

TENTATIVELY APPROVED
by the Board of Directors of the Open Joint Stock Company
“Oil company “LUKOIL”
Minutes No. 10 of 18 May 2010

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

[stamp]

Annual Report
of Open Joint Stock Company
“Oil company “LUKOIL”
for 2009

Acting President R.U. Maganov _____
(signature)

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 represent forward-looking statements. These statements include, specifically:
 - plans and forecasts relating to income, profits (losses), earnings (losses) per share, dividends, capital structure, other financial indicators and ratios;
 - the plans, goals and objectives of OAO “LUKOIL”, including those related to products and services;
 - future economic indicators;
 - the prerequisites on which the statements are based.
- Words such as “believes”, “expects”, “assumes”, “plans”, “intends”, “anticipates” and others are used in those cases when we are talking about forward-looking statements. However, the proposed options for solving the problems included in the statements are neither singular nor exclusive.
- Forward-looking statements inherently imply certain unavoidable risks and ambiguous issues, both general and specific. There is a risk that the plans, expectations, forecasts, and some of the forward-looking statements will not be realized. Due to a number of different factors, the actual results may differ materially from the plans, goals, expectations, assessments and intentions expressed in such statements.

ОАО “ЛУКОЙЛ” – the corporate centre of the LUKOIL Group

Open Joint Stock Company “Oil company “LUKOIL” (abbreviated trade name ОАО “LUKOIL”) (hereinafter also the “Company”) was founded in accordance with Resolution of the Council of Ministers of the Government of the Russian Federation No. 299 of 5 April 1993 *On Founding Open Joint Stock Company “Oil Company “LUKoil” in Execution of Decree of the President of the Russian Federation No. 1403 of 17 November 1992.*

ОАО “ЛУКОЙЛ” is one of the leading vertically integrated oil companies in Russia. ОАО “ЛУКОЙЛ” is the corporate centre of the LUKOIL Group (hereinafter the “Group”), and coordinates the activity of the organisations included in the Group, facilitating the continued growth and globalisation of the LUKOIL Group’s business.

One of the main functions of the corporate centre is coordination and management of organisational, investment and financial processes at Company subsidiaries. The corporate centre is focused on achieving the maximum level of transparency of decision-making procedures inside the Group, safeguarding the interests of shareholders, and improving the overall investment appeal of ОАО “ЛУКОЙЛ”.

To enhance the transparency and accessibility of information for shareholders and potential investors, the corporate centre supports corporate governance best practices within the Group.

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

At present the main activities of LUKOIL Group organisations are operations involving the exploration, production and sale of oil and gas, and the manufacture and sale of petroleum products. The Company has been developing its power generation sector since 2007.

The net profit of ОАО “ЛУКОЙЛ” under Russian accounting standards and the value of net assets of ОАО “ЛУКОЙЛ” in 2009 equalled RUB 45,147,922 thousand and RUB 330,801,217 thousand, respectively (at year end). The majority of ОАО “ЛУКОЙЛ’s” profit in the reporting year was received from the Downstream operating segment.

Pre-tax profits were RUB 53,962,446 thousand (versus RUB 88,314,695 thousand in 2008).

Due to the geographic location of its sales markets, the Company received the majority of its sales revenue (more than 60%) from the sale of products in the Russian Federation.

| Indicator | Segments | | |
|-------------------------|---|--------------------|-----------------------|
| | Former Soviet republics and other foreign countries | Russian Federation | Total for the Company |
| Sales revenue, RUB '000 | 201,026,069 | 335,681,998 | 536,708,067 |

As of 31 December 2009, more than 50,000 legal entities and individuals are Company shareholders.

The charter capital of OAO "LUKOIL" equals RUB 21,264,081.375, 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.

Due to the crisis on global financial markets and the global economic recession, Company management's activity has been aimed at ensuring the regular development and maintaining the stability of LUKOIL Group organisations.

The Board of Directors of OAO "LUKOIL" outlined the following main tasks *in the Exploration and Production business segment* for 2009:

- Ensuring the performance of the geological exploration programme and the set of geological engineering measures necessary to support oil and gas production;
- Increasing the level of use of petroleum gas in the Russian Federation to 74% in 2009;
- Continued development of the deposits discovered on the shelf of the Caspian Sea, receipt of the first commercial oil at the Yu. Korchagin field;
- Implementation of the development programme and commissioning of the Pyakyakhinskoe oil and gas condensate field;
- Improving operating efficiency, including through the implementation of energy-saving programmes, unconditional compliance with budget-approved limits on operating and investment expenses, and performance of cost-cutting measures to lower the cost of the work and services of suppliers and contractors to at least the level at the beginning of 2008.

in the Refining and Marketing business segment:

- Continued implementation of the programme for development of the production and sale of name brand products in 2009, and for product launch of EKTO-98 gasoline;
- Transition to the production of fuels that meet Euro-5 standards at the LUKOIL Group's foreign refineries PETROTEL-LUKOIL S.A. and LUKOIL Neftekhim Burgas AD (hereinafter also "LUKOIL Group refineries" or "Refineries");
- Organisation of regular, uninterrupted placement of petroleum and gas products in the most cost-efficient way possible, and operational management of the balance of petroleum products for rapid response to a change in the situation on the petroleum products market;
- Improving the operating efficiency of companies in the business segment, including through the cutting of costs, staff optimisation, and an improvement in the Refineries' competitive indicators;
- Integration of the marketing assets of AKPET into the Company's business, and launch of sales of natural gas in Turkey;
- Bringing the existing structure of the Power Generation business segment into line with the approved Target Structure.

One of the most important results of 2009 was the Company's win in the tender to develop the Western Qurna-2 field in Iraq.

Events in 2009

FEBRUARY

LUKOIL obtains an unsecured credit of €1 billion from Gazprombank with three year maturity, as well as two credits, for \$500 million and 17 billion roubles (about \$500 million), with one year maturity from Sberbank. The money will be used for general corporate purposes, including provision of loans to Company subsidiaries and affiliates, refinancing of outstanding debt and replenishment of working capital.

LUKOIL approves an R&D coordination program for 2009, a medium-term R&D development program for 2010–2011, and a standardization program for 2009–2011. The program for 2009 includes execution of more than 800 scientific-research, design-and-testing, and technology tasks in the sphere of field exploration and development, as well as provision of scientific and technical services. A total of 3 billion roubles (about \$100 million) have been allocated for the program. Financing of the medium-term R&D development program, the first such program ever prepared by the Group, is in excess of 7 billion roubles (over \$200 million). About 90% of all spending as part of the one-year and medium-term programs will be on the Exploration & Production segment.

MARCH

LUKOIL and the Russian steel maker, Novolipetsk Steel (NLMK), sign a three-year agreement on cooperation and technical partnership. In accordance with the agreement, the companies will conduct a unified technical policy in development of lubricants and special-purpose liquids to achieve their full compliance with international requirements for performance and environmental safety. The companies also plan to work together on a program for substitution of lubricants and special-purpose liquids, which NLMK now imports, by LUKOIL-branded products, which have permits and approvals from leading international manufacturers of industrial equipment and vehicles.

APRIL

LUKOIL begins drilling of the first production well at the Pyakyakhinskoye gas-condensate field. The Company plans to drill 55 production wells at the field in the medium term, and commercial launch is scheduled in the fourth quarter of 2011. Hydrocarbons produced at the Pyakyakhinskoye field will be transported via a 126 km pipeline, which will be built to the Nakhodkinskoye field and a 160 km pipeline to the Vankor field. Proved reserves at the Pyakyakhinskoye field at the end of 2009 were 70 million barrels of oil and condensate and 1.9 trillion cubic feet of gas.

The LUKOIL Management Committee approves the Company's environmental program for 2009–2013. The program includes 483 measures at total cost of 58 billion roubles (about \$1.8 billion). The aim of the program is to improve the Company's environmental management system and minimize negative impact of the Company's production operations on the environment. The program includes measures to minimize formation of waste in the process of production and to utilize that waste, as well as greater utilization of associated gas and implementation of projects using mechanisms of the Kyoto Protocol, aiming to achieve environmental impact levels, which match requirements of national and international legislation.

LUKOIL and the Russian carmaker, AvtoVAZ, sign a general cooperation and technical partnership agreement for 2009–2012. The agreement includes provisions for supplies of gasoline, diesel fuel, and LUKOIL-branded engine and transmission oils for first filling of AvtoVAZ cars. The document also envisages a unified technical policy for raising quality of fuel and lubricants to ensure their compliance with modern international requirements for performance and environmental safety.

MAY

LUKOIL ranks among the Top-5 European oil & gas companies for loyalty to shareholders as a result of research by the authoritative magazine, Institutional Investor. The publication carries out an annual assessment of the standard of companies' shareholder relations through a survey of more than 300 analysts and portfolio investors, representing more than 200 financial groups with total investments in European assets in excess of \$2.4 trillion.

JUNE

LUKOIL Group signs an agreement to acquire 45% of TOTAL Raffinaderij Nederland N.V. (TRN), a refinery in the Netherlands, from TOTAL S.A. The deal was completed in September 2009 and its final value was about \$700 million. The refinery is managed on a processing-service basis. The Company will supply crude oil and other raw materials in proportion to its ownership stake and receive petroleum products. The refinery has access to transport infrastructure, including the Maasvlakte Olie terminal, also in the Netherlands, in which TRN has a 22% stake.

LUKOIL successfully completes placement on the MICEX of a bond issue with value of 15 billion roubles (about \$500 million) and maturity of 364 days. Total demand was 35 billion roubles (over \$1.1 billion). After the order book had been completed, the coupon was set at 13.5% per annum. Funds from the placement were used for replenishment of working capital.

LUKOIL holds its Annual General Meeting of Shareholders, at which the Annual Report for 2008 and annual financial statements, including the statement of income, are approved. Shareholders approved payment of dividends for 2008 at a level of 50 roubles per common share (compared with 42 roubles per share for 2007). The AGM confirmed levels of remuneration and compensation of costs for members of the Board of Directors and Internal Audit Commission, elected members of the Board of Directors and Internal Audit Commission, and approved a transaction with interest.

AUGUST

LUKOIL places bonds to the value of 25 billion roubles (about \$800 million) on the MICEX. The bonds have maturity of 1,092 days and a coupon period of 182 days with 13.35% annualized coupon. There were 126 investor offerings for coupons in the book-building period, varying between 12.3% and 14.5% per annum. Total demand was over 65 billion roubles (over \$2 billion). The placement is the largest ever by LUKOIL on the rouble debt market.

LUKOIL obtains a \$1.2 billion credit from a syndicate of international banks. The credit is for 3 years at LIBOR + 4% annualized, and is secured by oil export contracts. The borrowing was used by the Company for general corporate purposes, refinancing of existing financial debt, and financing of operations associated with oil exports.

LUKOIL and Bashneft sign a basic agreement on cooperation for the period until August 1, 2010. The document provides for long-term and mutually beneficial relations between the parties, their subsidiaries and authorized operators in delivery of oil produced by LUKOIL for processing at the Ufa group of refineries, and reciprocal deliveries of petroleum products and petrochemicals for export and sale on the Russian domestic market.

SEPTEMBER

LUKOIL publishes its Sustainable Development Report for 2007–2008. The document provides information on main trends and indicators reflecting operating, social and environmental activities by the Company in the regions of its presence: Western Siberia, Perm Territory, Kaliningrad, Volgograd, Astrakhan and Nizhny Novgorod regions, the Komi Republic and Nenets Autonomous District. International documents used in preparation of the Report include the AA1000 standard (1999), the Guide to Sustainable Development Reporting (produced by the Global Reporting Initiative) and the Global Compact, as well as the Social Charter of Russian Business.

LUKOIL Group commissions an isomerisation unit at the Ukhta Refinery. The unit, which is for production of the high-octane component in gasoline (free from sulphur compounds, benzol and aromatics) enabled the Ukhta Refinery to commence production of automotive gasolines, which comply with the Euro-3 and Euro-4 environmental standards. The unit has input capacity of 120,000 tonnes per year. Investments for its construction were about \$40 million.

LUKOIL takes first place in a ranking of the country's 75 biggest companies by criteria of social responsibility, prepared by Trud newspaper, the Agency for Political and Economic Communications, and the Russian Anti-crisis Forum. For purposes of the ranking 'social responsibility' is understood to mean creation and preservation of jobs, tax discipline, delivering on commitments to employees, and helping to maintain social infrastructure in Russian regions. The ranking is based on results of a survey of 26 experts, including representatives of trade unions and business associations, economists, sociologists, political scientists and publicists.

LUKOIL and the Ministry of Economic Development of Russia sign a cooperation agreement. The document calls for mutual assistance in the field of cooperation with international fuel & energy organizations and foreign oil & gas companies, and participation in energy conferences, forums and other international public events. In accordance with the agreement, the Ministry of Economic Development of Russia will help the Company to protect its lawful interests in conduct of foreign business, and will include Company specialists in expert groups as part of inter-governmental commissions. LUKOIL will reciprocate by providing consulting support to the Ministry of Economic Development of Russia in preparation of government proposals concerning development of relationships with foreign countries and international organizations in the fuel & energy sector.

Six senior managers of LUKOIL Group organizations are included in a rating of the 1,000 most professional managers in Russia, compiled by the Association of Russian Managers and Kommersant newspaper. The rating identifies the most professional managers and leaders in specific sectors of the economy and specific roles.

OCTOBER

LUKOIL and the Russian Corporation of Nanotechnologies (RUSNANO) sign a general agreement on strategic partnership. In accordance with the document, the sides will develop cooperation in commercialization of nanotechnologies and their use in the oil & gas sector, including LUKOIL Group enterprises, and will define priority projects and regions for conduct of industrial testing of promising nanotechnologies at Company production sites.

The authoritative international publication, Business Insurance, rates LUKOIL's business insurance and risk management arrangements as the best in the business. The magazine found that western underwriters view LUKOIL's approach to risk management and organization of insurance protection as exemplary and recommend it to other energy companies.

The Company launches new premium-class fuel brands, EKTO Plus (octane number 95) and EKTO Sport (octane number 98). A multi-functional package of additives in the new gasolines gives extra engine power and lower fuel consumption, as well as extending engine life and reducing CO₂ emissions. High standard and improved performance qualities of EKTO Plus and EKTO Sport have been attested by the independent UK test centre, Tickford Power Train Test.

NOVEMBER

LUKOIL launches a new sulphuric acid alkylation unit with capacity of 300,000 tonnes per year at the Burgas Refinery. Commissioning of the new unit enables complete decommissioning of the Refinery's old sulphuric acid alkylation unit with 215,000 tonnes annual capacity. Investments in the new equipment were over \$90 million. The unit was designed using the latest technologies, enabling substantial increase of the alkylate octane number and improvement in quality of gasoline output, as well as reducing atmospheric pollution and consumption of energy, materials and reagents in the production process.

LUKOIL places two Eurobond tranches with total value of \$1.5 billion. The first tranche of \$900 million is placed at 6.375% per annum, maturing in 2014; the second tranche of \$600 million is placed at 7.250% per annum, maturing in 2019. Money raised in the placement is used for general corporate purposes, including settlement of outstanding debt.

The Company takes 8th place among oil & gas companies in Europe, the Middle East and Africa, and 12th place among worldwide industry leaders in the 'Top 250 Global Energy Companies' rating by the American energy agency, Platts. Companies were assessed by four main indicators: scale of assets, sales, net income and return on capital employed. LUKOIL's rankings in previous years were: 8th and 11th in 2008; 6th and 11th in 2007; and 6th and 15th in 2006.

LUKOIL wins the competition for corporate annual reports, held by the RTS stock exchange. The company took first prize in three nominations: 'Best presentation of investment attractiveness in an annual report', 'Best annual report in the Central Federal District', and 'Best information disclosure in an annual report by a company with capitalization over 100 billion roubles'. Competition participants were 125 companies from nearly all sectors of the economy. LUKOIL also won nominations at the federal competition for annual reports and internet sites, held by Securities Market magazine and the MICEX stock exchange: LUKOIL was recognized for 'Best level of information disclosure for investors on a corporate internet site' and 'Best level of information disclosure in an annual report in English'.

LUKOIL wins a nomination for 'Best petroleum products supplied to Russian consumers', based on research into the Russian retail market in 2008, carried out by the company InfoTEK-Consult. The Company was commended for its major contribution to improving the quality of Russian petroleum products.

The Board of Directors of LUKOIL approves the Program for Strategic Development of LUKOIL Group for 2010–2019. The Program sets the following priorities for LUKOIL Group: sustainable growth of free cash flow; growth of hydrocarbon production; full replacement of production by new reserves at lower cost than competitors; and geographical diversification of hydrocarbon production. The main tools for achieving these tasks are to be improved labour productivity, greater energy efficiency, control of capital expenditures, simplification of organizational structure, and divestment of non-core businesses.

DECEMBER

LUKOIL completes purchase from BP's subsidiary of a 46% stake in the joint venture, LUKARCO B.V., which is developing the Tengiz and Korolevskoye fields in Kazakhstan. The acquisition raises the Company's share in LUKARCO B.V. to 100%. Total value of the deal is \$1.6 billion. The first payment of \$300 million was made in December 2009, the rest is to be paid in next two years. The acquisition increases the Company's proved reserves by 102 million barrels of oil and 130 billion cubic feet of gas, and gives an increase of daily oil production by more than 13,000 barrels.

A consortium of LUKOIL and the Norwegian company Statoil wins the tendering competition for rights to develop the West Qurna-2 field in Iraq. LUKOIL and Statoil made the most attractive tender, including a remuneration fee of \$1.15 per barrel produced above an agreed production level of 1.8 million barrels per day. Terms of the tender require 25% of shares in the consortium to be transferred to an Iraqi state company, so the LUKOIL stake will be 56.25% and the Statoil stake will be 18.75%. Recoverable reserves of oil at the field are estimated at 13 billion barrels.

LUKOIL begins production drilling at the Yu. Korchagin field in the Caspian Sea. The Company began field construction at sea in April 2009, towing the jacket for a fixed ice-resistant offshore platform from the port of Astrakhan. Living quarters were built onto the jacket in May. In August work was completed on a jetty for loading of oil from an underwater pipeline into a floating reservoir and onto shuttle tankers. In September a floating reservoir was installed at the field for loading of shuttle tankers and transportation of oil produced at the field. A fixed ice-resistant offshore platform with drilling unit was built for drilling of wells to a depth of 7,400 meters. A total of 33 production wells, 3 water injection wells and 1 gas injection well will be drilled at the field. The first oil was obtained at the field in the second quarter of 2010. Maximum annual output levels will be 2.5 million tonnes of oil and 1 billion cubic meters of gas. 3P hydrocarbon reserves are estimated at 274 million boe.

LUKOIL places bonds to the value of 10 billion roubles (more than \$300 million). The bonds have maturity of 1,092 days, a 182-day coupon period and coupon rate of 9.2% per annum. 52 investor offerings were received during book building at coupon rates from 9% to 9.7%, and total demand was in excess of 17 billion roubles (over \$500 million).

Exploration & Production

Strategy

- Creating potential for long-term Company growth through reserve replacement in traditional production regions and accelerated development of new production regions in Russia and abroad.
- Improving efficiency of geological exploration by careful selection of projects and use of the latest technologies.
- Steady increase of hydrocarbon production in the medium term.
- Improvement of production indicators and efficient control over lifting costs through application of the latest technologies, and through optimization of the well stock and field development systems.
- Application of financial criteria to assess projects and business results, and to optimize the asset portfolio.

LUKOIL maintained its focus on efficient development of the Exploration & Production segment in 2009 and achieved substantial results.

We significantly raised the average daily level of oil production (by 2.7%), thanks mainly to rapid development of the Yuzhnaya Khylochuya field. Total daily production of hydrocarbons was 2.212 million boe. The Company maintained tight financial discipline, reducing capital expenditures in the E&P segment by more than 40% compared with 2008 to 4,687 million dollars as part of an anti-crisis program. Operating expenses were also lowered: hydrocarbon lifting costs fell by 14% to \$3.56 per boe.

Thanks to the Company's efforts at business optimization, net profit in the E&P segment was \$5,456 million.

The Company obtained development rights for the West Qurna-2 field in Iraq in 2009. This is an important event, which we worked for many years to achieve. West Qurna-2 is a strategic project for the Company and supports growth of its shareholder value.

Price and Tax Environment

Crude Oil Market

Oil prices fluctuated in a corridor between \$40 and \$50 per barrel in January-April 2009 after falling below \$35 per barrel at the end of 2008. Main supportive factors were coordinated actions by OPEC to cut production, the gas conflict between Russia and Ukraine, and the military operation by Israel in the Gaza Strip. High levels of commercial oil stocks worldwide, weak demand, and fears of further worsening of the economic situation exerted negative pressure on oil prices. Prices for oil began to grow from May, supported by better economic statistics. US commercial stocks, which had peaked in April, began to decline. Measures taken by several developed and developing countries to stimulate their economies (including the USA and China) began to bear fruit, and rates of economic decline slowed down. The more optimistic mood encouraged investors to move out of dollar assets into higher-risk assets, causing decline in value of the US currency and nominal increase of oil prices. As a result, oil prices stayed in a range of \$60–80 per barrel until the end of the year. Any move towards higher price levels was held back by lack of confidence among market participants about rapid recovery of the world economy and strengthening of energy demand. But price falls were also due averted thanks to efforts by OPEC to hold back growth of output. Macroeconomic indicators, particularly in China, also helped to support the market.

The average price for Brent crude in 2009 was \$61.7 per barrel, 36.6% lower than in 2008.

About 94% of production by LUKOIL Group in 2009 was in Russia, so prices for Russian Urals export blend had decisive impact on the Company's financial results. Due to lack of a quality bank in the Transneft pipeline system, oil of any quality delivered through that system is sold at the Urals price, so that Urals is the Company's main crude export. LUKOIL exported over 20% of its oil by-passing the

Transneft system in 2009 compared with 8% in 2008. Growth in the share of deliveries by alternative routes was due to rapid development of the Yuzhnaya Khylochaya field in Timan-Pechora: oil from this field is shipped through the Varandey terminal, which was commissioned by the Company in 2008. These deliveries were valued by factual quality of the oil, giving a premium to the Urals price.

The average price for Urals blend in 2009 was \$61.2 per barrel, which was 35.5% less than in 2008. The average price gap between Urals and Brent in 2009 was \$0.5 per barrel, compared with \$2.5 per barrel a year earlier. The much stronger position of Urals on the world market in 2009 was due to substantial reduction in output of competing crude varieties by OPEC countries. Shortage of semi-heavy sulphurous crude forced refiners to compete for available oil. Narrowing of the price differential was also due to adaptation of the world refining industry to a new level of demand for petroleum products (levels of demand for heavier and lighter crude types are evening out), and increase of margins on fuel oil production. Narrowing of the price gap between types of crude is a positive factor for the Company, enabling it to obtain substantial additional revenue.

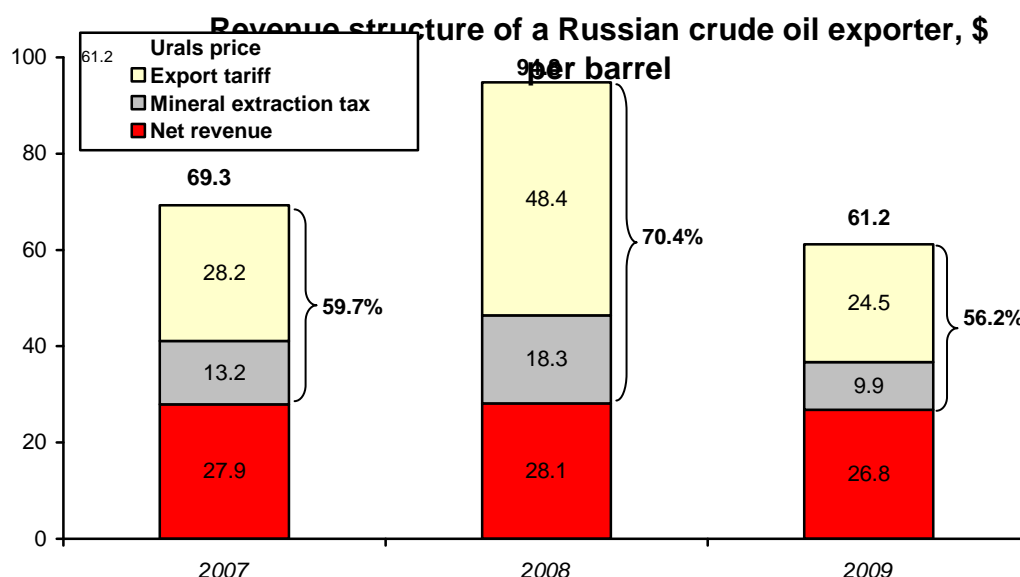
For objective assessment of the market environment, in which the Company operated in 2009, it is important to take account of the tax burden on Russian oil exporters and how it changed in comparison with 2008.

The Company pays mineral extraction tax on its crude production inside Russia. Mineral extraction tax on oil was reduced by 45.8% in dollar terms in 2009, due to lower oil prices and steps taken by the Russian Government in 2008 to lower the tax rate, and the average tax level for the year was \$9.9 per barrel.

The Company pays export tariffs on crude oil exports from Russia calculated using a progressive scale based on Urals prices. Export tariffs on crude oil decreased by 49.3% in 2009 and the average rate for the year was \$24.5 per barrel. It should be noted that changes made by the Russian Government at the end of 2008 to the system for calculating export tariffs rendered the mechanism more efficient and timely (the time lag in calculation of duties was reduced).

The price of Urals oil for a Russian exporter net of taxes (the international market price without export tariffs and mineral extraction tax) was \$26.8 per barrel in 2009. The share of mineral extraction tax and export tariffs in the average annual oil price was 56.2%, which is roughly equal to the average level in the last five years.

LUKOIL pays taxes in international projects based on production sharing agreements (PSAs), concession agreements and current legislation in respective countries. For example, the concession agreement in Egypt makes the Company liable only for income tax and a tax on personnel, with exemption from other taxes, tariffs and duties. Income tax is paid for LUKOIL by the Egyptian General Petroleum Corporation from LUKOIL's share of production. In Kazakhstan a new Tax Code came into force from January 1, 2009. It includes several significant changes with respect to Company projects: taxes paid by the Company are to be governed by current legislation (without possibility of fixing the tax regime as of the date of the legislation becoming effective), making LUKOIL liable for payment of income tax, a tax on super profits, a mineral extraction tax and a progressive rent tax. Taxation of projects regulated by PSAs remains as stated in the agreements. The changes in taxation regimes and lower oil prices led to decline of tax payments in international projects in 2009.



Gas Market

LUKOIL produces most of its gas inside Russia, and as part of the Kandym – Khauzak – Shady project in Uzbekistan, the Karachaganak project in Kazakhstan, and the Shah Deniz project in Azerbaijan.

Marketable gas produced in Russia is sold to Gazprom and directly to Russian consumers. The Company cannot export the gas, which it produces, since Gazprom has a monopoly on gas exports and owns the gas transport system. Gazprom greatly reduced its purchases from independent producers in Russia in 2009 due to lower international demand for gas. The Company therefore reduced production of marketable gas in Russia by 16.9%. There was some recovery of demand towards the end of the year, which led to an increase in production.

The price environment on the Russian gas market was relatively favourable in 2009. Domestic prices for gas remained unchanged despite the sharp fall in oil prices, reflecting Government strategy. As a result the Company's average-weighted price for gas sales to Gazprom and other customers was the same as in the previous year (1,152 roubles per 1,000 cubic meters). However, the domestic gas price was naturally lower than in 2008 in dollar terms.

The Company pays mineral extraction tax for gas in its Russian gas production business. The tax rate for gas remained unchanged in 2009 compared with 2008 at 147 roubles per 1,000 cubic meters.

Production of marketable gas by LUKOIL in international projects rose by 1% in 2009. More than 50% of gas production outside Russia is at the Khauzak-Shady project in Uzbekistan. Gas from Khauzak-Shady is sold at an official price, fixed by agreements between Russia and Uzbekistan. The price in 2009 exceeded \$190 per 1,000 cubic meters. Royalty is paid on production at a rate of 30% as part of the agreement. LUKOIL has a seven-year holiday from income tax, beginning from the start of production, at the end of which income tax will be payable at a preferential rate. The Uzbek Government share in profit production varies depending on the project's internal rate of return for LUKOIL Group, so the effective tax scale is progressive.

Natural gas produced as part of the Karachaganak project in Kazakhstan is supplied to the Orenburg Gas-processing Plant. Taxation in this project is specified by terms of the PSA (see above, 'Price and Tax Environment. Crude Oil Market' on page 12).

Gas produced at the Shah Deniz field is supplied to the domestic market in Azerbaijan and also via the Southern Caucasus pipeline to Georgia and Turkey, where it is sold at market prices. Under terms of the PSA in Azerbaijan, LUKOIL is exempt from payment of taxes in cash on production and export of

gas. The only significant tax paid by the Company is income tax at a fixed rate (the tax is withheld as a share of production).

Inflation and Exchange Rate

LUKOIL Group produces most of its hydrocarbons inside Russia, so a significant part of Company costs are in roubles and change in value of the rouble against the dollar, both nominal and real (taking account of inflation), changes the level of Company costs in dollars. The rouble weakened against the dollar by 12.4% in real terms in 2009, and this was one of the main reasons for reduction in unit costs of hydrocarbon production in Russia, which fell from \$4.11 to \$3.53 per boe, or by 14.1%. The fact that decline of production costs was greater than depreciation of the national currency shows that production optimization, work with suppliers and contractors, and use of the latest technologies enabled the Company to achieve high-quality cost savings in 2009.

Weakening of the rouble in real terms and an anti-crisis program for cost reduction in 2009 were the main reasons for lowering of capital expenditures in the E&P segment in Russia by 42.5%.

Capital expenditures in the international E&P segment declined by 28.3%. The decline was less than in Russia, due to growing scale of Company operations abroad. LUKOIL was also successful in controlling hydrocarbon lifting costs, which decreased by 7.6% in 2009.

Lifting costs declined by 13.6% on average across the Group, from \$4.12 to \$3.56 per boe. Capital expenditures in the E&P segment declined by 40.6% to \$4,687 million.

The Company maintained tight financial discipline in 2009. Work with suppliers and contractors together with weakening of the national currency enabled substantial cost savings in dollar terms.

Acquisition of Assets

The Company continued dynamic increase of its resource potential and production capacities through acquisition of highly efficient assets. Expenditures on asset restructuring and acquisition of new assets in the E&P segment were \$544 million in 2009.

The main acquisition by the Group was of a 46% stake in the joint venture LUKARCO B.V. from a subsidiary of BP. As a result, LUKOIL now owns 100% of LUKARCO B.V. Value of the transaction was \$1.6 billion, to be paid over the next two years (the first tranche of \$300 million was paid in December 2009).

LUKARCO B.V. owns 5% of the joint venture, Tengizchevroil, which develops the Tegniz and Korolevskoye fields in Kazakhstan. The transaction increased proved reserves of LUKOIL by 102 million barrels of oil and 130 billion cubic feet of gas, while the increase in production was more than 13,000 barrels per day.

LUKARCO B.V. also owns 12.5% of the Caspian Pipeline Consortium (CPC), which transports oil from Kazakh and Russian fields to the oil terminal at Novorossiysk. Physical throughput capacity of the CPC is currently 28.2 million tonnes per year and will be increased to 67 million tonnes per year in the future.

Consolidation of 100% in LUKARCO B.V. is of great importance, since it strengthens Company positions in the strategically important Caspian region.

Also in 2009 a consortium between LUKOIL and Statoil won a tender for development rights for the huge West Qurna-2 field in Iraq. Recoverable reserves at the field are estimated at 13 billion barrels of oil (see details on page 33).

Optimization of Corporate Structure and Consolidation

LUKOIL pursued optimization of its corporate structure in 2009 in order to improve efficiency of business management at its subsidiaries and to reduce administrative expenses.

The Group consolidated 100% of its subsidiary, OAO RITEK, by purchase of about 25% of shares in the subsidiary. RITEK specializes in oil production in the European part of Russia and in Western Siberia and also has major R&D activities.

The Group made cost savings and reduced the headcount by disposal of 10 service companies, which were previously part of LUKOIL-Western Siberia. The disposal is part of Group strategy for withdrawal of non-core assets.

LUKOIL carried out a major restructuring of its electricity generating assets. The Group's stake in UGK TKG-8 was increased from 95.53% to 100% by purchase of shares from minorities and UGK TKG-8 itself was converted from an open joint-stock company into a limited liability company. Stakes in the generator, which had previously belonged to companies within the Group, were transferred to the parent company, OAO LUKOIL.

Licensing

The Company successfully addressed a number of tasks associated with licensing during 2009: obtaining new licenses for mineral resource exploitation; securing reissue of licenses to reflect reorganization of subsidiary companies; changing and adding to conditions of use of mineral resources; extending the duration of licenses up to full field depletion; and optimizing the license portfolio.

There were 413 licenses on the balance of LUKOIL Group companies at the end of 2009, of which 337 were for exploration and production of hydrocarbons, 56 were for geological studies, exploration and production, and 20 were for geological study, including prospecting and evaluation of mineral fields.

The Company obtained 9 new licenses for use of mineral resources in 2009, of which 4 were based on proof of a field discovery, and 5 were obtained through auctions and competitions. Spending on license acquisitions was \$40 million.

A total of 6 licenses for use of mineral resources were reissued during 2009 in connection with ongoing optimization of corporate structure of LUKOIL Group.

The Group registered 33 additions to licenses in 2009 in order to extend their period of validity. Work also continued on amendments and additions to current license agreements. A total of 54 additions were obtained to reflect changes in geological exploration schedules, clarification of borders of license areas, confirmation of ownership rights to production from 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

Reserve replacement is fundamental to long-term, sustainable development of the Company. LUKOIL Group carries out extensive geological exploration work in Russia and abroad in order to increase its reserves, and also monitors new projects and assets, which could represent acquisition targets, on a constant basis.

According to data audited by Miller and Lents (USA), the Company's proved reserves of hydrocarbons as of January 1, 2010 were 17.504 billion boe, consisting of 13.696 billion barrels of oil and 22.850 trillion cubic feet of gas.

The audit was carried out to the standards of the US Securities and Exchange Commission (SEC). The Company decided to adopt SEC standards for measurement of reserves in order to ensure greater transparency and comparability with respect to competitors.

The greater part of the Company's proved reserves of oil are in Western Siberia, Timan-Pechora and the Urals region. The main part of proved gas reserves are in the Bolshekhetskaya Depression, Uzbekistan and the Caspian region. 58% of Company proved reserves are in development (64% of oil reserves and 34% of gas reserves). This reserve structure reflects large potential of the Company to increase production in the medium term, particularly production of gas.

Most of the Company's proved hydrocarbon reserves are conventional. Only about 4% of the total represent high-viscosity oil and 4% are at offshore fields. This reserve structure enables the Company to ensure efficient control of development costs and to bring new fields into production rapidly.

Reserve appraisal was carried out with due account for changes to field development plans, as set out in the LUKOIL Group Program for Strategic Development in 2010–2019.

In accordance with SEC requirements, proved reserves that are not in development can only be recognized if there is an approved development plan. The plan must stipulate that development of the

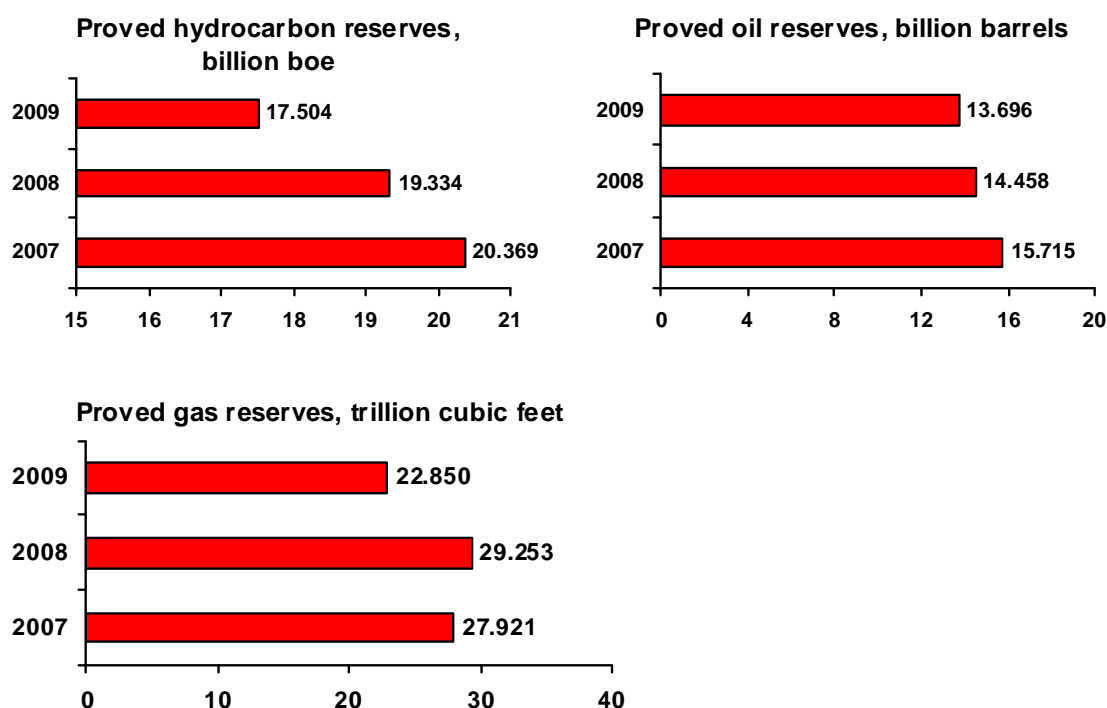
relevant reserves will start within five years, unless specific circumstances justify a longer period before the start of development. In order to take account of changes to development plans and launch schedules for several fields, the Company reclassified 1.8 billion boe of proved reserves as lower-category reserves and as conditional resources (most of the reclassified reserves are gas, reflecting changes to launch schedules for a number of Caspian projects). The Company believes that these volumes may be transferred back to the proved reserve category as development launch times approach.

Growth of proved reserves in 2009 due to geological exploration work, production drilling and acquisitions was 782 million boe, representing 95% of production during the year. Growth due to geological exploration work and production drilling was 617 million boe, and 165 million boe were added as a result of acquisitions. So organic growth of hydrocarbon reserves compensated about 75% of production (75% for oil and 73% for gas). Most of the organic growth of proved oil reserves was obtained in Western Siberia (55% of the total) and the Caspian region (24% of the total). Most of organic growth in proved gas reserves was obtained in the Caspian region (16% of the total) and in two international projects: Kandym – Khauzak – Shady and Shah Deniz (63% of the total).

The main acquisition in 2009 was 46% of LUKARCO B.V., owner of a 5% stake in the joint venture, Tengizchevroil, which is developing the Tengiz and Korolevskoye fields in Kazakhstan. The transaction increased the Company's proved reserves by 102 million barrels of oil and 130 billion cubic feet of gas.

Reserves at the West Qurna-2 field were not included in reserve appraisal because the contract for development and production at that field was signed after the appraisal date. The Company plans to include its share of reserves at West Qurna-2 in the next appraisal and audit of hydrocarbon reserves.

As can be seen, LUKOIL remains one of the Russian and international leaders by volume of proved hydrocarbon reserves. The Company's ratio of proved hydrocarbon reserves to production is 21 years (19 years for oil and 37 years for gas).



Oil & Gas Reserves of LUKOIL Group

| January 1, 2010 | Oil | Gas | Hydrocarbons* |
|-----------------|-----------------|--------------------|---------------|
| | million barrels | billion cubic feet | million boe |

| | | | |
|--------------------------|---------------|---------------|---------------|
| Proved reserves | 13,696 | 22,850 | 17,504 |
| of which: | | | |
| Developed | 8,827 | 7,795 | 10,126 |
| Undeveloped | 4,868 | 15,055 | 7,377 |
| Probable reserves | 7,293 | 15,163 | 9,820 |
| Possible reserves | 3,683 | 8,226 | 5,054 |

*the ratio used for recalculation of cubic feet as barrels of oil equivalent (boe) is:

1 boe = 6,000 cubic feet.

Proved Oil & Gas Reserves of LUKOIL Group by Regions in 2009

| | Oil | Gas | Share in |
|----------------------------|---------|------------|-------------|
| | million | billion | hydrocarbon |
| | barrels | cubic feet | reserves |
| Western Siberia | 7,305 | 1,899 | 43.6% |
| Urals | 2,040 | 505 | 12.1% |
| Volga | 219 | 163 | 1.4% |
| Northern Caspian | 450 | 1,191 | 3.7% |
| Timan-Pechora | 2,649 | 515 | 15.6% |
| Bolshekhetskaya Depression | 187 | 11,658 | 12.2% |
| International projects | 616 | 6,911 | 10.1% |
| Other | 230 | 8 | 1.3% |
| TOTAL | 13,696 | 22,850 | |

Geological Exploration

The chief objective of LUKOIL'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, the Northern Caspian and the Bolshekhetskaya Depression). The Company maximizes efficiency of its geological exploration work by use of the latest technologies.

