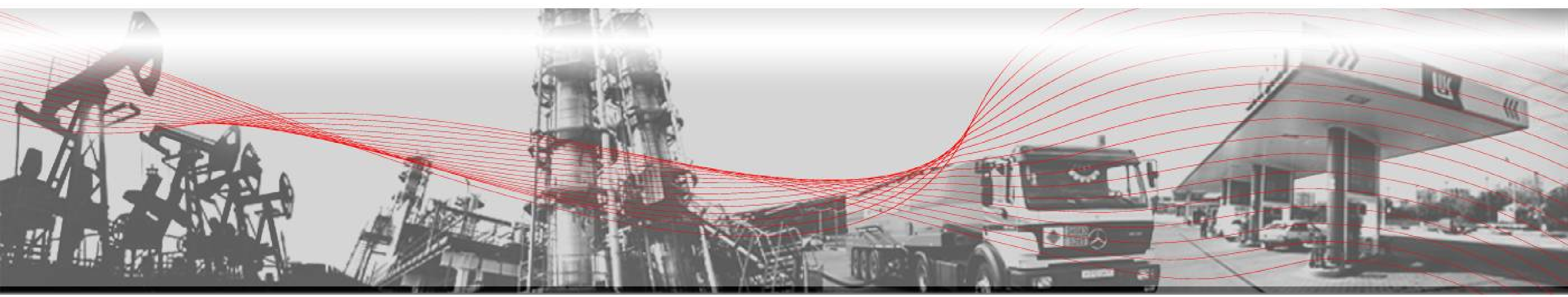
LUKOIL: Development Strategy
Focus on Value Growth



December 2009

Forward-Looking Statements

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  - projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios;
  - statements of our plans, objectives or goals, including those related to products or services;
  - statements of future economic performance; and
  - statements of assumptions underlying such statements.
- Words such as "believes," "anticipates," "expects," "estimates", "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.
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Reasons for Revision of the Program's Key Parameters

- Global financial crisis, volatility and risks growth
- High level of uncertainty on world hydrocarbon markets
- Lack of clear demand and supply view under current market conditions
- Significant change in gas (dynamic development of unconventional gas segment) and oil market development prospects

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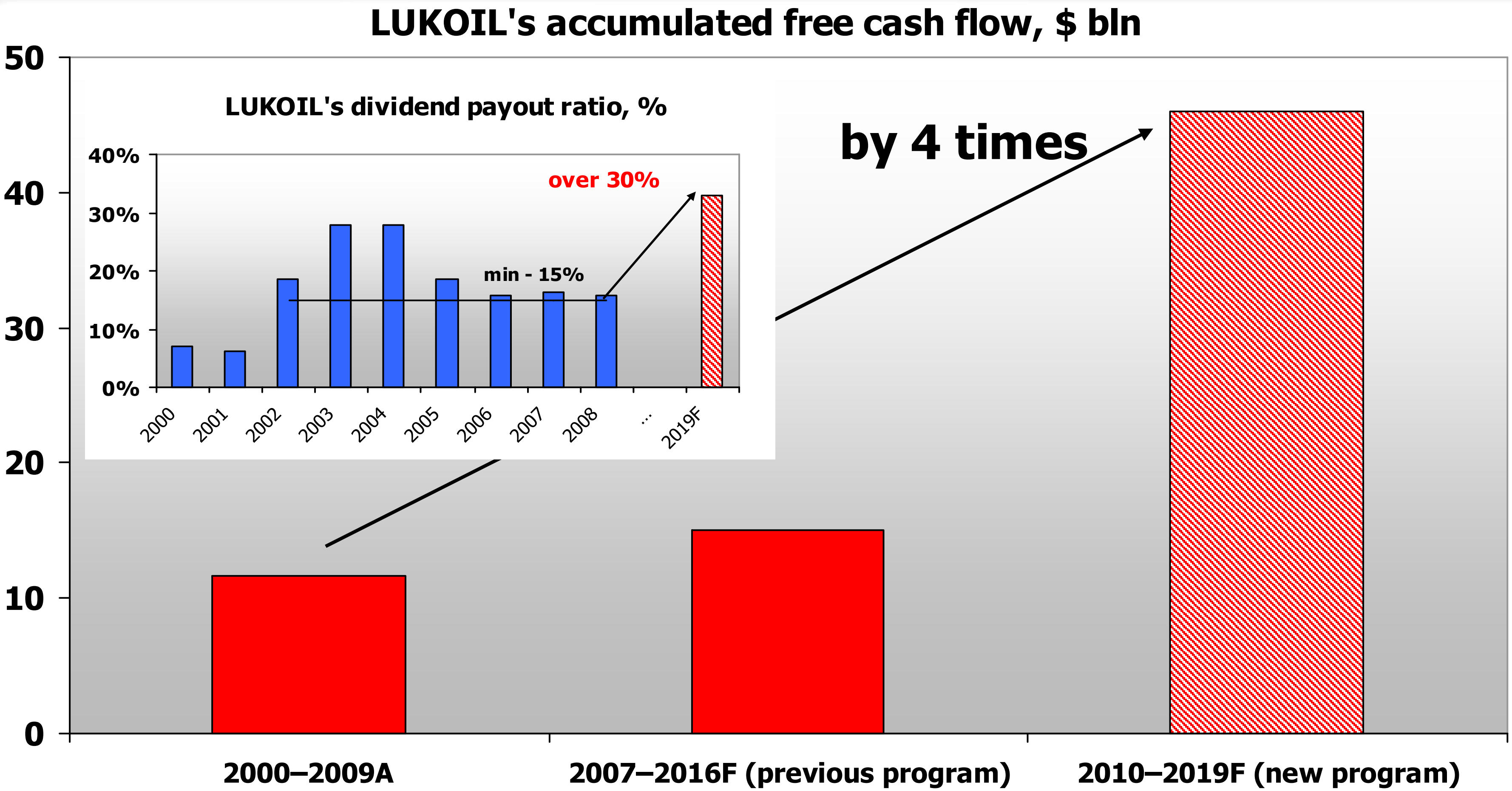
Transition to production growth model with best rates of return

