

TENTATIVELY APPROVED  
by the Board of Directors of Open Joint Stock Company  
“Oil company “LUKOIL”  
Minutes No.11 of 22 May 2009

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

[stamp]

**Annual Report**  
**of Open Joint Stock Company**  
**“Oil company “LUKOIL”**  
**for 2008**

President V.Yu. Alekperov \_\_\_\_\_  
(signature)

Chief Accountant L.N. Khoba \_\_\_\_\_  
(signature)

## Contents

Forward-looking statements .....	3
OAO “LUKOIL” – the corporate centre of the LUKOIL Group .....	4
Events in 2008 .....	7
Exploration & Production .....	11
Licensing .....	15
Oil and Gas Reserves .....	16
Geological Exploration .....	17
Oil Field Development and Production .....	25
Gas Field Development and Production .....	31
Oil Refining, Gas Processing and Petrochemicals .....	34
Oil Refining .....	34
Acquisition of the ISAB Refining Complex .....	38
Production of Oils and Lubricants .....	41
Gas Processing .....	43
Petrochemicals .....	44
Power Generation .....	46
Product Deliveries and Marketing .....	47
Crude Oil Deliveries .....	47
Gas Deliveries .....	49
Petroleum Product Marketing .....	50
Technology and Innovation .....	55
Exploration & Production Technologies .....	56
Refining Technologies .....	59
Information Technologies .....	60
Social Responsibility .....	60
Protecting the Environment .....	60
Industrial Safety and Labour Protection .....	62
Personnel and Social Programs .....	63
Social Policy and Charity Activities .....	66
Board of Directors and Management Committee .....	71
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” .....	83
Dividends .....	87
Market for the Company’s securities .....	88
Description of the main risk factors associated with the operations of OAO “LUKOIL” .....	91
Information on adherence to the Corporate Governance Code .....	110
List of transactions carried out by OAO “LUKOIL” in 2008 that are recognised as major transactions in accordance with the Federal Law <i>On Joint Stock Companies</i> , and other transactions covered by the approval procedure for major transactions in accordance with the Charter of OAO “LUKOIL”: .....	122
List of transactions carried out by OAO “LUKOIL” in 2008 that are recognised as interested-party transactions in accordance with the Federal Law <i>On Joint Stock Companies</i> : .....	122

## 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.
- Such words 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 the sole option nor exclusive.
- Forward-looking statements inherently imply certain unavoidable risks and ambiguous issues, both general and specific. There is a risk that the plans, expectations, forecasts, and some of the forward-looking statements will not be realized. Due to a number of different factors, the actual results may differ materially from the plans, goals, expectations, assessments and intentions expressed in such statements.

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

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

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

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

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

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

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

In 2008 the Board of Directors of the Company approved measures to create the Power and Utilities business sector, in connection with which the Board of Directors recognised the expedience of acquisition by one of the LUKOIL Group organisations of a controlling shareholding in ОАО YuGK TGC-8. The continued development of the Company’s power and utilities sector presupposed its active participation in energy investment projects in the Russian Federation.

In 2008 the income of ОАО “ЛУКОЙЛ” from ordinary activities, included within revenues, was generated by the following activities:

- sale of oil, gas, etc.;
- provision of services under commission agreements, instructions, agency agreements, paid service contracts, etc.;
- lease of property;
- granting of usage rights to intangible assets;
- sale of other goods.

The majority of ОАО “ЛУКОЙЛ’s” profit in 2008 was received from the Oil sales operating segment.

Indicator	Segments		Sales of gas and products of gas processing	Sale of other products, goods, services	Total for the Company
	Sale of oil	Sale of oil products			
Sales revenue, RUB '000	601,005,064	-	13,013,165	9,961,346	623,979,575

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

Indicator	Segments		
	Former Soviet republics and other foreign countries	Russian Federation	Total for the Company
1. Sales revenue, RUB '000	249,045,402	374,934,173	623,979,575
2. Book value of assets, RUB '000	262,846,270	395,711,176	658,557,446
3. Amount of capital investments in fixed assets (including income-bearing investments in tangible assets) and intangible assets, RUB '000	1,348,172	2,029,653	3,377,825

The net profit of OAO "LUKOIL" under Russian accounting standards and the value of net assets of OAO "LUKOIL" in 2008 equalled RUB 67,191,723 thousand and RUB 328,181,421 thousand, respectively (at year end). Profits before taxes were RUB 88,314,695 thousand, versus RUB 86,455,701 thousand in 2007.

As at 31 December 2008 more than 51,000 legal entities and individuals are Company shareholders.

The charter capital of OAO "LUKOIL" equals RUB 21,264,081.375, and is divided into 850,563,255 ordinary registered shares with a par value of 2.5 kopecks each, equalling 100% of charter capital.

The Company's shares are on the A1 Quotation Lists (highest level) of the Russian exchanges RTS and MICEX.

In 2008 the Board of Directors identified the following priority areas of activity in order to secure the achievement of the main targets of the Medium-Term Plan of the LUKOIL Group for 2008–2009 and the Budget and Investment Programme of the LUKOIL Group for 2008

***in the Exploration and Production business segment:***

- Increase in the value of hydrocarbon reserves;

- Maintenance of the rates of growth in the volume of hydrocarbon production and one-hundred percent compensation of production with a growth in hydrocarbon reserves;
- Accelerated development of natural gas reserves and their processing;
- Start of full-scale commercial production at the Yuzhno-Khylchuyuskoe deposit, and introduction of pilot production at the Bayandyskoe deposit;
- Unconditional performance of the plan for development and exploitation of the deposits of the Northern Caspian;
- Optimisation and geographic diversification of the asset portfolio, taking into account the priorities set forth in the Strategic Development Programme of the LUKOIL Group for 2008–2017;
- Continued work on alleviating the shortage of energy generating capabilities;
- Minimisation of the environmental impact of production and transportation of hydrocarbons.

***in the Refining and Distribution business segment:***

- Increase in the volume of refining at LUKOIL Group refineries (hereinafter “LUKOIL Group refineries”);
- Ensuring the on-time commissioning of the Odessa Refinery and the processing plants that are being built or are under reconstruction at LUKOIL Group refineries;
- Achieving competitive advantages through the premium quality of oil products; Completion of the transition to the new EURO-4 and EURO-5 standards, in strict compliance with the norms of environmental and industrial safety;
- Increasing the operating efficiency of the LUKOIL Group refineries based on the methodology of Solomon Associates;
- Optimisation of oil and oil product transportation costs.

The LUKOIL Group’s Strategic Development Programme for 2008–2017 sets forth the new goals of the corporate strategy of intensive growth of the Company, the main ones being an increase in the Company’s value and its financial earning power.

Considering the crisis on world financial markets and the downward trend in the global economy that appeared in the second half of 2008, Company management has analysed the effect of the global financial crisis on the operations of OAO “LUKOIL” and the strategy and techniques for managing the risks that have appeared to minimise potential losses in the Company’s shareholder value.

In general, the Company plans to perform consistent work to implement the priority areas of development of the LUKOIL Group, including: improving the effectiveness and expanding the Company’s operations in all business segments; streamlining of investment processes and planning; optimisation of staff at companies; improving the productivity of work; and development of promising lines of business.

## Events in 2008

### January

**OA O “LUKOIL” signs a five-year agreement on strategic cooperation with Severstal-Auto.** Provisions of the agreement include supply of LUKOIL branded oils & lubricants to plants of Severstal-Auto for upkeep of machinery, first filling of new automobiles and after-sales service. The parties also intend to work together on development of new oils & lubricants and other petroleum products and products of gas processing.

### March

**LUKOIL Group organisation signs an agreement for acquisition of 64.31% of UGK TGK-8 (TGK-8) for \$2.1 billion.** The transaction was completed in May 2008. During the period from May to December 2008 the Group acquired a further stake in TGK-8 for \$1.1 billion, increasing the total Group stake in the company to 95.53%. TGK-8 is one of the biggest gas consumers in the Southern Federal District of Russia with annual consumption of about 6 billion cubic meters. The company has power stations in Astrakhan, Volgograd and Rostov Regions, Krasnodar and Stavropol Territories, and the Republic of Dagestan of Russia, with total capacity of 3.6 GW. The acquisition is a part of LUKOIL’s strategy for development of its power generation business.

**LUKOIL Group acquires SNG Holdings Ltd.,** which owns 100% of the PSA for fields in South-West Gissar and Ustyurt region in the Republic of Uzbekistan. Forecast annual production at the fields is about 4 billion cubic meters of gas and more than 300,000 tonnes of oil and gas condensate. Value of the deal is \$578 million (including advance payment made in 2007). The acquisition agreement envisaged two further conditional payments of \$100 million each. These additional payment conditions were fulfilled during 2008 and the Group settled liabilities under the agreement in full.

### April

**The Group’s motor fuel brand, EKTO, wins the silver prize in the automotive category of the Brand of the Year/EFFIE 2007 awards.** Premium fuels for the Russian market under the EKTO brand were launched in 2006, offering consumers motor gasoline and diesel fuel with cleansing qualities, which improve engine functioning and reduce harmful emissions. Technical features of EKTO fuels comply with Euro-3 and Euro-4 standards.

**The Odessa refinery was recommissioned after completion of an upgrade, which began in 2005.** Over three years the Company rebuilt the Refinery’s vacuum distillation unit, increasing its annual capacity from 2.4 to 2.8 million tonnes and the atmospheric unit was rebuilt for visbreaking. The hydrotreatment complex and various other facilities were modernized. The Refinery is now capable of producing motor gasoline to Euro-3 standards and diesel fuel to Euro-4 standards, as well as jet fuel, bitumen and liquefied gas.

### May

**TsentrCaspneftegaz, a joint venture between OA O “LUKOIL” and Gazprom, discovers a large oil, gas and condensate field at the Tsentralnaya structure in the Caspian Sea.** The structure is located in Russian sector of the northern part of the Sea. The field was discovered by the first prospecting well and testing gave a commercial gushing flow of low-sulphur oil. The Agreement (and Protocol to the same Agreement) between Russia and Kazakhstan on demarcation of the seabed in the northern part of the Caspian Sea for purposes of mineral use gives the Russian Federation rights of mineral use at the

Tsentralnaya structure. However, the Agreement also stipulates that, in case of discovery of commercial reserves, development is to be carried out by Russia and Kazakhstan on parity basis.

## June

**LUKOIL Group commissions a fixed offshore ice-resistant loading wharf at the Varandey oil offloading terminal.** The terminal is located on the coast of the Barents Sea in the Nenets Autonomous District. Annual capacity at Varandey is up to 12 million tonnes of oil (240,000 barrels per day). The terminal is used for year-round deliveries of oil produced by the Company in Timan-Pechora, primarily at the Yuzhno-Khylchuyu field.

**LUKOIL Finance Limited, a subsidiary of OAO “LUKOIL”, reaches agreement with a syndicate of international banks on provision to the Company of a \$1-billion credit** for settlement of the remainder of a credit taken in 2005 in order to finance purchase of Nelson Resources. The unsecured syndicated credit consists of two tranches. The first credit tranche of \$300 million is for a period of three years at LIBOR +0.85% and the second \$700-million tranche is for five years at LIBOR +0.95%. The new facility improves structure of the Group’s debt portfolio while leaving the overall debt level almost unchanged.

**OAO “LUKOIL” and ERG S.p.A. sign an agreement on creation of a joint venture for management of the ISAB oil refining complex on the island of Sicily in Italy.** An organisation of LUKOIL Group owns 49% of the new joint venture and the stake may be increased in the future. Final value of the deal is 1.45 billion euros (about \$1.83 billion). The transaction was completed in December 2008, through payment of 600 million euros (about \$762 million). The rest of the sum was paid ahead of schedule in February 2009. Each of the partners delivers oil for refining and sells petroleum products in accordance with its stake in the JV. ISAB consists of two oil refineries joined by a system of oil pipelines and integrated in a single operating complex with annual capacity of 16 million tonnes, as well as three sea wharfs, and a tank battery with capacity of 3.7 million cubic meters. The JV also owns a power station with capacity of 99 MW and other infrastructure facilities.

**The Annual General Meeting of Shareholders is held, at which the LUKOIL Annual Report for 2007 and annual financial statements are approved.** Shareholders approve payment of dividends for 2007 at 42 roubles per ordinary share (compared with 38 roubles for 2006). The AGM also confirms amounts of remuneration and compensation of costs to members of the Board of Directors and Internal Audit Commission, elects members of the BoD and Internal Audit Commission, and approves transactions with interest.

## July

**OAO “LUKOIL” is acclaimed the best European oil & gas company for quality of investor relations** by *Institutional Investor* magazine based on results of a survey of buy-side analysts (portfolio managers responsible for investment decisions) at 500 companies.

**OAO “LUKOIL” signs up to the United Nations Global Compact**, which is a voluntary initiative aimed at supporting sustainable development and enhancing social responsibility on the part of business. The Global Compact is based on requirements for public accounting and transparency, as well as commitment on the part of business, trade unions and society to organization of specific joint programs for sustainable development. The Company has already issued two Sustainability Reports, using the main international standards, GRI and AA1000. The reports are for the periods of 2003–2004 and 2005–2006.

**OAO “LUKOIL” and National oil company of Venezuela PDVSA sign an agreement on joint study of the Junin-3 block in Venezuela.** The work will be carried out in order to assess a project for production of extra heavy crude oil, refining of the crude in Venezuela and subsequent export. Spending on the study will be financed equally by the parties. The agreement is for a period of two years, with a

possibility for extension. The previous agreement on the Junin-3 block was signed by the Company and PDVSA in 2005 for a period of three years. Commitments under that agreement for quantitative appraisal and certification of reserves of extra heavy oil have been carried out in full.

**OAO “LUKOIL” signs an agreement on acquisition of 100% of shares in the Turkish company Akpet.** The transaction was completed in November 2008 for a total amount of \$555 million. The parties agreed that payment for the acquisition will be made in several interest-free instalments. Payment of the first tranche of \$250 million was made in November 2008, and the second and third tranches are to be paid no later than April 30 and October 30, 2009, respectively. The assets being acquired consist of 689 filling stations, 8 petroleum product terminals with overall capacity of 300,000 cubic meters, 5 storage facilities for liquefied hydrocarbon gas, 3 aircraft refuelling complexes, and a plant for production and packaging of motor oils and lubricants.

## **August**

**OAO “LUKOIL” and ConocoPhillips start commercial production at the Yuzhno-Khylchuyu field.** Test production at the field began at the end of June 2008. Construction of the second stage of the field was completed in December 2008. The field is being developed by Naryanmarneftegaz, the joint venture between an organisation of LUKOIL Group (50%) and ConocoPhillips (50%). Yuzhno-Khylchuyu is one of the biggest fields in the north of Timan-Pechora, with proved reserves exceeding 500 million barrels of oil. Quality of oil from the field is superior to that of Urals export blend. The annual production target is 7.5 million tonnes (about 150,000 barrels per day).

## **September**

**A unit for visbreaking of vacuum residue with annual capacity of 2.4 million tonnes was commissioned at the Nizhny Novgorod Refinery.** The unit enables substantial improvement in profitability of the Refinery thanks to reduction in output of heating oil by 930,000 tonnes per year and increase in output of vacuum gas oil by 860,000 tonnes per year. Implementation of the project increases refining depth and raises operating efficiency at the Refinery.

**Seven top managers of LUKOIL Group are included in a rating of the 1,000 most professional managers in Russia.** More than 400 experts helped to compile the rating, which identifies Russia’s most professional managers, leaders in their sectors and fields of specialization.

## **October**

**OAO “LUKOIL” is a prize winner in the annual competition ‘Russian Corporate Donor 2008’.** The Company wins the nomination for ‘Best Joint Program by Business, Non-profit Organizations and Regional (Local) Government’. Also the Company’s program for support of the Children’s Football League reached the short list in the nomination, ‘Best Program for Improvement of the Social Climate – Support for the Family’. Competition judges also placed LUKOIL in top position in a rating of companies by total amounts spent on charity.

**OAO “LUKOIL” takes 8<sup>th</sup> position among oil & gas companies in Europe, the Middle East and Africa, and 11<sup>th</sup> position worldwide in Platts’ ranking of the Top 250 Global Energy Companies for 2008.** Companies were assessed by four main indicators: assets, revenue, net income and return on capital employed. LUKOIL took 6<sup>th</sup> and 11<sup>th</sup> positions in the Platt’s ranking for 2007, 6<sup>th</sup> and 15<sup>th</sup> positions in 2006, and 9<sup>th</sup> and 16<sup>th</sup> positions in 2005.

## November

**OAO “LUKOIL” signs an Agreement with St. Petersburg on cooperation in 2008–2012.** The document calls for cooperation in meeting the needs of the city for main types of high-quality petroleum products, including gasoline and diesel fuel which comply with the Euro-3 and Euro-4 European standards, construction of new, environmentally safe filling stations in the city, and development of joint socio-economic programs. As part of the Agreement, the St. Petersburg Government will assist the Company in preparation of necessary enabling documentation for construction and commissioning of the new facilities, and concerning environmental and industrial safety issues.

## December

**OAO “LUKOIL” signs a memorandum of mutual understanding with the Argentinean companies ENARSA S.A. and POBATER S.A.** The document envisages possibility of petroleum product deliveries (of fuel oil and/or diesel fuel) to ENARSA using infrastructure of POBATER for fuel storage. The memorandum is for three years and may be extended.

**OAO “LUKOIL” together with its subsidiary acquire in total 100% of the companies Association GRAND and MEGA OIL M.** Assets of the companies include 181 filling stations in Moscow and Moscow Region, as well as in Pskov, Kaluga, Novgorod and other regions. The stations have total annual sales in excess of 300,000 tonnes. Average daily sales per filling station in Moscow and Moscow Region are 9.6 tonnes. The value of the deal is \$493 million (including advance payment made in 2007).

**OAO “LUKOIL” wins the annual contest ‘For strong corporate policy in the sphere of information disclosure’** held by Interfax and AK&M agencies, authorized by the Russian Federal Financial Markets Service (FSFR). The competition panel chose the winner based on fullness and timeliness of international financial reporting in accordance with international standards, disclosure of information about beneficiaries, and simultaneity of disclosure for Russian and international investors.

# Exploration & Production

## Strategy

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

Development of the Exploration & Production business segment and raising its operating and financial efficiency remained priority tasks for LUKOIL Group in 2008.

Net income in the E&P segment was \$4,234 million. Production of marketable hydrocarbons grew by 1.0% in 2008 to 803 million boe. Average daily production was 2.194 million boe (1.921 million barrels of oil, and marketable gas production representing 273,000 boe).

One of the most important events in 2008 was launch of commercial production at the Yuzhno-Khylchuyu field, the Group's largest field in Timan-Pechora. The planned annual oil production at the field is 7.5 million tonnes (about 150,000 barrels per day). The unique Varandey terminal was also commissioned enabling year-round deliveries of crude oil from Yuzhno-Khylchuyu to the international market, maintaining high-quality of the oil. Launch of production at the field was another milestone in the development of broad cooperation with ConocoPhillips, which develops the field jointly with LUKOIL Group.

Strong financial results in the E&P segment were achieved thanks to the favourable price environment in the first half of 2008, improvement in production efficiency, expansion of business scale, use of modern technologies, optimization of corporate structure and logistics, and acquisition of new, highly efficient assets.

There was negative impact on Company financial results in 2008 from collapse of oil prices in the second half of the year, high tax burden in Russia, and strengthening of the rouble in real terms, which led to growth in hydrocarbon lifting and transportation costs. Results were also negatively affected by production decrease at fields in Western Siberia. This was mainly due to natural change in recoverable reserves structure, as well as limitations in supply of electricity to LUKOIL Group fields in that region. The Company intends to reduce negative impact of these factors by application of new enhanced oil recovery technologies and construction of the Company's own power generating capacities.

## Price and Tax Environment

### *Crude Oil Market*

There was a sharp correction in the oil price in 2008, following the steady growth of the previous seven years. In the course of half a year the price fell from a record high to a four-year low amid the crisis in the world economy. Main factors behind oil price growth in the first half of the year were weakening of the dollar to other main currencies, OPEC's policy of limiting supply, slower rates of production growth by independent producers, and significant growth of demand from countries in the Asia-Pacific region (particularly China, ahead of the Olympic Games) and the Persian Gulf. Price growth was supported by political instability in production regions, capital transfer from financial markets to commodities as a result of the financial crisis, and behaviour of speculators. As a result, prices for oil reached a historical peak in July 2008, when the Brent price approached \$145 per barrel. However, oil prices fell dramatically in the second half of the year as the world economy entered the crisis. There was a marked decline in demand for oil, particularly in the USA, and commercial stocks of oil and petroleum products rose, which had major negative impact on the oil market. Brent prices had fallen to \$36.5 per barrel by the end of the year as a result.

Despite the abrupt decline of prices in the second half of the year, the average price for Brent crude in 2008 was \$97.3 per barrel, which is 34.4% more than in 2007.

During 2008 LUKOIL Group produced more than 94% of its oil in Russia, so the price of Russia's Urals export blend had direct impact on the Company's financial results. Due to lack of a quality bank in the Transneft pipeline system, oil of any quality delivered through that system is sold at the Urals price, so that Urals is the Company's main crude export. LUKOIL Group exported over 8% of its oil by-passing the Transneft system in 2008, and value of these deliveries was based on factual quality of the oil, meaning a premium to Urals price in most cases.

Urals price rose by 36.9% compared with 2007 to average \$94.8 per barrel. Reduction of the price differential between Urals and Brent was due to several factors: lowering of Russian oil exports to Europe as the domestic market became more attractive; domestic oil production decline; and overcoming of the imbalance on international markets for light and dark oil products. Reduction of the differential in prices for Brent and Urals oil is positive for the Company, and provided additional revenue of \$0.6 per barrel in 2008.

The Company pays mineral extraction tax on its crude production inside Russia. Mineral extraction tax on oil grew by 38.5% in dollar terms in 2008 and the average tax rate for the year was \$18.3 per barrel. The mineral extraction tax rate grew faster than Urals price because the tax uses a progressive scale.

The Russian Government took a number of steps in 2008 to lower the tax burden on the Russian oil industry. This will help to stabilize the domestic fuel market, stimulate greater investment in new fields and, in the longer term, will help to prevent decline of Russian oil production.

Specifically, it was decided to change over to a new system for calculating the oil export tariff from December 1, 2008. The new system sets a new level of tariffs each month based on monitoring of prices from the 15<sup>th</sup> day of each calendar month to the 14<sup>th</sup> day of the next month, inclusive. Rates are set from the 1<sup>st</sup> day of each calendar month after the end of the monitoring period. So the tariff in December is calculated using the average price for Russian oil from October 15<sup>th</sup> until November 14<sup>th</sup>. (Previously export tariffs were reviewed once every two months based on two-monthly monitoring of Russian Urals crude prices on the international market).

Amendments to the mineral extraction tax were also approved and came into force from 2009. The amendments change the untaxed minimum oil price from \$9 to \$15 per barrel and make it no longer necessary to use direct accounting of oil production volumes in order to obtain tax remissions at fields with high-viscosity oil.

The amendments also offer mineral extraction tax holidays to companies, which explore and produce hydrocarbons at offshore fields. (The tax holidays last 10 years for companies, which only produce hydrocarbons, and 15 years for companies involved in both exploration and production). The tax holiday ends when cumulative production reaches 35 million tonnes. In addition, the amendments envisage seven-year tax holidays for companies, which carry out hydrocarbon exploration and production on the Yamal Peninsula and in Timan-Pechora.

At the end of the year the President of Russia signed a law, which lowers the income tax rate from 24% to 20% for all companies, regardless of their sphere of business. This will undoubtedly have positive impact on business of the Company.

The Company pays export tariffs on crude oil exports from Russia calculated using a progressive scale based on Urals prices. Export tariffs on crude oil rose by 71.8% in 2008 and the average rate for the year was \$48.4 per barrel. The rate of export tariff growth considerably exceeded growth rates of the Urals price in 2008 due to a time lag in calculation of export tariff levels (under Russian law the export tariff level for the coming two months was calculated in 2008 based on the average oil price for the previous two months). This led to a situation where oil exports were loss-making in the fourth quarter. At the end of the year the Russian Government changed the system for calculation of export tariffs, significantly reducing the time lag and making the mechanism more efficient and timely (see insert).

**The Urals price for a Russian exporter in 2008 net of tax (the price on the international market minus export tariffs and mineral extraction tax) was \$28.1 per barrel, which is only 0.8% more than in 2007. The share of mineral extraction tax and export tariffs in the average price of oil for the year rose to a record level of 70.4% (the average for the previous three years was 58.4%).**

LUKOIL Group organisations pay taxes in international projects based on production sharing agreements (PSAs) and concession agreements. For example, the only significant tax in Egypt is income tax paid as a share of production. The tax rate is progressive and depends on oil prices. In Kazakhstan the Company pays income tax at a fixed rate in cash form. But Kazakh PSAs also require payment of a share of profit production (the size of the share depends on a project's internal rate of return), while other Kazakh projects require payment of royalties and tax on super profits. So tax scale in all the Group's Kazakh projects is progressive. The Government of Kazakhstan introduced export tariff on crude oil in May 2008. The tariff was increased from \$109.9 to \$204 per tonne between May and December 2008, which affected almost all the Group's businesses in the country. Provisions of the new Tax Code came into force in Kazakhstan from January 1, 2009, and have significant impact on LUKOIL Group's projects. The provisions include introduction of a rent tax on exported oil when prices are higher than \$40 per barrel (replacing export tariffs), a new mineral extraction tax to replace the royalty system, lower corporation tax on income of organizations, and a change in the method for calculating taxation of super profits of companies.

