

## COMPANY MANAGEMENT STRUCTURE





## COMMITTEES OF THE BOARD OF DIRECTORS

### Board of Directors

#### Audit Committee

Herman Gref (Chairman)  
Viktor Blazheev  
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

Igor Ivanov (Chairman)  
Ravil Maganov  
Donald Wallete Jr  
Richard Matzke

#### 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 (Chairman)  
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.

## LUKOIL FINANCIAL POLICY AND SECURITIES

### Financial policy

The main strategic mission of LUKOIL Group is to increase shareholder value. The Company therefore pursues a finance and credit policy aimed at minimizing the cost of capital deployed at reasonable risk levels. LUKOIL's finance and credit policy is tough and well-balanced, with strict controls over the volume and structure of Company debt. The policy includes a linkage between the scale of Company debt and the scale of its business.

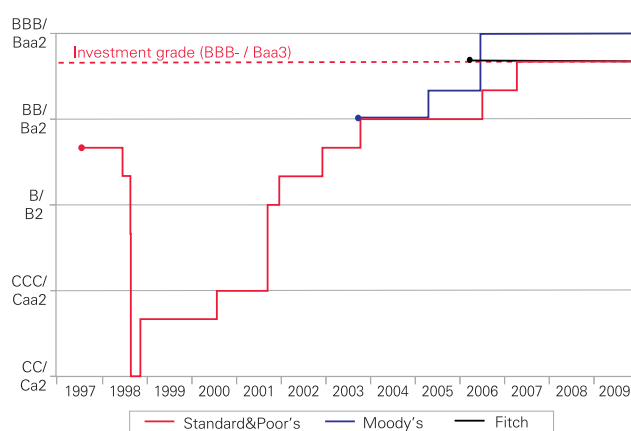
In its financial policy LUKOIL strives to maintain the following ratios:

- Debt to capital – less than 30%
- Secured debt to total debt – less than 20%
- Total borrowings to EBITDA – less than 300%
- Net debt to equity – less than 55%
- Interest expense to EBITDA – less than 25%

### History of corporate borrowings

LUKOIL makes borrowings on Russian and international capital markets in order to achieve objectives of its financial and credit

Dynamics of LUKOIL credit rating



policy and, most importantly, to reduce the cost of capital in use. The market views the Company as a highly dependable borrower and offers LUKOIL better debt financing terms than are available to other privately owned Russian companies.

### Bonds

Date		Maturity, years	Face value, roubles	Quantity, th. units	Annual coupon, %	Type of placement	Current status
13.07.95	Registered non-documentary bonds convertible to common shares	1	5,000	460	–	Open subscription	Cancelled at conversion in 1996 (1 bond=170 shares)
17.05.99	Documentary bearer bonds	4	1,000	3,000	6*	Open subscription	Redeemed in 2003
16.04.04	Documentary bearer bonds	5	1,000	6,000	7.25	Open subscription	Redeemed in 2009
23.11.06	Documentary bearer bonds	5	1,000	8,000	7.1	Open subscription	Placed
23.11.06	Documentary bearer bonds	7	1,000	6,000	7.4	Open subscription	Placed
Not-registered	Documentary bearer bonds	3	1,000	25,000	13.35	Open subscription	Placed
Not registered	Documentary bearer bonds	3	1,000	10,000	9.20	Open subscription	Placed
Not registered	Documentary bearer bonds	1	1,000	15,000	13,50	Open subscription	Placed

\* Rate was subject to change depending on the dollar exchange rate.

### Eurobonds

Date		Maturity, years	Face value, USD	Quantity, th. units	Annual coupon, %	Current status
06.05.97	Convertible eurobonds	5	1,000	230	3.5	Redeemed in 2002