PRESS RELEASE
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OAO LUKOIL BOARD OF DIRECTORS APPROVES THE REGULATIONS ON LONG-TERM INCENTIVES FOR ITS EMPLOYEES

A meeting of OAO LUKOIL Board of Directors was held in Moscow today to approve the Regulations on long-term incentives for employees of OAO LUKOIL and its subsidiaries.

The Regulations have been formulated as the contract term of the Employee Restricted Share Plan for the employees of OAO LUKOIL and its subsidiaries comes to an end on 31 December 2006. The Regulations are aimed at maintaining continuous and stable incentives for the employees and ensuring their interest in the growth of the Company's capitalization in next three-year period (2007-2009).

The Regulations extend to the executives of the Company, heads of subsidiaries, and certain employees by decision of the Board of Directors of the Company. The number of participants of the program increased from 100 to 500.

In accordance with the Regulations, employees are assigned phantom shares. The date of assignment of phantom shares to employees will be 9 January 2007. Total number of phantom shares 14,105,000.

Long-term bonus payments to employees consist of two parts:

1. bonuses in the form of dividends paid annually on employees' phantom shares. The amount of this bonus is determined as the product of the number of the employee's phantom shares and the size of the dividend per share announced at the annual general meeting of shareholders. This part of the bonus is paid based on the results for 2007, 2008, and 2009;

2. bonus determined using the formula:

$S = K (C2 – C1)$, where

K – quantity of phantom shares of the employee;

C1 – weighted-average price of LUKOIL shares on the RTS for December 2006;

C2 – weighted-average price of LUKOIL shares on the RTS for December 2009.

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This part of the bonus is accrued on the expiration of three years from the date the phantom shares were assigned.

The issue on long-term incentives for employees has been previously reviewed by the HR and Compensation Committee of the Board of Directors of LUKOIL.