Tax payments as part of international projects increased due to oil price growth in 2008.

### **Gas Market**

LUKOIL Group produces most of its gas inside Russia, and as part of the Kandym – Khauzak – Shady project in Uzbekistan, the Karachaganak project in Kazakhstan, and the Shakh Deniz project in Azerbaijan. Most of gas production growth in 2008 was due to launch of the Khauzak-Shady area at the end of 2007. Marketable gas produced in Russia is sold to OAO Gazprom and directly to Russian consumers. The Company cannot export the gas, which it produces, since Gazprom has a monopoly on gas exports and owns the gas transport system. Natural gas produced at the Khauzak–Shady area is sold at an official price, determined by an agreement between Russia and Uzbekistan. Natural gas produced as part of the Karachaganak project is supplied to the Orenburg Gas-processing Plant. 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.

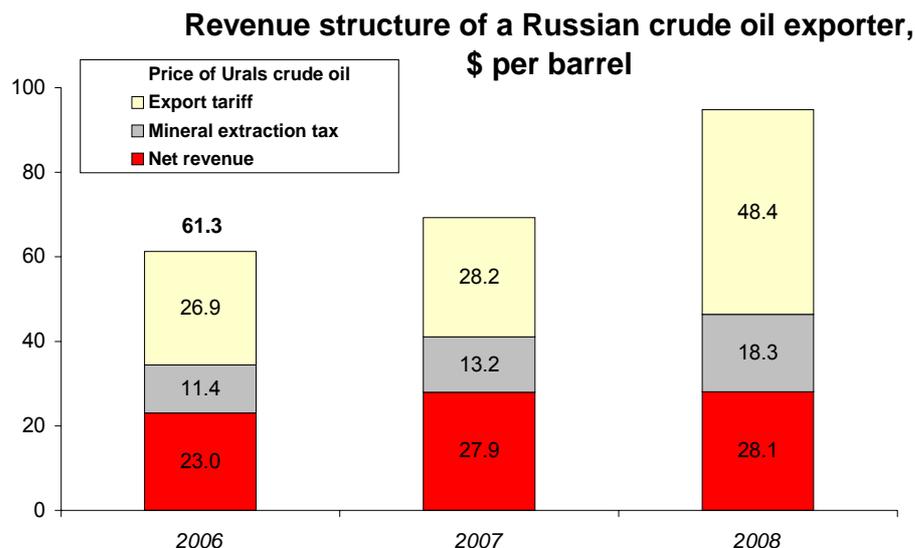
The price environment on the natural gas market inside Russia was quite favourable in 2008: gas prices grew steadily in accordance with government policy. Sale prices to Gazprom and its affiliates, which take more than 70% of the Company's Russian gas supplies, rose from \$41.1 to \$44.9 per 1,000 cubic meters. The average weighted price for gas supplies to other customers rose by 22% to \$53.3 per 1,000 cubic meters.

The Company pays mineral extraction tax on its gas production in Russia. The tax rate in 2008 remained at 147 roubles per 1,000 cubic meters, unchanged from 2007. However, the rate increased by 2.9% in dollars due to nominal strengthening of the rouble.

During 2008 LUKOIL Group rapidly increased natural gas production under PSA terms as part of the Kandym – Khauzak – Shady project in Uzbekistan. From January 1, 2008, the sale price for this gas was \$130 per 1,000 cubic meters, and it rose to \$160 per 1,000 cubic meters from July 1, 2008. Royalty is paid on production at a rate of 30% as part of the agreement. LUKOIL also has a seven-year holiday from income tax (which began after the start of production), at the end of which income tax will also be payable at a preferential rate. The Uzbek Government share in profit oil varies depending on the project's internal rate of return for LUKOIL Group, so the actual tax scale is progressive.

Taxation in the Karachaganak project in Kazakhstan is in accordance with the PSA terms (see "*Price and Tax Environment, Oil Market*").

Under terms of the PSA in Azerbaijan, LUKOIL Group organisations are exempt from payment of taxes in cash on production and export of gas. The only significant tax payable is income tax at a fixed rate (the tax is withheld as a share of production).



### **Inflation and Exchange Rate**

LUKOIL Group produces most of its hydrocarbons inside Russia, so a significant part of Company costs are in roubles and change in value of the rouble against the dollar, both nominal and real (taking account of inflation), changes the level of Company costs in dollars. Real strengthening of the rouble against the dollar in 2008 was 17.4% y-o-y and was the main reason for growth of the Company's hydrocarbon lifting costs in Russia. These costs grew by 15.8%, from \$3.55 to \$4.11 per boe, representing a decrease in real terms. This shows the Company's success in controlling costs through optimization of production and application of modern technologies.

Real appreciation of the rouble was also one of the main factors behind 6.6% growth of capital expenditures in the E&P segment in Russia. Excluding the effect of real strengthening of the rouble, the Company's capital expenditures in Russia decreased in 2008.

Capital expenditures as part of international projects grew faster than in Russia due to increased scale of the Group's operations abroad: they rose by 23.5% in 2008. However LUKOIL succeeded in limiting growth of hydrocarbon lifting costs outside Russia to 3.8%.

The Group's total lifting costs rose by 15.1% in 2008, from \$3.58 to \$4.12 per boe. Capital expenditures in the E&P segment rose by 8.6% to \$7.89 billion.

The exchange rate of the dollar to the rouble grew substantially in the second half of 2008 due to the global economic crisis and decline of oil prices and this process has continued during 2009. The exchange rate development and close cooperation with suppliers and sub-contractors will enable the Company to win appreciable cost reductions in dollar terms.

### **Acquisition of Assets**

The Company continued energetic expansion of its resource potential and production capacity in 2008 through acquisition of highly-efficient assets. Spending on restructuring and acquisition of new assets in the E&P segment totalled \$361 million in 2008.

LUKOIL Group's biggest acquisition in 2008 was SNG Holdings Ltd., which has a 100% share in the PSA for fields in South-West Gissar and Ustyurt region in the Republic of Uzbekistan. The other party to the PSA is the National holding company, Uzbekneftegaz, acting as an authorized representative of the Uzbek Government. The PSA was signed on January 23, 2007 and came in force on April 23, 2007. Duration of the agreement is 36 years. Forecast annual production at the fields is about 4 billion cubic meters of gas and over 300,000 tonnes of oil and gas condensate. In accordance with the PSA, a license has been issued for five years, permitting geological exploration, including prospecting and appraisal work at the Karaumbetovsky and Shumanaisky investment blocks in Central Ustyurt (Kara-Kalpak) and additional exploration of the South-West Gissar contract territory. Gas from the South-West

Gissar fields will be processed at the Shurtan gas-chemical complex, from where dry gas will be delivered for export via the Gazprom trunk pipeline network, the Central Asia – Centre pipeline and the Bukhara – Urals pipeline. Crude oil produced at the fields will be delivered via a terminal at Shurtan to the Bukhara and Fergana oil refineries. Value of the deal is \$578 million (including advance payment made in 2007). The acquisition agreement envisaged two additional conditional payments of \$100 million each, the first to be made when the agreed level of proved and possible hydrocarbon reserves is confirmed by an independent oil engineering company; and the second to be made when an agreed development program is confirmed by government bodies of Uzbekistan and an agreed minimum oil production level is achieved. During 2008, all conditions for both additional payments were met and the obligations under this agreement were completely settled.

### **Major Discoveries**

A joint venture between OAO “LUKOIL” and Gazprom, TsentrCaspneftegaz, discovered a large oil, gas and condensate field at the Tsentralnaya structure in the Caspian Sea. The structure is located in the Russian sector of the northern part of the Sea. The field was discovered by the first prospecting well, and testing gave a commercial gushing flow of low-sulphur oil at a daily rate of 700 barrels and 70,500 cubic meters of daily gas production. The Agreement (and Protocol to the same Agreement) between Russia and Kazakhstan on demarcation of the seabed in the northern part of the Caspian Sea for purposes of mineral use gives the Russian Federation rights of mineral use at the Tsentralnaya structure. However, the Agreement also stipulates that, in case of discovery of commercial reserves, development is to be carried out by Russia and Kazakhstan on parity basis. 3D seismic work began in the fourth quarter of 2008 and is due to be completed in 2009. Possible and probable liquids reserves at the structure are estimated at 736 million barrels (the Company’s share is 368 million barrels) and gas reserves at 2.5 trillion cubic feet (the Company share is 1.2 trillion cubic feet).

### **Optimization of Corporate Structure and Consolidation**

The Company continued to optimize its corporate structure in 2008, aiming to improve efficiency of business management at its subsidiaries and to reduce administrative expenses.

Khantymansiyskneftegazgeologiya and Paitykh Oil were merged into LUKOIL-Western Siberia.

OOO LUKOIL-Nizhnevolzhskneft was reorganized through separation of LUKOIL-Volgogradneftegaz. Development activity of LUKOIL-Nizhnevolzhskneft is now entirely focused on the Northern Caspian fields.

The Company pursued consolidation and optimization of its asset structure in Timan-Pechora during the reporting year. OOO KomiTEK, OOO LUKOIL-UGPZ, OOO SeverTEK, OOO Ukhtaneft and OOO Tebukneft were merged into OOO LUKOIL-Komi.

### **Asset Sales**

The sale of a 15% stake in the D-222 project (Azerbaijan) to GDF Suez (France) was completed in 2008.

### **Licensing**

The main tasks for the Company as regards licensing inside Russia are: to obtain new licenses for mineral resource exploitation; to extend the terms of licenses up to full field depletion; to secure reissue of licenses to reflect reorganization of subsidiary companies; and to change and add to conditions of use of mineral resources. The Company was successful in all these tasks during 2008.

There were 423 licenses on the balance sheets of LUKOIL Group companies at the end of 2008, of which 386 carried production rights and 37 were for geological exploration, including prospecting and field assessment.

Another 16 new licenses for use of mineral resources were obtained in 2008, of which one license was based on proof of a field discovery (the Ulyanovskoye field in Volgograd Region), and 14 licenses with production rights (in Western Siberia, Timan-Pechora, and Perm Territory) were obtained as a result

of auctions and tenders. Spending to acquire these licenses was \$12 million. One license was obtained on the basis of an application to carry out geological studies in the offshore Baltic Sea.

LUKOIL Group organisations surrendered 6 licenses for geological studies due to their expiry or on the initiative of Group companies.

A total of 79 licenses for use of mineral resources were reissued during 2008 in connection with ongoing optimization of corporate structure of LUKOIL Group (including 55 licenses, which were reissued from OOO LUKOIL-Nizhnevolzhskneft in favour of OOO LUKOIL-Volgogradneftegaz).

The Group registered 23 additions to licenses in 2008 in order to extend their period of validity. Work also continued on amendments and additions to current license agreements. A total of 51 additions were made concerning rescheduling of development launches at fields, changes to geological exploration programs, 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 as well as maintaining constant monitoring of new projects and assets, which could represent acquisition targets.

LUKOIL Group's proved reserves as of January 1, 2009 were 19.334 billion boe, consisting of 14.458 billion barrels of oil and 29.253 trillion cubic feet of gas. Proved hydrocarbon reserves of LUKOIL Group declined by 5.1% in 2008. The decline including production was 1.1%. The decline of oil reserves including production was 3.5%, while gas reserves increased by 7.2%.

Appraisal of hydrocarbon reserves in 2008 was in the context of major worsening of the situation on global commodities markets. The Urals oil price on the appraisal date was \$34.8 per barrel compared with \$93.7 per barrel a year earlier. Fall of oil prices by 2.7 times had impact on economic feasibility of developing a part of Company reserves, so that 1.1 billion boe of reserves were transferred from proved reserves to resources. However, the Company did not intend to develop these reserves in the near future and their transfer has no impact on current plans of the Company. The Company expects most of the reserves, which have lost their proved status for economic reasons, to be reclassified as proved when oil prices recover.

Reduction of reserves due to revisions and ongoing production was partly compensated by organic growth and growth due to acquisitions.

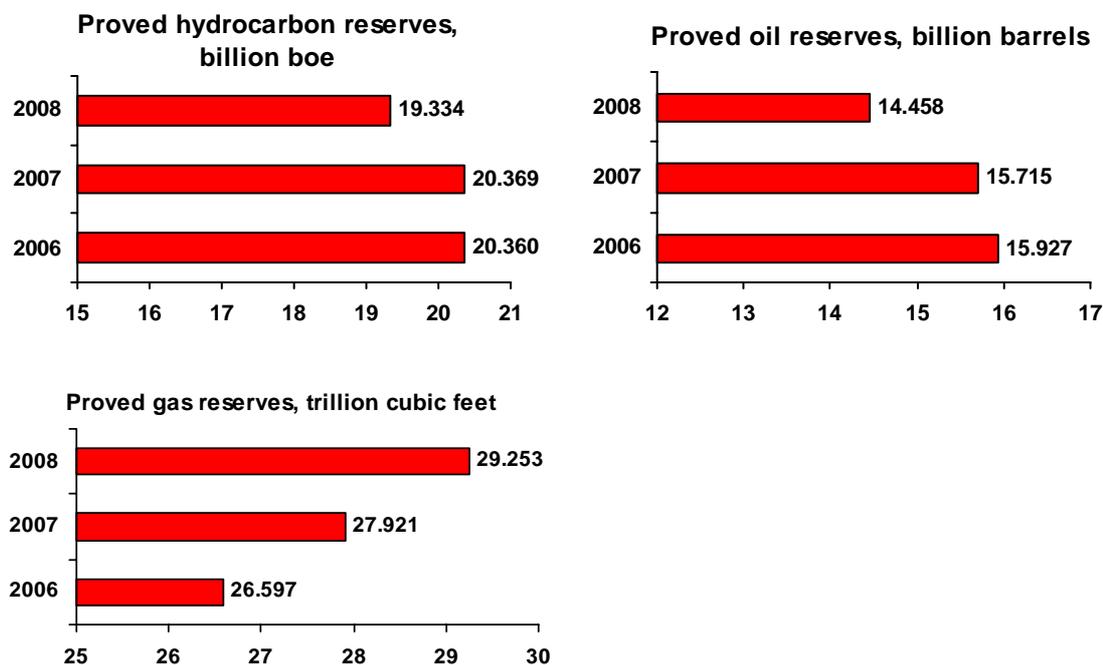
Growth of proved hydrocarbon reserves in 2008 due to geological exploration work and new data obtained in the course of production drilling was 601 million boe (529 million barrels of oil and 435 billion cubic feet of gas). So organic growth of hydrocarbon reserves compensated about 74% of production (75% for oil and 63% for gas). Most of the organic growth of proved oil reserves was obtained in Western Siberia (73% of the total) and Timan-Pechora (12% of the total). Most of organic growth in proved gas reserves was obtained in the Yamal-Nenets Autonomous District (47% of the total) and in two international projects, Kandym – Khauzak – Shady and Shakh Deniz (27% of the total).

Acquisition of 100% of the PSA for fields in South-West Gissar and the Ustyurt region in Uzbekistan increased proved reserves of the Company by 250 million boe.

LUKOIL Group remains one of the leading Russian and international companies by proved hydrocarbon reserves. The ratio of proved hydrocarbon reserves to production is 24 years (21 years for oil and 43 years for gas).

The greater part of proved reserves of oil are in Western Siberia, Timan-Pechora and the Urals region. The greater part of proved gas reserves are in the Bolshekhetskaya Depression, Uzbekistan and the Caspian region. 54% of the Group's proved reserves are under development (63% of oil reserves and 27% 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 Group's proved hydrocarbon reserves are conventional. Only about 4% of the total represent high-viscosity oil and 8% are at offshore fields. This reserve structure enables the Company to ensure efficient control of development costs and to bring new fields into production rapidly.



### Oil & gas reserves of LUKOIL Group

January 1, 2009	Oil	Gas	Hydrocarbons
	million barrels	billion cubic feet	million boe
<b>Proved reserves</b>	<b>14,458</b>	<b>29,253</b>	<b>19,334</b>
of which:			
Developed	9,170	7,919	10,490
Undeveloped	5,288	21,334	8,844
<b>Probable reserves</b>	<b>8,083</b>	<b>22,103</b>	<b>11,767</b>
<b>Possible reserves</b>	<b>3,333</b>	<b>11,694</b>	<b>5,282</b>

### Geological Exploration

The chief objective of LUKOIL Group's geological exploration work is to replace production with new commercial reserves of hydrocarbons and to prepare reserves for rapid launch and expansion of production in promising regions (Timan-Pechora, the Northern Caspian and the Bolshekhetskaya Depression). The Company maximizes efficiency of its geological exploration work by use of the latest technologies.

Most of the Company's geological oil & gas exploration work in 2008 was concentrated in Western Siberia, Perm Territory, Volgograd Region, Timan-Pechora, and the offshore Caspian.

During 2008 LUKOIL Group organisations carried out 6,266 km of 2D seismic and 2,973 km<sup>2</sup> of 3D seismic in order to locate and detail geological structures and to prepare for drilling of prospecting and

exploration wells at promising sites. In recent years the Company has improved quality of its seismic exploration work and speeded up processing and interpretation of data, mainly thanks to use of the latest IT solutions. High quality of seismic exploration has improved the success rate of exploration drilling in the Group to a level above 70% in the last five years.

Geoelectric exploration totalled 3,603 km in 2008. Vertical seismic profiling, which details the geological structure around a drilled well, was carried out at 15 wells. Total exploration drilling in 2008 was 150,400 meters with efficiency of 929 tonnes of reference fuel per meter drilled. LUKOIL drilled 51 prospecting and exploration wells in 2008, of which 31 were productive. The success rate of prospecting and exploration drilling was 61%.

Eight new fields were discovered in 2008: Vinnikovskoye (Perm Territory), Nirmalinskoye (Nenets Autonomous District), Severo-Alexeyevskoye and Avilovskoye (Volgograd Region), Zapadno-Rakushechnoye and Tsentralnoye (offshore Caspian), Long-Yuganskoye (Yamal-Nenets Autonomous District), Vostochno-Druzhbinskoye (Tatarstan). LUKSAR, a JV between an organisation of LUKOIL Group and Saudi Aramco, discovered a hydrocarbon deposit (gas and condensate) at the central part of Block A in Saudi Arabia. The results which have been obtained require further study. The Company also found 18 new deposits at previously discovered fields.

Commercial recoverable reserves under Russian classification discovered by the Group in Russia in 2008 through geological exploration amounted to 125 million tonnes of reference fuel. Growth of proved reserves under international classification as a result of geological exploration and additional information obtained during production drilling was 601 million boe. Spending by LUKOIL Group on geological exploration work totalled \$679 million in 2008.

Most growth of liquid hydrocarbon reserves as a result of geological exploration work was obtained in the offshore Caspian, Western Siberia, Timan-Pechora and Perm Territory. Most of the growth in gas reserves was in the offshore Caspian and Western Siberia, as well as in foreign projects in Uzbekistan and Kazakhstan.

## **Russia**

Exploration drilling in Russia in 2008 totalled 123,600 meters, 2D seismic exploration was 4,724 km and 3D seismic was 2,779 km<sup>2</sup>. Geological exploration spending in Russia was \$322 million.

## **Western Siberia**

### **Khanty-Mansiysk Autonomous District-Yugra**

The Khanty-Mansiysk Autonomous District-Yugra is the main oil production base of LUKOIL Group. The chief aim of geological exploration work there is replacement of reserves in order to maintain the Group's current production levels in the region. Although reserves in the region have been extensively explored, geological exploration work there is highly efficient and successful.

Exploration drilling in the region totalled 63,000 meters in 2008 and 20 wells were drilled, of which 14 were productive. The success rate of exploration drilling was 70%. The Company carried out 260 km of 2D seismic work at the Berezovsky-24 license area in order to locate structures and prepare for deep drilling. 3D seismic in the region totalled 1,610 km<sup>2</sup>. Most of the work was carried out at peripheral areas of large fields in order to define outlines of oil & gas presence and predict oil saturation depths preparatory to production drilling. 3D seismic work and exploration drilling led to growth of reserves at the Pokachevskoye, Severo-Kochevskoye, Zapadno-Pokamasovskoye and Nong-Yeganskoye fields. 5 new deposits were found at previously discovered fields in the region during 2008. Proved oil reserves in the region declined by 4.6% (including production). However reserves grew substantially at some of the fields.

Testing of a well at the Severo-Pokamasovskoye field gave a gushing oil flow at a daily rate of 500 barrels per day from jurassic sediments. Proved reserves at the field were increased by 300,000 barrels.

Testing of exploration wells at the Nivagalskoye, Tevlinsko-Russkinskoye and Shaimskoye fields gave oil flows of 130, 180, and 170 barrels per day, respectively.

Drilling of well №6 was completed at the small Aprelskoye field and daily flow of 200 barrels of water-free oil was obtained. Proved reserves at the field were increased by nearly 50% as a result. Work continued on re-entry, retesting and intensification of inflows from previously drilled prospecting and exploration wells at the Aprelsky, Bolshoy, Olkhovsky and Sredne-Nazymsky license areas. Daily oil inflows of 100–200 barrels were obtained.

### **Yamal-Nenets Autonomous Districts**

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

The Group carried out 7,000 meters of exploration drilling in the region during 2008.

Testing of previously drilled exploration wells and 3D seismic work led to increase of reserves of condensate and free gas at the Yuzhno-Messoyakhskoye field by 12% or 55 million boe.

An exploration well was drilled at the Pyakyakhinskoye field and 11 tests were carried out on structures in lower and upper cretaceous strata. The tests gave daily inflows of oil (up to 300 barrels), gas (up to 178,000 cubic meters) and condensate (up to 100 barrels). An exploration well was also completed at the Severo-Khalmerpayutinskoye field.

Work was completed to resolve complications during drilling of a prospecting well at the Khalmerpayutinskoye field, and the well is being prepared for testing.

The Company carried out 300 km of electric exploration work in 2008 at the Khalmerpayutinsky and Pyakyakhinsky license areas. Processing of the results is now being completed.

As of the end of 2008 proved gas reserves at LUKOIL Group fields in the Bolshekhetskaya Depression were 13.1 trillion cubic feet (45% of LUKOIL's proved gas reserves).

The Group's geological exploration work in the region extended beyond the Bolshekhetskaya Depression in 2008. Prospecting well №95 at the Long-Yugansky license area gave a flow of oil, leading to discovery of the Long-Yuganskoye field. The Company carried out 400 km of 2D seismic work at the Lenzitsky license area.

### **Timan-Pechora**

Timan-Pechora (Nenets Autonomous District and the Komi Republic) is a promising oil producing region for the LUKOIL Group. The region is little studied and has high potential for new discoveries. The Group carried out extensive geological exploration work in Timan-Pechora during 2008. 2D seismic totalled 510 km. Nine structures will be prepared for deep drilling in 2009 based on the results of this seismic work, including the Severo-Bayandyskaya, Vostochno-Lambeishorskaya, and Yuzhno-Bayandyskaya structures. 589 km<sup>2</sup> of 3D seismic was carried out at the Bayandyskoye, Usinskoye, Aresskoye, Yuzhno-Kyrtaelskoye and Oshskoye fields in order to clarify geological deposit models, and at the Zapadno-Kyrtaelskaya and Khoromaginskaya areas to clarify structural formations before drilling of prospecting wells.

Exploration drilling totalled 18,000 meters, and geological exploration work in the region during 2008 led to discovery of a new field and four deposits at previously discovered fields. Most of the oil reserve growth, including production, was at the Bayandyskoye, Kyrtaelskoye and Lekkerskoye fields (by 8%, 26% and 42%, respectively).

In the **Komi Republic** LUKOIL Group carried out geological exploration work at the Denisovskaya and Izhma-Pechorskaya Depressions and at the Kolvinsky Rise. Drilling of eight wells was completed and four of them were productive.

Drilling of exploration well №2 at the Bayandyskoye field (discovered in 2007) was completed. Well testing gave oil inflow with maximum daily rate of 1,400 barrels. Testing of well №5 gave inflow of oil with high gas content at a daily rate of 2,700 barrels, confirming presence of oil & gas in upper devonian carbonate deposits of the Verkhnebayandysky Dome.

Drilling of well №16 at the Shchelyayurskoye field gave a gushing flow of oil at a daily rate of 800 barrels.

A well at the Makaryel-Nizevaya zone of the Izhma-Pechorskaya Depression did not find any new reserves, and the well was closed down for geological reasons.

Work resumed in the **Nenets Autonomous District** on testing of Nirmalinskaya well №1. Inflow of oil at a daily rate of 600 barrels was obtained, leading to discovery of the Nirmalinskoye field with C1+C2 reserves (Russian classification) of 200,000 tonnes.

Drilling was completed at Oshskaya prospecting well №27. Testing of starooskol sediments was carried out during drilling and inflow of oil at a daily rate of 1,900 barrels was obtained.

Operations in 2008 by **Naryanmarneftegaz** (the joint venture between LUKOIL and ConocoPhillips) included completion of secondary testing at wells №63 and 65 in the Zapadno-Lekeyaginskoye field in order to determine production potential of lower devonian sediments. Severo-Saremboskaya well №40 was re-entered and oil inflow at maximum daily rate of 700 barrels was obtained following hydrochloric treatment.