Most of the Company's geological oil & gas exploration work in 2009 was concentrated in Western Siberia, Perm territory, Volgograd Region and Timan-Pechora. The Company's largest prospecting projects in 2009 were further exploration work at the Tsentralno-Astrakhanskoye gas and condensate field, study of geological structure and oil & gas potential at the Denisovskaya Depression in Timan-Pechora, and study of oil & gas potential at sites, which are part of the Riyadh (Block A) project in Saudi Arabia.

The Company carried out 2,446 km of 2D seismic and 4,548 km² of 3D seismic during 2009 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 Company has improved quality of its seismic exploration work and speeded up processing and interpretation of data, mainly thanks to use of the latest IT solutions. High quality of seismic exploration keeps the average success rate of exploration drilling across the Group at a level above 70%.

Geoelectric exploration totalled 2,267 km in 2009. Vertical seismic profiling, which details the geological structure around a drilled well, was carried out at 9 wells. Total exploration drilling in 2009 was 79,600 meters and efficiency of exploration work rose from 929 to 1,612 tonnes of reference fuel per meter drilled. LUKOIL completed 33 prospecting and exploration wells in 2009, of which 24 were productive. The success rate of prospecting and exploration drilling was 73%.

One new field was discovered in 2009 (the Timerovskoye field in Tatarstan) as well as 17 new deposits at previously discovered fields.

Increase of proved reserves under international classification during 2009 through geological exploration and additional information obtained in the course of production drilling amounted to 617 million boe. Most of the growth of liquid hydrocarbon reserves as a result of geological exploration work was in Western Siberia. Spending by LUKOIL Group on geological exploration work totalled \$394 million in 2009.

Russia

Exploration drilling in Russia in 2009 totalled 62,900 meters, 2D seismic exploration was 2,325 km and 3D seismic was 2,375 km². Spending on geological exploration in Russia was \$172 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. Although reserves in the region have been extensively explored, geological exploration work there is highly efficient and successful.

Exploration drilling in the District totalled 29,400 meters in 2009 and 17 wells were completed, of which 11 were productive. The success rate of exploration drilling was 65%. The main task in the reporting year was study of oil & gas potential of Neocomian, Achimian and Jurassic sediments in the vicinity of earlier discoveries. The Company carried out 503 km of 2D seismic and 1,577 km² of 3D seismic. Most of the work was in peripheral areas of large fields, and was aimed at detailing oil & gas contours and identifying oil saturation in strata ahead of production drilling. A total of 12 new oil deposits were found at previously discovered fields in the District during 2009. Reserve growth was mainly due to 3D seismic work and exploration drilling at the Urevskoye, Vostochno-Perevalnoye, Mortymya-Teterevskoye, Tevlinisko-Russkinskoye, Kochevskoye, Klyuchevoye and Pokachevskoye fields. The Company's proved hydrocarbon reserves to SEC standards in Khanty-Mansiysk Autonomous District-Yugra were 7.5 billion boe by the end of 2009. Strong flows of oil were obtained at several fields.

A gushing flow of oil (1,200 barrels per day) was obtained from testing of a well at the Severo-Pokamasovskoye field. Proved reserves of oil at the field were increased by 2.7 million barrels.

An oil flow of 400 barrels per day was obtained from the Tyumen strata as a result of testing of a well drilled in the north-western section of the Potanay-Kartopinsky license area. A daily oil flow of 300 barrels per day was obtained from testing of a well at the Yuzhno-Vyintoiskoye field. A well was drilled at the Gribnoye field for further exploration of the eastern part of the field, and testing gave a daily flow of 400 barrels. Testing of Achimian sediments at the Vostochno-Perevalnoye field gave a gushing flow of 700 barrels per day. A directional exploration well was drilled at the same license area, and testing gave a gushing oil flow of 300 barrels per day from Achimian sediments.

Work was also carried out to demothball, retest and raise flow rates from previously drilled prospecting and exploration wells at the Bolshoy and Olkhovsky areas. Well flows of about 100 barrels per day were obtained.

Yamal-Nenets Autonomous District

LUKOIL is developing gas reserves at the Bolshekhetskaya Depression in Yamal-Nenets Autonomous District as part of its program for accelerated growth of gas production. The Company is also working at the Severo-Gubkinskoye, Prisklonovoye, Yuzhno-Tarasovskoye oil, gas and condensate fields, as well as the Urabor-Yakhinsky and Vansko-Namyssky areas.

The Company continued testing of a well drilled in 2008 at the Khalmerpayutinskoye field and obtained a gas and condensate flow. Daily flow rates from the well were 131,000 cubic meters of separator gas and 100 barrels of stable condensate. Testing of a well also continued at the Severo-Khalmerpayutinskoye field, where a gas and condensate mix was obtained, consisting of 324,000 cubic meters of gas and 100 barrels of condensate per day.

Proved gas reserves at Company fields in the Bolshekhetskaya Depression were 11.7 trillion cubic feet by the end of 2009, representing over 50% of LUKOIL's total gas reserves.

Timan-Pechora

Timan-Pechora (the Nenets Autonomous District and Komi Republic) is a promising region for oil production by the Company. The region is little studied, with high potential for new discoveries, and the Company carried out extensive geological exploration work there during 2009. Volumes of 2D and 3D seismic work during 2009, for clarification of geological models, were 1,349 km and 391 km², respectively, and exploration drilling was 9,800 meters. Most of the growth of oil reserves including production was at the Bayandyskoye and Oshskoye fields.

In the **Komi Republic** the Company carried out geological exploration work at the Denisovskaya and Khoreiverskaya depressions and also at the Kolvinsky Rise. Two wells were completed and both of them were productive, so drilling was 100% successful.

The Company carried out 999 km of 2D seismic at the Yuzhno-Khoreivsky and Severo-Denisovsky areas and 391 km² of 3D seismic at the Vostochno-Bayandyskaya and Vostochno-Lambeishorskaya areas.

Prospecting and exploration drilling totalled 10,000 meters. Drilling of a prospecting well at the Bayandyskoye field continued, penetrating Riphean sediments of the Upper Devonian sediment. Well testing gave daily oil flows of 400 barrels. Proved oil reserves at the field including production increased by 15%.

Growth of oil reserves including production thanks to 3D seismic work and exploration drilling was 6.4%.

Testing of a prospecting well was completed at the Oshskoye field in **Nenets Autonomous District**, and a daily flow of 1,100 barrels of oil was obtained. Proved oil reserves at the field including production increased by 35.1%.

Naryanmarneftegaz, the joint venture between LUKOIL Group and ConocoPhillips carried out 350 km of 2D seismic exploration at the Vostochno-Perevoznaya area in the region of Khaipudyrskaya Bay.

Urals region

The Urals is a traditional production region for the Company, and reserves in the region have been extensively explored. Total 158 km² of 3D seismic exploration was carried out in the region in 2009 for general geological purposes, of which 77 km² at the Volimskaya area. The purpose of the work was to obtain data on hydrocarbon presence at the Urtsevsкая and Semisosninskaya structures, and also to determine best locations for appraisal wells at the Maltsevskoye field. The work is scheduled for completion in 2010. Exploration drilling totalled 8,000 meters, and most of it was in the vicinity of sites with established commercial oil presence.

Three wells were completed and all of them were productive. Commercial oil flows of 100–200 barrels per day were obtained from testing of Tulskeye, Bobrikovskoye and Famenskoye sediments. Four deposits were found at previously discovered fields (Mokhovskoye, Vinnikovskoye and Gabyshevskoye). Overall reserve growth including production in the region was 2.4%.

Volga (onshore)

The Volga is also a traditional hydrocarbon production region for LUKOIL. Geology of the region has been extensively studied. Total 170 km of 2D seismic was carried out in **Volgograd and Astrakhan Regions** during 2009 at the Potemkinsky, Berezovsky and Zhuravsky license areas. The results will be used to plan future prospecting work. Exploration drilling totalled 9,400 meters.

Exploration drilling was carried out at the Stepnoye field, where a well, begun in 2008, was completed with bottomhole at depth of 3,300 meters in the Mosolovsky horizon. Testing in the process of drilling confirmed forecast presence of oil deposits in the upper sandstone stratum of the Pashiysky horizon on a north-eastern axis. A daily oil flow of 100 barrels was obtained, and an oil deposit was discovered in the sediments of the Vorobievsky horizon.

Drilling of 71 meters in 2009 completed an exploration well Tsentralno-Astrakhanskaya №2 at the Poimenny license area with bottomhole at depth of 4,390 meters. Purpose of the well was to define structure of the Tsentralno-Astrakhanskoye field and enable transfer of reserve to commercial categories. Testing at an interval of 4,248–4,282.5 meters gave daily flow of 210,000 cubic meters of gas. Reserves are now being estimated. As of the start of 2010 probable and possible reserves at the Tsentralno-Astrakhanskoye field were estimated at 10.2 trillion cubic feet of gas and 1.2 billion barrels of condensate, which is comparable with reserves at the Karachaganak field in Kazakhstan. Gas at the Tsentralno-Astrakhanskoye field contains very high levels of hydrogen sulphide. However, this problem can be solved by application of modern technologies, as shown by Gazprom during development of the adjacent Astrakhanskoye field.

In the **Republic of Tatarstan** the Timerovskoye oil field was discovered in the central part of the Nizhnekamskoye reservoir at the Menzelinsky license area. Testing of Carbonaceous sediments (Turneisko-Famensky strata) gave a commercial oil flow of 1,100 barrels per day. Initial estimates suggest that C1 oil reserves (Russian classification) are 3 million tonnes. 260 km of 2D seismic was carried out in Tatarstan to determine geological structure of areas, and to discover and prepare sites for deep drilling.

Northern Caspian

The **Northern Caspian** is one of the key regions for increase of oil & gas production by LUKOIL in the medium term and the Company attaches great importance to development of resource potential in the region.

Rakushechnaya well № 5 at the V.Filanovsky field was completed with bottomhole at depth of 1,650 meters in Mid-Jurassic sediments. Testing of Neocomian sediments gave a gushing flow of water-free oil at maximum daily rate of 600 barrels. Rakushechnaya well № 5 confirmed the structural plan of deposits and determined location of the water-oil contact of deposits in Aptskian and Neocomian sediments. Appraisal of hydrocarbon reserves is now being carried out.

The Caspian Oil Company, in which a subsidiary of LUKOIL owns 49.89% (another 49.89% is owned by a subsidiary of Rosneft and remaining shares belong to Gazprom), completed 3D seismic exploration work at the Zapadno-Rakushechnoye field, which was discovered in 2008. A total of 106 km² of 3D seismic was carried out at the field over two years, of which the Company share in 2009 was 21 km². Equipment was bought and work was carried out on design and receipt of approvals ahead of prospecting drilling at the Ukatnaya structure in 2010.

TsentrCaspneftegaz, in which LUKOIL owns a 50% stake (50% is owned by Gazprom), completed 567 km² of 3D seismic exploration work that was begun in 2008 at the Tsentralnoye field. The Company's share of the work in 2009 was 228 km². These materials are now being processed. The Agreement (and Protocol to the same Agreement) between Russia and Kazakhstan on demarcation of the seabed in the northern part of the Caspian Sea for purposes of mineral use gives the Russian Federation rights of mineral use at the Tsentralnaya structure. However, the Agreement also stipulates that, in case of discovery of commercial reserves, development is to be carried out by Russia and Kazakhstan on parity basis.

Azov Sea

Priazovneft, in which LUKOIL Group has a 42.5% stake (42.5% is owned by a subsidiary of Rosneft and 15% belongs to the State Property Fund of Krasnodar Territory) carried out 2D seismic work during 2009, in which the Group's share was 42 km. In 2007 Priazovneft discovered the Novoye offshore field in the Azov Sea, offering the first confirmation of oil & gas promise of the Azov shelf. A joint meeting of geologists was held with Rosneft to review the outcome of work to date, and it was decided to carry out additional geological exploration work for study of the central part of the license area. The Tizdar-more structure was confirmed as promising, and a feasibility study will be carried out in order to assess viability of development, after which a program for additional study of the structure will be drawn up.

Kaliningrad Region

LUKOIL carried out geological work in 2009 in Kaliningrad Region both onshore and in the offshore Baltic Sea.

A prospecting well was completed at the Severny license area with bottomhole at depth of 2,217 meters in Mid-Cambrian sediments (drilling in 2009 was 7 meters). The drilling did not find oil-bearing deposits and the well was closed down.

The Company also reinterpreted 3D seismic work at the Kravtsovskoye and Druzhbinskoye fields.

International Projects

In accordance with LUKOIL's strategy for intensive development of its international business in the E&P segment, the main task of geological exploration by the Company outside Russia is to prepare the resource base for rapid launch of production. Exploration drilling in international projects in which LUKOIL participates was 16,600 meters in 2009. The Group's share of 2D seismic work in international projects in 2009 totalled 121 km and its share of 3D work was 2,173 km². Spending on geological exploration outside Russia was \$222 million.

LUKOIL was involved in 13 geological exploration projects outside Russia in 2009: in Colombia, Kazakhstan, Saudi Arabia, Uzbekistan, Cote d'Ivoire and Ghana.

LUKOIL Group has a 56.66% stake in the **Cape Three Points Deep Water block** in the **Republic of Ghana** where drilling of the Dzata-1 well was begun in 2009. Bottomhole at the end of 2009 was at 4,175 meters and at the start of 2010 the well penetrated a 94-meter column of hydrocarbon saturation containing a multi-deposit oil & gas accumulation with effective capacity of 25 meters. The main sandstone collector contains gas and light oil. Drilling has now been completed and the well has been sealed and suspended so that additional reserve estimates can be carried out.

In the **Riyadh (Block A) project in Saudi Arabia** two prospecting wells were drilled, Abu-Nasr-1 and Faidakh-2, and drilling of an appraisal well, Tukhman-4, was begun. Open-hole testing of Faidakh-2 as part of joint development of the Sara section gave a steady flow of gas at average 81,000 cubic meters per day. The well was mothballed so that it can be cleaned and studied in order to obtain maximum possible flows. Geological exploration work in 2009 at the Mushaib field gave an increase of reserves by 10.3 million tonnes of reference fuel under Russian classification (this project is not included in reserve appraisal to SEC standards).

The geological exploration stage was completed in 2009 at the **Condor project in Colombia**. All contractual obligations have now been completed in full. LUKOIL agreed a program of test production for commercialization of the Medina field, which was discovered in 2006, and obtained a two-year extension for that purpose. R&D work carried out in 2008–2009 led to creation of a new tectonic model of the Condor block based on 2D and 3D seismic. In the eastern part of the block work was carried out to detail the Amarilo structure, which consists of a number of structural-tectonic groupings at different depths in close proximity to one another. Six groupings were identified in total. The first stage of preparatory work for drilling of the Amarilo-1 well began at the end of 2009, as well as work on an environmental impact assessment and application for an environmental license.

An investment consortium, in which LUKOIL has a 20% stake, carried out 606 km of 2D seismic as part of the **Aral project** in the **Uzbek sector of the Aral Sea**. All 2D seismic obtained since 2007 was

processed and interpreted, as a result of which four structures were selected for drilling: the Western Aral, Umid, Ak-Tepe (Northern Umid) and Shagala structures. Drilling of prospecting well WAEx (Western Aral) was begun and continued into 2010.

Processing and interpretation of seismic exploration materials from 2008 was completed at the **Kungrad block in Uzbekistan** in 2009, as well as environmental monitoring of the area. The work confirmed presence of commercial gas reserves at the Shege field. Geological structure and development history of the block was also clarified and it was established that new hydrocarbon accumulations could be found. A site was chosen and technical design work was carried out for Shege prospecting well №3.

Drilling of an exploration well was begun and will be continued in 2010 as part of the **South-West Gissar project in Uzbekistan**. Reprocessing and re-interpretation of seismic materials from previous years was also completed and structural-geomorphological analysis of relief at South-West Gissar was carried out. Preparatory and project work was completed ahead of 2D seismic surveying. The first stage of work for digitalization, reprocessing and reinterpretation of seismic materials from previous years was carried out at the **Ustyurt block**. A plan for 2D seismic surveying in 2010 was prepared, based on study of geological structure of the blocks.

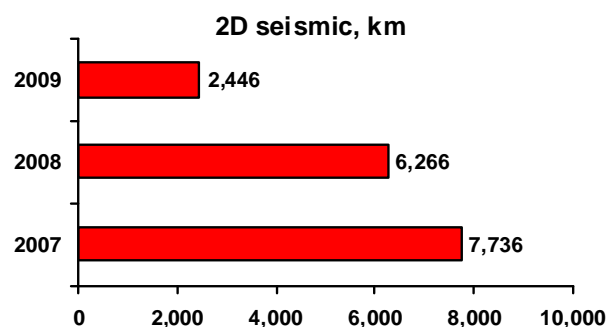
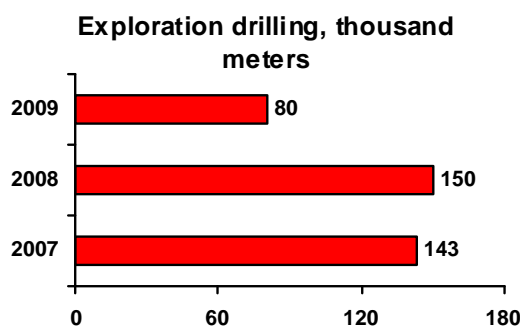
Intensive studies were carried out in 2007–2009 as part of the **Tyub-Karagan** project in the **Kazakh sector of the Caspian Sea** in order to reduce geological risks. 2D seismic data were reprocessed and reinterpreted taking account of data from drilling of exploration wells, further geochemical studies and analysis were carried out (as well as other forms of analysis), basin modelling was completed, as was a structural-tectonic model of the block. As a result of this work, further priorities for geological exploration at Tyub-Karagan have been defined, and are mainly focused on the South Tyub-Karagan structure. A certificate for this structure was prepared and approved by the Company in 2009. Geological resources of the structure were 317.6 million tonnes of reference fuel under Russian classification.

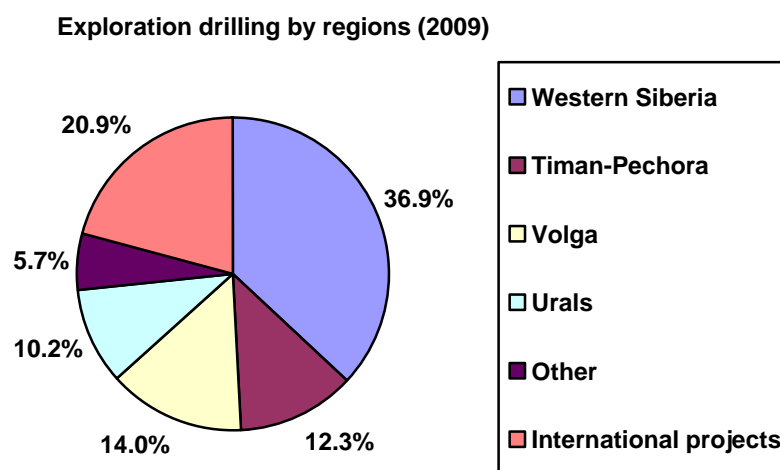
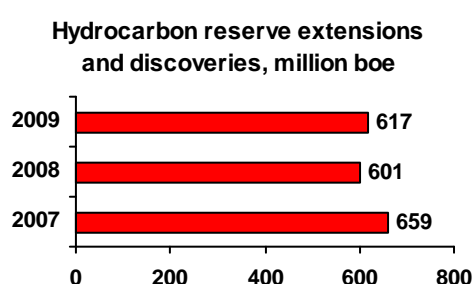
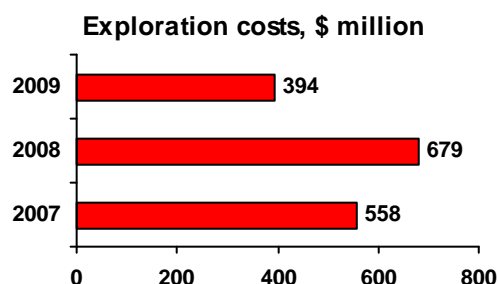
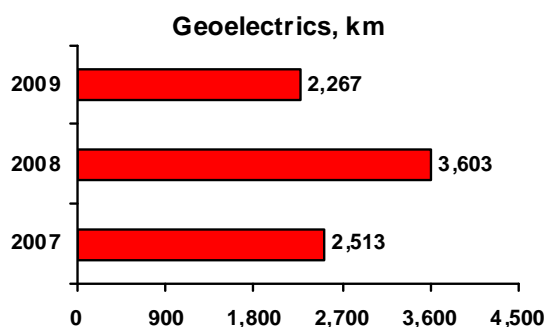
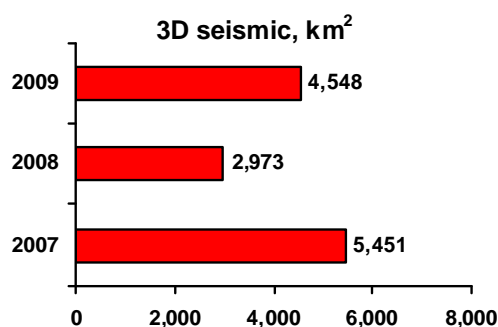
The main task in 2009 as part of the **Atash** project was conduct of geological and geophysical studies following construction of a first exploration well in 2008 (the well failed to discover hydrocarbons and was closed down).

The exploration period at the **South Zhambai** and **South Zaburunye** blocks was extended to the end of 2011, and design work was carried out for construction of a first exploration well with planned depth of 1,850 meters. Work on the well will begin in 2010.

In **Cote d'Ivoire** 3D survey work totalling 1,658 km², 383 km² and 608 km² was carried out as part of the CI-101, CI-401 and CI-205 projects, respectively. Interpretation of all data will be completed in 2010. Three promising geological targets were mapped using 2D seismic in the eastern part of block **CI-205**. The drilling target will be chosen based on a ranking of all promising sites. An inversion was carried out on the Basam structure at block **CI-101**.

The Group became operator of the **WEEM Extension**, adjacent to the WEEM block in **Egypt**, in February 2009. Over 60% of the WEEM Extension was already covered by high-resolution 3D seismic carried out by the Group as part of the WEEM project in 2006. One well has been drilled at the area and has discovered 30 meters of oil-saturated formations. Two more wells will be drilled during the first phase of exploration work (by 2011).





Oil Field Development and Production

Total crude oil production by LUKOIL Group in 2009 (including share of production by equity affiliates) was 97.615 million tonnes (1.972 million barrels per day). Average daily output was 2.7% higher than in 2008.

Growth of output was due mainly to operations at the Yuzhnaya Khylochuya field, which was commissioned in mid-2008 and also to international projects. Lower production at fields in Western Siberia had negative impact on the output trend and was due primarily to objective changes in the structure of recoverable reserves. The Company intends to reduce negative impact of these factors on production in Western Siberia by use of the latest enhanced recovery technologies. Meanwhile, LUKOIL has successfully addressed the problem of electricity supply shortages in Western Siberia. The Company is steadily building and commissioning its own power generating capacities at fields, and electricity supply shortages have now been almost completely overcome.

The Company expended much effort in the reporting year on preparation and construction of field facilities in the Northern Caspian. A fixed ice-resistant offshore platform with drilling unit was built at

the Yu. Korchagin field, together with living quarters and transport infrastructure. The field will be developed using extra-long horizontal production wells (up to 5 km in length). This will be the first time that such technology has been used in Russia. **First oil at the Yu. Korchagin field was obtained in the second quarter of 2010.** Peak annual output at the field will be about 2.5 million tonnes of oil and 1 billion cubic meters of gas. Yu. Korchagin is the first field to have been brought into operation by the Company out of a whole group of fields in Russian territorial waters of the Caspian Sea.

Abrupt decline of oil prices in 2008–2009 encouraged the Company to work on improvement of field development efficiency and reduction of operating costs. LUKOIL production companies carried out a range of measures to raise well productivity and oil recovery rates in order to achieve oil production targets for 2009. Spending on field development in 2009 was \$4,421 million, which is about 40% less than in 2008.

LUKOIL subsidiaries and equity affiliates produced hydrocarbons at 375 fields in 2009, and there were 8 new field launches: Aprelskoye, Bolshoye, Olkhovskoye and Longyuganskoye (Western Siberia), Nirmalinskoye and Pyzhelskoye (Timan-Pechora), Viktorinskoye and Bortomskoye (Urals). Peak annual production of liquid hydrocarbons from new fields launched in 2009 will be nearly 1 million tonnes. There were production increases of more than 50,000 tonnes of oil at 14 Group fields in 2009. The biggest increases (in excess of 200,000 tonnes) were achieved at 3 fields, which accounted for more than 6 million tonnes of oil production growth. These were the Yuzhnaya Khylochuya field in Timan-Pechora and the Kechimovskoye and Urevskoye fields in Western Siberia.

The Company had 29,760 oil production wells as of January 1, 2010, of which 25,380 were actually in use, and the number of water injection wells was 9,910, of which 7,630 were under pressure. The number of oil production wells was 3.7% higher than in 2008. The share of idle wells was almost unchanged in comparison with the end of 2008 at 14.7% of the total. Average daily oil flow from wells in projects with Company participation was 14.7 tonnes, which is 3.5% more than in 2008, due mainly to launch of the Yuzhnaya Khylochuya field.

Amounts of production drilling declined in the reporting year, because a large part of drilling was in regions where difficult geological conditions slowed progress. Also LUKOIL decided to reduce financing of its drilling program in the context of the economic crisis and low prices for oil. As a result, production drilling in 2009 was 2,740 thousand meters, which is 23% less than in 2008. The number of new production wells brought into operation was 1,124, of which 91 were horizontal. High efficiency of horizontal well drilling has persuaded the Company to increase numbers of such wells in the medium term. Average daily flow from new wells in projects, in which the Group is a participant, was 34.8 tonnes, including 78.2 tonnes from horizontal wells. Flow rates at new wells were slightly lower than in 2008, reflecting overall lowering in quality of extracted reserves. However, flow rates at horizontal wells rose substantially (by a third). Progress reflected improving quality of geological and hydrodynamic models and extensive use of such models in organization of production drilling, as well as further work to improve technologies in well completion and initial and secondary penetration of productive formations.

The Company further increased drilling of sidetracks in 2009: a total of 264 wells with sidetracks were drilled and they gave average daily flow increase of 16.8 tonnes. Increase of flow rates at some fields was significantly higher than the average for the Company. For example, a multiple-bore well (two boreholes), drilled at the Kechimovskoye field in Western Siberia gave a flow rate of 103 tonnes per day.

A total of 604 new injection wells were put under pressure in 2009 to optimize field development systems and maintain reservoir pressure. Injection wells pumped 510 million cubic meters of water into productive formations, which is 5% more than in 2008. The Company was able to halt growth in the water cut, which had been growing at an average rate of 1.5 percentage points annually for the previous five years. This was thanks to production of almost water-free oil at the Yuzhnaya Khylochuya field and measures to limit associated water and unproductive pumping at other Company fields in Russia. The Company plans further improvement of its systems for maintaining reservoir pressure at fields under development. The Company also continued the program, which it has been pursuing for several years, to install small power generation units at fields in order to achieve independence from electricity suppliers (see 'Power Generation' on page 51).

The Company took further action in 2009 to increase well productivity. In Russia a total of 1,141 operations were carried out to optimize functioning of mechanized wells, 57 wells were transferred to mechanized production, and 567 idle wells were brought into production. The Company continued to make extensive use of enhanced oil recovery techniques at oilfields. A total of 5,098 operations were carried out on productive formations using physical, chemical, hydrodynamic and heat techniques (see 'Exploration and Production Technologies' on page 61). Additional oil output in Russia thanks to application of enhanced oil recovery techniques was 23 million tonnes, or 25% of total oil production by the Group in Russia.

Russia

Oil production by LUKOIL in Russia during 2009 was 91.868 million tonnes, of which 91.560 million tonnes were produced by Group subsidiaries. Production in Russia rose by 2.1% compared with 2008.

Subsidiaries and equity affiliates of LUKOIL produced hydrocarbons at 348 fields in Russia in 2009. Production drilling was 2,385 thousand meters, which is 20% less than in 2008. The number of production wells at the end of 2009 was 28,240, of which 24,040 were actually in use. There were 854 new wells brought into operation in 2009.

Fields in **Western Siberia** accounted for 57.7% of LUKOIL's Russian oil production in 2009. Production in the region was somewhat lower than in 2008 at 52.96 million tonnes. Stabilization of output levels in Western Siberia is one of the main challenges for the Company. It is complicated by gradual natural exhaustion of the resource base, due to the long period of production at most Company fields in Western Siberia, which has depleted their reserves. LUKOIL is combating output decline by use of the latest technologies, which enable substantial increase of the oil recovery rate and production of oil from reservoirs with difficult access. Another problem is shortage of electric power supply in the region, which leads to losses in the production process and makes it difficult to pump in sufficient volumes of water to maintain reservoir pressure. The Company is successfully dealing with power shortages at its own fields by construction of small power stations, fuelled mainly by associated gas (see 'Power Generation' on page 51).

Despite long periods of exploitation, some of the Company's fields in Western Siberia have significant potential for production growth. In particular, the Kechimovskoye and Urevskoye fields showed strong oil production growth in 2009.

Oil production at the Kechimovskoye field, which was launched in 1995, grew by 63.9% in 2009 compared with 2008 to 1.59 million tonnes thanks to new production drilling: a total of 92 new wells were brought into production with average daily flow rates of 28.6 tonnes, including 27 horizontal wells with average daily flow rate of 42.9 tonnes. A multi-bore well (two boreholes) was also drilled at the field in 2009 and gave daily flow rate of 103 tonnes. High flow rates from wells that were launched in 2008 and were in operation throughout 2009 also had positive effect (79 wells with average daily flow of 28.8 tonnes). A total of 5 sidetracks were drilled at the field in 2009 and each gave average increase of daily flow rates by 27.2 tonnes. Work continued on a system to maintain reservoir pressure: 36 new injection wells were put under pressure during the reporting year. The Kechimovskoye field is one of the Company's biggest investment projects in Western Siberia. As of January 1, 2010, a further 512 wells remained to be drilled in accordance with the field development plan (402 oil wells and 110 injection wells). LUKOIL will maintain high rates of production drilling at the field in the immediate future in order to further increase levels of oil production.

Oil production at the Urevskoye field, which was brought into production in 1978, rose by 9.4% to 2.62 million tonnes in 2009. The increase was achieved thanks to production drilling: 83 new wells were launched with average daily output of 28 tonnes, including 4 horizontal wells with daily flow of 75.5 tonnes. A total of 19 sidetracks were drilled at the field in 2009 in order to maintain output levels at wells, and 48 injection wells were put under pressure in order to optimize the reservoir pressure system and to compensate fluid extraction by water injection. A further 1,161 wells remained to be drilled in

accordance with the field development scheme as of January 1, 2010. LUKOIL's development program for the Exploration & Production segment includes maintenance of high production drilling rates at the Urevskoye field and achievement of higher oil output rates.

The **Timan-Pechora** oil & gas province contributed 5 million tonnes to the Company's oil production growth in 2009. Oil output in the region was 21.66 million tonnes. As a result, the share of the region in total oil production by the Company in Russia rose from 19% to 24%. Growth of the share continued thanks to rapid development of the Yuzhnaya Khylchuya field, which was commissioned in mid-2008 jointly with ConocoPhillips. Output at the field in 2009 rose by 3.5 times compared with 2008 to reach 7 million tonnes (about 140,000 barrels per day). The field reached its planned long-term oil output level of 7.5 million tonnes per year in July 2009. A total of 10 new production wells with average daily output of 602 tonnes were commissioned at the field in 2009, bringing the number of production wells in operation to 30 by the start of 2010. A system for maintenance of reservoir pressure is being developed, with 7 new injection wells put under pressure during 2009 (19 injection wells were in place by the start of 2010). Peak production should be achieved in 2010 with completion of production drilling (2 production and 3 injection wells will be brought into production during the year).

Timan-Pechora will be the main area of oil production growth by LUKOIL in the medium term, and the Company is making every effort to ensure rapid development of main reserves in the region (production started at 2 new fields in 2009). This progress will help to compensate natural decline of output in the Company's traditional operating regions.

Production of oil by LUKOIL in the **Urals region** increased to 12.04 million tonnes in 2009, or by 3.6%, thanks to use of new technologies, such as sidetracks, radial drilling and acid hydro-fracturing.

The Company started production at a new group of fields in Perm Territory during 2009, attached to the unique Verkhnekamskoye potash-magnesium salt field. Development rights at this area were obtained by the Company in 2008. This license area has several specific features: hydrocarbon fields are located underneath potash-magnesium salt deposits, which are already in the process of industrial development, and there are various environmental constraints (nature conservation zones, protected water spaces, settlements, etc.). Oil field development will therefore use a multi-column well-construction technique, unique in Perm Territory, in order to address all of these industrial and environmental safety issues: displacement from vertical will be up to 2 km, salt formations will be separated off using magnesium-phosphate tamping material with an expansion cement bond, and a system for constant monitoring of surface deformation. Forecast annual output of oil at the fields is 1.3 million tonnes.

Oil production in the **Volga** region in 2009 was 3.07 million tonnes, representing a slight decline compared with 2008. The Company is working to improve field development efficiency in the region in order to increase the oil recovery rate and maintain output at current levels, despite considerable depletion of reserves.

The Company put much emphasis in 2009 on preparation 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 in the mid-term. The Yu. Korchagin and V. Filanovsky fields will be the first to be commissioned and will be the main sources of increase in oil output.

Following preparatory work in 2009, first oil was obtained in the second quarter of 2010 at the Yu. Korchagin field. Peak annual output at the field will be 2.5 million tonnes of oil and 1 billion cubic meters of gas. The Company began operations at sea for construction of the Yu. Korchagin field in April 2009, when the main block of a fixed ice-resistant offshore platform was towed to the site from the port of Astrakhan. Living quarters were built onto the block in May. In August work was completed on a jetty for loading of oil from an underwater pipeline into a floating reservoir and onto shuttle tankers. In September a floating reservoir was installed at the field for loading of shuttle tankers and transportation of oil produced at the field. A fixed ice-resistant offshore platform with drilling unit has thus been installed for drilling of wells with maximum borehole length of 7,400 meters. The field will be developed using exceptionally long horizontal wells (in excess of 5 km), which is a unique approach in Russia. The Yu. Korchagin field is the first of a whole group of fields in Russian territorial waters of the Caspian Sea

to be brought into production by the Company. Development is on a zero-discharge basis, which ensures minimal impact on the natural environment of the Caspian Sea.

International Projects

LUKOIL's share of production in international projects was 5.747 million tonnes, which is 8.5% more than in 2008. The growth was mainly due to the Tengiz, KarakudukMunai and Karachaganak projects in Kazakhstan.

Production drilling in the Company's international projects was 355,000 meters, which is 40% less than in 2008. The reduction is explained by lower levels of financing for drilling programs, but rates of progress were maintained in priority development projects (Karachaganak, Kumkol and Condor). The number of oil production wells was 1,522, of which 1,345 were actually in use. A total of 270 new production wells were commissioned as part of international projects, in which the Company is a participant. Average daily oil flow from these wells was 43.4 tonnes.

The largest increase in oil production growth was from the **Tengiz** project in **Kazakhstan**. Crude oil production from the project (Company share) grew by 37.8% to 642,000 tonnes. The expansion was due to organic growth and also to purchase in December 2009 from a BP subsidiary of a 46% stake in the LUKARCO B.V. joint venture, which is developing the Tengiz and Korolevskoye fields in Kazakhstan.

The Group share in production of oil and gas condensate as part of the **Karachaganak** project in **Kazakhstan** rose by 4.1% to 1.63 million tonnes in 2009. A further 10 production wells (of which 8 had horizontal end sections) were drilled and connected to the main collector system as part of implementation of the investment program in the reporting year, and gave an average daily flow of 572.9 tonnes. Work continued to expand capacity at the Karachaganak refining complex.

Rapid development work continued at the **Kumkol** field in **Kazakhstan** during the reporting year. LUKOIL's share in crude production in this project during 2009 was 1.59 million tonnes. 66 wells were drilled with penetration of the productive horizon using polymer agents with overlapping of the production liner pipe. This technology enables maximum preservation of reservoir qualities of formations. Average flow from new wells was 36.7 tonnes per day, and 11 sidetracks were drilled. A project for further field development was designed and approved. The first stage of the gas utilization program was carried out in 2009 and a unit for complex gas preparation, with 150 million cubic meters annual capacity, was put into operation.

The Company's share in production from the **KarakudukMunai** project in **Kazakhstan** grew by 12.3% to 714,000 tonnes. A central oil preparation unit with 1.8 million tonnes annual capacity was brought into operation during the reporting year, as well as 33 new production wells with average daily flow rates of 20.8 tonnes. Pilot test work was also carried out on large-scale hydrofracturing of formations: two operations were executed and gave average increase of flow by 58 tonnes per day using a free-flow production method.

Intensive development work continued at the **North Buzachi** field in **Kazakhstan**, where LUKOIL's share of production grew by 11.9% to 479,000 tonnes, and 130 new production wells were commissioned giving average daily flows of 10.6 tonnes. Work began on drilling of horizontal wells, technological scheme for gas utilization was designed and approved, and gas utilization program was implemented. The program for expansion of capacity of the oil preparation and pumping facility to 40,000 barrels per day was completed.

A total of 8 new production wells with average daily flow rates of 44.4 tonnes were brought into operation at the **Alibekmola** and **Kozhasai** fields (the **Kazakhoil Aktobe** project in Kazakhstan). The Group share in production at the fields was 234,000 tonnes, which is 23.2% more than in 2008. A geological and hydrodynamic models of the Alibekmola field were created in the reporting year, and recommendations were prepared for further development of the field. A contractor was chosen for construction of gas utilization facilities as part of the program for gas utilization. The project is in the planning stage now and should be completed by June 1, 2011.

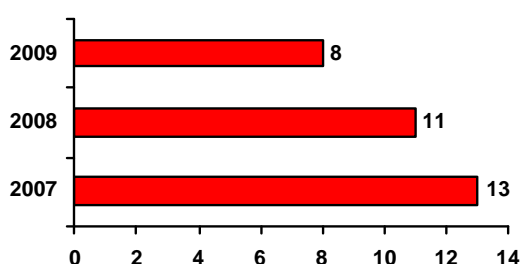
Production in the **Shah Deniz** project in **Azerbaijan**, which was launched in December 2006, declined by 2% in 2009 following rapid growth in 2007–2008, due to limited demand from Azerbaijani and Turkish customers. The Group share in gas condensate output was 139,000 tonnes, compared with 147,000 tonnes in 2008. A new well was completed and launched, giving daily flows of 1,450 tonnes of condensate and 6.2 million cubic meters of natural gas, supporting future growth of output in the project.

The Company's share of gas condensate production at the **Khauzak-Shady** area in Uzbekistan (developed as part of the **Kandym – Khauzak – Shady** project), which was commissioned in 2007, remained unchanged from 2008 at 12,000 tonnes. A further 5 production wells were commissioned in the course of the year. An integrated health, safety and environment system was installed at the field in 2009 and certified in compliance with the ISO 14001 international standard and the OHSAS 18001 specification.

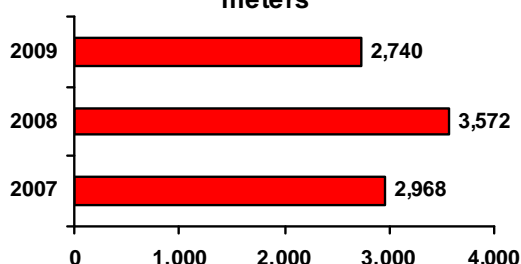
Production at the **South-West Gissar** project in Uzbekistan, acquired in 2008, rose by over 5 times to 38,000 tonnes (the Group share). A further 12 production wells were put into operation in the reporting year and their average daily flow rates were 22.7 tonnes.

Substantial increase of output (+68.1%) was obtained in Egypt as part of the **Meleiha** project thanks to efficient drilling and commissioning of 18 new production wells with average daily flows of 67.6 tonnes. One new production well was launched in the Egyptian **WEEM** project and gave average daily flow of 53.6 tonnes. A sidetrack was also drilled at one well in order to maintain production efficiency. LUKOIL's share in production as part of the Egyptian projects rose by 30% compared with 2008 to a level of 247,000 tonnes.

