

COMPANY MANAGEMENT STRUCTURE



COMMITTEES OF THE BOARD OF DIRECTORS

Board of Directors

Audit Committee

Oleg Kutafin
Mikhail Bereznoi
Sergei Mikhailov

Purpose:

to make recommendations to the BoD concerning independent external and internal audit of financial accounts and appraisal of Company property

Responsibilities:

To prepare recommendations to the BoD concerning:

- selection of candidates for appointment as Company Auditor from among internationally recognized auditors with high professional reputation;
- supervision of any competition (tender) for choice of the Auditor, if such a competition is held;
- analysis and discussion with the Auditor of any significant questions arising during conduct of independent external audit of the Company;
- acquaintance with the Auditor's conclusions before the latter are presented to shareholders at the General Meeting of Shareholders;
- review of the most significant amendments to the Company's accounts as a result of the audit;
- efficiency of the Company's system of internal control and audit;
- assessment of the Company's risk management system;
- possible preliminary approval of the Company's annual report by the BoD;
- observance of audit procedures and assessment of the level of objectivity and independence of the Company Auditor;
- definition of a limit for the Auditor's remuneration, depending on the type and volume of his work, including services, which complement the actual audit.

Strategy and Investment Committee

Richard Matzke
Ravil Maganov
Kevin Meyers
Igor Sherkunov

Purpose:

to make recommendations to the BoD on design of strategic development goals for the Company and to coordinate strategic planning activities with the BoD

Responsibilities:

To prepare recommendations to the BoD concerning:

- analysis of concepts, programs and plans for strategic development of the Company;
- assessment of Company policy in relations with investors and shareholders;
- decisions on the level of dividends to be recommended to shareholders, and procedure for dividend payment;
- distribution of Company profit and loss at the end of each year;
- Company policy with respect to its own securities;
- plans for Company reorganization;
- participation in holding companies, financial-industrial groups, associations and any other unified commercial organizations;
- major transactions, involving property that is equal in value to 25-50% of the balance-sheet value of Company assets on the day, when the decision on such transaction is taken;
- creation of Company subsidiaries and opening of representative offices, and closure of the same in the Russian Federation and foreign countries;
- use of Company reserves;
- use of non-core assets of the Company;
- change in the structure of Company asset management.

Personnel and Remuneration Committee

Alexander Shokhin
Sergei Mikhailov
Nikolai Tsvetkov

Purpose:

to prepare recommendations to the BoD on Company policy regarding personnel and regarding remuneration of managers and of the Company's auditing commission

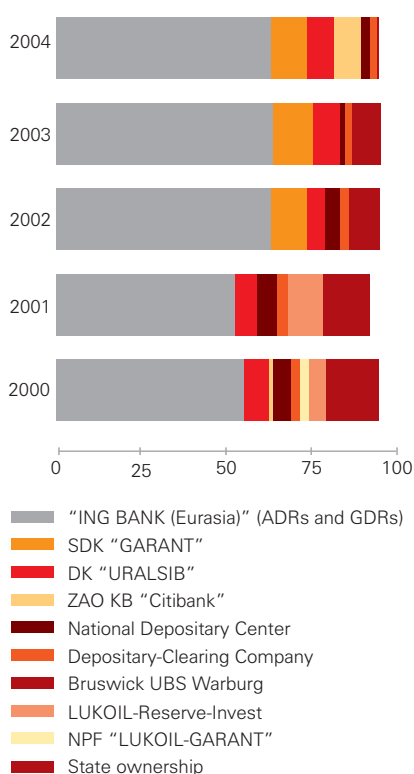
Responsibilities:

To prepare recommendations to the BoD concerning:

- Company actions to do with personnel and remuneration of managers and of the Company's auditing commission;
- assessment of candidates to positions in the respective management positions in the Company;
- design of criteria for determining independence of any director in the BoD;
- analysis of results of work by members of Company management bodies and of the audit commission, particularly as concerns possible increase of remuneration paid to them and any other types of incentive;
- decision on a recommended level of remuneration to be paid to members of the auditing commission;
- advisability of reappointing members of the auditing commission;
- design of long-term programs of remuneration to Company employees, based on Company shares;
- significant conditions of contracts with members of the Company's executive bodies.