### **Urals region**

The Urals is a traditional production region for the Group, and reserves in the region have been extensively explored. Total 493 km<sup>2</sup> of 3D seismic exploration was carried out in the region in 2008, as a result of which three structures (Simonyatskaya, Lisyinskaya and Severo-Bugrovskaya) were prepared for deep drilling. Exploration drilling totalled 9,000 meters during the year. Exploration drilling work for discovery of new fields and increase in reserves was mainly carried out adjacent to formations where commercial oil & gas reserves had already been found.

Testing of wells drilled at the Kharitonovskaya structure gave commercial inflows of oil at maximum daily rate of 500 barrels, as a result of which the Vinnikovskoye field was discovered.

In addition, 8 new deposits were found at previously discovered fields.

### **Volga (onshore)**

The Volga is also a traditional hydrocarbon production region for LUKOIL Group. Geology of the region has been extensively studied. Total 2,360 km of 2D seismic was carried out here (in Volgograd and Astrakhan Regions) during 2008 in order to prepare for deep drilling. Exploration drilling totalled 11,000 meters. Four structures were prepared for deep prospecting drilling in 2008, and 13 new structures were located and will be examined in more detail.

Two fields were discovered as a result of work carried out in 2008.

Reserves of the Severo-Alexeyevskoye oil, gas and condensate field, discovered in 2007 at the Levoberezhnaya structure, were booked on the Company balance sheet in 2008. Probable reserves at the field at the end of 2008 were 2.5 million barrels of oil and 6.3 billion cubic feet of gas. Also the LUKOIL equity affiliate, Volgodeminoil, discovered the Avilovskoye field in Volgograd Region. The Group share in proved reserves at the field at the end of 2008 was 104,000 barrels of oil and 1.6 billion cubic feet of gas.

Drilling of exploration well №2 continued at the giant Tsentralno-Astrakhanskoye gas and condensate field (part of the Poimenny license area in Astrakhan Region) in order to clarify field structure and transfer reserves to commercial categories. Drilling (including drilling of a sidetrack) totalled 5,913 meters and the crust of a productive bashkirian horizon was penetrated at a depth of 4,242 meters. The well is to be tested in the second quarter of 2009. As of the start of 2009 probable and possible reserves at the Tsentralno-Astrakhanskoye field were estimated at 10.0 trillion cubic feet of gas and 1.2 billion barrels of condensate, which is comparable with reserves at the Karachaganak field in Kazakhstan. Gas at the Tsentralno-Astrakhanskoye field contains very high levels of hydrogen sulphide. However, this problem can be solved by application of modern technologies, as shown by Gazprom during development of the adjacent Astrakhanskoye field. The Tsentralno-Astrakhanskoye field will be one of the main sources for increase of gas production by LUKOIL Group after 2012.

Construction of Danilovskiye wells №3 and №4 at the Yuzhno-Boldyrevskaya and Severo-Stanovaya structures (Berezovsky license area) was completed in 2008. A small inflow of oil and water was obtained at well №3, which was mothballed. Well №4 was closed down without a production string

being lowered into the well due to absence of collectors in upper devonian sediments. Drilling of Olkhovskaya well №7 at the Stepnoye field was begun in December.

Increase of oil reserves in the region was achieved by transfer of reserves to the proved category at the Rechnoye field and as a result of discovery of the Severo-Alexeyevskoye and Avilovskoye fields.

In the **Republic of Tatarstan** a prospecting well at the Vostochno-Druzhbinskoye elevation in the Menzelinsky license area discovered a new field and inflow of oil was obtained at a daily rate of 100 barrels.

A total of 470 km of 2D seismic was carried out at the Agryzsky and Menzelinsky license areas in order to clarify their structures and prepare for deep drilling.

### **Northern Caspian**

The Northern Caspian is one of the key regions for increase of oil & gas production by LUKOIL Group in the medium term and special attention is paid to development of resource potential in the region.

Most of the Company's geological exploration work in the offshore Caspian was focused on geological structure of hydrocarbon fields in the Severny, Tsentralno-Kaspiysky and Vostochno-Rakushechny license areas.

There was a modest increase in hydrocarbon reserves at the V.Filanovsky field thanks to drilling in 2007 of exploration well №6 and execution of 3D seismic work in 2007–2008.

The Caspian Oil Company, in which OAO "LUKOIL" owns 49.8921% (another 49.8921% is owned by Rosneft and remaining shares belong to Gazprom), drilled the first Zapadno-Rakushechnaya prospecting well to a depth of 1,500 meters. The well found commercial oil & gas presence in neocomian and aptian layers of the lower cretaceous. Testing of these formations gave commercial oil inflows. A new field was thus discovered with probable and possible reserves of 64 million barrels of oil and 33 billion cubic feet of gas (OAO "LUKOIL" share is 32 million barrels and 16 billion cubic feet, respectively).

TsentrCaspneftegaz, in which OAO "LUKOIL" owns a 50% stake (50% is owned by Gazprom), completed drilling of a 2,758-meter prospecting well at the Tsentralnaya structure. Testing gave oil inflow at a daily rate of 700 barrels and gas inflow of 70,500 cubic meters. An oil, gas and condensate field has thus been discovered with probable and possible liquid hydrocarbon reserves of 736 million barrels (the Company's share is 368 million barrels) and 2.5 trillion cubic feet of gas (the Company's share is 1.2 trillion cubic feet). 3D seismic exploration began in the fourth quarter of 2008 and is due for completion in 2009. The Agreement (and Protocol to the same Agreement) between Russia and Kazakhstan on demarcation of the seabed in the northern part of the Caspian Sea for purposes of mineral use gives the Russian Federation rights of mineral use at the Tsentralnaya structure. However, the Agreement also stipulates that, in case of discovery of commercial reserves, development is to be carried out by Russia and Kazakhstan on parity basis.

### **Azov Sea**

Priazovneft, in which an organisation of LUKOIL Group has a 42.5% stake (42.5% is owned by Rosneft and 15% belongs to the State Property Fund of Krasnodar Territory), completed drilling of a prospecting well at the Gelendzhikskaya structure. Well depth at the end of the year was 3,180 meters. The well was closed down without testing due to absence of deposits in chokrakian horizons, as established by geophysical studies. The Group's share in 2D seismic work carried out in 2008 was 260 km. In 2007 Priazovneft discovered the Novoye field in the offshore Azov Sea, giving the first proof of high potential of the offshore Azov.

### **Kaliningrad Region**

LUKOIL Group carried out geological work in 2008 in Kaliningrad Region both onshore and in the offshore Baltic Sea.

Total 254 km of 2D seismic work was completed onshore and 210 km was carried out on the shelf of the Baltic Sea during 2008. As a result three onshore structures and one offshore structure (D6 Yuzhnaya) have been prepared for deep drilling.

Exploration drilling totalled 6,000 meters. Dubrovskaya №1 and Pravdinskaya №1 prospecting wells were drilled. No oil deposits were found and the wells were closed down for geological reasons.

Increase in oil reserves by 80,000 barrels was obtained at the Domnovskoye field as a result of prospecting drilling carried out in 2007.

### **International Projects**

In accordance with LUKOIL Group's strategy for intensive development of its international business in the E&P segment, the main task of geological exploration by the LUKOIL Group organisations outside Russia is to prepare the resource base for rapid launch of production. Exploration drilling in international projects in which LUKOIL participates was 26,800 meters in 2008. The Group's share of 2D seismic work in international projects in 2008 totalled 1,542 km and 3D work was 194 km<sup>2</sup>. Spending on geological exploration outside Russia was \$357 million.

LUKOIL Group was involved in 15 geological exploration projects outside Russia in 2008: in Azerbaijan, Colombia, Kazakhstan, Saudi Arabia, Uzbekistan, Venezuela, Cote d'Ivoire and Ghana.

LUKOIL Group constantly monitors opportunities for participation in new, promising international projects.

LUKOIL Group's biggest acquisition in 2008 was the company SNG Holdings Ltd., which holds 100% of the PSA for fields in South-West Gissar and Ustyurt region in the **Republic of Uzbekistan**. According to the PSA conditions, a license for geological exploration, including prospecting and appraisal work at the Karaumbetovsky and Shumanaisky investment blocks in Central Ustyurt and additional exploration at the South-West Gissar contract territory, has been issued for five years (see "Acquisitions of Assets").

In 2008 a deal with Vanco Energy was completed for acquisition of a stake in the Cape Three Points Deep Water project (**Republic of Ghana**) and obtained extension of the project exploration period up to the end of April 2009 (an agreement was reached in April 2009 to extend the project exploration period by 3 years with possibility of 2 further extensions of 1 year each). Location of the first prospecting well has been approved and drilling is to begin in the second quarter of 2009.

LUKSAR, a JV between an organisation of LUKOIL Group and Saudi Aramco, discovered a hydrocarbon deposit (gas and condensate) at the central part of Block A in **Saudi Arabia** in 2008. The results which have been obtained require further study. Another four wells were drilled up, but were closed down without testing due to absence of promising oil & gas deposits. Selection of technologies for successful commercialization of project reserves was completed.

A certificate was prepared for the Western structure of block CI-205 in **Cote d'Ivoire**. Location of the first prospecting well was approved.

Seismic data collected in 2007 at blocks CI-401 and CI-101 were processed.

Drilling of the Lengupa-1 well at the Condor project in **Colombia** was completed. Signs of hydrocarbon presence (luminescence) were detected during its construction and there were inflows of water with signs of oil. However, commercial inflows of oil were not obtained and the well was closed down. 3D seismic work also began and is due for completion in 2009.

Appraisal of oil reserves was carried out at the Medina field (discovered in 2006) through reinterpretation of drilling data and testing of the Guavio-1 well.

A first exploration well was drilled as part of the Atash project in the **Kazakh sector of the Caspian Sea**, but no hydrocarbon deposits were found and the well was closed down. Drilling of the well helped to establish geological structure of the area.

Research and development work was carried out on basin modelling as part of the Tyub-Karagan project and a formation model of the current structure layout of Tyub-Karagan was constructed. At the end of 2008 a supplement to the PSA was signed for exploration work in 2009–2010.

Seismic data for the South Zhambai and South Zaburunye blocks were reinterpreted, enabling clarification of the seismic-geological model, and previously discovered structures were confirmed. The North Edil structure was identified as the prime target for deep drilling and location of the first exploration well with planned depth of 1,850 meters was approved.

In **Uzbekistan** total 1,142 meters of 2D seismic were carried out at the Kungrad block (part of the Kandym – Khauzak – Shady project). Based on interpretation of the data, a decision will be taken in mid-2009 on whether to extend the exploration period at Kungrad.

Total 87 km<sup>2</sup> of 3D seismic was carried out in 2008 at the South Kyzylbairak field as part of the South-West Gissar project, acquired in the reporting year. Processing and interpretation of 3D seismic data and geological modelling were completed. This work determined the structural-tectonic model of the South Kyzylbairak field, structural maps of the main reflection horizons were prepared and promising locations were identified. Structural maps and provisional geological models enabled adjustment of wellhead locations and drilling trajectory of slant production wells at the field.

Calibration, reprocessing and reinterpretation of 250 km of seismic materials from past years were carried out at the Ustyurt license territory, as a result of which changes were proposed to mapping of 2D seismic project profiles at the Shumanaisky and Karaumbetovsky license blocks, taking account of newly defined geological structure of the block territories. The work will be completed in 2009.

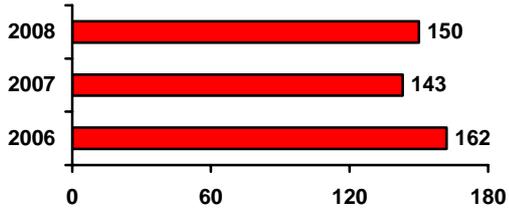
The Investment Consortium, which is carrying out the Aral project in the Uzbek sector of the Aral Sea (LUKOIL Group's organisation holds a 20% stake), completed 2,005 km of 2D seismic work. Interpretation of 2D seismic data for the western and central parts of the contract territory is now being completed. Preliminary results of data interpretation suggest several promising structures for oil & gas finds: the Western Aral, Umid and Northern Umid.

Drilling of a second prospecting well was completed in the D-222 project (part of the Yalama-Samur structure, located in the **Caspian Sea**). LUKOIL Group carried out drilling at a sea depth of 665 meters, which represents a record for the Company. The well was closed down due to lack of promising oil & gas presence. Research and development work on analysis of geological and geophysical materials at the Yalama-Samur structure was also completed.

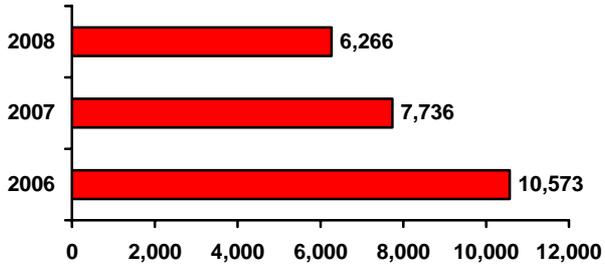
A two-year agreement was signed for joint study and analysis of possible business approaches for development of the license block in the Junin-3 project in **Venezuela**.

OAo "LUKOIL", Rosneft, Gazprom, Surgutneftegaz, and TNK-BP created a JV, National Oil Consortium, on parity basis in 2008. The purpose of the Consortium is to carry out operations in the oil & gas sector in Latin America. The Russian and Venezuelan governments agreed to support creation of a joint venture between the Consortium and the Venezuelan company PDVSA for work at the Junin-6 block. The Consortium is also considering participation in oil & gas projects in Cuba and Nicaragua.

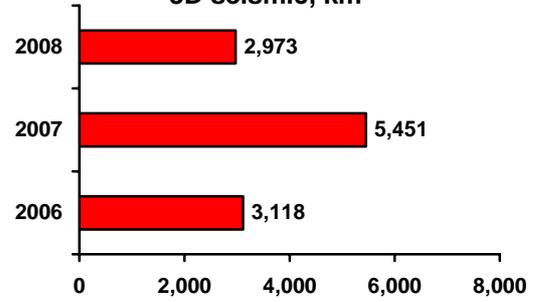
**Exploration drilling, thousand meters**



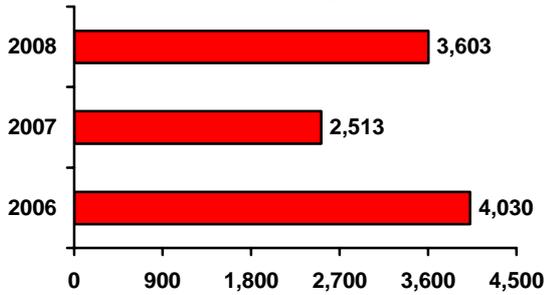
**2D seismic, km**



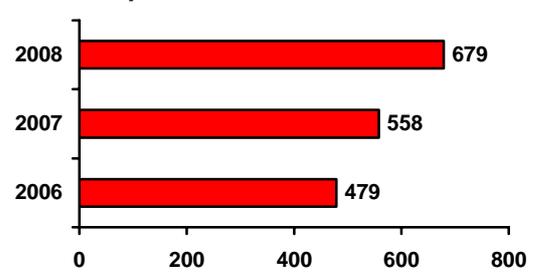
**3D seismic, km<sup>2</sup>**



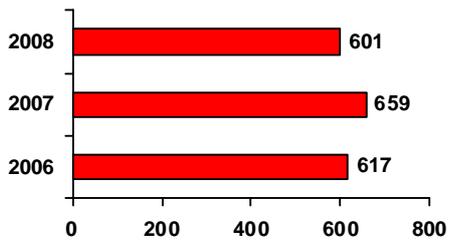
**Geoelectrics, km**



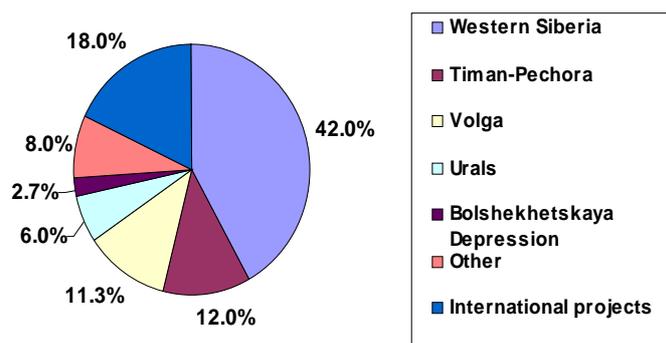
**Exploration costs, \$ million**



**Hydrocarbon reserve extensions and discoveries, million boe**



Exploration drilling by regions (2008)



## Oil Field Development and Production

**Total crude oil production by LUKOIL Group in 2008 (including share of production by equity affiliates) was 95.240 million tonnes (1.921 million barrels per day), which is 1.5% less than in 2007.**

The main reason for decline of oil production by LUKOIL Group in 2008 was lower output from fields in Western Siberia, due primarily to objective changes in the structure of recoverable reserves and limited power supplies by electricity companies to oil fields in the region. The negative impact of these factors on production in Western Siberia can be reduced by use of the latest enhanced production technologies and construction of its own power generating capacities.

In 2008 intensive work on construction and commissioning of new fields as part of its strategic development program was continued. In the middle of 2008 LUKOIL Group launched production at the Yuzhno-Khylchuyu field, which is the Company's largest field in Timan-Pechora.

The first stage of construction at the Yuzhno-Khylchuyu field was completed in June 2008, and commercial production at the field began in August. The first stage consists of 32 production wells, an oil treatment unit with annual capacity of 3.8 million tonnes, an oil desulphurization unit, and a tank farm with overall capacity of 40,000 cubic meters. An external pumping station was also built, as well as the Yareyu – Yuzhno-Khylchuyu high-pressure gas pipeline, and a gas treatment unit with annual throughput capacity of 370 million cubic meters, together with other facilities.

In December 2008 the construction of the second stage of the Yuzhno-Khylchuyu field was completed, increasing annual capacity of the oil treatment unit by 3.8 million tonnes. A high-pressure compressor station was also installed, as well as facilities for sulphur recycling and storage.

Proved oil reserves at Yuzhno-Khylchuyu exceed 500 million barrels. The annual production target is 7.5 million tonnes (about 150,000 barrels per day). Oil production in 2008 was over 1.5 million tonnes (nearly 60,000 barrels per day).

Oil produced at the field is transported by pipeline to the Varandey oil export terminal on the Barents Sea, which has annual handling capacity of 12 million tonnes. The terminal delivers oil year-round to markets in Europe and North America. Shipment of oil through the Varandey terminal enables preservation of its quality, which is superior to that of Russian Urals export blend: density of the oil is 35.5 API (compared with 32.0 API for Urals) and sulphur content is 0.71% (1.30% for Urals). So oil from the field is sold on the international market at a premium to the price for Urals blend.

The field is being developed by OOO Naryanmarneftegaz, a joint venture between an organisation of LUKOIL Group and ConocoPhillips.

The Company paid much attention in the reporting year to preparation and installation of facilities as part of field development in the Northern Caspian. Strict control by the Company and a precise work schedule will enable commissioning in 2009 of the Yu. Korchagin oil, gas and condensate field, the first of a whole group of fields in the Russian sector of the Caspian Sea bed.

The Company continued work to improve field development efficiency and reduce development costs through implementation of its Comprehensive program for optimization of development and oil production in 2006–2008. LUKOIL production companies implemented a range of measures to achieve crude oil production targets for 2008 as part of the Program, increasing well productivity and oil recovery rates. Development costs during the year were \$7.288 billion.

OAo “LUKOIL” subsidiaries and equity affiliates produced hydrocarbons at 370 fields during 2008. 11 new fields were brought into development during the year: Yuzhno-Khylchuyu, Yareyskoye, Yuzhno-Yuryakhinskoye, Bayandyskoye (Timan-Pechora), Novomostovskoye, Zapadno-Tugrovskoye (Western Siberia), Severo-Alexeyevskoye, Vostochno-Druzhbinskoye (Volga), Abramovskoye, Tartinskoye and Sagrinskoye (Urals). Oil production at 17 fields grew in the reporting period by more than 50,000 tonnes in comparison with the previous year. The largest increases in oil production (by more than 200,000 tonnes) were achieved at four fields, which gave overall growth of the Group’s annual production by more than 1 million tonnes. These were the Kechimovskoye and Nivagalskoye fields in Western Siberia, and the Kyrtayelskoye and Pashshorskoye fields in Timan-Pechora.

LUKOIL Group had 29,420 production wells as of January 1, 2009, of which 25,110 were actually in use, and the number of water injection wells was 9,550, of which 7,050 were under pressure. The number of production wells was 3.3% higher than in 2007, due to increased amounts of production drilling. The share of idle wells fell by comparison with the end of 2007 and stood at 14.6% of the total. Average daily oil flow from wells in projects with LUKOIL Group participation was 14.2 tonnes, which is a little lower than in 2007 due to objective changes in the structure of its recoverable reserves.

Production drilling in 2008 was 3.572 million meters, which is 20% more than in 2007. There was an increase in the share of international projects in total production drilling, which reflected rapid field development as part of the Kandym – Khauzak – Shady project in Uzbekistan, the Kumkol, KarakudukMunai and Kazakhoil Aktobe projects in Kazakhstan, and the Meleiha project in Egypt. A total of 1,510 new production wells were commissioned, including 112 horizontal wells. Drilling of horizontal wells is highly efficient and the Company plans to increase their numbers in the medium term. Average daily flow from new wells at projects, in which the Group is participating, was 43.4 tonnes, including average flow of 58.4 tonnes from horizontal wells. Despite the fact that commissioning of new production wells increased by more than 25% in 2008, average flow from new wells exceeded the rate achieved in 2007: flow from new wells was higher than in 2007 by 5.6 tonnes per day, or 14.8%. This result reflects improvement in the quality of geological and hydrodynamic models, and extensive application of such models for planning of production drilling, as well as continued work to improve well-completion technologies and initial and secondary drilling-in of productive formations.

LUKOIL Group increased drilling of sidetracks by almost 1.5 times in 2008 compared with the previous year, while maintaining efficiency of this drilling technique. A total of 260 wells with sidetracks were drilled, and they gave average increase of daily flow by 18.1 tonnes. Growth of flow rates at some fields was significantly higher than the Group’s average. In particular, reconstruction of three wells by drilling of sidetracks at the Kyrtayelskoye field in Timan-Pechora gave an average increase of oil daily flow by 91 tonnes, adding 30,000 tonnes of production during the year.

A total of 576 new injection wells (including 13 steam-injection wells) were put under pressure to optimize field development systems and maintain reservoir pressure. Injection wells pumped 488 million cubic meters of water into productive formations, which is 7.5% more than in 2007. The Company was successful in restricting growth of the water cut, thanks to measures to limit volumes of associated water extraction and unproductive pumping at fields in Russia: the water cut rose by 1.3 percentage points in 2008, compared with average 1.5 percentage points growth in the last five years. However, volumes of water injection to maintain reservoir pressure were lower than planned due to electricity supply interruptions at some of the Western Siberian fields. The Company is addressing this problem by

installation of small-scale generating facilities at its fields (see “Power Generation”). Further improvement of its systems for maintaining reservoir pressure is envisaged at fields currently under development.

Steps were taken in 2008 to increase well productivity. A total of 1,231 operations were carried out to optimize functioning of mechanized wells, and 95 wells were transferred to mechanized production. The Group continued to make extensive use of enhanced oil recovery techniques at oilfields. A total of 5,376 operations were carried out on productive formations using physical, chemical, hydrodynamic and heat techniques (see “Exploration and Production Technologies”). Additional oil production in Russia from application of enhanced oil recovery methods was 23 million tonnes, representing almost 26% of total Russian production by the Group.

## **Russia**

Crude oil production by LUKOIL Group in Russia in 2008 was 89.945 million tonnes, of which 89.646 million tonnes were produced by subsidiaries. Russian production was down by 1.3% compared with 2007.

Subsidiaries and equity affiliates of OAO “LUKOIL” produced hydrocarbons at 343 fields in Russia during 2008. Production drilling was 2.981 million meters, which is 12.9% more than in 2007. The number of production wells at the end of 2008 was 28,100, of which 23,960 were actually in use. A total of 1,183 new wells were commissioned during 2008.

**Western Siberia** accounted for 62.5% of oil production by LUKOIL Group in Russia. Production in the region was somewhat lower than in 2007 at 56.19 million tonnes. A shortage of electric power led to technological losses and made it impossible to pump sufficient volumes of water to maintain reservoir pressure. Limited supply of electricity forced the Company to downsize its program of geological interventions: the least technically and financially efficient operations were cancelled. The Company is addressing the electricity supply problem at fields by building its own generating facilities, which run mainly on associated gas (see “Power Generation”).

LUKOIL Group efforts in Western Siberia are focused on limiting natural decline of crude production, due to the long period during which most fields in Western Siberia have been in development and relatively high level of reserve depletion. However, some of the Group’s fields in the region have significant potential for production growth. The Kechimovskoye and Nivagalskoye fields showed record oil production growth in 2008.

Oil production at the Kechimovskoye field, which was commissioned in 1995, grew by 32.5% in 2008 compared with 2007 to 968,000 tonnes. The increase was obtained by production drilling: 81 new wells were commissioned with average daily oil flow of 27 tonnes, including 19 horizontal wells with average daily flow of 38.7 tonnes. High flows from wells commissioned in 2007 and operated throughout the whole reporting year (21 wells with average daily flow of 54 tonnes) also had a favourable impact on production growth. There were 8 sidetracks drilled at the field in 2008 and hydrofracturing of formation was carried out at 4 wells. Work also continued to create a system for maintaining reservoir pressure: 36 new injection wells were put under pressure in the reporting year. The Kechimovskoye field is one of the LUKOIL Group’s largest investment projects in Western Siberia, and further 617 wells remained to be drilled at the field at the start of 2009 (466 oil production wells and 151 injection wells). High rates of production drilling are to be maintained in the near future, enabling further increase of crude production at the field.

