

TENTATIVELY APPROVED
by the Board of Directors of the Open Joint Stock Company
“Oil company “LUKOIL”
Minutes No. 9 of 20 May 2011

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

[stamp]

Annual Report
of Open Joint Stock Company
“Oil company “LUKOIL”
for 2010

President V.Yu. Alekperov _____
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(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” (the abbreviated trade name in English is ОАО “ЛУКОЙЛ”, hereinafter also referred to as the "Company") was established in accordance with Decree No. 1403 of the President of the Russian Federation *On Specific Features of the Privatization and Transformation into Joint Stock Companies of State Enterprises and Industrial and Research-Industrial Associations in the Oil and Oil-Refining Industries and Oil Product Supply*, dated November 17, 1992 and Directive No. 299 of the Council of Ministers - Government of the Russian Federation *On the Establishment of Open Joint Stock Company "Oil company “LUKoil”*, dated April 5, 1993.

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 governance 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.

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 successfully developing its power generation sector since 2007.

The Board of Directors outlined the following main tasks for the **Exploration & Production business segment** in 2010:

- to carry out the exploration programme, ensuring that 100% of production was compensated with an increase in hydrocarbon raw materials and implementation of the ideal set of well intervention measures to ensure oil and gas production;
- to actively perform project implementation work on Western Qurna-2 in the Republic of Iraq;
- to actively implement projects on the continued development of oilfields on the shelf of the Caspian Sea, to extract the first commercial oil at the Yu. Korchagin field, and to meet the drilling schedule and the plan for commissioning new wells;
- to implement the development programme and commission the Pyakyakhinskoe oil and gas condensate field;
- to implement the Associated Petroleum Gas Utilisation Programme;
- to develop promising foreign projects.

The main tasks for the **Refining & Marketing business segment** in 2010 were:

- to organise regular, uninterrupted distribution of petroleum and gas products in the most cost-efficient way possible, and real-time management of the balance of petroleum products for rapid response to changes in the petroleum products market;
- to continue implementation of the production development programme and sales of petroleum products with improved performance characteristics under the ETKO brand;
- to improve the operating efficiency of companies in this business segment, including through cost-cutting, energy-saving measures, staff optimisation, and an improvement in the competitive indicators of the Refineries;
- to support the commissioning and continued construction of priority investment projects.

Based on the existing commercial conditions, the business blueprint for oil sales at the LUKOIL Group was changed in 2010. From 1 January 2010 OAO “LUKOIL” only performs oil shipments for export under commission contracts. The Company also stopped selling oil

on the domestic market, having transferring this function completely to the oil production companies of the LUKOIL Group. This fact led to a significant reduction in the revenues of OAO “LUKOIL”, which equaled RUB 35,041,423 thousand in 2010. At the same time, the income of OAO “LUKOIL” from participation in other organisations increased considerably, and equaled RUB 133,455,313 thousand. Earnings before taxes also increased, and equaled RUB 142,412,782 thousand (against RUB 53,962,446 thousand in 2009).

All assets of OAO “LUKOIL” are located in the Russian Federation.

As at 31 December 2010 more than 49,000 legal entities and individuals were registered as shareholders in the Company’s shareholders register.

The charter capital of OAO “LUKOIL” is RUB 21,264,081.375, and is divided into 850,563,255 registered ordinary shares with a par value of 2.5 kopecks per share, representing in aggregate 100 percent of the charter capital.

The Company’s shares are included in the A1 Quotation Lists (highest level) of the Russian RTS and MICEX stock exchanges, and depositary receipts issued on the Company’s shares are traded on the London Stock Exchange.

In 2010 the American company ConocoPhillips, which owned a 19.99% share in the Company at the start of 2010, decided to opt out as a shareholder in the Company. It took this decision as part of the planned sale of its international assets. ConocoPhillips had been a strategic partner of the Company since 2004.

ConocoPhillip’s share in the charter capital of OAO “LUKOIL” at the end of 2010 equaled slightly more than 2%. ConocoPhillips withdrew completely from the share capital of OAO “LUKOIL” in February 2011, after selling its remaining Company securities on the open market.

Throughout its history, OAO “LUKOIL” has always held firmly to the principles of doing business honestly and in good faith, which has allowed it to maintain a spotless business reputation and win the trust of its business partners around the world. Over the years the Company has established a stable system of internal values.

As part of its continuing effort to adhere to global best practice in the area of corporate culture, the Company developed and implemented the *OAO “LUKOIL” Code of Business Conduct and Ethics* in 2010. *The OAO “LUKOIL” Code of Business Conduct and Ethics* is a

set of rules of business behaviour regarding the highest priority issues of doing business to which the Company and its employees adhere when performing their activity. For example, the Code determines the rules for the Company's relations with shareholders, investors, business partners, state bodies and public organisations, establishes the procedure for settling conflicts of interest and issues concerning insider information.

The Code pays special attention to corporate social responsibility, health, safety and environmental issues at the Company. Pursuant to the provisions of the Code, a Business Ethics Commission has been created at the Company to regulate corporate ethical relations.

EVENTS IN 2010

JANUARY

OA O “LUKOIL” signs a contract for development and production at the West Qurna-2 field in Iraq. Parties to the contract are Iraq’s state-owned South Oil Company and a consortium of contractors consisting of the Iraqi state North Oil Company (25%), LUKOIL (56.25%) and Norwegian Statoil (18.75%). The contract is for 20 years with an option to extend for 5 years. Drilling at the field is scheduled to start in 2011, and production should begin in early 2013.

OA O “LUKOIL” approves an Energy-Saving Program for Group companies in 2010 and for the period 2010–2012. The Program will focus on better use of energy, and installation of new energy-efficient technology and equipment. The Company should obtain energy savings in excess of 2.4 billion kWh and more than 970,000 Gcals in 2010-2012 as a result of the Program. Target savings in money terms are 9.2 billion roubles (about \$300 million).

FEBRUARY

A consortium consisting of a LUKOIL Group company, the US company Vanco and the Ghana National Oil Company (GNPC) discovers substantial oil reserves at the Dzata structure, which is part of the CTPDW block, on the Ghana shelf in the Gulf of Guinea. The exploration well, Dzata-1, which made the discovery, has subsea depth of 4,500 meters. Further exploration is planned for purposes of reserve assessment and commercialization.

MARCH

OA O “LUKOIL” approves a one-year R&D program for the Group in 2010 and a medium-term program of R&D work for the period 2011–2012. The one-year program includes more than 800 research, design and technology tasks relating to field development as well as provision of various technology services. Financing is over 4 billion roubles (about \$140 million). Financing for the medium-term program is 12 billion roubles (over \$400 million). Most of spending in both programs is focused on the exploration & production segment.

APRIL

LUKOIL Group produces first oil at the Yu. Korchagin field in the Russian sector of the Caspian Sea. The field has 3P reserve in excess of 250 million boe. Peak annual production will be 2.4 million tonnes of crude oil and 1 billion cubic meters of gas. Investments for development of the field in 2004-2009 were about \$1.2 billion.

OA O “LUKOIL” is acclaimed best Russian company for investor relations based on a survey by *Institutional Investor* magazine. More than 1,000 analysts and 650 fund managers from 531 companies took part in the survey.

JUNE

OA O “LUKOIL” holds its Annual General Meeting of Shareholders, which approves the Annual Report for 2009 and annual accounts. Shareholders also approved payment of dividends for 2009 in the amount of 52 roubles per ordinary share (\$1.72 at the exchange rate of 31.12.2009).

JULY

A consortium of a LUKOIL company and the US company Vanco wins a tender for exploration and development of the Est Rapsodia and Trident blocks in the Romanian sector of the Black Sea. The blocks have total area of 2,000 km², and sea depth in the region is 90–1,000 meters. 3D seismic work is planned in order to clarify geological structure at the blocks. The LUKOIL share in the project is 80%, and the remaining 20% is held by Vanco.

The Board of Directors of **OA O “LUKOIL”** approves a Code of Business Conduct and Ethics of OA O “LUKOIL”. The Code regulates relations between employees and LUKOIL shareholders and investors, business partners, state authorities and public organizations. It also specifies corporate ethics and social responsibility.

A LUKOIL organization signs an agreement to acquire 7.6% of shares of LUKOIL from ConocoPhillips at \$53.25 per share to overall value of \$3.4 billion. The transaction was completed in August 2010. The agreement also includes a sixty-day option 2010 for acquisition of up to 11.61% of LUKOIL shares in ADR form.

AUGUST

LUKOIL Group takes an unsecured \$1.5 billion credit. The facility is for one year and is to be used for share buy-back from ConocoPhillips.

SEPTEMBER

OA O “LUKOIL” and a group of investors, with Unicredit Bank acting as organizer, acquires 42.5 million common shares of LUKOIL in ADR form. This transaction represented partial use by the Company of the options provided under the agreement with ConocoPhillips, which was signed in July 2010. The transaction sum was about \$2.4 billion. The option was exercised in the framework of a program, approved by the Board of Directors, for increase of income to shareholders by market purchase of shares.

OCTOBER

LUKOIL Group begins retail sales of Euro-5 diesel fuel in Russia. The fuel is produced at Company refineries in Nizhny Novgorod, Perm and Ukhta. Euro-5 diesel has a high cetane number, which optimizes combustion of the fuel mixture, reduces noise and vibration, prevents corrosion processes, eases engine ignition and saves fuel.

NOVEMBER

OA O “LUKOIL” takes 5th place among oil & gas companies in Europe, Middle East and Africa and 10th place globally in the Platts Top 250 Global Energy Company Rankings for 2010. Companies were assessed by four main criteria – asset size, turnover, income, profitability and return on average capital employed. The Company took 8th and 12th places in the same Platts rankings in 2009.

A LUKOIL organization places two Eurobond tranches with overall value of \$1 billion at 6.125 coupon rate. The first tranche of \$800 million gives 6.25% yield to maturity and matures in 2020, and the second tranche of \$200 million gives 5.80% yield to maturity and has maturity in 2020. Funds raised from the placement were used for general corporate purposes, including repayment of existing debt.

DECEMBER

OA O “LUKOIL” takes second place among the country’s 75 biggest companies in a ranking by levels of social responsibility, prepared for 2010 by *Trud* newspaper and the Agency for Political and Economic Communications. For purposes of the ranking ‘social responsibility’ is understood to mean creation and preservation of jobs, tax discipline, delivering on commitments to employees, and playing an active part in projects to develop social infrastructure. The ranking is based on results of a survey among representatives of trade unions, research institutes, business associations and recruitment agencies, as well as members of the Social Chamber and deputies of the Russian State Duma.

A LUKOIL organization signs a memorandum of understanding with the Skolkovo Foundation. The document states the LUKOIL will apply its R&D capacity in such spheres as energy efficiency in oil production and refining, clean and alternative energies, IT development, etc. Signing of an agreement on participation by LUKOIL in work by the Foundation is planned for spring 2011.

OA O “LUKOIL” wins the nomination for ‘Company with Best Corporate Governance’ in the annual competition, ‘Russian Corporate Governance Leaders’, organized by the Association for Protection of Investor Rights, which brings together some of the largest Russian and foreign institutional investors. Winners are determined by a three-stage secret ballot. Representatives of the investment community acclaimed LUKOIL for operating a system of corporate governance which has set standards in Russia over a number of years.

A LUKOIL organization places \$1.5 billion of convertible bonds at 2.625% coupon rate, redeemable in June 2015. The bonds are convertible into ADRs trading on the London Stock Exchange, each of which represents one ordinary share of LUKOIL. The conversion price was set at \$73.7087 per ADR. The transaction represents the first large-scale issue of convertible debt instruments by a Russian issuer since the start of the crisis period. The LUKOIL bonds found strong among from the investment community thanks to the Company’s high investment rating and positive attitude of investors towards the oil & gas sector.

LUKOIL Group starts production of Euro-4 automotive gasoline. Launch of Euro-4 gasoline production was made possible by commissioning in December 2010 of a catalytic cracking complex at the Nizhny Novgorod Refinery. Investments in the project were about \$1 billion. Euro-4 automotive gasoline gives ‘clean’ exhaust gas, minimizing content of sulphur oxides and products of incomplete combustion of aromatic hydrocarbons, including the particularly dangerous carcinogen and mutagen, benzopyrene.

Oil & Gas Exploration and Production

E&P segment indicators

Indicator	2010	2009	Change, %
Revenue, \$million	36,976	24,353	51.8
EBITDA, \$ million	11,390	10,175	11.9
Net income, \$ million	6,226	5,456	14.1
Capital expenditure, \$ million	4,933	4,687	5.2

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.
- Greater use of advanced technology in operations.
- Application of financial criteria to assess projects and business results, and to optimize the asset portfolio.

LUKOIL Group focused its efforts in 2010 on efficient development of the Exploration & Production segment, which generates more than 69% of Company net income, and its efforts gave substantial results.

LUKOIL Group was able to raise average daily output of hydrocarbons by 1.2% through increase of gas production and reducing decline rates of oil output in Western Siberia. Daily production of hydrocarbons was 2.239 million boe, consisting of 1.940 million barrels for crude oil and 0.299 million boe for gas.

Start of oil production at the Yu. Korchagin field in the Caspian Sea and obtaining of tax preferences for the project are important achievements in 2010. Starting from December 2010 oil exported from the Yu. Korchagin field is subject to export duties at a special low rate, comparable to that used for oil from fields in Eastern Siberia.

Price and Tax Environment

Crude Oil Market

International prices for crude oil were higher in 2010 thanks to recovery of the world economy and soft monetary policies by central banks. Average price of Brent crude rose significantly by 28.9% in 2010 compared with 2009 to a level of \$79.5 per barrel. Most of the growth in oil prices occurred at the end of 2010.

Crude oil prices in the first half of the year were in a corridor between \$67 and \$86 per barrel. Favorable macroeconomic statistics from the US and developing markets indicating the recovery in the consumer demand served as a growth driver for oil, but there was negative impact from decline of consumption in the Eurozone as a result of the debt crisis. Sentiment on commodity markets improved in the second half of the year. This was due, firstly, to the launch of ‘quantitative easing’

programs in a number of developed countries , which helped liquidity on goods and commodity markets and also on stock exchanges, supporting prices for oil and shares (further monetary emissions in the US weakened the dollar, which contributed to oil price growth). Secondly, steady growth of crude oil imports by China in an environment of refining volume growth and stable production roused expectations of further growth of demand in China. And, thirdly, onset of a cold winter with heavy snowfalls in Europe drove up demand for fuel oil.

The Company's main operating regions, accounting for 93% of crude oil production, are the oil & gas provinces of the Russian Federation (Western Siberia, Southern and Central Russia, and Timan-Pechora). So the price for Russian Urals export blend has direct impact on the Company's financial results. The average Urals price rose by 27.9% in 2010 compared with 2009 and was \$78.3 per barrel. The average price differential between Urals and Brent in 2010 was \$1.2 compared with \$0.5 in 2009. Weaker positions of Urals blend on the world market were due to increased output of competing types of crude by OPEC members as the world economy recovered.

For objective assessment of the market environment, in which the Company operated in 2010, it is important to take account of the tax burden on Russian oil exporters and how it changed in comparison with 2009. The main types of tax payable by oil companies in Russia, including LUKOIL, are mineral extraction tax, excises and export duties. Rates of these taxes are tied to international prices for oil and vary as a function of international price levels.

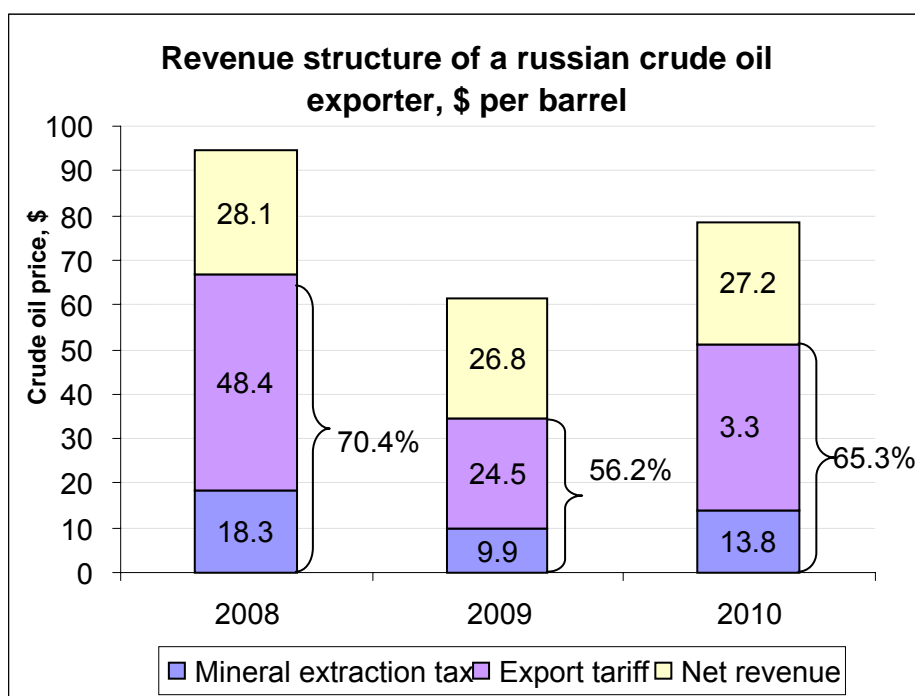
As a result of growth of oil prices in 2010 the average mineral extraction tax rate for oil rose by 39.5% in dollar terms to \$13.8 per barrel.

The Company pays export duties on crude oil exports from Russia calculated using a progressive scale based on Urals prices. Increase of export duty on Urals oil in 2010 was 52%, and the average duty rate for the year was \$37.3 per barrel.

The price of Urals oil for a Russian exporter net of taxes (the international market price without export tariffs and mineral extraction tax) was \$27.2 per barrel in 2010. The share of mineral extraction tax and export tariffs in the average annual oil price was 65.3%, which is roughly equal to the average level in the last five years.

LUKOIL Group 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 now governed by current legislation (at the date when a contract for mineral use comes into force), making LUKOIL liable for payment of income tax, tax on super profits, mineral extraction tax and a progressive rent tax. The Government of Kazakhstan presented plans in 2009 to lower corporate income tax rates in 2010-2011. However, no decision on this issue was taken in 2010.

Taxation of projects regulated by PSAs remains as stated in the agreements.



Gas market

There was a sharp increase of European spot prices for natural gas at the end of 2010 due to growth of oil prices, industrial recovery after the global recession, and cold weather in Europe at the start of the winter. Spot prices for gas on European exchanges exceeded prices in Gazprom's long-term export contracts for the first time in a year and a half. At the same time gas prices on the American market were almost twice lower than in Europe, and this encouraged rapid developing of shale gas production in America. However, reserves of shale gas in the US continued to grow faster than production.

The price environment on the Russian domestic gas market remained unchanged in 2010. The average price of marketable gas rose slightly by 4.5% to \$34.9 per thousand cubic meters due to rouble appreciation.

The geography of LUKOIL Group's gas operations (most of the Company's gas is produced in Russia) entails that most of it is sold to Gazprom and to other Russian consumers. Most of the Company's Russian gas output is sold at the well and then transported through the Unified Gas Supply System, which is owned by Gazprom. The Company has no opportunity to export gas, because of Gazprom's ownership of the Supply System and its monopoly on exports. Gazprom increased its purchases from independent gas producers in Russia during 2010 thanks to increase of global demand. This resulted in significant growth of Company output of marketable gas (by 27.9%). Most of the growth was at the Nakhodkinskoye field, where production in 2010 rose by 37.2% to 8,146 million cubic meters. All of this gas was sold to Gazprom.

The Company pays natural gas extraction tax, rates of which have remained unchanged since 2008 at 147 roubles per thousand cubic meters.

Production of marketable gas by LUKOIL in international projects rose by 16.2% in 2010. 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 2010 exceeded \$140 per 1,000 cubic meters. Royalty is paid on production at a rate of 30% as part of the PSA agreement. The Company has a seven-year holiday from income tax, beginning from the start of production, at the end of which income tax will also be payable at the rate fixed in the PSA. The Uzbek Government share in profit production varies depending on the project's internal rate of return for LUKOIL Group.

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.

Gas produced at the Shakh-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, the Company 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 rates

LUKOIL Group produces most of its hydrocarbons inside Russia, so the largest part of Company costs are in roubles, while a significant share of revenues is expressed in US dollars or is tied to dollar oil prices to a significant extent. So rouble inflation and fluctuation of the exchange rate can have substantial impact on Company results. Purchasing power of the US dollar in Russia, calculated from the \$/rouble exchange rate and the Russian inflation rate, declined by 11.6% in 2010 compared with 2009.

This development was one of the main causes of growth in lifting costs per unit of production in Russia last year: lifting costs rose from \$3.53 to \$4.11 per boe, or by 16.4%. Average unit lifting costs for the Group increased by 15.7% from \$3.56 to \$4.12 per boe in 2010. Capital expenditures in the E&P segment rose by 5.2% to \$4.9 billion.

The Company pursued its strategy in 2010 for strengthening its financial position by focus on high-margin projects and increase of cash flows. As a result, most of capex growth in 2010 related to international projects, while growth of the indicator in Russia was only 0.5% (to \$3.9 billion).

Acquisitions

The Company demonstrated its commitment to growth of shareholder value and increase of shareholder income in 2010. Following the decision by ConocoPhillips to exit its shareholding in OAO “LUKOIL”, the Company carried out one of the largest buy-back transactions in the history of the Russian stock market, with value of \$3.4 billion. The operation was completed in August 2010. By carrying out the buy-back, the Company protected its shareholders from a sharp fall in the share price, which would have occurred, if the ConocoPhillips stake had been sold on the open market. ConocoPhillips had fully exited share capital of OAO “LUKOIL” as of February 7, 2011.

Best efforts of the Company to maximize shareholder income led to increase of earnings per share from \$8.28 in 2009 to \$10.95 in 2010.

The Company continued increase of its production capacities in 2010 through acquisition of highly efficient assets. A consortium of a LUKOIL company and the US company Vanco won a tender for exploration and development rights at the Est Rapsodia and Trident blocks in the Romanian sector of the Black Sea. The blocks cover an area of 2,000 km², with water depth of 90–1,000 meters. LUKOIL Group has an 80% stake in the project, and the remaining 20% is held by Vanco.

Optimization of corporate structure and consolidation

The total number of LUKOIL organizations decreased by 19 in 2010 and totalled 362 (subsidiaries and affiliates determined in accordance with US GAAP), including disposal of 13 non-core assets. Several marketing operators were augmented by their merger with subsidiaries. Consolidation of 100% of shares in ZAO LUKOIL-Neftekhim was completed and target ownership structure for petrochemical assets was approved.

Licensing

The Group continued its work in 2010 to obtain new licenses for mineral use and optimize its existing license portfolio in order to raise overall quality of the mineral base. LUKOIL obtained amendments and additions to conditions of its mineral use rights, extending the period of validity of its rights in some cases, as well as clarifying commitments of Group companies to achieve specific output levels in accordance with project documentation.

LUKOIL Group companies had 421 licenses on their balance sheets at the end of 2010, of which 340 were for exploration & production of hydrocarbons, 18 were for geological study, including prospecting and evaluation of mineral fields, and 63 were for geological study, exploration and production of hydrocarbons.

LUKOIL Group obtained 11 new licenses for use of mineral resources in 2010, of which 2 were based on proof of a field discovery, 8 were obtained as a result of auctions and competitions, and one was obtained through application for geological study. Spending on license acquisitions was \$15 million.

LUKOIL Group obtained reissue of 71 licenses for use of mineral resources in 2010 in connection with further restructuring of oil & gas production companies within the Group.

The Group registered 16 additions to licenses in 2010 in order to extend their period of validity. Work also continued on amendments and additions to current license agreements. A total of 35 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, 2011 were 17.255 billion boe, consisting of 13.319 billion barrels of oil and 23.615 trillion cubic feet of gas.

The audit was carried out to the standards of the US Securities and Exchange Commission (SEC). The Company decided in 2009 to adopt SEC standards for measurement of reserves in order to ensure greater transparency and comparability of Group reserve figures with those of competitors.

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. The audit of LUKOIL reserves took account of changes in development plans contained in the Group's Strategic Development Program.

The Company also completed an evaluation of contingent resources under PRMS classification in 2010. Unaudited figures as of January 1, 2011 showed 3C contingent resources of 10.7 billion barrels of oil equivalent. These oil and gas volumes will be moved from resources to reserves in the future as the time for their development approaches, as the Company's associated gas utilization program moves forward, and as new technologies make production of hard-to-recover reserves commercially viable.

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 (Western Siberia), Uzbekistan and the Caspian region. 60% of Company proved reserves are in development (66% of oil reserves and 38% 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 control development costs in an efficient manner and to bring new fields into production rapidly.

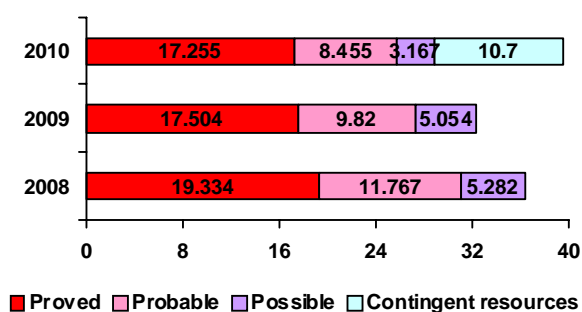
Growth of proved hydrocarbon reserves in 2010 as a result of geological exploration work, production drilling and acquisitions was 687 million boe, representing 82% of production during the year. Growth due to geological exploration work and production drilling was 625 million boe, and 62 million boe were added as a result of acquisitions. So organic growth of hydrocarbon reserves compensated 75% of production (81% for oil and 44% for gas). Most of the organic growth of proved oil reserves was obtained in Western Siberia (68% of the total) and the Komi Republic (12% of the total). Organic growth of proved gas reserves was also obtained in Western Siberia (61% of the total, including 35% at Bolshekhetskaya Depression) and in international projects: Kandym-Khauzak-Shady and Karachaganak (30% of the total for gas).

Proved reserves were lowered by 102 million boe in 2010 due to revision of earlier evaluations. One cause of the revision was worsening of economic parameters following increase of mineral extraction tax on oil and free gas.

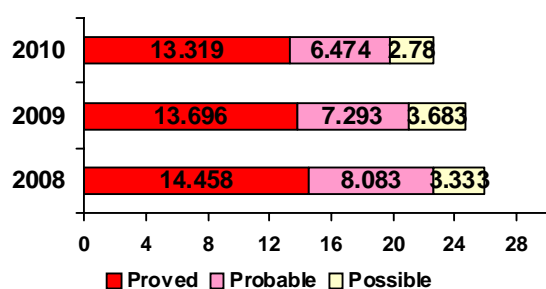
Inclusion of the Company's stake in proved reserves at the West Qurna-2 field, amounting to 62 million boe, did not have significant impact on total reserve levels for the Company, since the preliminary development plan only takes account of volumes brought into the first stage of development ('early oil'). However, significant increase of reserves is expected in the future as drilling-over of the field continues in the second development stage.

Overall, the figures for 2010 show that LUKOIL Group remains among Russian and international leaders by volume of proved hydrocarbon reserves. The Group's ratio of proved hydrocarbon reserves to production is 21 years (19 years for oil and 31 years for gas).

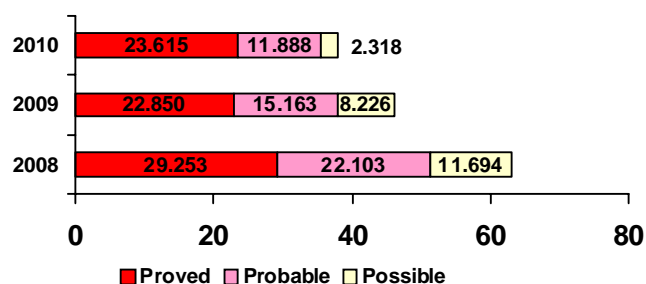
3P hydrocarbon reserves and contingent resources, billion boe



3P crude oil reserves, billion boe



3P gas reserves, trillion cubic feet



Oil & Gas Reserves of LUKOIL Group

January 1, 2011	Oil	Gas	Oil + gas*
	million barrels	billion cubic feet	million boe
Proved reserves	13,319	23,615	17,255
of which:			
<i>Developed</i>	<i>8,790</i>	<i>8,882</i>	<i>10,270</i>
<i>Undeveloped</i>	<i>4,529</i>	<i>14,733</i>	<i>6,985</i>
Probable reserves	6,474	11,888	8,455
Possible reserves	2,780	2,318	3,167

* 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 Region in 2010

	Oil, million barrels	Gas, billion cubic feet	Share in hydrocarbon reserves
Western Siberia	7,222	2,354	44.1%
Urals	1,940	558	11.8%
Volga	623	1,332	4.9%
Northern Caspian	429	1,165	3.6%
Timan-Pechora	2,445	527	14.7%
Bolshekhetskaya Depression	236	12,064	13.0%
Other	221	12	1.3%
International projects	632	6,768	10.2%
TOTAL	13,319	23,615	100%

Geological Exploration

Geological exploration work by companies of LUKOIL Group in 11 countries around the world is focused on replacement of production with new commercial reserves of hydrocarbons, and preparation of reserves for rapid launch and expansion of production in promising regions, both in Russia and abroad (Timan-Pechora, the Northern Caspian, the Bolshekhetskaya Depression, Ghana). The Company uses the latest technologies in order maximize efficiency of its geological exploration.

The most notable achievement of LUKOIL's geological exploration work in 2010 was the first-ever discovery by a Russian oil company of a deepwater oil & gas field. The discovery was made on the continental slope in the Gulf of Guinea, off the coast of Ghana, as part of the CTPDW project. The field is a part of the Dzata structure, and is at a sea depth of 2,000 meters. The well, which discovered the field, was drilled to a depth of 4,500 meters below sea level.

Most of the Group's geological oil & gas exploration work in 2010 was concentrated in Western Siberia, the Timan-Pechora oil province and international projects. The Group's largest prospecting projects in 2010 were further study of the Tsentralno-Astrakhanskoye gas and condensate field and work in the offshore Caspian to assess oil & gas prospects in Neocomian sediments at the Rakushechnoye field and Lower-Chalk and Jurassic sediments at the Ukatnaya structure. Prospecting work also continued in 2010 to study geological structure and oil & gas potential at the Denisovskaya Depression in the Komi Republic. Outside Russia LUKOIL Group carried out studies of prospects on the West African shelf, in the Aral region and also as part of the Riyadh project in Saudi Arabia. Geological exploration work in other regions was focused on preparation and reconnaissance of prospective new geological targets and additional exploration at fields, which were discovered earlier.

The Company substantially increased 2D seismic work in 2010 to locate and detail geological structures and to prepare for drilling of prospecting and exploration wells, shooting a total of 6,178 km of 2D in comparison with 2,446 km in 2009. International projects accounted for 17% of the total, reflecting expansion of the Company's operations outside Russia. 3D seismic volumes also increased, reaching 5,840 km², of which 30% was as part of international projects. Quality of the seismic work and speed of processing and interpretation have improved in recent years, due particularly to application of new computer technologies. **High standards of the Group's seismic work are demonstrated by consistent success rates above 70% in prospecting and exploration drilling.**

LUKOIL companies are in the process of switching to denser and wider-amplitude observation systems in order to obtain more informative data and achieve more accurate forecasting of filtration-volume characteristics of reservoirs, and of their fracturing qualities. Surveys at the Tsentralno-Astrakhanskoye, Rossokhinskoye, Severo-Vozeyskoye and Sredne-Nazymskoye fields are using high-amplitude 3D techniques.

LUKOIL completed 793 km of electrical exploration in 2010. Vertical seismic profiling, which enables detailing of geological structure around an existing well, was carried out at eight wells. Total exploration drilling in 2010 amounted to 118,800 meters, and efficiency was 1,143 tonnes of conditional fuel per meter. A total of 32 prospecting and exploration wells were completed in 2010 of which 22 were productive.

Group companies discovered six fields in 2010 (Olginskoye in Tatarstan, Dulepovskoye in Perm Territory, South-East Kyzylbairak and West Aral in Uzbekistan, Arcadia in Egypt and Dzata in Ghana), as well as 25 new oil deposits at fields in Western Siberia and Perm Territory.

Increase of proved reserves under SEC standards during 2010 through geological exploration and additional information obtained in the course of production drilling amounted to 625 million boe. Most of the organic growth of proved oil reserves was obtained in Western Siberia (68% of the total) and the Komi Republic (12% of the total). Organic growth of proved gas reserves was also obtained in Western Siberia (61% of the total, including 35% at Bolshekhetskaya Depression) and in international projects: Kandym-Khauzak-Shady and Karachaganak (30% of the total for gas). Spending by LUKOIL Group on geological exploration work in 2010 was \$435 million.

Russia

Exploration drilling in Russia in 2010 totalled 102,000 meters, 2D seismic exploration was 5,076 km and 3D seismic was 4,116 km². Spending on geological exploration in Russia was \$220 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 particularly efficient and productive.

Exploration drilling in the District totalled 44,900 meters in 2010 and nine wells were completed, of which seven were productive. The success rate of exploration drilling was 78%. 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 Group shot 499 km of 2D seismic and 2,415 km² of 3D seismic in the course of the year. 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 prior to production drilling. Some 275 km² of 3D surveying was carried out at the Vostochno-Kayumovskiye areas, which were acquired in 2009.

The Group identified 14 new deposits at previously discovered fields in the region during 2010. Largest growth of oil reserves was at the Mishaevskoye, Pokachevskoye and Vateganskoye fields, thanks to 3D work and exploration drilling. Proved hydrocarbon reserves of the Company in Khanti-Mansiysk Autonomous District to SEC standards were 7.6 billion boe by the end of the year. Significant oil flows were obtained at a number of fields.

Testing of Achimian sediments gave a daily oil flow of 180 barrels and a daily flow of 160 barrels was obtained at the Yuzhno-Pokachevskoye field. Geological work led to a water-free daily flow of 1,010 barrels at the Kozhevskoye field. Drilling and well-testing was also carried out at the Vostochno-Perevalny, Zapadno-Kotukhtinsky, Aprelsky, and Bolshoi license areas. Oil flows were obtained at all wells and daily flow rate at the Vostochno-Perevalny field was up to 320 barrels.

Yamal-Nenets Autonomous District

The Company 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, and Yuzhno-Tarasovskoye oil, gas and condensate fields, as well as the Urabor-Yakhinsky and Vansko-Namyssky areas.

2D seismic work amounting to 700 km was carried out at the Nakhodkinsky license area in order to identify non-anticlinal traps in chalk sediments.

Proved hydrocarbon reserves at Company fields in the Bolshekhetskaya Depression grew by 5.5% in 2010 compared with 2009 to 2.2 billion boe (more than 13% of LUKOIL Group's total proved hydrocarbon 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 2010. Volumes of 2D and 3D seismic work during 2010, for clarification of geological models, were 1,066 km and 813 km², respectively, and exploration drilling was 9,400 meters.

Total 9,400 km of prospecting and exploration drilling was carried out during 2010 in the **Komi Republic** and two wells were completed at the Bayandyskoye field, both of which were productive. The drilling success rate was thus 100%. Well-testing gave daily flows of 200 and 1000 barrels of oil, respectively. Both wells have been brought into production.

