase from RUB 102,927.58 a month, plus VAT of RUB 18,526.96, to RUB 145,877.15 a month, plus VAT of RUB 26,257.89.</p>
7. Grounds for status as an interested party	<p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p>
8. Other material terms of the transaction	-
1. Number of the transaction approved by the Board of Directors	53
2.1. Price (amount in USD)	No financial terms are stipulated by the Supplemental Agreement.
2.2. Price (amount in RUB)	No financial terms are stipulated by the Supplemental Agreement.
3. Names of parties	<p>OAO "LUKOIL" (Company)</p> <p>International Association of Trade-Union Organisations of OAO "LUKOIL" (Association)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract No. 0310992 of 27 July 2003 on gratuitous use of property (hereinafter the "Contract").
6. Subject of the transaction	<p>Pursuant to the Contract, the Company will provide property for the gratuitous use of the Association.</p> <p>According to the Supplemental Agreement, the Company will also provide office equipment for the gratuitous use of the Association (monitors, printers, computers).</p>
7. Grounds for status as an interested party	<p>Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p>
8. Other material terms of the transaction	The property is to be transferred under an act of acceptance within three days after the date of signing of the Supplemental Agreement.
1. Number of the transaction approved by the Board of Directors	54
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	<p>OAO "LUKOIL" (Buyer)</p> <p>ZAO RITEKtrading (Supplier)</p>
4. Names of beneficiaries	-

5. Name of transaction	Supplemental Agreement to oil supply contract No. 0611197 of 19 December 2006 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Supplier undertakes to provide the Buyer with crude oil in the period from 1 January 2007 to 31 December 2007 inclusive, in an amount up to 1,200,000 (one million two hundred thousand) tonnes, for placement on the Russian domestic market. In accordance with the Supplemental Agreement, amendments are made to point 2.4 of the Contract; these amendments stipulate a change in the name of the average monthly quotation from Urals fit Nizhnevartovsk to Urals Western Siberia.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is the father of Elena Valerievna Panakova, Chairman of the Board of Directors of ZAO RITEK Trading.
8. Other material terms of the transaction	The Supplemental agreement enters into force from the time of its signing and extends to the legal relations between the parties arising from 1 August 2007.
1. Number of the transaction approved by the Board of Directors	55
2.1. Price (amount in USD)	USD 2,000, plus VAT in accordance with the laws of the Russian Federation.
2.2. Price (amount in RUB)	RUB 51,180, plus VAT in accordance with the laws of the Russian Federation.
3. Names of parties	OAO "LUKOIL" (Licensor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Licensee)
4. Names of beneficiaries	-
5. Name of transaction	Licensing agreement on the provision of a non-exclusive license to use the trademarks of OAO "LUKOIL".
6. Subject of the transaction	The Licensor is providing the Licensee a non-exclusive license to use on the territory of the Russian Federation trademarks belonging thereto pursuant to certificates No. 141745, 141746, 141747 and 141748 with a priority date of 20 July 1995, and pursuant to certificate No. 164551 with a priority date of 6 February 1998, issued by the Patents and Trademarks Committee of the Russian Federation (Rospatent), for a fee and for the effective term of this Agreement.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	The Licensee only has the right to use the trademark  in combination with the trademarks "LUKOIL", "LUKOIL", "ЕОЕЕЕ" or "ЕОЕЕЕ". In this regard, a combination of two trademarks is recognised as a composition in which all trademarks are distinctly recognisable and are located close to one another on each object. The term of the agreement is five years from the date of its registration with the Federal Intellectual Property, Patent and Trademark Service.
1. Number of the transaction approved by the Board of Directors	56
2.1. Price (amount in USD)	The value of the transaction is USD 1,064,324.32.
2.2. Price (amount in RUB)	The value of the transaction is RUB 26,742,000.
3. Names of parties	OAO "LUKOIL" (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)
4. Names of beneficiaries	Individuals appointed by the Depositor (Participants).
5. Name of transaction	Supplemental Agreement to Decretal Pension Contract No. 994-515 of 14 August 2000 (hereinafter the "Contract").