Executive Summary

New strategy focuses on:

- Company value growth and financial stability
- Optimization of hydrocarbon production level due to market conditions change
- Decrease of planned capital expenditures
- Dynamic growth of free cash flow
- Higher shareholders' returns

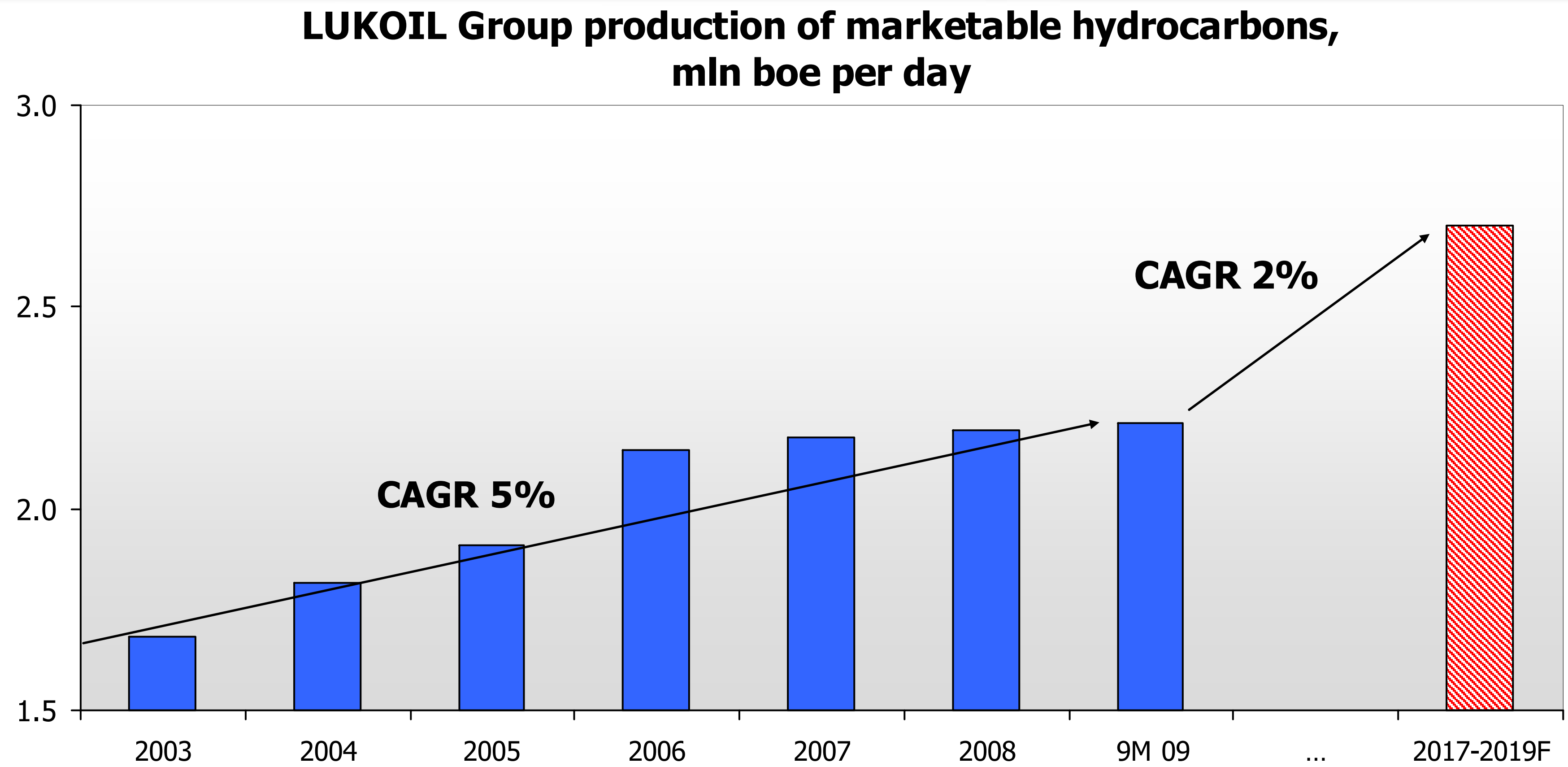
LUKOIL Free Cash Flow: Substantial Growth under Conservative Oil Price Scenario



As a result of the new strategic development program implementation the **accumulated free cash flow will grow by 4 times** under a moderate oil price growth scenario thanks to:

- Controlling capex
- Tax burden decrease
- Increasing efficiency and scale of operations