Testing of an exploration well was completed at the Oshskoye field in **Nenets Autonomous District**, and daily oil flow of 2,700 barrels was obtained. 2D seismic surveying was carried out on 710 km at the Yuzhno-Tedinsky and Predtimansky areas, and 776 km² of 3D seismic was shot at the Yuzhno-Khoreiverskoye, Vostochno-Tedinsky and Vangureyakhinskaya areas. A 3D survey of 128 km² was in progress during 2010 at the Denisovskaya Depression.

Geological work and additional information obtained in the course of production drilling added 78 million barrels of proved reserves to international standards in Timan-Pechora during 2010.

OOO Naryanmarneftegaz, the joint venture between LUKOIL Group and ConocoPhillips began secondary testing of an exploration well to investigate production potential of a high-viscosity oil deposit in Carbonaceous sediments. Initial daily oil flow was 200 barrels.

Urals

The Urals is a traditional production region for the Company, and reserves in the region have been extensively explored. LUKOIL carried out 61 km of 2D seismic and 768 km² of 3D work in the region for geological purposes during 2010. Exploration drilling totaled 13,900 meters. Exploration drilling to discover new fields and increase reserves was carried out mainly in the vicinity of sites with established commercial oil presence.

In **Perm Territory** construction of three wells was completed, two wells were drilled, and testing work began at the Enapaevskaya and Zabrodovskaya areas. All of the wells gave flows from productive strata at daily rates of 100-200 barrels, so the prospecting success rate was 100%. One new field was discovered in 2010 – the Dulepovskoye field, at which testing gave an oil flow of 200 barrels per day.

Volga (onshore)

The Volga is another traditional hydrocarbon production region for LUKOIL Group and its geology has been extensively studied. Exploration drilling in 2010 was 19,500 meters and 1,385 km of 2D seismic was carried out in **Volgograd Region** (the administrative territory). LUKOIL companies also completed 593 km of electric exploration work and 100 km of geochemical studies. Drilling of an exploration well was begun at the Beshkulskoye field.

An exploration well was completed at the Nemirovskoye field and gave a commercial flow of 400 barrels per day when tested. The well has been brought into production.

Drilling of an exploration well began at the Tsentralno-Astrakhanskoye field to clarify field structure, so that reserves can be transferred to the industrial category and 3D seismic work began in the northern part of the field (45 km² were shot during 2010).

Drilling and well testing were carried out at the Agryzsky, Menzelinsky and Ozerny areas in the **Republic of Tatarstan**. One prospecting well was completed at the Yuzhno-Izhevskaya structure and a new field – the Olginskoye field – was discovered. Testing of a Zavolzhsky horizon in the Upper Devonian gave a daily oil flow of 610 barrels using a choke. C1 recoverable oil reserves are 1.4 million tonnes.

2D seismic work (301.3 km) was carried out at the Menzelinsky license area.

Northern Caspian

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

In the **offshore Caspian** Well-7 was completed at the Rakushechnoye field, and results suggest C1 reserve increase of 621 billion cubic feet and additional 2.7 million boe of gas condensate. 2D

seismic work was completed at the Tsentralno-Kaspiisky license area (500 km), and 200 km of electrical exploration was also carried out.

The Caspian Oil Company, in which a subsidiary of OAO "LUKOIL" owns 49.89% (another 49.89% is owned by a subsidiary of Rosneft and remaining shares belong to Gazprom), drilled a prospecting well at the Ukatnaya structure and discovered oil & gas strata in Mid-Jurassic sediments. The deposit is in thin-layered, medium-to-fine grained sandstone. Strata testing gave flows of oil, gas and water, and discovery of a commercial hydrocarbon deposit was confirmed.

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 414 km of 2D seismic during 2010. The material has been processed and interpretation has begun.

Priazovneft discovered the Novoye field in the offshore Azov Sea in 2007 and has taken a joint decision with Rosneft to carry out further geological work at the central part of the license area.

Kaliningrad Region

LUKOIL companies carried out geological work in 2009 in Kaliningrad Region both onshore and in the offshore Baltic Sea. Offshore work was in preparation for drilling of a first prospecting well.

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 with LUKOIL Group participation was 17,300 meters in 2010. The Group's share of 2D seismic work in international projects in 2010 totaled 1,102 km and its share of 3D work was 1,724 km². Spending on geological exploration outside Russia was \$199 million.

LUKOIL Group was involved in geological exploration projects in nine countries outside Russia by the end of 2010: Colombia, Kazakhstan, Saudi Arabia, Uzbekistan, Cote d'Ivoire, Ghana, Egypt, Venezuela and Iraq (preparation for production). Seven exploration wells were drilled as part of these projects in the course of the year, of which four were productive (a success rate of 57%).

Drilling of Well Dzata-1 with depth of 4,500 meters was completed in 2010 at the **CTPDW block** in the **Republic of Ghana** (a LUKOIL company's share in the project is 56.66%). The well discovered an oil and gas condensate field and confirmed presence of an oil & gas bearing system at the block. The main sandstone reservoir contains gas and light crude oil. The well was drilled using a semi-submersible rig with a dynamic positioning system. A plan of field evaluation was approved in 2010 in order to clarify filtration-volume features of reservoirs, the nature of saturation and geometry of deposits. The calculations, which have been carried out, suggest that the field is commercially viable. Main risks are associated with confirmation of reserves and obtaining commercial flows. The Company is preparing for reconnaissance of other geological targets on the block territory, evaluation of which could increase the resource base and improve financial criteria of the project.

The Cape Three Points discovery makes LUKOIL the first Russian company to locate an oil & gas field on a deepwater continental slope, and proves that use of new technologies is helping the Company to remain in the oil & gas industry vanguard. The Dzata structure confirms good prospects of Ghana's deepwater shelf and provides an excellent opportunity to deploy the latest production technology to best effect.

Drilling of Well Orca-1 to depth of 4,000 meters was completed at **Block CI-401 in Cote d'Ivoire**, and drilling gave evidence of oil & gas saturation in Campanian and Turonian stages,

including a sample of water-free oil. The drilling results point to presence of lithologic and stratigraphic deposits in the Turonian complex at block CI-401.

A technical description was prepared for the Kakao site at **Block 205 in Cote d'Ivoire**. Hydrocarbon resources amounting to 147.3 million tonnes of oil and 31.3 billion cubic feet of gas have been confirmed. Drilling of a well is planned in 2011.

At the **Riyadh (Block A) project in Saudi Arabia** drilling of Well Tukhman-4 was completed to sediments at the Sharavra formation, and a modest flow of gas and condensate was obtained from testing of the Unaiza formation. The well has been suspended until a technology can be applied to increase the flow rate. Additional testing of the middle and upper interval of the Sara formation was carried out at Well Faidakh-2. Current daily gas flow rate is 53,000 cubic meters. The well has been suspended pending choice of a technology, which can enhance the rate of flow.

3D survey work totaling 674 km² was carried out at **Condor project in Colombia** during 2010 in the region of the East-Guavio and Cumoral structures.

The first stage of preparatory work began at the end of 2009 for drilling of Well Amarilo-1, and a co-investor for well drilling is being sought. Preparation of an environmental impact assessment and the procedure of obtaining an environment license are also underway.

The investment consortium working on the **Aral project in the Uzbek sector of the Aral Sea** (LUKOIL Group has a 20% stake in the project) completed drilling of the first well, WAEx-1. Bottom-hole is at a depth of 3.3 km. The well has found a multi-bed field with gas-condensate deposits in Mid-Jurassic sediments. Maximum daily gas flow is 319,500 cubic meters.

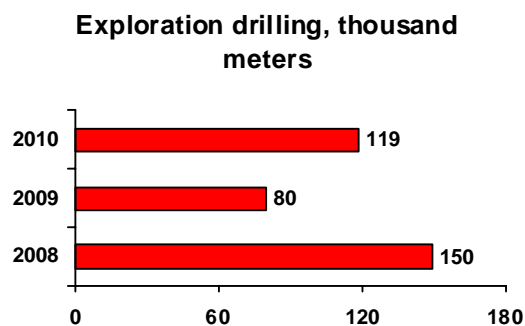
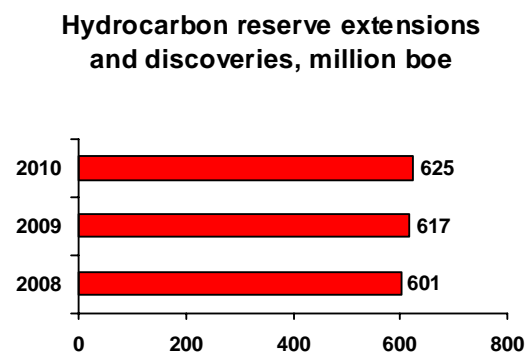
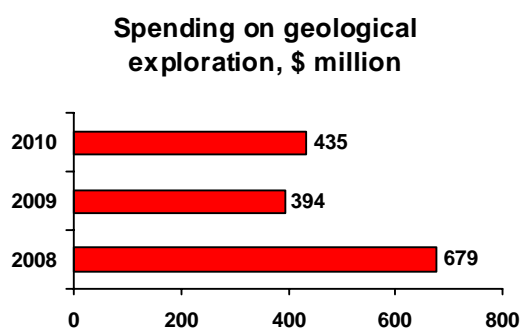
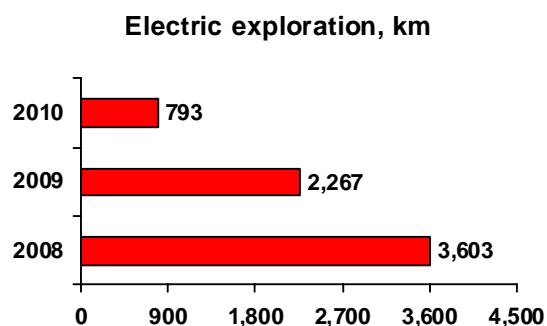
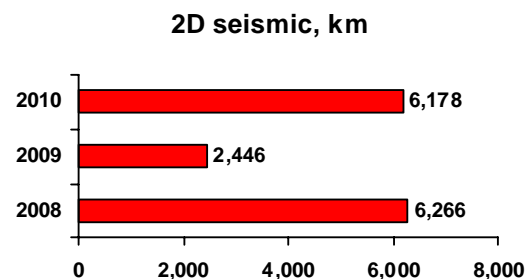
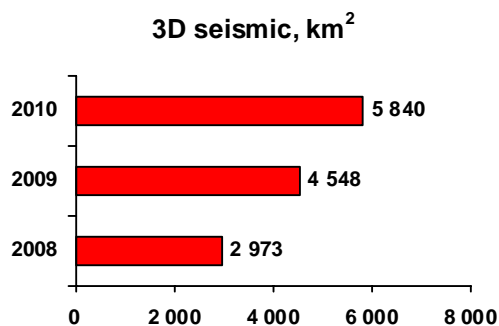
Preparatory work was carried out at the **Kungrad block in Uzbekistan** for drilling of Well Shege-1.

In the **South-West Gissar project in Uzbekistan** a well was drilled to 2,521 meters at the western dome of the South-East Kyzylbairak structure and penetrated prospective Upper Jurassic sediments obtaining a daily gas flow of 442,000 cubic meters. Prospecting and exploration Well Shamoltegmas-4 is to be drilled in 2011 in order to transfer reserves from C2 to C1 at the Kyzylbairak field. Planned well depth is 350 meters.

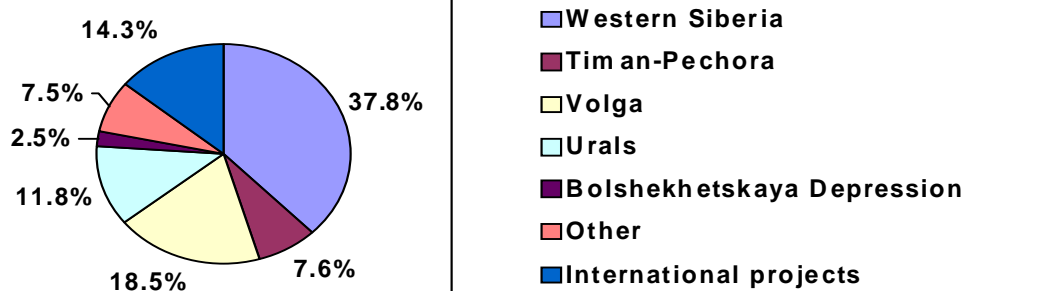
Preparations were made for drilling of a well in the **Kazakh sector of the Caspian Sea** as part of the **Tyub-Karagan** project. Geological resources at the structure are 317.6 million tonnes of conditional fuel under Russian classification.

In February 2009 the Group became the operator at the **WEEM Extension**, adjacent to the **WEEM block in Egypt**. More than 60% of the WEEM Extension was already studied by LUKOIL in 2006 using high-definition 3D seismic. A slanted well, WEEM E-A-1, drilled to a depth of 1,829 meters found more than 30 meters of oil-saturated reservoirs and obtained daily oil flow of 1,100 barrels from the Nubia structure. The well has reached the contour zone of the deposit. Drilling of Well WAE-2 has been completed: planned depth was 2,324 meters, but bottom-well is at 2,658 meters. The well penetrated the Matulla and Nubia horizons in a lowered section of the block, but was unproductive. The well has been suspended pending a decision based on results of 3D seismic work.

The Company won a tender in 2010 for exploration and development rights at the Est Rapsodia and Trident offshore blocks in the Black Sea off the coast of **Romania**. 3D seismic exploration work is planned to clarify geological structure of the blocks. A concession agreement is being prepared for signing with Romania's National Agency for Mineral Resources. An office of LUKOIL Overseas Holding Ltd will be opened for project management purposes.



Exploration drilling by regions (2010), %



Oil Field Development and Production

Oil production by regions

	Thousand tonnes	Share of production
Western Siberia	50,934	53.1%
Timan-Pechora	21,175	22.1%
Volga	3,137	3.3%
Urals	12,500	13.0%
International projects	6,225	6.5%
Other	2,021	2.0%
Total	95,992	100%

Crude oil production by LUKOIL Group in 2010 (including share of production by equity affiliates) was 95.922 million tonnes (1.940 million barrels per day). Average daily output fell by 1.6% in comparison with 2009.

Lower oil output in 2010 reflects a production decline at fields in Western Siberia, where the Company produces 53% of its crude, and was due primarily to objective changes in the structure of recoverable reserves. **However, use of the latest enhanced recovery technologies and horizontal drilling enabled the Company to reduce the rate of crude output decline in Western Siberia from 5.7% in 2009 to 3.8% in 2010.** The Group has also successfully addressed the problem of electricity supply shortages for production operations, which arose in recent years in Western Siberia. The Company is building and commissioning its own power generating capacities at fields, and the shortages have now been almost completely overcome.

The main achievement in the Company's production business during 2010 was launch of production at the **Yu. Korchagin field** where annual oil extraction will reach 2.4 million tonnes and gas output will be 1 billion cubic meters at peak production. Yu. Korchagin is the first of a group of LUKOIL fields in Russian territorial waters of the Caspian Sea to have been brought into operation. Development of the field will use a system of long horizontal wells (over 5 km in length) representing a unique solution for the Russian industry. Logging will be carried out as part of the horizontal-well drilling process. Radial distribution of wells will enable simultaneous penetration of all productive layers.

The Company continued its work on improvement of field development efficiency and reduction of operating costs in the reporting year. 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 2010. As a result field development spending rose by 4.0% in 2010 compared with 2009 to a level of \$4.599 billion, despite increase of inflation to 8.7% and real strengthening of the rouble by 11.6%.

The Company's subsidiaries and equity affiliates produced hydrocarbons at 355 fields in Russia and 11 projects abroad in 2010. A total of 11 new fields were brought into development during the year, as follows: Severo-Pokamasovskoye, Mishaevskoye, Svobodnoye, Timerovskoye, Olginskoye and Lenzitskoye (Western Siberia); Yu. Korchagin (Volga); Sharonovskoye, Preobrazhenskoye (Urals); Olginskoye and Yu. Rossikhina (Timan-Pechora). The largest production increases (more than 200,000 tonnes) were achieved at four fields: Bayadynskoye and Usinskoye in Timan-Pechora; and Kechimovskoye and Urevskoye in Western Siberia.

The Company had 30,340 oil production wells as of January 1, 2011, of which 25,990 were actually in use, and the number of water injection wells was 10,320, of which 8,120 were under pressure. The number of oil production wells was 2.0% higher than in 2009. The share of idle wells was almost unchanged from the end of 2009 at 14.3% of the total number. Average daily oil flow from wells in projects with Group participation was 14.5 tonnes.

Volumes of production drilling were nearly unchanged, totaling 2,732,000 meters, which is 0.3% less than in 2009. The number of new production wells brought into operation was 1,077, of which 101 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 35.8 tonnes, including 156.6 tonnes from horizontal wells. Flow rates at new wells were 3% higher than in 2009 thanks to improvement in geological and hydrodynamic models and greater application of such models in planning of drilling work, and also as a result of further work to improve well completion technologies and initial and secondary penetration of productive formations.

Use of new drilling and well completion technologies, selection of optimal borehole trajectory with clarification of the geological model during drilling, use of bottom-hole control systems and real-time drilling management to maximize borehole contact with the reservoir gave an increase of average output from horizontal wells by 2.3 times compared with 2009.

The Company increased efficiency of sidetracks by 17.3% in 2010, despite a 15.2% reduction of this work in Russian operations compared with 2009. The improvement was mainly due to more accurate forecasting of geological structure and the structure of reserves at areas where sidetracks were used. Sidetrack drilling is carried out mainly at wells, which have been taken out of operation, in order to extract residual oil reserves. Sidetracks were drilled at 224 wells in 2010 and gave average daily flow of 19.7 tonnes.

Efficiency of hydrofracturing operations at Company wells in 2010 was comparable with the result in 2009. Positive effect from hydrofracturing was maintained thanks to effective planning work, selection of wells using full-time hydrodynamic models, and tighter control over the quality of materials and reagents used by service companies.

A total of 4,869 operations were carried out on productive formations using physical, chemical, hydrodynamic and heat techniques (see 'Exploration and Production Technologies'). Additional oil output in Russia thanks to application of enhanced oil recovery techniques was 22.1 million tonnes, or 25% of total oil production by the Group in Russia.

Russia

Oil production by LUKOIL Group in Russia during 2010 was 89.767 million tonnes, of which 89.431 million tonnes were produced by Group subsidiaries.

Subsidiaries and equity affiliates of OAO "LUKOIL" produced hydrocarbons at 355 fields in Russia in 2010. Production drilling in Russia declined slightly to 2,286,000 meters. The Group owned 28,610 production wells at the end of 2010, of which 24,420 were actually in use.

Western Siberia

Fields in **Western Siberia** accounted for 56.7% of the Group's Russian oil production in 2010. Production in the region was somewhat lower than in 2009 at 50.93 million tonnes. Use of enhanced oil recovery methods and drilling of horizontal boreholes enabled LUKOIL to reduce the rate of production decline in Western Siberia from 5.7% in 2009 to 3.8% in 2010. The Company will continue to focus on stabilization of production levels in main operating regions, stepping up investments into development of new technologies and improvement of field efficiency.

Stabilization of output levels in Western Siberia is complicated by gradual natural exhaustion of the resource base, due to the long period of production at most Company fields in the region, which has depleted their reserves. LUKOIL is combating output decline by use of the latest technologies, which enable substantial increase of the recovery ratio 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').

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 once again in 2010.

Oil production at the **Kechimovskoye field**, which was launched in 1995, grew by 30.2% in 2010 compared with 2009 to 2.01 million tonnes thanks to new production drilling: a total of 102 new wells were brought into production with average daily flow rates of 32.8 tonnes, including 27 horizontal wells with average daily flow rate of 61.9 tonnes. Oil production from new wells was 530,800. New wells brought into operation during 2009 (92 wells with average daily flow rate of 27.9 tonnes, totaling 644,300 tonnes in the year) made an important contribution to output in 2010, which was their first full calendar year in production. Work continued on a system to maintain reservoir pressure: 49 new injection wells were put under pressure during the reporting year.

The Kechimovskoye field is one of the Company's largest investment projects in Western Siberia: in accordance with the project schedule, 361 wells remained to be drilled as of January 1, 2011, of which 270 oil wells and 91 injection wells.

Oil production at the **Urevskoye field**, which was brought into production in 1978, rose by 9.3% to 2.86 million tonnes in 2010. The increase was achieved thanks to production drilling: 83 new wells were launched with average daily output of 25.7 tonnes, including two horizontal wells with daily flow of 59.1 tonnes. Oil production at new wells in the reporting period was 352,300. A total of 12 sidetracks were drilled at the field in 2010 in order to maintain output levels at wells, and they gave average daily flow increases of 12.5 tonnes, producing 20,700 tonnes of additional oil in total. Work continued on a system for maintaining strata pressure, and 29 new injection wells were put under pressure in the reporting year.

There were 843 wells still to be drilled at the Urevskoye field as of January 1, 2011, in accordance with the field development schedule. LUKOIL's development program for the Exploration & Production segment includes maintenance of high production drilling rates at Urevskoye with further increase of oil output.

Timan-Pechora

The Timan-Pechora oil province accounted for 23.6% of Company production in Russia in 2010. Output by the Group in the province declined slightly in comparison with 2009 to a level of 21.18 million tonnes but Timan-Pechora still has great potential. The Company will develop fields using new technologies in order to speed up extraction of heavy crude oil in Timan-Pechora. Such oil represents 4.3% of the Company's total proved hydrocarbon reserves, mostly located at the Yaregskoye and Usinskoye fields in Timan-Pechora.

The **Yaregskoye field** has proved reserves of 315 million barrels of high viscosity oil under SEC classification. Production at the field mainly uses a shaft technique. Industrial testing has been underway at Yaregskoye since 2005 of new techniques for production from the surface using horizontal wells and heat applications. The work will help the Company to assess technical aspects of use of horizontal wells for injection and production purposes. The technology is similar to Steam Assisted Gravity Drainage (SAGD), which is being applied for oil sands at Atabasca in Canada. Three pairs of horizontal boreholes with horizontal sections of 250–300 meters have been drilled using this technology at Test Area № 3. Further application of SAGD techniques involve constant steam input to an upper injection hole and extraction of oil from a lower production hole. Steam condenses on the walls of a steam chamber, which forms in the strata, then flows into the production hole together with oil under the effect of gravity.

Thermo-gravitational drainage technology was used at the Lyaelskaya area of the Yaregskoye field in 2010 for drilling of three horizontal wells with 1,000 meter horizontal sections. Industrial application of thermo-gravitational drainage will enable non-draining reserves to be brought into production, increasing the overall level of oil production at the Yaregskoye field.

The highest rate of oil production growth (more than 200,000 tonnes) in Timan-Pechora was achieved at the Usinskoye and Bayadynskoye fields.

Output increase of 210,700 tonnes (+10.0%) was achieved in 2010 at the **Usinskoye field**, thanks to higher extraction volumes from a Permian-Carbonaceous deposit (+219,200 tonnes). Higher extraction from the deposit was achieved using various efficient geological interventions (steam cycles, etc.), and diversion of wells to the deposit from other geological targets at the Usinskoye field.

Two wells were transferred from drilling to production status and gave average daily flow rates of 93.1 tonnes, totaling 8,900 tonnes for the year. A further 522 wells remain to be drilled as of January 1, 2011, in accordance with the field schedule. Application of enhanced recovery techniques in future drilling will enable the Company to maintain strong results in work at the Usinskoye field.

Extensive industrial testing of steam-heat treatment is being carried out in order to improve recovery ratios from high-viscosity Permian-Carbonaceous deposits. Heat treatment of strata using a system of horizontal boreholes was applied in practice at a deposit for the first time in 2010, and testing of a perpendicular thermo-gravitational drainage technique is planned. Drilling of a new horizontal well with length up to 900 meters is scheduled, and the well will be capable of supporting steam-cycle treatment techniques.

The Permian-Carbonaceous deposit at the Usinskoye field was brought into operation in 1977 and its proved reserves under SEC standards as of January 1, 2011 were 434 million barrels. Structure of the Carbonaceous reservoir is discontinuous, it contains high-viscosity oil and is a natural target for heat treatment. In order to raise the recovery ratio, steam is being injected in a steam-heat process across an area of the deposit, with application of a steam cycle at several production wells, combined in some places with use of chemical reagents. Additional output from the deposit thanks to application of heat methods has totaled 6.1 million tonnes since the operation was started. Other new technologies are also being tested at the deposit, including drilling of radial drain-holes with subsequent steam-cycle treatment, and drilling of sidetracks. Application of binary mixtures at production wells is also planned.

The highest rates of production growth in Timan-Pechora were at the **Bayadynskoye field**. Growth of output at the field in 2010 compared with 2009 was 265,500 tonnes (+123.6%). This was achieved thanks to transfer of seven wells (six production and one exploration) from drilling to production status. These wells gave average daily oil flow of 258,5 tonnes and total output of 322,000 tonnes in the reporting period. The current state of development suggests that it will be possible to produce confirmed recoverable reserves without installing a system for maintenance of strata pressure. Construction of a horizontal well with horizontal section of about 3,000 meters is planned in order to optimize the well combination at this highly productive field.

Crude oil output at the **Yuzhnaya Khylchuya field**, which was commissioned jointly with ConocoPhillips in mid-2008, was 6.9 million tonnes in 2010, which is 1.1% less than in 2009. Rapid production drilling and simultaneous launch of new production wells in 2008–2009 gave high oil-take from initial recoverable reserves, so that stabilization was inevitable in 2010, when five wells were transferred to production status (four production wells and one exploration well), with average daily output of 806 tonnes, and five injection wells were brought into operation. Measures to regulate field operations are now being carried out. They include reinforcement of the system for strata pressure maintenance at the north-eastern part of the deposit, and increase of injection pressure at the modular cluster pump station to planned levels.

The Company is working hard to ensure rapid development of Timan-Pechora's substantial reserves, which will help to compensate natural decline of output in traditional production regions.

Urals

Production of oil by LUKOIL Group in the Urals region increased to 12.5 million tonnes in 2010, or by 3.8%, thanks to use of new technologies, such as sidetracks, radial drilling and acid hydrofracturing. The Urals accounted for 13.9% of total production by the Company in Russia during 2010, compared with a figure of 13.4% in 2009.

Output at the Unvinskoye field grew by 6.2% in 2010 to 1.5 million tonnes. The increase was due to extensive use of new enhanced recovery methods and large-scale production drilling. Eight sidetracks were drilled and gave average daily flow of 26 tonnes, four hydrofracturing operations were carried out, giving 20.4 tonnes additional daily flow, and radial drilling technology was used at two wells (resulting average daily production growth was 7.7 tonnes). Overall production growth as a result of these measures and various traditional technologies was more than 80,000 tonnes. Two new wells were transferred to production status with average daily flow of 34.4 tonnes, including one well with a horizontal borehole.

The Unvinskoye field is one of the Company's biggest investment projects in Perm Region by size of initial oil reserves. The field has been almost completely drilled over and only fringe zones of deposits remain to be drilled.

Oil production at the **Sibirskoye field** rose by 4.5% in 2010 to 0.7 million tonnes thanks to geological work at wells and use of various techniques for enhanced recovery and production intensification. The techniques were applied at nine wells in 2010 and enabled additional extraction of 12,700 tonnes of oil. However, most of production growth in 2010 was obtained from continuation of geological interventions from 2009: a total of 18 well operations, which gave average daily output growth of 19.9 tonnes and total additional output of 58,100 tonnes. Principal techniques used at the field are acid and proppant fracturing of strata, repeat fracturing of strata at a depression and drilling of sidetracks and radial holes at wells.

The field is of average size by reserves compared with others in the region around Perm. Main geological targets at the field are Riphean sediments of the Turnei-Famenskiye stages, Terrigenous sediments in the Tulsko-Bobrikovsky horizon and Carbonaceous sediments in the Bashkirean stage. Nearly all planned wells have now been drilled,

Volga

Crude oil production by LUKOIL Group in the Volga region increased by 2.1% in 2010 compared with 2009 to 3.14 million tonnes. Work by the Company to improve field development efficiency in the region has led to increase of the oil recovery rate and made it possible to maintain output levels, despite considerable depletion of reserves.

LUKOIL's most important achievement in the E&P segment during 2010 was launch of production at the **Yu. Korchagin field**, where peak production levels will be about 2.5 million tonnes of oil and 1 billion cubic meters of gas. The Yu. Korchagin field is the first to come on line of a series of fields that are being developed by the Company in the offshore Caspian. Development of these fields will be the main source of oil production growth for the Company in the medium term. The Yu. Korchagin and Viktor Filanovsky fields will account for most production growth, and they are the first in order for launch. The Yu. Korchagin field development will use a system of extra-long horizontal wells (over 5,000 meters), representing a unique solution for Russia. Well logging will be carried out in the process of horizontal drilling, and radial distribution of wells will enable simultaneous penetration of all productive strata. Rates of field development slowed down in 2010 due to lower commercial drilling speed and 14% loss of calendar work time due to accidents and downtime.

Work is being carried out on production stabilization at the **Pamyatno-Sasovskoye field**, which is one of the largest in the Volga region, accounting for 77% of LUKOIL's regional output. Total additional oil production achieved by drilling of sidetracks was 67,300 tonnes, average daily flow rates were increased by 122 tonnes. Two efficient repair and insulation operations were carried out, giving average 53.5 tonnes additional daily output, and adding 30,600 tonnes of oil for the year.

International projects

LUKOIL Group's share of production in international projects was 6.255 million tonnes, which is 8.3% more than in 2009. The growth was mainly due to the Tengiz and North Buzachi projects in Kazakhstan, South-West Gissar in Uzbekistan and Shakh-Deniz in Azerbaijan.

Production drilling in the Company's international projects increased by 25.6% in 2010 compared with 2009 to 446,000 meters. The number of oil production wells rose by 14.2% to 1,738, of which 1,583 were actually in use. A total of 279 new production wells were commissioned as part of international projects, in which the Group is a participant.

The largest oil production increase as part of international projects came from the **Tengiz project in Kazakhstan**. Crude oil production from the project (Group share) grew by 101.8% to 1,296,000 tonnes, and average daily output per well was 955 tonnes. PreFEED work was completed in 2010 for planned expansion of the Tengiz field, which will involve construction of a new oil preparation plant with 12 million tonnes annual capacity and enlargement of the gas reinjection system. The Company plans to resume drilling at Tengiz in order to load existing plant capacities and as part of the future expansion project. The rate of use of associated gas at Tengiz has been raised to 99% thanks to a series of measures, ending routine flaring of gas at the field.

The Group's share of crude oil and gas condensate production in the **Karachaganak project in Kazakhstan** was 1.5 million tonnes in 2010, almost unchanged from the previous year. Five new horizontal wells with average daily flow of 761 tonnes were brought into production during the year as part of the field investment programme.

Rapid development work continued at the **Kumkol field in Kazakhstan** during the reporting year. The Group's share in crude production in this project during 2010 was 1.47 million tonnes. 71 new production wells were drilled in the reporting year and gave average daily flow of 36 tonnes.

Share of the Group in the **KarakudukMunai project in Kazakhstan** was 718,900 tonnes in 2010. In the course of the year 19 new wells were brought into operation, and gave average daily production of 18.3 tonnes. Expansion of the system for maintenance of strata pressure was completed by commissioning of two pumping units with daily capacity of 10,000 cubic meters. The central oil processing unit was modernized by assembly and activation of a compressor with capacity of 1,100 cubic meters per hour. A separator for natural gas liquids was built and brought into use.

Intensive development work continued at the **North Buzachi field in Kazakhstan**, where LUKOIL Group's share of production grew by 3.8% to 497,500 tonnes, and 151 new production wells were commissioned giving average daily flows of 9.7 tonnes. Five pumping stations were built in the reporting year, and work was completed on three horizontal wells and eight sidetracks.

Oil production grew by 4.3% at the **Alibekmola and Kozhasai fields (the Kazakhoil Aktobe project in Kazakhstan)** to a level of 244,000 tonnes. Nine new wells were brought into operation with average daily output of 57.1 tonnes, and an agreement was reached for carrying out of two pilot actions for deep treatment of strata. Construction of a system of strata pressure maintenance was completed at the Kozhasai field, and planning and equipment sourcing was carried out for a complex gas preparation facility at the Alibekmola field and a gas preparation facility at the Kozhasai field, both as part of the project for use of associated gas.

Gas condensate production as part of the **Shakh-Deniz project in Azerbaijan** rose by 7.3%, to 149,300 tonnes in response to growth of demand in Azerbaijan and from Turkish consumers. Four wells were in operation during 2010. Gas was supplied through the South-Caucasus pipeline to Azerbaijan, Georgia and Turkey. Condensate was shipped via the Baku-Tbilisi-Ceyhan pipeline.

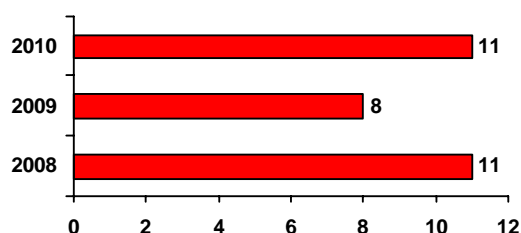
The Group's share of gas condensate production at the **Khauzak-Shady area in Uzbekistan** (developed as part of the **Kandym-Khauzak-Shady project**), which was commissioned in 2007, was 10,400 tonnes in 2010. One new production well was commissioned in the course of the year and gave daily flow of 2.8 tonnes of condensate. A tendering competition was announced for design and construction of a booster compressor station.

LUKOIL Group's share of production at the **South-West Gissar project in Uzbekistan**, which was acquired in 2008, grew by a substantial 131% in 2010 compared with 2009 to 87,900 tonnes. Four new production wells were brought into operation during the reporting year and gave average daily output of 47.7 tonnes. A contract and agreement was made concerning supply of technical documentation and

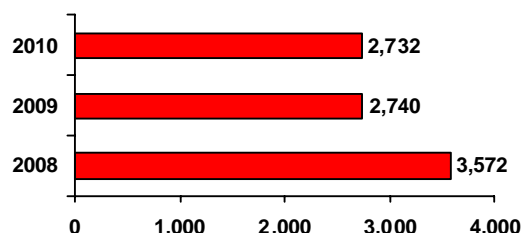
equipment for the Adamtash, Gumbulak, and Djarkuduk-Yangi-Kizilcha gas condensate fields in the Republic of Uzbekistan.

The Group's share in the **Meleiha project in Egypt** was 12.6% less in 2010 than in 2009 and amounted to 69,000 tonnes, despite overall growth of project output. This was due to reduction of LUKOIL's production share from 9.57% to 7.35% resulting from increase of Brent prices and 18% reduction of capital expenditures in 2010 to \$19.3 million. Lower investments were due to change in the construction schedule of the project operator, Agiba Petroleum, which delayed construction of vent lines to the new wells (part of the loss-reduction project) and construction of burial facilities for radioactive waste until 2011. A further 16 wells with average daily output of 34.9 tonnes were brought into operation in 2010.