6. Subject of the transaction	<p>Pursuant to the Contract, non-state pension coverage is provided to the individuals designated by the Depositor (Participants) according to the procedure and on the terms and conditions set forth by the legislation of the Russian Federation on non-state pension coverage and the Pension Rules of the Fund.</p> <p>Under the terms of the Contract, the Depositor undertakes to make pension contributions to the Fund, and the Fund in turn undertakes to pay a non-state pension to the Participants.</p> <p>In accordance with the Supplemental Agreement to the Contract, the Depositor undertakes to remit the contribution for the individuals (Participants) for the fourth quarter of 2007 in the amount of RUB 26,742,000 to the Fund's settlement account by 31 October 2007.</p>
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	The day when the monetary funds are debited from the Depositor's settlement account shall be considered the date of performance of the payment obligations.
1. . Number of the transaction approved by the Board of Directors	57
2.1. Price (amount in USD)	The approximate amount of interest for the period from 15 September 2007 to 15 September 2009 is USD 1,846,707.37.
2.2. Price (amount in RUB)	The approximate amount of interest for the period from 15 September 2007 to 15 September 2009 is RUB 46,400,000.
3. Names of parties	OAO "LUKOIL" (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0610827 of 20 September 2006 (hereinafter the "Agreement")
6. Subject of the transaction	<p>In accordance with the Agreement, the Lender will provide the Borrower with a special-purpose loan in the amount of 400,000,000 roubles on the conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.</p> <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> - the deadline for repayment of the loan is extended from 15 September 2007 to 15 September 2009; - the interest and principal debt repayment schedule has changed.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	The Supplemental Agreement extends to the relations between the Parties arising from 14 September 2007.
1. Number of the transaction approved by the Board of Directors	58
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)

4. Names of beneficiaries	-
5. Name of transaction	Supplement to Commission Contract No. 0710080 of 16 June 2006 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions on the sale on the external market of the Principal's oil, in its own name and at the expense of the Principal, on terms of FOB Kamenny (Obskaya guba) and/or FOB Murmansk. In accordance with the Supplement, amendments are made to point 5.6 of the Contract, establishing the procedure for the Principal to reimburse the Commission Agent's costs, which became known to the Parties after the transfer of funds received from the sale of oil. A different date is established for the reimbursement of the given costs – costs should be reimbursed by the Principal not later than 31 December 2007.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplement shall enter into force from the time of its signing.
1. Number of the transaction approved by the Board of Directors	59
2.1. Price (amount in USD)	The approximate value of the transaction is USD 12,825,000.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 321,317,550.
3. Names of parties	OAO "LUKOIL" (Company) OAO "Gazprom" (Guarantor)
4. Names of beneficiaries	OOO Tsentrikasneftegaz (Enterprise)
5. Name of transaction	Surety agreement (hereinafter the "Agreement").
6. Subject of the transaction	The Guarantor undertakes to be jointly and severally liable with the Enterprise to the Company for the full and timely discharge by the Enterprise of any and all of its obligations to the Company arising as the result of the Company's discharge of its obligations (in whole or in part) to ABN AMRO Bank ZAO (the "Bank" under Surety Agreement No. 0710685 of 19 July 2007 between the Bank and the Company. In accordance with Surety Agreement No. 0710685 of 19 July 2007 between the Bank and the Company as security for the performance by the Enterprise of its obligations under the Contract on opening of a bank guarantee between the Enterprise and the Bank (the "Bank Guarantee Contract"), the Company undertakes to be jointly and severally liable with the Enterprise to the Bank for the Enterprise's full and timely discharge of its obligations under the Bank Guarantee Contract, i.e. to make payments at the Bank's request under Surety Agreement No. 0710685 of 19 July 2007 between the Bank and the Company. The Guarantor undertakes to reimburse the Company should the Company discharge its obligations under Surety Agreement No. 0710685 of 19 July 2007 between the Bank and the Company, 50% of the amount of funds paid by the Company on the secured obligations, defined in point 2 of Surety Agreement No. 0710685 of 19 July 2007 between the Bank and the Company.