COMPANY SHARES

Main shareholders of LUKOIL, %



LUKOIL share capital

Number of shares	Common shares	Preferred shares
December 31, 1999	738,351,391	77,211,864
No changes		
December 31, 2000	738,351,391	77,211,864
Issuance of common shares (face-value of 0,025 RUR)	18,431,061	
Issuance of common shares (face-value of 0,025 RUR)	16,568,939	
Conversion of preferred shares	77,211,864	(77,211,864)
December 31, 2001	850,563,255	0
No changes		
December 31, 2002	850,563,255	0
No changes		
December 31, 2003	850,563,255	0
No changes		
December 31, 2004	850,563,255	0

Main shareholders of common stock (end of year)

Shareholder's name	2000	2001	2002	2003	2004
"ING BANK (Eurasia)" (ADR and GDRs)*	406,039,385	444,703,835	534,070,827	541,249,388	535,975,699
SDK "GARANT"*	–	–	90,773,746	99,268,415	87,986,591
DK "URALSIB"*	45,521,796	55,140,681	44,630,737	66,162,144	69,560,926
ZAO KB "Citibank"*	10,532,220	–	–	1,644,462	66,322,006
National Depository Center*	38,231,431	50,079,368	37,239,863	12,410,284	22,056,584
Depository-Clearing Company*	19,836,720	29,044,914	24,798,519	16,463,743	17,982,613
Brunswick UBS Warburg*	–	–	10,296,442	9,158,298	4,843,084
NPF "LUKOIL-GARANT"*	19,970,446	–	–	–	–
LUKOIL-Reserve-Invest*	36,792,062	87,003,566	–	–	–
State ownership	114,639,290	114,639,090	64,638,729	64,638,729	–

*Nominee.

Main shareholders of preferred stock (end of year)

Shareholder's name	2000	2001	2002	2003	2004
"ING BANK (Eurasia)" (ADR and GDRs)*	33,515,420	–	–	–	–
DK "NIKOIL"*	14,976,868	–	–	–	–
Depository-Clearing Company*	4,932,103	–	–	–	–
LUKOIL-Reserve-Invest*	3,901,717	–	–	–	–
National Depository Center*	1,955,400	–	–	–	–

*Nominee.

LUKOIL common share price on the RTS, USD

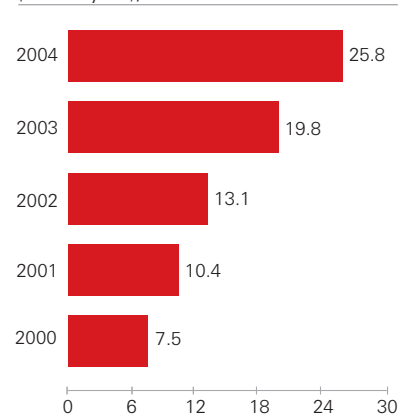
	1999			2000			2001		
	min	max	end	min	max	end	min	max	end
1Q	3.60	7.50	7.23	9.95	15.90	15.60	8.25	11.60	9.30
2Q	6.18	10.53	9.90	12.05	15.70	12.78	8.70	13.80	11.93
3Q	6.35	11.26	6.80	12.82	16.62	14.40	9.12	11.95	9.35
4Q	6.78	13.00	13.00	8.05	15.55	9.25	9.13	13.25	12.23