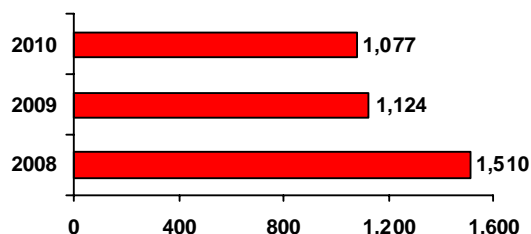
New fields commissioned in 2010, fields



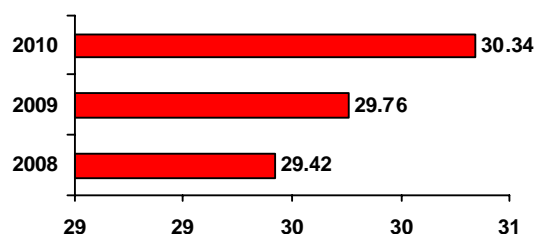
Oil production drilling in 2010, thousand meters



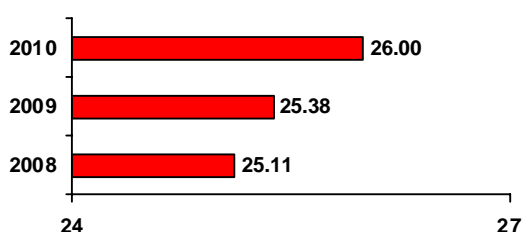
Oil production well launches in 2010, wells



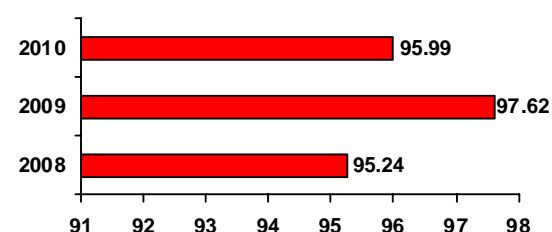
Oil production wells in 2010, thousand wells



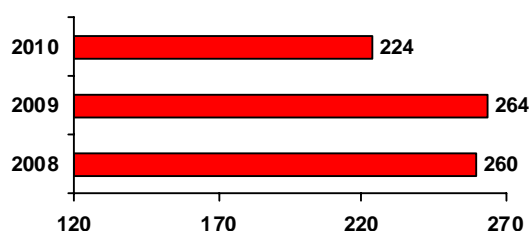
Oil production wells in 2010, thousand wells



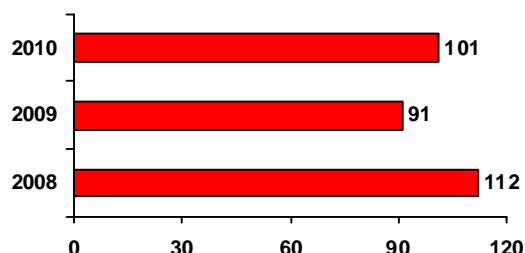
Oil production in 2010, million tonnes



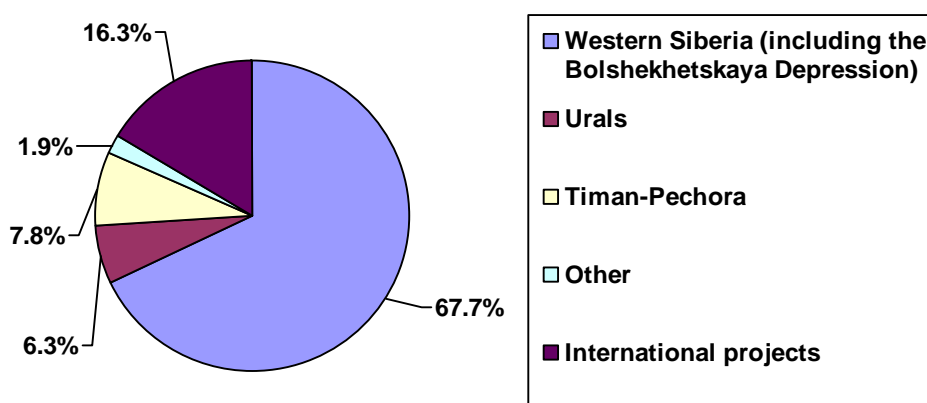
Drilling of sidetracks in 2010, sidetracks



Drilling of horizontal wells, wells



Production drilling by regions (2010)



Gas field development and gas production

LUKOIL Group marketable gas production by regions

million cubic meters

Western Siberia	3,492	18.7%
Bolshekhetskaya Depression	8,146	43.9%
Timan-Pechora	536	2.9%
Urals	921	5.0%
Volga	529	2.9%
Other	11	0.1%
International projects	4,919	26.5%
Other	18,554	100.0%

LUKOIL Group 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 2010 (including the share of production by equity affiliates) rose by 20.4% to 21.328 billion cubic meters (344,000 boe per day). Output of marketable

gas (net of own use, reinjection into reservoir formations and transport losses) rose by 24.5% to 18.554 billion cubic meters (299,000 boe per day), and the increase in Russia alone was 27.9%. Significant growth of marketable gas output was possible thanks to growth of purchases by Gazprom, due to increase of demand in Europe and the effect of a low base in 2009. European spot prices for gas rose sharply at the end of 2010 in the context of high oil prices, industrial recovery after the recession and severe weather conditions on the continent. As a result Company revenue from sales of natural gas increased by 46.2% in 2010 compared with 2009 to a level of \$835 million.

Most of the output growth was provided by the Nakhodkinskoye field, where production of marketable gas rose by 37.2% in 2010 to 8.146 billion cubic meters. All of this gas was sold to Gazprom. The Company also increased rates of associated gas use in Western Siberia. **Net income of LUKOIL Group in 2010 from gas projects in Russia was \$116 million, which is 107.1% more than in 2009.**

The Company was operating 397 gas wells at the end of 2010, of which 286 were in production.

Natural gas output rose by 21.8% to 13.936 billion cubic meters in 2010, of which 12.770 billion cubic meters was marketable gas. Increase in output of marketable gas was 25.0%.

Production of associated gas rose by 17.8% to 7.392 billion cubic meters, of which 5.784 billion cubic meters was marketable associated gas. Increase in marketable associated gas production was 23.6%. Growth in production of marketable associated gas was due to 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 Company has been increasing the share of associated gas¹, which it puts to use, year by year and the share reached 76.8% in 2010 compared with 71.1% in 2009 and 70.4% in 2008. The increase has been made possible by 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 now more than 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 2010 was 13.635 billion cubic meters, which is 27.9% more than in 2009. The Company had 306 gas production wells in Russia at the end of 2010, of which 213 were actually in use

Most of the Company's natural gas production in 2010 in Russia (more than 90%) came from the **Nakhodkinskoye field in the Bolshekhetskaya Depression**. Gas production there in 2010 was 8.2 billion cubic meters, which is 37.1% more than in 2009, reflecting increase of gas purchase volumes by Gazprom.

Scheduled work is being carried out at the field for modernization of low-temperature gas separation technologies in order to raise strata pressure in the complex gas preparation unit. Four turbodetander aggregates were brought into operation in a first stage of this work in 2010, and the second stage will involve installation of a booster compressor station, design of which began at the end of 2010. Completion of these tasks will ensure stability in production, preparation and transport of gas from the Nakhodkinskoye field.

Design work was completed in 2010 for the main compressor station in a gas transport system to serve fields in the Bolshekhetskaya Depression in the region of Nakhodkinskoye. Tendering competitions have been carried out and agreements have been made for construction of the station, and for design,

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

manufacture, delivery, assembly and testing & commissioning of gas pumping aggregates as well as ancillary equipment. Commissioning of the first part of the main compressor station is scheduled for the end of 2012.

The Company began drilling work at gas condensate deposits at the **Pyakyakhinskoye field** in 2009. Two drilling rigs have been deployed at the field, the first section of a gas turbine power station was brought into operation in July, 10-kilowatt aerial transmission cables were installed to carry power to two drilling pads, and a well was drilled to provide gas for energy generation. There were eight wells at the field at the start of 2011: seven wells are suspended, and one well provides gas for an energy generation unit.

The plan for development of the Pyakyakhinskoye field was adjusted in 2010 based on results of geological work and production drilling, and on decisions that were taken for optimization of well performance.

OAO "LUKOIL" has reached an agreement with Rosneft, by which the Company will accept 5.6 billion cubic meters of gas each year starting in 2013 from the Vankor field to be fed into the gas transport system serving the Bolshekhetskaya Depression in the region of the Khalmerpayutinskoye field and transport it to the Yamburgskaya gas compression station on Gazprom's Unified Gas Supply System. Construction of pipelines from Khalmerpayutinskoye to Pyakyakhinskoye and from Pyakyakhinskoye to Nakhodkinskoye are scheduled for completion in 2013. Tenders have been carried out for purchases of pipes and pressure regulating equipment, and contactors for construction of the gas transport system have been selected.

In return, Rosneft guarantees to accept up to 3 million tonnes per year of stabilized oil and condensate to be fed into the Vankor-Purpe pipeline for transport to the Transneft trunk pipeline system. However, the Company has decided to use the Zapolyarye-Purpe pipeline (owned by Transneft) in preference to the Vankor route for liquid hydrocarbons, so construction of the Pyakyakhinskoye field and start of production have been synchronized with planned launch of the Zapolyarye-Purpe pipeline, which will pass across the Pyakyakhinskoye field.

When all fields in the Bolshekhetskaya Depression reach planned production levels, the Company's total output of natural gas in the region will be 20 billion cubic meters.

International projects

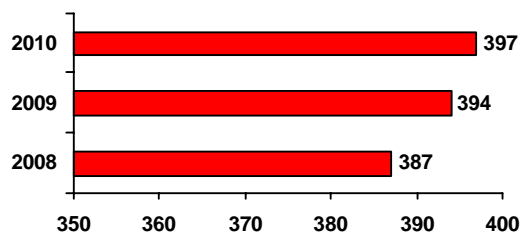
Production of marketable gas in 2010 as part of international projects rose by 16.2% to 4.919 billion cubic meters. The share of natural gas was 86%, representing a decline of 6 percentage points. The Company had 91 gas production wells in international projects at the end of 2010, of which 73 were actually in use.

Most of marketable gas production outside Russia (54%) 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 rose by 19.2% to 2.66 billion cubic meters in 2010. Production drilling at the area continued in 2010, and one new well was commissioned giving average additional daily gas flow of 356.2 cubic meters. Intensive work is also underway in Uzbekistan on drilling of gas wells at the Adamtash field as part of the Gissar project, where four new production wells were launched with average daily flow of 59,000 cubic meters. Full-scale production of natural gas is due to start at Adamtash in 2012.

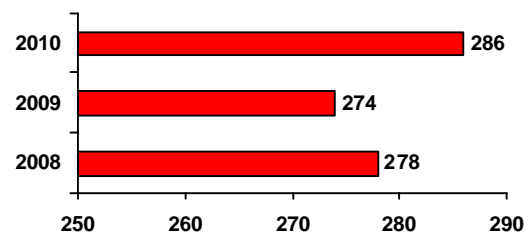
The Company's share of gas output in the **Tengiz project** increased by a record 112% in 2010 to 568.4 million cubic meters. Completion of a project for utilization of associated gas raised the usage rate to 99%, and routine gas flaring is no longer carried out.

Marketable gas production in 2010 at the **Shakh-Deniz project in Azerbaijan**, which was brought into production in December 2006, was 545 million cubic meters (Company share), which is 5.2% more than in 2009, reflecting growth of consumer demand. Agreement was reached in 2010 between Azerbaijan and Turkey on price increase for first-stage gas from Shakh-Deniz. Agreement was also reached between Azerbaijan and its partners on extension of the project PSA for a further five years.

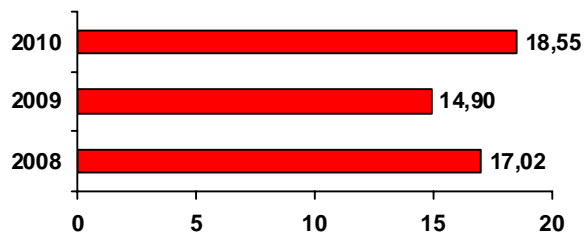
**Gas production wells in 2010,
wells**



**Gas production wells in use in
2010, wells**



**Marketable gas production in 2010,
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

Company results in the Refining & Marketing segment were impressive in 2010: segment net income rose by 29.7% to \$2.934 billion. The strong improvement of net income reflected recovery of demand and profitability of refining business as the world economy emerged from the financial crisis.

LUKOIL Group pursued work in 2010 to develop its oil refining business through modernization and expansion of refining capacities.

Main indicators for LUKOIL's Refining & Marketing business

Indicator	2010	2009	Growth, %
Revenue, \$ million	99,976	77,434	29.1
EBITDA, \$ million	5,934	5,225	13.6
Net income, \$ million	2,934	2,263	29.7
Capital expenditures, \$ million	1,320	1,316	0.3

Price and Tax Environment

Growth of the world economy led to gradual recovery in demand for petroleum products during 2010, and there was substantial price growth both domestically and on export markets. The external price environment was of greatest importance for LUKOIL since the Company sold 83% of its petroleum products outside Russia in the reporting year. Average prices for fuel oil in Europe rose by 28% (FOB Rotterdam), and prices for high-octane gasoline were 27% higher. The domestic market for petroleum products also saw price growth: boiler fuel oil was 51.3% more expensive and prices for AI-95 gasoline rose by 16.8%.

Refining of oil and petroleum products by the Company, including volumes at third-party refineries, totaled 66.29 million tonnes in 2010, of which volumes at Group refineries (including the Group's share of ISAB and TRN) were 66.18 million tonnes (5.6% more than in 2009).

LUKOIL Group has five refineries outside Russia, which reduces risks associated with a single geographical region, and gives opportunities to take advantage of more favourable tax regimes in other countries. Many European countries provide attractive tax regimes for companies with operations on their territories.

This applies particularly to the TRN Refinery in the Netherlands, where the Government has consistently lowered corporate income tax rates over the last five years despite problems in the global economy: rates have come down from 29.6% in 2006 to 25% in 2011. Also the mechanism for calculation of TRN's tax base is enshrined in a special agreement with the Dutch tax authorities. This makes TRN's tax position stable and predictable. The effective tax rate for TRN in 2010 was 21.7%.

The ISAB Refinery is one of the biggest tax payers in its region. The Italian Government has brought in a number of tax measures since 2009, which are designed to encourage fixed asset investment and reduce unemployment, and which have reduced the tax burden for the ISAB Refinery. Nevertheless the effective rate of tax paid by ISAB was 44% in 2010, which exceeds the level at other LUKOIL Group

refineries. This was due to additional income tax, charged at 6.5%, and a special 16% tax on revaluation of inventories. Revenues from the latter tax are earmarked for income support to poor families, and it is levied on all companies in the Italian oil & gas sector.

Oil Refining

LUKOIL Group Refineries

Refinery	Nelson Index	Annual capacity, million tonnes per year ²	Throughput in 2010, million tonnes
Perm Refinery	7.9	13.0	13.02
Volgograd Refinery	5.2	11.0	10.97
Ukhta Refinery	3.3	3.7	4.10
Nizhny Novgorod Refinery	6.3	17.0	16.93
Mini-refineries in Uray and Kogalym		0.4	0.19
Total, Russian refineries		45.1	45.21
Odessa Refinery (Ukraine)	3.9	2.8	1.45
Refinery at Ploiesti (Romania)	10.0	2.4	2.52
Refinery at Burgas (Bulgaria)	8.9	9.8	5.95
ISAB Complex	9.3	7.8	6.57
TRN Refinery	8.4	3.6	4.48
Total, foreign refineries		26.4	20.97
Total		71.5	66.18

LUKOIL Group continued rapid development of its oil refining business in 2010 through modernization and expansion of refining capacities.

The volume of refinery throughputs, including processing at third-party refineries, was 66.29 million tonnes in 2010, of which 66.18 million tonnes were refined at Group Refineries (including Company shares of refining at the ISAB and TRN complexes), representing an increase of 5.6% over 2009.

Capital expenditures by the Company on its refinery business in Russia and abroad were \$702 million in 2010 (the figure in 2009 was \$828 million).

The Group raised operating efficiency of its refineries in 2010 through measures 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 these measures was about \$208 million. The largest positive effect was at the Perm, Nizhny Novgorod, and Ukhta refineries (\$85 million).

Russian refineries

Crude oil throughput at Russian refineries in ownership of LUKOIL Group was 45.21 million tonnes in 2010, which is 1.7% more than in 2009.

The share of high-octane gasoline in total output of gasoline at Group refineries in Russia (not including mini-refineries) rose to 91.5% in 2010 (from 89.7% in 2009). Light-product yield was 48.5%, down slightly from the previous year due to reduction in the amount of light fractions in refined oil and unscheduled downtime of hydrocracking facilities at the Perm Refinery.

² Capacities of the ISAB and TRN refineries are shown as the Company share (49% and 45%, respectively).

Measures were implemented during the reporting year to reduce operating costs and raise production efficiency at Russian refineries. This enabled reduction of irretrievable losses at refineries from 0.51% to 0.47%. Average personnel numbers at Russian refineries were reduced by 2.0%. Capital expenditures at Company refineries in Russia were \$542 million in the reporting year (against \$520 million in 2009).

At the **Ukhta Refinery** test operation of the AT-1 distillation unit confirmed increase of light-oil refining by 10%. The rectification tube on the vacuum column of the atmospheric-vacuum distillation unit was replaced, and test operation confirmed 6% increase in production of diesel fraction from heavy crude oil supplied from the Yaregskoye field.

The new catalytic cracking complex at the **Nizhny Novgorod Refinery** was commissioned in 2010. The complex will increase annual output of high-octane automotive gasoline at the Refinery by 1.4 million tonnes and of diesel fuel by 400,000 tonnes, raising light product output by 12%. All of the gasoline produced will meet the standards of Euro-4 and Euro-5. The new complex raises the Nelson Complexity Index score at Nizhny Novgorod by 2.3 points. Reconstruction of the diesel hydrotreatment unit (completed in December 2009) has substantially increased output of diesel fuel that meets Euro-5 standards.

A new absorption and gas fractionation unit has been commissioned at the Refinery, which enables production of propane-butane fractions, providing inputs for the alkylation unit and for production of hydrogen in the catalytic cracking complex.

The **Volgograd Refinery** completed construction of a short-cycle absorption unit in 2010 to produce concentrated hydrogen for the needs of fuel hydrotreatment units. The heat exchanger on the diesel hydrotreatment units was modernized, increasing unit capacity by 8%. A production system was created for low-sulphur bunker fuel, providing supplies for development of the Company's bunkering business.

Construction of a second section of the diesel hydrotreatment unit and modernization of coke production are currently in progress at the Refinery.

The **Perm Refinery** continued upgrading work on existing coke production facilities in 2010. The upgrade will reduce energy needs in coke production and enable launch of a new product: a coking additive for the metallurgy industry.

New catalytic cracking complex at the Nizhny Novgorod Refinery

A new catalytic cracking complex was brought into operation at the Nizhny Novgorod refinery in 2010, and it is already producing Euro-4 gasoline. It is the largest catalytic cracking complex built in Russian for the last 25 years. Due to conversion of vacuum gas oil into light products the complex substantially increases the production of gasoline in the Central region. Project investments were \$975 million.

The new complex will increase total annual gasoline output at the Refinery from 1.8 to 3.2 million tonnes, and output of diesel fuel will be raised from 4.2 to 4.6 million tonnes. The complex can also produce 150,000 tonnes of propylene each year.

The new complex consists of five main units, as follows (figures are annual capacity):

- a vacuum gasoil hydrotreatment unit (2.5 million tonnes);
- a catalytic cracking unit (2 million tonnes) with a propylene concentration unit (150,000 tonnes of propylene),
- alkylation with blocks for isomerization of normal butanes and selective hydration of diene hydrocarbons. Alkylate capacity is 360,000 tonnes;
- hydrogen production (40,000 tonnes);
- elemental sulphur production (130,000 tonnes).

The complex also comprises five infrastructure facilities: a sulphur granulation and shipment shop, a boiler water preparation unit, a water circulation block, flaring equipment, and inter-unit communications.

The production chain begins from the hydrotreatment unit, which is fed with vacuum gasoil from the primary refining facilities. Nitrogen and sulphur compounds are removed from the straight-run vacuum gasoil by application of hydrogen.

The output from this process – gasoil low in sulphur compounds – is sent to the catalytic cracking unit, where it is passed through a reactor, which converts heavy hydrocarbons into lighter ones at a high temperature in the presence of a catalyst.

The main outputs from catalytic cracking are gasoline fractions (53% of total outputs, with octane number of 92 or above), and propylene and butane-butylene fractions, which are sent to the alkylation unit to produce another gasoline alkylate component, with octane number of 95, free of sulphur compounds and aromatics. Sulphur is processed in the elemental sulphur unit.

Marketable gasoline is produced in a constant flow at a blending facility, after which it is quality-tested and given a product passport, ready for delivery to customers.

An alkylation unit will be brought into operation at the Nizhny Novgorod Refinery in 2011, which will enable production of automotive gasoline to Euro-5 standards.

Aromatic content in gasoline produced on the new equipment is no higher than 35%, maximum content of sulphur in class-4 fuel is 50 mg per kg, and 10 mg per kg in class-5 fuel. This gasoline ensures ‘clean exhaust’, minimizing sulphur oxide and products of incomplete aromatics combustion, including the highly carcinogenic and mutagenic benzopyrene.

Foreign refineries

Refinery throughputs in 2010 at LUKOIL Group’s international refineries, including the Group share of refining at the ISAB and TRN complexes, were 20.97 million tonnes, which is 14.9% more than in 2009, and met the Company’s business targets based on levels of market demand. Production at Group own and third-party refineries increased by 16.9 compared to 2009 as a result of acquisition of the TRN refinery in September 2009. The production at Company Bulgarian and Ukrainian refineries was lower due to performed overhauls.

Light product yield (not including ISAB and TRN) was 66.0% (up from 65.3% in 2009). Irrecoverable losses at refineries outside Russia fell from 0.85% in 2009 to 0.64% in 2010.

Capital expenditures in modernization of the Group’s foreign refineries were \$160 million in 2010 (\$308 million in 2009).

During the reporting year the **Burgas Refinery** started to operate a hydrotreatment unit for diesel and gasoline produced by catalytic cracking, enabling 100% output of diesel fuel and gasoline that meets Euro-5 standards.

The vacuum generating system for primary refining facilities at Burgas was also upgraded in 2010, which substantially improved quality of dark-product separation and improved the output balance between vacuum gasoil and boil fuel oil in favour of the former. A waste-heat boiler was installed on the primary refining unit, which will significantly reduce energy use in primary refining and create energy for refinery processes.

Design work on a heavy-residue processing complex was begun in 2010. Construction of the complex should be completed in 2015.

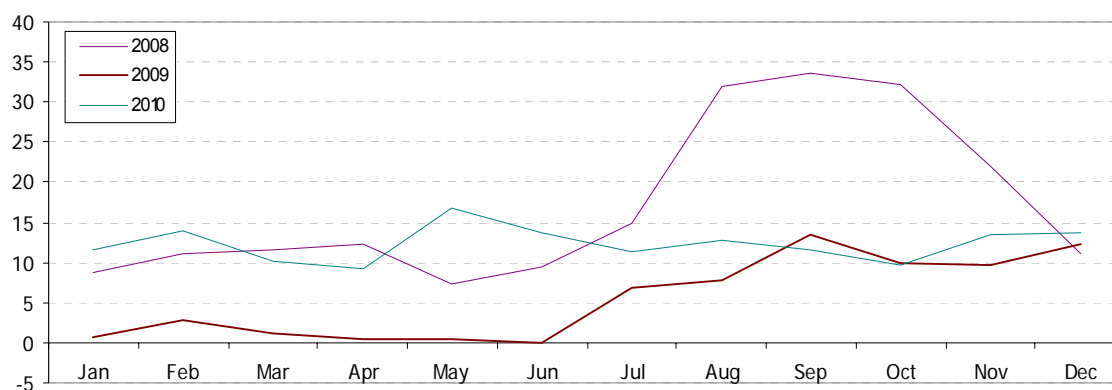
The **Ploiesti Refinery (Romania)** installed two coke chambers on the delayed coking facility in 2010 as part of a program to improve reliability, and also completed work on a system to heat buildings at the Refinery using heat generated from refining processes, which will raise energy efficiency and lower operating costs.

The **Odessa Refinery** completed construction of a gasoline blending facility, which will raise efficiency in production of marketable gasoline. The Refinery was stopped in the fourth quarter of 2010 due to unfavourable economic conditions in Ukraine.

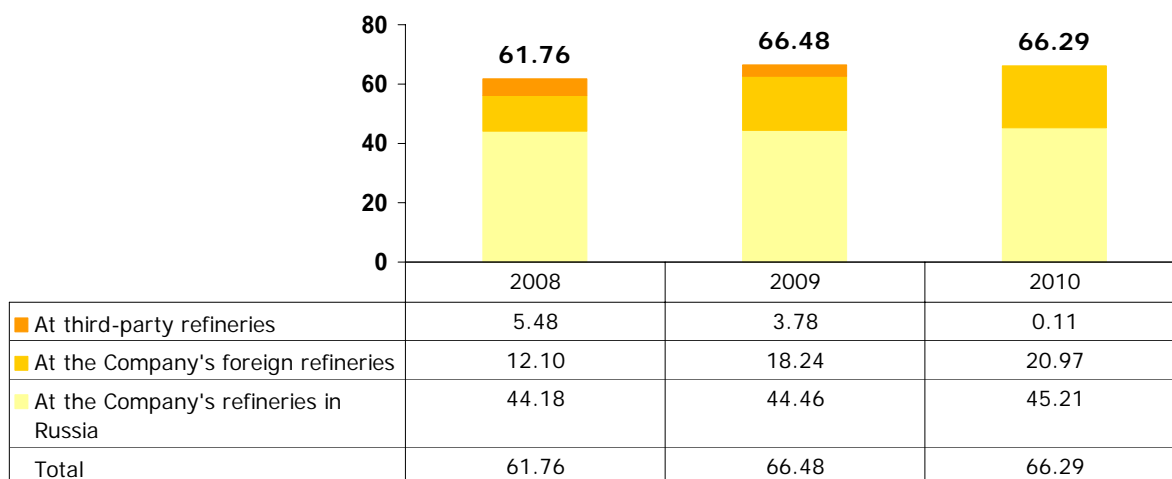
The Group’s share in refinery throughput at the **ISAB Refining Complex** (Sicily, Italy), in which the Group bought a 49% stake in 2008, was 6.57 million tonnes in 2010.

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 at TRN was 4.48 million tonnes in 2010.

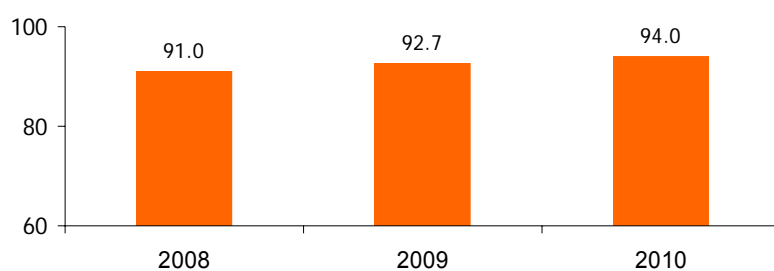
Refining margin in Russia (average refinery in European Russia without catalytic cracking), \$ per barrel.



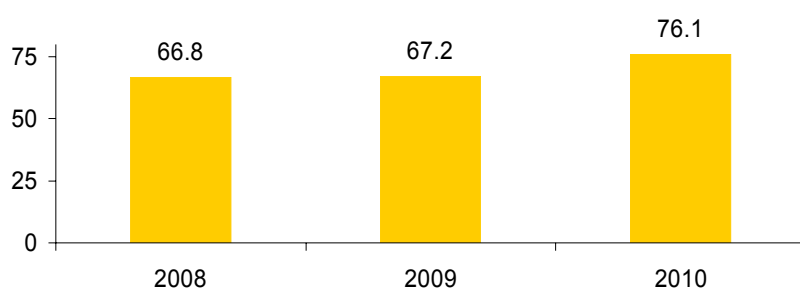
Refinery throughputs by LUKOIL, million tonnes



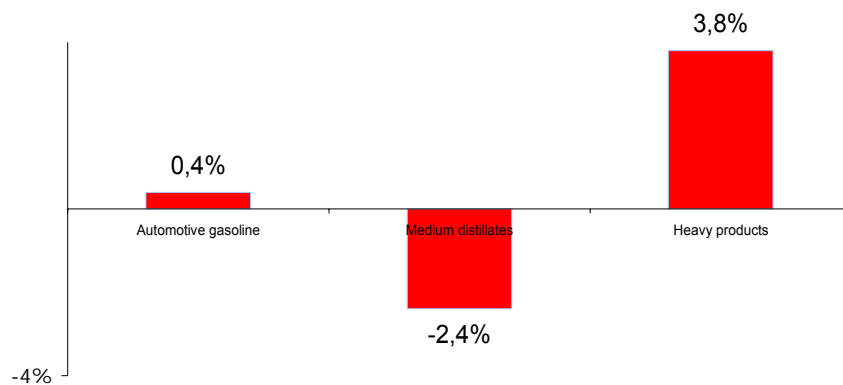
Share of high-octane gasoline in total gasoline production, %¹



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



Change in output levels of petroleum products at Company refineries in 2010 compared with 2009, %¹



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

Production of Lubricants

Lubricant production at LUKOIL Group refineries

Nizhny Novgorod Refinery		full-cycle lubricant production	235,000 tonnes
Perm Refinery		full-cycle lubricant production	433,000 tonnes
Volgograd Refinery		full-cycle lubricant production	525,000 tonnes
LLK Lubricants Romania S.R.L.	Ploiesti, Romania	mixing of lubricants from ready-made components	29,000 tonnes

LLK Finland Oy	Hamina, Finland	mixing of lubricants from ready-made components	31,000 tonnes
Tyumen branch of LLK-International	Bogandinsky, Tyumen Region	mixing of lubricants from ready-made components	29,000 tonnes
LLK EURASIA	Istanbul, Turkey	mixing of lubricants from ready-made components	12,000 tonnes
TOTAL - Mixing of lubricants from ready-made components			101,000 tonnes
TOTAL - Full-cycle lubricant production			1,193,000 tonnes

Production and sale of lubricants is an important part of LUKOIL Group'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 Group is the leader on the Russian lubricants market, accounting for about 44% of domestic production. 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, Romania and Turkey.

Group refineries produced 1.19 million tonnes of lubricants in 2010, and lubricant mixing volumes were 101,000 tonnes. Output of packaged oils was 251,000 tonnes (205,000 tonnes in 2009).

LUKOIL Group produced 230 different oils and lubricants and other non-fuel automotive chemicals at its Russian plants in 2010. 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.

The Group continued its efforts in 2010 to improve efficiency in sales of lubricants, including further development of an import substitution program. A full-time arrangement was put in place as part of the program for deliveries of lubricants to the coal mining company, OAO Kuzbassrazrezugol, enabling LLK-International to make an agreement for 2011 and remain the sole supplier to this customer. Deliveries began to OAO Metalloinvest and OAO Mechel, and agreements were reached on starting cooperation with GMK Norilsk Nickel.

Sales by the Group of automotive chemicals were systematized in 2010: LLK Engineering took 2–3% market share and a place in the Top-10 automotive chemical brands in Russia.

LLK-NAFTAN, the joint venture between a LUKOIL company and the Naftan refinery (Belarus), met 46% of the Company's requirements for additives used in lubricant production in 2010. The JV has increased output by almost seven times, from 3,000 to 20,000 tonnes, since its creation in 2006.

The Company carries out **sales of lubricants** in more than 40 countries worldwide and sales geography is constantly expanding. In 2010 LUKOIL Group began lubricant sales in India, Bangladesh, Iraq, and several countries in North Africa and the Middle East.

The Company further expanded its lubricant sales in Turkey in 2010, making a contract for supplies to the service network of the automotive manufacturing group, Chelik Motors (assembly and sales of Honda, Isuzu, Kia, Lada, and Geely vehicles).

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 229,000 tonnes in 2010, which is 45% more than in 2009.

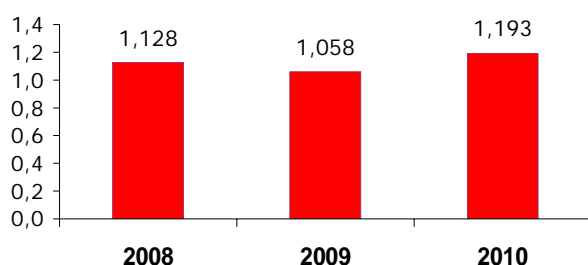
An important breakthrough in 2010 was design and application of a system for changeover of ship engines to LUKOIL NAVIGO lubricants without the need to wait for a scheduled oil change, which involves financial loss for the ship owner. The Company also cooperated with a British company, Seatec, to design and deploy a global service for technical support and analysis of LUKOIL NAVIGO lubricants. Approvals have been obtained from more than 80% of the world's ship engine manufacturers (including MAN, B&W, Sulzer, Wartsila and MAK). The Company's ship lubricants were available in 499 ports in more than 55 countries worldwide by the end of 2010.

The Company has done much work to develop customer relations in its lubricant business. LUKOIL Group 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 final disposal of used lubricants.

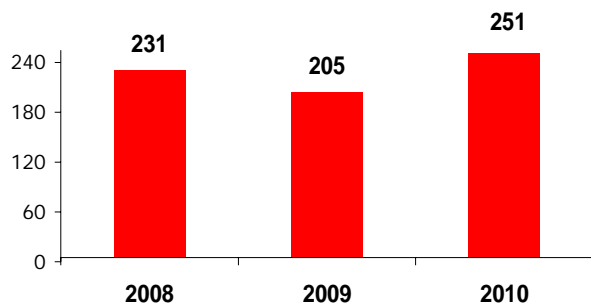
LUKOIL motor oils match international requirements of the Society of Automotive Engineers (SAE), the American Petroleum Institute (API), the European Automobile Manufacturers Association (ACEA) and the Russian Association of Automobile Engineers (AAE). LUKOIL oils are produced using the latest technologies 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. A total of 40 new lubricant products were brought into production in 2010 and 144 manufacturer approvals were obtained.

**Lubricant production at Company refineries,
thousand tonnes**



**Production of packaged lubricants, thousand
tonnes**



Gas processing

Gas-processing plants of LUKOIL Group

Gas-processing plant	Location	Annual capacity		Processing in 2010	
		Gas processing, mcm per year	Processing of liquid hydrocarbon, th. tonnes	Gas processing, mcm	Processing of liquid hydrocarbons, th. tonnes
Lokosovsky Gas-processing Plant	Langepas (Western Siberia)	2,300	—	1,977	—
Permneftegazpererabotka	Perm	560	1,000	557	684

Korobkovsky Gas-processing Plant	Kotovo (Volgograd Region)	450	161	449	76
Usinsk Gas-processing Plant	Usinsk (Komi Republic)	533	–	195	–
Total		3,843	1,161	3,178	760

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 2010 the Group's gas-processing plants processed 3.178 billion cubic meters of gas feedstock and 760,000 tonnes of natural gas liquids (7% and 6% more than in 2009, respectively). The increase was due to higher demand for products.

During 2010 Company plants produced 2.471 billion cubic meters of stripped gas, 846,000 tonnes of liquefied gas and 889,000 tonnes of liquid hydrocarbons (stable gas naphtha, isopentane and hexane-heptane fractions, and natural gas liquids).

Work continued 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 meters.

Work was carried out at **Permneftegazpererabotka** to identify pipeline sections in need of replacement, which are located adjacent to residential areas, water crossings, railways and roads. Installation work was completed on a stenching unit for propane-butane mixtures.

Work in 2010 on safety systems at the **Lokosovsky Gas-processing Plant** included installation of a gas discharge pipe, modernization of flaring equipment, and modernization of fire and accident systems.

No major modernization work was carried out at the **Korobkovsky Gas-processing Plant**. However, a long-term program of measures was designed and approved to keep the Plant in working order and ensure operating safety.