7. Grounds for status as an interested party	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO Tsentrikasneftegaz.

8. Other material terms of the transaction	<p>The Guarantor will not reimburse penalty sanctions, losses, costs and expenses of the Bank paid by the Company in accordance with point 3 of Surety Agreement No. 0710685 of 19 July 2007 between the Bank and the Company.</p> <p>The Guarantor also undertakes to reimburse documented expenses of the Company associated with the enforced execution of the Agreement.</p> <p>After the Guarantor has discharged its obligations under the Agreement (in whole or in part), the right of claim against the Enterprise as to the funds paid by the Company shall pass to the Guarantor. Within 5 (five) working days after the Date of execution (date funds are debited from the Guarantor's account), at the request of the Guarantor the Company shall transfer thereto all documents available to it that are necessary for the Guarantor to make a recourse claim against the Enterprise.</p> <p>The Parties shall not have the right to assign their rights in whole or in part or transfer their duties under the Contract in whole or in part to third parties, unless the other Party gives its prior written consent to this.</p>
1. Number of the transaction approved by the Board of Directors	60
2.1. Price (amount in USD)	The amount of agency fees for 2008 will be approximately USD 10,602.41, including VAT.
2.2. Price (amount in RUB)	The amount of agency fees for 2008 will be approximately RUB 264,000, including VAT.
3. Names of parties	OAO "LUKOIL" (Principal). ZAO RITEKtrading (Agent)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Agency Agreement No. 0710026 of 15 January 2007 (hereinafter the "Agreement").
6. Subject of the transaction	<p>Pursuant to the Agreement, the Agent undertakes to perform for a fee legal and other actions on the organisation of transportation of the Principal's along the oil mainline network of OAO AK Transneft in its own name, but on the instructions and at the expense of the Principal.</p> <p>In accordance with the Supplemental Agreement, the following amendments and addenda are made to point 6.1 of the Agreement, stipulating:</p> <ul style="list-style-type: none"> - a change in the effective term of the Agreement to 31 December 2008, and as related to mutual settlements – until their performance in full; - automatic extension of the Agreement for each subsequent calendar year, unless either of the parties rejects extension of the Agreement in writing not later than 30 calendar days before the end of the effective term.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is the father of Elena Valerievna Panakova, Chairman of the Board of Directors of ZAO RITEK Trading.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	61
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO Bank Petrocommerce (Bank) OAO "LUKOIL" (Client)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to the Contract No. 0410827 of 1 June 2004 on the current hard currency account of a resident legal

	entity (hereinafter the "Contract").
7. Subject of the transaction	In accordance with the Contract the Bank opens a current hard currency account in US dollars and a transit account and services these accounts on the terms and conditions stipulated by the effective legislation of the Russian Federation, regulatory acts of the Bank of Russia and the Contract. In accordance with the Supplemental Agreement, the Client and the Bank have agreed that in statements of currency operations and directives to perform operations on the withdrawal of funds from the transit foreign-currency account transferred by the Client to the Bank without indicating the number of the notice on the transfer of foreign currency to the transit account, the number of the notices shall correspond to the numbers of the notices on the transfer of foreign currency to the transit account transferred by the Bank to the Client on the same day, in amounts equal to the amounts of withdrawals from the transit account. The Bank shall accept documents from the client in accordance with this directive, except for cases where it is not possible to unambiguously determine the amounts of withdrawals of funds from the transit foreign-currency account.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing by both Parties.