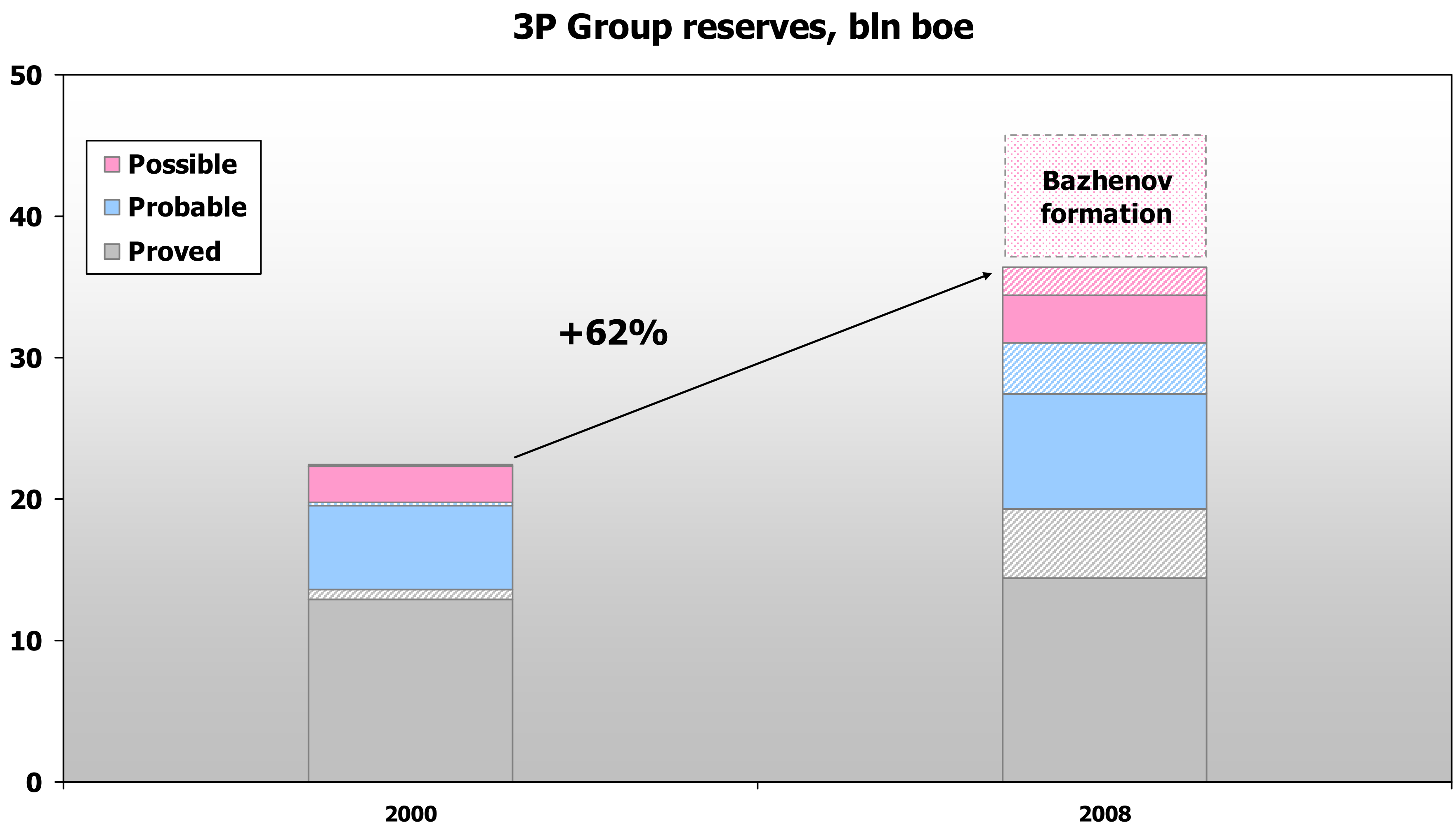
LUKOIL Will Secure Growth of Production with Best Rates of Return



In 2017-2019 planned hydrocarbon production will reach 2.7 mln boe per day as compared to current 2.2 mln boe per day.

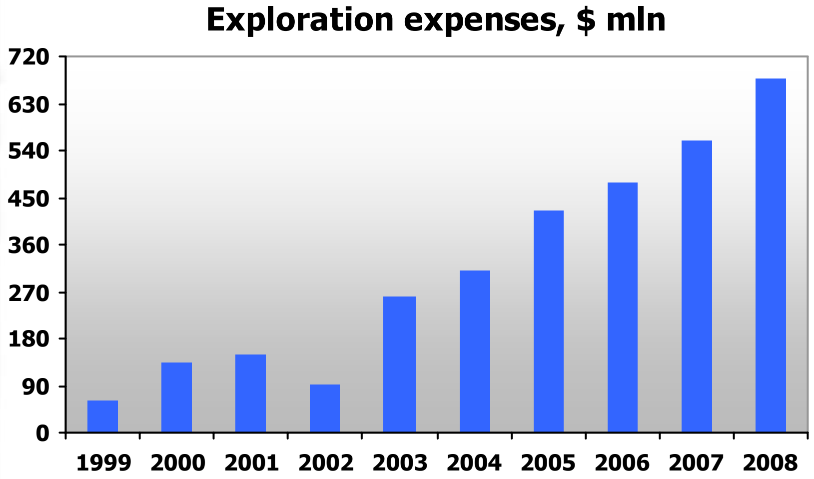
Efficient future levels of production are determined by:
- resource base
- tax burden
- oil price

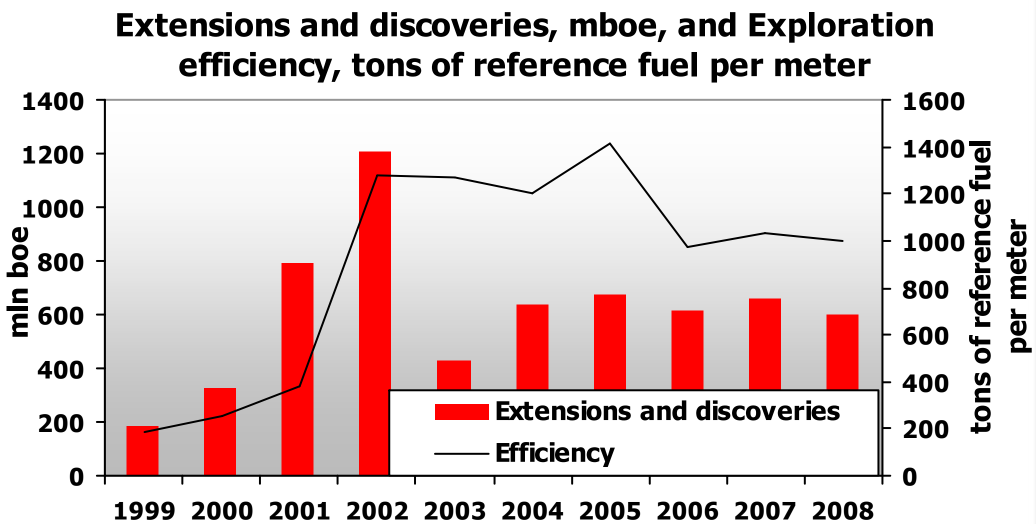
Strong Reserve Base Guarantees Stable Future Growth



The Company begins to calculate its reserves in accordance with SEC standards from 2010