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 Group'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. The Company 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, the Company 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 Group petrochemical plants produced 1,036,000 tonnes of petrochemicals in 2010, which is 14.9% more than in 2009. The increase was due to the launch of production at Karpatneftekhim in September 2010 as well as increase of demand for petroleum products.

Demand for petrochemical products recovered in 2010, as did prices. The sale price for polyethylene in Russia rose by 15.6%, for polypropylene by 41.7%, and for benzol by 58.4%. Prices for all three products also rose in Europe, by 25.3% for polyethylene, 37.5% for polypropylene and 37.8% for benzol.

LUKOIL Group took further measures for modernization of existing production and installation of new facilities in 2010 as part of its strategy for development in the petrochemical sector. Capital expenditures in the sector were \$76 million in 2010, which is 33% less than in 2009.

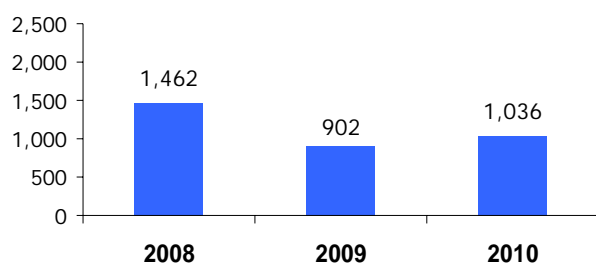
Operations were resumed in September 2010 at OOO “**Karpatneftekhim**” after completion of a new chlorine and caustic soda production unit with 200,000 tonnes annual capacity. Annual capacity of the new unit is 182,000 tonnes of gaseous chlorine and 200,000 tonnes of caustic soda. Completion of the project enables Karpatneftekhim to produce caustic soda, which meets international quality standards, and to fully cover the plant’s own chlorine needs.

It was decided in 2010 to include a commercial project for expansion of sodium cyanide production to 18,000 tonnes per year in the investment program for OOO “**Saratovorgsintez**”. The existing unit was inspected and changes were made to current technical documentation. Equipment delivery and assembly work is due to be carried out in 2011.

Work was completed at OOO “**Stavrolen**” for installation and launch of a polyethylene compounding line. The Stavrolen plant will be the site for one of the main projects scheduled by the Company in the next few years: construction of the **Caspian Gas-chemical Complex**. The Complex will use hydrocarbons produced by LUKOIL Group in the Caspian region. 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 and configuration of the Complex was completed in 2010. The first gas-processing line with 2 billion cubic meter capacity is scheduled for launch in 2015, and modernization of existing ethylene and polyethylene facilities will be completed at the same time. That will be followed in 2017 by launch of new ethylene and polyethylene capacities together with a second gas-processing line with capacity of 4 billion cubic meters.

Petrochemical production, thousand tonnes



Power Generation

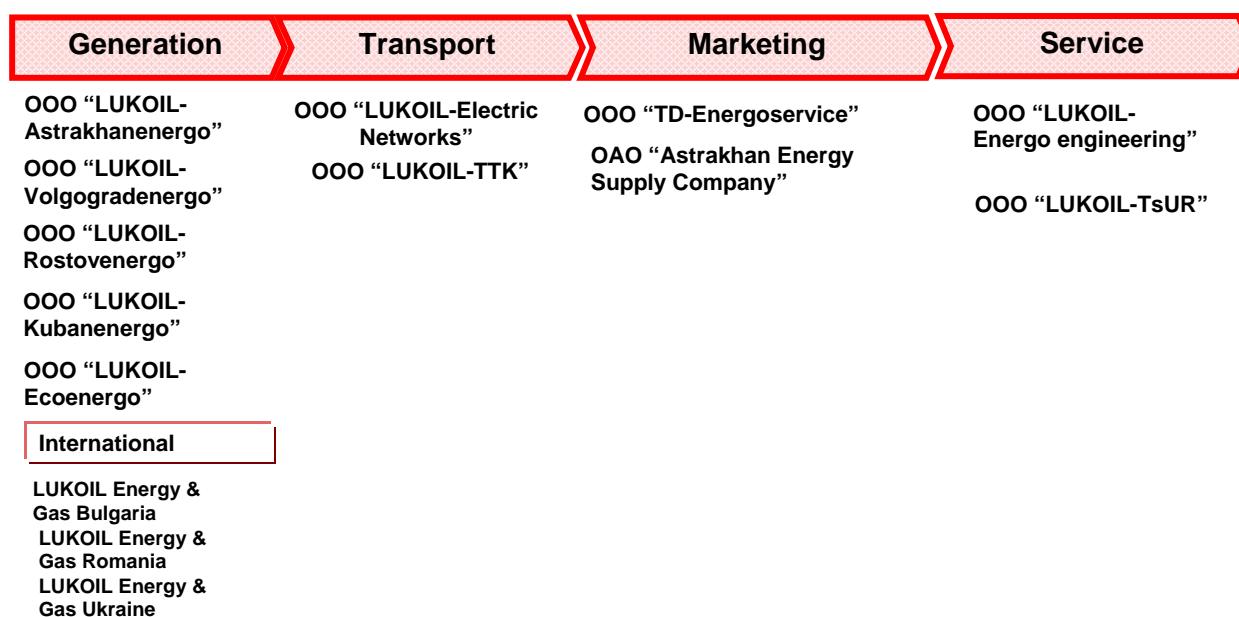
LUKOIL power generating companies

Name	Location	Capacity		Output in 2010	
		Installed electric generating capacity, MW	Installed heat capacity, Gcals/hour	Electricity, million kWh	Heat, thousand Gcals
LUKOIL-Volgogradenergo	Volgograd	1,225	5,109	3,286	5,762
LUKOIL-Rostovenergo	Rostov-on-Don	843	4,570	2,281	4,974
LUKOIL-Kubanenergo	Krasnodar	832	781	4,766	972
LUKOIL-Astrakhanenergo	Astrakhan	480	1,833	2,564	2,078
Energy & Gas Romania	Ploiesti	61	452	120	795
Energy & Gas Bulgaria	Burgas	257	1,548	173	679
Energy & Gas Ukraine	Odessa	18	50	48	50
Total		3,716	14,343	13,238	15,310

The Company's new business sector, Power Generation, was created in 2008 as part of the Group's Strategic Development Program, and the sector has a special role to play in the Group's updated Strategy for 2010-2019. Power Generation sector will be an important factor for growth of cash flow and shareholder value in the long term.

The new business comprises all aspects of power generation, including delivery and marketing of electrical energy and of heat produced at power plants. The nucleus of the sector is the Russian power generating company, OAO "UGK TGK-8", which was acquired by OAO "LUKOIL" in 2008, but it also includes companies producing electricity and heat in Bulgaria, Romania, and Ukraine. **The sector provides energy both for the Company's own needs (in the Exploration & Production and Refining & Marketing segments) and for external power and heat customers in the Southern Federal District of Russia.**

Structure of LUKOIL's Power Generation business



Business restructuring

Reorganization of OOO "UGK-TGK-8 was completed in the reporting year. The company was renamed 'OOO "LUKOIL-Ecoenergo"' and was united with the Company's hydro-electric facilities. OOO "LUKOIL-Ecoenergo" will now focus specifically on renewable energy projects (wind power, hydroelectric and solar power).

Electricity and heat generation

Companies in LUKOIL's Power Generation sector generated about 13.2 billion kWh of power in 2010. Total supplies of heat were 15.3 million Gcal, which is 9% less than in 2009. Lower heat production in the reporting year was due to a decline in demand from consumers in the Southern Federal District.

Work continued in 2010 under the Capacity Provision Agreement, to which the Company committed during reorganization of RAO UES (the former Russian power sector monopoly). Steam turbine facilities are being built in Astrakhan Region (110 MW capacity) and Krasnodar Territory (410 MW), which should enter service in 2011. However, these two facilities, with combined capacity in excess of 500 MW are only the first stage of the Company's ongoing work for modernization of Russian energy facilities and capacity expansion in energy-deficient regions. Other projects in the Southern District in fulfilment of the Capacity Provision Agreement are now at the design stage, and the Company is committed to building 900 MW of generating capacity in total.

The Company is also working consistently to optimize production costs of its generating assets and to maintain close control of anti-crisis program implementation in terms of reduction of non-production expenses.

Small-scale generating

OAO "LUKOIL" is rapidly developing its own power generating facilities at oil & gas fields, enabling the Group to substantially reduce electricity purchases and increase the rate of associated gas use by turning it into electricity. Installed capacity of small-scale generating facilities is 0.7 GW. The Group generated 1,409 million kWh of electricity at its own facilities in 2010, representing 9.9% of total consumption in production operations.

Electricity supply arrangements have been made more secure by use of the latest technologies in investment projects for construction and reconstruction of the Company's own generating facilities. Use of new technologies also enables the Company to limit spending on its electricity needs, through improvement of energy efficiency and use of the Company's own refined products as generating fuel.

Energy-saving technologies

The Company works constantly to improve reliability of its electricity supply arrangements and to reduce spending on energy. These efforts have been coordinated through corporate programs for energy saving and improvement of reliability of power supplies.

Spending on measures as part of the program for improving reliability of electricity supplies was over \$149 million in 2010. Implementation of the program reduced power cuts and resulting underproduction of crude oil by nearly 30%. Also during the reporting year Petrotel LUKOIL S.A. brought a power and heat generating facility into test production using circulating fluidized-bed technology, in order to improve reliability and enable flexibility in power supplies.

An energy audit schedule for Group oil & gas production subsidiaries was approved during 2010. The purpose of the audit is to identify potential for energy saving and greater efficiency in use of electricity, and also to devise energy-saving measures. Energy audits were carried out in 2010 at OOO "LUKOIL-Western Siberia", OOO "LUKOIL-Perm", OOO "LUKOIL-Komi", OOO "LUKOIL-Volgogradneftepererabotka" and OOO "LUKOIL-Nizhegorodnefteorgsintez".

A generating unit that meets the latest efficiency and ecology criteria was launched and put into commercial use in 2010 by OOO "LUKOIL Energy & Gas Ukraine". Visbreaking residues from refining operations in Ukraine can now be put to commercial use as main fuel inputs to the new generating unit.

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.

Renewable energy

UGK-TGK-8, renamed 'LUKOIL-Ecoenergo' at the end of 2010, now brings together all of the hydroelectric generating facilities of LUKOIL Group. The main purpose of OOO "LUKOIL-Ecoenerg" is to carry out renewable energy projects.

LUKOIL specialists are fully aware of the huge potential for resource and energy savings, which is offered by alternative sources of energy. Renewable energy projects are being considered, which would use hydro, wind, solar and geothermal energy. These activities are being pursued in partnership with international companies, which are also interested in development of renewables. In 2010 The Company signed an agreement of mutual understanding with the Italian company, ERG Renew, on cooperation in the field of renewable energy. In accordance with the agreement, the partners will consider potential for combining their renewable energy businesses in Bulgaria, Romania, Serbia and Russia. The primary focus will be on wind power projects. ERG has extensive experience in construction and operation of renewable energy facilities.

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 supplies by the Company in 2010, including deliveries for refining at the Company's own refineries and at third-party refineries, were 114 million tonnes. Deliveries of oil to the domestic market were more efficient than most non-CIS delivery export routes, so that substantial volumes of oil were reallocated from less efficient export routes to Company refineries or to the domestic market.

Refining at facilities inside Russia remains the most efficient use of crude oil produced by LUKOIL Group. **Crude oil deliveries to Group refineries in Russia** were 45.21 million tonnes in 2010, which is nearly 2% more than in 2009. In order to optimize transport costs the Company resumed the practice of crude oil substitution with other companies in deliveries to refineries. Starting in May 2010 LUKOIL-Western Siberia delivered 50,000 tonnes of oil per month to refineries at Ufa, which are owned by Bashneft, and Bashneft supplied an equivalent amount of oil to the Company's Nizhny Novgorod Refinery. Total oil supplies using this arrangement were in excess of 500,000 tonnes.

Crude oil deliveries to **the Group's foreign refineries and to the ISAB and TRN complexes**³ were 20.97 million tonnes in 2010, which is 15% more than in 2009. The increase was due to acquisition of a stake in TRN in September 2009. LUKOIL also delivered its oil to third-party refineries outside Russia in 2010, but the volume of such deliveries was much reduced in comparison with 2009 (by 97% to 110,000 tonnes). This reduction was due to halting of deliveries to refineries in Belarus at the end of 2009, after refining in Belarus became less profitable. In the third quarter of 2010 the Company began refining of crude oil at a third party refinery in Kazakhstan.

Some 3.6 million tonnes of crude oil were sold on the **domestic market** in 2010, which is 22% more than in 2009. The increase was a result of reallocation of crude oil volumes which were previously refined at third party refineries in Russia and Belarus.

Crude oil exports from Russia by OAO "LUKOIL" subsidiaries (including oil acquired from other producers) were 40.59 million tonnes in 2010 (815,000 barrels per day), which is 3.4% less than in 2009. Lower exports were the result of lower output and also termination of deliveries to Belarus refineries.

Most exports of crude oil in 2010 were via the Transneft pipeline system (deliveries via the system were 78% of exports during the year), but OAO "AK "Transneft" deliveries declined by 4.3% in the reporting year to 31.59 million tonnes. The volume of export deliveries by-passing the Transneft system in 2010 was 9 million tonnes, unchanged from 2009. These deliveries 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).

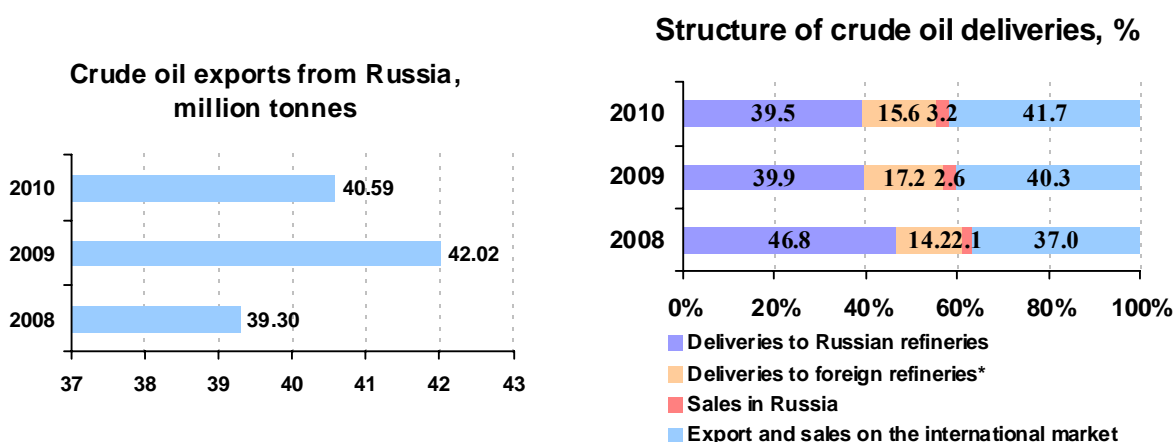
The Company exported 8.73 million tonnes of crude oil via its own transport terminals in 2010. Exports through the Varandey terminal in 2010 were 7.5 million tonnes, and exports through the port of Svetly were 1.2 million tonnes.

³ Including deliveries of petroleum products to the ISAB and TRN complexes.

The Company managed export deliveries in 2010 in order to make them as efficient as possible. Black Sea export deliveries, which had been scheduled for shipment via the port of Yuzhny, were redirected to a more efficient route – via the port of Primorsk.

The situation on the freight market and low tariffs for demurrage made deliveries of oil by OAO “RITEK” via the northern export route financially advantageous. A logistics system was designed and implemented on the route using LUKOIL Group’s own infrastructure (direct transportation to Europe without trans-shipment onto Aframax-type tankers).

Sales of crude oil on the **international market** (exports and oil produced outside Russia) were 47.74 million tonnes in 2010, of which 3.18 million tonnes were sold in near-abroad countries and 44.56 million tonnes on other markets. Total sales of oil on Russian and international markets in 2010 were 51.38 million tonnes, which is 2.8% more than in 2009.



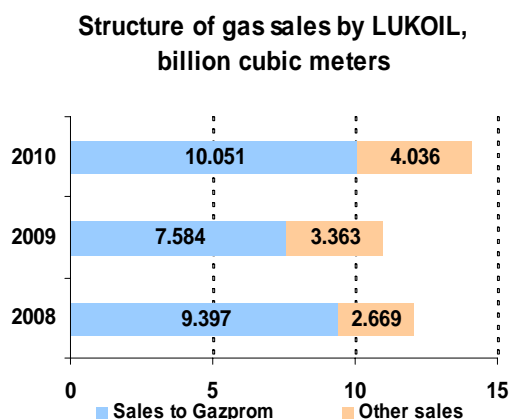
*Including deliveries of petroleum products to the ISAB and TRN complexes.

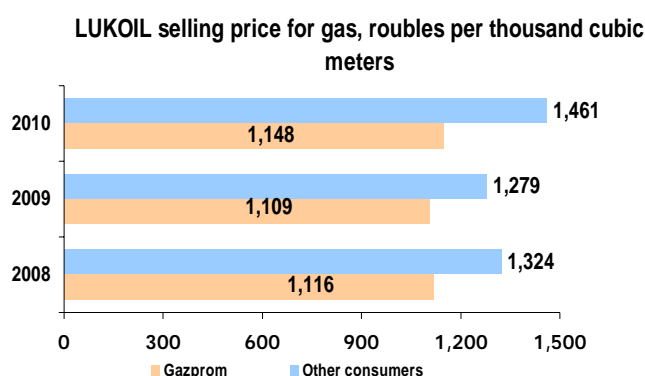
Gas Deliveries

The gas segment is a new and rapidly developing business for LUKOIL Group. Expansion in the gas business is one of the Group’s 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 14.087 billion cubic meters in 2010, which is 29% more than in 2009. Of this total, 10.051 billion cubic meters of gas were sold to Gazprom (including more than 8 billion cubic meters of natural gas from the Company’s Nakhodkinskoye field) and 4.036 billion cubic meters of gas were sold to other consumers. Increase of sales volumes was due to higher global demand for gas and corresponding lifting of purchase volume restrictions by Gazprom. There was also an increase by three times in associated gas deliveries by OOO “LUKOIL-Western Siberia” to Purgaz, after the Severo-Gubkinskoye field reached full operating capacity (the field was launched in June 2009).

Average-weighted price of gas sales in the reporting year rose by 7.4% in comparison with 2009 to 1,238 roubles per thousand cubic meters (1,148 roubles in sales to Gazprom and 1,461 roubles in sales to end-users). The increase was due to growth of more efficient sales to end-users.





Petroleum product marketing

LUKOIL retail network (number of filling stations)

Russia	2,242
CIS	570
Baltics	214
Europe	2,309
USA	1,173
TOTAL	6,508

Petroleum product wholesale

Volume of LUKOIL Group's petroleum product wholesale business in Russia in the accounting year was 10.98 million tonnes, which is 12% more than in 2009.

Petroleum product exports decreased by 6.9% in 2010 to 25.8 million tonnes due to increase in deliveries of medium distillates to the Russian domestic market. Structure of exports remained unchanged in the reporting year, and was dominated by heating oil, diesel fuel and vacuum gas oil, which accounted for 92% of total export volumes. The Company's petroleum product export structure mainly corresponds to the structure of product exports from Russia as a whole.

Railway remained the chief means of transport for Group exports of petroleum products (over 80% of the total in 2010). The Company used the rail infrastructure for shipment of petroleum products to the Vysotsk terminal. A total 12.3 million tonnes of petroleum products were shipped through Vysotsk in the reporting year, including 3.4 million tonnes of vacuum gasoil, 3.6 million tonnes of diesel fuel and 5 million tonnes of fuel oil.

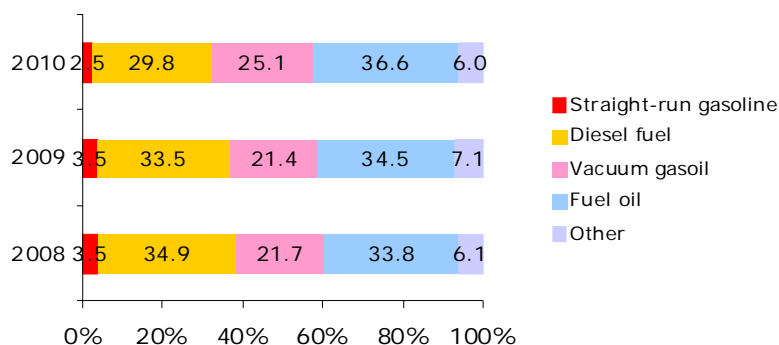
Export of petroleum products was also carried out by sea and river transport, and by pipeline (respectively 11% and 9% of export volumes) in the reporting year.

The Company continued its efforts to optimize petroleum product deliveries in 2010. Export deliveries of diesel fuel with sulphur content of 10 ppm via the port of Primorsk were increased and deliveries of vacuum gasoil were redirected from the port of Vysotsk to Baltic ports without loss of efficiency, freeing capacity at Vysotsk for shipment of fuel oil via the most efficient route. Products were also exported using new routes in 2010 including jet fuel Jet A-1 and diesel fuel delivered to Afghanistan, and bitumen to countries in West and East Africa and to Indonesia.

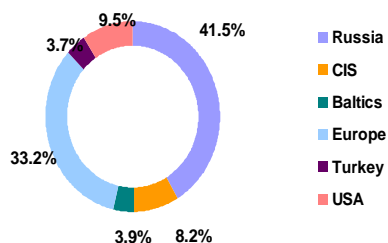
LUKOIL Group is rapidly developing its **international petroleum product trading business**, increasing both scale and international diversification. The Group's objective in this business is to achieve maximum efficiency in resource placement, including direct sales to end-users without use of intermediaries, as well as deliveries of third-party petroleum products and supplying own sales networks. Petroleum product wholesaling on international markets (including export) rose by 4.1% in 2010 to 80.04 million tonnes.

LUKOIL Group has trading offices in nine 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 90 countries worldwide during the reporting year.

Structure of petroleum product exports, %



Structure of petroleum product sales in 2010 (own production, wholesale and retail)



Petroleum product retail

By the start of 2011 the Group's retail network extended to 27 countries, including Russia, CIS and European countries (Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Finland, Georgia, Hungary, Italy, Latvia, Lithuania, Luxembourg, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Turkey and Ukraine) as well as the USA. The network includes 189 storage facilities with total capacity of 2.88 million cubic meters and 6,508 filling stations (including franchises).

Retail sales of Company petroleum products through owned and leased filling stations increased by 1.8% in the reporting year compared with 2009 to a level of 14.34 million tonnes. Average daily sales per filling station (owned or leased) rose from 7.8 to 8.1 tonnes thanks to optimization of the retail network and reduction in numbers of stations with low efficiency.

Increase of retail sales mainly reflected a trend on the Russian market, where sales volumes were 13% higher than in 2009. Retail sales outside Russia declined in 2010, mainly due to restructuring of the Company's retail network in the US.

The Company continued optimization of its retail network in 2010 in order to reduce costs and increase efficiency. In Europe and the CIS the changes affected 100 filling stations (one was leased, 13 were closed down, one was sold and 85 were franchised) and three storage facilities, which were temporarily closed. In Russia the changes affected 25 filling stations (eight were leased, one was closed down, and 16 were sold) and nine storage facilities (seven were sold and two were temporarily closed). However, construction and acquisition of highly-efficient stations continued, and upgrading was carried out at existing stations. In Europe and the CIS 23 filling stations were built, 59 were acquired and 50 were upgraded. In Russia 38 filling stations were built, 26 were acquired and 45 were upgraded.

Investments in the retail sector in 2010 were \$414 million.

The Company continued to implement its program for development of a marketing and sales network for liquefied and compressed gas in 2010. Total Group sales of these products were 836,300 tonnes (of which 474,500 tonnes via the retail network), which is 12.3% more than in 2009.

The Company continued to develop its system for non-cash payment by customers at its filling stations in 2010, using the LICARD fuel card system. A total of 2,864 filling stations in Russia were capable of accepting the cards for payment at the start of 2011, of which 1,952 were LUKOIL stations. There were 673 stations using the card outside Russia, of which 530 were Company stations.

The total number of stations accepting LUKOIL fuel cards was 3,537 at the start of 2011, having increased by 56 since the start of 2010. More than 4.4 million LICARDS were in circulation as of January 1, 2011 (including more than 4.2 million inside Russia), representing an increase of 35% compared with 2009.

Total volume of fuel sales using all LICARD types was 3.65 million tonnes in 2010, of which about 3.44 million tonnes inside Russia and about 212,000 tonnes abroad.

Russia

As of January 1, 2011 LUKOIL Group's retail network in Russia consisted of 2,242 filling stations (including franchises) and 110 storage facilities with reservoir capacity of 1.11 million cubic meters. The filling stations and storage facilities 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 2010 was 7.02 million tonnes, which is 13% more than in 2009. Average daily sales per filling station in Russia rose to 10.2 tonnes.

Investments in development of the Group's Russian retail business were \$204 million in 2010.

The Company sold 16 filling stations and seven storage facilities in 2010 as part of its program for optimization of the sales network, and leased out eight filling stations, while one filling station was closed down and two storage facilities suspended operations. The Group acquired and built 64 new filling stations, and rebuilt 45. Three of total 38 filling stations newly built by the Company are in 'Olympic' format, of which two were built face-to face on opposite sides of the M-7 highway in Nizhny Novgorod Region and the third is at Utkina Zavod in Leningrad Region.

The Company continued to develop production and sales of its new-generation EKTO fuel brands in 2010. Total EKTO sales (gasoline and diesel) through the Company's Russian retail network in 2010 were 2.67 million tonnes, which is 23% more than in 2009. The share of EKTO brands in total sales of retail fuel by the Company in Russia rose to 38% from 35% in 2009.

Total sales of EKTO gasoline in 2010 through the Company's retail network were 1.6 million tonnes, which is 23% more than in 2009, and the share of EKTO gasoline in total gasoline retail sales

rose to 31% from 28% in 2009. Sales of EKTO diesel fuel at filling stations were 1.08 million tonnes, which is 24% more than in 2009. The share of EKTO diesel in total Russian retail sales of diesel fuel was almost unchanged from 2009 at 56%.

LUKOIL Group began retail sales of Euro-5 diesel fuel in 2010

During 2010 the Group began retail sales in Russia of diesel fuel that meets Euro-5 criteria. The fuel is produced at Company refining facilities in Nizhny Novgorod, Perm and Ukhta and is sold under the EKTO Diesel brand through LUKOIL filling stations. Euro-5 diesel produced by the Company had been exported in previous periods.

LUKOIL made substantial investments in new production facilities to enable changeover to Euro-5 diesel, including a hydrocracking complex at the Perm Refinery, modernization of the diesel hydrotreatment facility at the Nizhny Novgorod Refinery, and installation of a number of other units, which use the most up-to-date catalytic systems.

Euro-5 diesel has a high cetane number, which ensures best-possible combustion of the fuel mixture, reduces noise and vibration, prevents corrosion, facilitates engine ignition, and reduces fuel consumption. Euro-5 diesel also slows down engine wear and prolongs life of the exhaust system, piston units, and the fuel system.

Work continued in 2010 on development of retail sales of non-fuel products and services by LUKOIL Group's Russian petroleum product organizations (part of the Group's Refining & Marketing Strategy for the period 2010-2019). Revenue from sales of non-fuel products and services through the Group's retail network was over \$210 million in 2010 (45% of this revenue was from sales of food goods, 26% represented packaged products, and 22% was from accessories). The revenue increase reflects improvement in service quality at filling stations and expansion of the range of goods and services on offer. Development of non-fuel business is an important factor for positioning of LUKOIL Group as a customer-oriented company with international standards of service.

International

LUKOIL Group's retail network in the CIS (outside Russia), Europe, and the USA consists of 4,266 filling stations (including franchises) and 79 storage facilities with reservoir capacity of 1.77 million cubic meters.

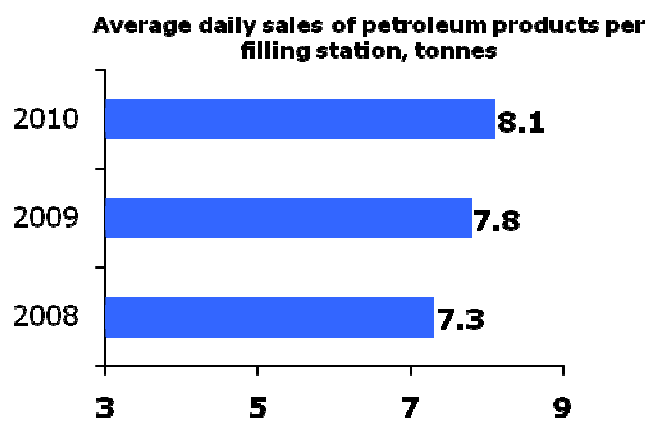
Retail sales of petroleum products on international markets in the reporting year were 7.31 million tonnes, which is 7% less than in 2009. The decline was due to lower consumer demand resulting from shrinkage of household incomes and associated reduction of tourist and vehicle traffic, as well as falls in industrial output in a number of countries. Average daily sales per filling station in Europe and CIS countries (except Russia) were 6.5 tonnes compared with 7 tonnes in 2009. Sales per station in the USA were 7 tonnes in 2010 (withdrawal of inefficient stations gave an increase in sales volume per filling station in the USA, despite reduction of demand).

Investments for retail network development in Europe and the CIS (outside Russia) were \$210 million in 2010.

The Group brought 82 new filling stations into operation in Europe and the CIS (outside Russia) during 2010, of which 23 were newly built and 59 were acquired, and upgraded 50 filling stations.

Work continued to promote the Group's EKTO fuel brand on foreign markets in 2010 (in Lithuania, Latvia, Estonia, Ukraine, Romania, Turkey, and Moldova). Total sales of EKTO fuel (diesel and gasoline) in 2010 were 768,300 tonnes, which is 3.6 times more than in 2009.

Abroad, as in Russia, LUKOIL Group 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 in Europe and the CIS were more than \$500 million in 2010. The Company plans to further increase non-fuel revenues from filling stations abroad through marketing, optimization of the product range, improvement of catering services, new service additions, work with big suppliers, other trading practices, and better standards of customer service.



Technology and Innovation

OAo “LUKOIL” counts new technology and innovation among its competitive strengths. The Company’s specialists both design new technologies and work to modernize existing technologies.

The Group continued to work closely in 2010 with the Russian Corporation of Nanotechnologies (RUSNANO) on commercialization of nanotechnologies and their application in the oil & gas industry. The companies are working jointly on design and development 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 at Group enterprises of other nanotechnologies, developed with RUSNANO’s participation. These include multi-functional nano-coatings, sulphur purification units that use nano-catalyzers, and a number of other nanotechnologies.

LUKOIL Group spent more than \$120 million on research & development in 2010, substantially more than \$80 million in 2009. Institutes in the Company’s R&D complex carried out project and research tasks and other work with total value of \$200 million during the year.

Exploration & production technologies

LUKOIL Group fully recognizes the vital role of technology in supporting competitiveness of the Exploration & Production segment. Most R&D work in the segment in 2010 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 in development of offshore fields.

Production of oil began in 2010 at the Yu. Korchagin field, where a system of extra-long horizontal wells (more than 5 km) is being applied. This is a unique project solution in Russia. All works at the field are being carried out on a ‘zero-discharge’ basis, which excludes negative environmental impacts.

In 2009 a consortium of OAo “LUKOIL” and the Norwegian company Statoil won development rights at West Qurna-2, which is one of the largest oil fields in the Republic of Iraq with recoverable reserves estimated at 14 billion barrels of oil. A preliminary development plan was prepared and agreed between the partners in 2010, specifying measures to clarify filtration-volume features of productive layers at the field and a schedule for drilling of wells in the ‘early oil’ stage.

Work at West-Qurna in 2011 will involve 3D seismic, drilling of two appraisal wells and the start of production drilling for early oil (four wells). Oil production at the field should begin in 2013. Target annual oil production level of 1.8 million barrels per day should be attained in 2017.

LUKOIL Group continued to make extensive use of horizontal well drilling, which offers well productivity growth of 1.5–2 times. The usage of horizontal and multi-branch horizontal wells increases the filtration area, preventing water penetration into the well. A total of 101 new horizontal wells were commissioned in 2010 with average daily flow rate of 156.6 tonnes.

Enhanced oil recovery techniques

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 low permeability reservoirs, and hard-to-recover reserves at late stages of field development. **In recent years the share of oil produced at LUKOIL Group 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 4,869 EOR operations in 2009, which is 229 less than in 2009. Additional production obtained as a result of EOR techniques was 22 million tonnes, or 25% of total oil production by the Company in Russia. Most of the additional production volume (14 million tonnes) was obtained using physical methods, primarily hydrofracturing.

The Group carried out 690 hydrofracturing operations at fields in 2010, achieving average additional oil flows of 10.8 tonnes per day. The extent and the effectiveness of hydrofracturing operations in 2010 was greater than in 2009. Hydrofracturing was applied as a method of intensifying production mainly at fields that have been in development for a long period of time and have highly depleted reserves. LUKOIL companies achieved higher levels of additional oil flow from hydrofracturing operations in 2010 than in 2009 through improvement of hydrofracturing design, selection of wells using hydrodynamic models, and tighter quality control over the materials and reagents, which were used by service companies.

Use of other EOR methods (hydrodynamic, heat, chemical methods and oil production intensification) gave 8 million tonnes of production. The Company continued to make extensive use of chemical technologies in 2010. The number of chemical EOR interventions was almost unchanged (1,351 in 2010 compared with 1,357 in 2009) and gave 1.8 million tonnes additional output.

Drilling of sidetracks at existing wells has also proved a highly-efficient form of EOR. The Company continued drilling of sidetracks in 2010, when 224 such operations were carried out (264 in 2009), giving average daily flow increase of 19.7 tonnes. The Company reduced drilling of sidetracks at Russian fields by 15.2% in 2010, but efficiency of the technique increased by 17.3%. The efficiency improvement was achieved thanks to greater accuracy in forecasting of the geological structure of reserves at locations where sidetracks were drilled. Sidetracks are mainly used to extract residual oil reserves at wells, which have been taken out of operation.

Production of high-viscosity oil

The Company 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 the Group is developing the Yaregskoye and Usinskoye fields. Thermal methods are used at both fields to increase oil recovery and annual production is about 2.3 million tonnes, representing 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 still at the industrial testing stage, with the objective of establishing optimal techniques for use of horizontal wells in injection and production applications. Three horizontal wells with horizontal sections of 1,000 meters were drilled in 2010 at the Lyaelskaya area of the Yaregskoye field for application of thermo-gravitational strata draining technology. Another two production wells and then five injection wells will be drilled in 2011, creating a total of five well-pairs. The area will then be tested by primary steam injection into the injection and production wells. Oil production should begin in 2012.

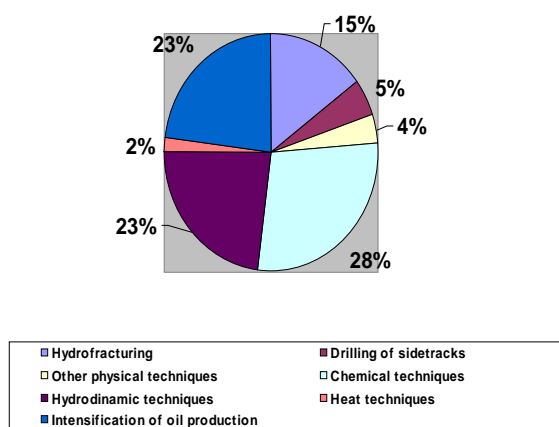
Industrial application of thermo-gravitational strata draining will enable development of non-draining reserves (up to 16.5 million tonnes), increasing overall output at the Yaregskoye field.