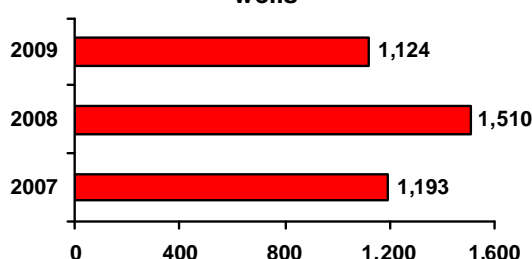
Commissioning of new fields, fields



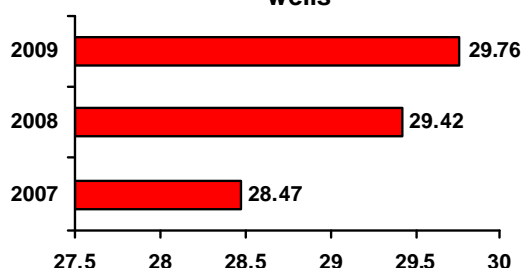
Oil production drilling, thousand meters



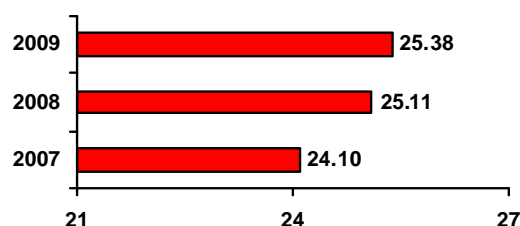
Oil production well launches, wells



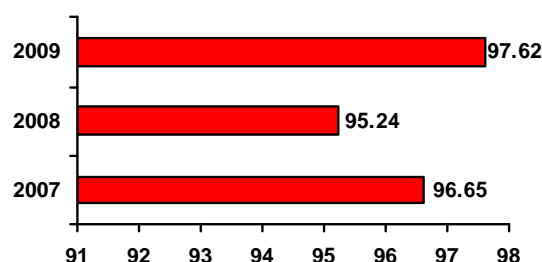
Oil production wells, thousand wells



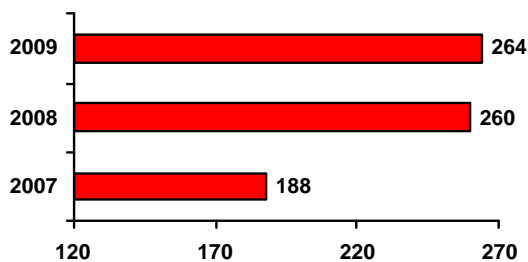
Oil production wells in use, thousand wells



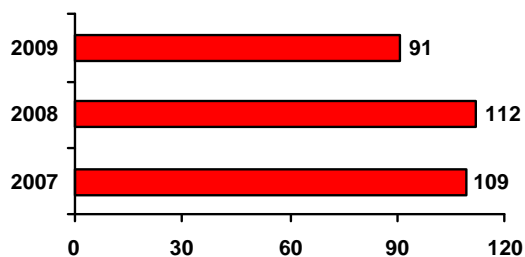
Oil production, million tonnes



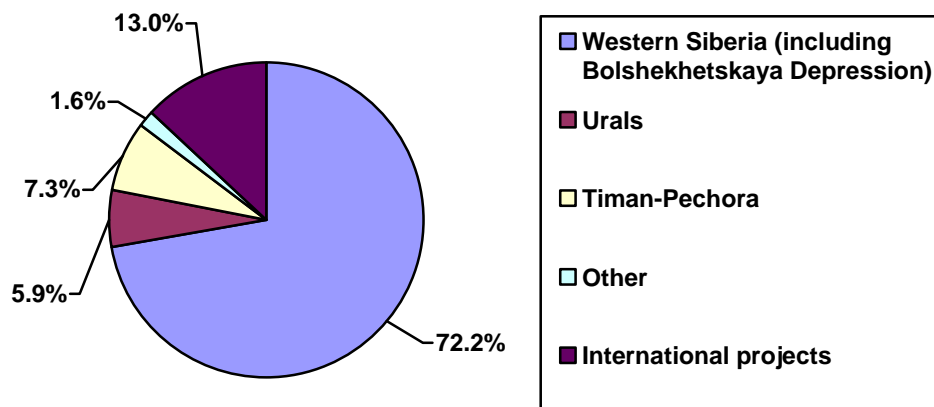
Drilling of sidetracks, sidetracks



Drilling of horizontal wells, wells



Production drilling by regions (2009)



The West Qurna-2 Project in Iraq

In 2009 a Consortium of LUKOIL and the Norwegian company Statoil won a tendering competition for rights to develop the West Qurna-2 field. The field is one of the largest in the world, which are not currently being developed, and is located in the southern Iraq, 65 km north-west of the large port city of Basrah.

Recoverable reserves at the field are close to 13 billion barrels. The main productive horizons are Mishrif, Yamamah, Hasib, Maudud, and Zubair. More than 90% of reserves are concentrated in Mishrif and Yamamah reservoirs. The field was discovered in 1973. Geological exploration (2D seismic and drilling of exploration wells) was carried out by Soviet geologists and service organizations.

Project History

The Company initially obtained a 68.5% share in the project through a production sharing agreement, which was signed in 1997. However, commercial development of the field was not possible at that time due to sanctions, which the UN had imposed on Iraq. Subsequently, after the conflict between the USA and Iraq, LUKOIL entered talks with the new Iraqi government about commencement of the project.

In 2009 LUKOIL and Statoil presented the best tender offerings and won field development rights at West Qurna-2. The remuneration fee per barrel will be \$1.15 at a daily production level of 1.8 million barrels. In January 2010 the President of LUKOIL, Vagit Alekperov, signed a service contract for development and production at West Qurna-2, and the contract was ratified by the Iraqi Cabinet of Ministers.

Features of the Project

The contract is for 20 years with the possibility of 5-year extension. The contract parties are the Iraqi state oil company, South Oil Company, and the Contractors Consortium consisting of North Oil Company (an Iraqi state company, 25%), LUKOIL (56.25%) and Norwegian Statoil (18.75%).

The agreement calls for drilling to begin at West Qurna-2 in 2011. Within three years from the date of approval of the Initial Development Plan the Consortium must carry out a specified minimum geological exploration program, consisting of 450 km² of 3D seismic, and drilling of 2 appraisal wells to the Najmah formation and of one exploration well to the Khuff formation.

Production should begin at the end of 2012 at a minimum daily rate of 120,000 barrels. Target production level of 1.8 million barrels per day is to be achieved in 2017. The field is to be developed using over 500 wells, of which 120 will be injection wells.

According to preliminary estimates, investments by LUKOIL at West Qurna-2 in 2010 will be about \$300 million and will total \$4.5 billion dollars over the next 4–5 years.

The mechanism for return of investments will be based on distinction of two oil streams in the project: one of them owned and sold by the Iraqi marketing company, SOMO, and the other transferred to ownership of the Consortium as profit oil. Profit oil can be substituted by cash payment. It is seen as reasonable that costs will be reimbursed in the form of profit oil, intended for sale. Pricing of export oil will be based on a market principle using FOB at point of delivery.

Key facts about Iraq:

- Iraq is a federal parliamentary republic, based on consensus between the three main ethno-religious communities, which constitute the Iraqi people: Shiite Arabs, Sunni Arabs and Kurds.
- The armed conflict, which began in March 2003, brought an end to the rule of Saddam Hussein. The country's economy was destroyed in the course of the conflict.
- Export of hydrocarbons accounts for 95% of central government budget revenues.
- The Iraqi state oil companies, North Oil Company (NOC) and South Oil Company (SOC), have a monopoly right to develop oil fields in the country.
- Iraq's proved oil reserves are 115 billion barrels (3rd largest in the world after Saudi Arabia and Iran).
- Current oil production is 2.5 million barrels per day.
- Less than a third of the country's 80 explored oil fields are in development.
- Combined peak production of fields allocated by auction in 2009 is about 10 million barrels per day.

Gas Field Development and Production

LUKOIL's gas program is focused on 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 main aim of this strategy is to commercialize gas reserves and reduce the Company's exposure to major price volatility on the international oil market.

Total gas production by LUKOIL Group in 2009 (including the share of production by equity affiliates) was 17.717 billion cubic meters (1.714 billion cubic feet per day). Output of marketable gas (net of own use, reinjection into reservoir formations and transport losses) was 14.898 billion cubic meters (1.441 billion cubic feet per day). Average daily production of marketable gas declined by 12.5% compared with 2008, including a decline of 16.9% in Russia due to limitation of volumes of gas taken by Gazprom. Despite substantial reduction of output, LUKOIL Group achieved net income of \$56 million from gas projects in Russia during 2009.

The Company had 394 gas production wells at the end of 2009, of which 274 were actually in use.

Production of natural gas in 2009 was 11.444 billion cubic meters, of which 10.218 billion cubic meters was marketable gas. Reduction in output of marketable natural gas was 19.4%, including 27.2% decline in Russia and 2.1% decline abroad. The share of production from international projects increased from 31% in 2008 to 38% in 2009. The large fall in Russian output is explained by lowering of production at the Nakhodkinskoye field (by almost 30%) due to reduction of demand for gas and limitation of volumes accepted by Gazprom.

Production of associated gas was 6.273 billion cubic meters, of which 4.680 billion cubic meters was marketable associated gas. Growth in production of marketable associated gas was 7.6%, reflecting growth of oil production and development of the system for associated gas utilization at Company fields. Associated gas is used at fields for injection into formations to maintain reservoir pressure, for production of electrical energy at gas-fired power stations, and for other production needs. Marketable associated gas is delivered to gas-processing plants and to local consumers.

The utilization rate for associated gas¹ was 71.1% in 2009, compared with 70.4% in 2008 and 69% in 2007, thanks to development of systems for utilization of associated gas at Company fields including construction of compressor stations and gas pipelines. The level of utilization of associated gas at main Company fields in Western Siberia is around 95%.

The Company is pursuing construction of gas-fired power stations at fields as part of a small-scale generating program in order to further increase utilization of associated gas. This reduces gas flaring and gives cost savings on electricity, lowering oil lifting costs. LUKOIL is implementing a program, approved in 2009 for the years 2009-2011, which aims to increase rates of associated gas utilization by organizations in the Group. The program target is to raise the utilization rate to 95% by 2012.

Russia

Production of marketable gas in Russia in 2009 was 10.663 billion cubic meters, which is 16.9% less than in 2008. The share of natural gas was 59%, which is 9 percentage points less than in 2008. The Company had 304 gas production wells in Russia at the end of 2009, of which 211 were actually in use.

Most of the Company's natural gas production in 2009 in Russia (more than 90%) came from the Nakhodkinskoye field in the Bolshekhetskaya Depression. Gas production there in 2009 was 6 billion cubic meters, which is nearly a third less than in 2008, due to limitations on the amount of gas bought by Gazprom.

Work continued in 2009 to prepare for development of other fields in the Bolshekhetskaya Depression. As prescribed by the investment program, construction of facilities began in 2009 at the Pyakyakhinskoye field, one well was brought into production, and natural gas output was used for the Company's own needs. Work was carried out on construction of roads, well pads and industrial installations, as well as production drilling to gas condensate accumulations, and the field should come on stream in 2013. Marketable gas will be transported along an inter-field pipeline to a gas compressor station near the Nakhodkinskoye field and from there along the existing trunk gas pipeline to Yamburg Gas Compression Stations-1 and -2. Gas production at the Yuzhno-Messoyakhskoye gas condensate field is due to start in 2019, and the Khalmerpayutinskoye gas condensate field should be launched in 2020.

Under an agreement with Rosneft, starting from autumn 2013, LUKOIL will accept up to 5.6 billion cubic meters of gas per year from the Vankor group of fields for input to its gas transportation system in the Bolshekhetskaya Depression and will transport the gas as far as the Yamburg Gas Compressor Station, which is part of Gazprom's gas transportation network. In return, starting from 2013, Rosneft will accept annual inputs of up to 3 million tonnes per year of stable oil and condensate mixture from LUKOIL's Pyakyakhinskoye field to the Vankor – Purpe oil pipeline and transport them to Transneft's trunk oil pipeline system. In order for these objectives to be achieved, LUKOIL will construct a 160-km gas pipeline from the Pyakyakhinskoye field to the Vankor central collection point, a 60-km gas pipeline

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

from Pyakyakhinskoye to the Khalmerpayutinskoye field, and the first stage of a gas compressor station adjacent to the Nakhodkinskoye field.

Achievement of target production levels at all fields in the Bolshekhetskaya Depression will bring overall production of natural gas by the Company in the region to 20 billion cubic meters.

International Projects

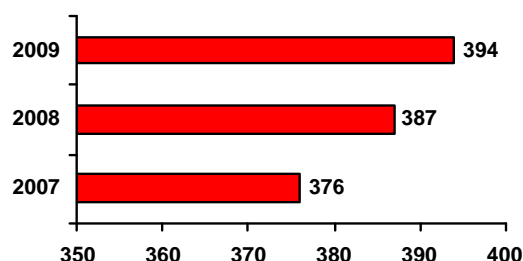
Production of marketable gas in 2009 as part of international projects was 4.235 billion cubic meters, which is 1.0% more than in 2008. The share of natural gas was 92%, representing a decline of 2 percentage points. The Company had 90 gas production wells in international projects at the end of 2009, of which 63 were actually in use.

Most of marketable gas production outside Russia (53%) was at the **Khauzak-Shady** area, which was brought into production at the end of 2007 and is being developed as part of the Kandym – Khauzak – Shady project in **Uzbekistan**. Production of marketable gas at the Khauzak-Shady area was 2.23 billion cubic meters in 2009. Production drilling at the area continued in 2009 and totalled 19,000 meters, and 5 new wells were commissioned giving average additional gas flow of 361 cubic meters per day. Intensive work has also started in Uzbekistan on drilling of gas wells at the Adamtash field as part of the Gissar project, where production of natural gas is due to start in 2012.

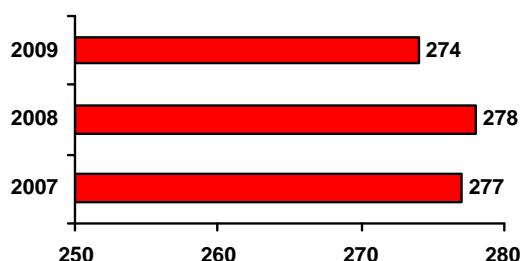
The Group share in production of marketable gas at the **Karachaganak** field in **Kazakhstan** was 1.13 billion cubic meters in 2009, representing an increase of 6.0% compared with 2008. The results were achieved thanks to commissioning of new wells with high flow rates.

Marketable gas production in 2009 at the **Shah Deniz** project in **Azerbaijan**, which was brought into production in December 2006, was 518 million cubic meters (Company share), which is 6.1% less than in 2008, reflecting limited consumer demand. A new well was completed and commissioned, and gave daily production of 1,450 tonnes of condensate and 6.2 million cubic meters of natural gas, which will support future growth of output in the project. Drilling of a further 2 wells is planned in 2010.

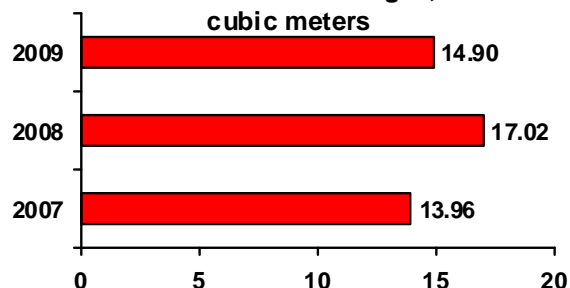
Gas production wells, wells



Gas production wells in use, wells



Production of marketable gas, billion cubic meters



Oil Refining, Gas Processing and Petrochemicals

Strategy

- Maximizing refinery throughputs
- Production of high-quality, environmentally friendly petroleum products with high value added
- Use of the latest technologies
- Control over production costs

Net income in 2009 in the Refining & Marketing segment was \$2,263 million. The net income decline was less than the decline of oil refining margin both in Russia and abroad, which is a reflection of improving efficiency in this segment of LUKOIL's business. Increase of operating indicators (mainly, throughput volumes) also contributed to the good financial results in spite of the economic downturn.

Oil Refining

LUKOIL Group Refineries

| Refinery | Nelson Index | Annual capacity, mln tonnes per year | Throughput in 2009, mln tonnes |
|-------------------------------------|--------------|--------------------------------------|--------------------------------|
| Perm Refinery | 7.9 | 13.0 | 12.67 |
| Volgograd Refinery | 5.2 | 11.0 | 11.26 |
| Ukhta Refinery | 3.3 | 3.7 | 4.24 |
| Nizhny Novgorod Refinery | 4.0 | 17.0 | 16.10 |
| Mini-refineries in Uray and Kogalym | | 0.4 | 0.19 |
| Total, Russian refineries | | 45.1 | 44.46 |
| Odessa Refinery (Ukraine) | 3.9 | 2.8 | 2.05 |
| Refinery at Ploiesti (Romania) | 10.0 | 2.4 | 2.21 |
| Refinery at Burgas (Bulgaria) | 7.9 | 9.8 | 6.28 |
| ISAB Complex* | 9.3 | 7.8 | 6.17 |
| TRN Refinery** | 8.4 | 3.6 | 1.53 |
| Total, foreign refineries | | 26.4 | 18.24 |
| Total | | 71.5 | 62.70 |

* Capacity of the ISAB complex is shown as the Company share (49%).

** Capacity of the TRN Refinery is shown as the Company share (45%). The throughput figure is the Company's share during September-December 2009.

LUKOIL Group continued rapid development of its oil refining business in 2009 through modernization and expansion of refining capacities, and participation in new promising projects.

The volume of refinery throughputs, including processing at third-party refineries, increased by 7.6% in 2009 compared with 2008 to 66.48 million tonnes, of which 62.7 million tonnes were refined at Group Refineries (including Company shares of refining at the ISAB and TRN complexes), representing an increase of 11.4% over 2008.

In the reporting year LUKOIL continued implementation of the program for modernization and reconstruction of its refineries, making capital expenditures of \$827 million (compared with \$1,023 million in 2008).

In September 2009 LUKOIL completed a transaction with the French company TOTAL S.A. for acquisition of 45% of the TRN Refinery in the Netherlands. The transaction price was about \$700 million. Acquisition of the TRN stake fits into the Company strategy of increasing its refining capacities at locations adjacent to product markets, which offer large value added. The Refinery is located by the port of Vlissingen Oost in the south-west of Holland, in one of the world's largest centers for trading of oil and petroleum products (the Amsterdam – Rotterdam – Antwerp region). The Refinery is integrated with adjacent petrochemical production facilities and connected by pipeline with one of

Europe's largest oil terminals, Maasvlakte Olie (Rotterdam), in which the Refinery has a 22% stake. The Refinery also has its own port with several jetties for sea and river transshipment.

Company refineries took a number of steps in 2009 to reduce costs and raise efficiency of their operations. A total of 156 measures were implemented during the year to optimize production capacities, increase capacity load of refining units, raise energy efficiency and reliability of equipment (increasing the period in operation between overhauls), as well as to optimize personnel numbers and rotation. Financial impact from implementation of these measures was about \$88 million (net effect was \$18 million), including \$70 million from optimization of production capacities. The biggest effect was achieved at the Perm Refinery (\$28 million).

Russian Refineries

Refinery throughputs in 2009 at LUKOIL Group's Russian refineries were 44.46 million tonnes, which is 0.6% more than in 2008. Capacity utilization was 99.5%, which represents a new record in the history of the Company. LUKOIL also processed 2.05 million tonnes of crude oil at third-party refineries in Ufa, in order to maximize profits in the specific market environment.

The share of high-octane gasoline in total output of gasoline at Group refineries in Russia (not including mini-refineries) rose to 89.7% in 2009 (from 87.0% in 2008). Refining depth was 74.8% which is 1.2 percentage points lower than in 2008 mainly due to increase in oil throughput, decrease in sales of bitumen and unplanned maintenance. Light-product yield was 50.1% (virtually unchanged from 2008).

The most significant output increases compared with 2008 were of vacuum gas oil (by 8%), fuel oil (by 5.8%) and motor gasoline (by 5.4%).

Measures were implemented during the year to reduce operating costs and raise production efficiency at Russian refineries. This enabled reduction of irretrievable losses at refineries from 0.58% to 0.54% to (against the Russian average of 0.85%). Average personnel numbers at Russian refineries were reduced by 5.0%. Capital expenditures for modernization of the Company's refineries in Russia in the reporting year were \$519 million (against \$688 million in 2008).

At the **Ukhta Refinery** construction work was completed on an isomerization block. The block enables production of high-octane gasoline, free from sulphur compounds, benzol and aromatics. As a result, the Ukhta refinery has started production of motor gasolines that meet Euro-3 and Euro-4 environmental requirements. Target annual input capacity for the block is 120,000 tonnes, and cost of installation was about \$40 million.

Work was carried out in 2009 to prepare the **Nizhny Novgorod Refinery** for production of the high-performance EKTO-98 motor gasoline. Project implementation will increase refining depth at the Refinery, raising efficiency and profits.

A unit for production of inert gas was brought into operation in 2009 at the **Volgograd Refinery** and a steam recuperation unit was commissioned at the oil loading rack. The Refinery also completed a project for modernization of the heat exchanger on one of its catalytic reforming units.

The Company's **Perm Refinery** commissioned pipe stills on its atmospheric distillation blocks and stills for hydrotreatment of diesel fuel as part of an ongoing modernization program, as well as launching an automated lubricant packaging line.

International Refineries

Refinery throughputs in 2009 at LUKOIL Group's international refineries, including the Group share of refining at the ISAB and TRN complexes, were 18.24 million tonnes, which is 50.8% more than in 2008. The large increase is explained by acquisition of stakes in the ISAB and TRN complexes as well as re-commissioning of the Odessa Refinery in April 2008, following modernization. Delivery of large quantities of oil to the ISAB and TRN refineries led to a decline in throughput of Group oil at third-party

refineries outside Russia in the reporting year (to 1.73 million tonnes from 2.29 million tonnes in 2008). Total refining volumes outside Russia in 2009 including processing at third-party refineries were 19.97 million tonnes, which is 38.8% more than in 2008. Capacity utilization at the Group's own refineries outside Russia in 2009 was 75.3%.

Average refining depth at the Company's foreign refineries (not including ISAB and TRN) was 79.9%, which is slightly higher than in 2008. Light product yield (not including ISAB and TRN) was 65.2% (as against 62.2% in 2008). Irrecoverable losses at refineries outside Russia fell from 0.93% to 0.86% in 2009.

Capital expenditures in modernization of the Group's foreign refineries were \$308 million in 2009 (\$335 million in 2008) and investments were \$1,666 million.

Reconstruction work was completed in 2009 at the **Odessa Refinery (Ukraine)** on equipment for hydrotreatment of kerosene-gas oil fractions, enabling the Refinery to produce diesel fuel with sulphur content that meets the Euro-4 and Euro-5 standards.

A new unit for sulphuric acid alkylation with 300,000 tonnes annual capacity was commissioned at the **Burgas Refinery (Bulgaria)**. The launch will enable complete withdrawal from production of the existing sulphuric acid alkylation unit, with 215,000 tonnes annual capacity. Investments in the new unit were more than \$90 million and it was designed using the latest technologies, which substantially increase the alkylate octane number and raise quality of gasoline production, as well as reducing atmospheric pollution and consumption of energy, materials and reagents required in production.

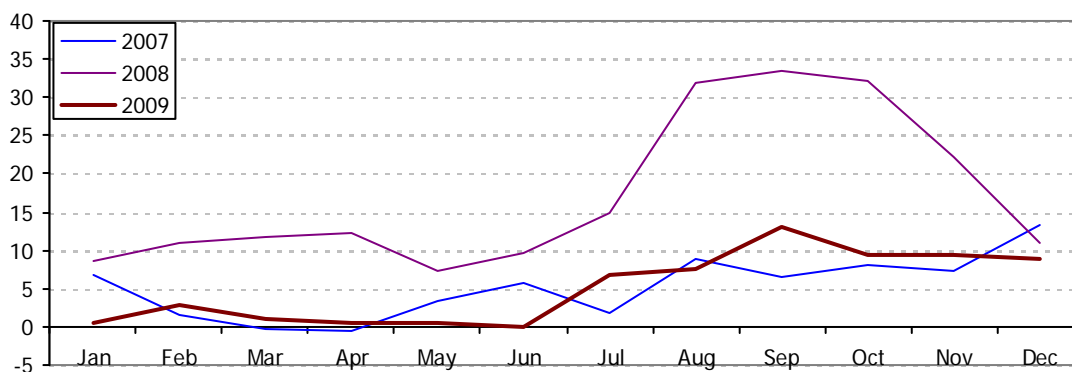
Modernization of a diesel hydrotreatment unit for production of Euro-5 fuel was completed in the reporting year. Outline projects were prepared for installation of bitumen and vacuum gas oil hydrocracking units. These projects are being developed as part of construction of a complex for refining of heavy residues.

The **Petrotel-LUKOIL Refinery (Romania)** completed upgrading of units for hydrotreatment of diesel fuel, catalytic cracking, hydrotreatment of gasoline produced by catalytic cracking, and production of MTBE and TAME, as well as a vacuum unit for the Atmospheric Distillation Block-1. Work on a hydrogen unit was also completed. These projects made the Refinery capable of producing fuels to Euro-5 standards in the reporting year and raised standards of environmental safety.

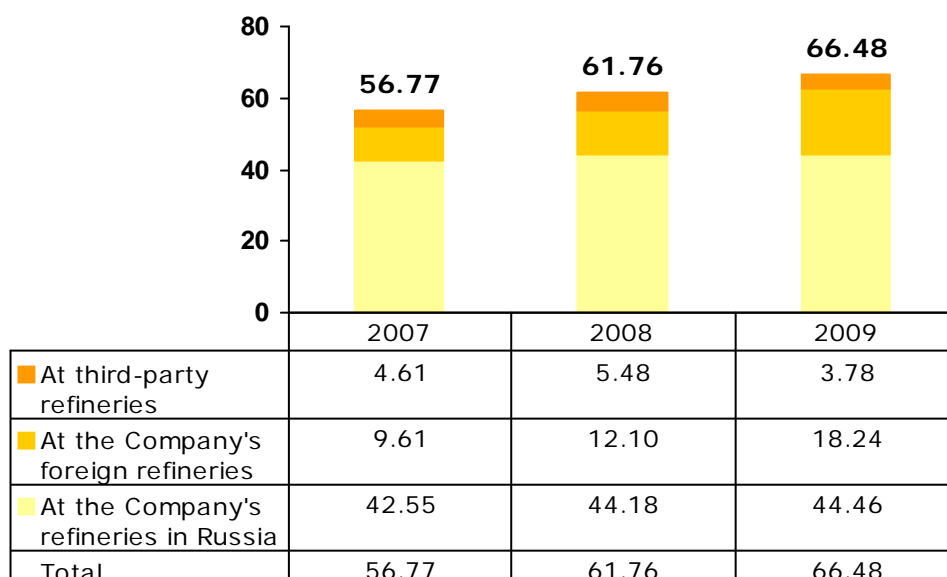
The Group share in refinery throughput at the **ISAB Refining Complex (Sicily, Italy)**, in which the Group bought 49% stake in 2008, was 6.17 million tonnes in 2009.

In September 2009 the Group began refining of oil at the **TRN Refinery** in the Netherlands after completing a transaction for acquisition of a 45% stake. The Group share in refining of oil and petroleum products in September to December 2009 was 1.53 million tonnes.

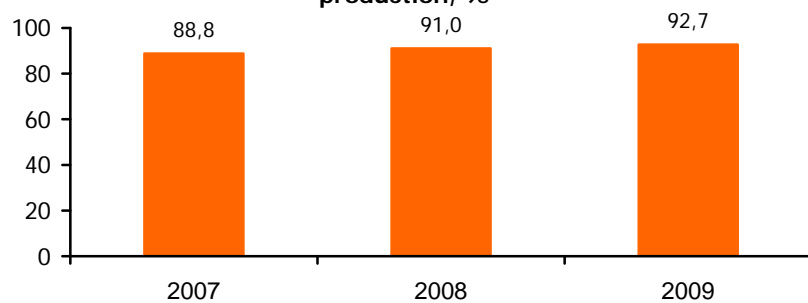
Refining margin in Russia (average refinery in European Russia without catalytic cracking), \$ per barrel



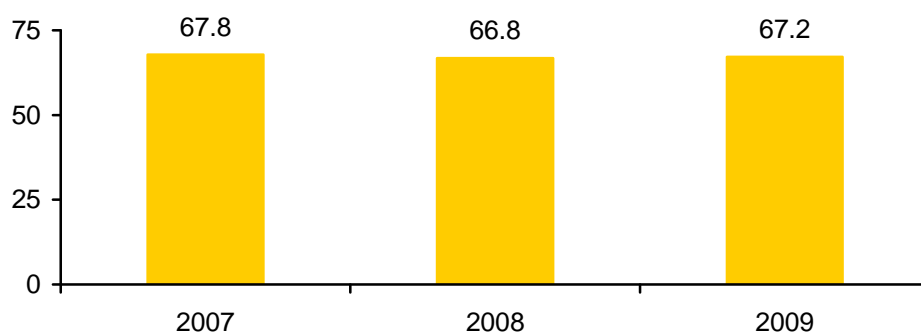
Refinery throughputs by LUKOIL, million tonnes

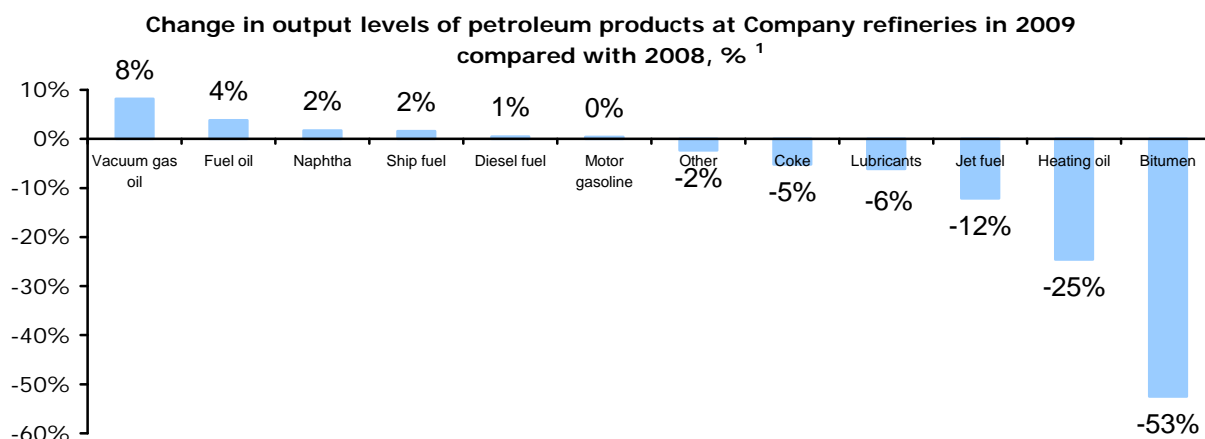


Share of high octane gasoline in total gasoline production, %¹



Share of diesel fuel with sulphur content below 50 ppm in total diesel production, %¹





¹ Excluding mini-refineries and the ISAB and TRN complexes.

Acquisition of the TRN Refinery

As part of Group strategy for development in the oil refining segment in Western Europe LUKOIL signed an agreement in June 2009 with the French company, TOTAL S.A. (hereinafter referred to as Total), for acquisition of a 45% stake in the TOTAL Raffinaderij Nederland N.V. refining complex at Vlissingen in the Netherlands.

TRN is among the biggest and most technologically advanced refineries in Western Europe. Acquisition of the stake increased LUKOIL's overall refining capacity by 5% and increased its refining capacities abroad by 16%.

The Group completed the acquisition of 45% of shares in TRN on September 1, 2009. Transaction value was close to \$700 million. Management of the JV is now carried out by LUKOIL and Total on parity basis.

Acquisition of a share in the refinery improves the balance between oil production and refining in the Company's asset portfolio, bringing it closer to that of other vertically integrated oil companies. The TRN stake brings the Group's ratio of refining capacity to crude oil production to nearly 75% (at the end of 2009), which is the optimal level for the Group.

TRN is located in the biggest oil refining and trading hub in north-west Europe (the Amsterdam – Rotterdam – Antwerp region, often referred to as 'ARA'), adjacent to product markets with high value added. About 90% of Refinery output is sold in Belgium, the Netherlands, Germany and Switzerland. Acquisition of the TRN stake strengthens LUKOIL's trading position and enables larger petroleum product supply volumes to the Group's filling station network in Western Europe.

TRN Refinery Profile

The TRN refinery was commissioned by Total in 1973, and is now one of the most advanced refineries in Western Europe with Nelson Index of 9.8 and annual refining capacity of 7.9 million tonnes.

TRN is operated on a 'processing' basis: LUKOIL supplies crude oil and other inputs to the Refinery and receives petroleum products in proportion to its equity stake.

LUKOIL has a 45% stake in all TRN refining units (and 100% in the second hydrogen production unit), except for gasoline production units, which remain in full ownership of Total. The Group expects to obtain benefits from the Refinery's capacity for production of medium distillates (mainly diesel fuel), demand for which in Europe will increase, while gasoline demand in European countries is steadily declining.

TRN has an exceptionally large hydrocracking unit (annual capacity is 3.5 million tonnes) and the refinery is capable of processing various types of crude oil, including oil with high sulphur content.

Refining depth at TRN in 2009 was 71% and light product yield was 65% (the Group's stake in September–December). Diesel and bunker fuel are the largest products at the Refinery (respectively 30% and 23% of marketable outputs in September-December 2009).

The Refinery has unique logistical and infrastructure advantages. It owns 22% of the Maasvlakte Olie oil terminal (Rotterdam), which has 4 million tonnes capacity. It also has access to the Borsele sea terminal, the Van Cittershaven loading wharf and a loading rack for road tankers. TRN owns a naphtha pipeline and 54 reservoirs for storage of crude oil and petroleum products.

The refining industry in the Netherlands

The Netherlands has one of the largest oil refining segments in the European Union. Its 5 refineries are owned by 6 different companies and have combined daily throughput capacity of 1.3 million barrels. TRN represents 13% of this capacity.

History of the TRN refinery

- The TRN refinery was commissioned by Total in 1973.
- In 1980 the company Dow acquired 20% of the refinery.
- Modernization was carried out in the early 1980s and a hydrocracking unit was commissioned in 1986. Dow increased its stake in share capital to 45%.
- The Refinery has carried out a series of modernizations since 1990 to remain one of the most advanced facilities in Europe: units have been installed for purification of kerosene fractions and production of sulphur, and the reactor for hydrotreatment of medium distillates has been expanded to enable production of diesel fuel with sulphur content below 50 ppm. One of the most recent large modernization projects at the refinery was reconstruction of the hydrocracking unit to increase its capacity (completed in 2004).

Production of Oils and Lubricants

Lubricant production at LUKOIL Group refineries

| | | | |
|--|-------------------|---|------------------|
| Nizhny Novgorod Refinery | | full-cycle lubricant production | 181,000 tonnes |
| Perm Refinery | | full-cycle lubricant production | 411,000 tonnes |
| Volgograd Refinery | | full-cycle lubricant production | 466,000 tonnes |
| LLK Lubricants Romania S.R.L. | Ploiesti, Romania | mixing of lubricants from ready-made components | 20,000 tonnes |
| LLK Finland Oy | Hamina, Finland | mixing of lubricants from ready-made components | 25,000 tonnes |
| Subsidiary of LLK International LLC | Tyumen Region | mixing of lubricants from ready-made components | 18,000 tonnes |
| Mixing of lubricants from ready-made components | | | 63,000 tonnes |
| Full-cycle lubricant production | | | 1,058,000 tonnes |

Production and sale of oils and lubricants is an important part of LUKOIL's business. The Group is constantly improving the quality of products and expanding their range, as well as raising efficiency of the sales system and diversifying business geography.

LUKOIL is the leader on the Russian oils and lubricants market, accounting for about 44% of domestic production. Oils and lubricants are produced at Group refineries in Perm, Volgograd and

Nizhny Novgorod. The Company also mixes lubricants from ready-made components (both produced by the Company and bought from third parties) at facilities in Russia, Finland and Romania.

Group refineries produced 1.06 million tonnes of oils and lubricants in 2009, and mixing of oils and lubricants was 63,000 tonnes. Output of packaged oils was 205,000 tonnes (231,000 tonnes in 2008).

LUKOIL produces about 190 brands of oils and lubricants to the latest international standards. They include motor and transmission oils for all types of transport, base oils (used as inputs for production of ready-to-use oils, lubricants and additives), and lubricants for industrial equipment. In addition to oils and lubricants the Group also makes over 20 brands of other oil-based products as well as over 10 brands of coolants.

The Group worked hard in 2009 to improve efficiency in sales of oils and lubricants, including further development of an import substitution program, which helped to increase sales of industrial lubricants by 26% compared with 2008. The Company launched production of various vehicle-care products in the reporting year, including coolants, anti-freeze, and screen wash. Preparations were made in 2009 for restructuring of the dealer network, and unified systems of credit, price formation and motivation were introduced for dealers in 2010. The Company started to make 43 new products in the course of the year and obtained 25 approvals from vehicle and machine-building companies.

LLK-Naftan, the joint venture between LUKOIL and the Naftan refinery (Belarus), met 34% of LUKOIL's requirements for additives used in lubricant production in 2009, and the share will increase to 80% in the medium term. The JV has increased output almost by 7 times, from 3,000 to 20,000 tonnes, since its creation in 2006.

The Company carries out **sales of oils and lubricants** in more than 40 countries worldwide and sales geography is constantly expanding. In 2009 LUKOIL began lubricant sales on the following new markets: Lebanon, Algeria, Israel, India, Vietnam, Turkmenistan, Taiwan, Pakistan, Iraq and Jordan.

The Company rapidly expanded lubricant sales in Turkey in 2009, where agreements were signed for lubricant deliveries to over 500 service centers of leading international car makers, such as Mercedes, Ford, Mitsubishi, Renault, Man, Toyota, Opel, Iveco, Skoda and others.

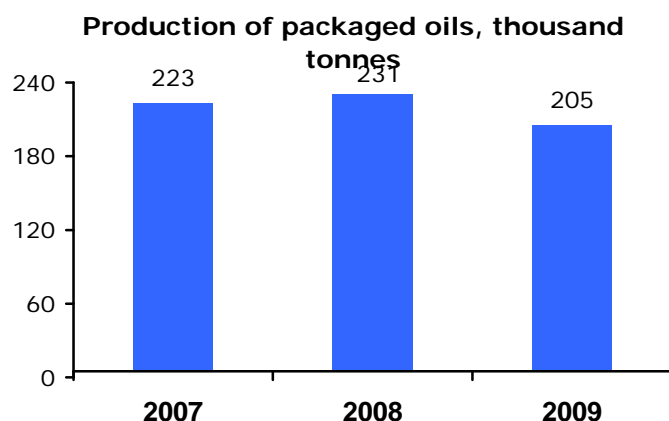
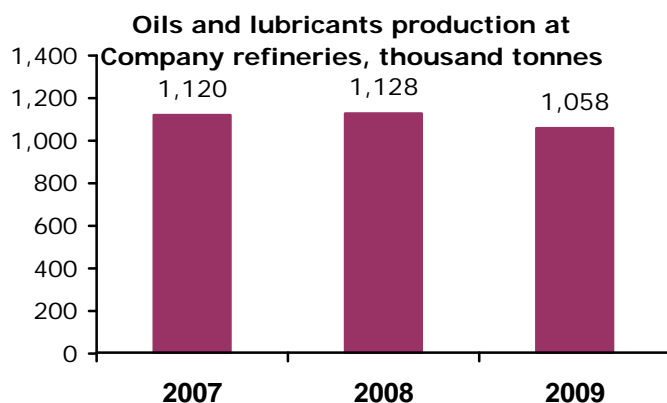
Constant expansion of the product range and improvement in the quality of Company oils and lubricants supports growth of sales volumes. Sales of LUKOIL branded lubricants were over 190,000 tonnes in 2009, which is 6% more than in 2008. Main markets for branded lubricants were Russia, Kazakhstan and Finland. The biggest increase compared with 2008 was in sales of packaged lubricants in Belarus (by 12%, including 39% increase in sales of branded lubricants).

In an important breakthrough, LUKOIL began sale of its own lubricants for ship engines in 2009. In June and August the Group obtained approvals for use of its new generation of lubricants, LUKOIL NAVIGO, in the most up-to-date maritime engines (including those of MAN, B&W and Wartsila). By the end of 2009 the Group's ship lubricants were available for sale in 122 ports in 24 countries in Europe, America, Asia and the Middle East.

The Company has done much work to develop customer relations in its lubricant business. LUKOIL was among the first companies in the industry to offer comprehensive service with full product support, from placement of client orders to delivery of the product and, ultimately, disposal of used lubricants. Thanks to this policy the Company now sells more than 80% of its lubricant output directly to end-users.

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). Our oils are produced using the latest technologies and contain high-quality additives supplied by Russian and foreign producers.

High performance qualities of LUKOIL lubricants have been acknowledged by major automotive manufacturers in Russia and abroad. Company motor oils 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. In 2009 a total of 25 product approvals were obtained from vehicle and machine builders.



Gas Processing

Gas-processing Plants of LUKOIL Group

| Gas-processing plant | Location | Capacity | | Processing in 2009 | |
|---|----------------------------|------------------------------|---|------------------------------|---|
| | | Gas processing, mcm per year | Processing of liquid hydrocarbons, th. tonnes | Gas processing, mcm per year | Processing of liquid hydrocarbons, th. tonnes |
| Lokosovsky Gas-processing Plant | Langepas (Western Siberia) | 2,300 | — | 1,861 | — |
| Permneftegazpererabotka | Perm | 505 | 1,000 | 540 | 648 |
| Korobkovsky Gas-processing Plant | Kotovo (Volgo-grad Region) | 450 | 161 | 363 | 70 |
| Usinsk Gas-processing Plant | Usinsk (Komi Republic) | 533 | — | 198 | — |
| Total | | 3,788 | 1,161 | 2,962 | 718 |

Gas-processing plants of LUKOIL Group process associated gas from fields in Russia into marketable gas (fed into the Gazprom gas pipeline system) and liquid hydrocarbons.