High Geological Exploration Efficiency





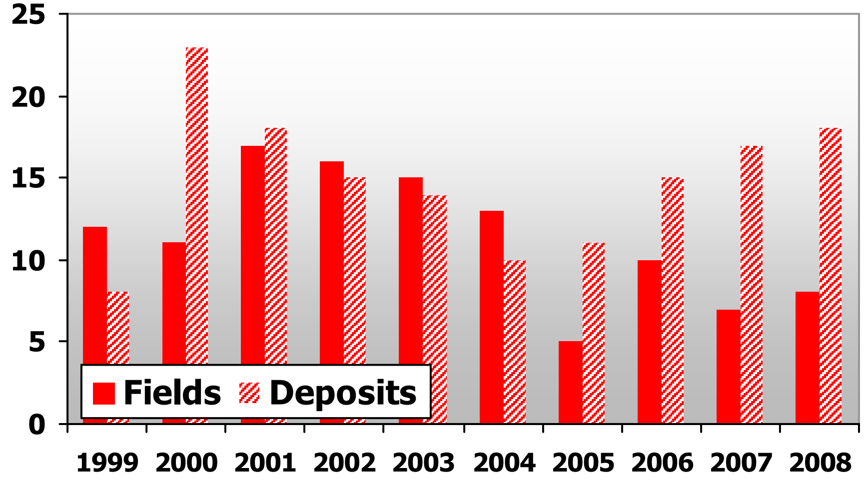
Due to the investments in exploration LUKOIL managed to reach a stable rate of reserves increase and high drilling efficiency, in spite of the high level of exploration maturity.

LUKOIL Has Extensive Access to Resource Base in Russia

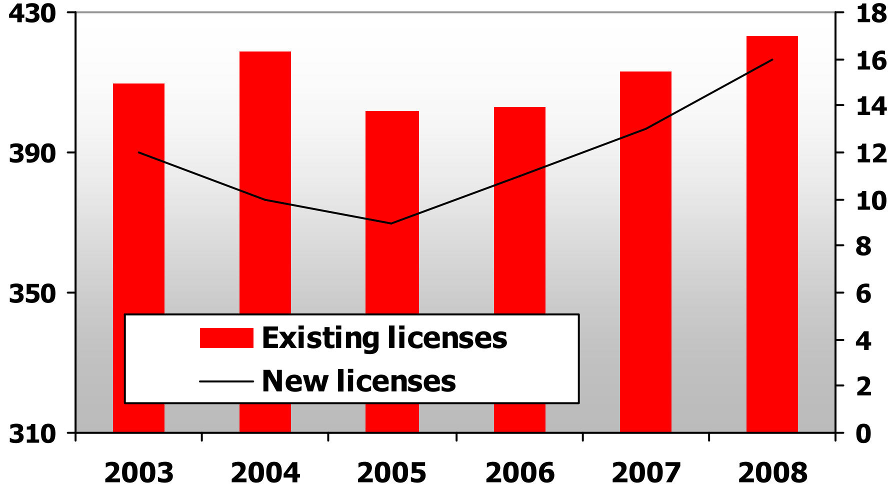
Every year LUKOIL discovers new fields and deposits at existing fields.

In addition, the Company acquires new development licenses and extends existing licenses up to complete field depletion.

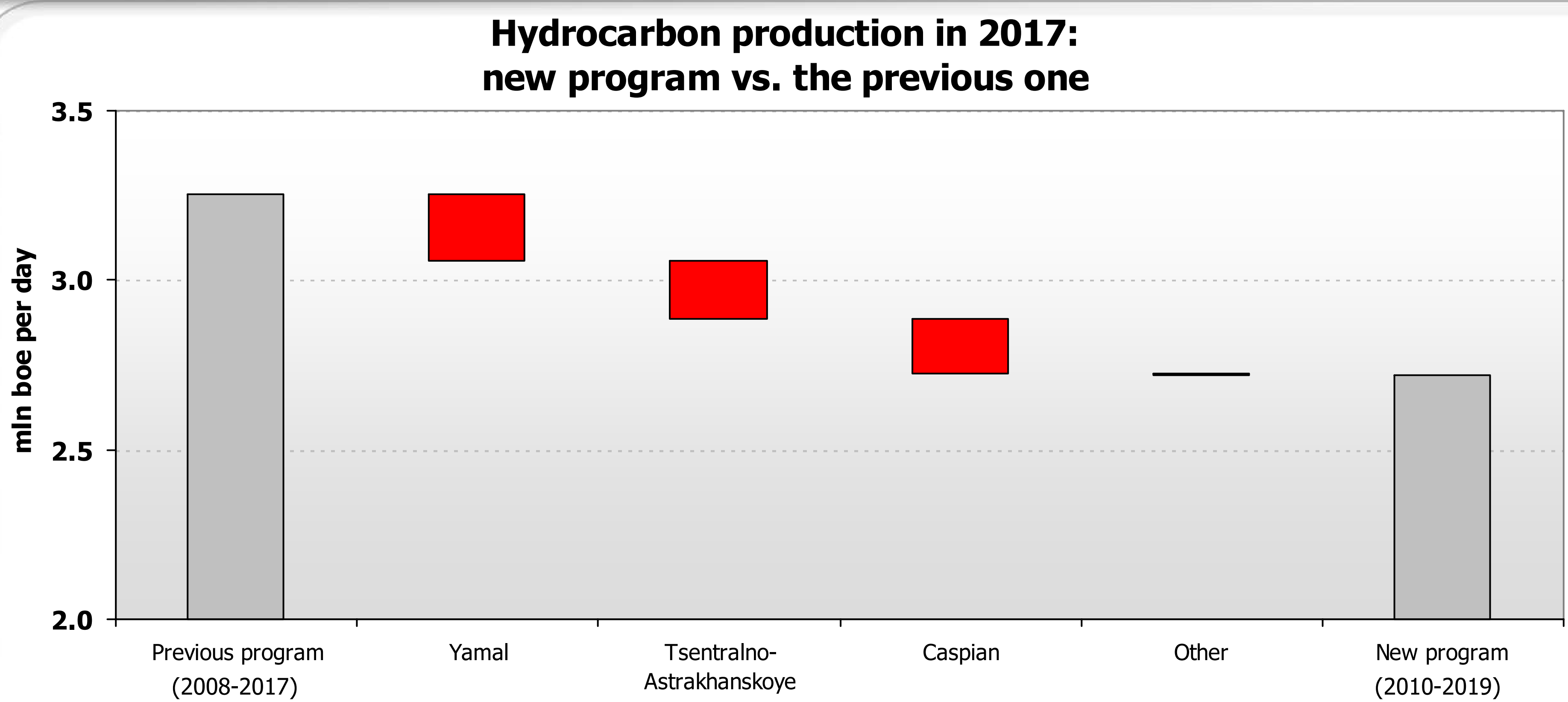
Number of newly discovered fields and deposits at existing fields