Further use was made in 2010 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. Work in 2011 will include testing of metal carcasses for oil production equipment with various new protective coatings, including coatings obtained using gas thermal deposition and nanotechnologies.

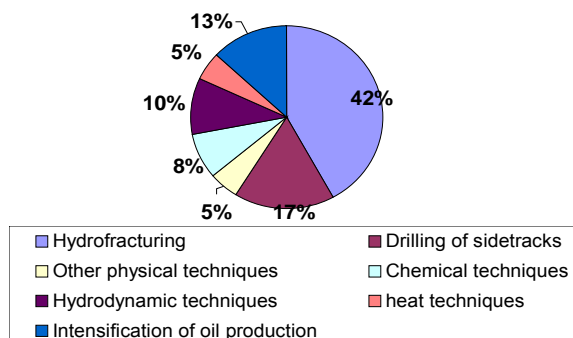
Geological and hydrodynamic models

Oil & gas production subsidiaries of OAO “LUKOIL” were producing hydrocarbons at 355 fields in the Russian Federation during 2010. Project documents for development work at these fields identify 986 geological targets for development. Geological and hydrodynamic modelling is used for monitoring of development processes, choice of technologies, and for measuring efficiency during production of reserves. By the end of the reporting year geological and hydrodynamic models had been prepared for a total of 964 geological targets. Use of geological and hydrodynamic models allows optimal technological solutions to be put into effect during field development, tailored 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, and are designed to 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, use of modelling has enabled the Company to keep output levels steady and in some cases to increase output. This result reflects improved quality of the models and ever greater 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.

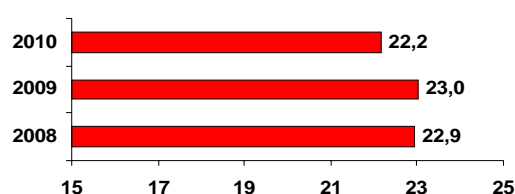
Structure of EOR techniques used by LUKOIL Group in 2010



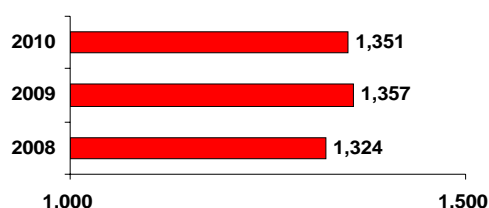
Shares of additional production obtained by use of various EOR techniques in 2010



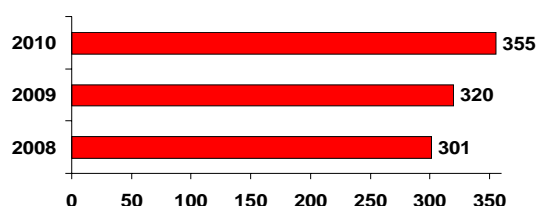
Additional production from EOR in Russia, million tonnes



Use of chemical methods, wells



Number of geological-hydrodynamic field models



Effect from EOR in Russia (2010)

	Additional production from EOR methods, million tonnes	EOR production as a percentage of total production, %
LUKOIL Group in Russia	22.16	24.7
Western Siberia	14.52	28.5
Timan-Pechora	3.44	16.2
Urals	3.74	29.9
Volga	0.26	8.4
Other	0.20	9.8

Refining Technologies

LUKOIL Group 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 Group carried out large-scale work in 2010 to modernize existing units and launch new units at Company refineries in order to increase yield of high-quality products. The highlight of such work in 2010 was launch at the Nizhny Novgorod Refinery of a catalytic cracking complex and a new absorption-gas fractionation unit.

Other improvements to refining technology in the reporting year included completion of a short-cycle absorption block for hydrogen at the Volgograd Refinery. Modernization of the heat exchanger on the diesel hydrotreatment unit was also carried out at Volgograd.

A diesel hydrotreatment unit and a unit for hydrotreatment of catalytic-cracking gasoline were brought into operation at the Burgas Refinery in Bulgaria during 2010.

LUKOIL Group is also devoting much attention to development of up-to-date production technologies for lubricants and additives, which is the responsibility of a science and technology unit

within the Company. 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.

Work was carried out in the same sphere for development of new-generation turbine lubricant technologies. Company specialists have 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 lubricants. Steps were taken to improve yield of priority products, reduce energy consumption and raise the quality of base oils. The Company began production of 40 new lubricant types during the reporting year.

Information Technologies

LUKOIL Group applies the latest information technologies to optimize business processes in various spheres. The Group 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. The Company has expanded functionality of all software programs and applied them at an ever increasing number of Group organizations. Progressive creation and development of the Integrated Management System with SAP architecture had enabled installation of 23 modules at nearly 110 Group organizations by the end of 2010.

Work continued in 2010 to prepare for implementation of the IMS Global Solution. It will allow Company employees to work in a unified IT space, supporting proper balance and efficiency of the LUKOIL management system. In 2010 the LUKOIL Management Committee approved main documents for the management system, setting out the final form which it will take, and prepared for a pilot project.

Elements of the IMS are to be developed and applied in all spheres of Group business.

Social Responsibility

Protecting the Environment

LUKOIL Group is guided in its work by the highest standards of care for the environment and industrial safety. The Company acknowledges its responsibility to society for rational use of resources and takes account of the environmental implications of its operations.

Scheduled work continued in 2010 at LUKOIL Group to ensure industrial and environmental safety and for prevention and resolution of emergency situations. A re-certification audit of the Group's health, safety and environment management system was carried out by auditors of Bureau Veritas, who visited eight LUKOIL organizations and the Group's central headquarters. For the first time in the history of Company HSE audits, no substantial compliance failure was found. The system was once again recommended for re-certification as compliant with criteria of the ISO 14001 and OHSAS 18001 standards.

Environmental measures as part of the Group's HSE policy are carried out in the framework of the Company's medium-term Environmental Safety Program for 2009-2013 and of environmental action plans of subsidiaries, which are prepared annually. In 2010 the Company achieved steady reduction of industrial impacts on the environment and improvement of environmental indicators in its operating regions thanks to measures, which included: modernization of purification facilities; improvement of systems dealing with dangerous waste; landscaping of production zones and adjacent areas; and monitoring of the state of the environment.

Implementation of environment policy by the Company is significantly hampered by inadequacy of environmental legislation, which is subject to frequent changes and various interpretations. The Company's environmental services and subsidiaries spend much time studying changes in the law, adapting their activity to new legal requirements, and preparing proposals for improvements to current legislation.

Monitoring of environment law, rapid notification of relevant departments of subsidiaries concerning changes, and legal assistance by the Group enabled LUKOIL companies to avoid serious criticisms and claims from government environmental control and supervisory organizations during 2010.

LUKOIL companies achieved a nearly twofold reduction of foul water discharge in 2010 thanks to more efficient operation of purification equipment.

Volumes of dangerous waste held by LUKOIL companies were reduced by 56,000 tonnes in 2010. LUKOIL Group is implementing a program for utilization of associated gas to ensure compliance with Government requirements, by which at least 95% of associated gas must be utilized by 2012 (companies, which fail to meet this target, will be subject to extra environmental impact payments). Measures as part of the program enabled the Group to raise the share of associated gas, which is utilized, from 71% in 2009 to 77% in 2010. The Company also carried out work in 2010 for installation of facilities for utilization of associated gas in Kazakhstan, specifically for generation of electricity to power the Company's production operations.

Organizations in LUKOIL Group spent about \$715 million in 2010 on measures to ensure environmental safety (spending in 2009 was \$420 million).

Environmental security measures at LUKOIL companies in 2010 included: actions for rational use of water resources and prevention of water pollution; reduction of atmospheric emissions; recycling of accrued waste that contains crude oil; and non-polluting, sustainable use of land. Specific steps carried out in the reporting year were as follows:

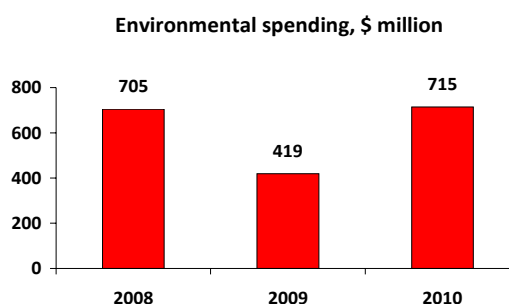
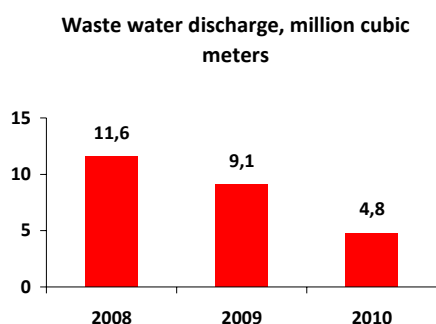
- diagnostics and major repairs of pipelines;
- modernization and construction of facilities, which increase the rate of utilization of associated gas;
- acquisition of equipment for resolving crude oil and petroleum product leakages;
- recultivation of disturbed land and land polluted by crude oil;

- various works for monitoring of environmental components;
- construction of new and reconstruction of existing networks for water supply and water discharge;
- installation of chlorination units for decontamination of industrial and river water;
- replacement of equipment and optimization of technologies for reducing pollutant emissions;
- construction of a complex for processing of waste that contains crude oil.

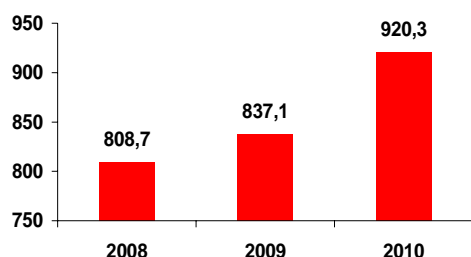
Thanks to these actions, the Company succeeded in reducing the share of additional (non-standard) environmental impact payments from 22% of its total environmental impact payments in 2009 to 17.6% in 2010.

A number of changes in Russian environmental law, which were approved at the end of 2009 and in 2010, have substantial impact on environmental security work by companies in LUKOIL Group. The changes include:

- approval by the President of Russia in December 2009 of the Climate Doctrine of the Russian Federation, which coordinates actions to ensure Russia's safe and sustainable development in the context of climate change;
- approval by the Russian Government of the Federal Target Program, 'Clean Water', for implementation in 2011–2017, and also of various rules regulating proper and sustainable use of water resources;
- approval by the Russian Ministry of Natural Resources of legal rules governing formation of waste and limits on its storage, rules for calculation of damage caused to environmental components, and other documents;
- approval of various hygiene standards and norms (for levels of pollutants in the atmosphere and soil, hygiene quality in preparation of drinking water, etc.)
- preparation by the Russian Ministry of Natural Resources of a draft Decree, 'On approval of methodological instructions for calculating indicators of associated gas burning', which details requirements of the Government Resolution №7, dated 08.01.2009, setting a 95% target for associated gas utilization by 2012;



**Recycling and burial of toxic waste,
thousand tonnes**



Health and safety

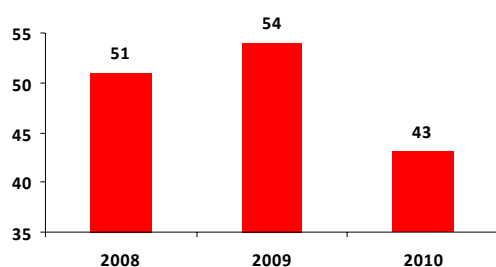
LUKOIL Group continued to ensure health and safety of its employees in the reporting period in accordance with the Company's Health, Safety & Environment Policy for the 21st Century and with due respect for Russian law and the laws of countries where LUKOIL has operations.

The Company also pursued work in 2010 to implement its Program for health and 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 \$212 million.

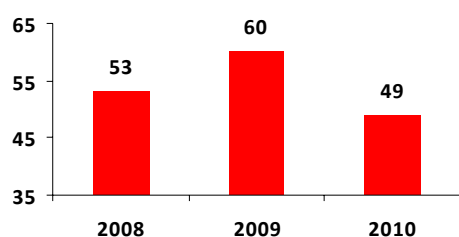
Accident and injury rates improved in 2010 compared with 2009. There were 43 accidents at LUKOIL organizations during the year compared with 51 in the previous year. The number of personnel who suffered injuries declined from 60 to 49, and fatalities were down from 5 to 2.

Scheduled preventative measures ensured that there were no incidents during 2010, which could be classed as emergencies. Safety drills and training sessions are held regularly at sea and river terminals, and at production, refining and storage sites, to ensure that the Company's special teams and equipments remain in a high state of readiness to deal with any oil or petroleum product leakages. A total of 80 drills and training sessions were held in 2010 for dealing with emergency oil and product leakages.

Number of accidents



Number of injuries



Personnel and Social Programs

The Company understands that social guarantees and provisions are an important factor determining productive and high-quality performance in the work place. The Company also understands that the excellent results, which LUKOIL organizations achieve in their business year-on-year, depend on the daily contributions of the many thousands of people who work at the Company. Therefore the Company takes issues of staff motivation very seriously and tries to ensure that each employee takes a personal interest in achievement of the best possible results by the Company.

Work continued in 2010 for implementation of the LUKOIL Group HR Policy, the Company's Social Code, and Functional HR Strategy. As instructed by the Company President, work was carried out in the reporting year to create a Code of Business Conduct and Ethics and Rules of Corporate Culture. A Business Ethics Commission was set up inside the Company.

Further steps were taken in 2010 for restructuring of LUKOIL Group in order to improve operating and financial efficiency. A number of structural sub-divisions were reorganized, non-core sub-divisions were transferred from the Group to external providers, and changes were made to organizational structure and overall numbers of subsidiaries in several business segments: electric power, refining, petrochemicals and gas processing. As a result the overall number of employees at LUKOIL organizations decreased by 9.4% in comparison with 2009, with the largest reduction in the exploration & production segment, where employee numbers fell by 11.8%. **These steps combined with the increase in revenue contributed to much higher productivity levels in the Company in 2010: revenue rose by 42.8% and net income by 24.7% per employee.**

In fulfilment of the Group's HR Policy, further improvements were made in 2010 to the system of remuneration at LUKOIL companies. Performance criteria were proposed for determining the size of annual bonuses to deputy heads of LUKOIL companies as part of efforts to optimize incentives throughout the Group. In order to ensure that payroll levels of Company employees remain competitive, the Company constantly monitors payrolls in the respective market segment in regions where the Company has presence, taking part in surveys of wage and compensation levels that are carried out by leading consulting companies.

In addition to material incentives, the Company uses moral encouragement as a way of developing personnel potential: 16 Company employees received national awards for professional excellence and for conscientious and successful work, while 550 were awarded sectoral marks of distinction for their work, and 702 employees and 33 groups of workers were presented with Company awards in 2010. 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.

The Company continued implementation of social programs and measures, which are designed to attract highly qualified personnel to LUKOIL organizations and ensure that they remain Company employees. Spending in 2010 by LUKOIL organizations on social programs for employees, their families and pensioners were \$296 million. Social programs being implemented by the Company include:

- leisure and recreation provisions for employees and their families, organization of sport and fitness events;
- health care and medical treatment for Company employees, including voluntary health insurance;
- 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.

By the end of 2010 a total of 39,300 Russian employees of LUKOIL Group had entered the shared funding system, and the sum of their annual contributions was about \$11 million. **The Company's total contributions under non-state pension provision programs in Russia and abroad for the reporting period were over \$30 million.**

The Company makes full use of social partnerships in the labour sphere in order to maintain current levels of social provision for employees, their families and pensioners. The Company is constantly expanding cooperation with trade unions, government bodies and local communities as part of these efforts.

Since 2008 OAO “LUKOIL” has been the official representative of the Russian Union of Industrialists and Entrepreneurs in the Tripartite Commission for Regulation of Social and Labour Relations, which is the most senior social partnership organization acting under the Labour Code of the Russian Federation. The Company has taken an active part in the Commission’s work, making proposals for drafting of new laws and other legal acts in the labour sphere at the stage of their design by the Government.

In 2010 the Company took part in 10 sessions of the Commission, at which 74 issues were considered, and also in 34 meetings of the Commission’s permanent working groups, at which 54 topical labour issues were discussed.

Training and professional study is a highly important part of HR management at OAO “LUKOIL”, particularly for employees in positions of responsibility and reserve executives. OAO “LUKOIL” has a program for training of reserve executives for positions of responsibility at the parent Company and subsidiaries, and various training measures were carried out under this program in 2009-2010. Programs for development of leadership potential and management skills have been designed and are being provided at oil & gas sector institutes and other Russian and foreign higher-education establishments. The Company 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. In 2010 a total of 18 employees from the corporate centre and 94 employees of OAO “LUKOIL” subsidiaries benefited from additional study periods as part of MBA programs at the leading Russian oil & gas institutes – the Gubkin Russian State Oil & Gas University and the Oil & Gas Business Institute.

The Company designed and approved a General Program for Cooperation with Higher Education Institutes in 2010 to optimize personnel training work, which was carried out jointly with such institutes. Seminars were organized for personnel of LUKOIL Overseas Holding Ltd. in May 2010 as part of the Program to help familiarize Company specialists with foreign countries, where LUKOIL Group now has business: Iraq, Colombia, Venezuela, Cote d’Ivoire and Saudi Arabia. A total of 137 employees attended the seminars.

The Company continues to pay stipends and grants on a selective basis to students and young teachers at higher education institutes, with which the Group has cooperation agreements, as well as organizing visits and work experience at LUKOIL companies (at product facilities and for pre-diploma purposes) for students at such institutes.

Work continued in 2010 to set up a Corporate Study Center in Astrakhan for training of Company personnel. As required by legislation, the Centre has been registered as a non-state institution for further professional education, and has obtained a license for provision of education services.

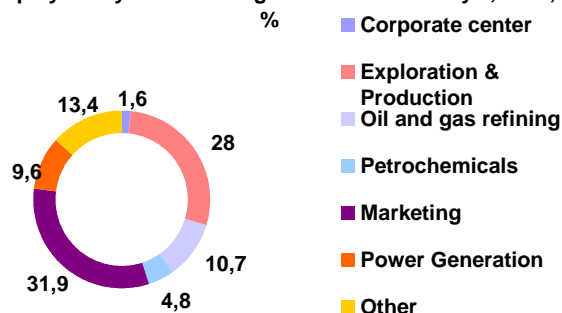
Further steps were taken in the reporting year to develop the Company’s distance learning system. At present 41 Group organizations are connected to the system, which had 61,000 registered users at the end of 2010. A total of 9,800 applications have been made to carry out studies using the system and 5,900 courses of study have been completed by Company employees. New study courses were designed in the reporting year on topical themes, and a total of 120 courses had been designed and placed in open access on the portal by the end of 2010. In July 2010 Company specialists took part in the 7th International Exhibition and Conference on e-Learning in Russia, at which the Group was awarded a special prize for support to e-learning.

The personnel exchange program between OAO “LUKOIL” and ConocoPhillips has been a important part of the process for improving professional training of Company specialists. A fifth group of 13 specialists from LUKOIL companies completed a period of work experience at ConocoPhillips at part of the program in 2010.

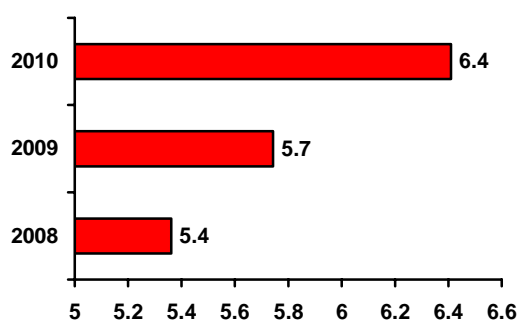
The Company gives priority to work with young specialists as part of the Group’s comprehensive target program for cooperation with young people and young specialists in the period from 2008 to 2017. Committees of young specialists operate at Company enterprises, and their functions include support to

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 fifth competition in 2010 to find the Best Young Specialist of the Year: 152 competitors took part in 17 categories, and 71 employees won awards. Results were also announced in 2010 of LUKOIL's Fuel & Energy 2009 competition, which sought the best fuel and energy R&D designs by young specialists. More than 140 entries were submitted and there were about 40 prize winners.

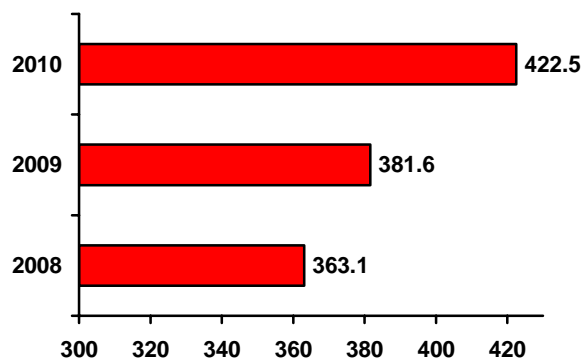
Employees by business segments as of January 1, 2011,



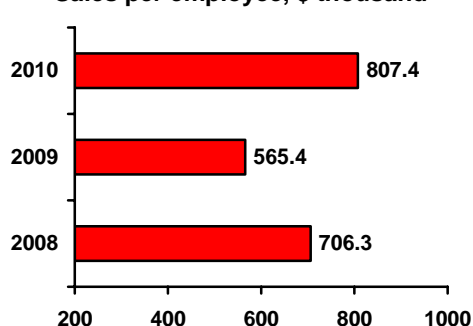
Hydrocarbon production per employee, thousand boe



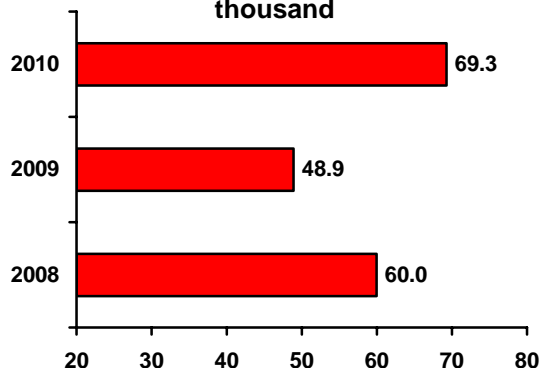
Refinery throughput at own refineries per employee, tonnes



Sales per employee, \$ thousand



Net income per employee, \$ thousand



Sponsorship and Charity

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. At the same time, the Company has come to understand the danger of creating social dependence through charity actions. LUKOIL Group therefore makes increasing use, alongside its traditional charity actions, of strategic support programs and social investments, which combine solutions to social problems with strategic interests of the Company. This approach is based on joint work between business and the non-profit and government sectors to address urgent social and economic problems in local communities.

Total spending by the Company on charity and social programs was about \$112 million in 2010.

The Company's social policy and charity activities have two principal components:

- social investments
- sponsorship and traditional charity programs

Support for children's homes and schools

Helping children is a Company priority, and underlies all of the social programs, which LUKOIL Group has built and which it pursues: 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 and LUKOIL Group 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.

The Company, its subsidiaries and the LUKOIL Charity Fund provide help to children in 60 Russian children's homes and boarding schools, ensuring that they remain in good health and obtain an education, which will enable them to acquire a profession and find their place in life: 52 out of 55 children who left LUKOIL-sponsored children's homes in 2010 entered higher or technical education, and three went straight into employment.

Every year the LUKOIL Charity Fund organizes summer vacations by the Black Sea for children from sponsored children's homes in Ishim, Kirov, Rostov-on-Don, Nizhny Novgorod, Kstovo, Sasykol and Perm Region as well as organizing educational trips around Russia.

The Charity Fund has also been providing special LUKOIL grants since 2006 to students who continue their studies in higher education or technical institutes after leaving children's homes. Such grants were paid to 80 young people in 2010.

Since 2008 OAO "LUKOIL" and its subsidiaries in Astrakhan Region have been working on a project, by which children from care homes and disadvantaged families are trained for work in managerial and technical capacities at LUKOIL companies. The project is motivated by a severe deficit of technical specialists, needed for new large-scale projects, which LUKOIL Group is implementing in the region. Gifted children from disadvantaged backgrounds will be prepared for work at the Company in technical and higher-education colleges: 20 such students have already been placed at Astrakhan Polytechnic-College and the Volga-Caspian Fishery and Industry Complex. The LUKOIL Charity Fund is covering costs of their tuition and living expenses, and they will be given employment at Group organizations in the region after completion of their studies.

In Nizhny Novgorod Region the Company provides assistance to the Kstovo Oil Industry Polytechnic, where students also include children who were formerly at LUKOIL care homes. The students regularly visit Group's Nizhny Novgorod Refinery to learn about its operations and to acquire

practical knowledge and skills. This helps to achieve social adaptation of young people, who have had a relatively difficult start in life.

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 a larger program, 'Illustrated Books for Blind Children'. Publications were supplied to specialized children's institutions in Rostov Region in 2010 as part of this project.

Education programs

Concern for the young generation and training of qualified, young specialists for the Russian oil industry are important aspects of LUKOIL Group's business. The Group carries out much work on bringing education and science closer to production. Educational programmes have a three-stage a 'school – university – enterprise' system. These programmes are being actively implemented in regions where the Group has operations.

The Company's program of assistance to higher education institutions enables them to improve their teaching resources, ensuring that the educational process is up-to-date and of a high standard. Help with acquisition of laboratory equipment is one important contribution made by the Company. The Company allocated substantial amounts for development of teaching resources and reconstruction of buildings at Russian higher-education institutions in 2008-2010, when recipients included the Gubkin State Oil & Gas University, Tyumen State Oil & Gas University, Ufa State Oil and Technical University, Ukhta State Technical University, Perm State Technical University, the Diplomatic Academy of the Russian Ministry of Foreign Affairs and the Financial University (attached to the Russian Federal Government).

Since 2000 the Company has paid grants to particularly talented students at oil industry and technical institutes in Russia. In 2010 monthly corporate grants of 2,500-3,000 roubles were paid 208 students in various Russian cities.

About 90 talented young teachers at leading Russian oil & gas institutes received grants in 2010 as part of the Company's program for support to young teachers. Grant payments as part of this program totaled \$300,000 in 2010.

Support for medical institutions

LUKOIL Group provides assistance to a number of major specialized medical research centers, including the Center for Haematology Research, and the Russian Cardiovascular Scientific and Production Complex.

The Company also supports development of the system of medical services in regions where it has operations. About 10 Russian hospitals obtained expensive equipment from the Company in 2008-2010 including Astrakhan Children's Clinical Hospital №1, Penza Region Clinical Hospital, City Children's Hospital №1 in St. Petersburg, Liman Central District Hospital and Novoburassk Central District Hospital.

Social project competitions

Social project competitions, which are held annually by OAO "LUKOIL" subsidiaries in association with the LUKOIL Charity Fund, represent a particularly efficient way of implementing programs of social importance. Holding of the competitions in regions, where the Company has operations, has become an integral part of the Company's system of corporate responsibility. The competition mechanism for allocating funds has been found to operate very well in encouraging projects

and initiatives among local communities to address their specific problems and aspirations. This in turn increases the efficiency of the Company's social and charity allocations.

Social project competitions have been held in regions of the Group presence since 2002, when the first competition was organized in Perm Territory. Geography of the events has greatly increased in recent years: they are now held in 10 of Russia's administrative regions. In 2010 a social projects competition was held in Tatarstan for the first time. A total of 8,600 projects have been proposed over nine years and 1,700 projects have received funding. The total amount spent to date by LUKOIL Group on social project funding is \$10 million.

Nearly 400 projects were selected for financing in 2010 out of 1,923 applications, which were submitted for consideration in various regions. The competition budget in 2010 was about \$2 million.

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 2010 to mark the 65th Anniversary of Victory in the Great Patriotic War (World War II).

In the years since they began, LUKOIL Group's social project competitions have proved their worth as a unique vehicle for nurturing social initiative. Independent experts agree that the competition mechanism enables funds to be allocated more efficiently. Most importantly, the system has a strong motivational element, encouraging 'grassroots' initiative by the people and organizations, who receive funding. 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.

Cultural and historical heritage

Support to culture is a traditional sphere of sponsorship and charity for Russian companies. Partnership with cultural organizations has a dual nature, combining sponsorship (financing of productions, concerts, exhibitions, etc.) with a charity element. The Company supports various types of classical art and, together with its subsidiaries, lends a hand in the revival of religious and spiritual traditions.

In 2010 LUKOIL continued its programme of support to a number of leading Russian museums. The Company provided financial support to the Tretyakov Gallery, the Museums of the Moscow Kremlin, the Pushkin Museum of Fine Art, the Russian Museum, the Central State Museum of Contemporary Russian History, the Vyatka V.M. and A.M. Vasnetsov Art Museum, and the Nizhny Novgorod State Museum of Fine Art.

OAo "LUKOIL" has a long-running association with the Tchaikovsky Symphony Orchestra, conducted by Vladimir Fedoseyev and the Perm State Theatre of Opera and Ballet. The Company has also provided financing over many years to the Kaliningrad Regional Philharmonia to finance its program, 'Bring the family to the concert hall', as well as to the Urals Academic Philharmonic Orchestra. The Company supports the Spasskaya Bashnya festival of military bands, which is held annually on Red Square in Moscow.

LUKOIL Group provides support to religious institutions that have an important place in society. The Company is helping to finance restoration and rebuilding of churches and monasteries, supports the Optina Pystyn Monastery, as well as funds purchases of auditorium equipment for Cyril and Methodius post-graduate and doctoral courses. Funding was also provided in 2010 to the Central Office of Muslims of Russia and to the Church of St. Vladimir in Sochi. Company subsidiaries take an active part in revival and development of centers of religious and spiritual life in Russia and abroad.

OOO "LUKOIL-Perm" has carried out a number of programs in recent years to support traditional crafts of ethnic groups in the Russian North. The 11th inter-regional festival of historic towns along the Kama river was held in 2010 in the town of Kudymkar with support from OOO "LUKOIL-Perm", and the Company also helps to organize the Selenitovaya Shkatulka children's arts & crafts festival in the village of Ashap (Orda District). The community of stone-engravers in Orda District is one of very few,

which has kept this tradition alive in modern Russia, and has won recognition both in Russia and internationally.

Assistance to peoples of the Far North

Operations by the Company 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. Areas that are being developed for extraction of oil & gas are also areas where these peoples carry out economic activities (reindeer herding, fishing and hunting), that are essential to their way of life. Resulting changes can give rise to social and economic problems. LUKOIL Group's objective is to resolve these issues by moving gradually away from charity provision to the indigenous inhabitants of these regions and towards an economic partnership with them.

In the Khanty-Mansiysk Autonomous District (Yugra), the Nenets Autonomous District, and the Komi Republic the Company has made and is implementing agreements on socio-economic development and improvements to infrastructure and dwellings on the land traditionally inhabited and exploited by indigenous groups in order to preserve and support the traditional life-styles of the Khanti, Mansi and Nenets peoples. The Company also has a cooperation agreement with the organization 'Save Yugra' and the association 'Yamal for our Children'.

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 the Company'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 the armed forces, who have perished in more recent armed conflicts.

The Company 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.

The Company realized a number of events in the year of 65th anniversary of the Great Victory. Excursions to the museums and places of military glory, recreational tours, health resort treatment and medical inspections were organized for veterans of the World War II. The Company provided support for holding the exhibitions, organizing books and medals to mark the memorable date.

Sport

Russian sport has been a beneficiary of the Company's social policy over many years. Company priorities in the sphere 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.

The Company has proved its commitment to encouraging health and fitness among its own workers and their families by organizing regular competitions in various summer and winter sports. The Company's international amateur sports competitions ('Spartakiada') are among the biggest events in Russia for popularization of fitness and mass sport among corporate employees. The first such competition was held in 2001 in Astrakhan, the second in Perm in 2003, the third in Kaliningrad in 2005, and the fourth in 2007 in Kogalym. The fifth LUKOIL Spartakiada will be held in summer 2011 in Perm. Another corporate sports competition, held in 2010, was the LUKOIL President's Cup, which was dedicated to the 65th anniversary of Victory in the Great Patriotic War, and which attracted participation by 300 sportsmen in 10 teams from LUKOIL Group operating regions.

The Company backs professional sport in Russia by its support to leading sports teams, including Moscow Spartak football team, the Zarya Kaspiya handball team (Astrakhan), Spartak water polo team (Volgograd), the Dinamo-Yantar volleyball team (Kaliningrad), Dinamo ice-hockey team (Moscow), and Torpedo ice-hockey team (Nizhny Novgorod).

For many years the Company has been general sponsor of the national ski-racing team and partner of the Russian Ski-Racing Federation. OAO “LUKOIL” assists both in training of the national team and development of amateur ski sport in Russia. As part of its support to the Russian Olympic Movement the Company is cooperating with the Russian Olympic Support Foundation, which provides targeted support to sportsmen and women in Russian national teams practising Olympic sports.

LUKOIL Group also plays a major role in development of sport among children and young people. The Group has provided support since 2001 for one of Russia’s biggest sports organizations, the Children’s Football League. About 3,000 teams and 5,000 young footballers from all over Russia take part in League competitions each year. Since 2002 the Children’s Football League has held an annual tournament under the title, ‘LUKOIL International Children’s League of Champions’. A special children’s football competition was organized in 2010 jointly with sports clubs and organizations that are supported by the Company to celebrate the 65th anniversary of Victory in 1945.

In addition to its support for sports teams, LUKOIL Group also views sport as a way of testing the Company’s own products to the limits. The successes and victories of LUKOIL Racing Team, which is the strongest car racing team in Russia, continue to prove the efficiency of the Company’s fuels and lubricants.

Blood donation

In 2010 OAO “LUKOIL” invited its employees to volunteer as blood donors and organized sessions for that purpose at company premises.

The first such action was carried out in April 2010, and 152 Company employees took part. A second action was carried out in December 2010 at the Company’s central office, and was attended by 280 employees. The total amount collected was 170 liters, which was used to help patients of the Haematology Center of the Russian Academy of Medical Science. The action helps to address a pressing social problem, strengthens corporate culture and facilitates cohesion among the Company workers.

The Company plans to hold more such actions in the future.

The LUKOIL Museum

The Company’s museum network consists of OAO “LUKOIL” Corporate Museum created in 2005 and more than 20 museums in Group organizations in various regions of Russia, and also in Ukraine, Bulgaria and Romania.

More than 15 travelling exhibitions were held in 2010 including ‘LUKOIL in Africa’, ‘80 years of the Gubkin Oil & Gas University’, ‘LUKOIL Charity Actions’, ‘65 Years since Victory’, ‘We were young too’, and ‘Five years of LLK-International’. The exhibitions were displayed at the Company’s central office and elsewhere. A stand presenting LUKOIL’s history and current business was also presented at the European Business Summit in Brussels.

A LUKOIL section was included in the exhibition, ‘From Soviet Electrification to 21st Century Innovation’, which was held at the Central State Museum of Contemporary Russian History.

The LUKOIL Museum holds regular sessions with students of the Gubkin Oil & Gas University to study the history of the Russian oil industry.

**Information on the amount of each type of energy resource used by OAO
“LUKOIL” in 2010 in physical and monetary units**

Thermal energy	11,956.3	Gcal	13,146,184	RUB
Electricity	16,872,891	kWh	65,310,136	RUB
Water	57,299	m ³	2,810,000	RUB
Gasoline	302,941.11	litres	7,343,978	RUB
Diesel fuel	25,875.21	litres	512,426	RUB

Board of Directors and Management Committee

Board of Directors of OAO "LUKOIL"

Valery Isaakovich Grayfer

Chairman of the Board of Directors of OAO "LUKOIL"

Chairman of the Board of Directors of OAO RITEK

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. Awarded a Certificate of Honour of the Russian Federation President in 2009. 1985: USSR Deputy Minister of Oil Industry in charge of the Chief Tyumen Production Division for the oil and gas industry. From 1992 to 12 January 2010: 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, and a Certificate of Gratitude from the Russian Federation President. 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 USSR Ministry of Oil and Gas. 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.