Crude oil production at the Nivagalskoye field, which was brought into production in 1985, grew by 22.7% to 1.63 million tonnes. Most of the increase was due to commissioning of 21 new production wells, including 15 horizontal wells. Average daily flow of crude from new wells was 39.2 tonnes. A total of 17 injection wells were put under pressure to help maintain reservoir pressure and to increase compensation of liquid extraction by pumping water into the formation.

The **Timan-Pechora** oil & gas province provided production growth of more than 2 million tonnes for the LUKOIL Group in 2008. Production in this region totalled 16.69 million tonnes. As a result, the

region's share in total production by the Group in Russia increased from 16% to 19%. The strong growth was due to joint commissioning with ConocoPhillips of the Group's largest field in Timan-Pechora, the Yuzhno-Khylchuyu field, where production exceeded 1.5 million tonnes (nearly 60,000 barrels per day) (see page 25). The Group brought a total of 4 fields into production in the region during 2008. Timan-Pechora will be LUKOIL Group's key region for production growth in the medium term, and the Company is making every effort to bring main reserves in the region into development as quickly as possible. This will help to compensate natural decline of crude production in the Group's traditional operating regions.

OOO Naryanmarneftegaz (the joint venture between LUKOIL Group and ConocoPhillips) produced 2.22 million tonnes of oil in 2008, which is 3.5 times more than in 2007. The increase was due to launch of production at the Yuzhno-Khylchuyu field in the north of Timan-Pechora.

The largest part of crude production growth in the Komi Republic was provided by the Pashshorskoye, Kyrtyayelskoye and Perevozhnoye fields, where output grew by 0.8 million tonnes.

Crude production at the Pashshorskoye field, which was brought into production in 2004, has already been growing at a fast rate for a number of years. Output at the field grew by 325,000 tonnes in 2008 in comparison with the previous year to a level of 954,000 tonnes. Most of the growth was due to commissioning of 7 new production wells with average daily flow of 192.3 tonnes of crude. The intensive drilling stage at the field has been completed, and plans for the immediate future are creation of a pressure system (during the first stage the field has been operated without special measures to maintain reservoir pressure) and special operations at existing wells.

Crude production at the Kyrtyayelskoye field grew in 2008 by 46.1% to 886,000 tonnes, primarily due to commissioning of 14 new wells with an average daily flow of 60.2 tonnes of crude. Highly efficient technical interventions on geology at declining wells also contributed much to the increase in production levels, including reconstruction of three wells by drilling of sidetracks (average increase in daily flow of crude at these wells was 91 tonnes). These measures, combined with steps to optimize the system for maintaining reservoir pressure (4 wells were brought under pressure), increased average daily flow of crude at the field from 42.1 to 49.1 tonnes.

Oil production by LUKOIL Group in the **Urals** region rose by 3.3% to 11.62 million tonnes, due in part to application of new technologies, such as drilling of sidetracks, radial drilling, and acid fracturing.

In 2008 LUKOIL Group acquired sub-surface rights at a group of fields in Perm Territory, geologically confined to the unique Verkhnekamskoye potash-magnesium salt field. Hydrocarbon deposits at the fields are underneath deposits of potash-magnesium salts that are being commercially developed, and there are further complications due to conservation restrictions, which are in force on land where the license sectors are located (wildlife reserves, water conservation zones, urban settlements etc.). In order to comply with all the industrial and environmental safety requirements, oil field confined at the Verkhnekamskoye potash-magnesium salt field will be developed using unique multi-bore wells with horizontal reach in excess of 2 km. LUKOIL will also use a technology that separates salt formations using magnesian-phosphate tamping material with an expansion cement bond, and a system for constant monitoring of surface deformation. Crude production is scheduled to start in the fourth quarter of 2009. Future annual production will be in excess of 1.3 million tonnes of crude.

Oil production in the **Volga** region in 2008 was 3.26 million tonnes, representing an increase of 0.7% over 2007. Improvement of field development efficiency in the region has enabled the oil recovery ratio to be increased and production rates to be maintained at current levels, despite considerable depletion of reserves.

In 2008 the attention was particularly paid to preparations for development of fields on the **Caspian Sea shelf**. Development of these fields will be the main factor in oil production growth by LUKOIL Group in the mid-term. The Yu. Korchagin and V. Filanovsky fields will be the first to be commissioned and will be the main sources of increase in oil output.

Crude production at the Yu.Korchagin field should start as early as in the fourth quarter of 2009. The field is located in the northern part of the Caspian Sea, 175 km from the city of Astrakhan. The depth

of the sea in the area of the field varies from 10 to 13 meters. Field development plans envisage a system of horizontal production wells of super-extended length (more than 5 km). This will be the first-ever application of such an approach during field development in Russia. The production drilling phase is to be implemented between 2009 and 2015. Forecast annual crude production level is more than 2 million tonnes, and output of natural and associated gas should be in excess of 1 billion cubic meters. Work on construction of a floating oil storage facility, a single-point wharf and living quarters continued according to schedule in 2008. The development will be on a zero-discharge basis, to guarantee minimal impact on the natural environment of the Caspian Sea.

## International Projects

LUKOIL's share of production in international projects was 5.295 million tonnes, which is 4.5% less than in 2007. The reduction in production volumes was due mainly to sale in 2007 of a 50% stake in Caspian Investments Resources Ltd. However, there was the most significant production growth at the Tengiz project in Kazakhstan and the Shakh Deniz project in Azerbaijan, as well as at projects in Uzbekistan.

Production drilling in LUKOIL Group's international projects was 591,000 meters, which is 81% more than in 2007. Such high growth of production drilling is explained by rapid field development as part of projects involving Caspian Investments Resources Ltd., as well as Kumkol and Meleiha. The number of oil production wells was 1,320, of which 1,148 were actually in use. A total of 327 new production wells were commissioned as part of international projects, in which the Company is a participant. Average daily oil flow from these wells was 72.2 tonnes.

The greatest crude production growth was from the **Tengiz** project in Kazakhstan. Crude production from the project (Company share) grew by 24% to 466,000 tonnes. Significant growth in production was due to capacity expansion: the number of production wells was increased from 74 to 95 in the course of the year.

There was rapid growth in production volumes of gas condensate at the **Shakh Deniz** project in Azerbaijan, which was brought into production in December 2006. The Group's share of gas condensate production amounted to 147,000 tonnes, which is 67.1% more than in 2007. Work is currently underway to drill a new well, whose commissioning will support further growth of production in the project.

There was considerable growth (by more than 6 times) in LUKOIL Group's share of gas condensate production at the **Khauzak-Shady** area in Uzbekistan (being developed as part of the **Kandym – Khauzak – Shady** project), which was brought into production in 2007. The Group's share of production amounted to 12,000 tonnes. A total of 12 production wells were commissioned in the course of the year.

Increase of production in Uzbekistan was also due to acquisition in March 2008 of the **South-West Gissar** project. Production as part of the project at the Koshkuduk and South Kyzylbairak fields was 6,000 tonnes (Group share). Two new wells were drilled during the reporting period, one of which was commissioned. Preparations also began for upgrading of the fields.

Production of oil and gas condensate as part of the **Karachaganak** project in Kazakhstan grew insignificantly in 2008 (by 0.2%), but LUKOIL Group's share of production declined by 2.2% to 1.57 million tonnes due to change in the price environment. There were four multi-bore wells commissioned at Karachaganak in 2008, and drilling of another three such wells was completed. Work also continued on expanding capacities at the Karachaganak refining complex.

Rapid development of the **Kumkol** field in Kazakhstan continued during the reporting year. Production from the project was 1.63 million tonnes (Group share) and 53 production wells were commissioned. Average daily flow from new wells was 45.4 tonnes. In addition, 10 sidetracks were drilled. A method for utilization of associated gas was chosen and agreed with supervisory authorities in Kazakhstan, and work began to design and build an integrated gas treatment unit. Work continued in 2008 on updating project documents for the Kumkol and East Kumkol fields and development of the

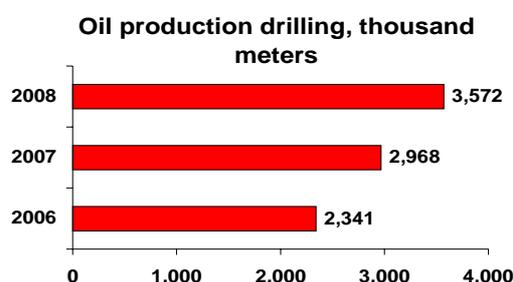
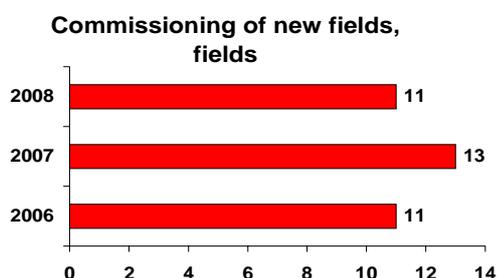
fields was taken further. Hydro-geological and hydrodynamic models have been developed for the Kumkol field, reserves have been recalculated and work has begun on a more detailed development plan.

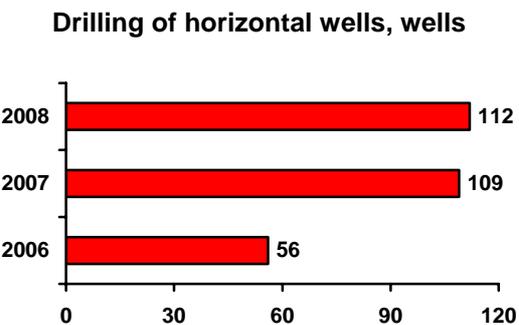
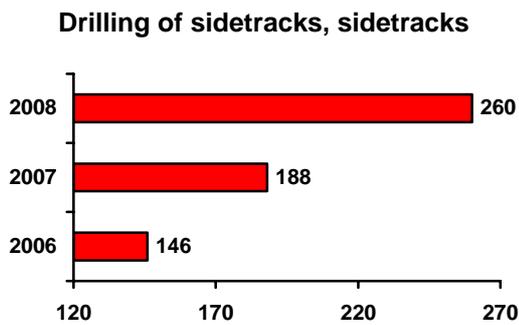
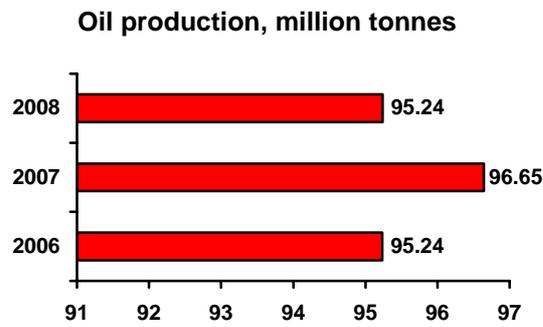
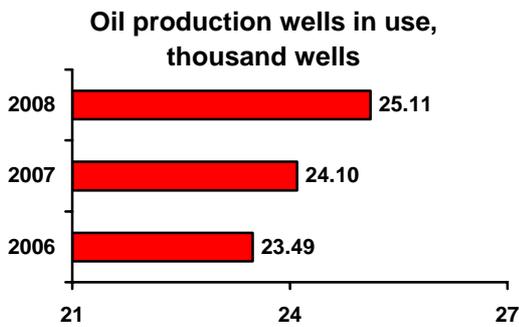
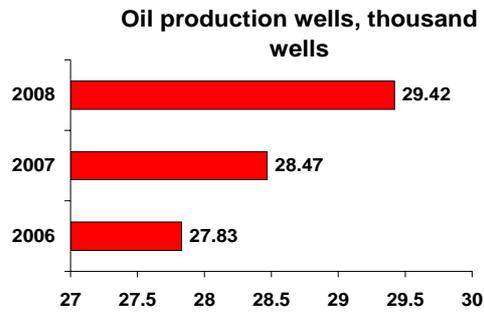
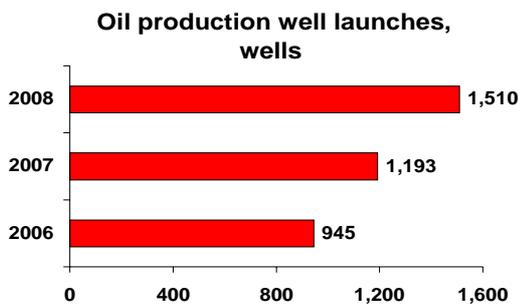
Production from the **KarakudukMunai** project in Kazakhstan grew by 24.9%, but the Company's share of production was 636,000 tonnes, which is 4.8% less than in 2007. This is due to sale in April 2007 of a 50% stake in Caspian Investments Resources Ltd. A gas utilization program was implemented and a gas treatment unit was commissioned during the reporting year. As a result LUKOIL Group has significantly reduced harmful atmospheric emissions at the field, complying with strict environmental standards, and will obtain additional revenue from sale of products of gas processing. Geological and hydrodynamic models of the Karakuduk field were prepared in 2008 and work continued to drill over and develop the field. 48 new production wells were brought into operation.

Intensive development work continued at the **North Buzachi** field in Kazakhstan, including commissioning of 153 new production wells with average daily oil flows of 13.2 tonnes. Production of crude at North Buzachi increased by 6.2% to 1.71 million tonnes. However, LUKOIL Group's share of production fell to 428,000 tonnes, or by 18.4%. Pilot test work was started to inject polymer gels into rock formations. The oil treatment and pumping facility is being expanded to allow daily handling of up to 40,000 barrels, and work continued on the program for associated gas utilization.

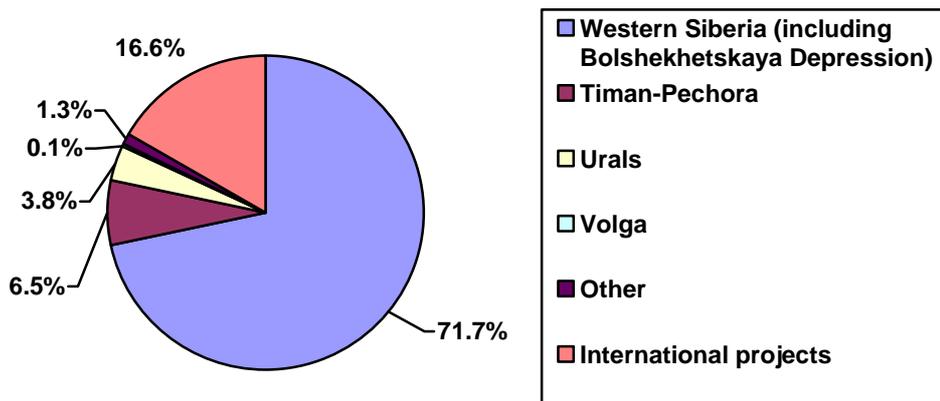
A total of 22 new production wells were launched at the **Alibekmola and Kozhasai** fields (the Kazakhoil Aktobe project in Kazakhstan). Total crude production at the fields was 759,000 tonnes, of which the Group share was 190,000 tonnes. Project documents were prepared and approved, consisting of an adjusted process flow chart for the Alibekmola field and the engineering process flow chart for development of the Kozhasai field. Additional geological-geophysical and hydrodynamic studies were carried out at wells in the Alibekmola and Kozhasai fields in order to optimize further development and construction work, creation of a reservoir pressure system, and implementation of an enhanced recovery program. Work continued on selecting the contractor and transaction approval for construction of gas utilization facilities. The schedule for implementation of the gas program was extended until the middle of 2011.

In Egypt 21 new wells were launched as part of the **Meleiha** project. Reserves at the concession were reappraised following drilling of four deep wells (4,000 meters). The geological report should be ready in 2009. In the **WEEM** project construction of a system for reservoir pressure maintenance and treatment of bottom water was completed, and two appraisal wells were drilled based on results of the 3D seismic survey carried out in 2006. Both wells drilled into formations containing oil, increasing project reserves. So correctness of the decision to pursue additional studies of the WEEM concession and to recommend extension of the license territory was confirmed. Group share in production from the Egyptian projects was 190,000 tonnes, a little less than in 2007.





**Production drilling by regions (2008)**



## Gas Field Development and Production

LUKOIL Group's gas program is based 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 2008 (including the share of production by equity affiliates) was 19.437 billion cubic meters (1.875 billion cubic feet per day). Output of marketable gas (net of own use, reinjection into reservoir formations and transport losses) was 17.020 billion cubic meters (1.642 billion cubic feet per day). Average daily production of marketable gas grew by 21.3% compared with 2007. LUKOIL Group net income from gas projects in Russia was over \$170 million.

LUKOIL Group had 387 gas production wells at the end of 2008, of which 278 were actually in use.

Production of natural gas was 13.888 billion cubic meters, of which 12.671 billion cubic meters was marketable gas. Growth in output of marketable natural gas was 31.3%, with 6.7% growth in Russia and 165.6% growth abroad. The share of production from projects outside Russia increased from 15% in 2007 to 31% in 2008. Major growth of gas production abroad was due to rapid development of the Kandym – Khauzak – Shady project in Uzbekistan.

Production of associated gas was 5.549 billion cubic meters, which is somewhat less than in 2007 due to decline in oil production. However, production of marketable associated gas exceeded the level of the previous year and amounted to 4.349 billion cubic meters. The growth was due to development of systems for utilization of associated gas at LUKOIL Group fields. Associated gas is used at fields for injection into formations to maintain reservoir pressure, for generating electricity at gas-fired power stations, and for other production needs. Marketable associated gas is delivered to gas-processing plants and to local consumers.

The utilization rate for associated gas<sup>1</sup> rose to 70.4% in 2008, compared with 69.0% in 2007, thanks to development of systems for utilization of associated gas at Company fields including construction of compressor stations and gas pipelines. The level of utilization of associated gas at main LUKOIL Group fields in Western Siberia is around 95%.

LUKOIL Group organisation are 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. The Company is now implementing a program for utilization of associated gas by organisations in LUKOIL Group during 2008–2010, which was approved in 2007 and aims to increase the utilization rate for associated gas to 95%.

Work was done in 2008 to prepare approvals and expert assessment of project documents for development of new gas fields. Volumes of gas supply from fields in the Bolshekhetskaya Depression (22.4 billion cubic meters per year) and the Vankor group of fields (5.6 billion cubic meters per year) to the first stage of the Yamburg – Tula trunk gas pipeline were agreed with Gazprom. In addition, technical solutions were designed in association with OAO Rosneft for joint transportation of hydrocarbons from fields in the Vankor group and the Bolshekhetskaya Depression. It has been agreed that LUKOIL Group will accept input of up to 5.6 billion cubic meters of gas per year from the Vankor group of fields to the gas transportation system in the Bolshekhetskaya Depression and will transport the gas as far as the Yamburgskaya Gas Compressor Station, which is part of Gazprom's gas transportation network. In return, starting from 2011, Rosneft will accept annual inputs of up to 3 million tonnes per year of stable oil and condensate mixture from LUKOIL Group's Pyakyakhinskoye field to the Vankor – Purpe oil pipeline and transport them to Transneft's trunk oil pipeline system. In order for these operations to be achieved, the Company will construct a 136-km gas pipeline from Pyakyakhinskoye to the Nakhodkinskoye field (including a 31-km section across the floodplain of the Messoyakha river) and also a 160-km product pipeline from the Pyakyakhinskoye field to the Vankor central collecting point by 2011, and a 60-km gas pipeline from Pyakyakhinskoye to the Khalmerpayutinskoye field by 2012.

---

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

## Russia

Production of marketable gas in Russia in 2008 was 12.828 billion cubic meters, which is 4.5% more than in 2007. The share of natural gas was 68%, representing an increase of 1.5 percentage points. LUKOIL Group had 299 gas production wells in Russia at the end of 2008, of which 209 were actually in use.

Most of LUKOIL Group's natural gas production in 2008 in Russia (more than 95%) came from the Nakhodkinskoye field in the Bolshekhetskaya Depression. Gas production there in 2008 was 8.3 billion cubic meters, which is 7.7% more than in 2007. So production at the Company's largest gas field in Russia regained its 2006 level following reduction of output in 2007 due to reduced purchases by OAO Gazprom.

Preparatory work continued for development launch at other fields in the Bolshekhetskaya Depression. According to the approved investment program for 2009, construction of facilities should begin at the Pyakyakhinskoye field and one well is to be put into production. Its output will be used for the Company's own needs. Production drilling at gas and condensate sites at the Pyakyakhinskoye field is scheduled for 2009–2011. Gas production at the Yuzhno-Messoyakhskoye gas and condensate field is due to start in 2013, and the Khalmerpayutinskoye gas and condensate field should be launched in 2014.

Achievement of planned production levels at all fields in the Bolshekhetskaya Depression will bring total production of natural gas by LUKOIL Group's organisation in the region to 24 billion cubic meters.

## International Projects

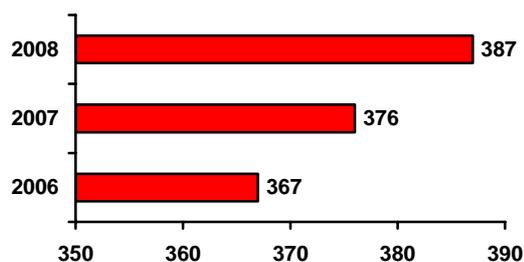
Production of marketable gas in 2008 as part of international projects was 4.192 billion cubic meters, which is 149.2% more than in 2007. The share of natural gas was 94%, representing an increase of nearly 6 percentage points. The Company had 88 gas production wells in international projects at the end of 2008, of which 69 were actually in use.

Most of the growth in gas production was at the **Khauzak-Shady** area, which was brought into production at the end of 2007 and is being developed as part of the Kandym – Khauzak – Shady project in Uzbekistan. Production of marketable gas at the Khauzak-Shady area was 2.340 billion cubic meters in 2008, or almost 56% of total marketable gas production by the Company abroad. Natural gas production at Khauzak-Shady reached its target level of 3 billion cubic meters per year in the second half of 2008. Production drilling continued at the area (27,000 meters of rock were drilled through) and 12 new wells were brought into production, providing daily gas flows of 452,300 cubic meters.

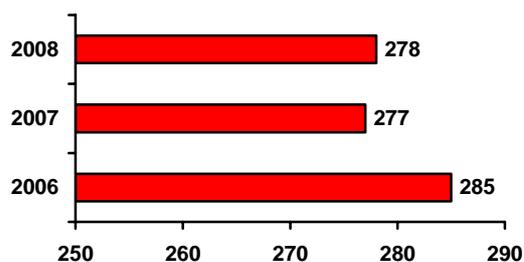
Production of marketable gas at the **Karachaganak** field in Kazakhstan was 1.069 billion cubic meters (LUKOIL Group's share), representing an increase of 2.1% compared with 2007. Four multi-bore wells were commissioned at Karachaganak in 2008 and drilling was completed at three other multi-bore wells.

Gas production grew rapidly in 2008 at the **Shakh Deniz** project in Azerbaijan, which was brought into production in December 2006: production of marketable gas increased by 78.5% to 551 million cubic meters (equity share). Drilling of a new well is now in progress and its commissioning will contribute to further output growth in the project. Gas from the field is supplied to the domestic market and also to Georgia and Turkey via the South Caucasus pipeline.

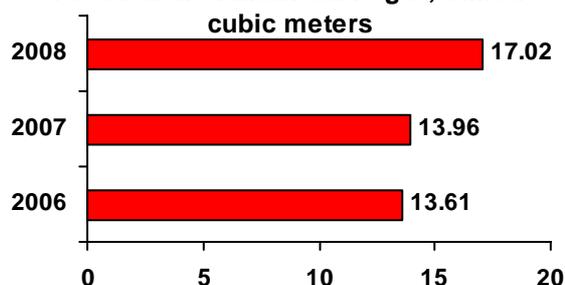
**Gas production wells, wells**



**Gas production wells in use, wells**



**Production of marketable gas, billion cubic meters**



## Oil Refining, Gas Processing and Petrochemicals

### Strategy

- Maximizing refinery throughputs
- Production of high-quality, environmentally friendly petroleum products with high value added
- Increase of light-product yield
- Control over production costs
- Optimizing logistics: reduction of transportation expenses
- Increasing efficiency of trading operations
- Increasing retail sales of petroleum products and of non-fuel products and services via filling stations

Net income in 2008 in the Refining & Marketing segment reached an all-time high of \$5.130 billion, which is 7.5% more than in 2007. Excellent financial results were achieved mainly through increase in refinery throughputs and retail sales volumes thanks to the relatively favourable macroeconomic environment and improvement of business efficiency in the segment.

### Oil Refining

#### *LUKOIL Group Refineries*

Refinery	Nelson Index	Annual capacity, mln tonnes per year	Throughput in 2008, mln tonnes
Perm Refinery	8.0	12.6	12.46
Volgograd Refinery	5.2	11.0	10.74
Ukhta Refinery	3.1	3.7	3.81
Nizhny Novgorod Refinery	4.0	17.0	16.97
Mini-refineries in Uray and Kogalym		0.4	0.20
<b>Total, Russian refineries</b>		<b>44.7</b>	<b>44.18</b>
Odessa Refinery (Ukraine)	3.9	2.8	2.04
Refinery at Ploiesti (Romania)	10.0	2.4	2.42

Refinery at Burgas (Bulgaria)	8.3	8.8	7.12
ISAB Complex*	9.3	7.8	0.52
<b>Total, foreign refineries</b>		<b>21.8</b>	<b>12.10</b>
<b>Total</b>		<b>66.5</b>	<b>56.28</b>

\* Capacity of the ISAB complex is shown in accordance with the Company share (49%). The throughput represents the Company share in December 2008.