Number of existing licenses and new licenses obtained during the year

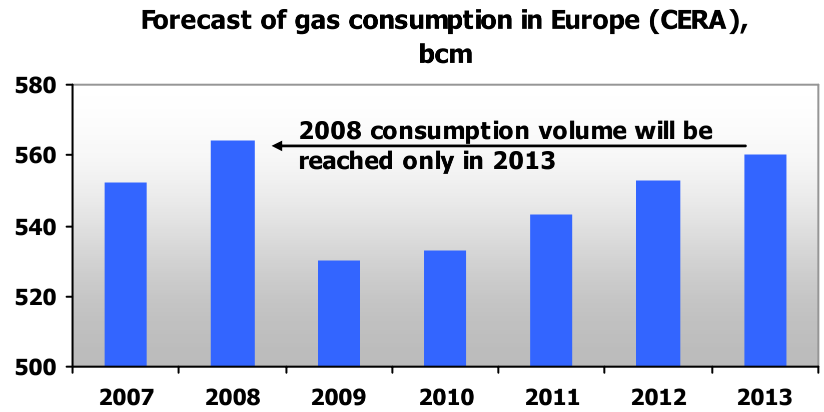


Production in 2017: New Program vs. Previous Program



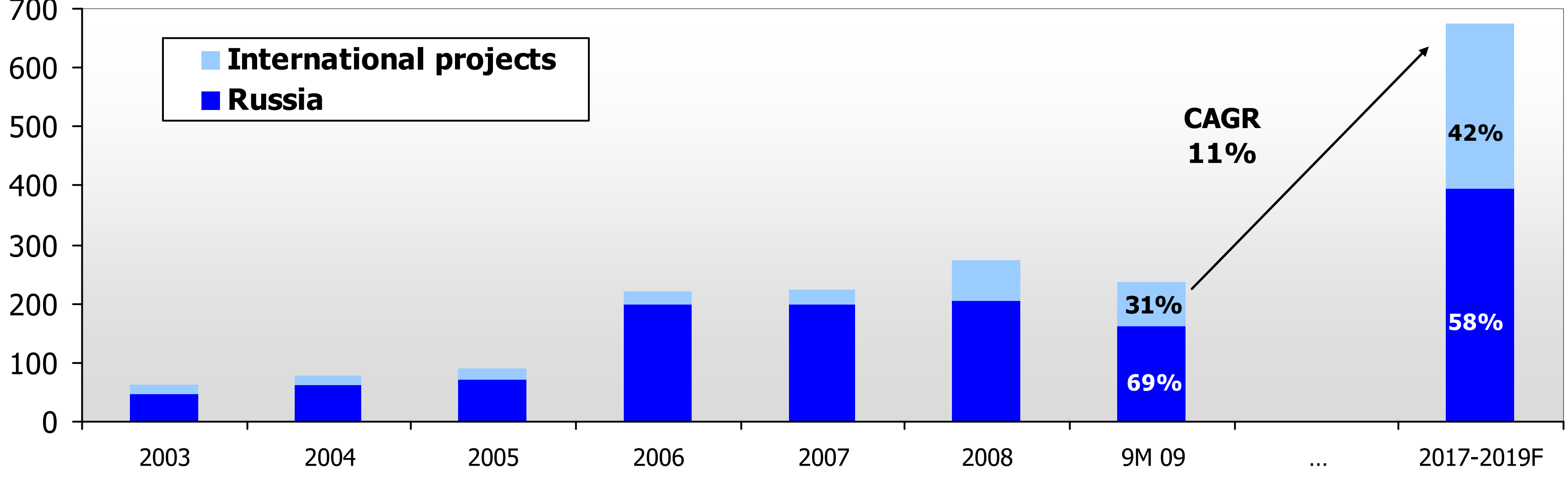
- Dynamic development of unconventional gas production (up to 300 bcm per year in the USA to 2020 and 100 bcm per year in Europe)
- Sharp decrease in gas consumption in Europe, Gazprom production decrease by 20%

