

## **Information on interested-party transactions**

In accordance with article 83 of the Federal Law *On Joint Stock Companies*, interested-party transactions must be approved by the Board of Directors or General Shareholders Meeting of the company prior to their conclusion.

Point 4 of article 83 of the Federal Law *On Joint Stock Companies* stipulates that if the subject of a transaction or a series of related transactions is an asset, the value of which according to the company's accounting data (the asking price of an asset being acquired) is equal to or greater than 2 percent of the book value of the assets of the company according to its financial statements for the latest reporting date, the transaction must be approved by the General Shareholders Meeting. In accordance with point 3 of article 49 of the Federal Law *On Joint Stock Companies*, the decision on approval of interested-party transactions shall only be taken by the general shareholders meeting on the recommendation of the board of directors of the company.

Pursuant to the balance sheet of the Company approved according to the procedure established by legislation on the latest reporting date (as at 31 March 2008) the value of the assets of OAO "LUKOIL" (hereinafter the "Company") equals 648,661,132,000 roubles. Two percent of this amount is 12,973,222,640 roubles (approximately USD 548,620,232.60).

Five interested-party transactions are being sent for the approval of the annual General Shareholders Meeting of OAO "LUKOIL". The amount to be paid under the first, second, third and fourth transactions exceeds two percent of the book value of the Company's assets according to the data of its financial statements as at 31 March 2008, which necessitates that the transactions be sent for the approval of the annual General Shareholders Meeting of OAO "LUKOIL". The fifth transaction is being sent for the approval of the General Shareholders Meeting of the Company based on point 3 of article 83 of the Federal Law *On Joint Stock Companies*, since all the members of the Board of Directors of OAO "LUKOIL" qualify as parties interested in the conclusion of the transaction.

The first transaction is a shareholder loan agreement between OAO "LUKOIL" (Lender) and OOO Naryanmarneftegaz (Borrower) worth more than two percent of the book value of the Company's assets according to the data of its financial statements as at 31 March 2008. V.V. Mulyak, a member of the Management Committee of OAO "LUKOIL", and simultaneously a member of the Board of Directors of OOO Naryanmarneftegaz, is considered an interested party to the transaction. He does not receive direct material benefit. He is formally considered an interested party due to the fact that he participates in the management bodies of the Company and OOO Naryanmarneftegaz. This agreement is being concluded for a term of 30 years from the date of its signing, and may be extended for another 30 years. The purpose of the agreement is to finance the operations of OOO

Naryanmarneftegaz pursuant to point 3.6 of the Agreement on the Joint Venture Group between OAO "LUKOIL" and ConocoPhillips of 29 September 2004. This transaction stipulates the issue by the Company of a loan to OOO Naryanmarneftegaz in a total amount of no more than 52,240,380,000 roubles. The interest rate under this agreement is established by the Lender based on market interest rates, as determined based on fixed interest rates for Russian rouble loans offered to companies by the leading international commercial creditors on the Russian market for similar loans for the pertinent term. Under this transaction, the expected amount of accrued interest by the end of the effective term of the agreement based on the possible rate of 7.8% per annum is 121,280,077,900 roubles.

The second transaction is a loan provided by OAO "LUKOIL" (Lender) to OAO YuGK TGC-8 (Borrower) to replenish the working capital of the Borrower. This transaction is being concluded for the timely financing of the needs of OAO YuGK TGC-8, in which the LUKOIL Group plans to purchase a shareholding. V.I. Nekrasov, a member of the Management Committee of OAO "LUKOIL", and simultaneously the Chairman of the Board of Directors of OAO YuGK TGC-8, is considered an interested party to the transaction. He does not receive direct material benefit. He is formally considered an interested party due to the fact that he participates in the management bodies of the Company and OAO YuGK TGC-8. The subject of this transaction is the provision for the period up to 31 December 2008 of a revolving special-purpose loan (either in a lump sum or in instalments (tranches)), the total amount of debt on which may not exceed 45,000,000,000 roubles at any time, with the right of the Lender to call the loan early. The interest rate is determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group (hereinafter the "Marketing Policy"), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (Minutes No. 26), as amended, for loans with a term of up to one year, and equals approximately 6% per annum.

The third and fourth transactions involve the receipt of loans by OAO "LUKOIL" (Borrower) from OAO YuGK TGC-8 (Lender) to replenish the Company's working capital, the amount of each of which is more than two percent of the book value of the Company's assets according to the data of its financial statements as at 31 March 2008. The interested party under these transactions is also V.I. Nekrasov, a member of the Management Committee of OAO "LUKOIL", since he is simultaneously the Chairman of the Board of Directors of OAO YuGK TGC-8. The interested party has no direct material benefit. These transactions stipulate the provision for the period up to 31 December 2008 of a revolving special-purpose loan (either in a lump sum or in instalments (tranches)), the total amount of debt on which may not exceed 45,000,000,000 roubles at any time for each transaction. The difference between the two transactions is in the determination of the interest rate and the right of the Lender to call the loan early. The interest rate under the

third transaction is determined according to the Marketing Policy for call loans, and the maximum possible amount of accrued interest based on the approximate rate of 1% per annum is RUB 226 million, provided that the debt of the Borrower is equal to the amount of the loan. The interest rate under the fourth transaction is determined according to the Marketing Policy for loans with a term of up to one year, and the maximum possible amount of accrued interest based on the approximate rate of 6% per annum is RUB 1.35 billion, provided that the debt of the Borrower is equal to the amount of the loan. Furthermore, unlike the fourth transaction, the terms of the third transaction stipulate the possibility for the Lender to call the loan early.

The third and fourth transactions are being concluded on different terms to ensure a flexible approach to the quick distribution of temporarily idle monetary funds of OAO YuGK TGC-8.

The fifth transaction is an insurance policy (contract) on the liability of directors, officers and corporations between OAO Kapital Insurance (Insurer) and OAO “LUKOIL” (Policyholder) under which the liability of the members of the Board of Directors and other officers of the Company, i.e. the President and members of the Management Committee, is insured (under coverage A), and the liability of the Company itself is insured (under coverage B) for the period 2008-2009. This transaction must be approved by the General Shareholders Meeting in accordance with point 3 of article 83 of the Federal Law *On Joint Stock Companies*, since all members of the Board of Directors of the Company are considered interested parties to this transaction as beneficiaries under the transaction. The aggregate limit of liability under coverage A and B, including legal defence costs, is at least USD 50,000,000. The insurance premium for coverage A is up to USD 10,000, and for coverage B – up to USD 1,290,000.

Professional liability insurance is a generally accepted practice throughout the world. The Corporate Governance Code recommends that joint stock companies obtain this type of insurance using internal funds so that any losses caused to third parties by the culpable actions of the members of the Board of Directors can be compensated using the funds of the insurance company.

Under the indicated contract the Policyholder undertakes to pay the insurance premium by the indicated date 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.