In 2009 the Company's gas-processing plants processed 2.962 billion cubic meters of gas feedstock and 718,000 tonnes of natural gas liquids (9% and 17% less than in 2008, respectively). The reduction was due to lower demand for products as well as to overhaul of an associated gas compressor unit at the Korobkovsky Gas-processing Plant (completed in November 2009).

During 2009 company plants produced 2.346 billion cubic meters of stripped gas, 785,000 tonnes of LPG and 838,000 tonnes of liquid hydrocarbons (stable gas naphtha, isopentane and hexane-heptane fractions, and natural gas liquids).

Work proceeded in the reporting year at the Company's **Usinsk Gas-processing Plant** on construction of an associated gas compressor unit with annual capacity of 500 million cubic meters, and on installation of a desulphurization unit with annual capacity of 100 million cubic metres.

The **Permneftegazpererabotka** Plant carried out various projects to help achieve the Company's target of 95% utilization of associated gas. Work to reduce costs in all areas and increase profitability was carried on.

There were no major modernization projects at the **Lokosovsky Gas-processing Plant** in 2009, but 2 cylindrical vertical flare furnaces were brought into operation, which helped to ensure more reliable operation of other technical equipment. Deliveries of gas liquids were optimized, including increase of deliveries to Stavrolen by 7 times.

Work was carried out at the **Korobkovsky Gas-processing Plant** on upgrading of a boosting compressor station and installation of a propane cooling unit, as well as work to ensure that the Plant meets current industrial and environmental standards.

Petrochemicals

LUKOIL Group Petrochemical Plants

| Plant | Location | Production profile |
|--|---------------------------------------|--|
| Petrochemical plants | | |
| 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 |
| Refineries with petrochemical units | | |
| LUKOIL Neftokhim Burgas AD | Burgas (Bulgaria) | Polymers and organic synthesis products |

LUKOIL's petrochemical business is one of the biggest in Russia, CIS 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 30 countries worldwide.

In accordance with its development strategy in the petrochemicals sector, 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 petrochemical plants produced 902,000 tonnes of petrochemicals in 2009, which is 38% less than in 2008. The reduction was due to suspension of production at Karpatneftekhim in May 2008 for upgrading work as well as reduction of demand for petroleum products.

Markets for petrochemical products were highly volatile in 2009. A sharp decline of prices in the first half of the year (continuing from the end of 2008) was followed by a modest recovery in the second half of the year. As a result, the sale price for polyethylene in Russia declined by 11.7% in the course of the year, polypropylene prices fell by 18.4%, and prices for benzol fell by 16.9%. Price declines for all

three products were even more marked in Europe, where prices dropped by 27.4% for polyethylene, 27.6% for polypropylene and 32.8% for benzol.

LUKOIL moved ahead with modernization of existing production and installation of new production in 2009 as part of its strategy for development in the petrochemical sector. Capital expenditures in the sector were \$113 million in 2009.

Production was halted at the **Karpatneftekhim** plant in May 2008 so that a large-scale upgrade could be carried out. Construction and assembly work was completed in 2009 on a new chlorine and caustic soda production unit using membrane electrolysis technology. Annual capacity of the new unit is 182,000 tonnes of gaseous chlorine and 200,000 tonnes of caustic soda. Completion of the project will enable Karpatneftekhim to produce caustic soda, which meets international quality standards, and to fully cover the plant's own chlorine needs. Commissioning of the unit is scheduled in mid-2010.

Karpatneftekhim also continued work on construction of a suspended polyvinylchloride unit with annual capacity of 300,000 tonnes. Its integration with the plant's capacities for production of vinylchloride monomer will greatly increase overall efficiency. Commissioning of the unit is scheduled at the end of 2010.

Routine repair work was carried out at **Saratovorgsintez** in 2009 and the sodium cyanide unit, which was installed in 2008, reached its target production level of 15,000 tonnes per year. The plant achieved input and energy savings in the reporting year.

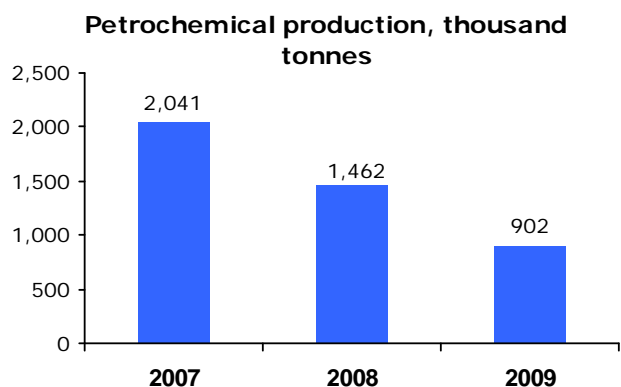
At **Stavrolen** reconstruction of the storage facility for liquefied hydrocarbon gases continued in 2009 in order to increase gas feedstock handling and processing from 200,000 to 400,000 tonnes per year. Commissioning of the facility is scheduled in 2010. Polypropylene output reached the target level of 360 tonnes per day in the fourth quarter of 2009, producing new high-index grades with high value added. A new polyethylene compounding line was also commissioned in the reporting year, and the plant reduced unit consumption of electrical energy in production of polyethylene and polypropylene, as well as reducing consumption of natural gas in olefin production.

One of the main projects scheduled by LUKOIL for implementation in the next few years is construction of the **Caspian Gas-chemical Complex**. The Complex will use natural gas and condensate produced by LUKOIL Group in the Caspian region and will have annual capacity of at least 600,000 tonnes of ethylene.

The purpose of the project is to increase value added through deeper processing of gas feedstocks (ethane and natural gas liquids). The Caspian Complex will carry out refining of ethylene and its derivatives into polyethylene, polypropylene and other petrochemical products.

Pre-project work for the Complex was completed in 2009 including preliminary analysis of proposals by licensor firms and engineering companies, as well as further cooperation with the Stavropol regional government aimed at increasing production and sales volumes of petrochemical products.

Work in 2010 will include definition of production configuration at the Complex and development of a master plan, choice of licensor firms for petrochemical technologies to be used at the Complex, making of licensing agreements and start of design work on base projects (particularly for processing of associated gas).



Power Generation

LUKOIL created a new business sector in 2008: Power Generation. The new segment has a special role in the revised Company's Strategic development program for 2010–2019 and Power Generation will be an important factor for growth of Company cash flows and shareholder value in the long term.

The new sector includes all aspects of power business, from generation to transmission and sale of heat and electrical power, ensuring reliable supplies for the Company's own needs and for external customers. As well as UGK TGK-8, which was acquired at the end of 2008, and the Company's own power generating facilities at oil & gas fields in Russia, the sector also includes a number of power generators in Bulgaria, Romania and Ukraine.

Structural Transformations

Restructuring of LUKOIL's power business entered its final stage in the reporting year. The intended final structuring of the sector was achieved, consisting of 7 organizations, which began operations in 2009, including 4 generating companies: LUKOIL-Astrakhanenergo, LUKOIL-Volgogradenergo, LUKOIL-Kubanenergo and LUKOIL-Rostovenergo.

The generating companies manage assets of UGK TGK-8, which was acquired in 2008. The LUKOIL stake in UGK TGK-8 was increased to 100% in 2009 and the company was transformed from a public to a private limited company.

Power Generation

Total production of electrical energy in 2009 by organizations in LUKOIL's power generation business was 14.7 billion kilowatt-hours. Total heat production by generators was 16.9 million Gcal.

Reduction in output of heat energy was due to lower demand and delayed start of the heating season as a result of unusually warm weather in Russia's Southern Federal District.

LUKOIL works constantly to optimize production costs of its electricity enterprises, and applies strict control over implementation of anti-crisis programs for reduction of non-operating expenses.

Small-scale Generating

LUKOIL is continuing rapid development of its own power generating at fields. This enables substantial savings on electricity purchases and raises the level of utilization of associated gas, which is used as fuel for gas-fired generating. The Group generated 1,152 million kilowatt-hours of electricity at its own power generating units in 2009, representing 8.2% of total consumption of electricity by the Group in its production activities.

LUKOIL applies the latest technologies in its investment projects for construction and upgrade of generating facilities. This will ensure increasing reliability of power supplies to LUKOIL enterprises. Use of new technologies also enables the Company to limit spending on its electricity needs thanks to improvement of energy efficiency and use of the Company's own refined products as fuel for power generation.

Energy-saving Technologies

LUKOIL works constantly to improve reliability of its electricity supply arrangements and to reduce spending on energy. The efforts have been coordinated through corporate programs (being implemented in 2006–2010) for energy saving and improvement of reliability of power supplies.

Savings of fuel and energy resources in 2009 as a result of the energy-saving program were more than \$100 million, which is more than double the amount saved in 2008.

Spending on measures as part of the program for improving reliability of electricity supplies was over \$100 million in 2009, which is about 20% less than in 2008 (real expenditures adjusted for rouble depreciation remained at the level of 2008). Implementation of the program reduced power cuts and resulting underproduction of crude oil by nearly 30%.

The Company approved an energy audit schedule for its oil & gas production subsidiaries in the period from 2006 to 2010. Purpose of the audit is to identify potential for energy-saving and enhancing

energy efficiency and to devise energy-saving measures. In 2009 energy audits were carried out as scheduled at Urainteftegaz (LUKOIL-Western Siberia), the Perm Refinery, Permneftegazpererabotka and Saratovorgsintez.

Company specialists recognize the huge potential for resource and energy saving, offered by alternative sources of energy. Priority alternative sustainable forms of energy supply include hydro- and wind-power, solar energy and geothermal energy. Alternative energy projects by the Company have been on a small scale to date, and have been focused on resolution of local energy-saving tasks. For example, the company installed photoelectric units at two filling stations in 2009 (one in Serbia and the other at Krasnaya Polyana in southern Russia).

Rational use of electricity considerably reduces Group spending on purchase of energy resources. An automated system for measurement of electricity use has been installed at all Company subsidiaries. The system makes it possible to take advantage of tariffs in force at different times of the day, to increase accuracy in measurement of electricity consumption, and to purchase electrical energy and generating capacity on the wholesale market.

Product Deliveries and Marketing

Strategy:

- Optimizing logistics: reduction of transportation expenses
- Prompt management of trade flows
- Increasing efficiency of trading operations
- Increase of retail sales of petroleum products and of related goods and services
- Retail network optimization

Crude Oil Deliveries

Total crude oil deliveries by the Company in 2009 were 115 million tonnes, which is 13% more than in 2008. Oil exports from Russia grew substantially in the reporting year (by 7%) due to supplies of oil from the Yuzhnaya Khylichuya field via the Varandey terminal. Oil refinery throughputs inside Russia remained high (capacity utilization was close to 100%).

The Company sold 3.0 million tonnes of crude oil in **Russia** during the year, which is 42% more than in 2008. LUKOIL used mechanisms of substitution in deliveries of Company crude to refineries at Yaroslavl and Ryazan. This enabled logistics savings compared with the alternative of exporting oil via the port of Primorsk.

The Company **bought** 606,000 tonnes of oil in **Russia** during 2009, compared with 236,000 tonnes bought in 2008.

Refining at the Company's own refineries inside Russia was 44.46 million tonnes, which is 0.6% more than in 2008. Work was carried out to optimize deliveries to Company refineries. Direct contracts were made between LUKOIL-Komi and the Ukhta refinery, and between LUKOIL-Volgogradneftegaz and the Volgograd Refinery (crude oil, which was previously supplied to the Caspian Pipeline Consortium system was supplied instead to the refineries, with positive economic effect). The Company also delivered 2.05 million tonnes of crude oil for processing to third-party refineries in Russia in order to obtain additional profit. An important event was signing in August 2009 of an agreement for supplies of crude oil to refineries in Bashkortostan. This contract gives LUKOIL a guaranteed market for crude oil inside the country on export terms.

Crude oil exports from Russia by LUKOIL subsidiaries (including oil purchased from other producers) grew by 6.9% in comparison with 2008 to 42.02 million tonnes thanks to large deliveries via the Varandey terminal. The Company exported 33.66 million tonnes to the far-abroad countries and 8.36 million tonnes to the near-abroad countries. The Company managed its export deliveries efficiently in 2009, selecting the most profitable export routes.

Most export in 2009 was via the Transneft pipeline system. Deliveries via Transneft were 33.00 million tonnes (8.5% less than in 2008) and their share in overall exports was 79%. The volume of export deliveries by-passing the Transneft system almost doubled in 2009 to 9.02 million tonnes of crude oil, due to commissioning of the Company's Varandey terminal in 2008. Deliveries through Varandey were valued on the basis of actual quality of the crude oil, at a premium to the Urals price. (There is no oil quality bank in the Transneft system, so crude oil of any quality supplied through this system is sold at the price for Urals blend crude, making Urals blend the Company's main export commodity).

The Company exported 8.7 million tonnes of crude oil via its own transport terminals in 2009 compared with 2.8 million tonnes in 2008. Use of the Company's own terminals reduces transportation costs and makes transport arrangements more flexible.

An important achievement in 2009 was design and implementation of a new logistics scheme for deliveries of oil by the company RITEK via the northern sea route. Lowering of freight prices and demurrage rates enabled a more financially attractive export scheme for RITEK using LUKOIL Group infrastructure (direct deliveries to Europe and use of LITASCO buffer storage facility in Murmansk).

The Company continued to apply a new approach to price formation as part of work to improve efficiency of crude oil deliveries in 2009. The new approach takes account of developments on the international market for purposes of oil sales in Russia and the near-abroad countries. This has positive impact on quality of commercial decisions, which are better founded, since financial outcomes are more predictable at the time when deliveries are planned.

Feedstock deliveries to foreign refineries of LUKOIL Group and to the ISAB and TRN refining complexes were 18.24 million tonnes, representing a record 50.7% increase compared with 2008. This was achieved thanks to acquisition of stakes in Western European refineries. The Company also delivered oil for processing to third-party refineries (Naftan and the Mozyr refinery in Belarus and the Panchevo refinery in Serbia). Volumes of these deliveries in the accounting year were 1.73 million tonnes, which is nearly 25% less than in 2008.

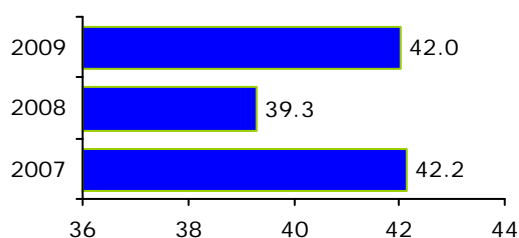
LUKOIL sold 46.98 million tonnes of crude oil on the **international market** in 2009, including 5.33 million tonnes in the near-abroad countries and 41.65 million tonnes in countries of the far-abroad.

In 2008 LUKOIL Group commissioned the Varandey oil loading terminal with crude oil throughput capacity of up to 12 million tonnes per year (240,000 barrels per day). Crude oil deliveries to the terminal are mainly from the Timan-Pechora oil & gas province, primarily from the Yuzhnaya Khylchuya field, which was brought into operation in the summer of 2008.

Facilities built and commissioned at Varandey include a stationary, ice-resistant loading terminal at sea, a shore tank farm with capacity of 325,000 cubic metres, two stretches of underwater pipeline, and also an oil accounting facility, auxiliary reservoirs, a pumping station, energy supply facilities, a shift camp for duty personnel and other infrastructure. Capital expenditures during the whole period of construction were \$1.1 billion.

The terminal operates as follows: ice-class shuttle tankers with deadweight tonnage of 70,000 tonnes transport oil to a floating reservoir in the ice-free waters off Murmansk, then long-distance tankers with deadweight tonnage of 150,000 tonnes deliver the oil to Western Europe and the USA. About 7.7 million tonnes of crude oil were shipped through the terminal in 2009.

Crude oil exports, million tonnes



Gas Deliveries

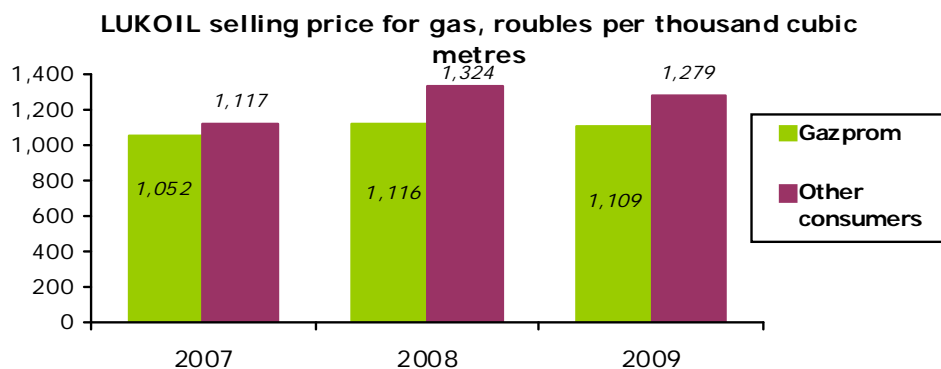
The gas segment is a new and rapidly developing business segment for LUKOIL Group. Expansion in the gas segment is one of our strategic tasks, emphasizing commercialization of gas reserves to boost Company value.

Sales of natural, associated, stripped and dry gas by the Group's Russian organizations totalled 10.947 billion cubic meters in 2009. Of this total, 7.584 billion cubic meters of gas were sold to Gazprom (including 6 billion cubic meters of natural gas from the Company's Nakhodkinskoye field) and 3.363 billion cubic meters of gas were sold to other consumers. Decrease in sales volumes was due to lowering of global demand for gas and corresponding limitations of the volumes bought by Gazprom.

Thanks to share increase of price-efficient deliveries to end-users, the average sale price for gas stayed at the level of 2008 (1,152 roubles per thousand cubic meters), consisting of 1,109 roubles per thousand cubic meters for Gazprom and 1,279 roubles per thousand cubic meters for end-users.

In order to increase profit from sales and simplify arrangements for gas supply to end-users, the Company made large deliveries in 2009 through Gaz-Oil Trading (a parity joint venture between LUKOIL and Gazprom subsidiaries). Creation of the joint venture has enabled a unified approach to pricing and has simplified gas supplies through the Gazprom gas-transportation system.

In order to minimize costs the Company carried out preparatory work in the accounting year, which will enable contracts to be made for direct gas supplies to end-users (specifically, the generating company, UGK TKG-8), cutting out intermediaries.



Petroleum Product Marketing

Wholesale Trading in Petroleum Products

LUKOIL's petroleum product wholesale business in **Russia** is carried out by its refineries and by 7 petroleum product organizations inside the Group, operating in 62 regions of the country. Volume of petroleum product wholesale in Russia in the accounting year was 9.80 million tonnes, which is 26.4% less than in 2008. Gradual increase of world oil prices in 2009 had an effect on prices for main petroleum products on the domestic market, which remained 10–20% higher than export prices, taking account of transport expenses and duties.

Company organizations **exported** 27.8 million tonnes of petroleum products to the near- and far-abroad countries in the reporting year, which is 7.7% more than in 2008. Exports were dominated by heating oil, diesel fuel/gas oil and vacuum gas oil, which accounted for 89.4% of total export volumes. The Company's petroleum product export structure mainly corresponds to the structure of exports from Russia as a whole. The Company maintained efficient management of product deliveries from Group oil refineries during 2009.

Railway remained the main means of transport for Group exports of petroleum products (over 80% of the total in 2009). Optimization of petroleum product deliveries by rail continued in 2009: LUKOIL used its own rail cars and cars provided by other private companies, tariff rates were lowered and the Company obtained discounts on main export routes. This enabled the Company to successfully limit growth in the cost of rail shipments.

The 2007 agreement with Russian Railways on development of rail infrastructure for shipment of up to 12 million tonnes of petroleum products per year to the Vysotsk terminal continued to be implemented in 2009. It was decided in 2008 to examine the possibility of increasing shipment volumes to 14 million tonnes. A total 13.7 million tonnes of petroleum products were shipped through Vysotsk in the reporting year, helping to optimize efficiency of petroleum product deliveries by the Company.

Petroleum products are also exported by sea and river transport. In order to minimize transport costs and diversify routes, the Company mainly used Russian ports for petroleum product transshipment in 2009. LUKOIL made no use of Ukrainian ports for deliveries of fuel oil in 2009 thereby optimizing deliveries of dark petroleum products and making savings of \$14 million. Redirection of more fuel oil volumes (up to 1 million tonnes) from St. Petersburg port to the Vysotsk terminal gave further savings of \$16 million. Also the Company benefited from introduction at the end of the year of a zero VAT rate for transportation of petroleum products through Primorsk, which reduced the amount of working capital that was diverted for tax payment by about \$1 million each month.

The Company is working continually to optimize delivery routes for exports of petroleum products. In 2009 exports of diesel fuel EN 590 with sulphur content of 10 ppm were partly reoriented from Vysotsk to Primorsk, which gave a cost saving of more than \$13 million.

From the start of the navigation season, petroleum products are delivered for export by tankers from the Company's river terminals, enabling significant reduction of transportation costs. LUKOIL also succeeded in reducing river freight costs as a result of negotiations with ship owners, which gave a saving of \$8 million in the 2009 river transport season compared with 2008.

About 9% of petroleum product exports in 2009 were by pipeline. LUKOIL increased the volume of such exports by more than 10% in 2009, thanks to commissioning in September 2008 of the Sever Pipeline System, connecting Kstovo Pumping Station and the port of Primorsk.

LUKOIL is rapidly developing its **international trading business** in petroleum products by increase of scale and geographical diversification of the business. The objective of LUKOIL's international trade is to place Company resources as efficiently as possible, including direct sale to end-users (by-passing third-party traders). Volume of the Group's wholesale petroleum product sales on the international market in 2009 was 76.89 million tonnes, which is 13.6% more than in 2008.

LUKOIL has trading offices in 9 countries worldwide and makes deliveries of crude oil and petroleum products to markets in Europe, the USA and the Asia-Pacific region, as well as increasing its sales volumes in new regions (Africa, Latin America and the Middle East). The Company had trading business in 86 countries worldwide during the reporting year.

LUKOIL constantly monitors global hydrocarbon markets when planning placement of its products. This gives opportunities for arbitrage deliveries, using both the Company's own resources and third-party resources. The Company also blends petroleum products, including biofuels, on its main sales markets in order to achieve the best-possible match with consumer preferences and quality demands.

Petroleum Product Retail

The Company's retail network extends to 26 countries, including Russia, the near-abroad countries and European countries (Azerbaijan, Belarus, Georgia, Moldova, Ukraine, Bulgaria, Hungary, Finland, Estonia, Latvia, Lithuania, Poland, Serbia, Montenegro, Romania, Macedonia, Cyprus, Turkey, Belgium, Luxembourg, Czech Republic, Slovakia, Croatia, and Bosnia and Herzegovina) as well as the USA. The network includes 199 tank farm facilities with total capacity of 3.13 million cubic meters and 6,620 filling stations (including franchises).

Retail sales of the Company's petroleum products were almost unchanged in the reporting year: 14.08 million tonnes of petroleum products were sold through our own filling stations, which is 0.6% less than in 2008. However, average Group sales per filling station (owned or leased) rose from 7.3 to 7.8 tonnes per day thanks to optimization of the retail network and reduction in numbers of stations with low efficiency (particularly in the USA).

Good results were achieved mainly due to increase of sales volume on the Russian market and efficiency improvements in the segment. Retail sales outside Russia fell by 4.1% due to lower demand (reduction of transport volumes). The Company's new strategy is to focus on optimization of the existing filling station network rather than acquisition of new assets. Investments in the retail segment in 2009 were \$506 million.

The Company continued optimization of its filling station network in 2009, upgrading or disposing of stations and tank farms with low-efficiency: 7 low-efficiency filling stations were withdrawn from the Group in Europe, while in Russia 10 filling stations and 5 tank farm facilities were withdrawn and 16 filling stations and 8 tank farms were sold. The retail network in the USA shed nearly 200 low-efficiency stations. However, construction and acquisition of highly-efficient stations continued, and upgrading was carried out at existing stations. In Europe 35 filling stations were built and 38 were upgraded. In Russia 40 filling stations were built and 39 upgraded. Capital expenditures in the retail sector in 2009 were \$313 million.

The Company continued to implement its program for development of a marketing and sales network for liquefied and compressed gas. The program envisages increase in sales volumes of these products in Russia to 530,000 tonnes per year in the period up to 2014. Sales of liquefied and compressed gas by Group organizations in Russia were 120,000 tonnes in 2009.

At the end of 2009 the Group had 111 multi-fuel and gas filling stations in Russia. The Company's strategy in the Refining & Marketing segment targets increase in the number of stations to 318 in 2013 and 345 in 2017.

The Company launched Russia's first dual-use (water – shore) filling station in 2009 in St. Petersburg. The station can serve both vehicles (up to 500 refuellings per day), and small boats during the navigation period on the River Neva (up to 60 refuellings per day). The station was built to meet strict environmental standards applicable to ordinary filling stations and to sea terminals for petroleum product transshipment.

The Group's multi-fuel and gas retail network abroad consisted of nearly 1,000 stations at the end of 2009. Total volume of liquefied and compressed gas sales by Company organizations outside Russia in the accounting year were 612,000 tonnes (622,000 tonnes in 2008), including retail sales of 369,000 tonnes.

Russia

LUKOIL's retail network in Russia consists of 2,170 filling stations (including franchises) and 118 tank farm facilities with reservoir capacity of 1.37 million cubic meters. The filling stations and tank farms are operated by 7 petroleum product supply organizations, which do business in 62 of Russia's administrative regions.

Volume of retail sales of petroleum products on the domestic market in 2009 was 6.22 million tonnes, which is 4.2% more than in 2008. Capital expenditures in the Russian retail sector were \$157 million (\$357 million in 2008), and investments were \$202 million. The Company withdrew 10 filling stations and 5 tank farm facilities in 2009 as part of its program for optimization of the sales network, and also sold 16 filling stations and 8 tank farms, leased out 45 filling stations and mothballed 3 tank farm facilities. The Group acquired and built 61 filling stations, and rebuilt 39.

Decline of demand associated with lower transport volumes in the context of the world economic crisis led to reduction in average daily sales of petroleum products per Company filling station in Russia from 9.8 tonnes in 2008 to 9.3 tonnes in 2009.

There was steady growth through 2009 in sales of EKTO branded motor fuels, which the Company launched in 2006. Sales of EKTO gasolines in December 2009 were 132,000 tonnes, which is 83% more than in January. Total sales of EKTO gasoline in 2009 were 1.3 million tonnes, which is 77% more than in 2008, and sales of EKTO diesel fuel were 869,000 tonnes, which is 23% more than in 2008. The Company also expanded sales geography of the new fuels. EKTO fuels fully meet European environmental standards (Euro-3 for gasolines and Euro-4 for diesel), and they offer improved

performance features, which justify a price premium for quality. In October 2009 LUKOIL began sales of new premium EKTO gasolines, EKTO Plus (octane number 95) and EKTO Sport (octane number 98), which offer further engine power and fuel economy gains compared with the previous generation.

In November 2009 LUKOIL won a nomination for 'Best petroleum products supplied to Russian consumers', based on research into the Russian retail market in 2008, carried out by the company InfoTEK-Consult. The Company was commended for its major contribution to improving the quality of Russian petroleum products.

Development of the system of payment for petroleum products at filling stations using LICard fuel cards continued in 2009. The number of filling stations where these cards can be used grew by 1% to 2,814 stations, of which 1,886 belong to LUKOIL Group. The number of cards in circulation increased by 34% to 2.72 million. A total of 3.2 million tonnes of petroleum products were sold using LICards, which is 8% more than in 2008.

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 continued to be implemented in 2009. More than 2,000 of our filling stations in Russia had their own shops by the end of 2009. Revenue from sales of non-fuel products and services through the Group's retail network in 2009 was over \$155 million (41% of revenue was from sales of food goods, 29% represented packaged products, 22% came from accessories and 8% from sale of services). The revenue increase reflects improvement in service quality at filling stations and expansion of the range of goods and services on offer. The program target for revenue by 2014 is about \$300 million. Development of non-fuel business is an important factor for positioning of LUKOIL Group as a customer-oriented company with European standards of service.

International

LUKOIL's retail network in Europe, the near-abroad countries and the USA consists of 4,450 filling stations (including franchises) and 81 tank farms with reservoir capacity of 1.75 million cubic meters. The Company built 35 new filling stations outside Russia in the reporting year, acquired 12 and upgraded 38. LUKOIL also withdrew 7 stations outside Russia from service in the reporting year.

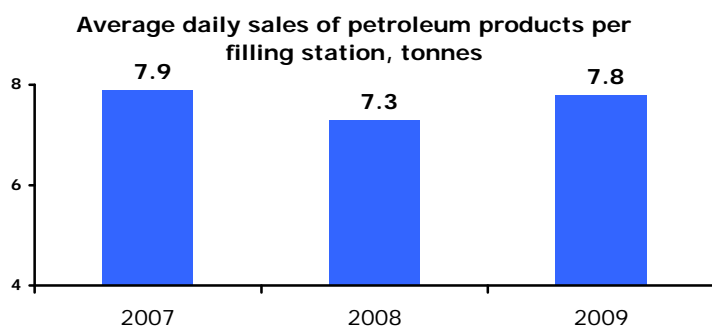
Capital expenditures in international retail in 2009 were \$156 million (\$369 million in 2008), and investments were \$304 million.

Retail sales of petroleum products on international markets in 2009 were 7.86 million tonnes (8.20 million tonnes in 2008). Average daily sales of petroleum products per filling station in Europe and countries of the near-abroad were 7.0 tonnes, which is 5% less than in 2008. Daily sales per station in the USA were 6.8 tonnes. Thanks to withdrawal from the Group of inefficient stations, sales volumes per filling station in the USA were unchanged compared with 2008, despite reduction of demand.

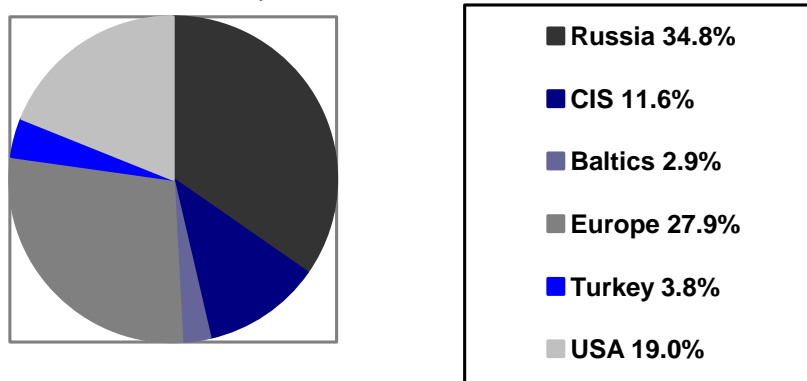
The Company continued rebranding of acquired sales assets in the accounting year. Rebranding of 376 filling stations purchased from ConocoPhillips at the end of 2006 in Hungary, Poland, the Czech Republic, Belgium and Slovakia was almost completed (52 of the stations were rebranded in 2009). The Company also completed rebranding of 82 Akpet filling stations (Akpet was acquired in 2008).

Abroad, as in Russia, LUKOIL is working hard to increase profitability of its filling stations, particularly through development of retail sales of non-fuel products and services. Revenue from sales of non-fuel products and services at filling stations abroad increased to over \$500 million in 2009. The Company plans to further increase non-fuel revenues from filling stations abroad through increase in numbers of filling stations, broadening of the product range, improvement in customer service quality, optimization of work with suppliers and intensive marketing activity.

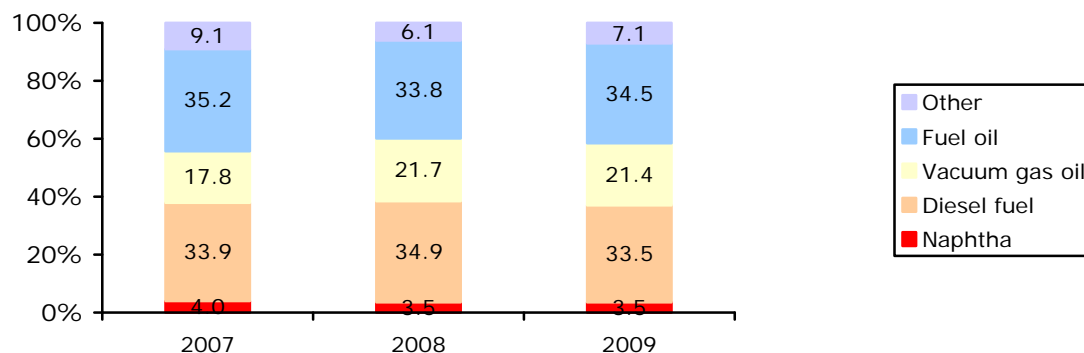
The LICard system was in use at 667 filling stations outside Russia by the end of 2009 (the figure at the end of 2008 was 642 stations).



Structure of petroleum product sales in 2009 (wholesale and retail)



Petroleum product export structure, %



Technology and Innovation

New technologies and innovation are among LUKOIL's competitive strengths. The Company's specialists are engaged both in development of new technologies and modernization of existing ones.

The Group began intensive cooperation in 2009 with The Russian Corporation of Nanotechnologies (RUSNANO) on commercialization of nanotechnologies and their application in the oil & gas industry. The companies are considering joint development work and implementation of various projects, including creation of large-scale (multi-tonne) production of a unique nano-reagent, RITIN, which enables major improvement of oil recovery from formations, as well as development and production of permanent-magnet electric motors using highly efficient, nano-built magnets. The partners are also considering potential for testing of nanotechnologies, developed with RUSNANO's participation, at Group enterprises. Such technologies include multi-functional nano-coatings, sulphur purification units that use nano-catalyzers, and various other nanotechnologies.

LUKOIL Group spent more than \$80 million on research & development in 2009 (\$95 million in 2008). Institutes in the Company's R&D complex carried out project and research tasks and other work with total value of \$200 million

Exploration & Production Technologies

LUKOIL fully recognizes the vital role of technology in supporting competitiveness of the Exploration and Production segment. Most R&D work in the segment in 2009 was focused on development of geological and geophysical study techniques, improvement of reserve assessment methods (work continued on a methodology to assess hydrocarbon reserves in reservoirs with complex structure), as well as design and improvement of methods for increasing oil recovery and optimizing technological solutions used for development of new areas and accumulations. The Company is particularly keen to develop technologies that ensure environmental safety during field development, most notably during development of offshore fields.

Production of oil began in 2010 at the Yu. Korchagin field, where development will use a system of extra-long horizontal wells (more than 5 km). This is a unique project solution in Russia. In addition all works at the field are to be carried out on a 'zero-discharge' basis, which avoids negative environmental impacts.

One of the most important outcomes of the Company's technology development efforts is increasingly widespread application of methods for intensifying oil production and of enhanced oil recovery (EOR) techniques. These methods offer significant increase of recoverable reserves and oil production, enabling commercial development of high-viscosity oil, oil 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 Company applies physical, chemical, hydrodynamic and heat methods to stimulate extraction.

The Group carried out 5,098 EOR operations in 2009, which is 300 less than in 2008. However, additional production obtained as a result of EOR techniques (23 million tonnes, or 25% of total oil production by the Company in Russia) was slightly higher than in the previous year, thanks to higher efficiency in application of the techniques.

Most of the additional production volume (14 million tonnes, or 61%) was obtained using physical methods, primarily hydrofracturing.

The Group carried out 634 hydrofracturing operations at fields in 2009, achieving average growth in flow rate of 9.6 tonnes per day. The extent and the effectiveness of hydrofracturing operations in 2009 were comparable with analogous figures for 2008. Hydrofracturing was applied as a method of intensifying production mainly at fields that had been in development for a long period of time and had highly depleted reserves. LUKOIL succeeded in maintaining growth in oil flow from hydrofracturing operations at the 2008 level through improvement of hydrofracturing design, selection of wells using hydrodynamic models, and through tighter quality control over the materials and reagents, which were used by service companies.

Company specialists were awarded a diploma in 2009 by the Federal Service for Intellectual Property, Patents and Trademarks (Rospatent) in the nomination '100 best Russian inventions' for designing a method for locally directed hydrofracturing of formations at oil & gas fields. The method can be used for raising recovery at oil, gas and gas condensate fields, particularly at fields, which are in late stages of development and are characterized by high water cut in output, and by a large number of stagnant and blind zones, which are unproductive using traditional methods.

Use of other EOR methods (hydrodynamic, heat, chemical methods and oil production intensification) gave 9 million tonnes of production. The Company continued to make extensive use of chemical technologies in 2009. The number of chemical EOR interventions was almost unchanged (1,357 in 2009 compared with 1,324 in 2008) but additional output from such operations grew by 18% to 1.9 million tonnes.

Drilling of sidetracks at existing wells has also proved a highly-efficient form of EOR. The Company continued drilling of sidetracks in 2009, when 264 such operations were carried out (260 in

2008), giving average daily flow increase of 16.8 tonnes. The Company kept drilling of sidetracks at the same level in 2009 as in the previous year, despite overall reduction of the corporate investment program. Sidetracks are mainly used to extract residual reserves at inactive wells, which have been in production for a considerable period of time and are characterized by near exhaustion of active reserves and high levels of water cut. In the immediate future Company specialists will focus on increase of technical efficiency, primarily through improved accuracy in geological and reserve structure forecasts at areas where sidetracks are to be drilled.

Another way of raising efficiency of crude oil production is drilling of horizontal wells, which offers well productivity growth of 1.5–2 times. A total of 91 new horizontal wells were commissioned in 2009 with average daily flow rate of 78.2 tonnes (twice more than for ordinary wells).

LUKOIL is rapidly developing and applying new technologies for production of high-viscosity oils. Experience of work with high-viscosity oil extraction in Russia is concentrated in the Komi Republic, where LUKOIL is developing the Yaregskoye and Usinskoye fields with initial geological reserves of heavy oil in excess of 1 billion tonnes under Russian classification. Thermal methods are used at both fields to increase oil recovery and annual production is about 2.2 million tonnes, representing about two thirds of total heavy oil production in Russia.

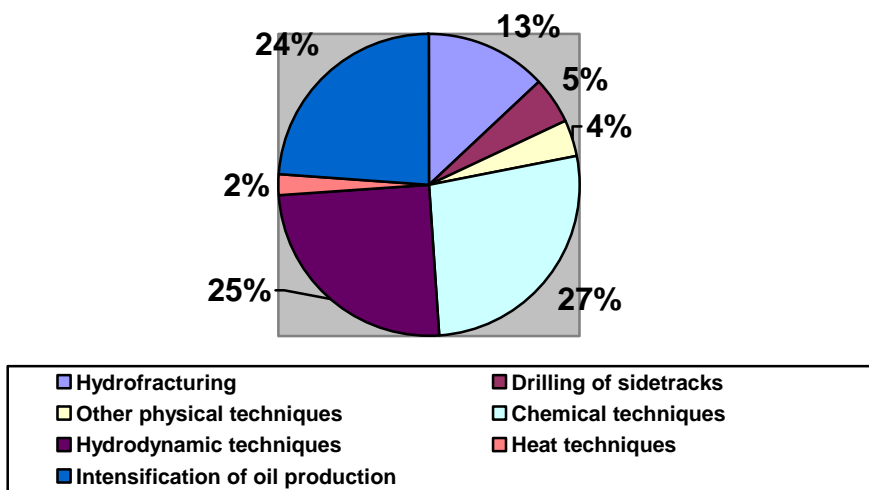
The Permocarbon deposit at the Usinskoye field is being developed using areal steam-heating and cyclic-steam stimulation. There has been successful work in recent years to improve efficiency of thermal applications at vertical wells (development of combined cyclic-steam stimulation (CSS) is being continued and trials have begun to increase oil flow through simultaneous injection of heat carriers and compositions for oil displacement). New thermal technologies are being introduced: steam-heat stimulation of rock formations in horizontal well systems; technology for perpendicular thermo-gravitational deposit draining; CCS technologies for horizontal wells, vertical wells with radial channels, and for an entire productive interval; and technologies for oil recovery by steam.

The Yaregskoye field is being developed using a thermo-shaft technology. Surface production is at the stage of industrial tests. Work on thermo-gravitational drainage of formations was carried out in 2009 at the test section of the Yaregskoye field in order to achieve efficient surface production of oil. Work in 2010 will make use of horizontal injection and production wells. Steam injection should begin in 2011.