A number of LUKOIL's gas projects are put off to later periods



Gas Business: Considerable Factor of LUKOIL Value Growth

Group's marketable gas production,
th. boe per day

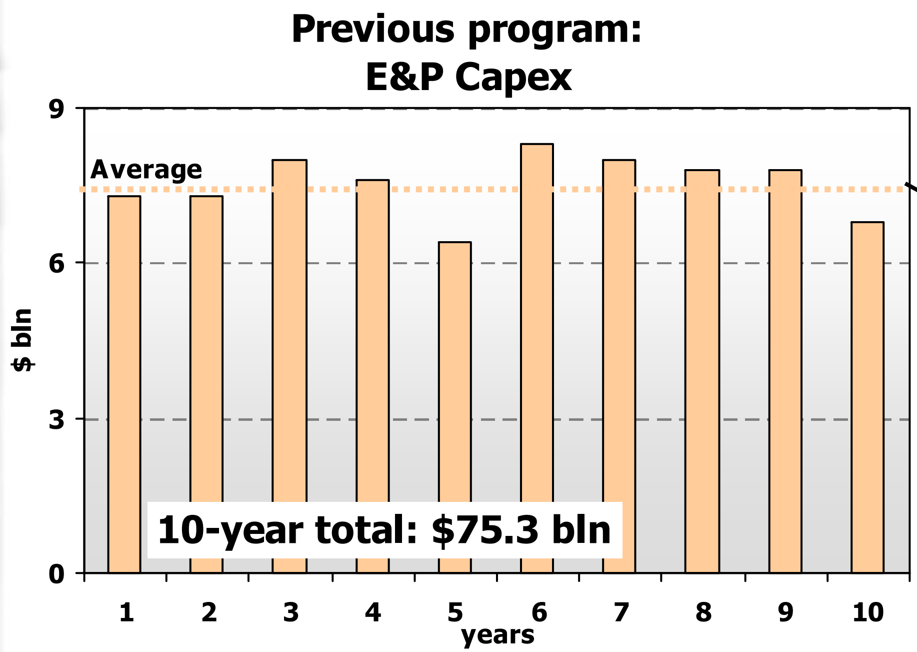


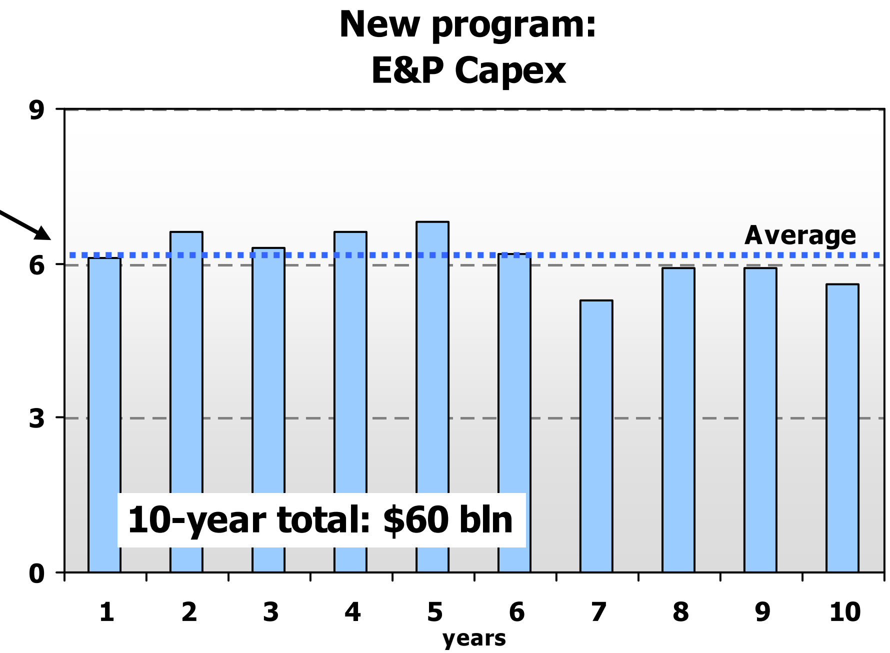
Group gas program's competitive advantages are low production and infrastructural expenditures

	Capex+OPEX, $ per th. cm
LNG-projects	100
Unconventional gas	120-180
Group's gas projects	**25**

Total free cash flow from gas projects in 2010-2019 – over $6 bln

E&P Capex Optimization

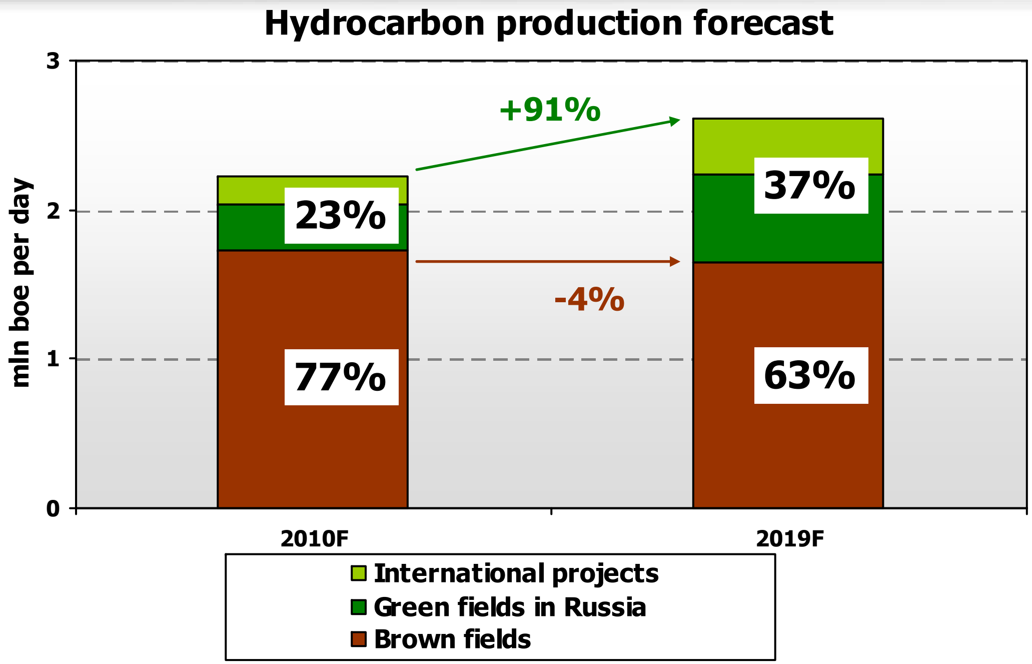




The new program significantly optimizes capital expenditures in Exploration & Production.

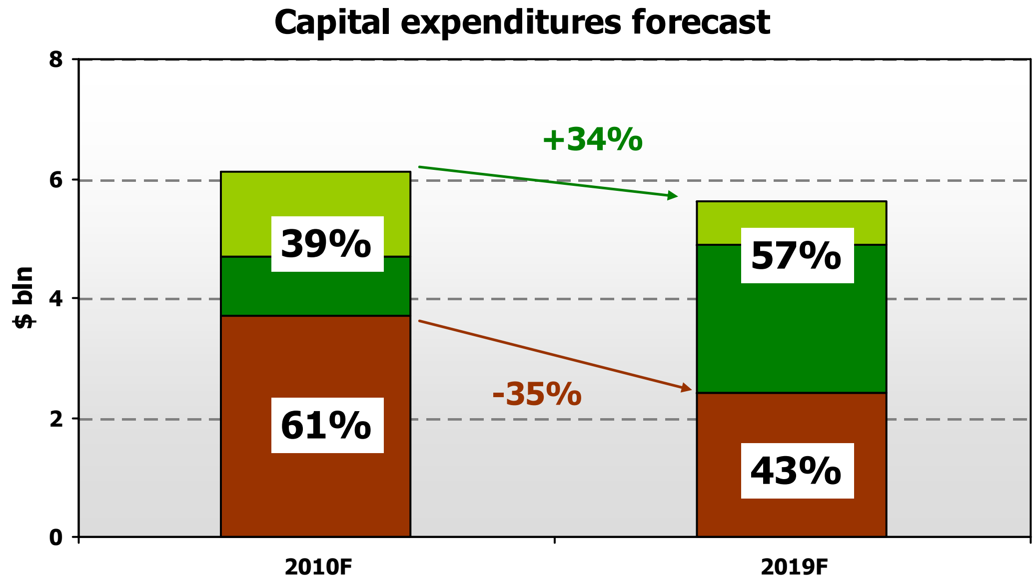
Compared to the previous program total 10-year E&P capex is reduced by 20%.