**LUKOIL Group continued rapid development of its oil refining business during 2008 through modernization and expansion of refining capacities, and through participation in new promising projects.**

**The volume of refinery throughputs, including processing at third-party refineries, increased by 8.8% in 2008 compared with 2007 to 61.76 million tonnes, of which 56.28 million tonnes were refined at refineries of LUKOIL Group organisations and the ISAB refining complex, representing an increase of 7.9% over 2007.**

In the reporting year LUKOIL Group continued implementation of the program for modernization and reconstruction of its refineries, making capital expenditures of \$1,023 million, (compared with \$830 million in 2007).

**Pursuing its strategy for development of refining business abroad, OAO “LUKOIL” signed an agreement in 2008 with the Italian company ERG S.p.A. for creation of a joint venture to manage the ISAB refining complex, located on the island of Sicily in Italy.** The ISAB complex consists of two refineries joined by a system of pipelines and integrated into a single technological complex with total annual refining capacity of 16 million tonnes, as well as three tanker wharfs and a tank battery with capacity of 3.7 million cubic meters. In addition to the refining complex, the JV owns a 99 MW power station and some other infrastructure (see page 39 for more details). The acquisition greatly increased Company investments in refineries, which totalled \$833 million in 2008, compared with \$157 million in 2007.

Company refineries continued implementation of the Program to overcome gaps and lags compared with global industry leaders. A total of 191 measures were implemented during the year to raise energy efficiency, optimize production capacities and increase utilization rates, optimize personnel numbers and rotation, and to improve the reliability of equipment (increasing the period in operation between overhauls). Financial impact from implementation of these measures was \$132 million, including \$98 million from optimization of production capacities. The biggest effect was achieved at the Group’s refinery in Nizhny Novgorod (\$60 million).

In addition to the Program, the Company developed a number of measures to cut operating costs. Savings as a result of these measures totalled \$25 million.

### **Russian Refineries**

Refinery throughputs at LUKOIL Group’s own Russian refineries were 44.18 million tonnes in 2008, which is 3.8% more than in 2007. Capacity utilization reached 99.3%, which is the highest figure in the entire history of the Company. In order to obtain maximal advantage from the favourable macroeconomic environment, LUKOIL processed 3.19 million tonnes of crude oil at third-party refineries in Ufa.

The share of high-octane gasoline in total output of gasoline at Group refineries in Russia (not including mini-refineries) rose to 87.0% in 2008 (as against 83.5% in 2007). Refining depth was 76.0% and light-product yield increased to 50.4% (compared with 74.0% and 49.9%, respectively, in 2007).

The most significant output increases compared with 2007 were of vacuum gas oil (by 20.5%), heating oil (by 14.8%) and coke (by 13.6%).

Measures were implemented during the year to reduce operating costs and raise production efficiency at Russian refineries. This enabled reduction of irretrievable losses at refineries from 0.65% to

0.58% (against an average figure for Russia of 0.92%). Average personnel numbers were reduced by 4.6%.

Capital expenditures for modernization of LUKOIL Group's refineries in Russia in the reporting year were \$688 million (against \$606 million in 2007) and investments were \$64 million (against \$157 million in 2007).

The Group's **Nizhny Novgorod Refinery** commissioned a vacuum residue visbreaking unit with annual capacity of 2.4 million tonnes. The unit increases margins from operations at the Refinery by reducing output of heating oil (by 930,000 tonnes per year) and increasing volumes of vacuum gas oil (by 860,000 tonnes per year). The new unit increases refining depth at the Nizhny Novgorod Refinery and raises production efficiency.

At the **Volgograd Refinery**, the vacuum block on distillation unit №6 was commissioned after an upgrade. This upgrade will increase production of vacuum gas oil and vacuum residue, and reduce fuel oil output. Design work also began for construction of a new distillation unit with annual capacity of 6 million tonnes.

A unit was commissioned at Volgograd for hydrotreatment of secondary gasolines, basic design was completed for construction of a delayed coking unit with annual capacity of 1 million tonnes, and the second stage of a unit for hydrotreatment of diesel fuel with annual capacity of 3 million tonnes was completed.

The Group's **Perm Refinery** modernized the atmospheric distillation block on distillation unit №4 to increase annual capacity by 125,000 tonnes. Capacity of the delayed coking unit was increased to 1 million tonnes per year, and a major overhaul of the crude oil deep refining complex was carried out. Annual capacity of the Refinery increased from 12.4 to 12.6 million tonnes.

The Perm Refinery commissioned a production complex for blending, packing, storing and dispatching of packaged oils during 2008. Work was also carried out on modernization of pipe stills in order to reduce energy costs and increase their efficiency.

During 2008 the Perm Refinery went over to 100% production of high-octane motor gasolines, which meet the Euro-3 standard.

Work continued at the **Ukhta Refinery** in 2008 to upgrade the catalytic reforming unit by addition of an isomerization block, which is due to be commissioned in 2009.

## **International Refineries**

Refinery throughputs in 2008 at LUKOIL Group's international refineries and at the ISAB complex reached 12.10 million tonnes, which is 25.9% more than in 2007. The large increase is explained by recommissioning of the Odessa Refinery in April of the reporting year, following modernization. There was also significant growth in refinery throughputs at third-party refineries: these volumes were 2.29 million tonnes in 2008, compared with 1.02 million tonnes in 2007. Overall, taking account of processing at third-party refineries, LUKOIL refined 14.39 million tonnes of oil outside Russia in 2008, which is 35.4% more than in 2007. Capacity utilization at international refineries of the Group in 2008 was 82.7%.

Average refining depth at the Company's foreign refineries (not including the ISAB complex) was 79.7%, which is a little lower than in 2007. Light product yield (not including the ISAB complex) was 62.2% (as against 64.1% in 2007). Slight decline of these indicators is explained by commissioning of the Odessa Refinery, whose indicators are somewhat lower than those of other Company refineries abroad. Irrecoverable losses at refineries outside Russia fell from 1.11% to 0.93% in 2008.

The highest rates of output growth at the Company's international refineries (not including the ISAB complex), compared with 2007, were for fuel oil (up 34.7%) and diesel fuel (up 19.4%). Production of motor gasoline increased by 13.7%.

Capital expenditures in modernization of Group foreign refineries were \$335 million in 2008 (\$224 million in 2007) and investments were \$769 million.

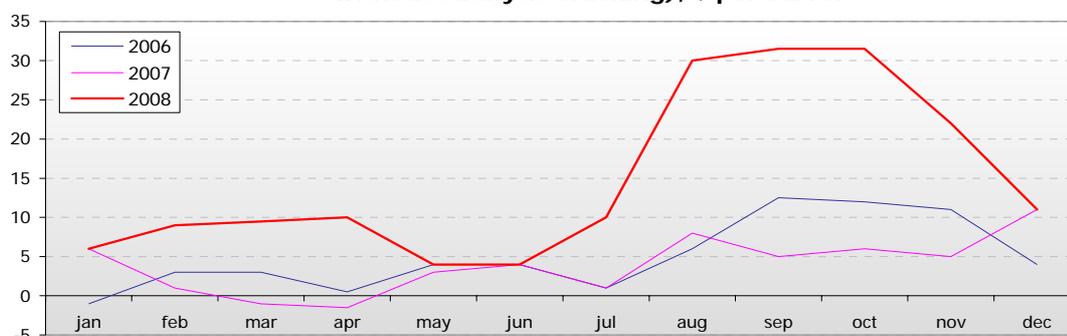
In April 2008 LUKOIL Group recommissioned the **Odessa Refinery** (Ukraine) after completion of an upgrade, which began in 2005. The Refinery's vacuum distillation unit was rebuilt as part of the upgrade, increasing its annual capacity from 2.4 to 2.8 million tonnes. The atmospheric unit was rebuilt for visbreaking, and the hydrotreatment complex and a number of general-use facilities were modernized. After completion of the upgrade the Refinery is capable of producing motor gasoline to Euro-3 standards, diesel fuel to Euro-4 standards, jet fuel, bitumen and liquefied gas.

At the **Burgas Refinery** (Bulgaria) work continued in 2008 on construction of a diesel fuel hydrotreatment unit and FCC gasoline hydrotreatment unit. Modernization of a diesel fuel hydrotreatment unit to enable production of fuel to Euro-5 standards was completed during the year.

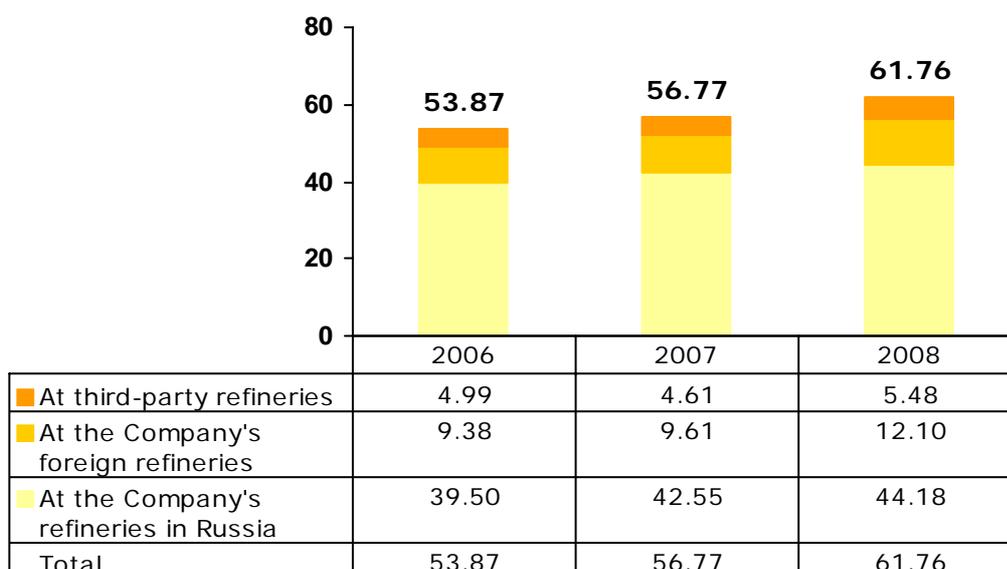
At the Ploeshti **Refinery** (Romania) the bulk of required work to enable production of fuels to Euro-5 standards from 2009 and to improve levels of environmental safety at the Refinery was completed. Upgrading work was completed on units for FCC gasoline hydrotreatment and diesel fuel hydrotreatment, the catalytic cracking unit, and also on the vacuum block of distillation unit №1. All of these units will be commissioned in 2009.

In December of the reporting year the Company started refining oil at the **ISAB refining complex** (island of Sicily, Italy). Crude throughput at the Complex (LUKOIL Group's share) in December was 520,500 tonnes.

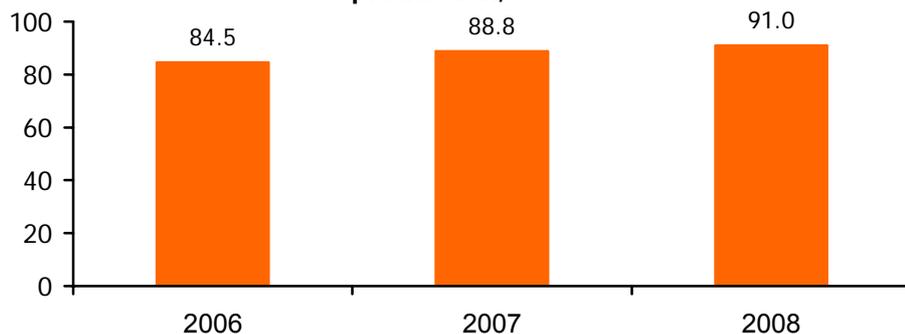
**Refining margin in Russia (average refinery in European Russia without catalytic cracking), \$ per barrel**



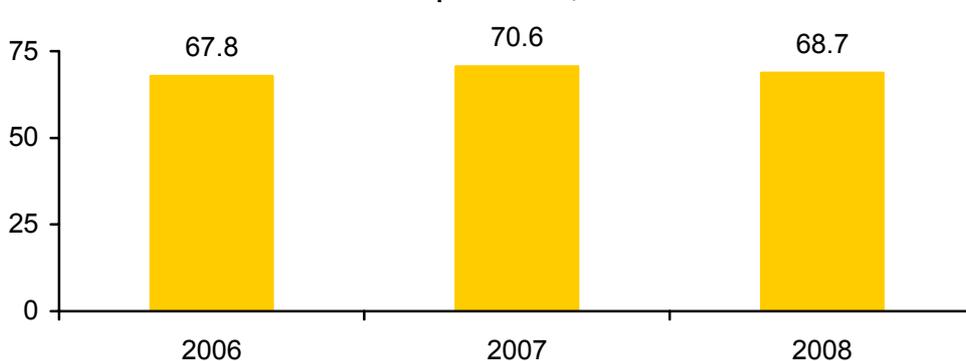
**Refinery throughputs by LUKOIL, million tonnes**



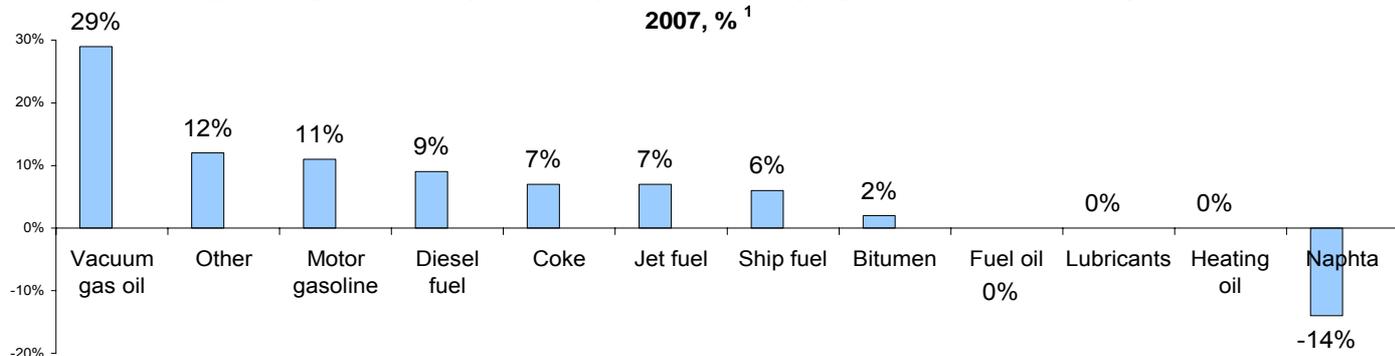
**Share of high-octane gasoline in total gasoline production, %<sup>1</sup>**



**Share of diesel fuel with sulfur content below 50 ppm in total diesel production, %<sup>1</sup>**



**Change in output levels of petroleum products at Company refineries in 2008 compared with 2007, %<sup>1</sup>**



<sup>1</sup> Excluding mini-refineries and the ISAB Complex.

### Acquisition of the ISAB Refining Complex

As part of the Group's strategy for development of its refining segment in Western Europe, OAO "LUKOIL" signed an agreement in June 2008 with the Italian company ERG S.p.A. on creation of a joint venture to operate the ISAB refining complex, located on the island of Sicily in Italy.

The ISAB refining complex is one of the largest and most technically advanced in the Mediterranean region. Acquisition of a share in the complex increased LUKOIL Group's overall refining capacity by 13% and refining capacities abroad by 60%.

Acquisition of a share in the complex improves the balance between oil production and refining in the Group's asset portfolio, bringing it closer to that of other vertically integrated oil companies. The Group's ratio of refining capacity to crude oil production increased from 60% (at the end of 2007) to 70% (at the end of 2008) as a result of the ISAB acquisition.

Under the agreement each of the partners supplies crude oil for refining and sells finished products in line with its equity stake in the JV. ISAB is strategically positioned at the centre of oil and petroleum product trading routes across the Mediterranean Sea, at the intersection of flows from the Middle East, Libya, Algeria, Egypt, the Black Sea, and the Baku – Tbilisi – Ceyhan pipeline. On the one hand, this makes third-party crude oil available to the Company, on the other hand it offers more profitable opportunities for selling the Company's own oil. It is estimated that the Company will be able to redirect up to 3 million tonnes of oil each year to greater advantage, increasing gross annual revenue by \$100–150 million. Ownership of the stake in ISAB also enables the Group to obtain arbitrage on oil deliveries thanks to price differentials between the Black Sea and the Mediterranean.

ISAB is specialized in refining of non-heavy sour crude oil of similar quality to Urals blend, so that LUKOIL Group will be able to integrate the complex into its chain of crude oil export deliveries and reduce risks associated with volatility of prices for crude oil.

Acquisition of a stake in the complex will also enable LUKOIL Group to increase its trading positions and supply petroleum products to the Group's filling stations in the Balkans, Turkey and Western European countries.

Outputs from ISAB consist mainly of medium distillates, which are in growing demand in Western Europe. In the current context of worldwide economic crisis, this factor should mean that reduction of margins in the Mediterranean region will be less marked than in other regions.

The transaction gives LUKOIL Group both a highly profitable, technically advanced asset and a new and reliable partner – the company ERG S.p.A., which has more than 70-year business experience in the Mediterranean region. ERG S.p.A. is an independent energy and oil group specializing in refining and sale of petroleum products and power generation. It is one of the three largest oil refining companies in Italy, with about 12% of the country's refining capacities and a 9% share of petroleum product sales on the domestic market.

## **Description of the ISAB Complex**

ISAB is a large, high-technology oil refining complex, a so-called 'super-site', with Nelson Index of 9.3 and capacity of 16 million tonnes per year (320,000 barrels per day).

Depth of oil refining at the Complex in 2008 was 85% and output of light petroleum products was 75%, which exceeds average values for the Group's refineries abroad (80% and 62% respectively). Diesel fuel and gasoline are the main outputs (48% and 19% of marketable products in 2008).

The ISAB complex consists of 2 refineries – the northern and southern refineries, – joined by a 12-km system of pipelines and integrated into a single technological complex. ISAB also has three sea tanker wharfs, a tank battery with storage capacity for 3.7 million cubic metres, a 99 MW power station and several other infrastructure assets. Annual capacity of the southern refinery is 11 million tonnes of crude oil and it is equipped with a visbreaking unit, light hydrocracking and thermal cracking units, and sulphur purification units, which enable refining of medium-to-heavy crude oil. Annual capacity of the northern refinery is 5 million tonnes of crude oil and it is equipped with catalytic cracking units, enabling production of large amounts of light fractions. The refinery produces both petroleum and petrochemical products.

Large-scale modernization of the complex, which began in 2003, was completed in July 2007 at a cost of more than 300 million euros (about \$390 million). The aim of the modernization was to adapt the complex to growing demand for medium distillates on the Western European market. The modernization work integrated the northern and southern refineries into a single refining complex and increased conversion capacity. Annual catalytic cracking capacity after completion of the work is 1.8 million tonnes, hydrocracking capacity is 4.5 million tonnes, thermal cracking capacity is 2.7 million tonnes, visbreaking capacity is 2.3 million tonnes, and deasphalting capacity is 1.6 million tonnes. Structural changes have caused reduction in overall complex capacity from 380,000 to 320,000 barrels per day, but this is more than compensated by increased profitability of the complex due to greater complexity of

production (the Nelson Index has risen from 7.6 to 9.3). Modernization has also reduced air pollution from refining processes and enabled production of gasoline and fuel oil that meet European Union standards, which came into effect from January 1, 2009.

The main suppliers of inputs to the complex are countries of the Black Sea region (33% in 2008), North Africa (30%), the Persian Gulf (24%) and West Africa (12%).

Most of ISAB's output (about 60%) is exported. The main customer for gasoline produced by the complex is the USA, and diesel fuel is bought mainly by European Union countries.

### **Description of the Transaction**

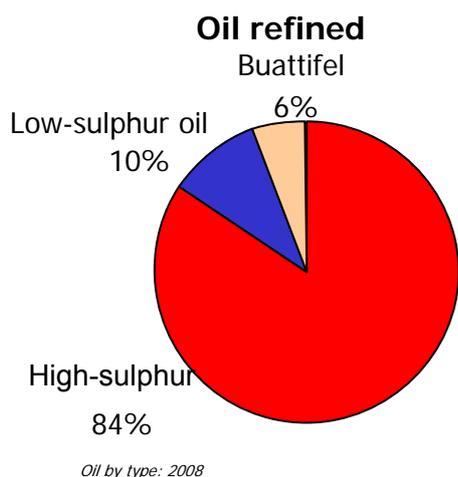
Transaction value was 1.45 billion euros (approximately \$1.83 billion). On December 1, 2008 an organisation of the Group closed the transaction by paying a first tranche of 600 million euros (about \$762 million). Under the agreement, remaining payments were to be made in three separate tranches before the end of September 2009. However, the whole amount was paid at once and ahead of schedule in February 2009. There was a discount for early payment of 15 million euros (\$19 million). The transaction has received approval from the European Commission, which found no breaches of provisions of EU anti-monopoly legislation.

A 49% stake in the JV belongs to a Group's organisation, and its share may be increased in the future. ERG S.p.A. currently has 51% of the JV. The structure of the transaction allows ERG to sell its stake in the JV within 6 years from the time of closure of the transaction at market price (determined by an independent appraiser). The parties manage the joint venture on parity basis.

### **The Refining Industry in Italy**

The oil refining sector in Italy is the largest in the European Union. There are 16 refineries operating in the country, owned by 11 different companies, with total capacity of about 2.2 million barrels per day, and 4 companies (Eni, ERG, ExxonMobil and Saras) account for roughly 80% of capacity. Annual production is about 95 million tonnes, or 15% of petroleum product output by the European Union. Around 60% of the total consists of diesel fuel and motor gasoline.

The main suppliers of crude oil to Italy are countries of the former USSR and Libya (about 60% of the total), as well as Iran, Iraq and Saudi Arabia. Italy's petroleum product output is used to meet domestic demand and is exported, mainly to Spain, the USA, Belgium, the Netherlands and Luxembourg.



## Production of Oils and Lubricants

### Lubricant Production at LUKOIL Group Refineries

<b>Nizhny Novgorod Refinery</b>		full-cycle lubricant production	243,000 tonnes
<b>Perm Refinery</b>		full-cycle lubricant production	407,000 tonnes
<b>Volgograd Refinery</b>		full-cycle lubricant production	478,000 tonnes
<b>LLK Lubricants Romania S.R.L.</b>	Ploiesti, Romania	mixing of lubricants from ready-made components	23,000 tonnes
<b>LLK Finland Oy</b>	Hamina, Finland	mixing of lubricants from ready-made components	31,000 tonnes
<b>Subsidiary of LLK International LLC</b>	Tyumen Region	mixing of lubricants from ready-made components	22,000 tonnes

**Production and sale of oils and 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 oils and lubricants market accounting for about 45% of domestic production. Oils and lubricants are produced at Group refineries in Perm, Volgograd and Nizhny Novgorod. Lubricants are also mixed from ready-made components (both produced by the Company and bought from third parties) at facilities in Russia, Finland and Romania.

Group refineries produced 1.13 million tonnes of oils and lubricants in 2008. Mixing of oils and lubricants at other Company facilities rose to 76,000 tonnes. Output of packaged oils was 231,000 tonnes.

LUKOIL Group organisations produce over 120 brands of oils and lubricants to latest international standards. They include motor and transmission oils for all types of transport, base oils (used as inputs for production of ready-to-use oils, lubricants and additives), and lubricants for industrial equipment.

The Company worked hard in the reporting year to optimize production technologies and improve the quality of lubricant outputs. Steps were taken to increase marketable product yield, reduce energy consumption and raise the quality of base oils. As part of a policy to generate more added value from secondary products, the Company worked on launch, optimization of composition, and increase of production and sales volumes of engine flushes, petroleum penetrating fluids, plasticizers, petroleum jelly and other products. In the course of 2008 production of 16 new products was launched.

The joint venture between LUKOIL Group and Belarusian Naftan refinery, LLK-Naftan, met 41% of LUKOIL Group's own needs for additives during 2008, and this indicator will be increased to 80% in the medium term. The JV has increased output by 8 times, from 3,200 to 24,900 tonnes, since its creation in 2006.

LUKOIL Group organized production of branded lubricants at company facilities in Perm and Romania in 2008 using canisters with a new design. The project enabled modernization of the production chain, and the Company bought first-class quality equipment as well as technologies licensed by world leaders in the industry.

The new design had positive impact on visual perception and quality of the product, which matches best western analogs, and also offers a high level of protection against counterfeit. Walls of the new canister have three layers and labels are heat moulded during extrusion. The canister has a two-part, moulded lid and laser marking.

Qualities of the new formula and external design of the canister have been very positively received on the market.

The Company carries out **sales of oils and lubricants** in 35 countries worldwide and sales geography is constantly expanding. In 2008 LUKOIL Group began lubricant sales on five new markets: Turkey, Pakistan, Jordan, Taiwan and Dominica.

Constant expansion of the product range and improvement in the quality of oils and lubricants encourages growth in sales volumes. Sales of branded lubricants reached 182,000 tonnes in 2008, which is 27% more than in 2007. Main markets for sales of branded lubricants were Russia, Kazakhstan and Finland, and the biggest increases in exports were to Azerbaijan, Kazakhstan and Ukraine. Overall sales of packaged oils in the reporting year were 227,000 tonnes.