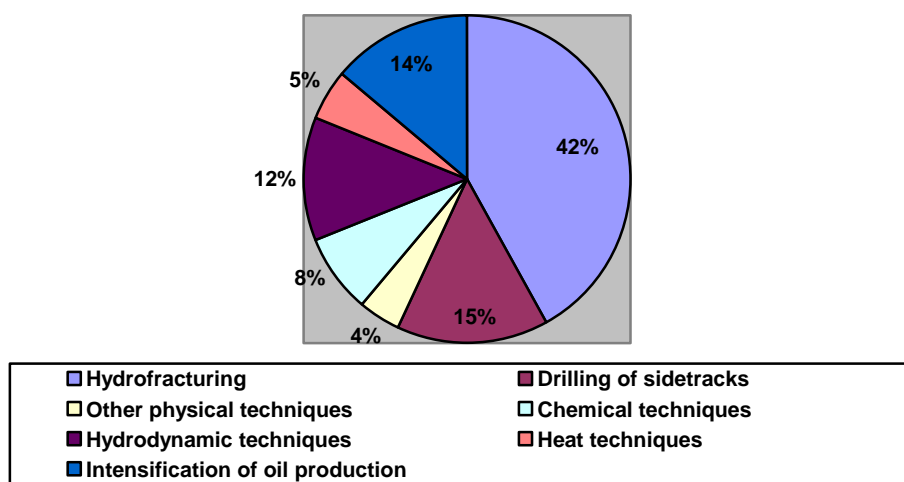
Further introduction was made of assembled drive mechanisms using permanent-magnet motors for pump installations, developed and produced by LUKOIL Group. New types of cavity pumps are being used in Timan-Pechora for production of high-viscosity oil using permanent-magnet-motor drives. Metal carcasses for oil production equipment with various new protective coatings, including coatings obtained using gas thermal deposition and nanotechnologies, will be field tested in 2010.

By the end of 2009 a total of 320 Group fields had been included in the multi-level system for monitoring of field development using geological and hydrodynamic models. The system developed rapidly in the reporting year, when about 20 fields were modelled. Use of geological and hydrodynamic models allows optimal technological solutions to be put into effect during field development, conforming to peculiarities of geological structure and composition of available reserves. Modelling enables improvement of oil recovery rates and reduction of expenditures on field development. Models are widely used by the Company when drilling over fields and applying EOR methods. The number of geological and hydrodynamic models of Group fields in Russia has been increasing as planned towards the target level of 85% of all fields, and such modelling will cover all fields in Western Siberia, Timan-Pechora and Kaliningrad Region. Although reserves in traditional production regions have been in development for long periods of time, the Company has been able to keep output levels steady and in some cases to increase output. This result reflects improved quality of geological and hydrodynamic models and increasing use of such models during production drilling, as well as continued work to improve well completion technologies, and widespread use of primary and secondary drilling into productive formations.

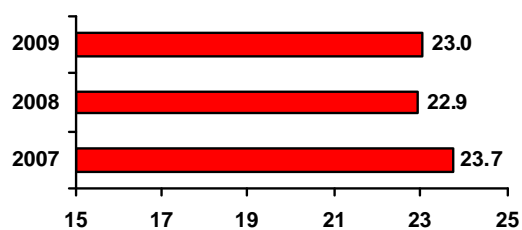
EOR techniques used by LUKOIL Group in 2009



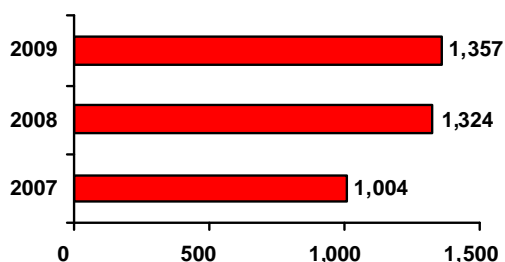
Shares of various techniques in overall EOR production in 2009



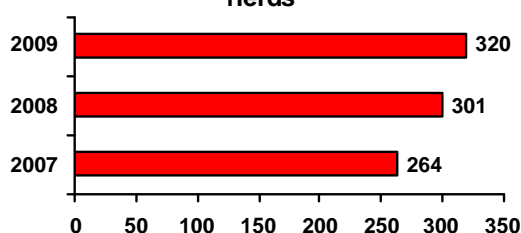
Additional production from EOR in Russia, million tonnes



Chemical EOR operations, wells



Number of geological and hydrodynamic models of fields, fields



Effect from EOR in Russia (2009)

| | Additional production from EOR methods, million tonnes | EOR production as a percentage of total production, % |
|------------------------|--|---|
| LUKOIL Group in Russia | 23.04 | 25.1% |
| Western Siberia | 15.43 | 29.1% |
| Timan-Pechora | 3.68 | 17.0% |
| Urals | 3.17 | 26.3% |
| Volga | 0.55 | 18.0% |
| Other | 0.21 | 9.8% |

Refining Technologies

LUKOIL places much emphasis on development, modernization and construction of high-tech equipment that reduces costs in refining operations and enables production of new, high-quality product types. Constant improvement of quality serves the interests of customers and protects the environment, and sale of products with a large share of value added generates additional profit for the Group.

LUKOIL carried out large-scale work in 2009 to modernize existing units and launch new units at Company refineries in order to increase yield of high-quality products. Achievements include the launch of an isomerization block with 120,000 tonnes annual capacity at the Ukhta Refinery, enabling changeover to production of motor gasolines, which meet the Euro-3 standard.

The Company's Volgograd Refinery brought inert gas and steam recuperation units into operation during 2009, and modernization of pipe stills was carried out at the Perm Refinery in the reporting year.

The Burgas Refinery in Bulgaria commissioned a sulphuric acid alkylation unit in 2009 including a block for sulphuric acid regeneration. The unit was designed using the latest technologies, enabling substantial increase in the alkylate octane number and improving quality of the Refinery's motor gasoline output, as well as lowering environmental pollution and reducing consumption of energy, materials and reagents for production purposes.

LUKOIL is also devoting much attention to development of up-to-date production technologies for oils, lubricants and additives. The focus is on developing and bringing to market new, high-quality products suited to modern machinery, as well as creating new technologies and blends. This work is being carried out by Company specialists in close association with scientific centers in Russia.

The Group carried out studies in 2009 for development of new-generation technologies for turbine lubricants. Company specialists also developed techniques for cleansing compressor lubricants of hydrogen sulphide.

The Company worked hard in the accounting year to optimize technological processes at production units and to improve the quality of its oils and lubricants. Steps were taken to improve yield of priority products, reduce energy consumption and raise base oil quality. The Company began production of 43 new lubricant types during the reporting year.

Information Technologies

We apply the latest information technologies to optimize business processes in various spheres. LUKOIL continues to develop and install automated systems for management of production and technology processes, as well as IT systems to help run Group companies. The Company is also working to improve quality of its telecommunication systems, information security, IT hardware and office equipment.

IT technologies can be of great value for enhancing the efficiency of both management and operations. LUKOIL has expanded functionality of all software programs and applied them in an ever increasing number of Group organizations. Progressive creation and development of the Integrated Management System with SAP architecture had enabled installation of 15 modules at nearly 100 Group organizations by the end of 2009.

An integrated management system (IMS) using SAP R/3 architecture has been installed in order to optimize management decision-making systems and automate management accounting inside the Company. LUKOIL completed extension of the IMS system throughout the Company in the reporting year, and software programs created as part of the project were brought into industrial use.

Work continued in 2009 to prepare for implementation of the IMS Global Solution and Information Infrastructure Monitoring System. These innovations will allow Company employees to work in a unified IT space, supporting proper balance and efficiency of the LUKOIL management system.

Elements of the IMS are thus being developed and applied in ever-greater spheres of Company business.

Social Responsibility

Protecting the Environment

LUKOIL acknowledges its responsibility to society for protection of the environment and rational use of resources, and the Company is guided in its work by the highest standards of care for the environmental and industrial safety. Group organizations work constantly to raise the level of environmental safety at production facilities, reduce environmental impacts and to optimize use of natural resources. Environmental safety is a key consideration at all stages of project implementation, from the investment idea to disposal of production assets and equipment at the end of the project.

We ensure that Company activity is in full compliance with national legislation and international standards of environmental protection, and that quality of our products matches the latest environmental requirements.

In March 2009 the LUKOIL Management Committee approved a new version of the Group's Policy on Industrial Safety, Labour and Environment Protection in the 21st century. The document was originally designed in compliance with the ISO 14001 international standard and the OHSAS 18001 specification, and was enacted in 2002. The need for amendments to the Policy Document was dictated by development

of new measures for energy efficiency and environmental action on the part of the Company (mostly on a voluntary basis). These measures include: application of a zero-discharge principle for development of offshore fields; production of environmentally friendly fuels, which match European standards; and implementation of requirements of the Kyoto Protocol for reduction of greenhouse gases. Updating of the Policy was also made necessary by changes to Russian legislation and legislation in countries where LUKOIL has operations, as well as requirements set out in new versions of the ISO 14001:2004 and OHSAS 18001:2007 standards.

The Environmental Safety Program for LUKOIL Group Organizations in 2009–2013 was approved in April 2009. The new Program includes 483 measures with overall cost of \$1.8 billion. Aims of the Program are to ensure that the Group's environmental impact indicators comply with current and future requirements of national and international legislation, including: further recycling of accumulated and newly generated waste; raising the level of utilization of associated gas to 95% by 2012; implementing the mechanisms of the Kyoto Protocol; and raising output of environmentally friendly fuel, which meets Euro-4 and Euro-5 standards.

Organizations in LUKOIL Group spent about \$420 million in 2009 on measures to ensure environmental safety (spending in 2008 was over \$700 million).

Most specific Company indices for impact on the environment in 2009 were unchanged or better than in 2008 and still remain considerably better than the average for the oil & gas sector in the Russian Federation. There were substantial reductions in volume of atmospheric emissions (by 8%), polluted water discharge (by more than 20%), and volumes of accumulated waste (by 4%). However, certain indicators worsened to some extent in 2009. In particular, there was an increase in the number of incidents with environmental impact, explained by greater frequency of pipeline incidents due to corrosion and ageing of pipeline systems and also by the fact that liquids, transported through pipelines, became more corrosive due to increase of the water cut in extracted crude.

During 2009 the Company continued implementation of its Corporate concept (approved in 2007) for production planning by LUKOIL Group in compliance with provisions of the Kyoto Protocol, and of the Action Plan for implementation of the Concept in 2007–2008. The Company's Management Committee took stock of outcomes of Plan execution. Inventory of greenhouse gas emissions by LUKOIL Group was carried out (with independent review of the inventory), and a portfolio of carbon projects was prepared. Independent review of three pilot projects for reduction of greenhouse gases was carried out and a plan was approved for design of specialized carbon documentation for potential projects. Company standards regulating the procedure for execution by LUKOIL of projects for reducing greenhouse gas emissions have been designed and are in the process of approval.

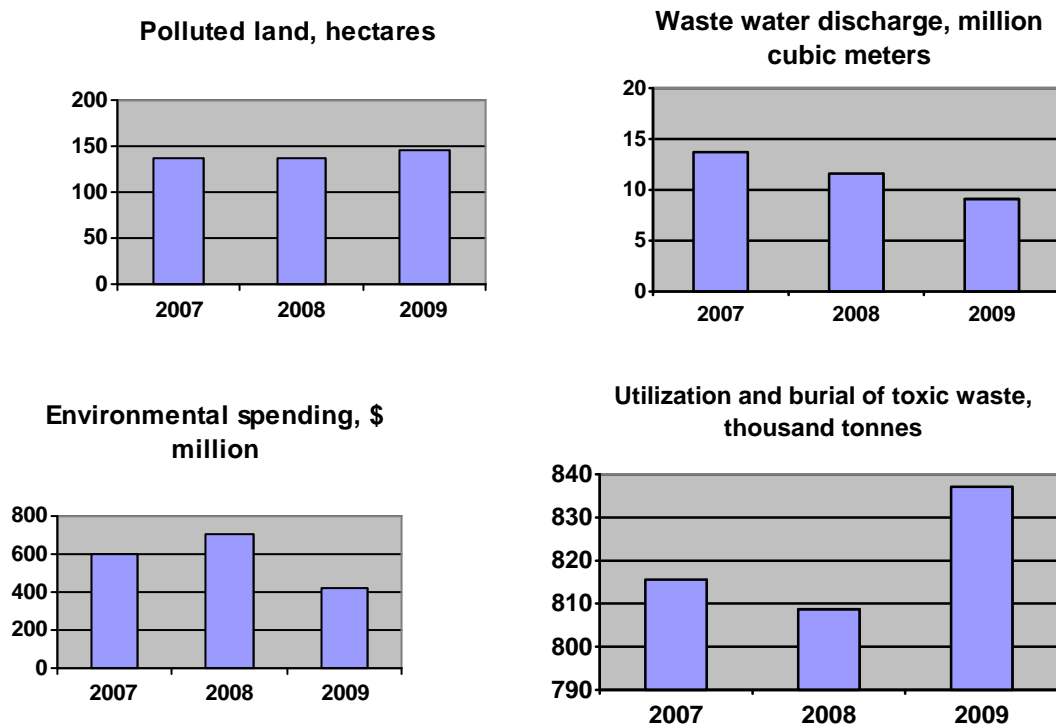
LUKOIL is aware of the environmental benefits, which can be obtained by expanding output of high-quality products. Accordingly, more than 20% of total capital expenditure in 2009 was in the Refining & Marketing segment. A significant part of these investments was spent on development of fuels with improved environmental characteristics: LUKOIL continued to produce gasoline and diesel fuels, which conform to the latest European standards. Gasoline sold under the EKTO ('Ecological Fuel') brand ensures a significant reduction in emissions of carcinogens, sulphur and nitrogen compounds, and other harmful substances. LUKOIL launched new brands of premium-class motor fuel in 2009: EKTO-Plus (octane number 95) and EKTO Sport (octane number 98). Multifunctional additive mixtures in the new fuels provide lower fuel consumption and reduction of carbon gas emissions.

Measures to protect the environment are also being applied in the transportation and marketing segment. The Company's new filling stations are equipped with systems for returning gasoline fumes from the reservoir to tankers during discharge of petroleum products, as well as systems for preventing spillages of petroleum products from reservoirs, and facilities for waste-water purification.

The Company operates in conditions of strict environmental control by government and society, and must also take account of ongoing reform of natural resource and conservation legislation in Russia and other countries. The following changes to Russian and international legislation on protection of the environment had impact on environmental activity by LUKOIL organizations in 2009:

- Federal Law № 261, dated November 23, 2009, defined government strategy for energy saving and energy efficiency improvement.
- Russian Government Resolution № 53, dated January 27, 2009, defined principles for state control over environmental protection (state environmental control), and Resolution № 285, dated March 31, 2009, stipulated new criteria for facilities, which are subject to state environmental control
- Russian Government Resolution № 843, dated October 28, 2009, changed the procedure for approval and monitoring of execution of projects, carried out in compliance with Article 6 of the Kyoto Protocol and the UN Framework Convention on Climate Change, as well as receipt, transfer and acquisition of emission reduction units for greenhouse gases.
- The Russian Ministry of Natural Resources approved a new version of the Guide for Measurement of damage to natural water resources due to violation of laws on water use. LUKOIL specialists took part in discussion of various aspects of the draft.
- Rospotrebnadzor (the Russian Government body with responsibility for consumer rights) changed the procedure for deciding the extent of required buffer zones around facilities and plants that have impact on habitat and human health.

The Company took account in a timely fashion of changes to Russian environmental legislation, and LUKOIL was not subject to criticism or claims from control and supervisory bodies in the course of 2009.



Industrial Safety and Labour Protection

Ensuring safe working conditions and caring for the health of employees is among the basic duties of the Company.

LUKOIL continued work in the reporting year on implementation of its Program for industrial and labour safety, improvement of working conditions, and prevention and resolution of emergency situations at organizations in LUKOIL Group for 2006–2010. Spending on measures as part of the Program was about \$150 million. Work as part of the Program included construction of new and modernization of old equipment and facilities, installation of modern automated management and accident prevention systems at industrial sites, and certification of work places with respect to working conditions, as well as measures to ensure that employees are provided with protective clothing and equipment.

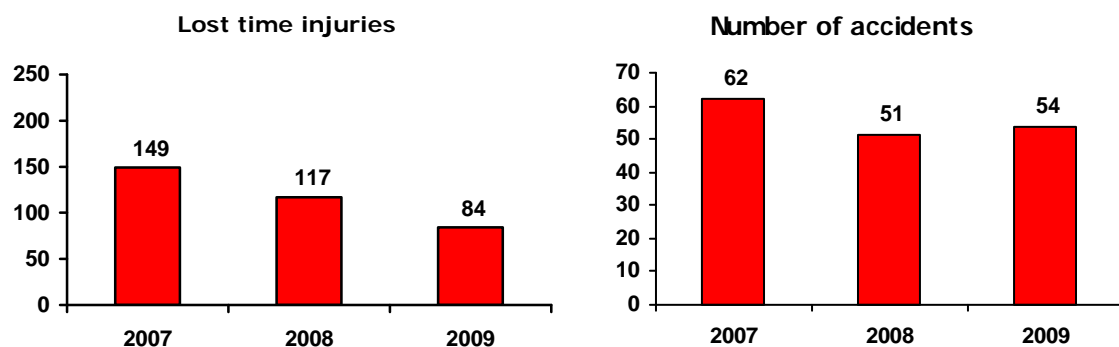
Internal health and safety inspections were carried out at 107 structural subdivisions of the Company and at 14 Group organizations in 2009. Scheduled checks were also carried out to ascertain knowledge of health and safety procedures among 76 employees in positions of responsibility and among members of standing workplace certification commissions at Group organizations.

Work to ensure industrial safety, labour and environmental protection is carried out in accordance with LUKOIL's Policy on Industrial Safety, Labour and Environmental Protection in the 21st Century.

In 2001 LUKOIL became the first Russian oil company to undergo certification for compliance with the requirements of the ISO 14001 International standard and the OHSAS 18001 specification. In 2008 and 2009 the Company successfully passed its first and second external audit by the supervisory authority of the Company's Industrial Safety, Labour and Environmental Protection Management (for compliance with standards).

The **ISO 14001** standard attests that the Company has put an environmental policy in place, adheres to it in its operations, makes constant improvements to the environmental management system, and takes all necessary measures to prevent negative environmental impact.

The **OHSAS 18001** specification is intended to assist organizations in management of their project risks associated with protecting health and safety of employees and the general public. Key elements of the specification are identification, assessment and control over risk factors, as well as observance of legal requirements and consistent improvement of safety in the work place.



Personnel and Social Programs

Each day thousands of employees worldwide help to advance the business of LUKOIL Group by their labour. Achievement by the Company of outstanding results is thanks to them. Our social policy is therefore designed to improve the labour efficiency and social protection of our employees. We also take issues of staff motivation very seriously and try to ensure that each employee takes a personal interest in achievement of the best possible results by the Company.

We are particularly pleased to have avoided reduction of the workforce and of social payments in 2009, despite the crisis environment, thanks to reduction of costs and business optimization in other areas. We continue to deliver on our social commitments, including those assumed voluntarily on the Company's own initiative as part of the LUKOIL Social Code. A sixth employer-trade union agreement, for 2009–2011, was agreed in September 2008 and came into force at the end of 2008. Social guarantees in the new agreement match those traditionally assumed by the Company and are in no way inferior to those in the previous agreement, despite being provided at a time of financial and economic crisis.

Work continued in the reporting year on restructuring of LUKOIL Group, including the Company's Corporate center, in order to increase efficiency of the Group's industrial and financial activities. Tasks included optimization of the organizational structure of existing subdivisions and standardization of organizational structure at subsidiaries. Withdrawal of non-core and low-margin assets from the Group was also continued. One result of these steps was reduction in personnel numbers in nearly all business segments. The only exception was substantial growth of average employee numbers in the Power Generation segment due to acquisition in 2008 of UGK TGK-8. Overall employee numbers at the Company declined by 5.9% in 2009.

Withdrawal from the Group of non-core subdivisions, optimization of costs and rouble depreciation enabled us to lower total payroll by more than 20%. However, wage levels remained attractive compared with the market average, despite reduction of total payroll, ensuring that highly qualified specialists continue to give preference to the Company as a place of employment. In order to ensure that payroll levels of our employees remain competitive, we constantly monitor payrolls in the respective market segment in regions where the Company has presence.

In addition to material incentives, LUKOIL uses moral encouragement as a way of developing personnel potential: 25 Company employees received national awards for professional excellence and for conscientious and successful work, while 673 were awarded sectoral marks of distinction for their work, and 779 employees and 39 groups of workers were presented with Company awards in 2009. The annual competition for the title of 'Best Employees and Organizations in LUKOIL Group' has become an established and popular tradition within the Company: the winners receive prizes and cash bonuses.

As well as material and moral incentives, LUKOIL is implementing a wide-ranging set of programs and measures, which constitute the Company's social package. Expenditures on this program in 2009 were \$278 million. Main elements of the social package are:

- Health care and medical treatment for Company employees, including voluntary health insurance;
- Leisure and recreation provisions for employees and their families, organization of sport and fitness events;
- Help to employees in acquiring housing;
- Social support to women and families with children;
- Social support to young specialists;
- Non-state pension provision for employees, which has operated since 2004 on the principle of shared funding of non-state pensions by employee and employer. In 2009 contributions by employees in LUKOIL's Russian organizations alone were about to \$13 million. The Company's total contributions under non-state pension provision programs in Russia and abroad for the reporting period were over \$31 million.

An efficient system of social protection helps to attract qualified specialists, reduces employee turnover, strengthens corporate morale and is the basis for successful industrial activity.

Training and professional study is a highly important part of HR management at LUKOIL, particularly for employees in positions of responsibility and reserve executives. Programs have therefore been designed and implemented at sector institutes and other Russian and foreign educational institutions for development of leadership potential and professional and management skills. LUKOIL uses the whole spectrum of modern training aids: workshops, seminars away from the work place, special training programs, work placements abroad, training sessions, courses to gain higher qualifications, professional training days, distance learning, MBA programs, etc. The Company is developing cooperation with leading institutions of higher education, including the Gubkin Russian State Oil & Gas University, the Russian Government Financial Academy, the Oil & Gas Business Institute, and the Higher School of Economics. The number of students who obtain work experience at LUKOIL production subdivisions through cooperation agreements between education institutions and the Company is increasing year by year. A total of 72 students obtained work experience at the parent Company and more than 1,000 students took temporary placements at Group organizations during 2009.

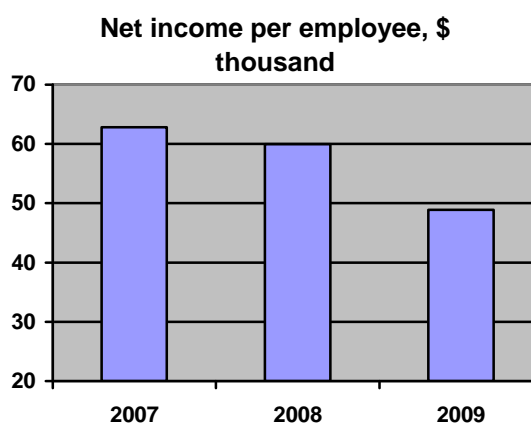
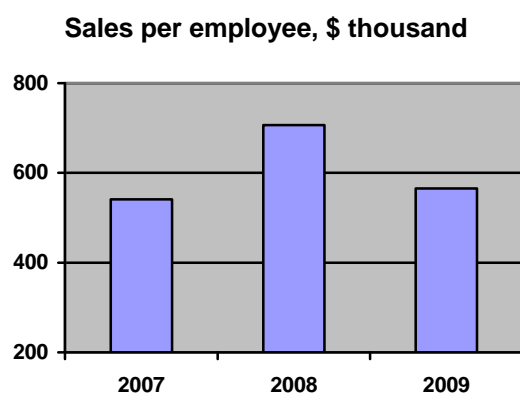
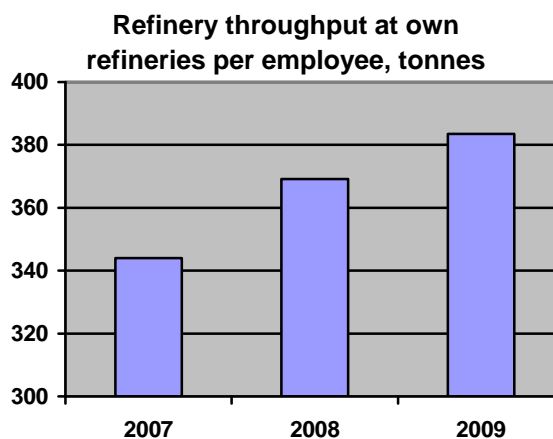
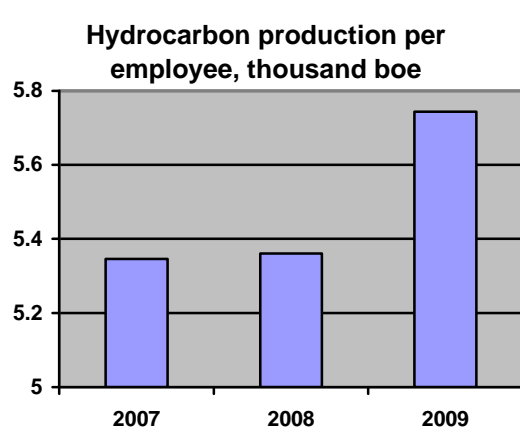
Work continued in 2009 on creation of a center for training of staff to work on offshore oil and gas facilities (in the city of Astrakhan). The Norwegian company Falck Nutec, a leader in training of personnel for work on offshore facilities, was selected as LUKOIL's main partner in the scheme.

Improvement of the Company's Distance Learning System (DLS) is important for development of the professional training system for Company employees. Work continued in 2009 on creation of relevant study courses and over 60 new courses were designed. The System had almost 10,500 registered users by the end of the year, and a total of 3,500 Company employees carried out studies using the DLS in 2009. LUKOIL was acclaimed winner in the nomination, 'Best e-learning solution in the corporate sector' at a

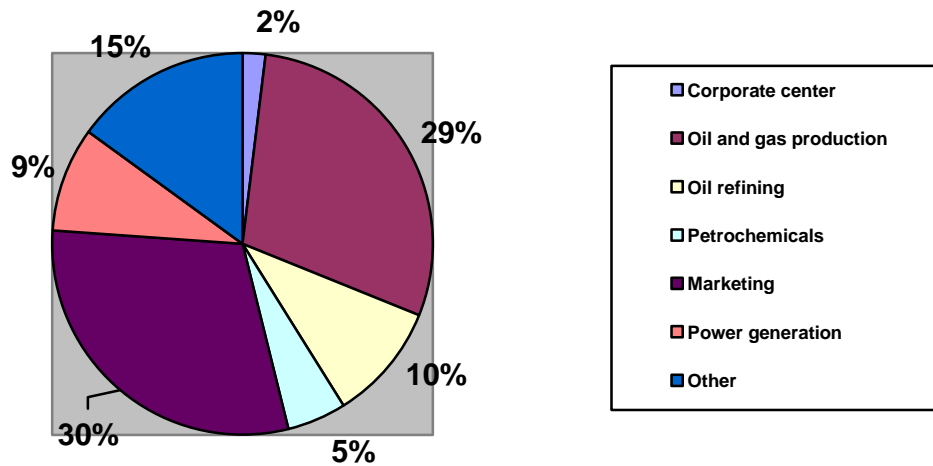
conference organized in Moscow in June 2009 with the support of the Ministry of Education and Science of the Russian Federation. The Company was awarded a diploma of the 6th eLearnExpo international exhibition.

The program for exchange of personnel was continued in 2009 as part of the strategic partnership between LUKOIL Group and ConocoPhillips. A group of 16 employees completed their period of work in the US company, and a meeting was organized in June 2009 with the President of LUKOIL, at which the exchange employees presented outcomes of their experience. A fifth group of 13 employees was seconded to ConocoPhillips as part of the exchange scheme in September 2009.

LUKOIL gives priority to work with young specialists as part of the Group's comprehensive target program for cooperation with young people and young specialists in the period from 2008 to 2017. Committees of young specialists operate at Company enterprises, and their functions include support to young specialists in adjustment to new working conditions, support for acquisition and improvement of skills by young employees, and work to encourage commitment to corporate values and corporate culture. As part of its efforts to encourage fulfilment of the creative and professional potential of young employees, the Company held a fourth competition in 2009 to find the Best Young Specialist of the Year: 103 competitors took part in 17 categories, and 25 young specialists won awards.



Employee structure by business segments (as of January 1, 2010)



LUKOIL took first place in 2009 in a ranking of the country's 75 biggest companies by criteria of social responsibility, prepared by Trud newspaper, the Agency for Political and Economic Communications, and the Russian Anti-crisis Forum. For purposes of the ranking 'social responsibility' is understood to mean creation and preservation of jobs, tax discipline, delivering on commitments to employees, and helping to maintain social infrastructure in Russian regions. The ranking was based on results of a survey of 26 experts, including representatives of trade unions and business associations, economists, sociologists, political scientists and publicists.

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. Corporate programs have a targeted character and are based on professional experience and human potential in regions where the Company operates.

The Company continues to deliver on commitments, which it undertook voluntarily and on its own initiative under the 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. These commitments apply to Company employees, non-working pensioners and shareholders, as well as to commercial 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 find synergies between approaches to social problems and the Company's strategic aims. Total spending by the Company in 2009 for charity and social partnership was about \$150 million.

Support for Children's Homes and Schools

Helping children is a Company priority, and underlies all of the social programs, which we have built and which we pursue: charitable programs, sponsorship, sports development programs for children and young people, and cultural programs. Social investments in human capital are particularly valuable in the current environment. LUKOIL strives to achieve a balanced approach, providing support both to children, who by virtue of their family circumstances or health find themselves in a worse situation than their contemporaries, and to children with favourable family backgrounds by helping them to develop their natural abilities and talents.

LUKOIL provides support to children in more than 50 children's homes and boarding schools, ensuring that they remain in good health and obtain an education to acquire a profession and find their place in life. The Company provides financial support for various needs at the children's homes, schools and boarding schools, which it sponsors – from vacations for the children to major building repairs. Help was provided in 2009 for purchases and repairs of equipment and vehicles at children's homes in the cities and towns of Langepas, Kirov, St. Petersburg, Kstovo, Ishim and in Astrakhan Region. Each year LUKOIL organizes summer vacations for children on the Black Sea as well as educational trips around Russia. LUKOIL has been providing grants since 2006 to students who continue their education in higher or vocational colleges after leaving children's homes. The Company maintained funding in 2009 for a study program, begun in 2008, at the Astrakhan College of Technology for 30 children from children's homes and underprivileged families, who will obtain jobs at Group organizations in the region after they graduate.

LUKOIL also provides support to educational establishments in regions outside the Russian Federation, where the Company has operations. In 2009 the Company carried out charity actions at four schools in Kashkadarinskaya Region in Uzbekistan, including repairs and disinfection of buildings, provision of equipment and textbooks, and organization of special events.

The Group gives special attention to children with special medical needs. One project, which LUKOIL has maintained over a number of years, is called 'An illustrated book for every blind child' and is part of the program, 'Illustrated Books for Blind Children'. Various publications were supplied to specialized children's institutions in Perm Territory during 2009 as part of this project.

Education Programs

LUKOIL attaches great importance to the training of young, qualified specialists, on whom the future success and prosperity of the Russian oil & gas industry depends.

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 and Volgograd Region, Arkhangelsk and Astrakhan. 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 State University–Higher School of Economics, the Financial Academy (attached to the Russian Federal Government), the Diplomatic Academy, the Mendeleyev Chemical Engineering University, the Moscow Physics and Technical Institute, the Khrulev Military Logistics and Transport Academy, and the Kstovo Oil Industry Technical College.

Since 2000 the Company has paid grants to particularly talented students at oil industry and technical institutes. Such corporate grants are currently paid to 180 students in various towns and cities across Russia. The Company also finances studies by foreign students at industry institutes in Russia. Financing continued in 2009 for Iraqi oil specialists at the Gubkin Russian State Oil & Gas University and Ufa Oil Industry University. A total of 77 Iraqi students completed masters and post-graduate studies in 2004–2009.

The Company also helps young teachers. About 70 talented young teachers at leading Russian oil & gas institutes receive grants from LUKOIL.

In addition, the Company helps institutions of higher education to improve their material and equipment provision, enabling them to keep the education process up to date. Significant amounts were allocated for this purpose in 2009 to the Tyumen State Oil & Gas University, Perm State Technical University, Ukhta State Technical University and the Suvorov and Nakhimov Institutes. New office equipment was supplied to the Bukhara Oil & Gas College in Uzbekistan, with which LUKOIL has been cooperating since 2007.

Support for Medical Institutions

Assistance to the health care system in regions where the Company has operations, as well as support to a number of major specialized medical research centers, is an integral part of the Company's social commitment. LUKOIL provides assistance to the Scientific Center for Obstetrics, Gynaecology and Perinatal Care, the Center for Haematology Research, and the Russian Cardiovascular Scientific and Production Complex. Regions of Company presence, where assistance was provided to healthcare in 2009 included Astrakhan, Penza, Saratov, Perm Territory, the Komi Republic, and Astrakhan and Nizhny Novgorod Regions

Social Project Competition

Social project competitions have proved to be an efficient way of channelling financial assistance to help improve social and economic conditions in regions, where the Company has operations. Allocation of prize money is based on principles of transparency, competitiveness and public scrutiny. The purpose of the competitions is to support projects and initiatives, which originate from and address urgent needs of specific regions.

The first LUKOIL competition for social and cultural projects was held by LUKOIL-PERM in 2002. The competitions were extended to Volgograd and Astrakhan Regions in 2004, to the Komi Republic and Western Siberia in 2005, to Nizhny Novgorod Region in 2007, and to Kaliningrad Region and the Republic of Kalmykia in 2008.

In 2009 the competitions were held in 10 of Russia's administrative regions. A total of 299 projects won grants in these regions, having been carefully selected from more than 1,200 applications. The competition budget has grown by nearly 20 times since it was first held in 2002 to a level of \$1.3 million in 2009.

Social project competitions consist of several categories: 'Environment', 'Charity' 'Culture and Art', 'Physical Culture, Sport and Tourism', and 'My Region'. A special category was added in 2009 to mark Russia's National Year of Youth.

In the eight years since they began, LUKOIL's social project competitions have proved their worth as a unique vehicle for nurturing social initiative. Experts have called attention to efficiency of the competition mechanism, which has a strong motivational element and is seen as a model for emulation in social programs of the Russian Federal Government. The mechanism enables project participants to develop their potential, set themselves goals and organize their progress towards achievement of those goals, helped by the informational and financial resources, which the Company puts at their disposal.

As well as its social project competitions, LUKOIL implements social partnership programs on a competitive basis, such as the ARAI program in Kazakhstan, which gives local people in Mangistau Region the chance of obtaining grants up to \$7,000 for development of small business, artisan skills and artistic projects. In the 3 years since the program began, it has enabled creation of 130 small businesses, as well as sports clubs, children's dance and art studios and leisure centers. In 2010 the program was replicated in rural regions of Aktobe Region (also in Kazakhstan).

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. In 2009 the Company provided financial support to the Tretyakov Gallery for restoration of a panneau from the 'Far North' cycle by Konstantin Korovin, to the Russian Museum for holding of the international festival, 'Imperial Gardens of Russia', to the Pushkin Museum of Fine Art for the exhibition, 'Great Russian Victories in Medals and Engravings' (dedicated to the anniversary of the Battle of Poltava) and to the V.M. and A.M. Vasnetsov Regional Art Museum in Kirov for publication of an art album, 'The Collection of Western

European Art at the Kirov Art Museum'. LUKOIL also helped to finance successful travelling exhibitions of the Moscow Kremlin Museums in Washington and the Tretyakov Gallery in Helsinki.

LUKOIL also has programs of assistance to theatres 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 Theatre of Opera and Ballet, the Kaliningrad Regional Philharmonia and other live art groups in regions of Company operations.

LUKOIL makes significant contributions to restoration and preservation of religious traditions and spiritual heritage, and to revival and development of church and spiritual life in regions where the Company has operations. In 2009 LUKOIL continued its program of support for restoration work at the Optina Pustyn Monastery as well as providing significant funding for restoration of the Orthodox Cathedral of the Assumption in Budapest (Hungary).

Help for 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 of the Great Patriotic War who live in regions where the Company has operations receive special payments and gifts from the Company to coincide with Victory Day. The Company also provides assistance to families of members of law enforcement agencies, who have perished in armed conflicts

LUKOIL provides financial assistance to people with disabilities, including support to help them to earn a living independently 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, the Nenets Autonomous District and Khanty-Mansiysk Autonomous District-Yugra LUKOIL has made 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, and health care. The Company 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 in LUKOIL organizations.

Sport

Company priorities in the sphere of fitness and sport include promotion of health and fitness pursuits among employees and their families, development of mass sport, support for professional sports teams in Russia, for national federations and for the national Olympic Movement, as well as assistance in development of children's sport in Russia.

LUKOIL's international amateur sports competitions ('Spartakiada') are among the biggest events for popularization of fitness and mass sport among Company employees. The first such competition was held in 2001 in Astrakhan, the second in Perm in 2003, and the third in Kaliningrad in June 2005. The fourth winter event, celebrating the Company's 15th anniversary, was held in Kogalym in 2007.

The Company gives much support to youth sport, both amateur and professional. In 2009 an all-Russian sports event 'Believe in yourself' was held with LUKOIL support in regions of Company activity, dedicated to Russian Year of Youth and intended to promote healthy lifestyle and orientation to sport and physical exercise among students and school children.

LUKOIL also supports leading Russian sports teams, including the Spartak water polo team in Volgograd, the Zarya Kaspiya handball team in Astrakhan, Spartak football team in Moscow, the Torpedo hockey team (Nizhny Novgorod), the Interior Ministry hockey club, and the Dinamo-Yantar volleyball team (Kaliningrad).

For many years the Company has been general sponsor of the national ski-racing team and partner of the Russian Ski-Racing Federation, in which LUKOIL President, Vagit Alekperov, heads the Board of Trustees. LUKOIL sponsorship helps in training of the national team as well as development of amateur ski sport in Russia. LUKOIL is also official sponsor of the Russian Martial Arts Union and a partner of the Children's Football League, through which about 250 teams from all over Russia compete annually in regional and international championships. The Company also finances the Student Basketball Foundation, which holds a student championship for more than 100 teams from higher education institutions across the country.

LUKOIL has been an official partner of the Russian Olympic Committee for many years. Since 2005 the Company has supported the Russian Olympic Support Foundation, which was set up for the country's Olympic sport teams, young Russian sportsmen and veterans of sport.

In addition to its support for sports teams, LUKOIL also views sport as a way of testing the Company's own products to the limits. The victories and successes of LUKOIL Racing Team (Moscow) and Sura Motorcross Team (Penza) are testaments to the efficiency of LUKOIL fuels and motor oils.

The LUKOIL Museum

LUKOIL's corporate museum was created in 2005 and now stands at the head of a network of more than 20 museums in Group organizations in various regions of Russia, and also in Ukraine, Bulgaria and Romania.

More than 10 travelling exhibitions were held in 2009 including: 'His Homeland's Son' (dedicated to the 80th birthday of Valery Grayfer), 'LUKOIL as Stock Market Leader', 'Company Youth Policy', 'LUKOIL's Caspian Project', '80 years of the Oil Industry in Perm', '60 Years of Volgograd Oil', 'The Nobel Dynasty for Russia' (dedicated to the 130th anniversary of the Nobel Brothers' oil business), 'V.G. Shukhov, Russia's First Engineer', and 'D.I. Mendeleyev and the Russian Oil Industry'. The exhibitions were shown in the Company's central office, the Central State Museum of Modern Russian History, the Russian Academy of Sciences, the Gubkin Russian State Oil & Gas University, and Tyumen Technopark.

An offering by LUKOIL was also featured as part of the exhibition, 'We Are Russia's Future', held in the Central State Museum of Modern Russian History and dedicated to Russian Year of Youth.

Board of Directors and Management Committee

Board of Directors of OAO "LUKOIL"

Valery Isaakovich Grayfer

Chairman of the Board of Directors of OAO "LUKOIL"

General Director, OAO RITEK (till 12 January 2010; Chairman of the Board of Directors of OAO RITEK from 12 January 2010)

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. 1992-2009: General Director of OAO RITEK. Since 2010: Chairman of the Board of Directors 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.

Elected to the LUKOIL Board of Directors since 1996.

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".

Elected to the LUKOIL Board of Directors since 1993.

Victor Vladimirovich Blazheev

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

Rector of the O.E. Kutafin Moscow State Academy of Law

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

Born: 1961

* In accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002

Graduated from the evening department of the All-Union Extra-Mural Law Institute (AELI) in 1987; completed a post-graduate program at AELI/Moscow Law Institute in the department of civil litigation in 1990. Since 1994 he has been engaged in educational (as a lecturer) and administrative activities occupying various positions at Moscow State Academy of Law. 1999-2001: Dean of the full-time day department of Moscow State Academy of Law. 2001-2002: Vice-Rector of Moscow State Academy of Law in charge of academic agenda. 2002 –2007: First Vice-Rector of Moscow State Academy of Law in charge of academic agenda. Since 2007: Rector of the O.E. Kutafin Moscow State Academy of Law.

Elected to the LUKOIL Board of Directors since 2009.

Donald Evert Walette, Jr.

Independent 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.

Elected to the LUKOIL Board of Directors since 2007.

Herman Oskarovich Gref

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

President, Chairman of the Executive Board of the Savings Bank of the Russian Federation (SBERBANK)

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

Born: 1964

Graduated from Omsk State University in 1990, completed a post-graduate program at St. Petersburg State University in 1993. 1998 – 2000: First Deputy Minister of the Ministry of Property Relations of the Russian Federation. 2000 – 2007: Minister of Economic Development and Trade of the Russian Federation. Since 2007: President, Chairman of the Executive Board of the Savings Bank of the Russian Federation (SBERBANK).

Elected to the LUKOIL Board of Directors since 2009.