E&P Capex is Aimed at Quality and Value Growth



Green fields share in total LUKOIL production will increase by 1.6 times.

Share of capex made in new regions will increase from 39% to 57% during 2010-2019. Capex in traditional regions will be reduced by over 30%.



As a result the accumulated free cash flow from the segment will increase by over $20 bln as compared to the previous program.

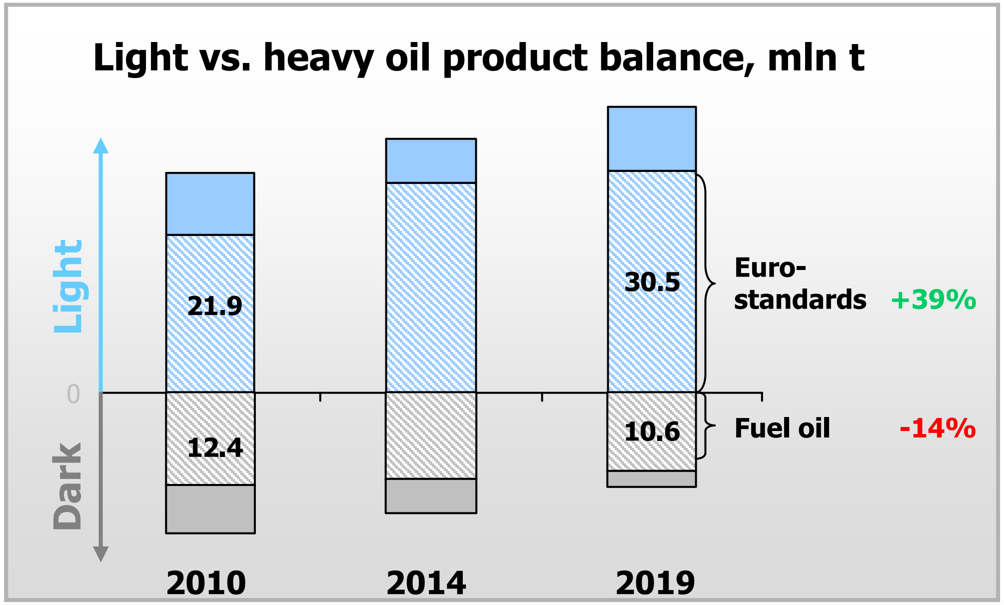
Summary of Strategy in R&M Segment

New strategy provides for:

- Modernization of existing capacities to average European level (*+$8 bln of free cash flow*)
  - Light oil product output growth by 60%
  - Group refineries average Nelson index will reach 9
- Group's refining capacity increase from current 70.1 to 72.6 mln tons per year. Refining capacity to production ratio is planned to be 75%
- Development of petrochemicals and power generation (*accumulated free cash flow of $4.1 bln*) and their integration with gas production projects
- Total capex of $25 bln

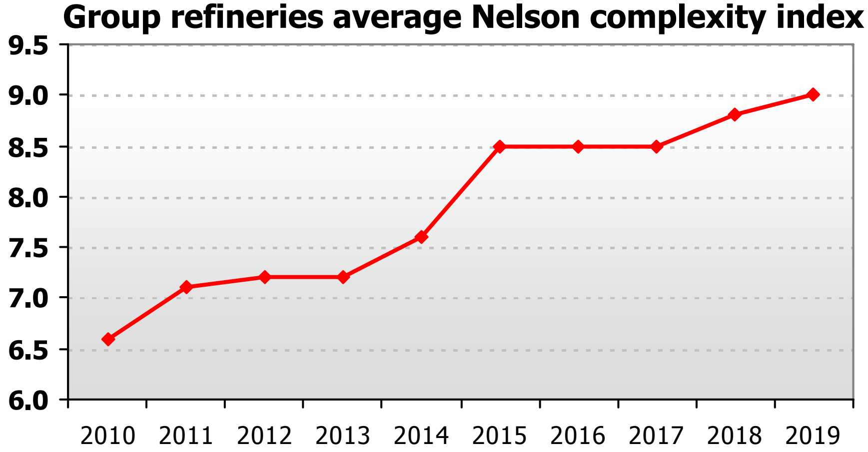
Capex Priority – Modernization of Refining Assets in Russia

Major share of capital expenditures into refining sector - 78% - will be made into modernization of Group's refineries in Russia.