Igor Vyacheslavovich Belikov

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

Director of the Russian Institute of Directors

Member of the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"

Born: 1956

Graduated from Voronezh State University in 1980 and a post-graduate course at African Studies Institute under the USSR Academy of Science, with PhD in Modern History. Secondment at London University. Diploma in Banking and Insurance from the Institute of Professional Skills Improvement and New Qualifications at Academy of Finance under the Government of the Russian Federation; Auditor Certificate (general audit), a corporate governance certificate from Schulich School of Business, York University (Toronto, Canada, 2002) and an International Faculty Workshop certificate on corporate governance from the Global Corporate Governance Forum (Washington, D.C., USA, 2008, Canada).

Since 2002: Director of the Russian Institute of Directors. Co-author of the Russian Corporate Governance Code (2002) and of the First National Report on Corporate Governance in Russia (2004). 2002-2004: Member of the Expert Council of the Federal Commission on Securities Market; 2003-2004: Executive Secretary of the National Council for Corporate Governance. Since 2004: Member of the Corporate Governance Expert Board of the Federal Financial Markets Service, Deputy Chairman of the College of the Professional Community of Corporate Directors, member of the International Corporate Governance Network (ICGN). 2003-2006: Expert of the Intergovernmental Group of Experts on International Standards of Accounting and Reporting (UNCTAD, Geneva).

Elected to the LUKOIL Board of Directors since 2008 (except from June 2009 to June 2010).

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

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 Dr. Blazheev has been engaged in educational (as a lecturer) and administrative activities occupying various positions at Moscow State Academy of Law (MSAL). 1999-2001: Dean of the full-time day department of MSAL. 2001-2002: Vice-Rector of MSAL in charge of academic agenda. 2002 –2007: First Vice-Rector of MSAL 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.

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

Donald Evert Walleto, Jr.

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

President of Asia Pacific Region, ConocoPhillips

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. December 2006 – August 2010: President of ConocoPhillips Russia/Caspian Region. Since September 2010: President of Asia Pacific Region, ConocoPhillips

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

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

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

Foreign Affairs of the Russian Federation. 2004 – 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 Petrochemical and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of three 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.

Sergei Anatolievich Mikhailov

Member of the Board of Directors of OAO "LUKOIL"*

General Director of ZAO Gruppa Konsalting [Consulting Group]

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 [Management-Centre asset management company]. 2001 – 28 February 2011: General Director

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

of OOO Menedzhment-Konsalting [Management Consulting limited liability company]. Since 2002: General Director of ZAO Gruppa Konsalting [Consulting Group].

Since 2004: Chairman of the Board of Directors of OOO Upravlyayushchaya Kompaniya Kapital Paevye Investitsionnye Fondy [Kapital Unit Investment Funds (Management Company)] and a member of the Board of Directors of ZAO Russkaya Mediagruppa [Russian Mediagroup], of OAO Futbolny Klub Spartak-Moskva [Spartak-Moscow Football Club] and of OAO Kommerchesky Bank Petrocommerce [Petrocommerce Commercial Bank].

Since 2005: Member of the Board of Directors of ZAO IFD Kapital, OAO Editorial Board of *Izvestia*. 2008-2009: Chairman of the Board of Directors of ZAO Investitsionnaya Gruppa Kapital [Kapital Investment Group]. Since 2008: Member of the Board of Directors of OOO Upravlyayushchaya Kompaniya Kapital [Kapital Management Company], Chairman of the Board of Directors of ZAO Kapital Upravlenie aktivami [Kapital Asset Management]. Since 2010: Chairman of the Board of Directors of ZAO Gruppa Kapital Upravlenie aktivami [Kapital Group Asset Management], since 2011: Deputy General Director of OOO Upravlyayushchaya Kompaniya Kapital [Kapital Management Company].

Elected to the LUKOIL Board of Directors since 2003.

Mark Mobius

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

Executive Chairman, Templeton Emerging Markets Group

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

“LUKOIL”

Born: 1936

Graduated from the Massachusetts Institute of Technology (1964). Dr. Mobius earned a Ph.D. in economics and political science from the Massachusetts Institute of Technology, as well as Bachelor's and Master's degrees from Boston University. Executive Chairman of Templeton Asset Management Ltd till August 2010, since August 2010: Executive Chairman, Templeton Emerging Markets Group. Joined Franklin Templeton Investments in 1987.

Elected to the LUKOIL Board of Directors in 2002-2004 and since June 2010.

Alexander Nikolaevich Shokhin

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

President of the Russian Union of Industrialists and Entrepreneurs

President of the State University – Higher School of Economics

Chairman of the Human Resources and Compensation Committee of OAO “LUKOIL”

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

Born: 1951

Graduated from the Economics Department of the Lomonosov Moscow State University in 1974. Doctor of Economics, professor. Recipient of the Order 'For Merits before the Fatherland', 4th Degree 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. 2002–2006: 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 Business Competition and Enterprenership 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, regional and inter-regional importance, for high-tech and innovations.

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, and a Certificate of Gratitude from the Russian Federation President. 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 USSR Ministry of Oil and Gas. 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, Head of the Main Division for General Affairs, Corporate Security and Communications of OAO "LUKOIL"

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.

Vadim Nikolaevich Vorobyov

Member of the Management Committee of OAO "LUKOIL"

Vice-President, Head of the Main Division of Coordination of Petroleum Product Marketing and Distribution of OAO "LUKOIL"

Born 1961

Graduated from the N.I. Lobachevsky Gorky State University (1983) and the N.I. Lobachevsky Nizhni Novgorod State University (1998). Candidate of Economics (PhD). Recipient of a Medal

of the Order "For Merits before the Fatherland", 2nd Degree. 1981-1992: elected to local youth and party bodies. 1992-1998: in management positions at Nizhni Novgorod insurance and banking institutions. 1998-2002: Vice-President, President OAO Oil Company NORSI-OIL. From 2002 to 2005, General Director of OAO "LUKOIL-Volganefteprodukt". 2005-2009: Vice-President of OAO "LUKOIL", Head of the Main Division of Coordination of Petroleum Product Marketing and Distribution in Russia. Since 2009: Vice-President, Head of the Main Division of Coordination of Petroleum Product Marketing and Distribution of OAO "LUKOIL".

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 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 Petrochemical and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of three 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 Maslyayev

Member of the Management Committee of OAO "LUKOIL"

Head of the Main Division of Legal Support of OAO "LUKOIL"

Born: 1958

Graduated from the 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 the Lomonosov Moscow State University in 1984. Candidate of Economics (PhD). Master of Business Administration (Bristol University, 1997). Recipient of a Medal of the Order "For Merits before the Fatherland", 2nd 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 Petrochemical and Gas Industry in 1977. Doctor of Technical Sciences, Candidate of Geological and Mineral Sciences (PhD). Recipient of a Medal of the Order "For Merits before the Fatherland", 2nd Degree. Government of the Russian Federation Prize winner. 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: First 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 of OAO "LUKOIL".

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. 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, 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.

Gennady Stanislavovich Fedotov

Member of the Management Committee of OAO "LUKOIL"

Vice-President, Head of the Main Division of Economics and Planning of OAO "LUKOIL"

Born 1970

Graduated from Moscow Institute of Physics and Technology in 1993. 1994-2002: employed by Halliburton and Shell. 2002-2007: Head of Division, Deputy Head, Head of the Main Division of Corporate Budget Planning and Investments of OAO "LUKOIL". Since 2007: Vice-President, Head of the Main Division of Economics and Planning.

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, 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. Since 1988: employed at entities in Western Siberia. 1997–2003: Deputy Head, 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”.

Committees of the Board of Directors**Strategy and Investment Committee**

The purpose of this Committee is to draft and present recommendations to the Board of Directors on:

- 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 24 June 2010 the Committee consists of Igor Ivanov (Chairman), Don Wallette, Jr., Ravil Maganov and Mark Mobius.

Audit Committee

The purpose of this Committee is to draft and present recommendations to the Board of Directors on:

- 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 24 June 2010 the Committee consists of Herman Gref (Chairman), Victor Blazheev and Sergei Mikhailov.

HR and Compensation Committee

The purpose of this Committee is to draft and present recommendations to the Board of Directors on:

- HR policies and procedures,
- executive selection policies and standards in order to attract and retain talent of the highest quality.

From 24 June 2010 the Committee consists of Alexander Shokhin (Chairman), Igor Belikov and Sergei Mikhailov.

Shares of members of the Board of Directors and Management Committee in the Company's Charter Capital as at 31 December 2010

<i>Members of the Board of Directors and Management Committee</i>	<i>Share in charter capital, %*</i>
V.Yu. Alekperov	1.88
I.V. Belikov	-
V.V. Blazheev	-
D.E. Walette	-
V.I. Grayfer	0.007
H.O. Gref	-
I.S. Ivanov	-
R.U. Maganov	0.37
S.A. Mikhailov	0,04
M. Mobius	-
A.N. Shokhin	-
A.A. Barkov	0.07
V.N. Vorobyov	0.006
S.P. Kukura	0.39
I.A. Maslyaev	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
G.S. Fedotov	0.001
L.A. Fedun	1.17
E.L. Khavkin	0.01
L.N. Khoba	0.34

* Share stakes of Board and Management Committee members are shown in accordance with the requirements of Russian law for disclosure of such information, and include shares held on accounts of the said individuals as well as shares held on accounts of nominee investors in the formers' name.

Information on transactions with OAO "LUKOIL" shares performed by Board and Management Committee members during 2010

<i>Full Name</i>	<i>Number of shares</i>	<i>Type of transaction</i>	<i>Date of transaction</i>
S.A. Mikhailov	25,605	sale	10.02.2010
S.A. Mikhailov	19,205	purchase	12.02.2010
S.A. Mikhailov	64,395	purchase	04.06.2010
S.A. Mikhailov	70,270	sale	16.06.2010
S.A. Mikhailov	33,905	sale	15.10.2010

Information on funds paid to Board and Management Committee members in 2010

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 24 June 2010 passed a decision to pay members of the Board of Directors of OAO "LUKOIL" elected in 2009 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 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 24 June 2010 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 2010 the members of the Management Committee were paid:

- remuneration in accordance with the contract with the member of the Management Committee⁴;
- a basic annual salary (the monthly payments for the position during the year, pursuant to employment contracts);
- annual performance bonuses for 2009 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 Board and Management Committee members in 2010

<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	58,738	-	-	5,644 ⁵	64,382
Management Committee	32,862	452,294	430,489	21,545	937,190

⁴ 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 provided the corporate-wide key performance indicators for the reporting period are achieved.

⁵ 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” performs the overall management of 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 2010 was structured using the Work Plan of the Board of Directors for 2009–2010 approved by the Board of Directors on 14 July 2009 and the Work Plan of the Board of Directors for 2010–2011 approved by the Board of Directors on 20 July 2010.

The Board of Directors held eight formal meetings in 2010, and decisions were also adopted through 17 absentee/distance votes.

According to the *Regulations on the Board of Directors of OAO “LUKOIL”*, the written opinion of an absent member of the Board of Directors that is received by the Secretary prior to the start of the Board meeting is taken into account when determining whether there is a quorum for the meeting of the Board of Directors and when tallying the voting results on the issues on the agenda. Therefore, a member of the Board of Directors who has sent his or her written opinion prior to the start of the meeting is considered to have taken part in the work of the Board of Directors.

Information on Participation in Board Meetings held in Person

Date of the meeting, No. of the Minutes	13.01.2010 №1	20.04.2010 №7	18.05.2010 №10	24.06.2010 №13	20.07.2010 №15	31.08.2010 №18	26.10.2010 №21	30.11.2010 №24
Board Member								
V.I. Grayfer (Chairman of the Board)	+	+	+	+	+	+	+	+
V.Yu. Alekperov	+	+	+	+	+	+	+	+
I.V. Belikov*				+	+	+	+	+
V.V. Blazheev	+	+	+	+	+	+	+	+
D. Walette	+	–	+	+	+	+	+	+
G.O. Gref	+	+	+	–	+	+	+	+
I.S. Ivanov	+	+	+	+	+	+	+	+
R.U. Maganov	+	+	+	+	+	+	+	+
R. Matzke**	+	+	+					
S.A. Mikhailov	+	+	+	+	+	+	+	+
M. Mobius*				+	+	+	+	+
N.A. Tsvetkov**	+	+	+					
A.N. Shokhin	+	+	+	–	+	+	+	+

* has been performing the duties of a member of the Board of Directors of OAO "LUKOIL" since 24 June 2010

** has been performing the duties of a member of the Board of Directors of OAO "LUKOIL" till 24 June 2010

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

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

- On the preliminary results of LUKOIL Group operations in 2009 and objectives in 2010 and the near future. On the priority areas of operations of OAO "LUKOIL" in 2010. Comparative data on the company's performance indicators over the past few years (13 January 2010).
- On the preliminary results of the operations of the LUKOIL Group in H1 2010 and progress in the execution of the 2010 budget and investment programme (31 August 2010).
- On the main indicators of the Medium-Term Plan of the LUKOIL Group for 2011-2013, and the Budget and Investment Programme of the LUKOIL Group for 2011 (30 November 2010).

At its first meeting in 2010 the Board of Directors established the achievement by the Company and its subsidiaries of the key indicators of the LUKOIL Group's Medium-Term Plan for 2010-2012 and the Budget and Investment Programme for 2010 (approved by decision of the Board of Directors dated 14 December 2009) as its main objective. The Management Committee of the Company was charged with focussing its efforts on maintaining the proper balance between the Company's growth rates and business development and ensuring effective operations under highly volatile conditions and macroeconomic instability.

In planning the activity of the Company and the LUKOIL Group as a whole, the Board of Directors also made a more in-depth study and designated specific steps in the development of individual business segments of the LUKOIL Group. This work was carried out within the framework of the following issues:

- On new international hydrocarbon production projects (20 April 2010);
- Status Report on the implementation of the Associated Gas Utilization Programme by LUKOIL Group organizations (of 31 August 2010);

- On the operations of the Refining and Marketing business segment. On modernization plans for the Refining and Marketing business segment for 2011-2012 (of 26 October 2010). The Company's oil refining and marketing operations were considered at the meeting held in Istanbul (Turkey), and the main areas of development of this business segment in 2011-2012 were approved. Pursuant to the approved plans, for the near term the Company's oil refining complex will be focussed on cutting costs and energy consumption, increasing the return on capital outlays, and the maximum possible use of effective oil refining capabilities in Russia.
- On the status and development programme of the Engineering Centre of the LUKOIL Group (30 November 2010).

The Corporate Governance Code 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, assigns the Board of Directors of a joint stock company a special role in improving the system of corporate governance of the company.

In this field, in 2010 the Board of Directors:

- Elected, in accordance with the *Regulations on the Board of Directors of OAO "LUKOIL"*, from among the elected members of the Board of Directors 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 (24 June 2010).
- Approved the membership of the committees of the Board of Directors (24 June 2010).
- Approved the *Shareholder Rights and Communications Programme of OAO "LUKOIL" for 2010–2014* (18 May 2010), which was developed based on the effective legislation of the Russian Federation, the Charter of OAO "LUKOIL", internal regulatory acts, and the Company's listing obligations on global stock exchanges. This programme takes due account for applicable global best practice, and determines the main goals and objectives of shareholder relations.
- On 20 April 2010, based on the recommendations of the Human Resources and Remuneration Committee of 20 February 2010, approved the criteria for assessing the performance of the Board of Directors and the committees of the Board of Directors. According to the proposed procedure, the Office of the Board of Directors conducted a

survey of the members of the Board of Directors, and asked them to assess the work of the Board of Directors and Board committees based on the approved criteria.

At the meetings on 18 May 2010 and 20 May 2011 the Board of Directors approved the reports on the work of the Board of Directors and the results of the performance evaluation surveys of the members of the Board of Directors. An analysis of the performance evaluation scores shows that the Board of Directors gave a positive evaluation of its performance in 2009–2010 and 2010–2011.

The highest governance body of a joint stock company is the General Shareholders Meeting, at which the company's performance results for the past year are summarised and key corporate decisions are made. Preparations for the holding of the General Shareholders Meeting of the Company are an important area of the Board of Directors' activity.

In 2010 the annual General Shareholders Meeting was held on 24 June in Moscow.

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 through absentee voting on 4 February 2010:

- 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 per cent 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 per cent of voting shares.

Issues concerning the preparations for the annual General Shareholders Meeting were also decided by the Board of Directors on 20 April 2010. These issues included: the approval of the agenda of the annual general meeting, determination of the dates for compiling the list of parties entitled to take part in the meeting, the text and form of the voting ballots, recommendations to the General Shareholders Meeting of the Company 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 18 May 2010 the Board of Directors tentatively approved the Annual Report of OAO "LUKOIL" for 2009, for its submission to the annual General Shareholders Meeting.

At the meeting on 20 July 2010 the Board of Directors approved the membership of the Management Committee of OAO “LUKOIL” (15 people) and established the principal terms and conditions of the contracts to be concluded with the members of the Management Committee.

On 31 March 2010 the Board of Directors also established the principal terms and conditions of the Contract with the President of OAO “LUKOIL”, set forth in Supplemental Agreement No. 4.

In accordance with the requirements of the Federal Law *On Joint Stock Companies*, on 20 July 2010 the Board of Directors established the maximum amount of the fees for the services of the Auditor of OAO “LUKOIL”.

The competence of the Board of Directors also includes the approval of the Company’s internal documents, in performance of which the Board of Directors:

- Approved the *Code of Business Conduct and Ethics of OAO “LUKOIL”* (20 July 2010);
- Approved the amendments and addenda to the *Regulations on the System of Payment and Incentives for Management Personnel of OAO “LUKOIL”* (23 July 2010);
- Invalidated the *Regulations on Social Assistance for Disabled Persons in the OAO “LUKOIL” System* (19 February 2010). This document was invalidated because, according to the Company Charter, the issues governed by these Regulations are not in the competence of the Board of Directors, but rather of the Management Committee, which approved the corresponding regulatory documents.

In 2010 the Board of Directors of the Company took decisions on the long-term incentives for employees that were specified in the *Regulations on long-term incentives for employees of OAO “LUKOIL” and its subsidiaries*. Such decisions were taken on 14 May 2010, 23 July 2010 and 29 October 2010.

The Company Charter and the Federal Law *On Joint Stock Companies* assign the prior approval of a number of transactions to the competence of the Board of Directors of the Company. In the reporting period the Board of Directors approved interested-party transactions and transactions concluded in accordance with point 9.7.19 of the Charter of OAO “LUKOIL”, i.e. transactions involving the acquisition, disposal or possible disposal of property worth 10 to 25 per cent of the book value of the Company’s assets, and major transactions approved in accordance with sub-point 9.7.17 of the Company Charter.

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

Another important function of the Board of Directors is determining the priority areas of development of the joint stock company. The Board of Directors established the following as the priority areas for OAO “LUKOIL” in 2011:

- maintaining an optimal balance between the Company’s growth rates and business development and sustaining efficiency of operations;
- successfully implementing new priority development projects;
- integrating newly acquired assets into the Company’s structure (refineries, marketing assets);
- ensuring the Company’s operations on the basis of strict capital investments discipline, higher energy efficiency and labour productivity, optimisation of controlled expenses (production, selling, administrative);
- maintaining the Company’s competitive positions on the international and Russian industrial markets based on key performance indicators;
- revealing the potential of the Company’s research and development complex based on domestic and global best practice;
- ensuring the required level of industrial safety, labour safety and environment protection with regard to all indicators, and reliable protection of the LUKOIL Group’s personnel and assets.

The Company’s activity in the Exploration & Production business segment in 2011 will be aimed at ensuring full compensation of hydrocarbon production with a growth in reserves, and the maximum involvement of reserves in development. Plans include the active implementation of projects for the continued development of fields discovered on the shelf of the Caspian Sea (Yu. Korchagin, V. Filanovsky, Sarmatskoe), active work on the implementation of the Western Qurna-2 project in Iraq, and performance of geological survey work on the deep marine shelf of Western Africa (Cote d’Ivoire, Ghana). Implementation of the Programme for utilisation of associated petroleum gas will continue in 2011.

The Company’s activity in the Refining & Marketing business segment in 2011 will be aimed at ensuring proper management of the balance between oil and petroleum product shipments, continued upgrading of Company refineries for compliance with the requirements of engineering regulations and to improve the quality of products, increased efficiency and improved competitive indicators of refineries, strengthening of the Company’s positions in priority regions, and entry onto new petroleum product sales markets. The implementation of the

production development programme and sales of petroleum products with improved performance characteristics under the EKTO brand will continue.

Construction and overhaul of generating capacity pursuant to capacity supply agreements will continue in the Power Generation business sector in 2011.

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 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	52.00	44,229	44,157	98
for 2010	On 26 April 2011 the Board of Directors of OAO “LUKOIL” recommended that the annual General Shareholders Meeting to be held on 23 June 2011 pay dividends based on the results of the 2010 financial year in the amount of RUB 59 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

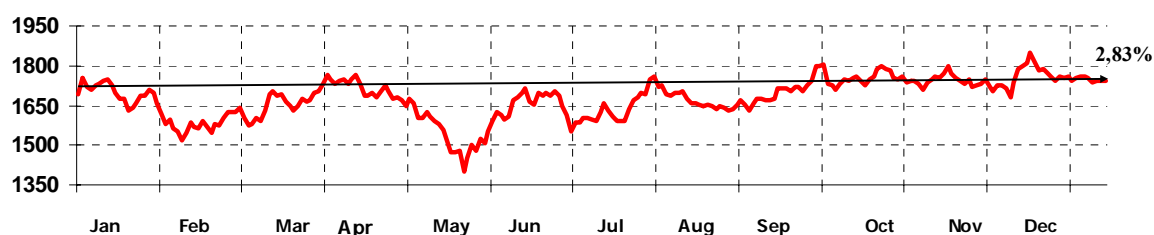
The year 2010 was a year of consolidation of the market for OAO “LUKOIL” shares. After the significant drop in the value of the Company’s shares in 2008 (-53.3%) due to the global financial crisis, and the significant increase in capitalisation in 2009 (+75.6%), the Company’s shares entered a period of stabilisation in 2010 as the global economy recovered from the critical phase of the crisis. Over the course of the year the shares in OAO “LUKOIL” remained one of the most liquid securities on the Russian stock market, and were used in the calculation of all major stock exchange indexes. The main trading floors in Russia for the Company’s shares remained ZAO Moscow Interbank Currency Exchange (hereinafter “MICEX”) and OAO RTS Exchange (hereinafter “RTS”). The share of OAO “LUKOIL” shares in the overall volume of trading on these exchanges in 2010 equalled 6.5% and 5.87%, respectively.

External factors, which in many ways determined price trends for the Company’s shares in 2010, included: pressure on the stock market caused by information on changes in the structure of the Company’s major shareholders (ConocoPhillips opting out as a shareholder in OAO “LUKOIL”); drafting by the Russian government of amendments to tax legislation for the entire oil and gas industry; and a slow, steady growth trend in the oil market throughout the reporting year.

Among the internal factors affecting the price of OAO “LUKOIL” shares, the positive results of the Company’s operations in 2010 must be singled out (performance of measures to improve operating performance and increase free cash flow, commencement of oil production on the shelf of the Caspian Sea, successful implementation of projects in Western Africa, Iraq and Uzbekistan). This work received high praise from industry experts, and lays the foundation for increased capitalisation of OAO “LUKOIL” in future.

As a result, the price of OAO “LUKOIL” shares rose by 2.8% over 2010 (MICEX trading) and was equal to RUB 1,742 at the end of the reporting period.

Changes in OAO “LUKOIL” share price on MICEX in 2010, RUB



There was a slight decrease in the volume of trading in OAO “LUKOIL” shares in 2010 versus 2009 on Russian exchanges, and an increase in the volume of trading in depositary receipts for Company shares on the London Stock Exchange.

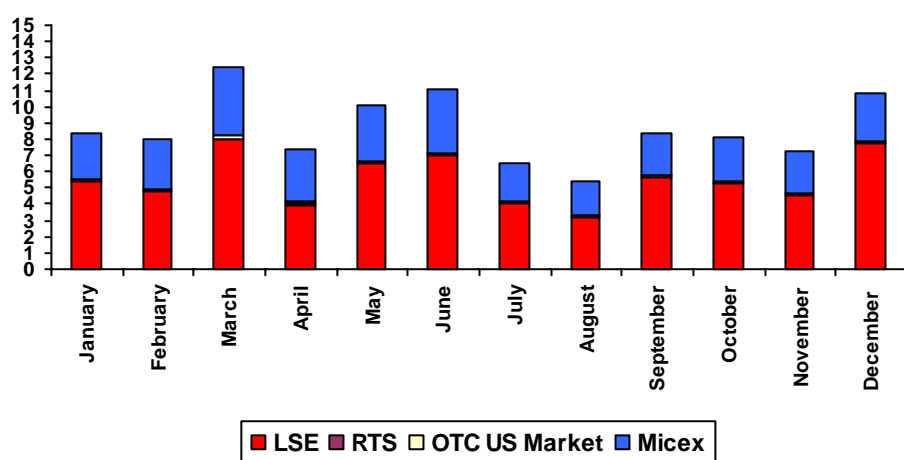
Depositary receipts were also traded on the over-the-counter market in the USA and on the London, Frankfurt, Munich and Stuttgart exchanges. At year end 2010 the total number of depositary receipts (ADRs) issued for ordinary shares was the equivalent of 563.99 million shares (66.31% of the Company’s charter capital). The volume of trading in ADRs on the main foreign trading platform – the London Stock Exchange – increased by 13.2% in 2010 and reached USD 50.1 billion. In 2010, ADRs issued for OAO “LUKOIL” shares were the second-most traded ADRs of foreign companies listed on the London Stock Exchange in the IOB system (16.2% of aggregate average monthly trading in this system).

OAO “LUKOIL” shares continue to serve as the underlying asset for derivatives on the forward securities market. For example, futures and options for OAO “LUKOIL” shares are one of the main instruments of the RTS forward market.

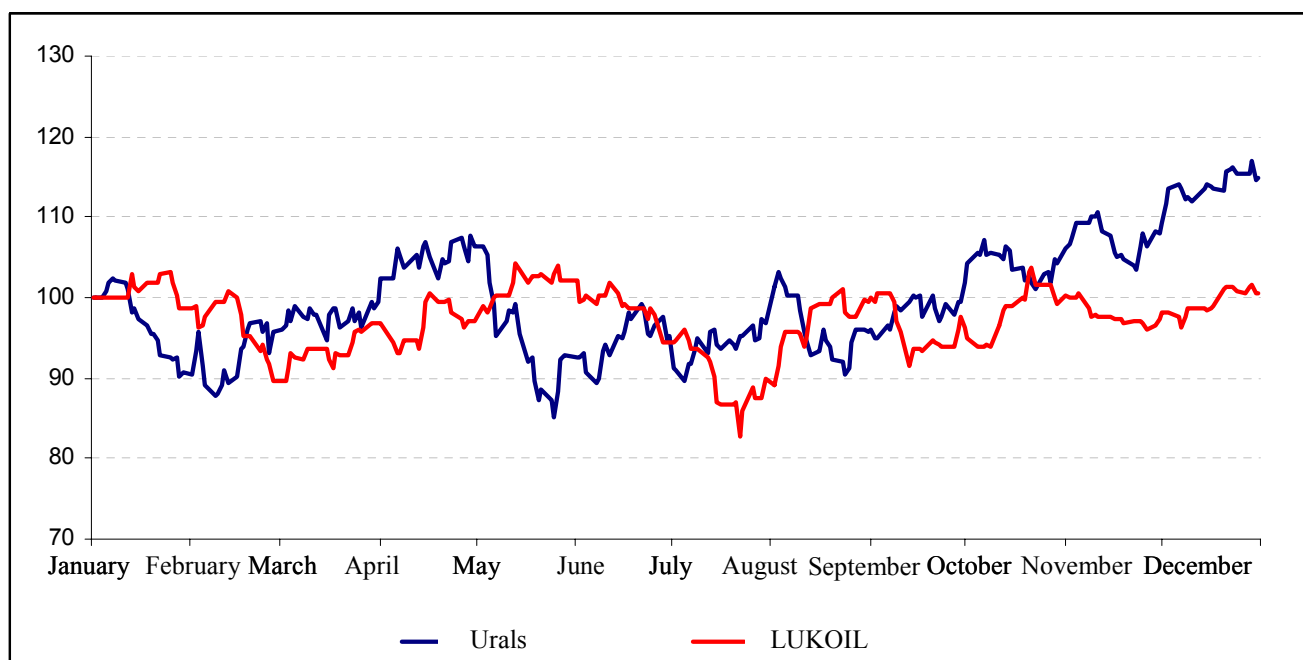
At the end of 2010, LUKOIL Group organisations issued and placed two issues of Eurobonds. In November 2010, the Company completed the placement of a Eurobond issue of USD 1 billion, maturing in 2020. The bonds were offered in two tranches at the same time in one issue. USD 800 million in bonds were issued at a price equal to 99.08% of their par value, with a rate of return to maturity of 6.25% per annum. USD 200 million in bonds were issued at a price equal to 102.44% of their par value, as a result of which their rate of return to maturity was 5.80%. In December 2010 OAO “LUKOIL” completed the issue of unsubordinated unsecured convertible Eurobonds maturing in June 2015. USD 1.5 billion in bonds were issued, with a rate of return of 2.625% per annum.

OAO “LUKOIL” exerted maximum effort during the reporting year to preserve and grow shareholder value. Operating indicators were improved, a strict policy to restrain capital costs was pursued, and as a result the Company was able to achieve record levels of free cash flow. This allowed the Company to maintain its investment appeal despite the instability of the global financial system.

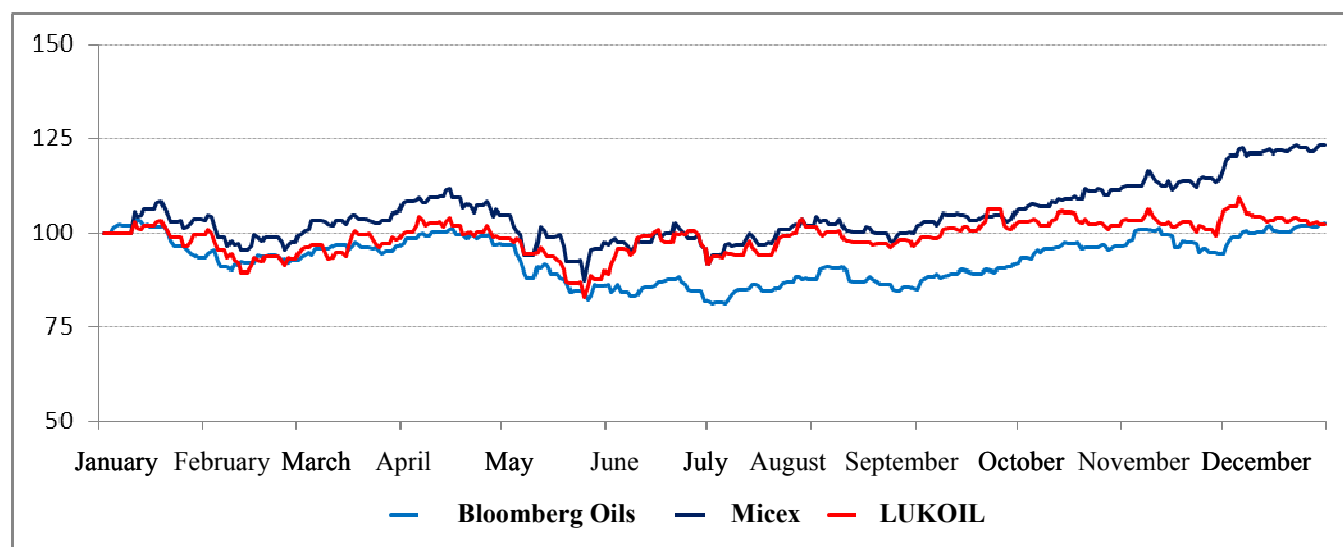
Volumes of trading in OAO “LUKOIL” shares and ADRs in 2010, billion USD



Price of OAO “LUKOIL” shares on MICEX and price of Urals oil in 2010, %



Price of OAO “LUKOIL” shares compared to the Bloomberg Oils index of major oil-and-gas companies and the MICEX index in 2010, %



Change in the share capital structure of OAO “LUKOIL” in 2010

Key shareholders in OAO “LUKOIL”[*] (> 1% ordinary registered shares)				
	Number of shares as at 1 Jan 2010	% of total number of shares as at 1 Jan 2010	Number of shares as at 1 Jan 2011	% of total number of shares as at 1 Jan 2011
ING Bank (Eurasia) ZAO	588,130,232	69.15	645,159,254	75.85
Depositarno-kliringovaya Kompaniya [Depository-Clearing Company]	75,790,805	8.91	69,483,048	8.17
Natsionalnyy depositarnyy tsentr [National Depository Centre]	38,176,573	4.49	52,526,643	6.18
SDK Garant	33,177,732	3.90	33,411,404	3.93
URALSIB Depository Company	13,574,885	1.60	12,065,926	1.42
ZAO KB Citibank	66,536,986	7.82	-	<1%...

^{*} Nominee shareholders

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

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

- Strategic risks
- Financial risks
- Legal risks
- Geological risks
- Environmental risks
- Production risks

The occurrence of any of these risks may negatively impact the Company’s operations and in the final analysis may have a negative effect on the size of cash flows. In view of the probabilistic nature of risks, and also the fact that they are external to the Company, OAO “LUKOIL” cannot fully guarantee that the measures taken to manage risks will reduce their negative impact to zero. Therefore, the Company informs the users of its financial statements of the existence in its operations of a number of circumstances described below, which may, with a certain probability, worsen its operating indicators. OAO “LUKOIL” will take all possible measures to monitor and prevent the occurrence of these events, and should they occur, will take measures to rapidly eliminate their after-effects, with the minimum of damage to the Company.

Strategic risks

Macroeconomic risks

The possible deterioration of the global macroeconomic situation, or equally a delay in the global economy’s recovery from recession, will have a negative impact on the Company’s business, including its operating results and ability to carry out the planned program of capital investments.

In its operational planning, the Company considers several scenarios for future developments in the macroeconomic situation – energy prices, inflation, taxes, exchange rates, etc. – including optimistic, baseline, and pessimistic scenarios. This makes it possible to take more balanced decisions on allocating capital and forming the portfolio of investment projects.

Country risks

The geographic diversification of the Company’s operations is extremely broad. The countries where OAO “LUKOIL” operates include some with a high level of political and economic risk, the realisation of which may substantially complicate the Company’s operations in a specific region or even lead to their termination.

In order to minimise the effect of risks of operations in countries with a transitional economy or other unstable countries, the Company strives to diversify its operations, and in parallel with its operations in unstable regions is acquiring assets in Europe and the United States of America; we consider the country risks in these areas 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 shortage of specialists and universal aging of oil and gas industry workers. This increases the risk of greater demand and higher salaries for such specialists in Russia. Possible consequences may include higher salary costs or the need to more rapidly modernise facilities with the aim of reducing the number of service personnel, which may have a negative impact on the Company's operating financial performance.