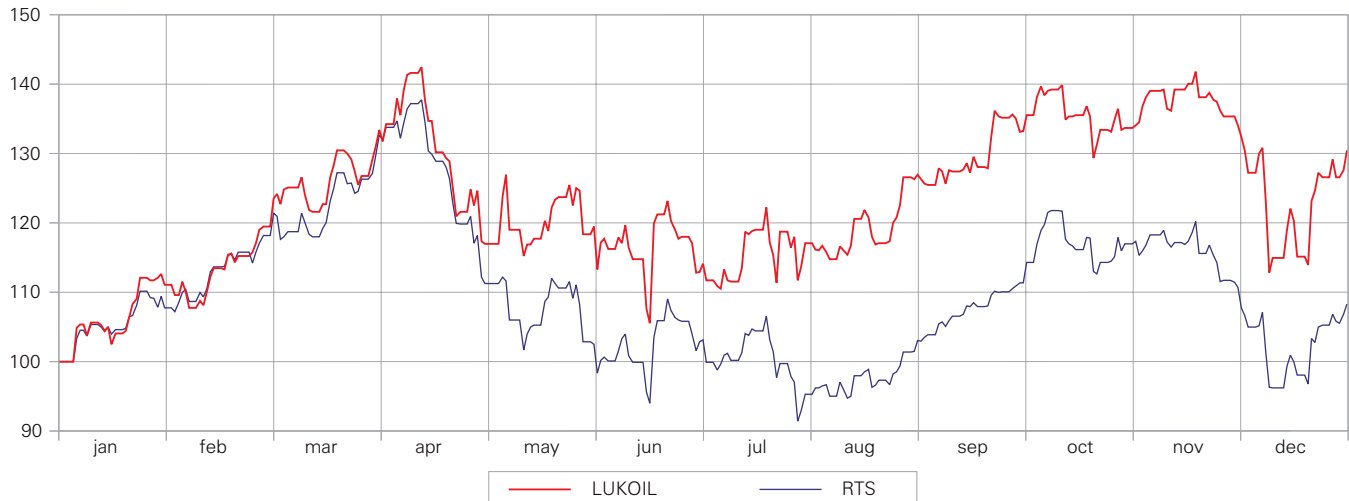
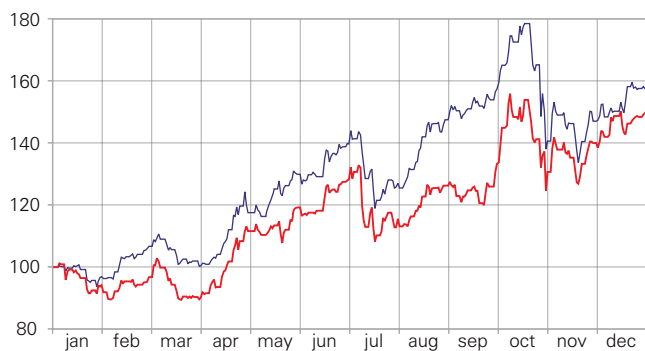
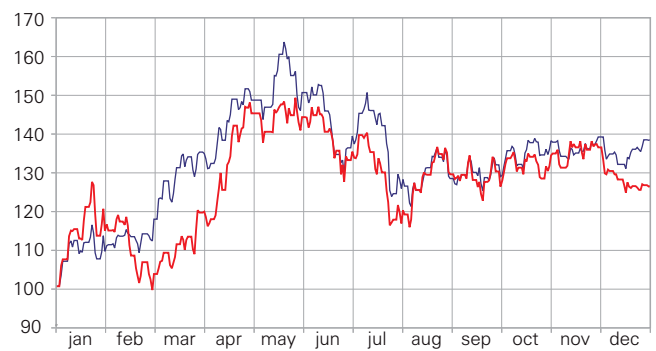
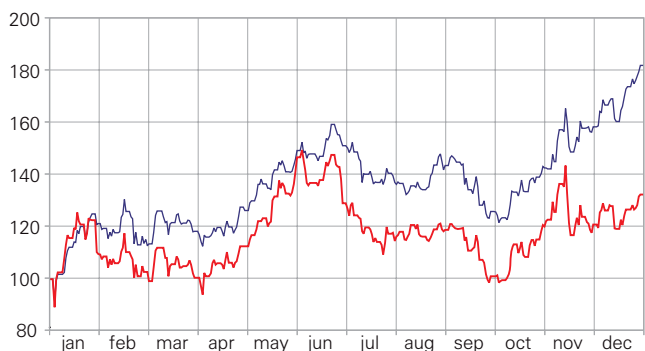
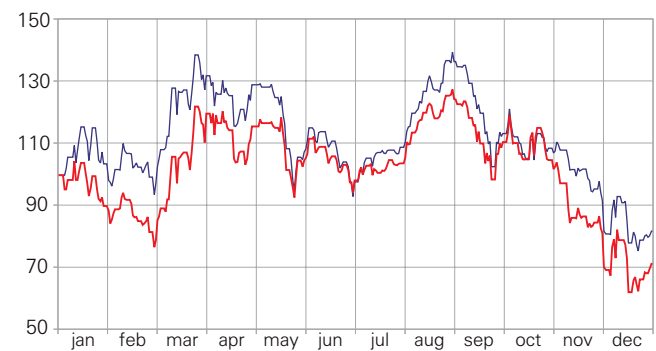
	2002			2003			2004		
	min	max	end	min	max	end	min	max	end
1Q	12.10	15.55	14.57	13.77	15.86	13.80	23.85	31.05	31.05
2Q	14.14	18.23	16.25	13.90	19.75	19.75	24.55	33.15	26.30
3Q	14.10	17.12	15.40	16.70	20.60	20.60	25.72	31.70	31.00
4Q	15.21	16.85	15.42	19.25	24.10	23.25	26.25	33.00	30.35