Igor Sergeevich Ivanov

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

Professor of the Moscow State Institute of International Relations

* In accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002

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

“LUKOIL”

Born: 1945

Graduated from the Maurice Thorez Moscow State Institute of Foreign Languages in 1969. Doctor of History. Professor. Recipient of Russian and foreign orders and medals. 1993-1998: First Deputy Minister of Foreign Affairs of the Russian Federation. 1998-2004: Minister of Foreign Affairs of the Russian Federation. March 2004 – July 2007: Secretary of the Security Council of the Russian Federation.

Elected to the LUKOIL Board of Directors since 2009.

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” (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”.

Elected to the LUKOIL Board of Directors since 1993.

Richard Herman Matzke

Member of the Board of Directors of OAO "LUKOIL"

Member 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. MS 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.

Elected to the LUKOIL Board of Directors since 2002.

Sergei Anatolievich Mikhailov

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

* In accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002

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 2004: Chairman of the Board of Directors of Russian Mediagroup and of Capital Unit Investment Funds (Management Company), member of the Board of Directors of Spartak-Moscow Football Club and of Petrocommerce Commercial Bank. Since 2005: member of the Board of Directors of IFD Capital and of Izvestiya Newspaper Editorial. 2008-2009: Chairman of the Board of Directors of Capital Investment Group, since 2008: Member of the Board of Directors of Capital Management Company.

Elected to the LUKOIL Board of Directors since 2003.

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, Vice-President of OAO "LUKOIL" - Head of the Main Division of Finance and Investments 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, and since 2007: Chairman of the Supervisory Board of URALSIB BANK. Since 2007: Chairman of the Board of Directors of URALSIB Financial Corporation.

Elected to the LUKOIL Board of Directors since 1995 (except 1996-1997).

Alexander Nikolaevich Shokhin

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

President of the Russian Union of Industrialists and Entrepreneurs

* In accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002

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 for ‘Services to Russia’ (4th grade) and a medal of Russian Security Council for ‘Services to national security’. 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. 2005–2009: member of the Public Chamber of the Russian Federation. Since 2005: President of the Russian Union of Industrialists and Entrepreneurs. Member of the Presidential Council for the Implementation of Priority National Projects and Demographic Policy, Member of the Business Competition and Enterprisership Board under the Chairman of the Government of the Russian Federation, Member of the Governmental Commissions: for administrative reform, legislature and investment projects of national importance.

Elected to the LUKOIL Board of Directors since 2005.

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 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" (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). Distinguished Lawyer of the Russian Federation. 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”.

Valery Sergeevich Subbotin**Member of the Management Committee of OAO "LUKOIL"****Vice-President of OAO “LUKOIL”, Head of the Main Division of Sales and Supplies of OAO "LUKOIL"****Born: 1974**

Graduated from Tyumen State University in 1996. 1998-2003: AO LUKOIL-Prague, AO LUKOIL-Bulgaria, Moscow representation of LITASCO. 2003 – 2005: First Deputy Head of the Office of the Board of Directors of OAO “LUKOIL”. 2005-2007: First Deputy Head of the Main Division of Sales and Supplies of OAO “LUKOIL”. Since 2007: Vice-President of OAO “LUKOIL”, Head of the Main Division of Sales and Supplies.

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 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" (until 25.08.2009 inclusive)****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 until 25.08.2009 inclusive: 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.

From 25 June 2009 the Committee consists of Igor Ivanov (Chairman), Don Wallette, Jr., Ravil Maganov and Richard Matzke.

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.

From 25 June 2009 the Committee consists of Herman Gref (Chairman), Sergei Mikhailov and Victor Blazheev.

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.

From 25 June 2009 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 2009

| <i>Members of the Board of Directors and Management Committee</i> | <i>Share in charter capital, %*</i> |
|--|--|
| V.Yu. Alekperov | 1.88 |
| V.V. Blazheev | - |
| D.E. Wallette | - |
| V.I. Grayfer | 0.007 |
| H.O. Gref | - |
| I.S. Ivanov | - |
| R.U. Maganov | 0.37 |
| R. Matzke | - |
| S.A. Mikhailov | 0.05 |
| N.A. Tsvetkov | 0.32 |
| A.N. Shokhin | - |
| A.A. Barkov | 0.07 |
| S.P. Kukura | 0.39 |

| | |
|-----------------|-------|
| I.A. Maslyayev | 0.02 |
| A.K. Matytsyn | 0.30 |
| A.A. Moskalenko | 0.01 |
| V.V. Mulyak | 0.01 |
| V.I. Nekrasov | 0.04 |
| V.S. Subbotin | 0.005 |
| 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 2009

| <i>Full Name</i> | <i>Number of shares</i> | <i>Type of transaction</i> | <i>Date of transaction</i> |
|-------------------------|--------------------------------|--|-----------------------------------|
| R.U. Maganov | 1,000,000 | Transfer of title to securities to his spouse under an agreement on division of joint property | 25.06.2009 |
| S.A. Mikhailov | 200,000 | purchase | 06.07.2009 |
| S.A. Mikhailov | 202,144 | purchase | 16.10.2009 |
| A.A. Moskalenko | 25,080 | purchase | 08.04.2009 |
| V.V. Mulyak | 12,857 | purchase | 09.04.2009 |
| L.A. Fedun | 196,384 | purchase | 23.12.2009 |

Information on funds paid to BoD and Management Committee members in 2009

In accordance with the Charter of OAO “LUKOIL”, remuneration for performing the duties of members of the Board of Directors during their tenure and/or reimbursement of related expenses may be paid to members of the Board of Directors by decision of the General Shareholders Meeting. The specific amounts of remuneration and reimbursement are established by decision of the General Shareholders Meeting.

The Annual General Shareholders Meeting held on 25 June 2009 passed a decision to pay members of the Board of Directors of OAO "LUKOIL" elected in 2008 remuneration in the amounts established by the decision of the General Shareholders Meeting of 26 June 2008 (Minutes No.1).

Each of the members of the Board of Directors was paid remuneration of 4,470,000 roubles in 2009 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 – 1,040,000 roubles;
- to each of the chairs of the committees of the Board of Directors – 520,000 roubles for performing the functions of Committee chair.

In addition, the members of the Board of Directors were paid for their attendance at meetings of committees of the Board of Directors, and for their attendance at meetings of the Board of Directors or a committee of the Board of Directors, where attendance required a transcontinental flight, in the amount established by decision of the Annual General Shareholders Meeting of OAO "LUKOIL" of 26 June 2008 (Minutes No. 1). The specific amount payable was determined as of the date of the Annual General Shareholders Meeting of OAO "LUKOIL" on 25 June 2009 in accordance with the actual participation of members of the Board of Directors 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.

In 2009 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 2008 in accordance with the *Regulations on the System of Payment and Incentives for Management Personnel of OAO "LUKOIL"*;
- annual long-term bonus payments in accordance with the *Regulations on long-term incentives for employees of OAO "LUKOIL" and its subsidiaries*;
- additional social benefits.

Amounts paid to BoD and Management Committee members in 2009

| <i>Management bodies</i> | <i>RUB, thousand</i> | | | | |
|---------------------------------|-----------------------------|---------------------|-----------------------|------------------------------|---------------------|
| | <i>Remuneration</i> | <i>Wages</i> | <i>Bonuses</i> | <i>Other payments</i> | <i>Total</i> |
| Board of Directors | 55,974.5 | - | - | 12,306.1*** | 62,280.6 |
| Management Committee | 29,386.0 | 421,187.6 | 402,903.0 | 22,013.6 | 875,490.2 |

* In connection with the demise on 4 December 2008 of a member of the Board of Directors of OAO "LUKOIL" Oleg Emelyanovich Kutafin, it was decided to pay his remuneration for performing functions as a member of the Board of Directors and for his attendance at meetings of the Audit Committee of the Board of Directors of OAO "LUKOIL" to his widow, Natalia Nikolaevna Kutafina, pro rata to his actual term of office and his actual participation in Committee meetings, in the amount of 1,966,500 roubles.

** 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.

*** Reimbursement of expenses

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

The Board of Directors of OAO “LUKOIL” exercised general oversight over the Company’s operations in accordance with its authorities, as defined in the Federal Law *On Joint Stock Companies*, the Company Charter and the *Regulations on the Board of Directors of OAO “LUKOIL”*.

The work of the Board of Directors in 2009 was structured using the Work Plan of the Board of Directors for 2008–2009, approved by the Board of Directors on 21 July 2008 (Minutes No. 19), and the Work Plan of the Board of Directors for 2009–2010, approved by the Board of Directors on 14 July 2009 (Minutes No. 16).

The Board of Directors held nine formal meetings in 2009, as well as 21 absentee/distance votes.

A field meeting was held on 23 April 2009 in Prague (Czech Republic).

The most important function of the Board of Directors is to determine the priority areas of the Company’s operations; strategic, medium-term and annual planning; and summing up of operational performance.

To ensure the effective operations of OAO “LUKOIL” and the entire LUKOIL Group over the long term, on 19 November 2009 the Board of Directors approved the Strategic Development Programme of the LUKOIL Group for 2010–2019 (Minutes No. 24).

In fulfilment of this function, the Board of Directors also took decisions on the following issues:

- On preliminary results of the LUKOIL Group’s operations in 2008 and tasks for 2009 and the near future. The role of innovations in the future growth of the LUKOIL Group. On priority areas of activity for OAO "LUKOIL" in 2009. Comparative data on the Company’s performance indicators over the past few years (Minutes No. 1 of 13 January 2009);
- On the preliminary results of the LUKOIL Group’s operations in H1 2009 and progress in the execution of the 2009 budget and investment programme (Minutes No. 20 of 28 August 2009);

- On the main indicators of the Medium-Term Development Plan of the LUKOIL Group for 2010-2012 (Minutes No. 25 of 14 December 2009).

When planning the activity of the Company and the LUKOIL Group as a whole, the Board of Directors also studied in more depth and designated specific steps to develop the LUKOIL Group's individual business segments and lines of business. This work was carried out within the framework of the following issues:

- On the international operations of the Refining and Marketing business segment (Minutes No. 9 of 23 April 2009);
- On the progress in the implementation of international projects in the Exploration and Production business segment (Minutes No. 9 of 23 April 2009);
- On measures to consolidate the Company's resource base in 2010-2019 (Minutes No. 24 of 19 November 2009);
- On using investment project certificates for evaluating prospects of hydrocarbon production and upstream investment activities (Minutes No. 25 of 14 December 2009);
- On the current state and goals of personnel training in accordance with the LUKOIL Group Strategic Development Programme (Minutes No. 20 of 28 August 2009).

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 of the Russian Federation, assigns the Board of Directors of a joint stock company a special role in improving the system of corporate governance of the company.

The Board of Directors took the following decisions in this area in 2009:

- at its first meeting on 25 June 2009 (Minutes No. 14) the newly elected Board of Directors, 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 on the recommendation of the Chairman of the Board of Directors appointed E.L. Khavkin as Secretary of the Board of Directors. It also confirmed the members of the committees of the Board of Directors of the Company.
- at the meeting on 22 May 2009 (Minutes No. 11) the Board of Directors approved the Report on the Work of the Board of Directors, took under advisement the reports on the work of the committees of the Board of Directors of OAO "LUKOIL" in 2008–2009, and gave a positive assessment of the work of the Board of Directors.

Information on the execution of the control instructions of the Board of Directors of OAO “LUKOIL” during 2008–2009 was also heard at this meeting.

One of the Board of Directors’ most important areas of activity is preparation for the General Shareholders Meeting of the Company.

In 2009 the Annual General Shareholders Meeting was held in Moscow on 25 June.

Issues concerning the preparations for the General Shareholders Meeting of OAO “LUKOIL” 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 4 February 2009 (Minutes No. 4) by absentee voting:

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

The Board of Directors took decisions on the issues involved in the preparations for the General Shareholders Meeting (hereinafter the “Meeting”) on 23 April 2009 (Minutes No. 9). These issues included: the approval of the agenda of the Meeting, determining the dates for compiling the list of parties entitled to take part in the Meeting, the text and form of the voting ballots, recommendations for the Meeting on taking decisions on the agenda items of the Meeting, and other issues connected with the preparation and holding of the Meeting.

At the meeting on 22 May 2009 (Minutes No. 11) the Board of Directors tentatively approved the Annual Report of OAO “LUKOIL” for 2008, for its submission to the annual General Shareholders Meeting.

As part of its duty to approve the Company’s internal documents, adoption of which has been assigned to its competence, the Board of Directors approved the following in 2009:

- the *Shareholder Relations Policy of OAO “LUKOIL”* (Minutes No. 24 of 19 November 2009);

- Amendments and addenda to the *Regulations on the System of Payment and Incentives for Management Personnel of OAO “LUKOIL”* (Minutes No. 23 of 16 November 2009).

The Board of Directors also invalidated the *Regulations on the Unified System for Non-State Pension Support in LUKOIL Group Organisations* (Minutes No. 23 of 16 November 2009).

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

At the meeting on 14 July 2009 (Minutes No. 16) the Board of Directors approved the membership of the Management Committee of OAO “LUKOIL” (15 people) and established the basic terms of the contract to be concluded with the members of the Management Committee.

The Board of Directors decided to pay a bonus to the President of the Company (Minutes No. 18 of 14 August 2009).

In accordance with the requirements of the Federal Law *On Joint Stock Companies*, on 14 July 2009 (Minutes No. 16) the Board of Directors established the maximum amount of payment for the services of the Auditor of OAO “LUKOIL”.

In connection with the adoption by the Board of Directors on 29 November 2006 of the decision on long-term incentives for employees of OAO “LUKOIL” and its subsidiaries, in 2009 the Board of Directors of the Company decided to introduce amendments to the list of employees eligible for long-term incentives under the *Regulations on Long-Term Incentives for Employees of OAO “LUKOIL” and its Subsidiaries*. This decision was taken on 16 November 2009 (Minutes No. 23). On 14 December 2009 (Minutes No. 25) the Board of Directors adopted a decision on long-term incentives for employees of OAO “LUKOIL” and its subsidiaries during 2010–2012.

Since the decision on the issue of bonds lies within the competence of the Board of Directors, the following decisions were taken in 2009:

- On amending the decisions on the placement of exchange-traded bearer bonds series BO-01 to BO-17 (Minutes No. 13 of 24 June 2009);

- On amending the Decision on the issue of exchange-traded bearer bonds series BO-01 to BO-17 (Minutes No. 13 of 24 June 2009);
- On approving the Amendments to the Decision on the issue of bearer stock exchange bonds series BO-01 to BO-17 (Minutes No. 13 of 24 June 2009);
- On approving the Amendments to the Securities Prospectus (non-convertible certified interest bearing bearer stock exchange bonds series BO-01 to BO-20) in connection with the extension of the maturity of the exchange-traded bearer bonds series BO-01 to BO-17 (Minutes No. 13 of 24 June 2009).

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

These transactions are approved by the Board of Directors by absentee voting.

Being governed by the recommendations of the Human Resources and Compensation Committee of 10 February 2010 (Minutes No.1), the Board of Directors approved the *Criteria for the Performance Evaluation of the Board of Directors and its Committees* on 20 April 2010 (Minutes No.7).

At its meeting on 18 May 2010 (Minutes No. 10), the Board of Directors approved the *Report on the work performed by the Board of Directors of OAO "LUKOIL" in 2009-2010* and summarized results of the performance evaluation indicating that the Board of Directors gave an overall positive evaluation of its performance in 2009–2010.

Dividends

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

When determining the amount of dividends (per share) to be recommended to the General Shareholders Meeting, the Board of Directors of the Company proceeds on the premise that the amount of funds sent as dividend payments should equal at least 15% of the net profit as determined based on the consolidated US GAAP financial statements of OAO “LUKOIL”.

| <i>Year</i> | <i>Amount of dividends, RUB</i> | <i>Accrued, RUB, million</i> | <i>Paid*, RUB, million</i> | <i>Share of net profits of OAO “LUKOIL” used for dividend payments, %</i> |
|-------------|---|------------------------------|----------------------------|---|
| 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 | 42.00 | 35,724 | 35,633 | 55 |
| for 2008 | 50.00 | 42,528 | 42,404 | 63 |
| for 2009 | On 20 April 2010 the Board of Directors of OAO “LUKOIL” recommended that the annual General Shareholders Meeting to be held on 24 June 2010 pay dividends based on the results of the 2009 financial year in the amount of RUB 52 per ordinary share. | | | |

** Since shareholders did not provide reliable and complete information necessary to receive dividends (incorrect banking details, lack of banking details, incorrect postal addresses, return of postal transfers) dividends were not paid in full.*

Company Securities

There was growth of LUKOIL capitalization in 2009 after its large fall in the previous year due to international financial crisis. LUKOIL's capitalization by the end of 2009 was \$47.8 billion, compared with \$27.2 billion at the end of 2008. Prices for company shares were subject to much volatility during the reporting year, reflecting general trends in Russia and internationally.

Prices for shares throughout the reporting year were determined mainly by the Urals crude oil price, which rose to \$77 per barrel by the end of 2009 (from \$40 at the start) thanks mainly to OPEC policy of limiting output. Macroeconomic indicators, particularly in the USA and China, also had impact and they led to some recovery in demand for oil by the end of the year. The second half of the year also saw a return of substantial investment inflows to emerging markets, including Russia.

Besides macroeconomic environment prices for LUKOIL shares were also influenced by corporate news. The Company successfully implemented its anti-crisis program in 2009 for raising production efficiency and increasing free cash flow. LUKOIL increased production and refining of hydrocarbons, won rights to develop the West Qurna-2 field in Iraq, acquired a stake in the TRN refinery in the Netherlands, and pursued an energetic capital raising policy.

As a result the LUKOIL share price on the RTS Stock Exchange rose by 75.6% in the course of the year to \$56.2 per share at the end of 2009. Growth in price of Company shares was somewhat slower than overall Russian market growth (the RTS Index rose by 128.6% and the MICEX Index by 121%). So current undervaluation offers potential for substantial growth in the future.

Despite the complex situation on the stock market and in the economy as a whole, LUKOIL shares were among the most liquid securities of Russian issuers during 2009 both domestically and abroad. Shares of LUKOIL represented 6.5% and 5.3% of total volumes on main trading floors, the MICEX and the RTS Stock Exchange, respectively, in 2009.

Programs of American Depositary Receipts (ADRs) on Company shares continued to operate in the reporting year. Company ADRs were traded on over-the-counter market in the USA and also on stock exchanges in London, Frankfurt, Munich, Stuttgart, etc. The total number of ADRs issued on ordinary shares of the Company at the end of 2009 was 581 million (68.3% of Company charter capital). ADRs on LUKOIL shares took second place by volumes of trading

among ADRs of foreign issuers listed on the IOB system of the London Stock Exchange in 2009 (they represented 18.7% of total average monthly trading volumes in the IOB system).

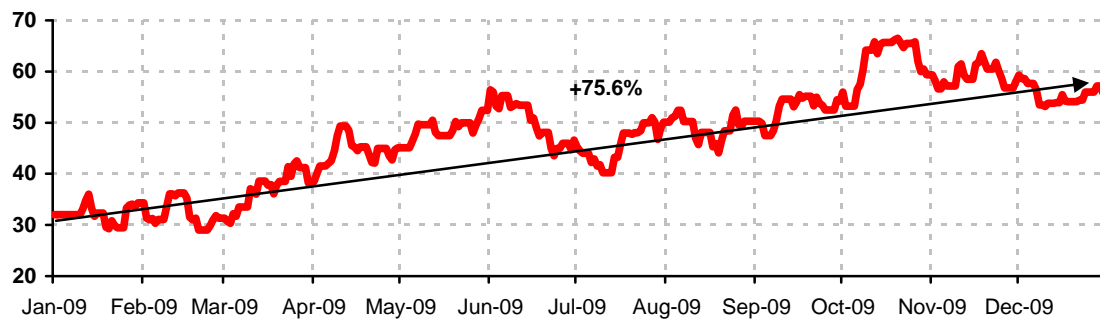
Trading turnover in LUKOIL shares and ADRs was much lower in 2009 than in 2008 both by volumes and money value. This trend was common to shares of most Russian issuers and not only Company shares. However, trading volumes recovered gradually in the second half of the year thanks to revival of international capital markets.

LUKOIL shares continued to be used as an underlying instrument for trading on the Russian stock futures market in the reporting year. Future contracts for delivery of LUKOIL shares were among main instruments on the futures section of the RTS Stock Exchange.

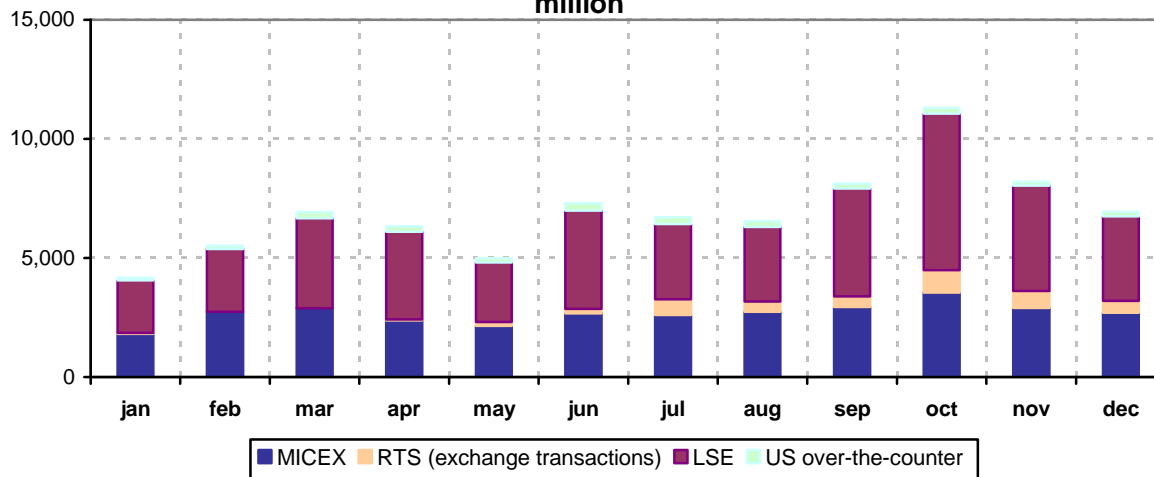
In autumn 2009 the Group carried out an issue of Eurobonds. A first tranche of \$900 million with redemption date in 2014 was placed at 6.375% and a second tranche of \$600 million with redemption date in 2019 was placed at 7.250%. The 2014 bonds were placed at 99.474% of their face value, giving 6.5% yield to redemption. The 2019 bonds were placed at 99.127% of face value to give 7.375% yield to redemption. This was the first Eurobond placement by a Russian issuer for more than a year and the placement terms were highly favourable for the Company, thanks to strong demand from investors.

LUKOIL did its utmost in the reporting year to maintain and increase its shareholder value. Operating indicators were improved, new efficient assets were acquired and the Company implemented a tight policy to limit capital expenditures and increase cash flows. As a result, the Company was able to preserve its investment attractiveness in an environment of instability in the world financial system. During 2009 the Company devised and approved a 10-year program of strategic development, which emphasizes increase of free cash flow and shareholder income. Achievement of the goals, which LUKOIL has set itself, will ensure future growth in value of its shares and will overcome the current situation of undervaluation of the Company.

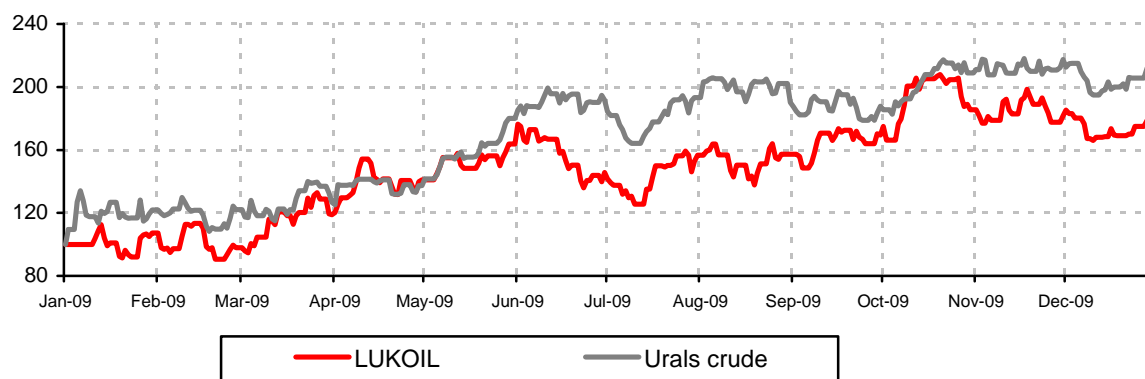
LUKOIL share price on the RTS exchange (2009), \$



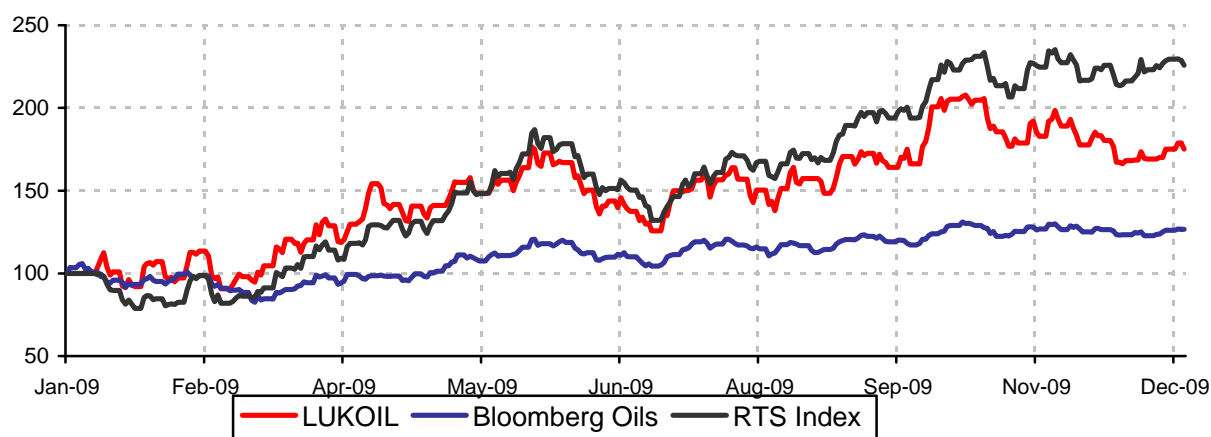
Monthly trading in LUKOIL shares and depository receipts (2009), \$
million



LUKOIL share price on the RTS exchange and Urals oil price (2009), %



LUKOIL share price on the RTS exchange, Bloomberg Oils Index and the RTS Index (2009), %



Changes in ownership structure of OAO "LUKOIL" in 2009

| Main LUKOIL shareholders* (> 1% of ordinary shares) | | | | |
|---|--|---|--|---|
| | Number of shares on January 1, 2009 | % of total shares on January 1, 2009 | Number of shares on January 1, 2010 | % of total shares on January 1, 2010 |
| ING Bank (Eurasia) ZAO | 585,245,353 | 68.81% | 588,130,232 | 69.15% |
| Depository-Clearing Company | 67,184,973 | 7.90% | 75,790,805 | 8.91% |
| KB Citibank ZAO | 69,274,981 | 8.14% | 66,536,986 | 7.82% |
| National Depository Center | 48,689,475 | 5.72% | 38,176,573 | 4.49% |
| SDK Garant | 31,028,284 | 3.65% | 33,177,732 | 3.90% |
| DK URALSIB | 19,627,533 | 2.31% | 13,574,885 | 1.60% |

* Nominee shareholders

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

In the near future the Company’s activity will be defined mainly by the following groups of risk:

- Strategic risks
- Financial risks
- Legal risks
- Geological risks
- Environmental risks
- On-the-job risks

The realisation of any of the risks listed below could negatively impact the Company’s operations, and could ultimately have a negative effect on the amount of cash flows. Considering the probabilistic nature of risks and their external nature in relation to the Company, OAO “LUKOIL” cannot fully guarantee that risk management measures will reduce their negative impact to zero. For this reason, the Company informs the users of its financial statements of the existence in its operations of a number of circumstances, described below, which could possibly worsen its performance indicators. OAO “LUKOIL” will make every effort to monitor and prevent these events from happening. Should they happen despite these efforts, the Company will take measures to ensure the quickest possible liquidation of the consequences with the least possible harm to the Company.

Strategic risks

Macroeconomic risks

A possible deterioration in global macroeconomic trends, as well as a sluggish recovery of the global economy from the recession, would negatively impact the Company’s business, including its operating performance, level of liquidity and ability to implement planned capital investment programmes.

When planning its operations, Company management is considering several macroeconomic development scenarios – prices for hydrocarbons, levels of inflation, taxes, exchange rates, etc. – designed to control the consequences of realisation of this risk, including optimistic, baseline and pessimistic scenarios.

Country risks

The LUKOIL Group’s operations have a very high level of geographic diversification. OAO “LUKOIL” performs some of its operations in countries with a high level of political and economic risks, the realisation of which could significantly complicate the Company’s operations in this particular region or even lead to the cessation of operations.

To minimise the risks of operating in countries with transitional economies or unstable political regimes, alongside these operations the Company is also trying to diversify its operations and acquire assets in European countries and the USA, where country risks are deemed to be minimal.

Risk of a shortage of qualified staff

Foreign companies are starting to turn their attention to the Russian labour market due to the growing world deficit of specialists and universal aging of oil and gas industry workers. This increases the risk of heightened demand for these specialists in Russia and a rise in their salaries. This could result in a growth in wage expenses or the necessity for a fundamental modernisation of production to reduce servicing personnel, which could have a negative effect on the Company’s financial results.

Risks of competition

Risks of access to new sources of crude

Competition with major Russian and transnational companies for access to new sources of crude could result in the Company not receiving access in future to the most promising new deposits of hydrocarbon raw materials. This risk could lead to a reduction in the Company's proved reserves and, consequently, to a fall in its capitalisation.

Risks of access to transportation infrastructure

OAO "LUKOIL" depends greatly on the transportation capacities of state monopolies to transport its products: OAO AK Transneft, OAO AK Transnefteprodukt, OAO RZD and OAO Gazprom for transport of the gas produced. The Company's dependence on state transportation monopolies may have severe negative consequences, which can be summarised as follows:

- losses as a result of disruption of the work of the pipeline system or railways as a result of breakdowns, leakage or other stoppages;
- an unplanned increase in transportation costs due to the necessity to use an alternative service provider on short notice, which may occur in case of a limitation of access to the pipeline system. If worst comes to worst, this risk could lead to a curtailing of business in certain regions;
- an unplanned growth in operating costs as a result of a sharp rise in state-regulated transportation tariffs.

Risks on the market of oil refining and marketing of petroleum products

The market environment and competition on oil refining markets hold the following risks for the Company:

- risks of a fall in sales and a partial workload for production facilities;
- risks of reduced profit margins on oil refining;
- risks of a fall in the retail profit margin;
- risks of a toughening of environmental regulations and standards, and a tightening of product quality requirements;

These risks could result in a revenue gap or an increase in the Company's costs, which could eventually negatively impact the cash flows from this business segment.

Risks on the market of natural and associated petroleum gas

An important risk factor in the gas production sector is OAO Gazprom's position as the sole purchaser on the procurements market for the natural gas produced by independent oil companies and the stripped gas produced through refining of associated petroleum gas.

The main risks for the Company in this segment may include:

- OAO Gazprom may limit sales quotes assigned to independent producers, leading to a limitation of gas production by the Company or to the mothballing of a number of projects;
- establishment of monopoly-driven low purchase prices for natural and associated petroleum gas for independent producers, which could have a negative effect on the current profit margin of this business segment.

The Company is taking all possible measures to reduce risks in this area, and is striving to build partnership relations with OAO Gazprom.

Financial risks

Price risks

Serious and erratic fluctuations in the price of hydrocarbons could complicate the Company's operations to a certain degree. OAO "LUKOIL" expects the prices for energy resources to remain highly volatile in the near term, due to the imbalance of supply and demand on the global market, as well as the unclear prospects for overcoming the global economic crisis.

Inflation risks

The Company is exposed to the risk of inflationary growth in costs. This risk could have the greatest impact on capital costs, and could place the successful performance of a number of investment projects in doubt.

The Company pays special attention to containing the growth in costs, and to the assessment of this risk when developing investment projects and taking investment decisions.

Interest-rate risks

The Company is exposed to a significant risk of interest-rate fluctuations, and is especially sensitive to changes in the interest rates in European countries.

The share of debt with a fixed or floating interest rate is constantly monitored and managed, in order to minimise interest-rate risks.

Liquidity risks

Liquidity risks are the risks of a fall in the Company's level of solvency.

The size of the Company's cash flows are exposed to the following risk factors:

- sharp fluctuations in prices for energy resources;
- the amount of taxes, duties and customs payments;
- increase in costs.

Another risk associated with a reduction in cash flows is the risk of restricted access to financing on international currency and capital markets.

These risks could have a negative impact on the Company's liquidity over the short term.

OAO "LUKOIL" has created a liquidity management system to maintain a high level of solvency in the LUKOIL Group. The liquidity management system includes a number of analytical procedures and regulatory provisions aimed at bringing liquidity risk to a minimum.

Currency risks

Since it operates in many countries, the Company is exposed to risks of unfavourable changes to currency exchange rates. The exchange rate of the Russian rouble to the US dollar has the greatest impact on operating results, since the Company's export revenue is denominated in US dollars but most of its costs are incurred in Russia in roubles.

Credit risks

The Company's most significant credit risk lies in the risk that counterparties will fail to meet their payment obligations in respect of products shipped to them.

In order to reduce credit risks, the Company focuses on working with counterparties that have a strong credit rating, uses letters of credit and guaranties from first-tier banks, requires advance payment for shipments of products in some cases, and uses instruments to limit risk concentration on any one counterparty.

Use of derivatives

The Company does not engage in centralised use of derivatives for financial risk management.

Derivatives are used by LITASCO SA (the foreign trade organisation of the LUKOIL Group) to hedge against price risks when selling products on foreign markets.

In its operations, LITASCO SA maintains a conservative trading strategy and has a high level of coverage of derivatives with underlying assets, which ensures a high degree of stability on today's unstable financial market.

Legal risks

Antimonopoly regulation risks

There is currently the risk of a toughening of antimonopoly legislation and antimonopoly law enforcement practices in relation to oil companies. The Russian government has initiated a number of legislative changes that greatly simplify the procedure for proving violations and grant the regulating bodies additional authorities.

In its operations, OAO "LUKOIL" holds to the principles of competitive interaction with all market participants and does not implement a policy of limitation of competition and monopolistic market takeover, and does not have plans to do so in the near or long term. Nevertheless, the Company does not exclude the risk of possible court cases and fines in case of the appearance of disputes.

The Russian government has also come forward recently with an initiative to regulate prices for petroleum products on the Russian market in line with changes in world prices. These governmental actions could result in a lowering of the profit margin of oil refining in Russia, which would have a negative effect on the Company's operating results.

The Company has created a working group for interaction with the state authorities regarding antimonopoly regulation, in order to give detailed explanations of OAO "LUKOIL's" position on this issue and get an idea of the risks inherent in the actions proposed by the Russian government.

Tax risks

The Company does not exclude the possibility of a tightening of tax legislation, especially in the conditions of an expected state budget deficit of the Russian Federation. 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 could have a negative effect on its operations and financial performance.

Currency regulation risks

OAO "LUKOIL" does not rule out the possibility of a toughening of legislation on currency regulation. If currency regulations are tightened, a number of the Company's export operations could become more complicated, which could negatively impact its current liquidity.

Customs regulation risks

OAO "LUKOIL" cannot rule out the possibility of a tightening of customs control and an increase in export duties on oil and petroleum products, especially in the conditions of an expected state budget deficit of the Russian Federation. These changes could have a negative effect on the Company's financial performance.

Geological risks

Risks of exploratory drilling and discovery of new deposits

The Company is faced with the risk of not being able to detect commercially feasible oil and gas reserves during the performance of new projects and exploratory drilling. As a result, the Company might be required to bear additional costs or be forced into abandoning work in a number of license areas.

Risks associated with changes to subsoil usage and licensing legislation

A number of amendments were made to Law of the Russian Federation No. 2395-1 of 21 February 1992 *On the Subsoil* in 2008 which introduced restrictions on the use of the subsoil for legal entities with foreign equity participation, changed the licensing procedure for subsoil blocks of federal significance, and established the criteria for users of offshore blocks.

The Russian government also introduced a draft law on amending the procedure for compensating for damages to the subsoil as a result of violation of legislation on the subsoil.

These legislative initiatives may in the near future have a negative effect on the Company's operating environment, and also on its ability to develop new deposits in the Russian Federation.

Environmental risks and industrial safety risks

More stringent requirements on carbon dioxide (CO₂) emissions or the need to clean up possible industrial accidents may have a substantial negative effect on the financial indicators of OAO "LUKOIL". Indirect effects on the financial results of the operations of OAO "LUKOIL" may be felt from damage to the Company's reputation and the actions of state authorities if such environmental risks should be realized.

There is a risk that production operations in certain regions where the Company has a presence will not comply with new environmental standards, which may require that the Company bear additional costs to upgrade facilities, and therefore will have a negative effect on the Company's operating financial results.

If the technological risks related to the breakdown of production equipment come to pass, this could also lead to a suspension of operations and a failure to reach set production and financial goals.

The system of industrial safety at OAO "LUKOIL" stipulates constant monitoring of the state of technical facilities and the performance of preventive measures to avoid industrial accidents. The system of industrial safety at OAO "LUKOIL" has been certified for compliance with international industrial safety standards ISO 14001 and OHSAS 18001.

On-the-job risks

Risk of failure to meet production targets on extraction, refining and sales

The Company's operations involve the risk of the failure to meet production targets for various industrial, economic and administrative reasons. The Company acknowledges the existence and makes every effort to mitigate this risk, and plans its operations in such a way so as to ensure that this risk does not have a serious effect on the Company's key projects.

Construction risks

When implementing investment projects, the Company runs into the risk of late commissioning of production facilities. The key factors influencing this risk are: mistakes in planning, the actions of contractors and risks caused by the state of infrastructure.

The Company pays undivided attention to the management of this risk through the careful planning of projects, selection of reliable suppliers and contractors and receipt of guarantees from them

on the performance of obligations, and through the setting up of partnership relations with operators of infrastructure assets (state monopolies, executive authorities of the constituent subjects of the Russian Federation).

Risk management procedures

ОАО «ЛУКОЙЛ» performs systematic monitoring of risks during the performance of current operations and investment projects, and makes every effort to prevent or mitigate the negative effects of risks in case of their realisation.

The Company has singled out key business processes, into which modern risk management technologies have been integrated (financial management, industrial safety, etc.). A centralised risk management system has been implemented at a number of major Company subsidiaries which covers all business processes and functional areas of the subsidiaries' activity, making effective risk management possible.

The Company is currently developing a global corporate-wide risk management system which will incorporate risk management best practices.

The goal of this project is the optimal organisation of work in the following areas:

- prevention/reduction of potential damage from identified risks, for the purpose of increasing the Company's capitalisation;
- increasing the efficiency of trading operations and hedging;
- achieving the optimal distribution of risk capital based on the risk-income ratio;
- satisfying the requirements of the regulatory authorities on disclosing risk information;
- improvement of the Company's credit rating and the trust of investors.