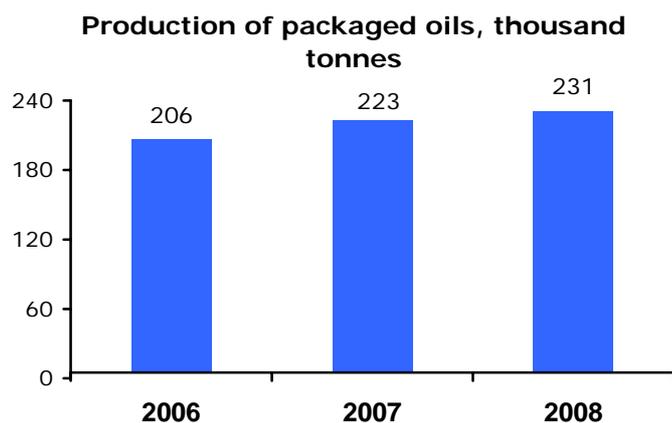
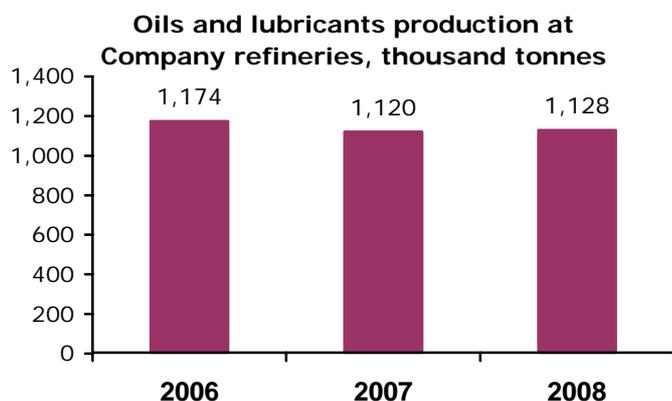
OAo "LUKOIL" signed an agreement in 2008 with the Russian automotive manufacturer, OAo Severstal-Auto, on strategic cooperation over a period of 5 years. In accordance with the agreement, branded lubricants will be supplied to Severstal-Auto plants for use in production equipment, first filling of new automobiles, and also for use by the company's after-sales service. The parties will expand their cooperation in the future, working together on development of modern lubricants and other products of oil refining and gas processing.

The Company has chosen a modern approach to its lubricant business, including creation of a system for management of customer relations. OAo "LUKOIL" has been one of the first companies in the industry to offer a comprehensive service with full product support, from placement of client orders to delivery of the product and, ultimately, disposal of used lubricants. Thanks to this policy the Company now sells more than 80% of its lubricant output directly to end-users.

LUKOIL Group obtained new lubricant production capacities as part of the transaction to acquire assets of the Turkish company, Akpet, in 2008. Akpet facilities are capable of producing 12,000 tonnes of oils and lubricants annually (for more detailed information on the acquisition of Akpet, see page 9).

LUKOIL motor oils match international requirements of the Society of Automotive Engineers (SAE), the American Petroleum Institute (API), the European Automobile Manufacturers Association (ACEA) and the Russian Association of Automobile Engineers (AAE). Our oils are produced using the latest technologies and contain high-quality additives supplied by Russian and foreign producers.

High performance qualities of LUKOIL lubricants have been acknowledged by major automotive manufacturers in Russia and abroad. Company motor oils have passed tests at western certification centers on engines made by DaimlerChrysler, BMW, Volkswagen, MAN, Porsche, Volvo, Renault trucks and Cummins, and have been approved for use in these engines.



### Gas Processing LUKOIL Group Gas-processing Plants

Gas-processing plant	Location	Capacity		Processing in 2008	
		Gas processing, mcm per year	Processing of liquid hydrocarbons, th. tonnes per year	Gas processing, mcm	Processing of liquid hydrocarbons, th. tonnes
Lokosovsky Gas-processing Plant	Langepas (Western Siberia)	2,300	-	1,994	-
Permneftegazperer abotka	Perm	505	1,000	584	803
Korobkovsky Gas-processing Plant	Kotovo (Volgograd Region)	450	161	460	63
Usinsk Gas-processing Plant	Usinsk (Komi Republic)	533	-	211	-
<b>Total</b>		<b>3,788</b>	<b>1,161</b>	<b>3,249</b>	<b>866</b>

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 2008 gas-processing plants of the LUKOIL Group processed 3.249 billion cubic meters of gas feedstock and 866,000 tonnes of natural gas liquids, which is roughly equal to levels in 2007.

During 2008 LUKOIL Group plants produced 2.568 billion cubic meters of stripped gas, 965,000 tonnes of LPG and 841,000 tonnes of liquid hydrocarbons (stable gas naphtha, isopentane and hexane-heptane fractions, and natural gas liquids).

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

The **Permneftegazpererabotka** plant carried out optimization of its output structure (outputs of unprofitable products were halted, the share of liquefied hydrocarbon gases in total production was increased, and deliveries were optimized).

Work was carried out at the **Lokosovsky Gas-processing Plant** in 2008 to upgrade heat-transfer fluid heaters.

Steps were taken during 2008 to introduce an improved production planning system at the **Korobkovsky Gas-processing Plant**.

## Petrochemicals

### LUKOIL Group Petrochemical Plants

Plant	Location	Production profile
<b>Petrochemical plants</b>		
<b>Stavrolen</b>	Budennovsk (Stavropol Region, Russia)	Polyethylene and other products
<b>Saratovorgsintez</b>	Saratov (Russia)	Acrylonitrile and other organic synthesis products
<b>Karpatneftekhim</b>	Kalush (Ukraine)	Polyethylene, vinyl chloride and other products
<b>Refineries with petrochemical units</b>		
<b>LUKOIL Neftokhim Burgas AD</b>	Burgas (Bulgaria)	Polymers and organic synthesis products

**LUKOIL Group's petrochemical business is the biggest in Russia and Eastern Europe. Group plants in Russia, Ukraine and Bulgaria make pyrolysis and organic synthesis products, fuel fractions and polymer materials. LUKOIL Group meets a major share of Russian domestic demand for various chemicals and is a major exporter of chemicals to more than 30 countries worldwide.**

In accordance with its development strategy in the petrochemicals sector, LUKOIL Group is steadily increasing production of chemicals with high added value (polymers, monomers and organic synthesis products) and reducing production of chemicals with low added value (secondary pyrolysis products and fuel fractions).

**LUKOIL Group petrochemical plants produced 1.462 million tonnes of petrochemicals in 2008. A 28% decline of volumes compared with 2007 is explained by halting of production at Karpatneftekhim in May 2008 for upgrading purposes.**

The price environment on petrochemical product markets was very mixed in 2008. A steep rise in prices in the first half of the year was followed by substantial decline in the second half. As a result, the sale price for polyethylene in Russia rose by 5.0% in the course of the year and polypropylene prices rose by 9.4%, but the price for benzol fell by 13.6%. In Europe prices for all three products declined: polyethylene by 0.8%, polypropylene by 5.6% and benzol by 0.5%.

LUKOIL Group took steps in 2008 to modernize existing units and install new ones as part of Group strategy for development in the petrochemical sector. Capital expenditures in the petrochemical sector were \$121 million in 2008.

Production was halted at the **Karpatneftekhim** plant in May 2008 so that a large-scale upgrade could be carried out. Work is now in progress for installation of a chlorine and caustic soda production unit using membrane electrolysis technology. Annual capacity of the new unit will be 182,000 tonnes of gaseous chlorine and 200,000 tonnes of caustic soda. The new capacities will enable Karpatneftekhim to produce caustic soda, which meets international quality standards, and to fully provide the plant's own chlorine needs. Commissioning of the unit is scheduled for the end of 2009.

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

The feeder aggregate to pyrolysis furnaces at Karpatneftekhim was overhauled in 2008. This work has enabled changes to feedstock structure and increase in ethylene yield, as well as reducing diesel fuel consumption and cutting production costs.

A sodium cyanide unit with 15,000 tonnes annual capacity was commissioned at **Saratovorgsintez** in 2008. The sodium cyanide production process uses DuPont technology, which is highly reliable and secure. Sodium cyanide is used in gold mining for separation of precious metals from ore material. Outputs from the new unit meet the greater part of needs of the Russian mining industry (about 20,000 tonnes of sodium cyanide per year), which were previously met by imports.

Work was carried out at **Stavrolen** to upgrade its storage facility for liquefied hydrocarbon gases in order to increase gas feedstock handling and processing from 200,000 to 400,000 tonnes per year. Commissioning of the facility is planned for the third quarter of 2010.

Modernization work on the polypropylene unit (120,000 tonnes annual capacity, commissioned in 2007) was continued in 2008: Stavrolen commissioned and fine-tuned the new compressor and modernized the polypropylene compounding line. This will ensure better product quality in the future and will reduce losses of propylene during the production process. The work was completed in the first quarter of 2009.

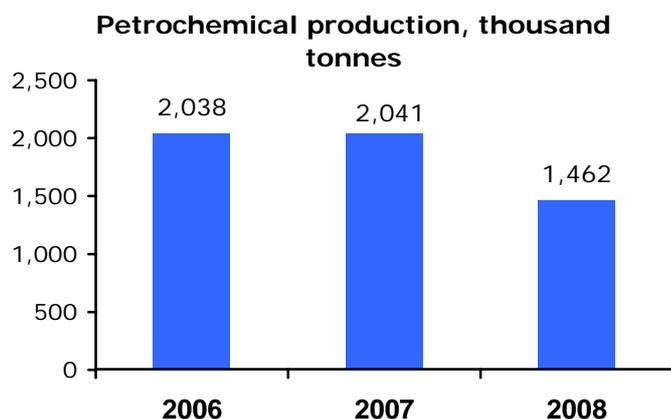
Stavrolen also nearly completed work on installation of a new polyethylene compounding line with annual capacity of 120,000 tonnes in 2008. Commissioning of the unit is scheduled for the second quarter of 2009. The new compounding line will improve quality of granulated polyethylene outputs and reduce energy costs. It will also enable expansion of Stavrolen's branded product range.

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

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

Conceptual engineering for the Complex was completed in 2008 and a general plan has been drawn up for positioning of production units and infrastructure facilities. The plan ensures full integration of the new production with the existing Stavrolen petrochemical complex.

As a part of the project for creation of the Caspian Gas-chemical Complex, plans for 2009 include preparation of special technical conditions for designing, construction and operation of a product pipeline from the Caspian Gas-processing Plant to Stavrolen and completion of competitive tendering to select license providers and engineering companies. The tendering process began in 2008.



## Power Generation

OAO “LUKOIL” created a new business sector in 2008: Power Generation. Creation of the new business sector is a part of the Company’s Strategic development program for 2008–2017. Power business will be an important factor for growth of Company capitalization in the long term.

The new sector will include all aspects of power business, from generation to transmission and sale of heat and electrical power, ensuring reliable supplies for the Group’s own needs and for external customers. By the end of 2008, OAO “LUKOIL”’s Power generation business sector included OAO YuGK TGK-8 (TGK-8, acquired during the reporting year), the Company’s own power generating facilities at oil & gas fields, and also a number of power generators in Bulgaria, Romania and Ukraine.

Output of electrical energy during 2008 by LUKOIL organizations was in excess of 16.2 billion kilowatt-hours (TGK-8 accounted for 90% of the total). Output of heat energy was more than 18.1 million Gcal, of which 85% was generated by TGK-8.

According to Company plans, the Power Generation business sector will consist of four parts:

- production and operation;
- transmission of heat and electrical energy;
- energy sales;
- investment and renovation.

Reorganization of the electricity business in accordance with Company plans should give positive economic effect of up to \$40 million per year. Annual cash flow from sales of heat energy will increase by \$6 million through elimination of cross-subsidizing between production and sale of heat.

### OAO YuGK TGK-8

An organisation of LUKOIL Group signed an agreement for acquisition of 64.31% of shares in OAO YuGK TGK-8 for \$2.117 billion in March 2008. The cost of the acquisition included 23.55 million ordinary shares of the Company (with market value of about \$1.620 billion). The transaction was completed in May 2008. Over the period from May to December 2008 the Group organisation acquired an additional stake in TGK-8 for \$1.075 billion. These acquisitions increased the Group’s ownership stake in TGK-8 to 95.53%.

TGK-8 is the largest producer of electrical and heat energy in the Southern Federal District of Russia. The company consumes about 6 billion cubic meters of gas each year for generating purposes. TGK-8 has 20 power stations and 42 boiler plants (with installed electricity generating capacity of 3,602 MW and heat generating capacity of 13,542 Gcal per hour). Power stations of OAO YuGK TGK-8 are located in Astrakhan, Volgograd and Rostov regions, Krasnodar and Stavropol territories and the Republic of Dagestan in Russia. Overall share of the electricity market in regions where the company has presence is about 17%, and its share of heat energy markets is about 60%.

OAo YuGK TGK-8 owns a heat network with overall length of over 1,500 kilometres. Total heat network, including leased and managed capacity, is about 2,200 kilometres in length.

The Company expects to obtain major synergy effects from acquisition of TGK-8, since the Company will be able to provide non-stop supplies of natural gas from its fields located in the Northern Caspian and Astrakhan Region to TGK-8 power stations at an efficient price.

### **Small-scale Generating**

LUKOIL Group organisations are continuing rapid development of its own power generating at fields. This enables substantial savings on electricity purchases and raises the level of utilization of associated gas, which is used as fuel for gas-fired generating. The Group has a total of 463 generating units in operation at fields with total capacity of 336.8 MW. Electricity output from these units in 2008 was 829.2 million kilowatt-hours, representing 5.9% of total consumption of electricity by the Group in its production activities.

LUKOIL Group applies the latest technologies in its investment projects for construction and upgrade of generating facilities. This will ensure increasing reliability of power supplies to LUKOIL Group organisations. Spending on electricity is being significantly reduced thanks to efficiency improvements and use of the Company's own refined products as fuel.

### **Energy-saving Technologies**

LUKOIL Group works constantly to improve reliability of its electricity supply arrangements and to reduce spending on energy. The efforts have been coordinated through corporate programs (being implemented in 2006–2010) for energy saving and improvement of reliability of power supplies. Savings of fuel and energy resources in 2008 as a result of the energy-saving program were more than \$42 million. Spending on measures as part of the program for improving reliability of electricity supplies was about \$130 million in 2008, which is over 2.5 times more than in 2007. Implementation of the program has reduced power cuts and resulting underproduction of crude oil by more than 20%.

The Company approved an energy audit schedule for its oil & gas production subsidiaries in the period from 2006 to 2010. Purpose of the audit is to identify irrational consumption of resources and design measures to remove the source of the problem. In 2008 energy audits were carried out at LUKOIL-Usinskneftegaz and the Usinsk Gas-processing Plant as part of the schedule.

Rational use of electricity considerably reduces Group spending on purchase of energy resources. An automated system for measuring of electricity use was installed at all Company subsidiaries. The system takes advantage of three different levels of tariffs, in force at different times of the day, and increases accuracy in measurement of electricity consumption, reducing spending on electric power and keeping track of the LUKOIL Group organisations' power supply arrangements.

## **Product Deliveries and Marketing**

### **Crude Oil Deliveries**

**Total crude oil deliveries by LUKOIL Group organisations in 2008 reached 101.3 million tonnes, which corresponds to the level of 2007. Due to increase in refining margins and growth of oil export tariffs in Russia LUKOIL maximized profits by prompt redirection of crude oil volumes from less efficient exports to the domestic market, primarily to its own and third-party refineries inside Russia.**

During the year 2008 as much as 2.10 million tonnes of crude oil were sold in **Russia**, which is 31% more than in 2007. Refining at the Company's own refineries inside Russia reached 44.18 million tonnes, which is 3.8% more than in 2007. In order to take advantage of favourable conditions on the domestic market the Company delivered 3.19 million tonnes of crude oil for processing to third-party refineries in Russia. In the reporting year 236,000 tonnes of crude oil were purchased in Russia, compared with 47,000

tonnes in 2007. The increase in purchases of crude oil is explained by growth of refinery throughputs in a context of lower crude oil production by LUKOIL Group organisations in Russia.

In order to optimize routes for crude oil flows OAO "LUKOIL" reached an agreement in 2008 with Transneft to increase the volumes of crude oil pumped to the Volgograd Refinery from 27,500 to 29,900 tonnes per day, enabling increase of refinery throughputs at the Refinery. The annual economic effect is estimated at \$135 million. Daily crude oil supplies to the Volgograd Refinery in the reporting year were increased by 11.4% to 29,500 tonnes, to the Nizhny Novgorod Refinery by 2.0% to 45,900 tonnes and to the Perm Refinery by 4.5% to 36,000 tonnes. Deliveries of crude oil to the Company's Ukhta Refinery declined slightly owing to a short halt in production for scheduled repairs.

Deliveries of crude oil to third parties on the domestic market in the reporting year, using price formula with a premium to the export formula, were 1.7 million tonnes, and gave an additional effect of \$17 million.

**Crude oil exports from Russia** by OAO "LUKOIL" subsidiaries (including oil purchased from other producers) declined by 6.8% in comparison with 2007, to 39.30 million tonnes, owing to redirection of a part of export oil to the domestic market. The Company exported 31.20 million tonnes to the far-abroad countries and 8.10 million tonnes to the near-abroad countries. The Company managed its export deliveries efficiently in 2008, selecting the most profitable routes. The main routes for export of crude oil remained the ports of Primorsk and Novorossiysk, which accounted for 42% of total exports. A further 10% of exports were made by pipeline deliveries to Hungary and 8% to Poland.

As part of work to optimize export routes 0.7 million tonnes of crude oil were redirected from Black Sea routes to Belarus and Kazakhstan in the reporting year, which gave extra profits of \$15 million.

Most export in 2008 was via the Transneft pipeline system. Deliveries via Transneft were 36.07 million tonnes (9.8% less than in 2007) and their share in overall exports amounted to 92%. The volume of export deliveries by-passing the Transneft system in 2008 increased by almost 50% to 3.23 million tonnes of crude oil, which is due to commissioning of Varandey terminal. Deliveries through Varandey were valued on the basis of actual quality of the crude oil, mainly at a premium to the Urals price. (There is no oil quality bank in the Transneft system, which is why crude oil of any quality supplied through this system is sold at the price for Urals blend crude, so that Urals blend is LUKOIL Group's main export commodity).

LUKOIL Group organisations continued to develop their own export capacities, enabling reduction of transportation costs and making transport arrangements more flexible. A total of 2.8 million tonnes of oil were exported via the Group's own transport terminals in 2008, compared with 1.9 million tonnes in 2007.

Work in the reporting year to improve pricing formulas raised sale prices of LUKOIL Group's export crude deliveries via the Druzhba pipeline. Total additional revenue thanks to improvement in price formulas was almost \$4 million. Specifically, the sales formula for Poland was improved by 13 cents per barrel from January, and the price formula for deliveries to the Czech Republic was improved by 62 cents per barrel from October.

The Company continued to apply a new approach to price formation as part of work to improve efficiency of crude oil deliveries in 2008. The new approach takes account of developments on the international market for purposes of oil sales in Russia and the near-abroad countries. This has positive impact on quality of commercial decisions, which are better founded, since financial outcomes are more predictable at the time when deliveries are planned.

**Crude oil deliveries to foreign refineries** of LUKOIL Group and the ISAB refining complex were 12.10 million tonnes, representing a record 25.9% increase compared with 2007. This was achieved thanks to resumption of production at the Odessa Refinery after modernization and acquisition of a stake in new refining complex. Apart from deliveries to its own refineries, the Company also supplied crude oil for processing at third-party refineries (Naftan and the Mozyr Refinery in Belarus and the Panchevo Refinery in Serbia). Volumes of these deliveries in the reporting year were 2.29 million tonnes, which is more than twice the level in 2007.

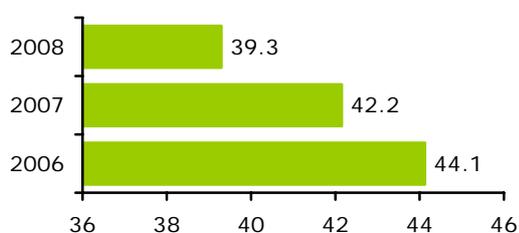
In addition 37.44 million tonnes of crude oil were sold on the **international market**, including 4.32 million tonnes to countries of the near-abroad and 33.12 million tonnes to countries of the far-abroad.

**In 2008 LUKOIL Group fully completed construction work on the Varandey oil off-loading terminal with crude oil throughput capacity of up to 12 million tonnes per year (240,000 barrels per day).** The terminal began shipping oil in June 2008, and maintains shipments all year-round, despite severe climatic conditions. Crude oil for the terminal comes mainly from the Timan-Pechora oil & gas province, primarily from the Yuzhno-Khylchuyu field, which was brought into operation in the summer of 2008.

The work, which has been completed at Varandey, is as follows: building and commissioning of a fixed offshore ice-resistant offloading terminal, a shore side tank farm with a capacity of 325,000 cubic metres, two stretches of underwater pipeline, and also an oil accounting facility, auxiliary reservoirs, a pumping station, 3 supply facilities, a housing estate for duty personnel, and other infrastructure. Capital expenditures during the whole period of construction were \$1.1 billion, including \$163 million in 2008.

The terminal operates as follows: ice-class shuttle tankers with deadweight tonnage of 70,000 tonnes transport oil to a floating reservoir in the ice-free waters off Murmansk, from where long-distance tankers with deadweight tonnage of 150,000 tonnes deliver the oil to Western Europe and the USA. About 2 million tonnes of crude oil were shipped out through the terminal in 2008.

**Crude oil exports, million tonnes**



## Gas Deliveries

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

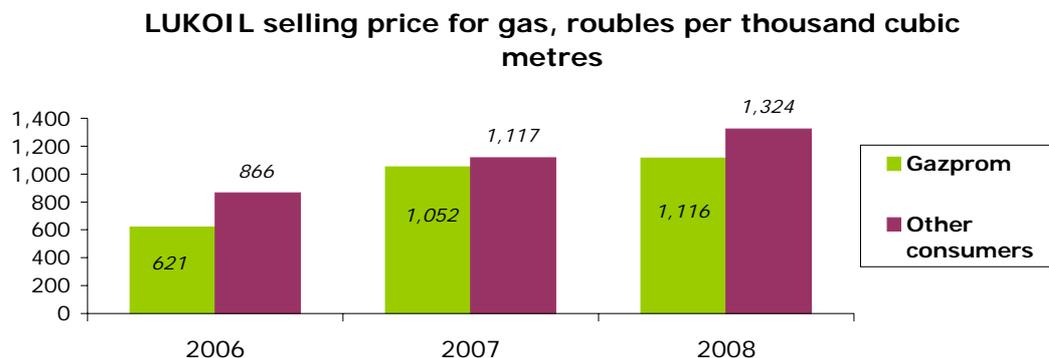
**In 2008 sales of natural, associated, stripped and dry gas by the Group's Russian organizations totalled 12.066 billion cubic meters, which is 4.7% more than in 2007.** Of this total, 9.397 billion cubic meters of gas were sold to Gazprom (including 7.856 billion cubic meters of natural gas from the Group's Nakhodkinskoye field) and 2.669 billion cubic meters of gas were sold to other consumers.

The average sale price for gas rose in the reporting year by 8% from 1,070 to 1,152 roubles per thousand cubic meters (1,116 roubles per thousand cubic meters for Gazprom and 1,324 roubles per thousand cubic meters for end-users).

In order to increase profit from sales and simplify arrangements for gas supply to end-users, volumes of gas supplies through Gaz-Oil Trading (a parity joint venture between OAO "LUKOIL" and Gazprom) were increased in the reporting year to 1.541 billion cubic meters. This allowed a unified approach to pricing and made it simpler to organize gas transportation through the Gazprom gas-transportation system.

In 2008 the LUKOIL Group continued selling gas to other consumers at market prices through the Mezhhregiongaz electronic trading platform: 815.1 million cubic meters of gas were sold by this means, which is 16% more than in 2007. Most of the growth was during the first three quarters of 2008. There was a fall in demand for gas in the fourth quarter, caused by a surplus of Gazprom output, unusually warm autumn and winter weather and decline in energy prices on world markets. Additional profit from selling gas through the Mezhhregiongaz electronic trading platform rose by 2.3 times in 2008 to \$10.5 million.

In order to minimize costs the Company carried out preparatory work in the reporting year, which will enable contracts to be made for direct gas supplies to end-users (specifically OAO YuGK TGK-8 and OAO TGK-9), cutting out intermediaries.



## Petroleum Product Marketing

### Wholesale Trading in Petroleum Products

LUKOIL Group's petroleum product wholesale business in **Russia** is carried out by its refineries and by 8 petroleum product organizations inside the Group, operating in 60 regions of the country. Volume of petroleum product wholesale in Russia in the reporting year was 13.31 million tonnes, which is 2.8% less than in 2007. Despite a sharp fall in world energy prices from August 2008, prices for main petroleum products on the domestic market remained 20–30% higher than export prices (taking account of transportation costs and export tariffs).

The planning system for deliveries of petroleum products from refineries was improved in 2008. In particular there was a changeover to 3-day summary schedules with counter parties for shipment of petroleum products through the month (instead of the 10-day schedules, which were used earlier). This makes planning of deliveries more transparent, ensures optimum capacity utilization at refineries and increases refinery throughputs.

The Group continued prompt management of wholesale petroleum product supplies from its refineries in order to improve marketing efficiency. This enabled increase in sales of petroleum products under direct agreements at a premium to average wholesale market prices.