LUKOIL common share price on the RTS, USD**LUKOIL capitalization (end of year)**

	2000	2001	2002	2003	2004
Common share price on the RTS, USD	9.25	12.23	15.42	23.25	30.35
Number of common shares, mln	738.4	850.6	850.6	850.6	850.6
Preferred share price on the MICEX, USD **	9.19	-	-	-	-
Number of preferred shares, mln	77.2	-	-	-	-
Capitalization, mln USD	7,539	10,402	13,116	19,776	25,815

*Preferred share price is converted into USD at the exchange rate of the Central Bank of Russia at the end of year.

Share of LUKOIL stocks in RTS trading, %**LUKOIL market capitalization (end of year), bln USD**

LUKOIL share price and the RTS Index, %
2004

2003

2002

2001

2000

LUKOIL share performance and the RTS Index (based on daily changes)

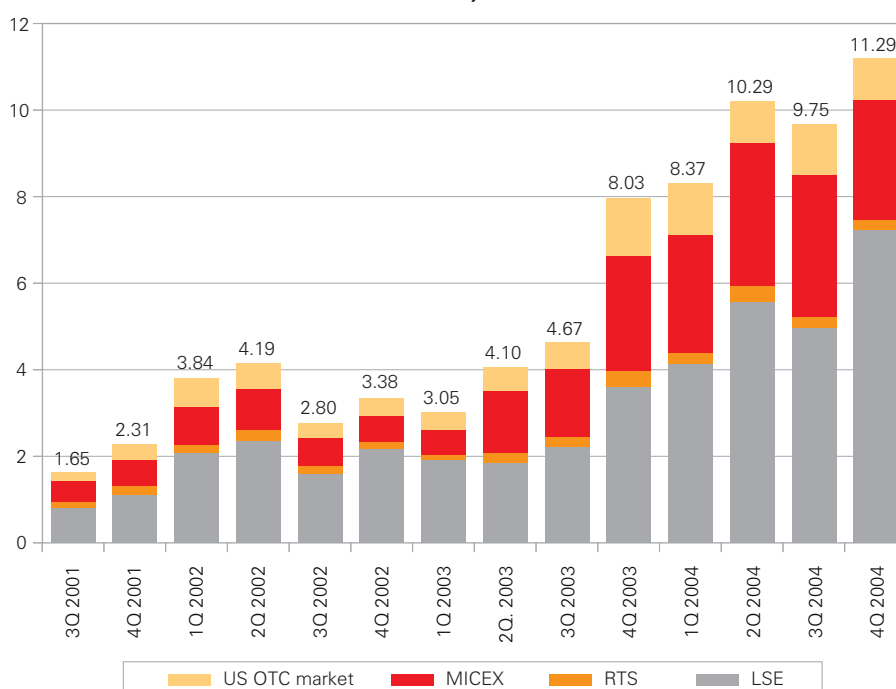
	2000	2001	2002	2003	2004	2000–2004
LUKOIL standard deviation, %	3.70	2.92	2.16	2.13	2.21	2.72
RTS standard deviation, %	3.19	2.20	1.87	1.90	1.87	2.28
Correlation	0.92	0.89	0.85	0.81	0.87	0.88
Beta coefficient	1.07	1.18	0.98	0.91	1.03	1.05

Tickers of LUKOIL common shares

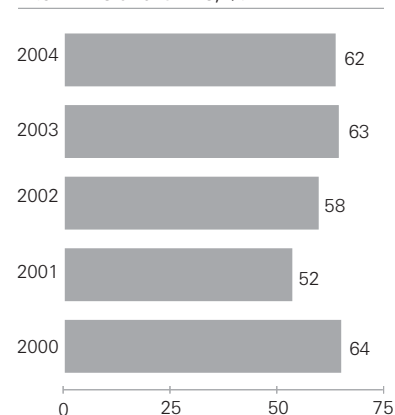
Ticker	Market
LKOH	RTS (Russian Trading System)
LKOH	MICEX (Moscow Interbank Currency Exchange)
LKOD	LSE (London Stock Exchange)*
LUK	FSE (Frankfurt Stock Exchange)*
LUKOY	US OTC (US over-the-counter market)*

*ADRs on LUKOIL shares.