1. Number of the transaction approved by the Board of Directors	62
2.1. Price (amount in USD)	No financial terms are stipulated by the Supplemental Agreement.
2.2. Price (amount in RUB)	No financial terms are stipulated by the Supplemental Agreement.
3. Names of parties	OAO "LUKOIL" (Company) International Association of Trade-Union Organisations of OAO "LUKOIL" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract No. 0310992 of 27 July 2003 on gratuitous use of property (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, the Company will provide property for the gratuitous use of the Association. According to the Supplemental Agreement, the Company will also provide a scanner for the gratuitous use of the Association.
7. Grounds for status as an interested party	Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".
8. Other material terms of the transaction	The property is to be transferred under an act of acceptance within three days after the date of signing of the Supplemental Agreement.
1. Number of the transaction approved by the Board of Directors	63
2.1. Price (amount in USD)	The approximate amount of interest for the period from 30 December 2007 to 31 December 2008 is USD 1,065,741.12.
2.2. Price (amount in RUB)	The approximate amount of interest for the period from 30 December 2007 to 31 December 2008 is RUB 26,100,000.
3. Names of parties	OAO "LUKOIL" (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplementary agreement to Loan Agreement No. 0710003 of 10 January 2007 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender will provide the Borrower with a special-purpose loan in an amount of up to RUB 450,000,000, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and

	<p>pursuant to the procedure indicated in the Agreement.</p> <p>In accordance with the Supplemental Agreement, the following amendments are made to the Agreement:</p> <ul style="list-style-type: none"> - article 4 of the Agreement “Dates for provision and repayment of the loan” are supplemented with point 4.5, stipulating that if as at 30 December of the current year neither Party has announced otherwise in writing, the date for the return of the loan shall be transferred to 31 December of the following year. In this case a reference in the Agreement to a period or date indicated in point 4.1 will be considered to constitute a reference to the new period or date for the repayment of the loan, respectively. - article 16 of the Agreement “Legal addresses and details of the parties” is set out in a new version.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	The Supplemental Agreement shall enter into force from the time of its signing and constitutes an integral part of the Agreement.
1. Number of the transaction approved by the Board of Directors	64
2.1. Price (amount in USD)	Approximately USD 309,076,042.52, including VAT.
2.2. Price (amount in RUB)	Approximately RUB 7,560,000,000, including VAT.
3. Names of parties	OAO “LUKOIL” (Buyer) ZAO RITEKtrading (Supplier)
4. Names of beneficiaries	-
5. Name of transaction	Oil supply contract (hereinafter the “Contract”).
6. Subject of the transaction	In accordance with the Contract, the Supplier undertakes to supply the Buyer with up to 900,000 tonnes of crude oil during the period from 1 January 2008 to 31 December 2008 for placement on the Russian domestic market.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO “LUKOIL”, is the father of Elena Valerievna Panakova, Chairman of the Board of Directors of ZAO RITEK Trading.
8. Other material terms of the transaction	<p>Oil will be delivered using the oil mainline network of OAO AK Transneft</p> <p>The Contract enters into force from the time of its signing and shall remain in effect until 31 December 2008, and as regards mutual settlements – until they have been completed in full.</p>
1. Number of the transaction approved by the Board of Directors	65
2.1. Price (amount in USD)	The value of the transaction is USD 935,071.87.
2.2. Price (amount in RUB)	The value of the transaction is RUB 22,769,000.
3. Names of parties	OAO “LUKOIL” (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)
4. Names of beneficiaries	Individuals appointed by the Depositor (Participants).
5. Name of transaction	Supplemental Agreement to Decretal Pension Contract No. 994-515 of 14 August 2000 (hereinafter the “Contract”).
6. Subject of the transaction	Pursuant to the Contract, non-state pension coverage is provided to the individuals designated by the Depositor (Participants)

	<p>according to the procedure and on the terms and conditions set forth by the legislation of the Russian Federation on non-state pension coverage and the Pension Rules of the Fund.</p> <p>Under the terms of the Contract, the Depositor undertakes to make pension contributions to the Fund, and the Fund in turn undertakes to pay a non-state pension to the Participants.</p> <p>In accordance with the Supplemental Agreement to the Contract, the Depositor undertakes to additionally remit the contribution for the individuals (Participants) for the fourth quarter of 2007 in the amount of RUB 22,769,000 to the Fund's settlement account by 31 December 2007.</p>
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	The day when the monetary funds are debited from the Depositor's settlement account shall be considered the date of performance of the payment obligations. The Supplemental Agreement sets out a new version of the Fund's details.