Information on compliance with the Corporate Governance Code

This section has been prepared in accordance with Directive No. 03-849/r of the Federal Commission on the Securities Market of 30 April 2003 *On Methodological Recommendations on the Composition and Form of Presentation of Information on Compliance with the Corporate Governance Code in the Annual Reports of Joint Stock Companies*

| № | Provision of the Corporate Governance Code | Compliance/ non-compliance | Note |
|--|--|-------------------------------|---|
| General meeting of shareholders | | | |
| 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 meeting of shareholders, 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 sends 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, and members of the Management Committee, and also the issue of the approval of the Auditor of the Company. |

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| 6. | Mandatory attendance of candidates in cases where the general shareholders meeting will consider issues of the election of members of the Board of Directors, the General Director, members of the Management Committee, members of the Audit Commission, 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 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 includes 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 <i>Regulations on Internal Audit in the LUKOIL Group</i>).</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 size 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>In accordance with point 9.7.10 of the Charter of OAO "LUKOIL", the competence of the Board of Directors includes establishment of the terms and conditions of contracts concluded with the President and members of the Management Committee.</p> <p><i>The Regulations on the Human Resources and Compensation</i></p> |

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| | | | <p><i>Committee of the Board of Directors of OAO "LUKOIL" (sections 2 and 3) stipulate that one of the purposes of the Committee is to develop and submit recommendations to the Board of Directors on the Company's policy and standards regarding the selection of candidates to management bodies. The 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 candidates for the management bodies, and makes the corresponding recommendations to the Board of Directors. The Committee also makes recommendations to the Board of Directors on the material terms and conditions of contracts with members of the Management Committee and the President of the Company.</i></p> |
| 12. | The charter of the joint stock company defines the right of the Board of Directors to approve the terms and conditions of contracts with the General Director and members of the Management Committee. | Compliance | In accordance with point 9.7.10 of the Charter of OAO "LUKOIL", the competence of the Board of Directors includes establishment of the terms and conditions of contracts concluded with the President and members of the Management Committee. |
| 13. | The charter or internal statutes of the joint stock company contain a requirement that when approving the terms of the contracts 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 who 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. By decision of the annual General Shareholders Meeting of OAO "LUKOIL" of 25 June 2009 (minutes No. 1), six independent directors who meet the independence criteria as defined in point 2.2.2 of chapter 3 of the Code of Corporate Governance were elected to the Board of Directors of the Company. |
| 15. | No one on the Board of Directors of the company 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 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. | 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 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. | No one on the Board of Directors of the company is a participant, General Director (manager), member of | - | Other than A.N. Shokhin, who became a member of the Board of Directors of |

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| | management bodies, or employee of a legal entity that competes with the company. | | <p>OAO TNK-BP Management from 2009, no one on the Board of Directors of OAO "LUKOIL" is the General Director (manager), member of management bodies, or employee of a legal entity that competes with OAO "LUKOIL".</p> <p>Certain members of the Board of Directors may 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.</p> |
| 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, should such a conflict arise, 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 of the Company is obligated not to divulge or use, including for personal benefit, 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 analyses the 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 presence/absence of interest in transactions to be performed by the Company, when the relevant decisions are being taken by the Board of Directors; the onset and termination of status as an affiliated person in respect of the Company; the appearance of circumstances hindering effective work as a member of the Board of Directors;</p> |

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| | | | loss of independent status of an independent director. |
| 19. | The company's internal statutes obligate 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 (associates) of such company, and also to disclose information on transactions they have performed with such securities. | Compliance | Point 3.9 of the <i>Regulations on Information Policy at OAO "LUKOIL"</i> . Point 1.5 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i> . |
| 20. | The company's internal statutes 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 joint stock company's annual report 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 statutes 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 statutes contain a provision mandating that the Board of Directors must approve company transactions involving 10 percent or more of the value of the company's assets, 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 statutes specify that members of the Board of Directors have the right to receive the information necessary to perform their functions from the executive bodies and heads of the company's main structural units, and also specify liability for the failure to provide such information. | Compliance | Point 5.2 of the <i>Regulations on Information Policy at 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 internal audit commission. | Compliance | Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL" |
| 27. | The audit committee consists only of independent and non-executive directors. | Compliance | Pursuant to point 4.1 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i> , the Audit Committee of at least three members is elected from among the non-executive directors. 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. | Management 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 statutes specify that all members of the audit committee have the right to access 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. | Management 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> . |

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| 32. | The human resources and compensation committee does not contain company officers. | Compliance | Pursuant to 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 of at least three members is elected from among the non-executive directors. 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). | - | This function is entrusted to the Audit Committee of the Board of Directors of OAO "LUKOIL" (point 3.1.10 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>). |
| 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). | - | Creation of such a committee is under consideration. |
| 35. | The corporate conflicts committee does not include company officers. | - | See point 34. |
| 36. | Management of the corporate conflicts committee is entrusted to an independent director. | - | See point 34. |
| 37. | The company has internal statutes approved by the Board of Directors that stipulate the procedure for the creation and operation of board committees. | Compliance | The <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> , the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i> , and the <i>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 collegial 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 statutes contain a provision mandating that the management committee must approve 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 | Approval of transactions (or several related transactions) that involve the acquisition, alienation or potential alienation of property the value of which is between 10 percent and 25 percent of the book value of the Company's assets, except transactions performed in the normal course of the Company's business, is assigned to the competence of the Board of Directors by point 9.7.19 of the Charter of OAO "LUKOIL". The Company has in place a Procedure for Approving Major Transactions by the Subsidiaries of OAO "LUKOIL", approved by decision of the Management Committee of OAO "LUKOIL" on 14 December 2004 |

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| | | | (Minutes No. 36), with amendments made by decision of the Management Committee of OAO "LUKOIL" of 17 October 2005 (Minutes No. 30). 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", the subject of which is the acquisition, alienation, or possibility of 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 fixed assets and intangible assets) the percentage share of the value of fixed assets and/or intangible assets in the book value of the assets of the subsidiary. |
| 41. | The company's internal statutes 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 30 October 2008 (Minutes No. 24) established that the Management Committee of OAO "LUKOIL" has the right, in the event of substantial changes to macroeconomic operating conditions, to make revisions to the Investment Programme of the LUKOIL Group for 2009, provided that these revisions are in accord with the strategic goals of the Company and are supported by financing, with subsequent coordination with the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL". A similar decision was taken by the Board of Directors on 14 December 2009 (Minutes No. 25), in respect of the Investment Programme of the LUKOIL Group for 2010. |
| 42. | The executive officers of the company do not include any person who is 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 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. |

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| 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 statutes specify that the executive bodies must 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. | The executive bodies provide 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. | The contracts concluded by the company with the general director (management company, manager) and the members of management establish liability 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 the work of the Management Committee confidential and not to disclose information that becomes known to them in connection with the performance of their duties as a member of the Management Committee.</p> <p>These contracts also stipulate that members of the Management Committee are liable for losses caused to the Company as a result of their culpable actions (inaction) as members of the collegial 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> |
| Company secretary | | | |
| 49. | The company has a designated official (i.e. the company secretary) who is responsible for ensuring the company's | Compliance | By decision of the Board of Directors of OAO "LUKOIL" of 29 August 2003 |

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| | bodies and officials comply with procedural requirements guaranteeing the observance of the rights and legal interests of company shareholders. | | (minutes No. 37), the duties of the corporate secretary were assigned to the secretary of the Board of Directors and director of the Administration 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. |
| Material corporate actions | | | |
| 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 book value of the assets of the Company, determined according to the data of its financial statements on the last 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. | Compliance | Point 5.2.2 of the <i>Regulations on the Organisation of Valuations in the Interests of the LUKOIL Group</i> , approved by decision of the Management Committee of OAO "LUKOIL" of 23 June 2008 (minutes No. 19) . |
| 54. | The company charter prohibits any actions during the acquisition of major shareholdings in the company (takeover) that are 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 compared to the current situation (specifically, until the end of the scheduled period for the acquisition of shares the Board of Directors is prohibited from passing a decision on the 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. | - | This requirement is established by point 5.2.2 of the <i>Regulations on the Organisation of Valuations in the Interests of the LUKOIL Group</i> , |

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| | | | approved by decision of the Management Committee of OAO "LUKOIL" of 23 June 2008 (Minutes No. 19). |
| 56. | The company charter does not release the buyer from the obligation to propose that shareholders sell their ordinary shares in the company (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 statutes contain requirements on the mandatory hiring of an independent appraiser to determine the share conversion ratio during reorganisation | Compliance | Point 5.2.4 of the <i>Regulations on the Organisation of Valuations in the Interests of the LUKOIL Group</i> , approved by decision of the Management Committee of OAO "LUKOIL" of 23 June 2008 (Minutes No. 19). |
| Disclosure of information | | | |
| 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 purposes of share offerings, on the parties that plan to purchase the offered shares (including major shareholdings), and whether the company's top officials will participate in the purchase of the offered shares in the company. | Compliance | Point 3.11 of the Regulations on Information Policy at OAO "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 conducting 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 statutes contain requirements on the disclosure of information on transactions with parties designated by the charter as senior officials of the company and on transactions with organisations in which senior company officials own directly or indirectly an equity shareholding of 20 or more percent, or over which they can exert significant influence by other means | Compliance | <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> , 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 particular threshold or are concluded outside the normal course of business, must be disclosed if this information could have a material effect on the exchange price of the securities. Information on operations with related parties is also regularly disclosed in the notes to the US GAAP financial statements of the LUKOIL Group. |
| 63. | The company's internal statutes contain requirements on disclosing information on all transactions that could have an effect on the market value of the company's shares. | Compliance | Point 4.1 of the Regulations on the activity of the structural divisions of OAO "LUKOIL" and the LUKOIL Group companies to ensure the |

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| | | | performance of obligations associated with the listing of OAO "LUKOIL" securities on the London Stock Exchange. |
| 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 company's shares. | Compliance | Section 7 of the <i>Regulations on Information Policy at OAO "LUKOIL"</i> . |
| <i>Control over the enterprise's financing and business activity</i> | | | |
| 65. | The board of directors has approved internal procedures for monitoring the company's financial and business activity. | Compliance | <i>Regulations on Internal Audit in the LUKOIL Group, Regulations on Internal Controls and Internal Audit at OAO "LUKOIL"</i> . |
| 66. | The company has a special division responsible for ensuring compliance with internal control procedures (the control and audit service). | Compliance | The Main Division of Control and Internal Audit, whose main function is to ensure the effective functioning of the system of internal controls and internal audit in the LUKOIL Group (point 2.1 of the <i>Regulations on the Main Division of Control and Internal Audit</i>). |
| 67. | The company's internal statutes contain requirements that the board of directors determine 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 statutes specify a deadline for submitting documents and materials to the control and audit service to assess financial and business operations, and also the liability of company officials and employees for the late submission of such documents and materials | De facto compliance | Documents and materials are provided to the control and internal audit service pursuant to the overall document flow procedure established by section 3 of the Instructions on Document Support for the Management Activity of OAO |

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| | | | "LUKOIL", which among other things stipulates deadlines and monitoring of the execution of documents. |
| 71. | The company's internal statutes obligate 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 Regulations on Internal Control and Internal Audit at OAO "LUKOIL" |
| 72. | The company charter requires that the control and audit service perform a preliminary assessment of the advisability of performing operations that are not stipulated by the company's financial and business plan (unusual operations) | - | Point 3.17 of the <i>Regulations on the Main Department of Control and Internal Audit</i> stipulate that it participate in the approval process for investment projects with a total value in excess of the equivalent of USD 30 million, in accordance with the documents governing investing activity in the LUKOIL Group. |
| 73. | The company's internal statutes contain a procedure for agreeing unusual operations with the board of directors | Compliance | Point 9.7.20 of the Charter of OAO "LUKOIL". |
| 74. | The board of directors has approved an internal statute 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 before it is submitted 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. | The board of directors has approved an internal statute that it uses 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 Dividend Policy contain a procedure for determining the minimum share of the company's net profit 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 meetings of shareholders, and this information is placed on the company's website. | Compliance | <i>The Regulations on the Dividend Policy</i> were approved by the Board of Directors of OAO "LUKOIL" on 29 August 2003 (minutes No. 37). After approval of this document, information on it was published in the newspaper <i>Vedomosti</i> and other mass media. <i>The Regulations on the Dividend Policy of OAO "LUKOIL"</i> are published on the Company's website. |

List of transactions carried out by OAO “LUKOIL” in 2009 that are recognised as major transactions in accordance with the Federal Law *On Joint Stock Companies*, and other transactions covered by the approval procedure for major transactions in accordance with the Charter of OAO “LUKOIL”

OAO “LUKOIL” did not carry out any transactions in 2009 that are recognised as major transactions in accordance with 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 recognised as interested-party transactions in accordance with the Federal Law *On Joint Stock Companies* performed by OAO “LUKOIL” in 2009

Interested-party transaction of OAO “LUKOIL” approved by the annual General Shareholders Meeting of OAO “LUKOIL” of 25 June 2009 and concluded in 2009

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| 1. Number of the transaction approved by the annual General Shareholders Meeting | 1 |
| 2.1. Price (amount in USD) | up to USD 10,000 – premium for coverage A; up to USD 1,290,000 – premium for coverage B. |
| 2.2. Price (amount in RUB) | up to RUB 334,100 – premium for coverage A; up to RUB 43,098,900 – premium for coverage B. |
| 3. Names of parties | OAO Kapital Insurance (Insurer) OAO “LUKOIL” (Policyholder) |
| 4. Names of beneficiaries | Under coverage A – the President, members of the Board of Directors, members of the Management Committee of OAO “LUKOIL”, pursuant to the list given in the appendix to the policy, and also any individual who occupied the aforementioned positions at OAO “LUKOIL” in the past or will occupy them in the future. Under coverage B – OAO “LUKOIL”. |
| 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 in the contract and to comply with the contractual terms, and the Insurer undertakes to pay insurance claims in accordance with the contractual terms on the occurrence of an insured event. Coverage A “Insurance of Directors and Officers” insures the losses of each and every Director and Officer of OAO “LUKOIL” arising from claims initially filed against these persons during the insurance period (effective term of the policy) or the discovery period (a 30-day period beginning on the expiration of the insurance period, if the Contract is not renewed), for any real or alleged improper actions during their performance of the relevant functions as Directors and Officers of OAO “LUKOIL”. Coverage B “Insurance of Corporate Liability” insures the losses of OAO “LUKOIL” arising from claims on compensation of losses on securities of OAO “LUKOIL” initially filed against OAO “LUKOIL” and/or claims initially filed against the Directors or Officers, where OAO “LUKOIL” is obligated and may compensate the Director or Officer for expenses incurred thereby as a result of the compensation of losses under the claims filed. |

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| 7. Grounds for status as an interested party | The 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 | The policy is effective from 19 July 2009 to 19 July 2010. The premium under coverage A applies in equal measure to each of the Directors and Officers indicated in the list given in the appendix to the policy. The liability limit is at least USD 50,000,000 (total aggregate limit for coverage A and B, including legal defence costs). All settlements are made in roubles at the exchange rate of the Bank of Russia on the date of payment. |

Interested-party transactions of OAO "LUKOIL" approved by the Board of Directors of OAO "LUKOIL" and concluded in 2009

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| 1. Number of the transaction approved by the Board of Directors | 1 |
| 2.1. Price (amount in USD) | The value of the transaction is USD 1,535,249.32, plus VAT of USD 277,975.31. |
| 2.2. Price (amount in RUB) | The value of the transaction is RUB 42,372,881.36, plus VAT of RUB 7,672,118.64. |
| 3. Names of parties | OAO FK Spartak-Moskva [Spartak Moscow Football Club] (Club) OAO "LUKOIL" (Sponsor) |
| 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 Sponsor 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 March 2009 to 31 December 2009 is RUB 42,372,881.36, plus VAT of RUB 7,672,118.64. |
| 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. 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 | Payment of the services by the Company through quarterly transfers of monetary advances to the Club's settlement account within 10 days after the receipt by the Sponsor of the invoices issued by the Club. |
| 1. Number of the transaction approved by the Board of Directors | 2 |
| 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" (Lender) OOO TsentrKaspneftegaz (Borrower) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 0710253 of 9 April 2007 (hereinafter the "Agreement"). |

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| 6. Subject of the transaction | Under the Agreement, the Lender provides the Borrower with a special-purpose loan worth a total of no more than RUB 1,920,000,000, 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. Section 17 of the Agreement “Addresses and details of the Parties” is amended by the Supplemental Agreement. |
| 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 TsentrKaspiyeftegaz. |
| 8. Other material terms of the transaction | All other provisions of the Agreement remain in force in full measure. The Supplemental Agreement enters into force from the time of its signing, and shall remain in force until the expiration of the effective term of the Agreement. |
| 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 | 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 provides property for the gratuitous use of the Association. According to the Supplemental Agreement, the Company will also provide office equipment (monitors, printers, PC system units) 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 will be transferred under an act of transfer within three days after the date of signing of the Supplemental Agreement. |
| 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 160,000. |
| 2.2. Price (amount in RUB) | The approximate value of the transaction is RUB 5,153,600. |
| 3. Names of parties | OAO RITEK (Principal) OAO “LUKOIL” (Commission Agent) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Commission agreement (hereinafter the “Agreement”). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Commission Agent undertakes to carry out transactions, on the Principal’s instructions and for a fee, on the export sale of Sredne-Khulymsky oil in its own name, but at the expense and in the interests of the Principal. |

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| 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 a 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 EUR) | EUR 22,000,000. |
| 2.2. Price (amount in RUB) | RUB 953,260,000. |
| 3. Names of parties | OAO "LUKOIL" (Guarantor) AO Mažeikių Nafta (Seller) |
| 4. Names of beneficiaries | ZAO LUKOIL BALTIJA (Buyer) |
| 5. Name of transaction | Guarantee Agreement (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Guarantor guarantees the Seller the prompt performance by the Buyer of its payment obligations under contracts on the purchase and sale of oil products which have been or will be concluded between the Buyer and Seller in 2009, including late payment interest, costs, remuneration, expenses and any other monetary obligations. The Guarantor's liability is limited to a total of EUR 22,000,000, plus all reasonable and documented expenses associated with the performance of the Guarantee (legal expenses, court costs, and administrative expenses on receiving a court order, if necessary). |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | The Guarantee is regulated and interpreted in accordance with the laws of the Republic of Lithuania. If the Buyer does not fulfil its obligations, the Guarantor shall be required to pay the Seller the debt of the Buyer within 14 days after the receipt of the first written notice from the Seller that the Buyer did not perform its payment obligations. The Guarantee is valid until 31 January 2010 inclusive. |
| 1. Number of the transaction approved by the Board of Directors | 6 |
| 2.1. Price (amount in EUR) | EUR 22,000,000, remuneration of EUR 2,200, plus VAT of EUR 396. |
| 2.2. Price (amount in RUB) | RUB 953,260,000, remuneration of RUB 95,326, plus VAT of RUB 17,158.68. |
| 3. Names of parties | OAO "LUKOIL" (Guarantor) ZAO LUKOIL BALTIJA (Debtor) |
| 4. Names of beneficiaries | — |
| 5. Name of transaction | Indemnification contract (hereinafter the "Contract"). |

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| 6. Subject of the transaction | <p>Pursuant to the Contract, the Debtor undertakes to reimburse the Guarantor for the funds paid by the latter in execution of its obligations under the Guarantee Agreement concluded between OAO "LUKOIL" and AO Mažeikių Nafta (the Seller). The Guarantee Agreement was concluded to secure the obligations of ZAO LUKOIL BALTIJA under contracts on the purchase and sale of oil products concluded or to be concluded during 2009 between the Seller and the Debtor in an amount of up to EUR 22,000,000 (twenty-two million).</p> <p>The Debtor will indemnify the Guarantor in cash in the amount in which the Guarantor executed its obligations under the Guarantee Agreement, with the payment of interest for the use of the funds at a rate of LIBOR 3M + 3% per annum.</p> <p>Pursuant to the Contract, the Debtor will pay EUR 2,200 (two thousand two hundred), plus VAT of EUR 396 (three hundred ninety-six), to the Guarantor as remuneration for the provision of the Guarantee.</p> |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 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 sent by the Guarantor to the Debtor. |
| 1. Number of the transaction approved by the Board of Directors | 7 |
| 2.1. Price (amount in USD) | The approximate value of the transaction is USD 24,244,451.20, including VAT. |
| 2.2. Price (amount in RUB) | The approximate value of the transaction is RUB 797,400,000, including VAT. |
| 3. Names of parties | OAO "LUKOIL" (Supplier) OAO YuGK TGK-8 (Buyer) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Oil Supply Contract No. 0811246 of 20 December 2008 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>In accordance with the Contract, the Supplier undertakes to deliver to the Buyer and the Buyer undertakes to accept and pay the Supplier for dry stripped gas (hereinafter the gas) in the amount of 268.816 million m³ during the period from 1 January 2009 to 31 December 2009.</p> <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> - the amount of gas to be supplied in 2009 is increased from 268.816 million m³ to 296.816 million m³; - the price formula for the gas set forth in clause 5.1 of the Contract is changed. |
| 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 Board of Directors of OAO YuGK TGK-8. |
| 8. Other material terms of the transaction | <p>The price of the gas to be supplied under the Contract is calculated without taxes, and VAT is charged at the rate established by legislation.</p> <p>The Supplemental Agreement enters into force from the date of its signing and extends to the legal relations between the parties arising from 1 January 2009.</p> |
| 1. Number of the transaction approved by the Board of Directors | 8 |
| 2.1. Price (amount in USD) | From 1 March 2009 the lease payment is USD 2,320.70 per month, plus VAT of USD 417.73. |
| 2.2. Price (amount in RUB) | From 1 March 2009, the lease payment is RUB 76,327.67 per month, plus VAT of RUB 13,738.98. |
| 3. Names of parties | OAO "LUKOIL" (Lessor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Lessee) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0710122 of 14 February 2007 on non-residential premises (hereinafter the |

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| | “Agreement”). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Lessor provides to the Lessee for temporary use the 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 Building A at the address: 11 Sretensky bulvar, Moscow. According to the Supplemental Agreement to the Agreement, clause 3.1 of the Agreement will be amended in connection with an increase in the lease payment for use of the non-residential premises from RUB 71,977.41 a month (plus VAT of RUB 12,955.93) to RUB 76,327.67 a month (plus VAT of RUB 13,738.98). |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Fund Board of NO NPF LUKOIL-GARANT. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the date of signing. The total lease payment under the Agreement equals RUB 90,066.65 per month, including VAT. |
| 1. Number of the transaction approved by the Board of Directors | 9 |
| 2.1. Price (amount in USD) | USD 277,700,638.71. |
| 2.2. Price (amount in RUB) | RUB 10,000,000,000. |
| 3. Names of parties | OAO RITEK (Borrower) OAO “LUKOIL” (Lender) |
| 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 provides 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 RUB 10,000,000,000 (ten billion) 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. |
| 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 borrowed funds are being provided to replenish working capital (constant component). The loan is provided on a revolving basis with a term up to 31 December 2009 inclusive. The Borrower shall pay the Lender interest at a rate to be 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, for loans with a term of up to one year. The Agreement shall enter into force from the time the funds are transferred to the Borrower, and shall cease to have effect after the performance by the Parties of their obligations. |

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| 1. Number of the transaction approved by the Board of Directors | 10 |
| 2.1. Price (amount in USD) | The proposed value of the donation is USD 19,482,326.75. |
| 2.2. Price (amount in RUB) | The proposed value of the donation is RUB 700,000,000. |
| 3. Names of parties | OAO "LUKOIL" (Company) Non-Profit Organisation LUKOIL Charitable Fund (the Fund) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Donation agreement (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Company undertakes to make a donation to the Fund and the Fund will accept the donation and use it for the purposes stipulated by the Fund's Charter, effective legislation and the Agreement. |
| 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 Fund Board. 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. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Fund Board. |
| 8. Other material terms of the transaction | The Contract enters into force from the time of its signing and is valid until 31 December 2010. If neither of the Parties has announced in writing prior to the expiration of the effective term of the Agreement that it is terminating the Agreement, the effective term of the Agreement shall be considered to have been extended for two years. |
| 1. Number of the transaction approved by the Board of Directors | 11 |
| 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 Resident Bank Account Agreement No. 0410828 of 1 June 2004 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement, the Bank opens a settlement account in Russian currency (the Account) and provides settlement and cash services on the terms and pursuant to the procedure stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Agreement. Pursuant to the Supplemental Agreement, the Client engages the Bank and the Bank assumes the obligation to write off monetary funds from the Client's settlement account paid without an bill of acceptance from the Client on the payment requests of GUP Mosvodostok in accordance with Contract No. 0910030 of 1 January 2009. |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce. |

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| | <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 | <p>The Supplemental Agreement enters into force from the time of its signing, and shall remain in force until the expiration of the effective term of Contract No 0910030 of 1 January 2009.</p> <p>From the time when the Supplemental Agreement enters into force, the supplemental agreement to the Agreement dated 25 December 2007, concluded by the Parties for execution by the Client of Contract No. 6115/200-0809 of 1 June 2004 between the Client and GUP Mosvodostok, will cease to have effect.</p> |
| 1. Number of the transaction approved by the Board of Directors | 12 |
| 2.1. Price (amount in USD) | The approximate amount of the commission fee is USD 550,000, plus VAT of USD 99,000. |
| 2.2. Price (amount in RUB) | The approximate amount of the commission fee is RUB 19,849,500, plus VAT of RUB 3,572,910. |
| 3. Names of parties | <p>OAO RITEK (Principal)</p> <p>OAO “LUKOIL” (Commission Agent)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Commission Agreement (hereinafter the “Agreement”). |
| 6. Subject of the transaction | In accordance with the Agreement, 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, but at the expense and in the interests of the Principal. |
| 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 Agreement enters into force from the time of its signing, and will remain in force until 31 March 2010, and as regards mutual settlements – until they have been completed in full. The amount of the commission fee is 0.42% of the value of the oil sold, plus VAT at the rate stipulated by the legislation of the Russian Federation as a percentage of the amount of the commission fee. |
| 1. Number of the transaction approved by the Board of Directors | 13 |
| 2.1. Price (amount in USD) | The approximate amount of the commission fee is USD 300,000, plus VAT of USD 54,000. |
| 2.2. Price (amount in RUB) | The approximate amount of the commission fee is RUB 10,827,000, plus VAT of RUB 1,948,860. |
| 3. Names of parties | <p>OAO RITEK (Principal)</p> <p>OAO “LUKOIL” (Commission Agent)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Commission Agreement (hereinafter the “Agreement”). |
| 6. Subject of the transaction | In accordance with the Agreement, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to |

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| | carry out transactions on the export sale of the Principal's oil to the Republic of Belarus in its own name, but at the expense and in the interests of the Principal. |
| 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 Agreement enters into force from the time of its signing, and will remain in force until 31 March 2010, and as regards mutual settlements – until they have been completed in full. The amount of the commission fee is 0.42% of the value of the oil sold, plus VAT at the rate stipulated by the legislation of the Russian Federation as a percentage of the amount of the commission fee. |
| 1. Number of the transaction approved by the Board of Directors | 14 |
| 2.1. Price (amount in USD) | USD 97,006.65. |
| 2.2. Price (amount in RUB) | RUB 3,500,000. |
| 3. Names of parties | OAO "LUKOIL" (Company) Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Employers) (the 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 3,500,000. The Union undertakes to use the funds received for the performance of charter activities in 2009. |
| 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 Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Employers). |
| 8. Other material terms of the transaction | The date of transfer of funds is the day when they are debited from the Company's settlement account. |
| 1. Number of the transaction approved by the Board of Directors | 15 |
| 2.1. Price (amount in USD) | The approximate value of the transaction is USD 17,795.19, 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 |

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| | issues of oil distribution and determination of oil prices, including on the development of the following planning documents: Oil distribution plans, changes to oil distribution plans, oil sale price protocols, and changes to oil sale price protocols. The Enterprise undertakes to pay for these services. |
| 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 Contract enters into force from the date of its signing, and shall remain in effect until 31 March 2010, and as regards mutual settlements – until they have been completed in full. Fees for the services provided by the Company in accordance with the Contract will be RUB 53,000 per month, plus VAT of RUB 9,540. |
| 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 | OAO "LUKOIL" (Principal) ZAO RITEK Trading (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 | Pursuant to the Agreement, the Agent undertakes to perform legal and other actions, on the Principal's instructions and for a fee, on the organisation of transportation of oil of the Principal along the oil mainline network of OAO AK Transneft in its own name, but at the expense of the Principal. According to the Supplemental Agreement, amendments are being made to clause 2.2.2 of the Agreement stipulating the obligation of the Principal to indicate for whom the payment is being made in the payment order on the payment of the oil transportation services of OAO AK Transneft, and to clause 3.4 stipulating payment of the agency fee within 15 calendar days after the date of issue of the original invoice. |
| 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 15 February 2009. |
| 1. Number of the transaction approved by the Board of Directors | 17 |
| 2.1. Price (amount in USD) | USD 72,632,190.59. |
| 2.2. Price (amount in RUB) | RUB 2,500,000,000. |
| 3. Names of parties | OAO Arkhangelskgeoldobycha (Borrower) OAO "LUKOIL" (Lender) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Loan Agreement No. 0910075 of 20 February 2009 (hereinafter the "Agreement"), as amended by the Supplemental 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 RUB 2,500,000,000 without account of capitalization, 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. The Supplemental Agreement clarifies the terms of the Agreement with due account for capitalized interest, and establishes the |

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| | obligation for the Borrower to repay the amount with capitalized interest and to pay interest on this amount by the dates and pursuant to the procedure indicated in the Agreement. |
| 7. Grounds for status as an interested party | Anatoly Alexandrovich Novikov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Arkhangelskgeoldobycha. |
| 8. Other material terms of the transaction | The loan is provided for a term of up to 31 December 2017 inclusive, with an early repayment option. The Debtor shall pay the Guarantor interest at a rate to be 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. Accrued interest that is not repaid during the period from the date of provision of the loan to 31 December 2014 inclusive will be capitalized and become part of the principal Loan on the last calendar day of each quarter. The Agreement shall enter into force from the time the funds are transferred to the Borrower, and shall cease to have effect after the performance by the Parties of their obligations. |
| 1. Number of the transaction approved by the Board of Directors | 18 |
| 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" (Seller) ZAO LUKOIL BALTIJA (Buyer) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Supply Contract No. 0710141 of 13 March 2007 (hereinafter the "Contract"). |
| 6. Subject of the transaction | Under the Contract, the Seller will supply up to 50,000 metric tonnes of bitumen on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract. Section 10.2 "Receiver's Bank" of Section 10 "BANKING DETAILS" of the Agreement is amended by the Supplemental Agreement. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | All other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the time of its signing. |
| 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" (Seller) ZAO LUKOIL BALTIJA (Buyer) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Supply Contract No. 0710088 of 16 February 2007 (hereinafter the "Contract"). |
| 6. Subject of the transaction | Pursuant to the Contract, the Seller will deliver diesel fuel in the amount determined in Appendix No. 3 to the Contract, on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract. |

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| | Section 10.2 “Receiver’s Bank” of Section 10 “BANKING DETAILS” of the Agreement is amended by the Supplemental Agreement. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | All other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the time of its signing. |
| 1. Number of the transaction approved by the Board of Directors | 20 |
| 2.1. Price (amount in USD) | USD 2,420,077.68. |
| 2.2. Price (amount in RUB) | RUB 81,000,000. |
| 3. Names of parties | OAO “LUKOIL” (Company) Non-Profit Charity Organisation Russian Olympian Support Fund (the Fund) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Donation Contract (hereinafter the “Contract”). |
| 6. Subject of the transaction | In accordance with the Contract, the Company will make a charitable contribution of RUB 81,000,000 to the Fund on a gratuitous basis, and the Fund undertakes to use the funds received to finance events organised to achieve its charter goals. |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Trustees of the Fund and a member of the General Meeting of Founders of the Fund. |
| 8. Other material terms of the transaction | The Company has the right to request a report from the Fund on the use of the funds. The Company also has the right to terminate the Contract early and demand the return of the funds if they are not being used by the Fund for the goals stipulated in the Contract. The Agreement will remain in effect until the performance by the Parties of their obligations in full. |
| 1. Number of the transaction approved by the Board of Directors | 21 |
| 2.1. Price (amount in USD) | The amount of the contribution is USD 179,265.01. |
| 2.2. Price (amount in RUB) | The value of the contribution is RUB 6,000,000. |
| 3. Names of parties | OAO “LUKOIL” (Company) International Association of Trade-Union Organisations of OAO “LUKOIL” (IATUO) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Donation Contract (hereinafter the “Contract”). |
| 6. Subject of the transaction | Transfer by the Company of a contribution to IATUO for the purposes of promoting physical fitness and popular sports. |
| 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 | IATUO undertakes to send monetary funds for the performance of physical fitness and popular sports events, pursuant to |

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| | Appendix No. 1 to the Contract. If the funds are used for purposes other than those designated, IATUO undertakes to return the funds to the Company within 10 business days after the date indicated in point 2.5 of the Contract (30 June 2010 – the date on which IATUO is to provide a report on the use of the transferred funds). |
| 1. Number of the transaction approved by the Board of Directors | 22 |
| 2.1. Price (amount in USD) | The lease payment for 11 months equals USD 6,279,202.30, including VAT. |
| 2.2. Price (amount in RUB) | The lease payment for 11 months equals RUB 210,164,901.10, including VAT. |
| 3. Names of parties | ZAO LUKOIL-Neftekhim (Lessor) OAO “LUKOIL” (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 the non-residential premises with a total area of 6,115.8 m ² , located in the building at the address: 3 ulitsa Bolshaya Ordynka, Moscow. |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Supervisory Board of ZAO LUKOIL-Neftekhim. |
| 8. Other material terms of the transaction | The Agreement enters into force from the date when it is signed, and applies to the legal relations of the Parties arising from 1 March 2009. The lease term is 11 months from the date when the act of transfer of the premises is signed. If neither Party has sent the other Party a written notice on its refusal to extend the Agreement at least one month before the expiration of the term of the lease, the Agreement shall be automatically extended for the same term and on the same conditions. |
| 1. Number of the transaction approved by the Board of Directors | 23 |
| 2.1. Price (amount in USD) | USD 147,492,625.37. |
| 2.2. Price (amount in RUB) | RUB 5,000,000,000. |
| 3. Names of parties | OAO “LUKOIL” (Borrower) OOO LUKOIL Trading House (Lender) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 0510976/LE-1142/05 of 29 September 2005 (hereinafter the “Agreement”). |
| 6. Subject of the transaction | In accordance with the Agreement, the Lender provides the Borrower with a revolving special-purpose loan in instalments (tranches), the total amount of debt on which may not exceed RUB 2,000,000,000 at any time during the effective term of the Agreement, 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 under the Agreement has been increased by RUB 3,000,000,000; - point 1.1 of the Agreement is set out in a new version stipulating an increase in the loan amount to RUB 5,000,000,000. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |

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| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing, and applies to the legal relations of the Parties arising from 9 March 2009. It is an integral part of the Agreement. |
| 1. Number of the transaction approved by the Board of Directors | 24 |
| 2.1. Price (amount in USD) | USD 4,424,778.76. |
| 2.2. Price (amount in RUB) | RUB 150,000,000. |
| 3. Names of parties | OAO "LUKOIL" (Borrower) OAO LUKOIL-Rostovneftkhimproekt (Lender) |
| 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 provides the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments (tranches)) to replenish working capital in an amount of up to RUB 150,000,000, 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 according 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 the Chairman of the Board of Directors of OAO LUKOIL-Rostovneftkhimproekt. |
| 8. Other material terms of the transaction | The revolving loan is provided for a term of up to 31 December 2009, with an early call option for the Lender. The Borrower shall pay the Lender interest at a rate to be 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 call loans. The Parties shall provide written notification of changes to interest rates in accordance with the Marketing Policy. The Agreement shall enter into force from the time the funds are transferred to the Borrower, and shall cease to have effect after the performance by the Parties of their obligations. |
| 1. Number of the transaction approved by the Board of Directors | 25 |
| 2.1. Price (amount in USD) | USD 103,092.78. |
| 2.2. Price (amount in RUB) | RUB 3,500,000. |
| 3. Names of parties | OAO "LUKOIL" (Company) Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Employers) (the Union) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Donation Contract (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 3,500,000. The Union undertakes to use the funds received to hold "Russian Business Week". |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee and a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Employers) 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) |

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| | Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Employers) |
| 8. Other material terms of the transaction | The date of transfer of funds is the day when they are debited from the Company's settlement account. |
| 1. Number of the transaction approved by the Board of Directors | 26 |
| 2.1. Price (amount in USD) | The lease payment for 12 months equals USD 598,566.72, plus VAT of USD 107,742.01. |
| 2.2. Price (amount in RUB) | The lease payment for 12 months equals RUB 20,321,340, plus VAT of RUB 3,657,841.20. |
| 3. Names of parties | ZAO LUKOIL-Neftekhim (Lessor) OAO "LUKOIL" (Lessee) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Property Lease Agreement (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement of 1 March 2009, the Lessor provides for a fee and the Lessee accepts for temporary use property (furniture, office equipment, items of interior décor) located in the building at the address: 3 ul. Bolshaya Ordynka, Moscow, as indicated in Appendix No. 1 to the Agreement. |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Supervisory Board of ZAO LUKOIL-Neftekhim. |
| 8. Other material terms of the transaction | The Agreement enters into force from the date of its signing, and applies to the legal relations of the Parties arising from 1 March 2009. As regards settlements, the Agreement shall remain in effect until they are performed in full. The term of the lease is 1 (one) year from the date of signing of the act of transfer of the property. If neither Party has sent the other Party a written notice on its refusal to extend the Agreement at least one month before the expiration of the term of the lease, the Agreement shall be automatically extended for the same term and on the same conditions. |
| 1. Number of the transaction approved by the Board of Directors | 27 |
| 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" (Guarantor) ZAO KB CITIBANK (Bank) |
| 4. Names of beneficiaries | OOO LUKOIL Trading House (Applicant) |
| 5. Name of transaction | Addendum to Contract of Guarantee No. 0610195 of 3 February 2006 (hereinafter the "Contract"). |
| 6. Subject of the transaction | Under the Contract, the Guarantor assumes liability to the Bank for the full and complete discharge by the Applicant of its obligations under the Contracts on the issue of letters of credit concluded between the Bank and the Applicant in an amount not to exceed USD 10,000,000. According to the Addendum to the Contract, the effective term of the Contract is extended until 1 February 2013 inclusive. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |

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| 8. Other material terms of the transaction | The Addendum is binding on the parties and their legal successors. |
| 1. Number of the transaction approved by the Board of Directors | 28 |
| 2.1. Price (amount in USD) | The lease payment equals USD 108,602.20 per month, plus VAT of USD 19,548.40. |
| 2.2. Price (amount in RUB) | The lease payment is RUB 3,652,290.53 per month, plus VAT of RUB 657,412.30. |
| 3. Names of parties | OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor) |
| 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 the non-residential premises with a total area of 2,808.3 m ² , located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 8. Other material terms of the transaction | The term of the lease is 11 months from the date when the act of transfer of the premises is signed. |
| 1. Number of the transaction approved by the Board of Directors | 29 |
| 2.1. Price (amount in USD) | The Bank pays the Company USD 12.60 per month, plus VAT of USD 2.27. |
| 2.2. Price (amount in RUB) | The Bank pays the Company RUB 423.73 per month, plus VAT of RUB 76.27. |
| 3. Names of parties | OAO Bank Petrocommerce (Bank) OAO "LUKOIL" (Company) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agreement on provision of space for the installation of an automated teller machine (hereinafter the "Agreement"). |
| 6. Subject of the transaction | The Company undertakes for a fee to provide the Bank with space at the Site of the Company for the installation of an automated teller machine belonging to the Bank, to provide cash withdrawal services using international banking cards. Under the Agreement, the Site shall mean the Company's premises, located at the address: 3 ul. Bolshaya Ordynka, room No. 18 (vestibule), Moscow, which according to the documents of the Bureau of Technical Inventory is located on the 1 st floor of Premises No. II. |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, 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 |

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| | <p>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 | <p>The Agreement shall enter into force from the date when it is signed by both Parties, and shall remain in effect for 11 months.</p> <p>The Agreement shall be automatically extended for the same period and on the same terms unless one of the Parties has announced its termination by sending a written notice to this effect at least 30 (thirty) calendar days prior to the expiration of the effective term.</p> |
| 1. Number of the transaction approved by the Board of Directors | 30 |
| 2.1. Price (amount in USD) | The approximate amount of the transaction is USD 3,500,000. |
| 2.2. Price (amount in RUB) | The approximate amount of the transaction is RUB 125,090,000. |
| 3. Names of parties | <p>OAO “LUKOIL” (Seller)</p> <p>ZAO LUKOIL BALTIJA (Buyer)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supply Contract (hereinafter the “Contract”). |
| 6. Subject of the transaction | <p>Under the Contract, the Seller supplies the Buyer with up to 100,000 metric tonnes of liquefied petroleum gases (a mixture of propane and commercial butane) on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract.</p> |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | <p>Terms of delivery – DAF Belarus-Lithuanian border.</p> <p>Period of delivery – from the date of signing of the Contract to 31 March 2010 inclusive, based on the supply amounts agreed upon by the Parties on a monthly basis.</p> <p>Payment shall be made by the Buyer through a direct bank transfer within 45 days after the date of shipment.</p> <p>The Contract enters into force from the time of its signing, and shall remain in force until the Parties perform their obligations under the Contract in full, and as regards payments – until they are made in full.</p> |
| 1. Number of the transaction approved by the Board of Directors | 31 |
| 2.1. Price (amount in USD) | The value of the transaction is USD 60,111,479.80. |
| 2.2. Price (amount in RUB) | The amount of the transaction is RUB 2,010,729,000. |
| 3. Names of parties | <p>OAO “LUKOIL” (Lender)</p> <p>OOO TsentrKasneftegaz (Borrower)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 0810300 of 29 April 2008 (hereinafter the “Agreement”). |
| 6. Subject of the transaction | <p>Under the Agreement, the Lender provides the Borrower with a special-purpose loan worth a total of no more than RUB 1,388,300,000, 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 amount of the loan under the Agreement has been increased by RUB 622,429,000; - point 1.1 of the Agreement is set out in a new version stipulating an increase in the loan amount to RUB 2,010,729,000. |