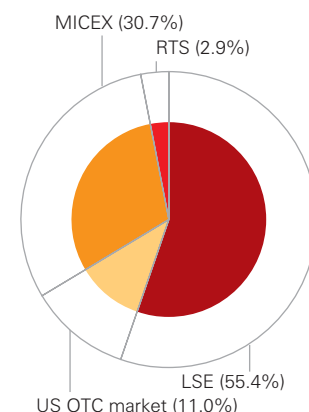
LUKOIL share and ADR trade volumes, bln USD



Share of common shares converted into ADRs and GDRs, %



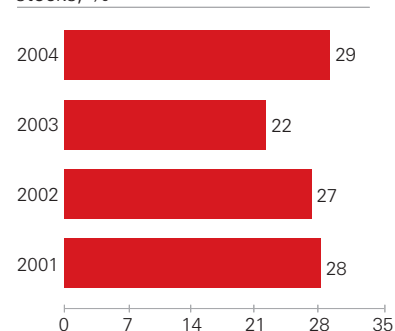
Distribution of trade volumes of LUKOIL shares and depository receipts (2004)



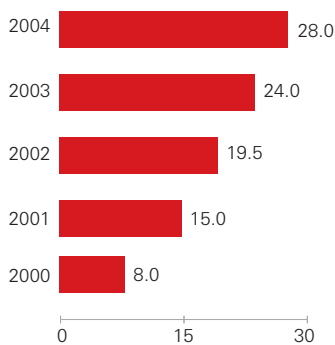
LUKOIL share performance compared with shares of major international oil and gas companies (2000–2004), %



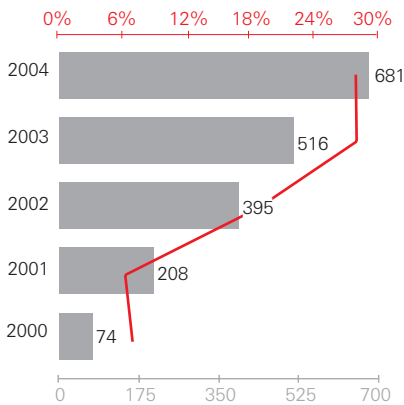
Share of LUKOIL ADRs in LSE trading of Central and East European stocks, %



Dividend per common share, RUR

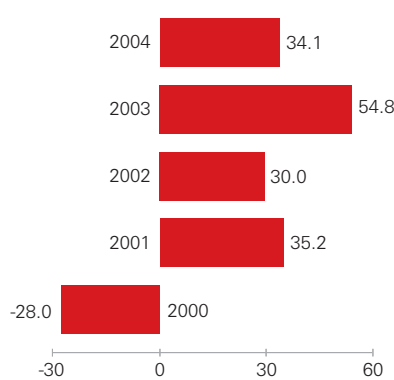


Dividends accrued on common stock (mln USD), and their share in the net income of the respective period, %


LUKOIL dividend policy

	2000	2001	2002	2003	2004
Dividend per common share, RUR	8.0	15.0	19.5	24.0	28.0
Dividend per preferred share, RUR	59.16	–	–	–	–
Dividends accrued for the previous year, mln USD	121	365	395	516	681
including dividends accrued on preferred stock	47	157	–	–	–
Dividend payments, mln USD	118	244	423	467	661
Dividend yield, %	3.0	3.0	4.1	2.8	2.9

Total shareholders return, %



Dividend yield, %



»»» TAX ENVIRONMENT

Business of LUKOIL Group is subject to taxation in Russia and elsewhere.

Given the relative size of our activities in Russia, our tax profile is largely determined by the taxes payable in Russia. Taxes paid in Russia represented more than 80% of all taxes paid by the Company in 2000–2004.

The most significant part of the tax burden for Russian oil companies is represented by the mineral extraction tax and crude oil export tariffs.