In order to minimize transportation costs and diversify delivery routes for supplies of petroleum products, transshipment of LUKOIL Group cargoes in 2008 was mainly through Russian ports. This allowed transport costs to be reduced by \$14 million on southern routes and by more than \$5 million on northern routes, as well as opening up new routes for deliveries of light petroleum products, and increasing volume of fuel oil transshipment through Russian ports by 28% in comparison with 2007. Deliveries of fuel oil and vacuum gas oil from ports in the Baltic countries (Tallinn and Klaipeda) were partly re-directed to Russian ports (including Vysotsk and St. Petersburg). This enabled transportation and transshipment savings of \$13 million and \$10 million for fuel oil and vacuum gas oil, respectively.

LUKOIL Group organisations **exported** 25.8 million tonnes of petroleum products to the near- and far-abroad in the reporting year, which is 2.6% more than in 2007. Exports were dominated by heating oil, diesel fuel/gas oil and vacuum gas oil, which accounted for more than 90% of total export volumes. LUKOIL Group's petroleum product export structure mainly corresponds to structure of exports from Russia as a whole. Exports of marketable gasoline declined by more than four times and export of jet fuel by 30% due to increased levels of profitability on the domestic market and resulting re-direction of product volumes for sale inside Russia.

Railway remained the main means of transport for Group exports of petroleum products (82.7% of the total in 2008). Optimization of petroleum product deliveries by rail continued in 2008: The Group used its own cars and cars provided by other private companies, tariff rates were lowered and the Group

obtained discounts on main export routes. The Company was successful in combating overall increases in the cost of rail shipments.

The 2007 agreement with Russian Railways on development of rail infrastructure for shipment of up to 12 million tonnes of petroleum products per year to the Vysotsk terminal continued to be implemented in 2008, and it was decided to consider possible increase of shipment volume to 14 million tonnes. A total 12.6 million tonnes of petroleum products were shipped out through the terminal in the reporting year.

Petroleum products are also exported by water transport. From the start of navigation season, petroleum products are delivered for export by tankers from the Company's river terminals, enabling significant reduction of transportation costs. In 2008, transport savings due to export delivery of dark petroleum products by river instead of rail amounted to \$62 million on southern routes and \$18 million on northern routes.

About 7.5% of petroleum products by volume are exported through pipelines.

The Company is working continually to optimize delivery routes for exports of petroleum products. In 2008 there was a partial re-orientation of exports of diesel fuel with sulphur content of 10 ppm from the port of Svetly (Kaliningrad) to the port of Vysotsk (Leningrad Region). Transportation costs were cut by \$14 million as a result. Other quantities of diesel fuel with the same specifications were re-directed from Vysotsk to Primorsk, which enabled costs to be reduced by \$3 million.

LUKOIL Group is rapidly developing its **international trading business** in petroleum products by increasing the scale and geographical diversification of this business. The objective of LUKOIL Group's international trade is to place Company resources as efficiently as possible, including direct sale to end-users (by-passing third-party traders). Volume of the Group's wholesale petroleum product sales on the international market in 2008 was 67.67 million tonnes, which is 5.1% more than in 2007.

LUKOIL Group plays a significant role in petroleum product supplies to Western Europe. LUKOIL Group's share in total petroleum product imports by some countries in the region is quite substantial: 30% of imports of diesel fuel and vacuum gas oil in France, 11% of diesel fuel imports in Sweden, 11% of bunker fuel imports in Holland, 10% of the diesel fuel imports in Spain and 4% of fuel oil imports in Belgium.

LUKOIL Group has trading offices in 9 countries worldwide. The Group 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). LUKOIL Group's trading business encompassed 82 countries worldwide during the reporting year.

In 2008 OAO "LUKOIL" signed a memorandum of understanding with the Argentine companies ENARSA S.A. and POBATER S.A., concerning possibility of petroleum product deliveries (fuel oil and/or diesel fuel) to ENARSA using infrastructure of POBATER to store the fuel. The memorandum is for a term of three years and may be extended.

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

## **Petroleum Product Retail**

LUKOIL Group's retail network extends to 25 countries, including Russia, the near-abroad countries and European countries (Azerbaijan, Belarus, Georgia, Moldova, Ukraine, Bulgaria, Hungary, Finland, Estonia, Latvia, Lithuania, Poland, Serbia, Montenegro, Romania, Macedonia, Cyprus, Turkey, Belgium, Luxemburg, Czech Republic, Slovakia and Croatia) as well as the USA, and includes 204 tank farm facilities with total capacity of 3.06 million cubic meters as well as 6,748 filling stations (including franchises).

Retail sales of LUKOIL Group's petroleum products continued to grow in the reporting year: 14.16 million tonnes of petroleum products were sold through our own filling stations, which is 11.0% more than in 2007. Average Group sales per filling station (owned or leased) were 7.3 tonnes per day.

Growth of retail sales was achieved mainly by increasing the volume of sales in the Russian market and acquiring new assets.

There was rapid growth in the number of LUKOIL Group filling stations in 2008, by 11%. This result was achieved mainly through large acquisitions.

First, an agreement was signed to acquire a 100% stake in the Turkish company, Akpet, for \$555 million. This company operates 689 filling stations, 8 petroleum product terminals with an overall capacity of 300,000 cubic meters, 5 storage facilities for liquefied hydrocarbon gas, 3 aircraft refuelling complexes, and also a plant for producing and packaging motor oils and lubricants.

OA "LUKOIL" and its subsidiary also acquired in total 75 filling stations and a tank farm from the Bulgarian company, Petrol (value of the transaction was about \$367 million). Besides that nine filling stations and a petroleum product terminal with capacity of 8,000 cubic meters were acquired in Croatia (\$54 million transaction value), and six filling stations in Montenegro (\$44 million). Average daily sales of petroleum products at the newly acquired filling stations exceed the average for the Company's European assets and stand at 13 and 9.5 tonnes, respectively.

An organisation of LUKOIL Group also acquired a 100% stake in the companies Association GRAND and MEGA OIL M for total \$493 million (including the advance payment made in 2007). These assets include 181 filling stations in Moscow and Moscow Region, and in Pskov, Kaluga, Novgorod and other regions. Total annual sales volume at these filling stations exceeds 300,000 tonnes. Average daily sales of petroleum products at the filling stations in Moscow and Moscow Region are 9.6 tonnes.

Also in 2008 a transaction was completed to increase the Group's stake in Udmurtnefteprodukt from 41.81% to 85.32%. Udmurtnefteprodukt owns about 100 filling stations, as well as 7 tank farms with reservoir capacity of 390,000 tonnes. Udmurtnefteprodukt's share of the retail petroleum product market in the Republic of Udmurtia is more than 65%.

Investments in the retail petroleum product sector in 2008 were \$1.189 billion.

The Company continued optimization of its filling station network in 2008, upgrading and disposing of stations and tank farms with low-efficiency: 15 low-efficiency filling stations were divested from the Group in Europe, and 54 in the USA, while in Russia 4 filling stations and 5 tank farm facilities were divested and 7 filling stations and one tank farm were sold. Construction and acquisition of highly-efficient stations continued, and upgrading was carried out at existing stations. In Europe 52 filling stations were built, 817 acquired and 70 were upgraded. In Russia 256 filling stations were acquired or built and 88 upgraded. Capital expenditures in the retail sector in 2008 were \$726 million.

The Company continued to implement its program for development of a marketing and sales network for liquefied and compressed gas. The program envisages increase in sales volumes of these products in Russia to 530,000 tonnes per year in the period until 2014. Sales of liquefied and compressed gas by Group organizations in Russia were 100,000 tonnes in 2008.

At the end of 2008 the Group had 96 multi-fuel and gas-filling stations in Russia. The Group's strategy in the refining & marketing segment targets increase in these numbers to 318 in 2013 and 345 in 2017.

The Group's multi-fuel and gas retail network abroad consisted of 928 stations at the end of 2008. Total volume of liquefied and compressed gas sales by Company organizations outside Russia in the reporting year increased to 622,000 tonnes (against 486,000 in 2007), including retail sales of 427,000 tonnes.

## **Russia**

LUKOIL Group's retail network in Russia consists of 2,106 filling stations (including franchises) and 116 tank farm facilities with reservoir capacity of 1.26 million cubic meters. The filling stations and

tank farms are operated by 8 petroleum product supply organizations, which do business in 60 of Russia's administrative regions.

Volume of retail sales of petroleum products on the domestic market in 2008 was 5.96 million tonnes, which is 22.9% more than in 2007. The significant increase is explained primarily by acquisition of new sales assets in the reporting year. Capital expenditures in the Russian retail sales sector were \$357 million (\$264 million in 2007), and investments were \$560 million. In 2008, as part of its program for optimization of the sales network, the LUKOIL Group withdrew 4 filling stations and 5 tank farm facilities, sold 7 filling stations and 1 tank farm, leased out 19 filling stations and mothballed 1 tank farm facility. At the same time 256 filling stations were acquired or built and 88 upgraded.

Growth of demand, optimization and acquisition of highly-efficient assets led to average increase in daily sales of petroleum products per a Group filling station in Russia to 9.8 tonnes in 2008 (from 9.4 tonnes in 2007).

There was steady growth through 2008 in sales of EKTO branded motor fuels, production of which was launched in 2006. In December 2008 sales volumes of EKTO gasolines were 85,300 tonnes, which is 2.3 times more than in January. Sales volumes of EKTO diesel fuel in December reached 78,700 tonnes, compared with 32,800 tonnes in January. Overall, there were 734,000 tonnes of EKTO gasoline sold in 2008, which exceeds the 2007 figure by 62%, and 709,000 tonnes of EKTO diesel fuel, which is 2.7 times more than in 2007. Sales geography of the new fuels also expanded: in 2007 there were 158 filling stations selling EKTO gasolines and 286 stations selling EKTO diesel fuel in 12 regions around the country, but in 2008 these figures rose to 433 and 737 filling stations, respectively, in 27 Russian regions. Characteristics of EKTO fuels fully meet European environmental standards (Euro-3 for gasolines and Euro-4 for diesel), and they offer improved performance features, which justify a price premium for quality. Additional effect obtained in 2008 from sales of EKTO fuels was over \$10 million (\$5.3 million in 2007). In 2008 EKTO motor fuel won the Brand of the year/EFFIE 2007 silver award in the Automotive category.

Development of the system of payment for petroleum products at filling stations using LICard fuel cards continued in 2008. The number of filling stations where these cards can be used grew by 11% to 2,787 stations, of which 1,791 belong to LUKOIL Group. The number of cards in circulation increased by 16% to 2.03 million. A total of 2.9 million tonnes of petroleum products were sold using LICards, which is a third more than in 2007.

The Program for development, in the period up to 2014, of retail sales of non-fuel products and services by LUKOIL Group's Russian petroleum product organizations moved forward in 2008. About 2,000 of our filling stations in Russia had their own shops by the end of 2008. Revenue from sale of non-fuel products and services through the Group's retail network in 2008 was over \$140 million (38% of revenue was from sales of groceries, another 32% represented packaged products, 21% came from accessories and 9% from sale of services). The revenue increase reflects improvement in service quality at filling stations and expansion of the range of goods and services on offer. The program target for revenue by 2014 is about \$300 million. Development of non-fuel business is an important factor for positioning of LUKOIL Group as customer-oriented company with European standards of service.

OAo "LUKOIL" continued to develop relationships with Russia's regional governments in the petroleum product sales segment. An Agreement on cooperation was signed with the administration of Krasnodar Territory for the period to December 31, 2012. According to the document, OAo "LUKOIL" intends to invest at least 600 million roubles by 2012 in construction of 60 new filling stations in Krasnodar Territory. The regional administration will use its legislative power to assist in obtaining approvals for construction of new and commissioning of existing facilities as well as on environmental protection and industrial safety issues. The parties will also cooperate on projects to prospect for and explore oil & gas fields in the region, and to transport and refine oil and gas.

OAo "LUKOIL" and St. Petersburg made a cooperation agreement for 2008–2012. In accordance with the agreement, the Company will supply main types of high-quality petroleum products in St. Petersburg, including gasoline and diesel fuel which comply with Euro-3 and Euro-4 standards, as well as building new, environmentally safe filling stations in the city, and implementing joint socio-economic

programs with the city Government. St. Petersburg will help the Company to compile documentation for construction work, commissioning of facilities and environmental and industrial safety.

OAO "LUKOIL" also signed an Agreement to cooperate with Sverdlovsk Region. According to provisions of the agreement, the Company will ensure availability of gasoline, diesel fuel and motor oils and lubricants at the Company's small wholesale and retail network facilities in the Region, responding to seasonal demand for petroleum products. OAO "LUKOIL" will use the services of regional industrial, scientific, planning and contracting organizations (selected on a competitive basis) for implementation of investment projects in the Region. Sverdlovsk Region agrees to coordinate dealings with local authorities on matters relating to use of publicly owned land (including land for roadside service facilities). The agreement will be in force until December 31, 2011.

### **International**

LUKOIL Group's retail network in Europe, the near-abroad countries and the USA consists of 4,642 filling stations (including franchises) and 88 tank farms with reservoir capacity of 1.80 million cubic meters. The Company built 52 new filling stations outside Russia in the reporting year, acquired 817 and upgraded 70 stations. At the same time 69 filling stations were withdrawn (sold, closed down and mothballed).

Capital expenditures in international retail in 2008 were \$369 million (\$356 million in 2007), and investments were \$629 million.

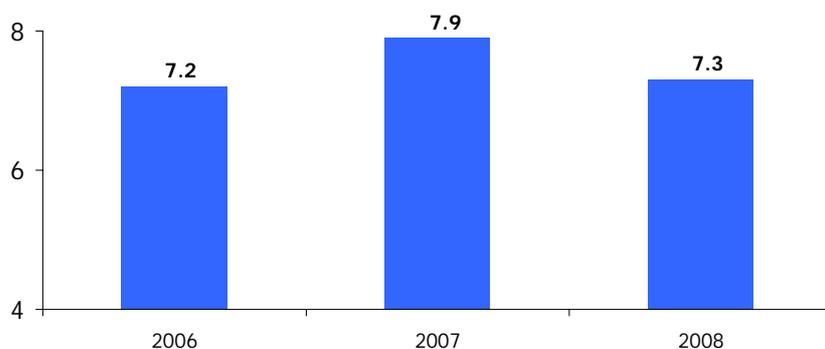
Retail sales of petroleum products on international markets in 2008 were 8.20 million tonnes (7.91 million tonnes in 2007). Average daily sales of petroleum products per filling station in Europe and countries of the near-abroad increased by 9% to 7.4 tonnes, thanks to sales network optimization and acquisition of highly efficient assets. Daily sales per station in the USA were 6.8 tonnes.

The Group continued rebranding of acquired marketing assets in the reporting year. Further progress was made in rebranding of filling stations purchased from ConocoPhillips at the end of 2006: 264 stations in Hungary, Poland, the Czech Republic, Belgium and Slovakia were rebranded (376 filling stations were acquired in total and rebranding of 49 stations in Finland was carried out in 2007). The Group also completed rebranding of filling stations in Croatia and Montenegro, which were acquired in the reporting year.

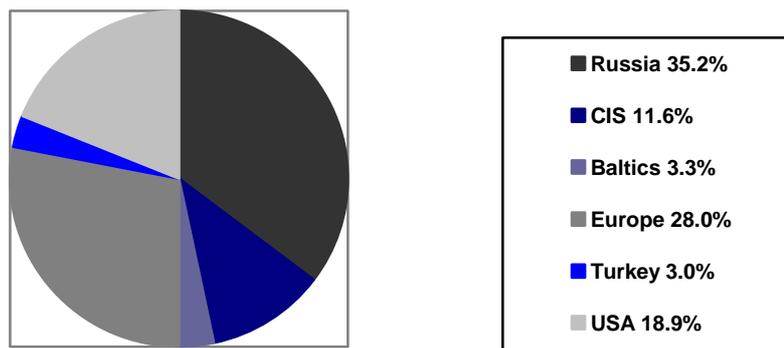
Abroad, as in Russia, the Company is working hard to increase profitability of its filling stations, and development of retail sales of non-fuel products and services is a good way of doing this. Revenue from sales of non-fuel products and services at filling stations abroad increased to over \$500 million in 2008, which is 1.5 times more than in 2007. The revenue growth was due to increase in numbers of filling stations in the Group's international network, broadening of the product range, improvement in the quality of customer service, optimization of work with suppliers and dynamic marketing activity.

The LICard system was in use at 642 filling stations outside Russia by the end of 2008 (up from 418 stations at the end of 2007).

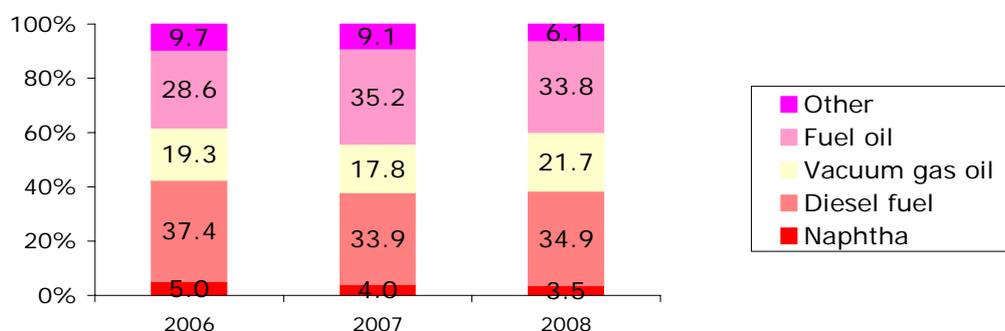
**Average daily sales of petroleum products per filling station, tonnes per day**



### Structure of petroleum product sales in 2008 (wholesale and retail)



### Petroleum product export structure, %



## Technology and Innovation

Commitment to new technologies and innovation is one of LUKOIL Group's main competitive strengths. LUKOIL Group's specialists are engaged both in development of new technologies and modernization of existing ones. Use of the most up-to-date technologies in all spheres of activity is an important factor in the LUKOIL Group's development and growth of business efficiency. LUKOIL Group's considerable successes in ensuring rational use of natural resources and protection of the environment would have been impossible without application of innovative technologies in these areas.

LUKOIL Group spent more than \$95 million on research & development in 2008 (40% more than in 2007), of which almost \$70 million represented R&D work in Exploration & Production.

OAO "LUKOIL" obtained 63 intellectual property patents in the reporting year (for inventions, models, industrial patterns, and computer software). The Russian Patent Authority is currently considering more than 100 applications from the Group for patenting of unique technical solutions and other copyright items. LUKOIL Group organisations had a total of 599 intellectual property items on its balance sheet at the end of 2008. OAO "LUKOIL" is among leading companies, both in Russia and abroad, measured by commercialization rate of its intellectual property (about 40%).

In 2008 the Company designed its first Medium-term target program for scientific and technical development of the Group in 2010–2011, setting main priorities and directions for scientific and technical development, and also devised a plan for medium-term investments in R&D.

## Exploration & Production Technologies

Most R&D in the Exploration and Production segment was focused on development of geological and geophysical study techniques, improvement of reserve assessment methods (work continued on creating 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 deposits. LUKOIL Group is particularly keen to develop technologies that ensure environmental safety during field development, most notably during development of offshore fields.

LUKOIL Group made much progress in development of new drilling methods during 2008 and applied them in practice. At the Condor Block in Colombia the Company completed drilling of the Lengupa-1 exploration well. This was the first-ever use by LUKOIL Group of casing pipes at a well, which was subject to extremely rapid absorption of drilling fluids.

At Block A in Saudi Arabia LUKOIL Group made use of Schlumberger's Power-V system in drilling of prospecting and exploration wells. In combination with PDC downhole motors and bits, this technique substantially reduced the time spent on drilling of sections for technical strings. For the first time in Saudi Arabia and the countries of the Persian Gulf a single bit drilled through all of the Unayzah formation and part of the Sarah formation: more than 1,300 meters of tough sandstone were drilled through at a rate of 1 to 12 meters per hour.

At the Karakuduk field, for the first time in Kazakhstan, LUKOIL Group used multiple drilling of slant wells: 53 wells were completed, with an average daily flow rate of 21 tonnes.

At the Kumkol project, 57 wells were completed using a technology for drilling into the producing horizon with polymer solutions, shut-off by the production liner. This enables maximum preservation of the reservoir properties. Average flow rate from the wells is over 45 tonnes per day.

One of the most important outcomes of LUKOIL Group the LUKOIL Group's technology development efforts is increasingly widespread application of methods for intensifying oil production and enhanced oil recovery (EOR) techniques. These methods offer significant increase of recoverable reserves and oil production, enabling commercial development of high-viscosity oil, oil in almost impenetrable collectors and hard-to-recover reserves at late stages of field development. In recent years the share of oil produced at LUKOIL Group fields using various EOR techniques has been over 20% of total oil production.

The Group carried out 5,376 EOR operations in 2008, which is almost 100 more than in 2007. The Group applies physical, chemical, hydrodynamic and heat methods to stimulate extraction are applied. Additional production in the reporting year thanks to application of EOR methods was 23 million tonnes, or almost 26% of total oil production by the LUKOIL Group in Russia.

Most of the additional production volume (14 million tonnes, or 61.3%) was obtained using physical methods, primarily hydrofracturing.

LUKOIL Group carried out 711 hydrofracturing operations at fields in 2008, achieving average growth in flow rate of 9.4 tonnes per day. The extent and the effectiveness of hydrofracturing operations in 2008 are comparable with analogous figures for 2007. It should be noted that, during the accounting period, hydrofracturing was applied as a method of intensifying production mainly at fields that had been in development for a long period of time and which had highly depleted reserves. In such conditions, LUKOIL Group succeeded in maintaining growth in oil flow from hydrofracturing at the 2007 level through improvement of hydrofracturing design, selection of wells using hydrodynamic models, and through tighter quality control over the materials and reagents, which were used by service companies.

Use of other EOR methods (hydrodynamic, heat, chemical methods and oil production intensification) gave 9 million tonnes of production. Use of chemical technologies grew during 2008 in comparison with 2007 from 1,004 to 1,324 operations, and additional production thanks to application of these methods rose to 1.6 million tonnes (an increase of more than 20%).

Drilling of sidetracks at existing wells has also proved a highly-efficient form of EOR. LUKOIL Group continued to increase drilling of sidetracks in 2008, when 260 wells were drilled with sidetracks (up from 188 in 2007), giving average flow increase of 18.1 tonnes per day. LUKOIL Group increased drilling of sidetracks by 1.5 times in the reporting year compared with 2007, but efficiency of this EOR method was almost unchanged in 2008.

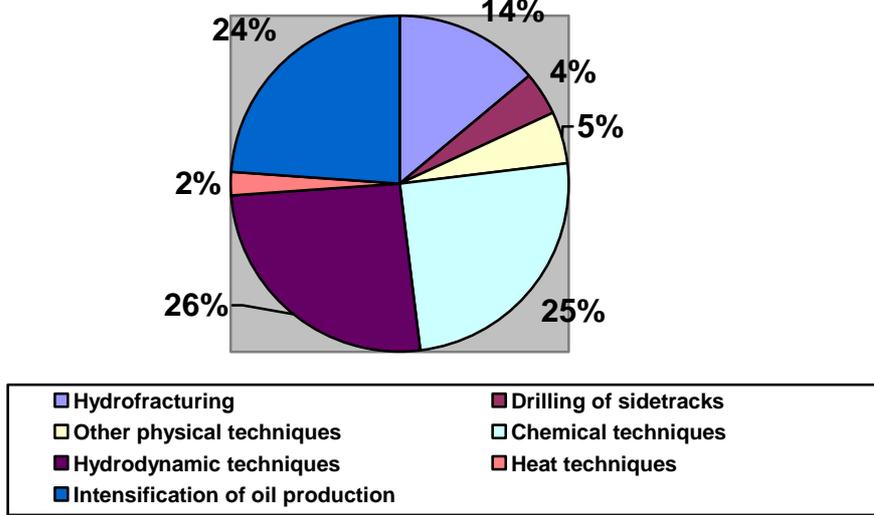
In 2008 test-production work using radial drilling continued in the Urals region. Drilling of radial channels at existing wells is a relatively inexpensive way of increasing production and bringing hard-to-recover reserves into development. 91 operations were carried out, giving average daily growth of oil flow by 6 tonnes. Additional production of oil as a result of application of the method was 67,000 tonnes, which is 3 times more than in 2007. Use of radial drilling technology in the Group's other oil producing regions is now being considered.

Another way of raising efficiency of crude oil production is drilling of horizontal wells, which offer well productivity growth of 1.5 times. A total of 112 new horizontal wells were commissioned in 2008 with average daily flow rate of 58.4 tonnes.