Competition risks

Risks of access to new sources of our materials

Competition with major Russian and transnational companies for access to new sources of raw materials may lead to a situation where the Company will be unable to obtain access to new, more promising oil and gas fields in future. A consequence of this risk may be a decrease in the Company's proved reserves and consequently a decrease in its capitalization.

Risks of access to transport infrastructure

When transporting its products, OAO "LUKOIL" is primarily dependent on the transportation capacities of state-owned monopolies: OAO AK Transneft, OAO AK Transnefteprodukt, OAO Russian Railways, and also OAO Gazprom to transport the Company's natural gas production. The Company's dependence on state-owned monopolies for the transportation of its products could have very significant negative consequences. These consequences may include:

- losses associated with breakdowns, leaks and other disruptions in the operation of the pipeline or rail systems;
- an unplanned increase in costs associated with the need to rapidly find alternative means of delivering hydrocarbons if access to the pipeline system is restricted, or in the worst case if operations cannot be continued in certain regions;
- an unplanned increase in costs associated with a sharp increase in transportation tariffs.

Risks on the market for oil refining and petroleum products

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

- risks of a decrease in sales volumes and partial idling of production capacities;
- risks of a decrease in oil refining margin;
- risks of a decrease in the retail margin;
- risks of more stringent environmental legislation and higher demands on product quality;

These risks may lead to lost revenues or higher costs for the Company, which in the end may have a negative impact on the size of cash flows in this business segment.

Risks on the market for natural gas and associated petroleum gas

An important risk factor in the gas production segment is the position of OAO Gazprom as the sole buyer on the market for purchasing natural gas extracted by independent oil companies and the stripped gas that is a by-product of the refining of associated petroleum gas.

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

- the limitation by OAO Gazprom of quotas for the purchase of gas from independent producers, which may lead to restricted production of gas by the Company or to the mothballing of a number of projects;
- the establishment of a low monopoly price on purchases of natural and associated petroleum gas from independent producers, which may have a negative impact on the current profit margin in this business segment.

The Company will take all possible measures to reduce risks in this area, and seeks to build partnership relations with OAO Gazprom.

Financial risks

Price risks

Rapid and mixed fluctuations in hydrocarbon prices may complicate the Company's operations to a certain extent. In the near term, OAO "LUKOIL" expects energy prices to remain highly volatile, due to the unstable balance of supply and demand on the global market, as well as the uncertain prospects for recovery from the global economic crisis.

Inflation risks

The Company is subject to the risk of inflationary growth in its costs. The most important effect of this risk lies in the field of capital spending, which may threaten the successful performance of a number of investment projects.

The Company focuses its attention on restraining cost growth, and on assessing this risk when developing investment projects and making investment decisions.

Interest-rate risks

The Company is subject to significant risks of changes to interest rates, and is first and foremost sensitive to changes in European interest rates.

The Company constantly monitors the ratio of its debt with fixed and floating interest rates, and manages it in order to minimise the risk of interest-rate changes.

Liquidity risks

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

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

- sharp fluctuations in energy prices;
- the amount of taxes, duties and customs payments;
- cost growth.

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

These risks are capable of negatively affecting the Company's liquidity in the short term.

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

Currency risks

The Company is subject to risks of an unfavourable change in currency rates, as it operates in many countries. The exchange rate of the Russian rouble to the US dollar has the greatest effect on operating performance, since the Company's export revenues are denominated in dollars, while the bulk 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 is oriented to 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 credit risk concentration on any one counterparty.

Use of derivative financial instruments

The Company does not use derivative instruments in a centralised way to manage financial risks.

Derivative financial instruments are used by LITASCO SA (the LUKOIL Group organisation that performs foreign-trade operations) to hedge 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 stock markets.

Legal risks

Risks in the area of anti-monopoly regulation

At present there is a risk of stricter anti-monopoly legislation and law-enforcement practice against oil companies.

In its operations, OAO "LUKOIL" adheres to the principles of competitive relations with all market subjects, does not pursue policies aimed at limiting competition or monopolising markets, and has no such objectives in either the short or long term. Nonetheless, the Company cannot exclude the risk of possible judicial proceedings and the imposition of penalties in the event contentious situations arise.

The Company has created a working group for relations with the anti-monopoly authorities, with the aim of ensuring that the operations of the Company and other LUKOIL Group organisations comply with anti-monopoly legislation.

Tax risks

The Company cannot exclude the possibility of stricter tax legislation, especially given the expected budget deficit of the Russian government. The increase in the tax burden in connection with the expected changes in tax legislation may reduce the industry-wide return on oil production, oil refining and sales in Russia.

Nonetheless, the Company constantly monitors changes in tax legislation in the countries where it has a presence and organizes its operations based on scrupulous compliance with legislation.

Risks in the area of currency regulation

OAo “LUKOIL” does not exclude the possibility that legislation on currency regulation will be made stricter. Should currency regulations tighten, a number of the Company’s export operations may be made more difficult, which may have a negative impact on its current liquidity.

Risks in the area of customs regulation

OAo “LUKOIL” cannot exclude the risk that the rules of customs control and customs duties will become more onerous in future. In particular it is possible that export duties on oil and petroleum products will be increased, especially given that the Russian government is expected to run a budget deficit. These changes could have a negative effect on the Company’s financial performance.

Geological risks

Risks of exploratory drilling/discovery of new deposits

In the Company’s operations there is a risk that when carrying out new projects and exploratory drilling we will not discover commercially productive oil and gas reserves. As a result, the Company may be forced to incur additional expenses or terminate work on a number of licence blocks.

Risks associated with changes to subsoil usage and licensing legislation

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

The Russian government has also submitted a draft law changing the procedure for compensation of harm caused to the subsoil as a result of violations of the legislation on the subsoil.

These legislative initiatives may in the near future have a negative impact 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 emissions or the need to clean up possible industrial accidents may have a substantial negative effect on the financial indicators of OAo “LUKOIL”. The financial results of the operations of OAo “LUKOIL” may be indirectly affected by damage to the Company’s reputation and the actions of state authorities if such environmental risks should be realised.

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 it to incur

additional costs to upgrade facilities, and accordingly this will have a negative impact on the Company's financial performance.

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

Production risks

Risk of not meeting production, refining and marketing targets

In the Company's operations, there is a risk that production targets will not be met due to various circumstances related to production issues, economics, and management. The Company recognises the existence of these risks. On the one hand, it takes measures to mitigate these risks; on the other, it plans its operations in such a way as to ensure that these risks do not have a material impact on the Company's key projects.

Construction risks

When implementing investment projects, the Company encounters the risk that production facilities will not be put into operation on schedule. Key factors affecting this risk include: planning errors, contractor actions, and risks arising from the state of infrastructure.

The Company pays the utmost attention to managing this risk by carefully preparing projects, selecting reliable suppliers and contractors, including obtaining performance guarantees from them, and also by establishing partnerships with the operators of infrastructure facilities (state monopolies, the state authorities of Federal subjects).

Risk management procedures

OAO "LUKOIL" systematically monitors risks when carrying out current operations and investment projects, and makes every effort to prevent them and mitigate their negative impact should they be realised.

The Company has identified key business processes in which modern risk-management technologies have been integrated (financial management, industrial safety, etc.). The Company has implemented a centralised risk management system at a number of its major subsidiaries, encompassing all business processes and functional areas of operations, which makes it possible to manage risks effectively.

The Company is currently developing a global corporate-wide risk-management system that takes into account leading-edge risk-management practices.

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

- prevention/mitigation of potential damages from identified risks;
- achievement of the optimal allocation of capital on the basis of the risk/return ratio;
- satisfying the requirements of the regulatory authorities on disclosing risk information;
- improvement in credit rating and greater trust on the part 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 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 Audit Commission, and also the issue of the approval of the Auditor of the Company.
6.	Mandatory attendance of candidates in cases where the	De facto	See note to item 5

* For the purposes of this table, hereinafter 'the company'

	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.	compliance	
7.	The internal documents of the 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 company contains the authorities of the Board of Directors regarding the annual approval of the financial business plan of the 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 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 <i>Recommendations on the organisation of the system of internal controls, risk management and internal audit of the LUKOIL Group</i> (Appendix No. 2 to the <i>Regulations on Internal Audit in the LUKOIL Group</i>).</p>
10.	The charter of the company defines the rights of the Board of Directors to take a decision on suspending 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 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 heads of the main structural units of the 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>The <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of</i></p>

			<i>OAO "LUKOIL"</i> (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.
12.	The charter of the 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 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 company includes at least three independent directors who meet the requirements of the Corporate Governance Code.	Compliance	Point 9.2 of the Charter of OAO "LUKOIL" contains a provision that shareholders will seek 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 24 June 2010 (minutes No. 1), seven 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 is also a member of the Board of Directors of

	management bodies, or employee of a legal entity that competes with the company.		<p>OAO TNK-BP Management, 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>

			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 in writing 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 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 audit commission.	Compliance	<i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>
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 selection 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> .

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).	-	There is no such committee of the Board of Directors. In 2010 the Company established a Business Ethics Commission responsible for regulating corporate ethical relations and implementing the norms and rules of the <i>Code of Business Conduct and Ethics of OAO "LUKOIL"</i> approved by decision of the Board of Directors of OAO "LUKOIL" of 20 July 2010 (Minutes No. 15).
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 collective 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 on 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, disposal or the possibility of disposal 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

			<p>competence of the Board of Directors by point 9.7.19 of the Charter of OAO "LUKOIL".</p> <p>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 (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, disposal or the possibility of disposal 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.</p>
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	<p>The decision of the Board of Directors of 14 December 2009 (Minutes No. 25) 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 2010, provided that these revisions are in accord with the strategic goals and objectives 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".</p> <p>The decision of the Board of Directors of 30 November 2010 (Minutes No.24) granted the Management Committee the right to revise the Investment Programme of the LUKOIL Group for 2011 in an amount not exceeding 10% of the investment expenses of the LUKOIL Group being approved thereby, provided that these revisions are in accord with the strategic goals and objectives of the Company and are supported by financing. Should such revisions exceed the level thus</p>

			approved, they must be coordinated with the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL".
42.	The executive bodies 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.
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	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. These contracts also stipulate that members of the Management

			<p>Committee are liable for losses caused to the Company as a result of their culpable actions (inaction) as members of the collective 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 bodies and officials comply with procedural requirements guaranteeing the observance of the rights and legal interests of company shareholders.	Compliance	By decision of the Board of Directors of OAO "LUKOIL" of 29 August 2003 (Minutes No. 37), the duties of the corporate secretary were assigned to the Secretary of the Board of Directors - Head of the Office 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	<p>Pursuant to point 9.7.17 of the Charter of OAO "LUKOIL", the competence of the Board of Directors includes approval of major transactions involving assets with a value of 25 to 50 percent of the book value of the Company's assets according to its financial statements as of the latest reporting date with the exception of transactions made during the usual course of the Company's business, transactions related to placement of the Company's ordinary shares by way of subscription (sale) and transactions related to placement of issuable securities convertible into the Company's ordinary shares.</p> <p>In the reporting year OAO "LUKOIL" performed two transactions that are considered major transactions in accordance with the Federal Law <i>On Joint Stock Companies</i>. These transactions are further described in the Annual Report.</p>

			Both transactions received the prior approval of the Board of Directors, and information on the relevant Board decisions was disclosed by OAO "LUKOIL" in the form of price sensitive announcements (disclosure of information that may have a significant effect on the price of shares of a joint stock company).
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 5.2.3 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).
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 of 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 <i>Regulations on Information Policy of OAO "LUKOIL"</i> .
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	Compliance	Point 5.6 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of</i>

	agenda of the general shareholders meeting.		<i>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 <i>Regulations on the activity of the structural divisions of OAO "LUKOIL" and the LUKOIL Group companies to ensure the performance of obligations associated with the listing of OAO "LUKOIL" securities on the London Stock Exchange</i> .
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 of 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, Internal Audit and Risk Management, 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, Internal Audit and Risk Management 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, Internal Audit and Risk Management, 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.	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	Compliance (since 20 July 2010)	Prior to 20 July 2010, the Head of the Main Division of Control and Internal Audit had been 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 <i>Instructions on Document Support for the Management Activity of OAO "LUKOIL"</i> , 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 <i>Regulations on Internal Control and Internal Audit at OAO "LUKOIL"</i> *
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 Division 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	Compliance	Point 3.1.7 of the <i>Regulations on the</i>

* This note refers to the internal document in effect during the reporting year. As of the date this Annual Report is approved, the above document will have been invalidated and the Company has the *Regulations on Internal Control and Internal Audit at OAO "LUKOIL"* in place as approved by decision of the Board of Directors of OAO "LUKOIL" on 26 April 2011 (Minutes No.7). The adoption of the new document has not affected compliance with the respective provisions of the Corporate Governance Code indicated herein.

	submitted to the shareholders at the general shareholders meeting.		<i>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	<p><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).</p> <p>After approval of this document, information on it was published in the newspaper <i>Vedomosti</i> and other mass media.</p> <p><i>The Regulations on the Dividend Policy of OAO "LUKOIL"</i> are published on the Company's website.</p>

List of transactions carried out by OAO “LUKOIL” in 2010 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”

1. Number of transaction submitted for consideration by the Board of Directors	1
2.1. Price (amount in USD)	The loan amount is up to USD 8,000,000,000.
2.2. Price (amount in roubles)	The loan amount is up to RUB 248,899,200,000.
3. Names of parties	OAO “LUKOIL” (Lender) LUKINTER FINANCE B.V. (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Loan Agreement No. 0810474 of 18 June 2008 (hereinafter, the “Agreement”).
6. Subject of the transaction	Pursuant to the Agreement and the Supplemental agreement thereto, the Lender will provide the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments) with a term of up to 30 December 2011 to finance the Borrower’s Charter operations; the total amount of debt on the loan may not exceed USD 5,000,000,000 (five billion) at any time, 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 new wording of point 1.1 of the Agreement stipulates an increase in the amount of the loan to USD 8,000,000,000.
7. 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. The other terms of the Agreement remain unchanged.
1. Number of transaction submitted for consideration by the Board of Directors	2
2.1. Price (amount in USD)	The loan amount is up to USD 8,116,856,763.50.
2.2. Price (amount in roubles)	The loan amount is up to RUB 250,000,000,000.
3. Names of parties	OAO “LUKOIL” (Lender) OOO LUKOIL-Komi (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the “Agreement”).
6. Subject of the transaction	Under the Agreement, the Lender provides the Borrower with a special-purpose loan in an amount up to RUB 250,000,000,000 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. The loan may be transferred to the Borrower’s settlement account in a lump sum or in instalments, based on the written instructions of the Borrower. The loan is provided for a term up to 31 December 2040 inclusive, with an early repayment option.
7. Other material terms of the transaction	The Borrower will pay interest on the amount of the loan received throughout the entire period of actual use of the funds borrowed under the Agreement, 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, the new version of which was approved by decision of the Management Committee of OAO “LUKOIL” on 21 December 2009, with subsequent amendments and

<p>addenda. The Borrower will be provided with written notification of changes to interest rates in accordance with the Marketing Policy.</p> <p>Interest will accrue on a monthly basis on the actual debt owed by the Borrower.</p> <p>The borrowed funds are being provided to finance the development of the Roman Trebs and the Anatoly Titov oil deposits.</p> <p>The loan may not be used for purposes other than those indicated in the Agreement.</p>
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In 2010 OAO “LUKOIL” did not perform transactions covered by the approval procedure for 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 2010

Interested-party transaction of OAO “LUKOIL” approved by the Annual General Shareholders Meeting of OAO “LUKOIL” of 24 June 2010 and concluded in 2010

1. Number of the transaction approved by the annual General Shareholders' Meeting	1
2. Price	up to RUB 305,000 – premium for coverage A; up to RUB 39,345,000 – 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.
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 2010 to 18 July 2011 inclusive. 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 when the invoice is issued.
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Interested-party transactions of OAO “LUKOIL” approved by the Board of Directors of OAO “LUKOIL” and concluded in 2010

1. Number of the transaction approved by the Board of Directors	1
2.1. Price (amount in USD)	The approximate value of the transaction is no more than USD 445,000,000.
2.2. Price (amount in RUB)	The approximate value of the transaction is no more than RUB 13,011,800,000.
3. Names of parties	OAO “LUKOIL” (Buyer) LUKOIL Chemical B.V. (Seller)
4. Names of beneficiaries	-
5. Name of transaction	Share purchase agreement in ZAO LUKOIL-Neftekhim (hereinafter the “Agreement”).
6. Subject of the transaction	The Seller sells 276,250 ordinary registered shares and 300 preferred registered shares in ZAO LUKOIL-Neftekhim, constituting 65% of the total number of placed and outstanding shares of the Company, with a par value of RUB 2,000 each (hereinafter the “Shares”) to the Buyer, and transfers all rights and obligations associated with the Shares, and the Buyer buys and accepts all rights and obligations associated with the Shares, and pays for the Shares on the conditions, pursuant to the procedure and by the dates indicated in the Agreement and effective Russian legislation.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Supervisory Board of LUKOIL Chemical B.V.. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, the Chairman of the Supervisory Board of LUKOIL Chemical B.V
8. Other material terms of the transaction	The title to the Shares and all related rights and obligations will be transferred to the Buyer from the time when the corresponding entries are made by the Registrar in the Register of owners of the Company’s registered securities. The Buyer will perform its obligation to pay the Cost of the Shares to the Seller in a one-off cash payment within 7 (seven) business days after the date of conclusion of the Agreement.
1. Number of the transaction approved by the Board of Directors	2
2.1. Price (amount in USD)	The lease payment is USD 8,634.60 per month, plus VAT of USD 1,554.20.
2.2. Price (amount in RUB)	The lease payment is RUB 260,593.20 per month, plus VAT of RUB 46,906.78.
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 non-residential premises with a total area of 180 m ² , located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow.

	Pursuant to the Supplemental agreement to the Agreement, from 1 April 2010 the lease payment for use of the non-residential premises will decrease from RUB 302,542.35 a month, plus VAT of RUB 54,457.62, to RUB 260,593.20 a month, plus VAT of RUB 46,906.78.
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	All other terms of the Contact remain unchanged. The Supplemental agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	3
2.1. Price (amount in USD)	The approximate value of the transaction is USD 350,000.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 10,454,500.
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. According to the Supplemental agreement, the supply deadlines under the Contract are extended until 31 January 2011 inclusive, in accordance with the volumes of supplies agreed upon by the Parties on a monthly basis.
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	4
2.1. Price (amount in USD)	The approximate value of the transaction is USD 90,000,000.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 2,688,300,000.
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. According to the Supplemental agreement, the supply deadlines under the Contract are extended until 31 January 2011 inclusive, in

	accordance with the volumes of supplies agreed upon by the Parties on a monthly basis.
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	5
2.1. Price (amount in USD)	The lease payment is USD 2,481.10 per month, plus VAT of USD 446.60.
2.2. Price (amount in RUB)	The lease payment is RUB 74,110.17 per month, plus VAT of RUB 13,339.83.
3. Names of parties	Independent Non-Profit Organisation LUKOIL Athletic Club (Lessee) OAO "LUKOIL" (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Lease Agreement No. 0610146 of 1 February 2006 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 63.3 m ² , located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. Pursuant to the Supplemental agreement to the Agreement, from 1 February 2010 the lease payment for use of the non-residential premises will decrease from RUB 83,542.36 a month, plus VAT of RUB 15,037.62, to RUB 74,110.17 a month, plus VAT of RUB 13,339.83.
7. Grounds for status as an interested party	Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of the Independent Non-Profit Organisation LUKOIL Athletic Club.
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	6
2.1. Price (amount in USD)	The lease payment is USD 2,184.60 per month, plus VAT of USD 393.23.
2.2. Price (amount in RUB)	The lease payment is RUB 65,254.23 per month, plus VAT of RUB 11,745.76.
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 "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. Pursuant to the Supplemental agreement to the Agreement, from 1 March 2010 the lease payment for use of the non-residential premises will decrease from RUB 76,327.67 a month, plus VAT of RUB 13,738.98, to RUB 65,254.23 a month, plus VAT of RUB 11,745.76.
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 Supplementary agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	7
2.1. Price (amount in USD)	The amount of the sponsorship contribution is USD 1,429,584.40, plus VAT of USD 257,325.20.
2.2. Price (amount in RUB)	The amount of the sponsorship contribution is RUB 42,372,881.36, plus VAT of RUB 7,627,118.64.
3. Names of parties	OAO "LUKOIL" (Sponsor) Open joint stock company Spartak Moscow Football Club (Club)
4. Names of beneficiaries	-
5. Name of transaction	Sponsorship Assistance Contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Sponsor will provide sponsorship assistance to the Club, aimed at preparing the Club's professional sportsmen for national competitions (the Russian Championship, Russian Cup) and international competitions in accordance with the official calendar of competitions, on the condition of the dissemination of the advertising of the Sponsor.
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 FC Spartak Moscow, and his brother Andrei Arnoldovich Fedun is a member of the Board of Directors of OAO FC Spartak Moscow. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FC Spartak Moscow. 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 FC Spartak Moscow. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FC Spartak Moscow. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FC Spartak Moscow.
8. Other material terms of the transaction	The Contract enters into force from the time of its signing, and will remain in effect until the Parties perform their contractual obligations in full.
1. Number of the transaction approved by the Board of Directors	8
2.1. Price (amount in USD)	The lease payment equals USD 56,741.99 per month, plus VAT of USD 10,213.60.
2.2. Price (amount in RUB)	The lease payment equals RUB 1,681,832.58 per month, plus VAT of RUB 302,729.86.
3. Names of parties	ZAO LUKOIL-Neftekhim (Lessor) OAO "LUKOIL" (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to a Property Lease Agreement No. 0910247 of 28 April 2009 (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. In accordance with the Supplemental agreement:

	<p>- on 31 January 2010 the Lessee will return and the Lessor will accept property (fax machines, telephones, monitors, system units, etc.) under an act of acceptance;</p> <p>- from 1 February 2010, the lease payment will be reduced by RUB 1,640.25 per month, plus VAT of RUB 295.24. The monthly lease payment will equal RUB 1,681,832.58, plus VAT of RUB 302,729.86.</p>
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	<p>All other terms of the Agreement remain unchanged.</p> <p>The Supplemental Agreement enters into force from the date of signing.</p>
1. Number of the transaction approved by the Board of Directors	9
2.1. Price (amount in USD)	The approximate amount of the commission fee is USD 4,318,488.50.
2.2. Price (amount in RUB)	The approximate amount of the commission fee is RUB 128,000,000.
3. Names of parties	<p>OAO RITEK (Principal)</p> <p>OAO "LUKOIL" (Commission Agent)</p>
4. Names of beneficiaries	-
5. Name of transaction	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.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors 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 a member 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 28 February 2011, and as regards mutual settlements – until they have been completed in full. The commission fee is RUB 180 per net tonne of oil shipped to the buyer, plus VAT in the amount of 18% of the commission fee.
1. Number of the transaction approved by the Board of Directors	10
2.1. Price (amount in EUR)	EUR 15,000,000, and all reasonable and documented expenses associated with the performance of the Guarantee (legal expenses, court costs, and administrative expenses on receiving a court order).
2.2. Price (amount in RUB)	RUB 632,250,000, and all reasonable and documented expenses associated with the performance of the Guarantee (legal expenses, court costs, and administrative expenses on receiving a court order).
3. Names of parties	<p>OAO "LUKOIL" (Guarantor)</p> <p>Joint stock company ORLEN Lietuva (Seller)</p>
4. Names of beneficiaries	UAB LUKOIL BALTIJA (Buyer)
5. Name of transaction	Contract of Guarantee (hereinafter the "Guarantee").
6. Subject of the transaction	Ensuring the timely performance of the payment obligations of UAB LUKOIL BALTIJA under sale-purchase agreements on petroleum products concluded in December 2009 and to be concluded during 2010 between the Seller and the Buyer, including late payment

	interest, costs, remuneration, expenses and any other monetary obligations that arise from the indicated sale-purchase agreements. The Guarantor's liability under the Guarantee is limited to a total of EUR 15,000,000, 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).
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>If the Buyer does not fulfil its obligations, the Guarantor will 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.</p> <p>The Guarantee will be valid from the time of its signing until 31 January 2011, which is the last day that the Seller can raise a claim with the Guarantor.</p> <p>The Guarantee is a continuing guarantee, which will remain in force until all guaranteed payment obligations of the Buyer to the Seller are discharged.</p> <p>The Guarantee is regulated and interpreted in accordance with the laws of the Republic of Lithuania. All disputes that arise between the Seller and the Guarantor regarding the Guarantee that cannot be settled through negotiations will be resolved by one or several arbitrators appointed pursuant to the Procedural Regulations of the Vilnius International and National Commercial Arbitration (VKAT). The obligations of the Guarantor will cease:</p> <p>a) after the performance by the Buyer in full of its payment obligations to the Seller under the sale-purchase agreements;</p> <p>b) after the performance by the Guarantor of the payment obligations of the Buyer to the Seller.</p>
1. Number of the transaction approved by the Board of Directors	11
2.1. Price (amount in EUR)	EUR 15,000,000, and all reasonable and documented expenses associated with the performance of the Guarantee (legal expenses, court costs, and administrative expenses on receiving a court order). The amount of the fee is EUR 1,500, plus VAT of EUR 270.
2.2. Price (amount in RUB)	RUB 632,250,000, and all reasonable and documented expenses associated with the performance of the Guarantee (legal expenses, court costs, and administrative expenses on receiving a court order). The amount of the fee is RUB 63,225, plus VAT of RUB 11,380.50.
3. Names of parties	OAO "LUKOIL" (Guarantor) UAB LUKOIL BALTIJA (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Contract of indemnity (hereinafter the "Contract").
6. Subject of the transaction	<p>In accordance with the Contract, the Debtor undertakes to indemnify the Guarantor for funds paid thereby to discharge the obligations under the Contract of Guarantee concluded between OAO "LUKOIL" and AO ORLEN Lietuva (Seller), for the purpose of securing the obligations of UAB LUKOIL BALTIJA under the sale-purchase contracts on petroleum products concluded in December 2009 and those to be concluded during 2010, between the Seller and the Debtor, in an amount equivalent to EUR 15,000,000, plus all reasonable and documented expenses associated with the performance of the Guarantee (legal expenses, court costs, and administrative expenses on obtaining a court order).</p> <p>The Debtor will indemnify the Guarantor in cash in the amount in which the Guarantor executed its obligations under the Contract of Guarantee, 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 1500 plus VAT of EUR 270 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 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	12
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in roubles)	No financial terms stipulated.
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	Pursuant to the Agreement the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions 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. In accordance with the Addendum to the Agreement: - changes are made to the terms of sale of foreign currency by the Commission Agent, pursuant to which the Commission Agent sells foreign currency funds received on the Commission Agent's transit foreign currency account, in the amount of 100%, after withholding foreign currency costs incurred by the Commission Agent on the sale of the goods to the buyer, and then remits the rouble funds to the Principal's account (previously the Commission Agent had sold only the foreign currency funds received on the Commission Agent's transit foreign currency account as final payment for goods; the remainder of foreign currency funds (advance, interim payments for the goods) were remitted to the Principal's account by the Commission Agent); - the terms of the Agreement (clauses 5.2 and 5.4) stipulating the possibility of the transfer of foreign currency funds by the Commission Agent to the Principal and the payment of bank commission for this transfer are deleted; - the Commission Agent's liability for the late transfer of foreign currency funds to the Principal is eliminated.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAo RITEK. Vladimir Vitalievich Mulyak, a member of the Management Committee of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo RITEK.
8. Other material terms of the transaction	The Addendum shall enter into force from the time of its signing.
1. Number of the transaction approved by the Board of Directors	13
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in roubles)	No financial terms stipulated.
3. Names of parties	OAo RITEK (Principal) OAo "LUKOIL" (Commission Agent)
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	In accordance with the Agreement, the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions on the sale of the Principal's oil on a foreign market, in its own name but at the expenses of the Principal, on terms of FOB Kamenny (Obskaya guba) and/or FOB Murmansk. In accordance with the Addendum to the Agreement:

	<p>- changes are made to the terms of sale of foreign currency by the Commission Agent, pursuant to which the Commission Agent sells foreign currency funds received on the Commission Agent's transit foreign currency account, in the amount of 100%, after withholding foreign currency costs incurred by the Commission Agent on the sale of the goods to the buyer, and then remits the rouble funds to the Principal's account (previously the Commission Agent had sold only the foreign currency funds received on the Commission Agent's transit foreign currency account as final payment for goods; the remainder of foreign currency funds (advance, interim payments for the goods) were remitted to the Principal's account by the Commission Agent);</p> <p>- the terms of the Agreement (clauses 5.2 and 5.4) stipulating the possibility of the transfer of foreign currency funds by the Commission Agent to the Principal and the payment of bank commission for this transfer are deleted;</p> <p>- the Commission Agent's liability for the late transfer of foreign currency funds to the Principal is eliminated.</p>
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors 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 a member of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	The Addendum shall enter into force from the time of its signing.
1. Number of the transaction approved by the Board of Directors	14
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in roubles)	No financial terms stipulated.
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. 0910133 of 23 March 2009 (hereinafter the "Agreement").
6. Subject of the transaction	<p>Pursuant to the Agreement the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions 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. In accordance with the Addendum to the Agreement:</p> <p>- changes are made to the terms of sale of foreign currency by the Commission Agent, pursuant to which the Commission Agent sells foreign currency funds received on the Commission Agent's transit foreign currency account, in the amount of 100%, after withholding foreign currency costs incurred by the Commission Agent on the sale of the goods to the buyer, and then remits the rouble funds to the Principal's account (previously the Commission Agent had sold only the foreign currency funds received on the Commission Agent's transit foreign currency account as final payment for goods; the remainder of foreign currency funds (advance, interim payments for the goods) were remitted to the Principal's account by the Commission Agent);</p> <p>- the terms of the Agreement (clauses 5.2 and 5.4) stipulating the possibility of the transfer of foreign currency funds by the Commission Agent to the Principal and the payment of bank commission for this transfer are deleted;</p> <p>- the Commission Agent's liability for the late transfer of foreign currency funds to the Principal is eliminated.</p>
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors 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 a member of the Board of Directors of OAO RITEK.</p>

8. Other material terms of the transaction	The Addendum shall enter into force from the time of its signing.
1. Number of the transaction approved by the Board of Directors	15
2.1. Price (amount in USD)	The approximate amount of the transaction is USD 65,100,000.
2.2. Price (amount in roubles)	The approximate amount of the transaction is RUB 1,965,369,000.
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. According to the Supplemental agreement, the volume of guaranteed deliveries of diesel fuel in 2010 established in Appendix No. 3 equals 105,000 metric tonnes.
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 Supplemental agreement enters into force from the time of its signing and extends to the legal relations between the Parties in relation to the goods delivered from 1 January 2010. All other terms of the Contract remain unchanged.
1. Number of the transaction approved by the Board of Directors	16
2.1. Price (amount in USD)	The approximate amount of the transaction is USD 23,500,000.
2.2. Price (amount in roubles)	The approximate amount of the transaction is RUB 709,465,000.
3. Names of parties	OAO "LUKOIL" (Seller) ZAO LUKOIL BALTIJA (Buyer)
4. Names of beneficiaries	-
5. Name of transaction	Supply contract (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, the Seller will deliver up to 50,000 metric tonnes of bitumen to the Buyer 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.
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	Shipment terms – CPT Gudogay station. Period of delivery – from the date of signing of the Contract to 31 March 2011 inclusive, based on the delivery volume agreed upon by the Parties on a monthly basis. 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.

1. Number of the transaction approved by the Board of Directors	17
2.1. Price (amount in USD)	The approximate amount of the transaction is USD 310,000,000.
2.2. Price (amount in roubles)	The approximate amount of the transaction is RUB 9,461,200,000.
3. Names of parties	OAo "LUKOIL" (Seller) ZAO LUKOIL BALTIJA (Buyer)
4. Names of beneficiaries	-
5. Name of transaction	Supply contract (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, the Seller will deliver up to 500,000 metric tonnes of diesel fuel to the Buyer 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.
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	Shipping terms – DAF Belarus-Lithuanian border (any railway entry station, at the Seller's discretion). Period of delivery – from the date of signing of the Contract to 31 March 2011 inclusive, based on the delivery volume agreed upon by the Parties on a monthly basis. 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.
1. Number of the transaction approved by the Board of Directors	18
2.1. Price (amount in USD)	USD 399,600.40.
2.2. Price (amount in roubles)	RUB 12,000,000.
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	Contract of donation (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract the Company makes a donation to IATUO in the amount of RUB 12,000,000 for the organisation and conduct of the OAo "LUKOIL" President's Cup tournament from 28 to 30 May 2010.
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	If the funds are used for a purpose other than their designated purpose, IATUO undertakes to return the amount of the donation. IATUO undertakes to provide the Company with a report on the use of funds by 30 August 2010. The Contract enters into force from the time of its signing, and shall remain in effect until the Parties perform their obligations in full.

1. Number of the transaction approved by the Board of Directors	19
2.1. Price (amount in USD)	The anticipated amount of the Agent's expenses will equal up to USD 110,000, plus VAT of USD 19,800. The Agent's fee will equal USD 12.98.
2.2. Price (amount in roubles)	The anticipated amount of the Agent's expenses will equal up to RUB 3,303,300, plus VAT of RUB 594,594. The Agent's fee will equal RUB 389.80.
3. Names of parties	OAO "LUKOIL" (Agent) OOO National Oil Consortium (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Agency agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement the Agent undertakes for a fee, in its own name and at the expense of the Principal, to conclude a service contract with the law firm Akin Gump Strauss Hauer & Feld LLP (Head Office and Moscow representative office) for the purpose of legal support in the development of a draft Charter for OOO National Oil Consortium and the draft Participants Agreement for OOO National Oil Consortium, and the Principal undertakes to pay the Agent remuneration for the services rendered and to reimburse the Agent for its expenses.
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 NOC.
8. Other material terms of the transaction	The Agent's fee shall be 0.01% of the amount of the Agent's expenses. The Principal undertakes to reimburse the Agent for all expenses incurred thereby in connection with the execution of the Agreement, pursuant to Agent's reports. If the Agent incurs expenses in a currency other than the rouble, then the Principal shall make reimbursement in roubles at the exchange of the Central Bank of the Russian Federation as at the date funds are debited from the Agent's account to pay for the services of Akin Gump Strauss Hauer & Feld LLP. The Agreement enters into force from the time of its signing, and extends to legal relations between the Parties arising from 1 October 2009.
1. Number of the transaction approved by the Board of Directors	20
2.1. Price (amount in USD)	The amount of the donation is USD 133,200.10.
2.2. Price (amount in roubles)	The amount of the donation is RUB 4,000,000.
3. Names of parties	OAO "LUKOIL" (Company) Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Union)
4. Names of beneficiaries	-
5. Name of transaction	Contract of donation (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Company will provide charitable assistance to the Union in the form of a cash donation of RUB 4,000,000, and the Union undertakes to use these funds for the performance of its charter activity in 2010.
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, a member of the Board of Directors of OAO "LUKOIL" and Chairman of the Management Committee of OAO "LUKOIL", is simultaneously a member Management Bureau of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs. 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.