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| | The other terms of the Agreement remain unchanged. |
| 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 TsentKaspneftegaz. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time when funds are transferred to the Borrower. |
| 1. Number of the transaction approved by the Board of Directors | 32 |
| 2.1. Price (amount in USD) | The lease payment equals USD 9,044.61 per month, plus VAT of USD 1,628.03. |
| 2.2. Price (amount in RUB) | The lease payment equals RUB 302,542.35 per month, plus VAT of RUB 54,457.62. |
| 3. Names of parties | OAO Bank Petrocommerce (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0510041 of 12 January 2005 on non-residential premises (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Lessor provides for the temporary use of the Lessee the non-residential premises with a total area of 180.0 m ² (room 70 and part of room 69), located at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. The Lessor has title to the building. Pursuant to the Supplemental Agreement to the Agreement, from 1 April 2009 the lease payment for use of the non-residential premises will decrease from RUB 360,812.10 a month, plus VAT of RUB 64,946.18, to RUB 302,542.35 a month, plus VAT of RUB 54,457.62. |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, 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 Supplemental Agreement enters into force from the date of its signing, and extends to the legal relations between the Parties arising from 1 April 2009. |
| 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 387,712,496.30. |
| 2.2. Price (amount in RUB) | The amount of the transaction is RUB 13,000,000,000. |
| 3. Names of parties | OAO "LUKOIL" (Lender) OAO RITEK (Borrower) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 0910123 of 23 March 2009 (hereinafter the "Supplemental Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement, the Lender provides 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 RUB 10,000,000,000 (ten billion) at any time during the effective term of the Agreement, on the terms and conditions stipulated by the Agreement, and the Borrower |

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| | <p>undertakes to repay the funds received and to 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 loan amount under the Agreement has been increased by RUB 3,000,000,000; point 1.1 of the Agreement is set out in a new version stipulating an increase in the loan amount to RUB 13,000,000,000; section 4 of the Agreement “Term of provision and repayment of the loan” is augmented with point 4.5, stipulating that if neither of the Parties has notified otherwise in writing by 30 December of the current year, the repayment period of the loan will be postponed until 31 December of the next calendar year. |
| 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 Supplemental Agreement shall enter into force from the date of its signing by the authorized representatives of the Parties.</p> <p>The other terms of the Agreement remain unchanged.</p> |
| 1. Number of the transaction approved by the Board of Directors | 34 |
| 2.1. Price (amount in EUR) | EUR 35,000,000. |
| 2.2. Price (amount in RUB) | RUB 1,534,050,000. |
| 3. Names of parties | <p>OAO “LUKOIL” (Guarantor)</p> <p>Swedbank, AB (Bank)</p> |
| 4. Names of beneficiaries | ZAO LUKOIL BALTIYA (Borrower) |
| 5. Name of transaction | Contract of Guarantee (hereinafter the “Contract”). |
| 6. Subject of the transaction | <p>Securing by the Guarantor of the fulfilment of the obligations of the Borrower under the Loan Agreement concluded between the Borrower and the Bank (hereinafter the “Loan Agreement”) under which the Bank provides the Borrower with a Credit Line at a rate of EURIBOR 6M+2.8% per annum, with the right to use the monetary funds in the form of an overdraft at a rate of VILIBOR 6M+2.8% per annum, with a maturity of 17 May 2010, in the amount of up to EUR 35,000,000 (or the euro equivalent in other currencies as at the date of provision of the Loan). The total debt on the principal amount of the Loans cannot exceed EUR 35,000,000 at any time during the effective term of the Loan Agreement.</p> <p>The Guarantor shall bear joint and several liability with the Borrower to the Bank for the timely, full and due performance of all obligations of the Borrower under the Loan Agreement, in particular the repayment of all specified obligations of the Borrower on the return of the principal amount of debt under the Loan Agreement and the payment of interest for the use of the Loan, the amounts of commission fees, penalty interest, and reimbursement of expenses and losses incurred under the Loan Agreement.</p> |
| 7. Grounds for status as an interested party | <p>Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA.</p> |
| 8. Other material terms of the transaction | <p>In case of a breach by the Borrower of any of the Secured Obligations (Obligations of the Borrower under the Loan Agreement, in particular the repayment of all specified obligations of the Borrower on the return of the principal amount of debt under the Loan Agreement and the payment of interest for the use of the Loan, the amounts of commission fees, penalty interest, and reimbursement of expenses and losses incurred), the Bank shall be entitled to file a written claim with the Guarantor. The Guarantor undertakes to pay the Bank the amount indicated in the claim of the Bank within 10 (ten) business days after the</p> |

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| | <p>receipt of the claim. The Guarantor shall not have the right to forward the objections which could be forwarded by the Borrower against the claims of the Bank.</p> <p>The Guarantor shall be liable to the Bank to the same extent as the Borrower, including for the payment of interest, reimbursement of court costs on recovery of the debt and other losses of the Bank caused by the non-performance or undue performance by the Borrower of its obligations under the Loan Agreement.</p> <p>The Guarantor shall reimburse the Bank for all documented losses and expenses incurred by the Bank in connection with the exercise thereby of its rights under the Agreement (including expenses and losses associated with the filing of claims with the Guarantor through court proceedings, expenses on payment of the state duty for the issue of a statement of claim, expenses on a legal representative (representatives) in full, expenses associated with enforcement of the relevant court orders, including expenses related to the performance of the search for the Guarantor during the performance of enforcement procedures, and other expenses).</p> <p>The Agreement shall enter into force from the time of its signing, and shall remain in effect until 17 May 2011.</p> |
| 1. Number of the transaction approved by the Board of Directors | 35 |
| 2.1. Price (amount in EUR) | EUR 35,000,000, remuneration of EUR 3,500, plus VAT of EUR 630. |
| 2.2. Price (amount in RUB) | RUB 1,534,050,000, remuneration of RUB 153,405, plus VAT of RUB 27,612.90. |
| 3. Names of parties | <p>OAO "LUKOIL" (Guarantor)</p> <p>ZAO LUKOIL BALTIYA (Debtor)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Indemnification contract (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>In accordance with the Contract, the Debtor undertakes to indemnify the Guarantor for the funds paid by the Guarantor to discharge of obligations under the Suretyship Contract concluded between OAO "LUKOIL" and Swedbank AG (the Bank) in order to secure the obligations of the Debtor under a Loan Agreement concluded between the Bank and the Debtor in the amount of EUR 35,000,000 (or the equivalent in other currencies on the date of provision of the Loan) plus interest, forfeits, penalty interest, fines and other guaranteed payments.</p> <p>The Debtor will repay monetary funds to the Guarantor in the amount in which the Guarantor executed its obligations under the Suretyship Contract, with the payment of interest on this amount at a rate of LIBOR 3M + 3% per annum.</p> <p>Pursuant to the Contract, the Debtor will pay the Guarantor EUR 3,500 plus VAT of EUR 630 as remuneration to the Guarantor for the provision of the Guarantee.</p> |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIYA. |
| 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 sent to the Debtor. |
| 1. Number of the transaction approved by the Board of Directors | 36 |
| 2.1. Price (amount in USD) | The approximate amount of commission fee is USD 425,500. |
| 2.2. Price (amount in RUB) | The approximate amount of commission fee is RUB 13,739,395. |
| 3. Names of parties | <p>OAO RITEK (Principal)</p> <p>OAO "LUKOIL" (Commission Agent)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Commission agreement (hereinafter the "Agreement"). |
| 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 |

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| | 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 (Obstkaya guba) 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 | 37 |
| 2.1. Price (amount in USD) | USD 330 per metric tonne. |
| 2.2. Price (amount in RUB) | RUB 10,540.20 per metric tonne. |
| 3. Names of parties | OAO "LUKOIL" (Seller) ZAO LUKOIL BALTIJA (Buyer) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Supply Contract No. 0710141 of 13 March 2007 (hereinafter the "Contract"). |
| 6. Subject of the transaction | Under the Contract, the Seller supplies up to 50,000 tonnes of bitumen on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract. In accordance with the Supplemental Agreement, amendments will be made to point 1.1 of Appendix No. 1 to the Contract (in the "Price" section) stipulating a reduction in the price for a metric tonne of goods manufactured by OOO LUKOIL-Nizhegorodnefteorgsintez (raw materials for the production of grade A roofing bitumen) from USD 720 to USD 330. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | All other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the time of signing. |
| 1. Number of the transaction approved by the Board of Directors | 38 |
| 2.1. Price (amount in USD) | USD 2,778. |
| 2.2. Price (amount in RUB) | RUB 86,673.60. |
| 3. Names of parties | OAO "LUKOIL" (Licensor) ZAO LUKOIL BALTIJA (Licence Holder) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Licensing agreement on the provision of a non-exclusive licence to use trademarks (hereinafter the "Agreement"). |
| 6. Subject of the transaction | The Licensor provides to the Licence Holder, for a fee and for the effective term of the Agreement, a non-exclusive licence to use on the territory of the Republic of Lithuania the trademarks of OAO "LUKOIL" produced in accordance with certificates Nos. 907153, 909539 with a priority date of 16 October 2006, and Nos. 914085, 914086, 914087, 914088 with a priority date of 21 November 2006, issued by the International Bureau of the World Intellectual Property Organization. The Licence Holder's right to use the Licensor's trademarks appears from the time when the Agreement enters into force. |

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| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | The Agreement was concluded for a term of five years, and will enter into force from the date of its registration by the Patent Office of the Republic of Lithuania. |
| 1. Number of the transaction approved by the Board of Directors | 39 |
| 2.1. Price (amount in USD) | USD 100,000,000 |
| 2.2. Price (amount in RUB) | RUB 3,126,370,000 |
| 3. Names of parties | OAO Bank Petrocommerce (Bank) OAO "LUKOIL" (Client) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to the Special-Term Bank Deposit Contract No. 060147/08-50/0810748 of 15 September 2008 (the "Contract"). |
| 6. Subject of the transaction | Pursuant to the Contract, the Client places cash in US dollars and the Bank accepts and deposits it on the Deposit Account and undertakes to return the Deposit and to pay interest on it according to the procedure and on the terms stipulated by the Contract. The amount of cash placed on Deposit may not exceed USD 50,000,000 (fifty million). In accordance with the Supplemental Agreement to the Contract: - an amendment is made to point 1.2 of the Contract, stipulating an increase in the funds placed on Deposit (Maximum Amount), from USD 50,000,000 (fifty million) to USD 100,000,000 (one hundred million); - an amendment is made to point 1.3 of the Contract stipulating an increase in the funds on the Deposit Account at the start of each business day (Minimum Balance) from USD 100,000 (one hundred thousand) to USD 250,000,000 (two hundred fifty thousand). |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, 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. |
| 8. Other material terms of the transaction | The amount of Rate 2 is increased from 3.5% to 3.9% per annum depending on the average balance of funds on the Deposit Account and the number of calendar days in the interest period. The Supplemental Agreement enters into force from the signing date. The terms of the Supplemental Agreement are in effect in respect of rights and obligations of the parties from 1 July 2009. |
| 1. Number of the transaction approved by the Board of Directors | 40 |
| 2.1. Price (amount in USD) | The lease payment is USD 1,436.93 per month, plus VAT of USD 258.65. |
| 2.2. Price (amount in RUB) | The lease payment is RUB 44,923.72 per month, plus VAT of RUB 8,086.27. |
| 3. Names of parties | OAO "LUKOIL" (Lessor) Non-profit organisation LUKOIL Charitable Fund (Lessee) |

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| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0710169 of 16 March 2007 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 (rooms No. 16 and No. 17) with a total area of 34.2 m ² , located in premises No. I on the 4 th floor of building C at the address: 11 Sretensky bulvar, Moscow. In accordance with the Supplemental Agreement, from 1 June 2009 the lease payment shall be reduced from RUB 48,353.39 per month (plus VAT of RUB 8,703.61) to RUB 44,923.72 per month (plus VAT of RUB 8,086.27). |
| 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 Board of the Fund. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the Fund. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the date of its signing and extends to legal relations between the parties arising from 1 June 2009. |
| 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 59,571.63. |
| 2.2. Price (amount in RUB) | The value of the transaction is 1,858,635 roubles. |
| 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 2009 in the amount of RUB 1,858,635 to the Fund's settlement account by 31 July 2009. |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, 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 |

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| | performance of the payment obligations. |
| 1. Number of the transaction approved by the Board of Directors | 42 |
| 2.1. Price (amount in USD) | USD 115,224.99 per month, plus VAT of USD 20,740.50. |
| 2.2. Price (amount in RUB) | RUB 3,595,019.35 per month, plus VAT of RUB 647,103.49. |
| 3. Names of parties | OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0910352 of 1 June 2009 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 2,808.3 m ² , located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. In accordance with the Supplemental Agreement: - from 30 June 2009 the Lessee shall return to the Lessor premises with a total area of 173.1 m ² , located at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow, in premises No. 1 on the second floor, specifically rooms 142, 142a, 143, 145, 146, and 169, and from 1 July 2009 the Lessor will provide to the Lessee for temporary use non-residential premises with a total area of 129.5 m ² located at the address: 3 Pokrovsky bulvar, building 1, Moscow, in premises No. 1 on the 3 rd floor; - from 1 July 2009 the lease payment shall be reduced from RUB 3,652,290.53 per month (plus VAT of RUB 657,412.30) to RUB 3,595,019.35 per month (plus VAT of RUB 647,103.49). |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 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 existing from 30 June 2009. |
| 1. Number of the transaction approved by the Board of Directors | 43 |
| 2.1. Price (amount in USD) | USD 450 per metric tonne. |
| 2.2. Price (amount in RUB) | RUB 13,963.50 per metric tonne. |
| 3. Names of parties | OAO "LUKOIL" (Seller) ZAO LUKOIL BALTIJA (Buyer) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Supply Contract No. 0710141 of 13 March 2007 (hereinafter the "Contract"). |
| 6. Subject of the transaction | Under the Contract, the Seller supplies up to 50,000 tonnes of bitumen on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract. In accordance with the Supplemental Agreement, amendments will be made to point 1.1 of Appendix No. 1 to the Contract (in the "Price" section) stipulating an increase in the price for a metric tonne of goods manufactured by OOO LUKOIL-Nizhegorodnefteorgsintez (raw materials for the production of grade A roofing bitumen) from USD 330 to USD 450. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the |

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| | Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | All other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the time of signing. |
| 1. Number of the transaction approved by the Board of Directors | 44 |
| 2.1. Price (amount in USD) | USD 191,021,967.50. |
| 2.2. Price (amount in RUB) | RUB 6,000,000,000. |
| 3. Names of parties | ZAO LUKOIL-Neftekhim (Lender) OAO "LUKOIL" (Borrower) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 0610458 of 1 June 2006 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement, the Lender provides the Borrower with a special-purpose loan in an amount up to RUB 1,000,000,000 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 under the Agreement has been increased by RUB 5,000,000,000; - point 1.1 of the Agreement is set out in a new version stipulating an increase in the loan amount to RUB 6,000,000,000. The other terms of the Agreement remain unchanged. |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Supervisory Board of ZAO LUKOIL-Neftekhim. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters 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 | 45 |
| 2.1. Price (amount in USD) | The lease payment is USD 4,993.30 per month, plus VAT of USD 898.80. |
| 2.2. Price (amount in RUB) | The lease payment is RUB 156,838.96 per month, plus VAT of RUB 28,231.01. |
| 3. Names of parties | OAO Bank Petrocommerce (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 200-0347 of 19 May 2000 on non-residential premises (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Pursuant to the Agreement the Lessor provides and the Lessee accepts for use non-residential premises with a total area of 114.83 m ² in the building located at: 11 Sretensky bulvar, building E, Moscow. Pursuant to the Supplemental Agreement to the Agreement, from 1 September 2009 the lease payment for use of the non-residential premises will decrease from RUB 172,016.99 per month, plus VAT of RUB 30,963.06, to RUB 156,838.96 per month, plus VAT of RUB 28,231.01. |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander |

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| | <p>Kuzmich Matytsyn, 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> |
| 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 | 46 |
| 2.1. Price (amount in USD) | USD 1,951.30, plus VAT of USD 351.20. |
| 2.2. Price (amount in RUB) | RUR 61,211.86 per month plus VAT of RUR 11,018.13 |
| 3. Names of parties | <p>OAO “LUKOIL” (Lessor)</p> <p>OOO NGK Razvitie Regionov (Lessee)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to the Lease Agreement No. 0810660 on non-residential premises of 1 August 2008 (the “Agreement”). |
| 6. Subject of the transaction | <p>In accordance with the Agreement, the Lessor leases for the temporary use of the Lessee non-residential premises with a total area of 46.6 m², namely rooms No. 5, 6 and 7, located (according to the passport of the Bureau of Technical Inventory) in Premises No. I on the 1st floor of the building at the address: 3 Pokrovsky bulvar, building 1, Moscow.</p> <p>Pursuant to the Supplemental Agreement to the Agreement, from 1 August 2009 the lease payment for use of the non-residential premises will decrease from RUB 63,515.53 per month, plus VAT of RUB 11,432.80, to RUB 61,211.86 per month, plus VAT of RUB 11,018.13.</p> |
| 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 NGK Razvitie Regionov. |
| 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 | 47 |
| 2.1. Price (amount in USD) | USD 32,185,387.8. |
| 2.2. Price (amount in RUB) | RUB 1,000,000,000. |
| 3. Names of parties | <p>OAO Arkhangelskgeoldobycha (Borrower)</p> <p>OAO “LUKOIL” (Lender)</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 revolving special-purpose loan (either in a lump sum or in tranches), the total amount of debt on which may not exceed RUB 1,000,000,000 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. |
| 7. Grounds for status as an interested party | Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Arkhangelskgeoldobycha. |

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| 8. Other material terms of the transaction | <p>The loan is provided with a term of up to 31 December 2009 inclusive, with an early repayment option.</p> <p>The Borrower will pay the Lender 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.</p> <p>The Agreement shall enter into force from the time funds are remitted to the Borrower and shall cease its effect after the performance by the Parties of their obligations.</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 | <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 Gratuitous Use Contract No. 0310992 of 27 July 2003 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>Pursuant to the Contract, the Company provides property on the Company's balance sheet for the gratuitous use of the Association.</p> <p>According to the Supplemental Agreement, from 1 July 2009 the Company will also provide office equipment for the gratuitous use of the Association (monitors, printers, digital telephone apparatus).</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 Supplemental Agreement enters into force from the time of its signing and extends to the legal relations between the parties arising from 30 June 2009. |
| 1. Number of the transaction approved by the Board of Directors | 49 |
| 2.1. Price (amount in USD) | USD 430 per metric tonne. |
| 2.2. Price (amount in RUB) | RUB 13,562.20 per metric tonne. |
| 3. Names of parties | <p>OAO "LUKOIL" (Seller)</p> <p>ZAO LUKOIL BALTIJA (Buyer)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Supply Contract No. 0710141 of 13 March 2007 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>Under the Contract, the Seller supplies up to 50,000 tonnes of bitumen on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract.</p> <p>In accordance with the Supplemental Agreement, amendments will be made to point 1.1 of Appendix No. 1 to the Contract (in the "Price" section) stipulating a reduction in the price for a metric tonne of goods manufactured by OOO LUKOIL-Nizhegorodnefteorgsintez (raw materials for the production of grade A roofing bitumen) from USD 450 to USD 430.</p> |

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| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | All other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the time of signing. |
| 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 "LUKOIL" (Seller) ZAO LUKOIL BALTIJA (Buyer) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Supply Contract No. 0910270 of 14 May 2009 (hereinafter the "Contract"). |
| 6. Subject of the transaction | Under the Contract, the Seller supplies the Buyer with up to 100,000 metric tonnes of liquefied petroleum gases (a mixture of propane and commercial butane) on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract. Pursuant to the Supplemental Agreement, the form of incorporation in the abbreviated name of the Buyer in the English text is given in English (CJSC LUKOIL Baltija) and Lithuanian (UAB LUKOIL Baltija). In accordance with the Supplemental Agreement, a text stipulating the possibility for the Buyer to make advance payments for goods to be received has been added to point 2.3 of section 2 of the Contract. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | If the goods are not delivered within 80 days after the receipt of an advance payment, the Seller shall return the remainder of the advance payment to the Buyer after the signing of a bilateral act of reconciliation on shipments and payment for goods. The Supplemental Agreement enters into force from the time of its signing. The terms of points 1 and 2 of the Supplemental Agreement apply to the legal relations between the parties arising from 14 May 2009. |
| 1. Number of the transaction approved by the Board of Directors | 51 |
| 2.1. Price (amount in USD) | USD 112,970.74 per month, plus VAT of USD 20,334.70. |
| 2.2. Price (amount in RUB) | RUB 3,630,879.51 per month, plus VAT of RUB 653,558.31 |
| 3. Names of parties | OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0910352 of 1 June 2009 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 2,808.3 m ² , located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. In accordance with the Supplemental Agreement: - from 31 July 2009 the Lessee shall return to the Lessor premises with a total area of 45.2 m ² , located at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow, in premises No. 1 on the third floor, specifically rooms 51, 52 and 53, and from 1 August 2009 the Lessor will provide to the Lessee for temporary use non-residential premises with a total area of 72.5 m ² located at the |

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| | address: 3 Pokrovsky bulvar, bldg. 1, Moscow, in premises No. 1 on the second floor, specifically rooms 52 and 110; - from 1 August 2009 the lease payment shall be increased from RUB 3,595,019.35 per month (plus VAT of RUB 647,103.49) to RUB 3,630,879.51 per month (plus VAT of RUB 653,558.31). |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 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 existing from 31 July 2009. |
| 1. Number of the transaction approved by the Board of Directors | 52 |
| 2.1. Price (amount in USD) | USD 503,471.07 per month, plus VAT of USD 90,624.80. |
| 2.2. Price (amount in RUB) | RUB 16,080,866.06 per month, plus VAT of RUB 2,894,555.89. |
| 3. Names of parties | ZAO LUKOIL-Neftekhim (Lessor) OAO "LUKOIL" (Lessee) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0910342 of 30 April 2009 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 6,115.8 m ² , located in the building at the address: 3 ulitsa Bolshaya Ordynka, Moscow. In accordance with the Supplemental Agreement, the Lessee shall return to the Lessor non-residential premises with a total area of 36.6 m ² . The total area of the leased non-residential premises is 6,079.2 m ² . The lease payment shall be reduced from RUB 16,191,440.76 per month (plus VAT of RUB 2,914,459.34) to RUB 16,080,866.06 per month (plus VAT of RUB 2,894,555.89). |
| 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. |
| 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 2009. |
| 1. Number of the transaction approved by the Board of Directors | 53 |
| 2.1. Price (amount in USD) | USD 117,648.44 per month, plus VAT of USD 21,176.72. |
| 2.2. Price (amount in RUB) | RUB 3,712,984.73 per month, plus VAT of RUB 668,337.25. |
| 3. Names of parties | OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0910352 of 1 June 2009 on non-residential premises (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Lessor provides for the temporary use of the Lessee non-residential premises with a total area of 2,808.3 m ² , in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow 101000. |

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| | <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> - from 1 September 2009 the Lessor shall provide the Lessee with additional non-residential premises with a total area of 73.7 m², located at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow, in premises II in the basement of the building, specifically room 31; and in premises I on the 3rd floor of the building, specifically rooms No. 40 and 50; - from 1 September 2009 the lease payment for all premises leased under the Agreement shall be increased from RUB 3,630,879.51 per month (plus VAT of RUB 653,558.31) to RUB 3,712,984.73 per month (plus VAT of RUB 668,337.25). |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 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 September 2009. |
| 1. Number of the transaction approved by the Board of Directors | 54 |
| 2.1. Price (amount in USD) | The lease payment is USD 603.50 per month, plus VAT of USD 108.63. |
| 2.2. Price (amount in RUB) | The lease payment is 19,046.61 roubles per month, plus VAT of 3,428.39 roubles. |
| 3. Names of parties | OOO LUKOIL Trading House (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 | In accordance with the Agreement, the Lessor provides for the temporary use of the Lessee non-residential premises with a total area of 14.5 m ² , specifically: room No. 94, located (pursuant to the passport of the Bureau of Technical Inventory) in Premises No. I on the 4 th floor of the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 8. Other material terms of the transaction | The agreement enters into force from the time of its signing and extends to legal relations between the parties arising from 17 August 2009. The agreement shall remain in effect until 22 September 2009. |
| 1. Number of the transaction approved by the Board of Directors | 55 |
| 2.1. Price (amount in USD) | The lease payment is USD 7,280.90 per month, plus VAT of USD 1,310.60. |
| 2.2. Price (amount in RUB) | The lease payment is RUB 229,347.43 per month, plus VAT of RUB 41,282.54. |
| 3. Names of parties | OAO Bank Petrocommerce (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agreement on the lease of non-residential premises (hereinafter the "Agreement"). |

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| 6. Subject of the transaction | Pursuant to the Agreement, the Lessor provides for the temporary use of the Lessee and the Lessee accepts the non-residential premises with a total area of 174.6 m ² , located in Premises No. III and No. II on floor “V” (stylobate) of the building at the address: 11 Sretensky bulvar, 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 Board of Directors of OAO Bank Petrocommerce. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, 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. |
| 8. Other material terms of the transaction | The Agreement enters into force from the date of its signing. The term of the lease is 11 months from the date when the act of transfer of the premises is signed. |
| 1. Number of the transaction approved by the Board of Directors | 56 |
| 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 (Lessee) OAO “LUKOIL” (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Agreement No. 200-0347 of 19 May 2000 on the Lease of Non-Residential Premises (hereinafter the “Agreement”). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Lessor provides for the temporary use of the Lessee non-residential premises with a total area of 114.83 m ² , in the building at the address: 11 Sretensky bulvar, bldg. E, level 3.3, Moscow 101000. In accordance with the Supplemental Agreement, the term of the lease under the Agreement is established to 30 September 2009 inclusive. |
| 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, 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. |
| 8. Other material terms of the transaction | No other material terms stipulated. |
| 1. Number of the transaction approved by the Board of Directors | 57 |
| 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” (Company) International Association of Trade-Union Organisations of OAO “LUKOIL” (Association) |

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| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Gratuitous Use Contract No. 0310992 of 27 July 2003 (hereinafter the "Contract"). |
| 6. Subject of the transaction | Pursuant to the Contract, the Company provides property on the Company's balance sheet for the gratuitous use of the Association. According to the Supplemental Agreement, the Company will also provide office equipment (PC system units) for the gratuitous use of the Association from 1 October 2009. |
| 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 Supplemental Agreement enters into force from the time of its signing and extends to the legal relations between the parties arising from 1 October 2009. |
| 1. Number of the transaction approved by the Board of Directors | 58 |
| 2.1. Price (amount in USD) | USD 125,554.80 per month, plus VAT of USD 22,599.90. |
| 2.2. Price (amount in RUB) | RUB 3,745,298.29 per month, plus VAT of RUB 674,153.69. |
| 3. Names of parties | OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0910352 of 1 June 2009 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 2,865.7 m ² , located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. :In accordance with the Supplemental Agreement, on 1 October 2009 the Lessor will additionally provide to the Lessee for temporary use the non-residential premises with a total area of 24.6 m ² , in the building at the address: .3 Pokrovsky bulvar, bldg. 1, Moscow, in premises No. I on the first floor, specifically room 99. .From 1 October 2009 the lease payment for all premises leased under the Agreement shall increase from RUB 3,712,984.73 per month (plus VAT of RUB 668,337.25) to RUB 3,745,298.29 per month (plus VAT of RUB 674,163.69). |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |

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| 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 existing from 1 October 2009. |
| 1. Number of the transaction approved by the Board of Directors | 59 |
| 2.1. Price (amount in USD) | USD 440 per metric tonne. |
| 2.2. Price (amount in RUB) | RUB 13,104 per metric tonne. |
| 3. Names of parties | OAO "LUKOIL" (Seller) ZAO LUKOIL BALTIJA (Buyer) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Supply Contract No. 0710141 of 13 March 2007 (hereinafter the "Contract"). |
| 6. Subject of the transaction | Under the Contract, the Seller supplies up to 50,000 tonnes of bitumen on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract. In accordance with the Supplemental Agreement, amendments will be made to point 1.1 of Appendix No. 1 to the Contract (in the "Price" section) stipulating an increase in the price for a metric tonne of goods manufactured by OOO LUKOIL-Nizhegorodnefteorgsintez (raw materials for the production of grade A roofing bitumen) from USD 430 to USD 440. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of ZAO LUKOIL BALTIJA. |
| 8. Other material terms of the transaction | All other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the time of signing. |
| 1. Number of the transaction approved by the Board of Directors | 60 |
| 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" (Company) International Association of Trade-Union Organisations of OAO "LUKOIL" (Association) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Gratuitous Use Contract No. 0310992 of 27 July 2003 (hereinafter the "Contract"). |
| 6. Subject of the transaction | Pursuant to the Contract, the Company provides property on the Company's balance sheet for the gratuitous use of the Association. According to the Supplemental Agreement, the Company will also provide office equipment (2 computer system units, 2 monitors) for the gratuitous use of the Association from 1 November 2009. |
| 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 Supplemental Agreement enters into force from the time of its signing and extends to the legal relations between the parties arising from 1 November 2009. |

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| 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 | <p>ОАО "ЛУКОЙЛ" (Company)</p> <p>International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ" (Association)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Gratuitous Use Contract No. 0310992 of 27 July 2003 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>Pursuant to the Contract, the Company provides property on the Company's balance sheet for the gratuitous use of the Association.</p> <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> - from 1 December 2009 the Company will transfer additional assets to the Association for use free of charge (2 printers); - the book value of the assets transferred for use free of charge, in connection with the modernization from 31 October 2009 and the additional transfer of assets from 1 December 2009 is equal to RUB 12,383,070. |
| 7. Grounds for status as an interested party | <p>Sergei Petrovich Kukura, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ".</p> <p>Anatoly Alexandrovich Barkov, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ".</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of ОАО "ЛУКОЙЛ".</p> |
| 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 31 October 2009. |
| 1. Number of the transaction approved by the Board of Directors | 62 |
| 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>ОАО "ЛУКОЙЛ" (Disclosing Party)</p> <p>Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Receiving Party)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agreement on the non-disclosure of confidential information (hereinafter the "Agreement"). |
| 6. Subject of the transaction | The subject of the Agreement is the procedure for the transfer, terms of use, and protection of Confidential Information transferred by the Disclosing Party to the Receiving Party in the course of the Parties' relations under the Decretal Pension Contract No. 994-515 of 14 August 2000, stipulating the support of individuals named by ОАО "ЛУКОЙЛ" pursuant to the procedure and on the terms determined by the laws of the Russian Federation on non-state pension coverage and the Pension Rules of the Fund. |
| 7. Grounds for status as an interested party | <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of ОАО "ЛУКОЙЛ", is the spouse of Alexander</p> |

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| | Kuzmich Matytsyn, a member of the Fund Board of NO NPF LUKOIL-GARANT. |
| 8. Other material terms of the transaction | The Agreement enters into force from the time of signing and will remain in effect throughout the effective term of Decretal Pension Contract No. 994-515 of 14 August 2000 and for 5 years after the end of its effective term. |
| 1. Number of the transaction approved by the Board of Directors | 63 |
| 2.1. Price (amount in USD) | The amount of interest for two years will equal approximately USD 11,151,473.60. |
| 2.2. Price (amount in RUB) | The amount of interest for two years will equal approximately RUB 325,400,000. |
| 3. Names of parties | OAO "LUKOIL" (Lender) OOO TsentrKaspneftegaz (Borrower) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 0710253 of 9 April 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 1,920,000,000, and the Borrower undertakes to repay the funds received by 25 December 2009 inclusive and pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement: - the term of the loan is extended to 25 December 2011 inclusive; - the procedure for the payment of accrued interest on the loan by the Borrower is changed to simultaneous with the repayment of the loan (or a part thereof), rather than of quarterly payment of interest; - the penalty is replaced by an exclusive penalty - an amendment is made to the procedure for the Borrower to provide documents for the review of the targeted use of the loan by the Lender; - the resolution of disputes is transferred from the Arbitration Tribunal of OAO "LUKOIL" to the Moscow Court of Arbitration; - Appendix No. 1 to the Agreement, stipulating the schedule for the Borrower's repayment of the loan, is eliminated. The other terms of the Agreement remain unchanged. |
| 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 TsentrKaspneftegaz. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing. |
| 1. Number of the transaction approved by the Board of Directors | 64 |
| 2.1. Price (amount in USD) | The amount of interest for two years will equal approximately USD 10,798,492.10. |
| 2.2. Price (amount in RUB) | The amount of interest for two years will equal approximately RUB 315,100,000. |
| 3. Names of parties | OAO "LUKOIL" (Lender) OOO TsentrKaspneftegaz (Borrower) |
| 4. Names of beneficiaries | |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 0810300 of 29 April 2008 (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 a total amount of up to RUB 2,010,729,000 for a term to 25 December 2009 inclusive, and the Borrower undertakes to repay the funds received and pay interest thereon pursuant to the procedure and by the dates indicated in the Agreement. In accordance with the Supplemental Agreement: |

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| | <ul style="list-style-type: none"> - the term of the loan is extended to 25 December 2011 inclusive; - the procedure for the payment of accrued interest on the loan by the Borrower is changed to simultaneous with the repayment of the loan (or a part thereof), rather than of quarterly payment of interest; - an amendment is made to the procedure for the Borrower to provide documents for the review of the targeted use of the loan by the Lender; - a penalty is established of 0.01% of the amount of obligations not discharged by the Borrower for each day of delay (paragraph 2, point 8.1 of the Agreement); - Appendix No. 1 to the Agreement, stipulating the schedule for the Borrower's repayment of the loan, is eliminated. <p>The other terms of the Agreement remain unchanged.</p> |
| 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 | The Supplemental Agreement enters into force from the time of its signing. |
| 1. Number of the transaction approved by the Board of Directors | 65 |
| 2.1. Price (amount in USD) | The approximate amount of commission fee is USD 268,389.70. |
| 2.2. Price (amount in RUB) | The approximate amount of commission fee is RUB 8,100,000. |
| 3. Names of parties | OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Addendum to Commission Agreement No. 0910133 of 23 March 2009 (hereinafter the "Agreement"). |
| 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 (the "Goods") to the Republic of Belarus, in its own name and at the expense and in the interests of the Principal.</p> <p>In accordance with the Addendum to the Agreement:</p> <ul style="list-style-type: none"> - the currency in which the fee can be paid to the Commission Agent has been changed (the fee can only be paid in roubles; previously it could be paid in a foreign currency); - the commission fee shall be withheld from the wire transfer of roubles; - the amount of the Commission Agent's fee has changed from 0.42% of the value of the goods sold to the buyer, plus VAT at the rate established by Russian legislation based on the amount of the commission fee, to RUB 180 for each net tonne of goods shipped to the buyer, plus 18% VAT on the amount of the commission fee. |
| 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>Vladimir Vitalievich Mulyak, 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 Addendum enters into force from the time of its signing, and extends to legal relations between the parties relating to oil accepted on commission from 1 January 2010. |
| 1. Number of the transaction approved by the Board of Directors | 66 |

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| 2.1. Price (amount in USD) | The approximate amount of the commission fee is USD 966,202.80. |
| 2.2. Price (amount in RUB) | The approximate amount of commission fee is RUB 29,160,000. |
| 3. Names of parties | <p>OAo RITEK (Principal)</p> <p>OAo "LUKOIL" (Commission Agent)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Addendum to Commission Agreement No. 0910362 of 15 June 2009 (hereinafter the "Agreement"). |
| 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 Addendum to the Agreement:</p> <ul style="list-style-type: none"> - the currency in which the fee can be paid to the Commission Agent has been changed (the fee can only be paid in roubles; previously it could be paid in a foreign currency); - the commission fee shall be withheld from the wire transfer of roubles; - the amount of the Commission Agent's fee has changed from 0.42% of the value of the goods sold to the buyer, plus VAT at the rate established by Russian legislation based on the amount of the commission fee, to RUB 180 for each net tonne of goods shipped to the buyer, plus 18% VAT on the amount of the commission fee. |
| 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>Vladimir Vitalievich Mulyak, 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 Addendum enters into force from the time of its signing, and extends to legal relations between the parties relating to oil accepted on commission from 1 January 2010. |
| 1. Number of the transaction approved by the Board of Directors | 67 |
| 2.1. Price (amount in USD) | The approximate amount of the commission fee is USD 596,421.50. |
| 2.2. Price (amount in RUB) | The approximate amount of commission fee is RUB 18,000,000. |
| 3. Names of parties | <p>OAo RITEK (Principal)</p> <p>OAo "LUKOIL" (Commission Agent)</p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Addendum to Commission Agreement No. 0910061 of 12 February 2009 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Commission Agent undertakes, for a fee, to carry out transactions on the Principal's instructions on the export sale of Sredne-Khulymsky oil in its own name, but at the expense and in the interests of the Principal.</p> <p>In accordance with the Addendum to the Agreement:</p> <ul style="list-style-type: none"> - the currency in which the fee can be paid to the Commission Agent has been changed (the fee can only be paid in roubles; previously it could be paid in a foreign currency); - the commission fee shall be withheld from the wire transfer of roubles; - the amount of the Commission Agent's fee has changed from 0.42% of the value of the goods sold to the buyer, plus VAT at the rate established by Russian legislation based on the amount of the commission fee, to RUB 180 for each net tonne of goods shipped to the buyer, plus 18% VAT on the amount of the commission fee. |

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| 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>Vladimir Vitalievich Mulyak, 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 Addendum enters into force from the time of its signing, and extends to legal relations between the parties relating to oil accepted on commission from 1 January 2010. |
| 1. Number of the transaction approved by the Board of Directors | 68 |
| 2.1. Price (amount in USD) | The approximate amount of commission fee is USD 3,214,049.03. |
| 2.2. Price (amount in RUB) | The approximate amount of commission fee is RUB 97,000,000. |
| 3. Names of parties | OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Addendum to Commission Agreement No. 0910132 of 23 March 2009 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | <p>Pursuant to the Agreement the Commission Agent undertakes, for a fee, to carry out transactions on the instructions of the Principal on the export sale of the Principal's oil (hereinafter the "goods") in its own name, but at the expense and in the interest of the Principal.</p> <p>In accordance with the Addendum to the Agreement:</p> <ul style="list-style-type: none"> - the currency in which the fee can be paid to the Commission Agent has been changed (the fee can only be paid in roubles; previously it could be paid in a foreign currency); - the commission fee shall be withheld from the wire transfer of roubles; - the amount of the Commission Agent's fee has changed from 0.42% of the value of the goods sold to the buyer, plus VAT at the rate established by Russian legislation based on the amount of the commission fee, to RUB 180 for each net tonne of goods shipped to the buyer, plus 18% VAT on the amount of the commission fee. |
| 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>Vladimir Vitalievich Mulyak, 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 Addendum enters into force from the time of its signing, and extends to legal relations between the parties relating to oil accepted on commission from 1 January 2010. |
| 1. Number of the transaction approved by the Board of Directors | 69 |
| 2.1. Price (amount in USD) | The anticipated amount of the Agent's expenses equals USD 75,187, plus VAT of USD 13,533.66. The Agent's fee will equal USD 8.88. |
| 2.2. Price (amount in RUB) | The anticipated amount of the Agent's expenses equals RUB 2,312,000, plus VAT of RUB 416,160. The Agent's fee equals |

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| | RUB 273. |
| 3. Names of parties | <p> OAO "LUKOIL" (Agent) OAO Arkhangelskgeoldobycha (Principal) </p> |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agency agreement (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Pursuant to the Agreement, at the request of the Principal the Agent undertakes to conclude a contract with ZAO KPMG in its own name but at the expense of the Principal, on the performance of an audit of the Principal's financial statements for 2009 in accordance with Russian Accounting Standards. |
| 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 Board of Directors of OAO Arkhangelskgeoldobycha. |
| 8. Other material terms of the transaction | <p>The rights and obligations under the transactions performed by the Agent in connection with the execution of the Agreement remain with the Agent.</p> <p>The Agent's fee shall be 0.01% of the amount of the Agent's expenses.</p> <p>The Agreement enters into force from the signing date.</p> |
| 1. Number of the transaction approved by the Board of Directors | 70 |
| 2.1. Price (amount in USD) | The lease payment is USD 543.50, plus VAT of USD 97.83. |
| 2.2. Price (amount in RUB) | The lease payment is RUB 16,712, plus VAT of RUB 3,008.16. |
| 3. Names of parties | <p> OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor) </p> |
| 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 23.4 m ² , specifically: room No. 73, located in Premises No. I on the 4 th floor of the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 8. Other material terms of the transaction | The Agreement enters into force from the time of its signing, and extends to the legal relations between the parties arising from 7 December 2009. The Agreement shall remain in effect until 25 December 2009 inclusive, and as concerns settlements the Agreement shall remain in effect until they are completed in full. |
| 1. Number of the transaction approved by the Board of Directors | 71 |
| 2.1. Price (amount in USD) | The amount of three-month interest will equal approximately USD 52,370.90. |
| 2.2. Price (amount in RUB) | The amount of three-month interest will equal approximately RUB 1,598,360. |
| 3. Names of parties | <p> OAO "LUKOIL" (Lender) OOO National Oil Consortium (Borrower) </p> |

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| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 0910234 of 24 April 2009 (hereinafter the “Agreement”). |
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Lender will provide the Borrower with a special-purpose loan totalling no more than RUB 50,000,000 for the period up to 31 December 2009, and the Borrower undertakes to repay the funds received and pay interest thereon according to the procedure and by the dates indicated in the Agreement. The Agreement will be terminated after the performance by the Parties of their obligations in full.</p> <p>In accordance with the Supplemental Agreement, point 3.1 of the Agreement is set out in a new version, stipulating the extension of the effective term of the loan to 1 April 2010 inclusive.</p> |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OOO National Oil Consortium. |
| 8. Other material terms of the transaction | The other terms of the Agreement remain unchanged. |