1. Number of the transaction approved by the Board of Directors	66
2.1. Price (amount in USD)	The amount of interest for two years is USD 1,694,501.02.
2.2. Price (amount in RUB)	The amount of interest for two years is RUB 41,600,000.
3. Names of parties	OAO "LUKOIL" (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0610108 of 2 March 2006 (hereinafter the "Agreement").
6. Subject of the transaction	<p>Pursuant to the Agreement, the Lender will provide the Borrower with a special-purpose loan in the amount of RUB 400,000,000, and the Borrower undertakes to repay the funds received and pay interest thereon by the dates and pursuant to the procedure established in the Agreement.</p> <p>In accordance with the Supplemental Agreement, the following amendments are made to the Agreement:</p> <ul style="list-style-type: none"> - in point 4.1 of article 4 "Dates for the provision and repayment of the loan", the date of provision of the loan is extended to 31 December 2009; - Appendix No. 1 (Schedule of repayment of principal and interest) to the Agreement is set out in a new version.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	The Supplemental Agreement shall enter into force from the time of its signing and constitutes an integral part of the Agreement.
1. Number of the transaction approved by the Board of Directors	67
2.1. Price (amount in USD)	The amount of interest for two years is USD 1,352,342.16.
2.2. Price (amount in RUB)	The amount of interest for two years is RUB 33,200,000.
3. Names of parties	OAO "LUKOIL" (Lender) OAO RITEK (Borrower)

4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0210034 of 30 January 2002 (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Lender will provide the Borrower with a special-purpose loan in the amount of RUB 260,000,000, and the Borrower undertakes to repay the funds received and pay interest thereon by the dates and pursuant to the procedure established in the Agreement. In accordance with the Supplemental Agreement, the following amendments are made to the Agreement: - in point 4.1 of article 4 "Dates for the provision and repayment of the loan", the date of provision of the loan is extended to 31 December 2009; - Appendix No. 1 (Schedule of repayment of principal and interest) to the Agreement is set out in a new version.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement shall enter into force from the time of its signing and constitutes an integral part of the Agreement.
1. Number of the transaction approved by the Board of Directors	68
2.1. Price (amount in USD)	The approximate amount of interest from 30 December 2007 to 31 December 2008 is USD 11,812,627.29.
2.2. Price (amount in RUB)	The approximate amount of interest from 30 December 2007 to 31 December 2008 is RUB 290,000,000.
3. Names of parties	OAO "LUKOIL" (Lender) ZAO LUKOIL-Neftekhim (Borrower)
4. Names of beneficiaries	
5. Name of transaction	Supplemental agreement to Loan Agreement No. 06-11/L-O/0611005 of 13 November 2006 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender will provide the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments (tranches)), the total amount of debt on which may not exceed 5,000,000,000 roubles at any time during the effective term of the Agreement, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement, the following amendments are made to the Agreement: - article 4 of the Agreement "Dates for provision and repayment of the loan" are supplemented with point 4.5, stipulating that if as at 30 December of the current year neither Party has announced otherwise in writing, the date for the return of the loan shall be transferred to 31 December of the following year. In this case a reference in the Agreement to a period or date indicated in point 4.1 will be considered to constitute a reference to the new period or date for the repayment of the loan, respectively; - point 14 of the Agreement "Legal addresses and details of the parties" is set out in a new version.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL-Neftekhim.
8. Other material terms of the transaction	The Supplemental Agreement shall enter into force from the time of its signing and constitutes an integral part of the Agreement.