	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.
8. Other material terms of the transaction	The Union undertakes to use the funds received from the Company for their designated purpose. Not later than 10 days from the receipt of a written request from the Company, the Union will provide a report on the targeted use of the funds received, supported by financial documentation.
1. Number of the transaction approved by the Board of Directors	21
2.1. Price (amount in USD)	Approximately USD 1,078,561.90, not including VAT.
2.2. Price (amount in roubles)	Approximately RUB 33,400,000, not including VAT.
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	In accordance with the Agreement, the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions on the export sale of the Principal’s oil (hereinafter the “goods”) 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, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Principal undertakes to pay the Commission Agent a commission fee in the amount of RUB 180 for each net tonne of the goods sold, plus 18% VAT on the amount of the commission fee. The Contract will enter into force from the time of its signing.
1. Number of the transaction approved by the Board of Directors	22
2.1. Price (amount in USD)	Approximately USD 15,099,866.90, not including VAT.
2.2. Price (amount in roubles)	Approximately RUB 453,600,000, not including VAT.
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	In accordance with the Agreement, the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions on the export sale of the Principal’s oil (hereinafter the “goods”) 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, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.

	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Principal undertakes to pay the Commission Agent a commission fee in the amount of RUB 180 for each net tonne of the goods sold, plus 18% VAT on the amount of the commission fee. The Contract will enter into force from the time of its signing.
1. Number of the transaction approved by the Board of Directors	23
2.1. Price (amount in USD)	USD 55,372.50 per month, plus VAT of USD 9,967.04.
2.2. Price (amount in roubles)	RUB 1,663,389.33 per month, plus VAT of RUB 299,410.08.
3. Names of parties	ZAO LUKOIL-Neftekhim (Lessor) OAO "LUKOIL" (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to a Property Lease Agreement No. 0910247 of 28 April 2009 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides for a fee and the Lessee accepts for temporary use property (furniture, office equipment, curtain rods, blinds, etc.) located in the building at the address: 3 ulitsa Bolshaya Ordynka, Moscow, as indicated in Appendix No. 1 to the Agreement. In accordance with the Supplemental agreement: - on 31 March 2010 the Lessee will return and the Lessor will accept property under an act of acceptance (printers, telephones, monitors, system units, etc.), the list of which was given in Appendix No. 1 to the Supplemental agreement; - from 1 April 2010 the lease payment will be reduced by RUB 18,443.25 per month, plus VAT of RUB 3,319.78. The amount of the lease payment will equal RUB 1,663,389.33 per month, plus VAT of RUB 299,410.08.
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	All other terms of the Agreement remain unchanged. The Supplemental agreement enters into force from the time of its signing, and extends to the legal relations between the parties arising from 31 March 2010.
1. Number of the transaction approved by the Board of Directors	24
2.1. Price (amount in USD)	USD 200,467.80.
2.2. Price (amount in roubles)	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	Contract of donation (hereinafter the "Contract").
6. Subject of the transaction	According to the Contract, the Company makes a donation to IATUO in the amount of RUB 6,000,000 for assistance in the area of physical fitness and sports pursuant to Appendix No. 1 (Long-term plan of actions of IATUO of OAO "LUKOIL" to organise large-scale sports and recreational activities) and Appendix No. 2 (Planned cost estimate for sporting events in 2010), which are an integral part of the Contract.
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".

	<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	<p>The Company will have the right to monitor the targeted use of the transferred funds.</p> <p>If the funds are used for a purpose other than their designated purpose, IATUO undertakes to return the amount of the donation.</p> <p>IATUO undertakes to provide the Company with a report on the use of transferred funds by 30 June 2011.</p> <p>The Contract enters into force from the time of its signing, and shall remain in effect until the Parties perform their obligations in full.</p>
1. Number of the transaction approved by the Board of Directors	25
2.1. Price (amount in USD)	The approximate amount of the special-purpose loan will not exceed USD 143,557,841.85.
2.2. Price (amount in roubles)	The approximate amount of the special-purpose loan will not exceed RUB 4,200,000,000.
3. Names of parties	<p>OAO “LUKOIL” (Lender)</p> <p>OOO National Oil Consortium (Borrower)</p>
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the “Agreement”).
6. Subject of the transaction	Pursuant to the Agreement, the Lender will provide the Borrower with a special-purpose loan not to exceed RUB 4,200,000,000 (hereinafter the “Loan”), for a term to 29 December 2010 inclusive, and the Borrower undertakes to repay the funds received by the dates and pursuant to the procedure established in the Agreement.
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 NOC.
8. Other material terms of the transaction	<p>The funds are provided for the purpose of the discharge by the Borrower of its obligations to the Bolivarian Republic of Venezuela pursuant to the Treaty between the Russian Federation and the Bolivarian Republic of Venezuela on cooperation in the implementation of joint strategic projects, dated 10 September 2009 (discharge of point 1.2.1 of Appendix No. 1 to the Treaty). The Borrower may not use the loan for purposes other than those indicated in the Agreement.</p> <p>Interest is not accrued (0% per annum) on the actual amount provided for the duration of the period of use of the borrowed funds under the Agreement.</p> <p>Based on a petition of the Borrower, submitted no later than 30 calendar days prior to the maturity of the Loan, the Lender will have the right to extend the Loan payback period.</p> <p>If the general meeting of participants of the Borrower passes a decision on additional contributions to the Borrower’s charter capital and on offsetting monetary claims on loans made by participants to the Borrower, the Lender will be entitled up to the maturity of the Loan to offset monetary claims against the Borrower on this Loan against the Lender’s additional contribution to the Borrower’s charter capital.</p> <p>The Agreement will cease to have effect after the performance by the Parties of their obligations.</p>
1. Number of the transaction approved by the Board of Directors	26
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in roubles)	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 its balance sheet for the gratuitous use of the Association. In accordance with the Supplemental agreement, the Association is returning to the Company part of the property transferred into gratuitous use, namely: a Volkswagen Caravelle, and a PIONEER car stereo.
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 31 March 2010.
1. Number of the transaction approved by the Board of Directors	27
2.1. Price (amount in USD)	The approximate value of the transaction is USD 55,905.30.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 1,650,000.
3. Names of parties	OAO "LUKOIL" (Client) OAO IZVESTIYA (Contractor)
4. Names of beneficiaries	
5. Name of transaction	Service contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Client assigns and the Contractor assumes the obligation to place the Client's informational materials in the newspaper <i>Izvestiya</i> during the effective term of the Contract. The Client will pay for the Contractor's services pursuant to the procedure and on the terms and conditions stipulated by the Contract.
7. Grounds for status as an interested party	Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO IZVESTIYA.
8. Other material terms of the transaction	The informational materials will be published pursuant to the prior written request of the Client. The cost of services under the Contract will be determined in accordance with the existing rates for the placement of informational materials in the newspaper <i>Izvestiya</i> , depending on the volume and type of publication. The Contract enters into force from the time of its signing by both Parties, and remains in effect until 31 December 2010.
1. Number of the transaction approved by the Board of Directors	28
2.1. Price (amount in USD)	The lease payment is USD 29.19 per month, plus VAT of USD 5.25.
2.2. Price (amount in RUB)	The lease payment is RUB 847.46 per month, plus VAT of RUB 152.54.
3. Names of parties	OAO Bank Petrocommerce (Bank) OAO "LUKOIL" (Company)
4. Names of beneficiaries	-

5. Name of transaction	Supplemental agreement to Agreement No. 0910479 of 1 July 2009 on the provision of premises for the installation of an ATM (hereinafter the "Agreement").
6. Subject of the transaction	<p>According to the Agreement, the Company undertakes for a fee to provide the Bank with space at its office located at the address: 3 ul. Bolshaya Ordynka, Room No. 18 (vestibule) for the installation of an automated teller machine belonging to the Bank, to provide cash withdrawal services using international banking cards.</p> <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> - from 1 April 2010 the Company undertakes to provide the Bank with additional space for the installation of an additional automated teller machine; - the lease payment will be increased from RUB 423.73 per month, plus VAT of RUB 76.27, to RUB 847.46 per month, plus VAT of 152.54.
7. Grounds for status as an interested party	<p>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.</p> <p>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.</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	<p>All other terms of the Contact remain unchanged.</p> <p>The Supplemental Agreement enters into force from the date of its signing, and extends to the relations between the parties arising from 1 April 2010.</p>
1. Number of the transaction approved by the Board of Directors	29
2.1. Price (amount in USD)	The lease payment equals USD 5,009,196.64, plus VAT of USD 901,655.39.
2.2. Price (amount in RUB)	The lease payment is RUB 145,429,501.57, plus VAT of RUB 26,177,310.16.
3. Names of parties	<p>ZAO LUKOIL-Neftekhim (Lessor)</p> <p>OAO "LUKOIL" (Lessee)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0910342 of 30 April 2010 on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	<p>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 m², located in the building at the address: 3 ulitsa Bolshaya Ordynka, Moscow (hereinafter the "building").</p> <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> - on 31 March 2010 the Lessee will return and the Lessor will accept under a protocol of transfer room No. 5 with a total area of 3.8 m², located pursuant to the certificate of the Bureau of Technical Inventory in Premises No. II on the first floor of the building; - on 1 April 2010 the Lessor will also transfer and the Lessee will accept under a protocol of transfer part of room No. 13 with a total area of 63 m², located pursuant to the certificate of the Bureau of Technical Inventory in Premises No. IX on the sixth floor of the building; - from 1 April 2010 the total amount of the lease payment for use of all premises leased under the Agreement will equal RUB 16,259,719.12 per month, plus VAT of RUB 2,926,749.44. - on 30 April 2010 the Lessee will return and the Lessor will accept under a protocol of transfer the non-residential premises with a total area of 33.6 m², specifically room No. 15 located in Premises No. X on the seventh floor of the building;

	<p>- from 1 May 2010 the total amount of the lease payment for use of all premises leased under the Agreement will equal RUB 16,149,222.72 per month, plus VAT of RUB 2,906,860.08.</p> <p>The total amount of the lease payment under the Contract from 1 April 2010 to the date of the next extension will be RUB 145,429,501.57, plus VAT of RUB 26,177,310.16.</p>
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 31 March 2010.
1. Number of the transaction approved by the Board of Directors	30
2.1. Price (amount in USD)	The approximate amount of commission fee is USD 2,058,057.81, exclusive of VAT.
2.2. Price (amount in RUB)	The approximate amount of commission fee is RUB 60,000,000, exclusive of VAT.
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	In accordance with the Agreement, the Commission Agent undertakes for a fee to perform a transaction involving the sale of the Principal's oil (hereinafter the "goods") on the foreign market in its own name, but on the instructions and at the expense of the Principal on terms of FOB Kamenny (Gulf of Ob) and/or FOB Murmansk.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors 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 a member of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	<p>The Principal undertakes to pay the Commission Agent a commission fee in the amount of RUB 180 for each net tonne of the goods sold, plus 18% VAT on the amount of the commission fee.</p> <p>The Contract enters into force from the time of its signing and will remain in force until 30 June 2011, and as regards mutual settlements – until they have been completed in full.</p>
1. Number of the transaction approved by the Board of Directors	31
2.1. Price (amount in USD)	The lease payment for eight months equals USD 4,226,725.63, plus VAT of USD 760,810.61.
2.2. Price (amount in RUB)	The lease payment for eight months equals RUB 128,327,194.21, plus VAT of RUB 23,098,894.96.
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 (hereinafter the "building").

	<p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> - on 1 May 2010 the Lessee transfers and the Lessor accepts under an act of transfer of acceptance rooms No. 11 and 12 with a total area of 36 m², which according to the passport of the Bureau of Technical Inventory are located in premises IX on the 6th floor of the building; - from 2 May 2010 the total area of all premises leased will be 6,068.8 m². - from 2 May 2010 the total lease payment for the use of premises will equal RUB 16,040,460.72 per month, plus VAT of RUB 2,887,282.92.
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 May 2010.
1. Number of the transaction approved by the Board of Directors	32
2.1. Price (amount in USD)	The lease payment is USD 42,635.06 per month, plus VAT of USD 7,674.31.
2.2. Price (amount in RUB)	The lease payment is RUB 1,336,609.17 per month, plus VAT of RUB 240,589.65.
3. Names of parties	ZAO LUKOIL-Neftekhim (Lessor) OAO "LUKOIL" (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Property Lease Agreement No. 0910247 of 28 April 2009 (hereinafter the "Agreement").
6. Subject of the transaction	<p>In accordance with the Agreement, for a fee the Lessor provides for temporary use property (furniture, office equipment, items of interior décor) located in the building at the address: 3 ulitsa Bolshaya Ordynka, Moscow 115035</p> <p>In accordance with the Supplemental Agreement of 1 April 2010, the Lessor additionally provides, and the Lessee accepts under an act of transfer and acceptance property, a list of which is determined in Appendix No. 1 to the Supplemental Agreement.</p> <p>From 1 April 2010, the lease payment for the use of property equals RUB 1,336,609.17 per month, plus VAT of RUB 240,589.65.</p>
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 April 2010.
1. Number of the transaction approved by the Board of Directors	33
2.1. Price (amount in USD)	USD 3,262.49, plus VAT of USD 587.25.
2.2. Price (amount in RUB)	RUB 102,279, plus VAT of RUB 18,410.22.
3. Names of parties	OOO LUKOIL Trading House (Licensee) OAO "LUKOIL" (Licensor)
4. Names of beneficiaries	-
5. Name of transaction	Licence agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Licensor grants the Licensee the right to use proprietary assets – technical standards "Work clothes with the OAO "LUKOIL" logo" (hereinafter, the "Technical Standards").

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 right to use the Technical Standards is granted from the date of signing of the Act on provision of rights for five years on the territory of the Russian Federation. Method of use: reproduction of the Technical Standards in a quantity of no more than 10 copies, provision of the copies of the Technical Standards to sub-contractors for sewing of work clothes.
1. Number of the transaction approved by the Board of Directors	34
2.1. Price (amount in USD)	USD 102,573,750.
2.2. Price (amount in RUB)	RUB 3,254,665,087.
3. Names of parties	OAO "LUKOIL" (Buyer) LUKOIL Chemical B.V. (Seller)
4. Names of beneficiaries	-
5. Name of transaction	Sale-purchase contract on shares in ZAO LUKOIL-Neftekhim (hereinafter the "Contract").
6. Subject of the transaction	The Seller will sell to the Buyer 63,750 ordinary registered shares in ZAO LUKOIL-Neftekhim (hereinafter also the "Company"), constituting 15% of the total number of outstanding shares in the Company, with a nominal value of RUB 2,000 each (hereinafter the "Shares") and will transfer all rights and duties associated with the Shares in full measure, while the Buyer will buy the Shares, accept all rights and duties associated with the Shares, and pay for the Shares on the terms, following the procedure, and by the deadlines stipulated by the Contract and effective Russian legislation.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL Chemical B.V.. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, the Chairman of the Supervisory Board of LUKOIL Chemical B.V.
8. Other material terms of the transaction	Title to the Shares and all associated rights and duties will pass to the Buyer from the time the Registrar makes the relevant entries in the Register of holders of registered securities of ZAO LUKOIL-Neftekhim. The performance of the Buyer's obligation to pay the Value of the Shares to the Seller will be made in monetary funds in a lump-sum payment within 7 (seven) business days from the date of conclusion of the Contract.
1. Number of the transaction approved by the Board of Directors	35
2.1. Price (amount in USD)	The lease payment for 9 months equals USD 20,226.90, plus VAT of USD 3,640.84.
2.2. Price (amount in RUB)	The lease payment for 9 months equals RUB 630,877.23, plus VAT of RUB 113,557.90.
3. Names of parties	OAO "LUKOIL" (Lessor) OOO NGK Razvitie Regionov (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0810660 on non-residential premises of 1 August 2008 (the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Lessor leases for the temporary use of the Lessee non-residential premises with a total area of 46.6 m ² , namely rooms No. 5, 6 and 7, located (according to the passport of the Bureau of Technical Inventory) in Premises No. I on the 1 st floor of the building at the address: 3 Pokrovsky bulvar, building 1, Moscow. In accordance with the Supplemental Agreement, from 1 August 2010 the lease payment will be increased from RUB 61,211.86 per month (plus VAT of RUB 11,018.13) to RUB 70,097.47 per month (plus VAT of RUB 12,617.54).

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. All other terms of the Agreement remain unchanged.
1. Number of the transaction approved by the Board of Directors	36
2.1. Price (amount in USD)	The lease payment for 10 months equals USD 1,409,650.90, plus VAT of USD 253,737.16.
2.2. Price (amount in RUB)	The lease payment for 10 months equals RUB 43,967,011.84, plus VAT of RUB 7,914,062.13.
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 3, bldg. 1, Moscow. In accordance with the Supplemental Agreement: - from 1 June 2010 the lease payment will increase from RUB 3,745,298.29 per month (plus VAT of RUB 674,153.69) to RUB 4,292,051.38 per month (plus VAT of RUB 772,569.25); - on 30 June 2010 the Lessee will return to the Lessor the premises (room 99) with a total area of 24.6 m ² , located at the address: 1 Pokrovsky bulvar, bldg. 1, Moscow, in premises No. 1 on the 3 rd floor; - on 1 July 2010 the Lessor will provide for the temporary use of the Lessee non-residential premises (room 126) with a total area of 101.9 m ² in the building located at: 3 Pokrovsky bulvar, bldg. 1, Moscow, in premises No. 1 on the 3 rd floor; - from 1 July 2010 the lease payment will increase from RUB 4,292,051.38 per month (plus VAT of RUB 772,569.25) to RUB 4,408,328.94 per month (plus VAT of RUB 793,499.21).
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 June 2010. All other terms of the Agreement remain unchanged.
1. Number of the transaction approved by the Board of Directors	37
2.1. Price (amount in USD)	The amount of the lease payment equals USD 1,649.4 per month, plus VAT of USD 296.89.
2.2. Price (amount in RUB)	The lease payment is RUB 51,444.92 per month, plus VAT of RUB 9,260.09.
3. Names of parties	OAO "LUKOIL" (Lessor) Non-Profit Organisation LUKOIL Charitable Fund (Lessee)
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 2010 the lease payment will be increased from RUB 44,923.72 per month (plus VAT of RUB 8,086.27) to RUB 51,444.92 per month (plus VAT of RUB 9,260.09).
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperov, a member of the Foundation Board. Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Foundation Board. Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Foundation Board. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Foundation Board. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Foundation Board.
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 June 2010.
1. Number of the transaction approved by the Board of Directors	38
2.1. Price (amount in USD)	USD 2,665,885.55.
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 support and develop the Russian Olympic movement and other charter activity of the Fund.
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 Contract 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	39
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 (CPU, monitor) for the gratuitous use of the Association from 1 August 2010.
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	All other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	40
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. In accordance with the Supplemental Agreement, from 31 August 2010 the Association is returning part of the property transferred for gratuitous use to the Company, namely: a Mercedes Benz S500L 4MATIK automobile, state registration No. A 679AE 199, inventory No. 56950 and a Mercedes Benz E280 4M automobile, state registration No. A 644MC 177, inventory No. 52471.
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	All other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	41
2.1. Price (amount in USD)	The amount of the loan is USD 5,253,057.20.
2.2. Price (amount in RUB)	The amount of the loan is RUB 156,705,000..
3. Names of parties	OAO "LUKOIL" (Lender). Limited-liability company National Oil Consortium (the "Borrower") (hereinafter "NOC").

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 special-purpose loan in the amount of up to RUB 156,705,000 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.
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 NOC.
8. Other material terms of the transaction	<p>The Borrower may not use the loan for purposes other than those indicated in the Agreement.</p> <p>The interest rate is the refinancing rate of the Bank of Russia in effect on the date of accrual of interest, unless the Parties have agreed to a different interest rate.</p> <p>Interest will accrue on the amount of actual debt of the Borrower on a monthly basis, until the full repayment of the loan principal. The Borrower has the right to repay the loan early (in whole or in part) with the written consent of the Lender.</p> <p>The maturity date of the loan is not later than 31 December 2010. Accrued interest on the loan will be paid by the Borrower simultaneously with the repayment of the loan amount (or a part thereof).</p> <p>The Borrower has the right to repay the loan early (in whole or in part) with the written consent of the Lender.</p> <p>If the loan and/or interest is not repaid on time, the Lender has the right to collect a penalty from the Borrower in the amount of 0.1% of the amount of the Borrower's outstanding obligations for each day of delay.</p>
1. Number of the transaction approved by the Board of Directors	42
2.1. Price (amount in USD)	USD 8,804.20 per month, plus VAT of USD 1,584.76.
2.2. Price (amount in RUB)	RUB 262,639.87 per month, plus VAT of RUB 47,275.18.
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. 0910680 of 1 October 2009 on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	<p>In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 174.6 m², located in the building at the address: 11 Sretensky bulvar, Moscow.</p> <p>In accordance with the Supplemental Agreement, from 1 October 2010 the lease payment will be increased from RUB 229,347.43 per month (plus VAT of RUB 41,282.54) to RUB 262,639.87 per month (plus VAT of RUB 47,275.18).</p>
7. Grounds for status as an interested party	<p>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.</p> <p>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.</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	<p>The Supplemental Agreement enters into force from the date of signing.</p> <p>All other terms of the Agreement remain unchanged.</p>
1. Number of the transaction approved by the	43

Board of Directors	
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	Contract on the gratuitous use of non-residential premises (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, from 1 September 2010 the Company will provide to the Association for temporary use non-residential premises with a total area of 408.1 m ² , located on the 5 th floor of the building at the address: 5 Ulansky pereulok, building 1, Moscow.
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 Contract is concluded for a period ending 15 June 2011. If one month before the end of the term of the Contract neither party has sent the other a written notice of its refusal to extend the Contract, it will be deemed to have been extended for 11 months on the same terms.
1. Number of the transaction approved by the Board of Directors	44
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. 0410494 of 11 May 2004 (hereinafter the "Contract").
6. Subject of the transaction	<p>Pursuant to the Contract, the Company provides for the gratuitous use of the Association:</p> <p>non-residential premises with a total area of 728.5 m², located in the building at the address: 3 Pokrovsky bulvar, building 1A, Moscow.</p> <p>In accordance with the Supplemental Agreement, the Parties agree to establish the term of gratuitous use under the Contract as being to 31 August 2010 inclusive.</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 date of signing.

1. Number of the transaction approved by the Board of Directors	45
2.1. Price (amount in USD)	The price will not exceed USD 60,527,172.
2.2. Price (amount in RUB)	The price will not exceed RUB 1,860,000,000.
3. Names of parties	<p>OAo "LUKOIL" (Lender).</p> <p>Limited-liability company National Oil Consortium (the "Borrower") (hereinafter "NOC").</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 special-purpose loan in an amount not to exceed RUB 1,860,000,000 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. The loan may be provided as a lump sum or in parts, on the basis of a request for funds, and will be deemed to have been provided as a lump sum (in parts) from the date of actual remittance of the amount of loan (part of the loan) to the settlement account of the Borrower.
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 NOC.
8. Other material terms of the transaction	<p>The Borrower may not use the loan for purposes other than those indicated in the Agreement.</p> <p>Unless the Parties agree otherwise on an interest rate, the Borrower will pay interest for the use of the loan at a floating interest rate to be determined as the lesser of two values: the refinancing rate of the Bank of Russia in effect on the date of accrual of interest, or 10% per annum.</p> <p>Interest will accrue on the amount of actual debt of the Borrower on a monthly basis, until the full repayment of the loan principal.</p> <p>The loan will be deemed to have been repaid in full from the time Borrower fulfils its obligations on the full amount of the loan. The loan (together with any accrued interest) should be repaid by the Borrower in full not later than 31 December 2018. Interest accrued on the loan will be paid by the Borrower simultaneously with the repayment of the loan principal (or a part thereof). The Borrower has the right to repay the loan early (in whole or in part) with the written consent of the Lender.</p> <p>If the loan and/or interest is not repaid on time, the Lender has the right to collect a penalty from the Borrower in the amount of 0.1% of the amount of the Borrower's outstanding obligations for each day of delay.</p>
1. Number of the transaction approved by the Board of Directors	46
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>In accordance with the Supplemental Agreement, from 30 September 2010 the Association is returning part of the property transferred for gratuitous use to the Company, namely: on-board computer (inventory No. 50816).</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	<p>All other terms of the Contact remain unchanged.</p> <p>The Supplemental Agreement enters into force from the date of signing.</p>
1. Number of the transaction approved by the Board of Directors	47
2.1. Price (amount in USD)	The approximate amount of the commission fee is USD 8,267.70. The approximate amount of the Agent's expenses are USD 1,017,433.03.
2.2. Price (amount in RUB)	The approximate amount of agency fee is RUB 245,000. (The approximate amount of the Agent's reimbursable expenses equals RUB 30,150,000).
3. Names of parties	<p>OAO RITEK (Principal)</p> <p>OAO "LUKOIL" (Agent)</p>
4. Names of beneficiaries	-
5. Name of transaction	Agency agreement (hereinafter, the "Agreement").
6. Subject of the transaction	The Agent undertakes to perform legal and other actions for a fee, on the instructions of the Principal, in its own name but at the expense of the Principal, to organize the transportation of oil on river boats in the amount announced by the Principal and agreed upon by the Parties in writing. The oil will be transported from the dock of the Levoberezhny Oil and Gas Production and Processing Site (OGPPS) of TPP Volgogradneftegaz, belonging to the Principal, to dock No. 5 of the Tatyanka oil-loading terminal, belonging to OOO LUKOIL-Volgogradneftepererabotka.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors 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 a member of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	<p>The Agreement will enter into force and be binding for the Parties from the time of its signing. As regards the performance of shipments, the Agreement will remain in effect until 31 December 2011, and as regards the performance of settlements for the services rendered – until they have been performed in full.</p> <p>The amount of the commission fee is RUB 2.60 per tonne of gross weight, according to the quantity indicated in the river bill of lading at the time of shipment. The amount of remuneration will be increased by the amount of value-added tax, at the rate established by the legislation of the Russian Federation (18%).</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	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. In accordance with the Supplemental Agreement: - from 1 October 2010 the Company will transfer additional property, namely a video display system (inventory No. 64783), for the gratuitous use of the Association; - from 31 October 2010 the Association will return to the Company part of the property transferred for gratuitous use according to Appendix No. 1 to the Contract (shelving, wardrobe, table, etc).
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 2010. All other terms of the Agreement remain unchanged.
1. Number of the transaction approved by the Board of Directors	49
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. Pursuant to the Supplemental Agreement, from 1 November 2010 the Company will also provide the property set forth in Appendix No. 1, which is an integral part hereof, for gratuitous use (filing cabinet, table, arm chair, etc.).
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 2010.

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" (Commission Agent) OAo RITEK (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Commission Contract No. 09W1102//0910881 of 14 December 2009 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes to perform for a fee transactions involving the sale of oil of the Principal (hereinafter, the "product") on the foreign market in its own name, but on the instructions and using the funds of the Principal. In accordance with the Supplemental Agreement: - due to the restructuring of OAo LUKOIL-Volgogradneftegaz through consolidation with OAo RITEK, the party to the Contract is OAo RITEK, the successor to OAo LUKOIL-Volgogradneftegaz; - amendments have been introduced to section 2 "Obligations of the Principal" (points 2.1, 2.2, 2.4, 2.5, 2.8 and 2.11) and section 3 "Obligations of the Commission Agent" of the Contract, regarding the transfer of the obligation to ensure transport of oil along the oil mainline of OAo AK Transneft from the Commission Agent to the Principal; - point 4.1 of the Contract has been reworded to stipulate the transfer of oil intake on commission at the oil metering station (hereinafter, OMS) located at the oil intake point to the mainline pipeline at the OMS located at the spot where the transfer of oil to the Buyer is registered when delivering oil by pipeline transport or at the sea port at the time of signing of the bill of lading.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAo RITEK. Vladimir Vitalievich Mulyak, a member of the Management Committee of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo RITEK.
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 2010.
1. Number of the transaction approved by the Board of Directors	51
2.1. Price (amount in USD)	The approximate value of the transaction is USD 2,032,585.90.
2.2. Price (amount in RUB)	The approximate value of the transaction is RUB 63,000,000.
3. Names of parties	OAo RITEK (Supplier) OAo "LUKOIL" (Buyer)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Supply Contract No. 0810720 of 12 August 2008 (hereinafter the "Contract").
6. Subject of the transaction	Under the Contract, the Supplier undertakes to supply the Buyer with associated petroleum gas and/or natural gas during the period from 1 April 2008 to 31 December 2010, and the Buyer undertakes to accept and pay the Supplier for the gas supplied. In accordance with the Supplemental Agreement: - due to the restructuring of OAo LUKOIL-Volgogradneftegaz through consolidation with OAo RITEK, the party to the Contract is OAo RITEK, the successor to OAo LUKOIL-Volgogradneftegaz; - the Supplier undertakes to supply the Buyer with associated petroleum gas and/or natural gas during the period from 1 January 2011 to 31 December 2011 in an amount of up to 20,100 million m ³ according to the procedure established by the Contract, and the Buyer undertakes to accept and pay the Supplier for the indicated gas.

7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
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 of the Parties arising from 1 November 2010 as regards the execution by the Parties of the Contract in connection with the reorganisation of LUKOIL-Volgogradneftegaz through consolidation with OAO RITEK.
1. Number of the transaction approved by the Board of Directors	52
2.1. Price (amount in USD)	The approximate amount of commission fee is USD 1,266,628.5.
2.2. Price (amount in RUB)	The approximate amount of commission fee is RUB 39,600,000.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission contract (hereinafter the "Contract")
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes to perform a transaction involving the sale of oil of the Principal for export to the Republic of Belarus in its own name, but on the instructions, at the expense of the Principal.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member 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 2012, and as regards mutual settlements – until they have been completed in full. The amount of the commission fee is RUB 220 for each net tonne of oil sold to buyers, 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	53
2.1. Price (amount in USD)	The approximate amount of commission fee is USD 13,369,967.5.
2.2. Price (amount in RUB)	The approximate amount of commission fee is RUB 418,000,000.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission contract (hereinafter the "Contract")
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes to perform a transaction involving the sale of oil of the Principal on the foreign market in its own name, but on the instructions and using the funds of the Principal.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member 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 2012, and as regards mutual settlements – until they have been completed in full. The amount of the commission fee is RUB 220 for each net tonne of oil sold to buyers, 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	54
2.1. Price (amount in USD)	The approximate amount of the agency fee is USD 3,774.30. (The approximate amount of the Agent's reimbursable expenses equals USD 7,440,045.3).
2.2. Price (amount in RUB)	The approximate amount of agency fee is RUB 118,000. (The approximate amount of the Agent's reimbursable expenses equals RUB 232,606,320).
3. Names of parties	OAo RITEK (Principal) OAo "LUKOIL" (Agent)
4. Names of beneficiaries	-
5. Name of transaction	Agency Agreement (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 organising the transportation of the Principal's oil within the domestic market of the Russian Federation and outside the customs territory of the Russian Federation in its own name, but at the expense of the Principal. The Agent also undertakes to perform legal and other actions, on the Principal's instructions and for a fee, on organising the storage and compounding of the Principal's oil within the oil mainline network of OAo AK Transneft in its own name, but at the expense of the Principal.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAo RITEK. Vladimir Vitalievich Mulyak, a member of the Management Committee of OAo "LUKOIL", is simultaneously a member 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 December 2011, and as regards mutual settlements – until they have been completed in full. The amount of the agency fee will be: for organising the transportation of oil in the domestic market of the Russian Federation – RUB 0.50 per tonne of oil; for organising the transportation of oil outside the customs territory of the Russian Federation – RUB 11.20 per tonne of oil; for organising the storage of oil within the oil mainline network of OAo AK Transneft – RUB 1.30 per tonne of oil; for organising the compounding of oil within the oil mainline network of OAo AK Transneft – RUB 1.30 per tonne of oil. In addition, the Principal will pay VAT on each fee at the rate in accordance with the legislation of the Russian Federation.
1. Number of the transaction approved by the Board of Directors	55
2.1. Price (amount in USD)	USD 113,828,325.77.
2.2. Price (amount in RUB)	RUB 3,526,754,400.
3. Names of parties	Open Joint Stock Company "Oil Company "LUKOIL" (OAo "LUKOIL") Limited-liability company National Oil Consortium (NOC).
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Loan Agreement No. 1010154 of 31 March 2010 (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, OAo "LUKOIL" (the Lender) will provide NOC (the Borrower) with a special-purpose loan, not to exceed RUB 4,200,000,000 (hereinafter the Loan), for a term to 29 December 2010, and the Borrower undertakes to repay the funds received by the dates and pursuant to the procedure established in the Agreement. If the general meeting of participants of the Borrower passes a decision on additional contributions to the Borrower's charter capital and on offsetting monetary claims on loans made by participants to

	<p>the Borrower, the Lender will be entitled up to the maturity of the Loan to offset monetary claims against the Borrower on this Loan against the Lender's additional contribution to the Borrower's charter capital.</p> <p>In accordance with the Supplemental Agreement, the Parties have agreed to offset the claims of OAO "LUKOIL" against NOC against the additional contribution by OAO "LUKOIL" to the charter capital of NOC.</p> <p>- OAO "LUKOIL" will offset claims against NOC on the payment of debt in the amount of RUB 3,526,754,400 under the obligation to repay the Loan amount in full, against the additional contribution by OAO "LUKOIL" in the amount of RUB 3,526,754,400 to the charter capital of NOC under the increase in the charter capital of NOC in accordance with the decision of the Extraordinary General Meeting of Participants of NOC of 28 October 2010;</p> <p>– NOC gives its consent to the offset by OAO "LUKOIL" of debt in the amount of RUB 3,526,754,400.</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 NOC.
8. Other material terms of the transaction	The time of signing of the Act of Offset will be the time of offset of claims.
1. Number of the transaction approved by the Board of Directors	56
2.1. Price (amount in USD)	The amount of the fee is USD 7,156.40, plus VAT of USD 1,288.15.
2.2. Price (amount in RUB)	The amount of the fee is RUB 217,200, plus VAT of RUB 39,096.
3. Names of parties	OAO RITEK (Licensee) OAO "LUKOIL" (Licensor)
4. Names of beneficiaries	-
5. Name of transaction	Licence agreement (hereinafter, the "Agreement")
6. Subject of the transaction	<p>The Licensor, which holds the exclusive right to the following copyrighted intellectual property:</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of petroleum products. Method for measuring in the tank trailers of LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of petroleum products. Method for measuring the amount of petroleum products by an indirect method of dynamic measurement using measurement systems at LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of petroleum products. Method for measuring the amount of petroleum products by a direct method of dynamic measurement using measurement systems at LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of petroleum products. Method for measuring in the vertical tanks of LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of petroleum products. Method for measuring in the horizontal tanks of LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of petroleum products. Method for measuring in the railway tank cars of LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of oil. Method for measuring in the tank trailers of LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of oil. Method for measuring the amount of oil by an indirect method of dynamic measurement using measurement systems at LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of oil. Method for measuring the amount of oil by a direct method of dynamic measurement using measurement systems at LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of oil. Method for measuring in the vertical tanks of LUKOIL Group organisations";</p> <p>"State System for Ensuring Uniform Measurements. Mass and volume of oil. Method for measuring in the horizontal tanks of LUKOIL</p>

	<p>Group organisations”;</p> <p>“State System for Ensuring Uniform Measurements. Mass and volume of oil. Method for measuring in the railway tank cars of LUKOIL Group organisations” (hereinafter, the “Methods”),</p> <p>grants the Licensee the right to use the Methods, and the Licensee pays a fee for the provision of the right according to the procedure and on the terms and conditions stipulated by the Agreement.</p>
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors 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 a member of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	<p>The Licensee is granted the right to use the Methods from the date indicated in the Act on granting the right, for the entire effective term of the exclusive right on the territory of the Russian Federation.</p>