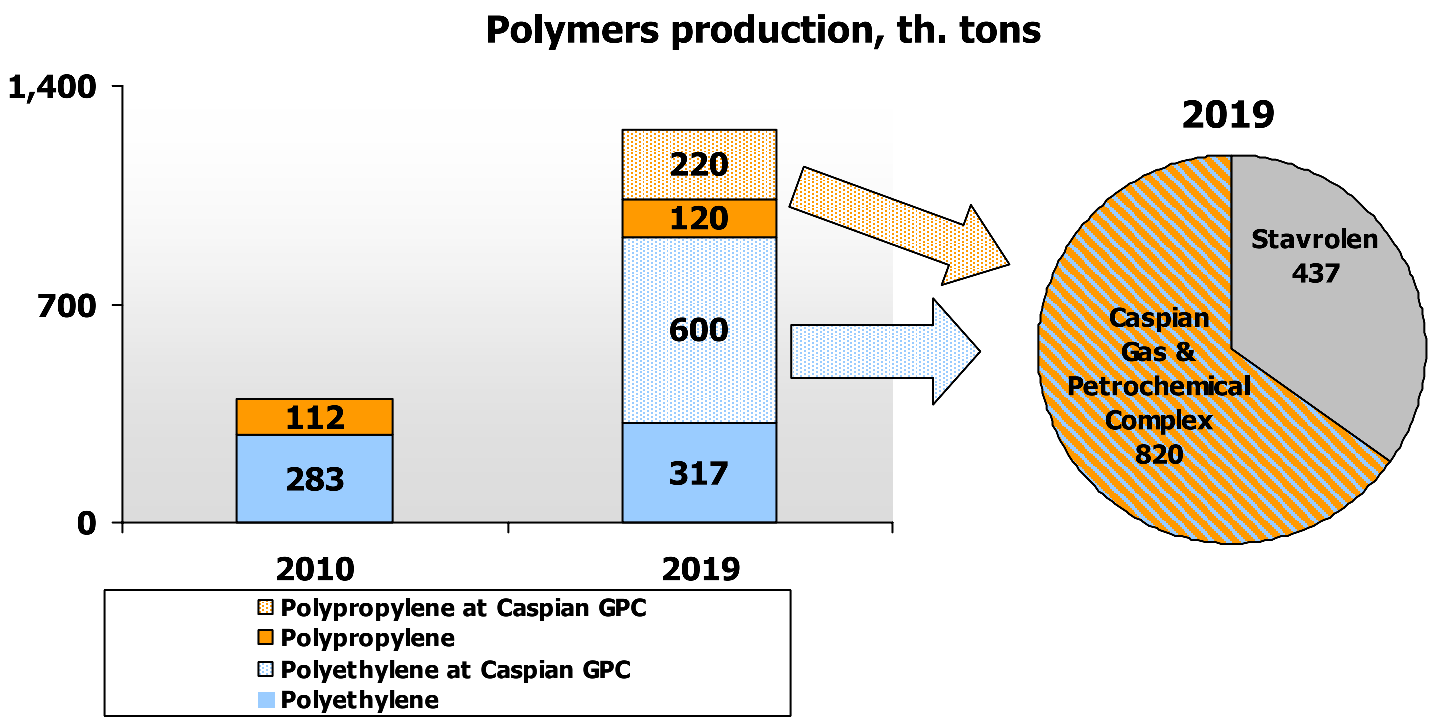


- **Due to the modernization of Group's refineries in Russia in 2010-2019 free cash flow will exceed $8 bln**

Implementation of the new strategy will result in **39% increase in output of products to Euro-standards and 14% decrease in fuel oil production**



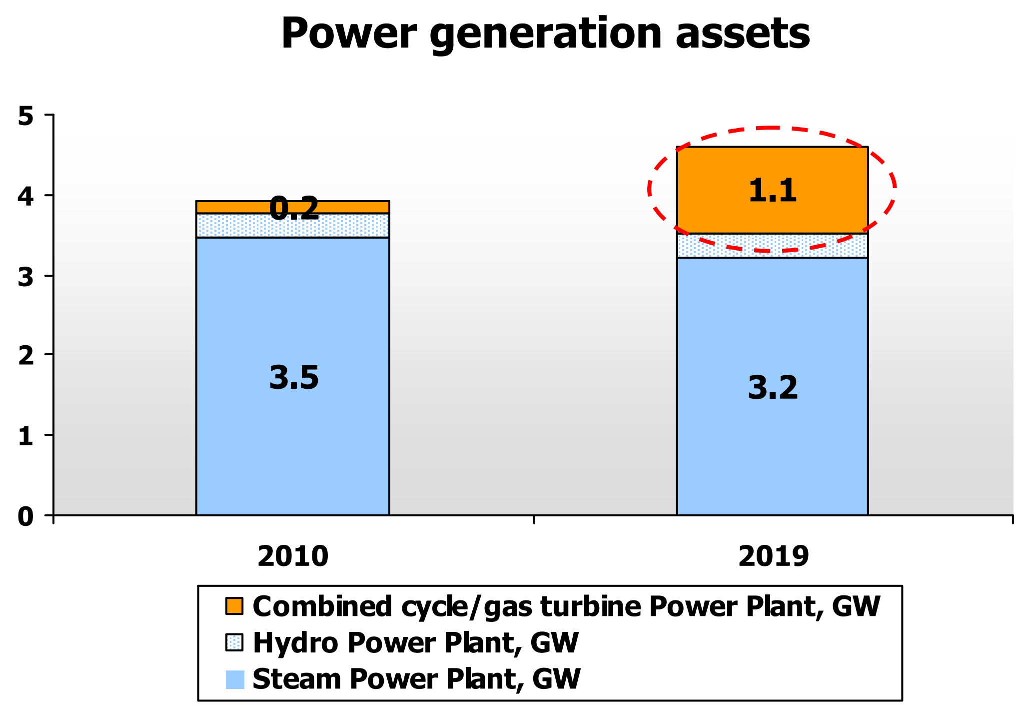
Synergy of Gas Business with Petrochemicals



- The production of petrochemicals is how we plan to gain the highest possible margin on our output of natural gas, especially from Caspian projects.
- Focus on polymers production (100% of capex)
- Total capital spending is expected to be $4.3 bln
- Guaranteed marketing channel for gas produced by the Group – 2 bcm per year

2010-2019 free cash flow of $1.8 bln

Synergy of Gas Business with Power Generation



- Synergy with the Company's gas business segment: the Group supply share in the total amount of consumed fuel will rise from 13% in 2010 to 23% in 2019

- Guaranteed marketing channel for gas produced by the Group – 7-8 bcm per year

2010-2019 free cash flow of $2.3 bln

Conclusion

- Our main objective is to maintain the proper balance between the growth rate of the Company business and high financial efficiency amid volatility and financial crisis

- The transition from the extensive production growth model to the efficient one

- Increase of accumulated free cash flow by 3 times compared to the previous strategic program

- Increase in shareholders' returns