Main taxes paid by the Company:

- > income tax
- > mineral extraction tax
- > excises
- > export tariffs
- > property tax
- > unified social tax
- > VAT
- > other taxes and contributions

Average rates of main taxes levied on oil companies in the Russian Federation

		2000	2001	2002	2003	2004
Income tax	%	30	35	24	24	24
Property tax	%	2.0	2.0	2.0	2.0	2.2
VAT	%	20	20	20	20	18
Unified social tax	%	–	35.6	35.6	35.6	35.6
Mineral extraction tax	RUR/ton	–	–	667.1	801.4	1,052.8
Oil export tariffs	USD/ton	20.9	26.3	18.6	30.4	55.8
<i>Petroleum product export tariffs</i>						
light distillates	USD/ton	20.10	34.95	28.41	27.37	37.93
middle distillates and gas oil	USD/ton	15.45	34.95	28.41	27.37	37.93
liquid fuels	USD/ton	14.38	22.06	14.31	27.37	36.64
<i>Petroleum product excises</i>						
high-octane gasoline	RUR/ton	585	1,850	2,072	3,000	3,360
low-octane gasoline	RUR/ton	455	1,350	1,512	2,190	2,460
diesel fuel	RUR/ton	–	550	616	890	1,000
motor oils	RUR/ton	–	1,500	1,680	2,440	2,732

Income tax payment by LUKOIL, mln USD

	2000	2001	2002	2003	2004
Current income tax					
Russia	775	849	821	883	1,511
Abroad	15	12	13	56	103
Total current income tax	790	861	834	939	1,614
Deferred income tax					
Russia	(27)	(207)	(67)	49	76
Abroad	9	20	(28)	19	70
Total deferred income tax	(18)	(187)	(95)	68	146
Total income tax	772	674	739	1,007	1,760

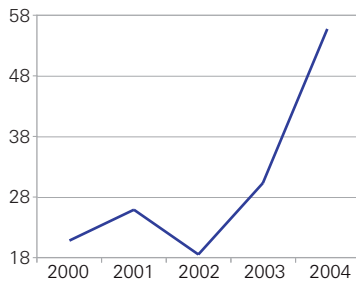
Payment of taxes other than income tax, mln USD

	2000	2001	2002	2003	2004
Mineral extraction tax	–	–	1,472	1,966	2,971
Royalty tax	259	347	–	–	–
Mineral replacement tax	150	215	–	–	–
Road users' tax	179	100	126	–	–
Social taxes and contributions	198	201	198	257	330
Property tax	50	83	101	139	111
Other taxes and contributions	214	64	75	94	93
Total taxes other than income tax	1,050	1,010	1,972	2,456	3,505

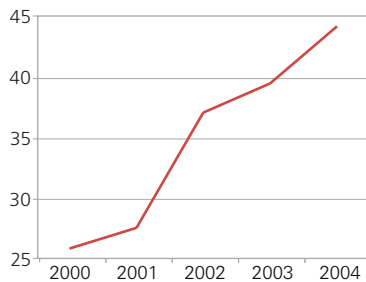
Excises and export tariffs payment, mln USD

	2000	2001	2002	2003	2004
Excises and export tariffs	932	1,456	1,996	2,954	5,248

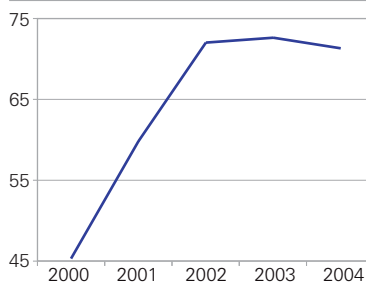
Average oil export tariff, USD per ton



Share of taxes, excises and export tariffs in sales after cost of purchased crude oil, %



Share of taxes, excises and export tariffs in income before their payment, %


Mineral extraction tax (MET), USD per ton

$$MET = \frac{(\text{Oil price} - \text{Base oil price}) \times \text{Tax rate}}{\text{Base exchange rate (RUR/USD)} \times \text{Base oil price}}$$

		2004	2005
Oil price	USD per barrel	Urals oil price	
Base oil price	USD per barrel	8	9
Tax rate	RUR per ton	347	419
Base RUR/USD exchange rate	RUR/USD	31.5	29.0

The rate of the mineral extraction tax changes each month. For example, the tax rate for June is calculated in July based on the average international market price for Urals crude in June.

Crude oil export tariff, USD per barrel

Oil price (P), USD per barrel	Tariff rate, USD per barrel	
	before June 2004	after June 2004
P < 15	0	0
15 < P < 20	(P - 15) × 35%	(P - 15) × 35%
20 < P < 25	(P - 15) × 35%	1.75 + (P - 20) × 45%
P > 25	3.5 + (P - 25) × 40%	4.0 + (P - 25) × 65%

The export tariff rate on crude oil is revised every two months. For example, the export tariff rate for December–January is calculated in November based on the average price of Urals oil on the international market in September–October.

Dependence of crude oil export tariff rate and mineral extraction tax rate on oil prices (model applied in 2005), USD per barrel