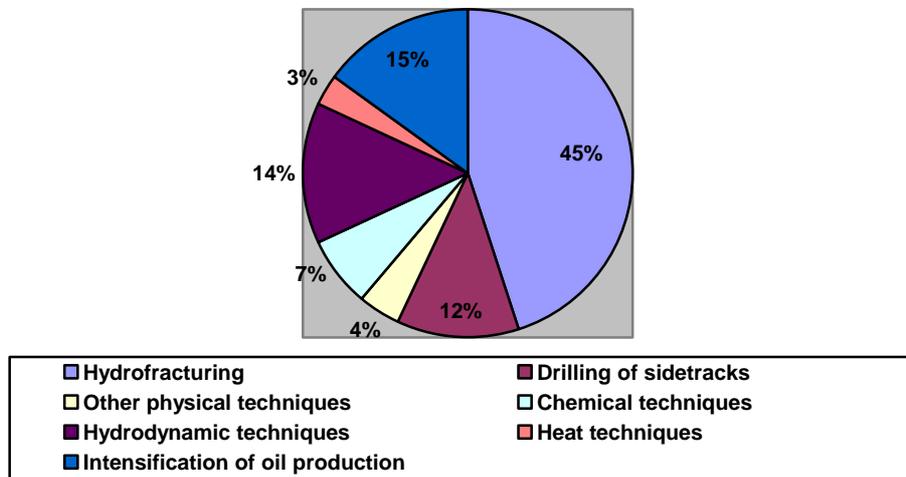
Further analysis of geological structure as well as geological and hydrodynamic modelling of currently developed areas were carried out at the high-viscosity permocarbon oil deposit of the Usinskoye field during 2008. Work is continuing to improve efficiency of thermal technologies in the system of vertical wells (work continues on application of technology for combined cyclic steam stimulation (CSS) treatments, and experimental work has begun on intensification of oil inflow by combined injection of a heat carrier and an oil-recovery composition). 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.

By the end of 2008 a total of 301 Group fields had been included in the multi-level system for monitoring field development using geological and hydrodynamic models. The system developed rapidly in the reporting year and almost 40 fields were modelled. Use of geological and hydrodynamic models allows optimal technological solutions to be put into effect during field development, conforming to peculiarities of geological structure and composition of available reserves. Modelling enables improvement of oil recovery rates and reduction of expenditures on field development. Models are widely used by the Group when drilling out fields and applying EOR methods. The number of geological and hydrodynamic models of Group fields in Russia should be increased to more than 300 by 2010, raising coverage of LUKOIL Group fields by geological and hydrodynamic modelling to 85%. Such modelling will cover all fields in Western Siberia, Timan-Pechora and Kaliningrad Region. Although commissioning of new production wells increased by more than 25% in 2008, the LUKOIL Group was able to exceed 2007 rates for average oil flow from new wells: oil flow from new wells increased by 5.6 tonnes, or 14.8%. The result reflects improving quality of geological and hydrodynamic models and increasing use of such models during production drilling, as well as continued work to improve well completion technologies, and widespread use of primary and secondary drilling into productive formation.

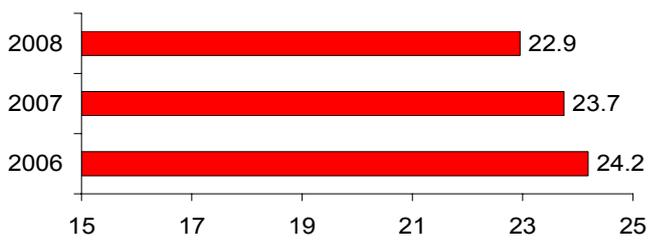
### EOR techniques used by LUKOIL Group in 2008



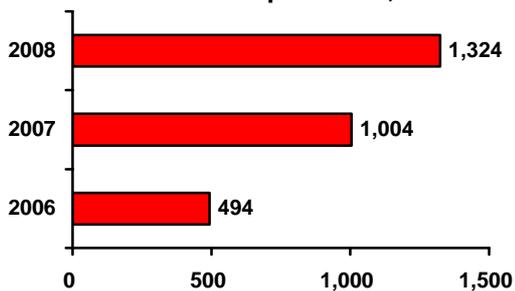
### Shares of various techniques in overall EOR production in 2008



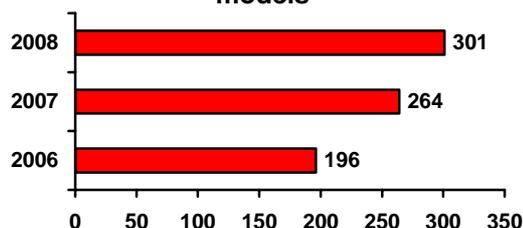
### Additional production from EOR in Russia, million tonnes



### Chemical EOR operations, wells



**Number of geological and hydrodynamic models of fields, models**



**Effect from EOR in Russia (2008)**

	Additional production thanks to EOR methods, thousand tonnes	EOR production as a percentage of total production, %
LUKOIL Group in Russia	22,949	25.5%
Western Siberia	16,763	29.8%
Timan-Pechora	2,727	16.3%
Urals	2,757	23.7%
Volga	510	15.6%
Other	192	8.8%

**Refining Technologies**

LUKOIL Group places much emphasis on development of new technological solutions, modernization and purchase of high-tech equipment that allows refining costs to be reduced and new types of high-quality products to be produced. Products with high value added generate extra profit for the Group, and constant improvement in quality serves the interests of consumers and the environment.

Large-scale work was carried out during 2008 to modernize existing units and launch new ones at Group refineries, in order to increase yield of high-quality products. A residue visbreaking unit was commissioned at the Nizhny Novgorod Refinery, which will substantially increase profitability of the enterprise by lowering output of fuel oil and raising production volumes of vacuum gas oil.

The Company's Perm Refinery modernized the atmospheric distillation block on distillation unit №4, capacity of the delayed coking unit was increased, and a major overhaul of the crude oil deep refining complex was carried out. Annual capacity of the Refinery increased from 12.4 to 12.6 million tonnes. During 2008 the Perm Refinery went over to 100% production of high-octane motor gasoline, which meets the Euro-3 standard.

Modernization of a diesel fuel hydrotreatment unit to enable production of fuel to Euro-5 standards was completed during the year at the Burgas Refinery in Bulgaria.

LUKOIL Group is also devoting much attention to development of up-to-date production technologies for oils, lubricants and additives. The Company has established a science-and-technology department, main functions of which are to develop and bring to market new, high-quality products suited to modern machinery, as well as creating new technologies and blends. This work is being carried out by Company specialists in close association with scientific centers in Russia.

The Company worked hard in the reporting year to optimize technological processes and units and to improve the quality of oils and lubricants produced. Measures were pursued to increase marketable product yield, reduce energy consumption and raise the quality of base oils. In order to create added value for secondary products, the Company began production of petroleum jelly and work was carried out to start production of flushing oil for engines, petroleum penetrating fluids and plasticizers. Long-term tests were also started on a new generation of oils for marine engines, in order to obtain approvals from leading

manufacturers of marine engines. LUKOIL Group started to manufacture 16 new products in the course of the year.

### **Information Technologies**

Use of the most up-to-date information technologies allows LUKOIL Group to optimize business processes in various spheres of its operations. The Group continues to develop and install automated systems for managing production and technological processes, as well as information systems to manage LUKOIL Group companies. Improvement in telecommunication system, information security, and technical equipment used for computational and organisational purposes are priorities for LUKOIL Group's efforts in the IT sphere.

Much importance is attached to use of technologies that enhance efficiency of managerial, as well as operational activity. An integrated management system (IMS) based on SAP R/3 has been introduced by LUKOIL Group since 2001 in order to optimize management decision-making systems and to automate management accounting inside the Company. In 2008 the SAP-based IMS was in operational use at 22 of LUKOIL Group's producing and refining companies. Elements of the IMS are being gradually extended to all areas of Group business.

Installation of a global planning system with management reporting modules was completed during the reporting year. Data processing centers, created in 2008, are the basis for integration of the management systems in Group organisations.

Work continued in 2008 to prepare for installation of the IMS Global Solution and Information Infrastructure Monitoring System. These innovations will allow LUKOIL Group employees to work in a unified information space, making the system for management of LUKOIL Group operations more balanced and increasing reaction speeds.

## **Social Responsibility**

### **Protecting the Environment**

The Company is guided in its work by the highest standards of protection for the environment and industrial safety. Group organisations make every effort to raise the level of environmental safety at production facilities, to reduce environmental impacts and to optimize use of natural resources. Ensuring environmental safety is a key consideration at all stages of project implementation, from the investment idea to disposal of production assets and equipment at the end of the project. The Company is fully conscious of its responsibility to society for maintenance of favourable environmental conditions and rational use of resources.

The Company aims to ensure that the Group's activity is in full compliance with national legislation and international standards of environmental protection, and that quality of our products matches the latest environmental requirements.

The Company completed implementation of the Environmental Safety Program at LUKOIL Group organizations for 2004–2008. More than \$1.2 billion was spent on Program implementation in the course of five years. Results achieved by the Program make LUKOIL Group a leader in terms of main environmental indicators among companies in the fuel and energy sector.

Overall, more than \$700 million was spent by LUKOIL Group in 2008 on measures to ensure environmental safety (up from \$600 million in 2007).

At the end of 2008 and start of 2009 the Company drafted a new Environmental Safety Program for 2009–2013. Priority aims of the Program are: further recycling of accumulated and newly generated waste; raising the level of utilization of associated gas to 95% by 2012; implementing the mechanisms of the Kyoto Protocol; and ensuring that the Group's environmental impact indicators comply with requirements of national and international legislation.

In 2008 the Company took part in a session of the Global Compact (supported by the World Bank) devoted to reduction of gas flaring and harmful substance emissions.

In the reporting year the majority of specific Group indices for impact on the environment were unchanged or better than in 2007 and remain considerably lower than average for the oil & gas sector in the Russian Federation. However, certain indicators worsened to some extent in 2008, particularly indicators for atmospheric emissions. This is explained by significant volumes of associated gas, which were flared at new assets acquired and consolidated by the Group, and also by a rise in the number of accidents on pipelines due to corrosion and ageing of pipeline systems (while pumped liquids became more corrosive due to increase of the water cut in extracted crude oil).

The Company continued implementation of its Corporate concept for production planning by LUKOIL Group in compliance with provisions of the Kyoto Protocol. The concept includes creation of a corporate system to manage discharges of greenhouse gases, which will promote more efficient planning of Group production activity, reduction of development costs, and optimization of natural resource use. Inventory work (attested by independent experts) was carried out at Company facilities in 2008 to determine quantities of greenhouse gases discharge. Further pilot projects were put in place for systems of environmental monitoring of production processes.

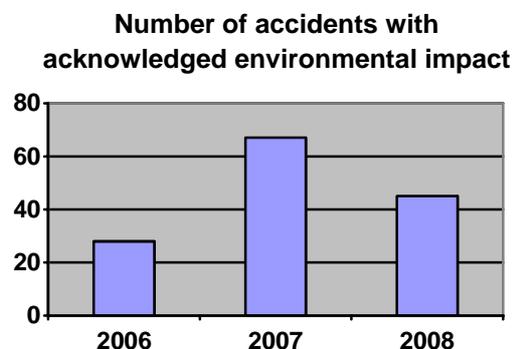
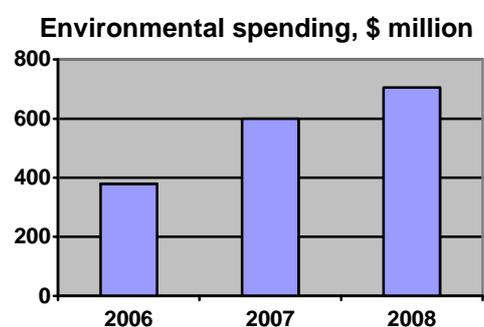
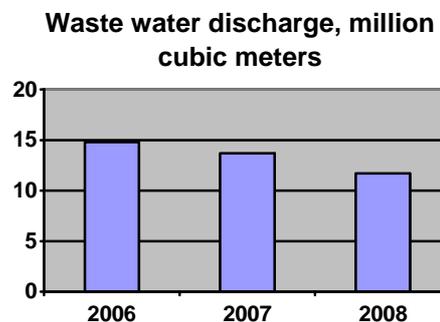
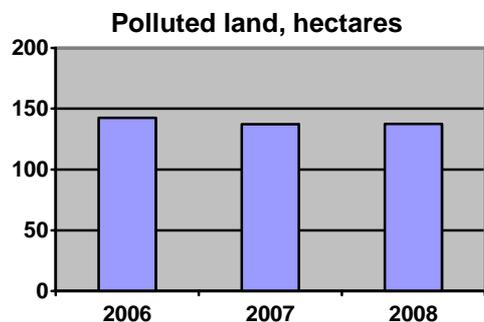
The Company is aware of the environmental benefits, which can be obtained by expanding output of high-quality products. Accordingly, more than 20% of all the Company's capital expenditure in 2008 was directed towards the Refining & Marketing segment. A significant portion of these investments is spent to organize production of fuel with improved environmental characteristics: LUKOIL Group continued to produce gasoline and diesel fuel in 2008, which conform to latest European standards. Gasoline sold under the EKTO (ecological fuel) brand ensures a significant reduction in emissions of carcinogens, sulphur and nitrogen compounds, and other harmful substances.

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

LUKOIL Group operates in conditions of strict environmental control by government and society, and must also take into account the ongoing reform of natural resource and conservation legislation in Russia and other countries. Thus, in 2008:

- The Ministry of Natural Resources of the Russian Federation was transformed into the Ministry of Natural Resources and the Environment of the Russian Federation, and assumed functions of developing and implementing government policy and legal regulation in the environmental sphere;
- a Procedure for state control in the environmental sphere was introduced by the Russian Government;
- a number of by-laws were adopted (including a methodology for calculating damage to water spaces due to breaches of water legislation, etc.) in connection with enactment of the new Water Code. This increased economic burden on Company enterprises (in 2008 more than \$200,000 were paid out as a compensation for such damage);
- a number of amendments were made to legislation on waste arising from production and consumption, based on proposals by LUKOIL Group specialists. In particular, terminology and criteria, which dictate necessity of a license for natural resource activities, were made more specific, the requirement for government environmental expert assessment of materials supporting license applications was cancelled, and the provision exempting users of natural resources from payment for placement of wastes accumulated over a period of less than six months was legislatively reinforced. It was established that construction projects for waste storage and detoxification facilities require environmental expert assessment;
- a target figure for combustion of associated gas at flaring units was established by the Russian Government (not more than 5% of associated gas can be flared from 2012). If this figure is exceeded, payment for discharges into the atmosphere above the limit will be calculated using a multiplier.

- the Company took account in timely fashion of amendments to Russian conservation legislation, so that LUKOIL Group was not subject to criticism or claims from monitoring and supervisory authorities in 2008.



### Industrial Safety and Labour Protection

One of the basic duties of the Company is to ensure safe working conditions and to care for the health of its employees.

ОАО “ЛУКОЙЛ” continued work in the reporting year on implementation of its Program for industrial and labour safety, improvement of working conditions, and prevention and resolution of emergency situations at organizations in LUKOIL Group during 2006–2010. Spending on measures as part of the Program was about \$200 million. Work as part of the Program included construction of new and modernization of old equipment and facilities, installation of modern automated management and accident prevention systems at industrial sites, and certification of work places with respect to working conditions and also measures to ensure that employees are provided with protective clothing and equipment.

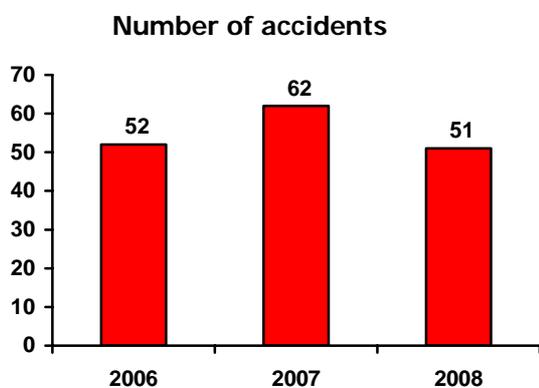
There were 10 comprehensive and 15 targeted inspections at Group organizations in the reporting year to determine the state of industrial safety and labour protection, efficient functioning of industrial safety and labour protection management systems and enforcement of the Management Committee decision on increase of employees’ responsibility for industrial safety and labour protection requirements. These actions were in response to a rise in the number of fatalities within the Group from 7 in 2007 to 13 in 2008. The main causes of accidents were breaches of labour and industrial safety codes. As a result of the inspections a number of measures were organized to improve employees’ knowledge concerning industrial safety, thanks to which the situation was successfully brought under control. The measures included training of 112 management staff at LUKOIL Group’s main industrial subdivisions, and subsequent certification of the training by the Rostekhnadzor central certification board.

Work to ensure industrial safety, labour and environmental protection is carried out in accordance with OAO “LUKOIL”’s Policy on Industrial Safety, Labour and Environmental Protection in the 21<sup>st</sup> Century.

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

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

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



## **Personnel and Social Programs**

The Company understands that the LUKOIL Group’s success is entirely dependent on the people who work to achieve it. Our employees are a valuable asset, and one of the key factors behind the improvements of the Company’s business efficiency and shareholder value. The main aims of our social policy, therefore, are to improve work efficiency and social protection of our employees. The key objective is to motivate our employees and ensure that they have a personal interest in achievement of the best possible results by the Company.

The Company works constantly to improve standards of personnel management, helping LUKOIL Group to develop steadily and successfully. A new stage was reached in 2008 through systematization of personnel management processes at LUKOIL Group organizations and improvement of the regulatory framework in this sphere. Specifically, work continued in the reporting year to implement the Functional strategy for personnel management at LUKOIL Group in 2008–2017.

Work continued in 2008 on restructuring of LUKOIL Group, including the Company's Corporate centre, in order to increase efficiency of the Group's productive and financial activities and reduce expenses. Tasks included optimization of the organizational structure of existing sub-divisions and creation of new structural sub-divisions, as well as standardization of organizational structure at subsidiaries. Withdrawal of non-core and low-margin assets from the Group was also continued. One result of these steps was reduction in personnel numbers at oil & gas production and refining organizations. However, LUKOIL Group personnel numbers rose by 0.7% overall in 2008, mainly due to growth in numbers of employees in the rapidly expanding network of filling stations, and also through acquisition of new assets.

Improvements to the system of employee compensation are a priority in personnel management work, since they help to maintain employee motivation and enhance commitment of employees to growth of the Company shareholder value. OAO "LUKOIL" carries out ongoing systematic analysis of the labour market in Company operating regions, as well as monitoring wage levels and compensatory payments. This helps to ensure that wage levels are competitive and assists in attracting new employees. Average wages at LUKOIL Group organizations rose by 15% in 2008.

In addition to material incentives the Company uses moral encouragement as a way of developing personnel potential: 33 Company employees received national awards for professional excellence, and for conscientious and successful work, while 814 were awarded sectoral marks of distinction for their work, and 726 employees and 44 groups of workers were presented with Company awards in 2008. Also, the Company held a competition for the title of 'Best Employees and Organizations in LUKOIL Group'.

As well as material and moral incentives, OAO "LUKOIL" is implementing a wide-ranging set of programs and measures, which constitute the Company's social package. Expenditure on this program in 2008 totalled \$348 million. Main elements of the social package are:

- Health care and medical treatment for LUKOIL Group employees, including voluntary health insurance;
- Creation of conditions for rest and recreation of employees and their families, organization of sport and fitness events;
- Help to employees in acquiring housing;
- Social support to women and families with children;
- Social support for 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 2008 contributions by employees in LUKOIL Group's Russian organisations alone amounted to \$20.5 million. The Company's total contributions under non-state pension provision programs in Russia and abroad for the accounting period were over \$31 million.

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

Professional training of our employees is very important for LUKOIL Group development. The Group has a functioning system of continuous staff training, helping its employees to acquire essential knowledge and professional skills. LUKOIL Group uses the whole spectrum of modern training aids: workshops, seminars away from the work place, special training programs, work placements abroad, training sessions, courses to gain higher qualifications, professional training days, distance learning, MBA programs, etc. The Company is developing cooperation with leading institutions of higher education, including the Gubkin Russian State Oil & Gas University, the Russian Government Financial

Academy, the Oil & Gas Business Institute, and the Higher School of Economics. In 2008 a cooperation agreement was reached with the Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation.

Improvement of the Company's Distance Learning System (DLS) is important for development of the professional training system for Company employees. The system had more than 4,100 registered users by the end of 2008, and more than 2,100 LUKOIL Group employees have been trained using the DLS framework.

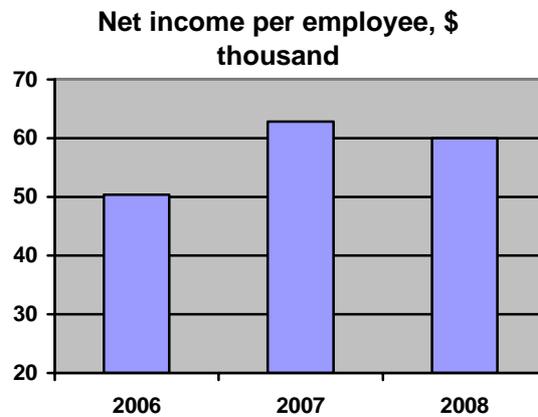
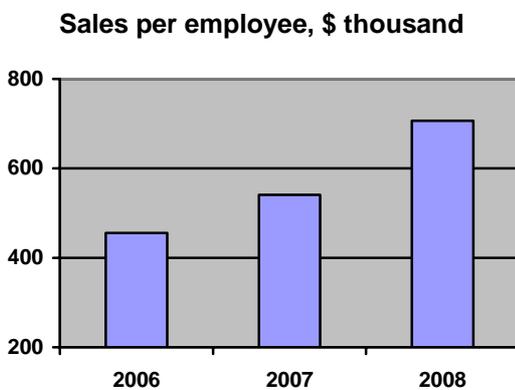
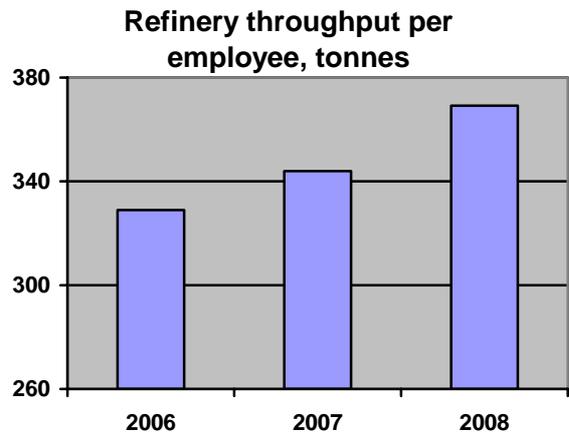
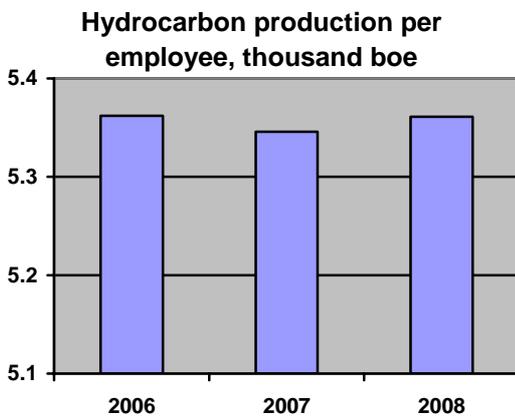
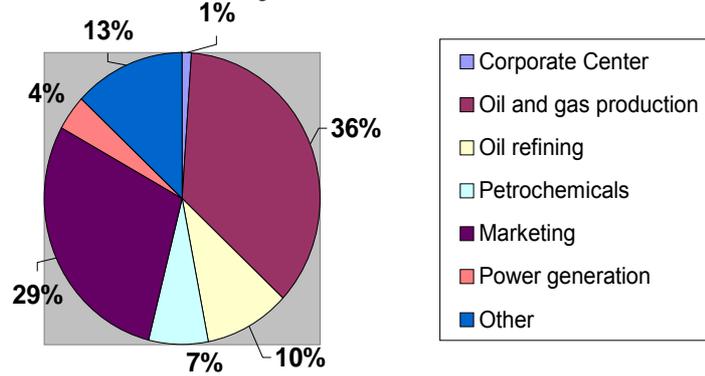
In 2008 OAO "LUKOIL" worked hard on creation of Russia's first center for training of staff to work on offshore oil and gas facilities (in the city of Astrakhan). The Norwegian company Falck Nutec, a leader in training of personnel for work on offshore facilities, was selected as the Company's main partner in the scheme.

A personnel exchange program was continued in 2008 as part of the strategic partnership between OAO "LUKOIL" and ConocoPhillips. The fourth group of 16 employees was selected and dispatched for work placements in the US company. The fifth group of 13 people has also been selected.

Implementation of the program for training of Iraqi specialists (part of the Memorandum of Understanding and Cooperation signed with the Iraqi Oil Ministry in March 2004), was continued in the reporting year, when 148 Iraqis underwent a short course of work experience at Company subsidiaries, and 10 underwent training as part of a comprehensive annual program at Company enterprises in Perm, Perm State Technical University and the Gubkin Russian State Oil & Gas University. A total of 680 Iraqi specialists have taken part in work placements at Company enterprises since the program came into operation.

LUKOIL Group 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 of 2005–2010. In 2008 LUKOIL Group held the second and third competitions to select the Best Young Specialist of the Year from among LUKOIL Group employees: 235 competitors took part and there were 14 nominations as part of the competition. A total of 90 young specialists won prizes.

Employee structure by business segments (as of January 1, 2009)



### Social Policy and Charity Activities

Social and charity programs are an integral part of the Company's corporate strategy and help to ensure constructive partnership with the state, business and society. Corporate programs have a targeted character and are based on the professional experience and human potential available in regions where the Company operates.

The Company continues to deliver on commitments, which it undertook voluntarily and on its own initiative under the OAO "LUKOIL" Social Code. This Code is obligatory for all LUKOIL Group organizations and represents a set of principles and norms of socially responsible behaviour towards all parties whose interests are affected by Company business. Commitments under the Code are additional to commitments arising from collective negotiations with employees. These commitments apply to Company's employees, non-working pensioners and shareholders, as well as to commercial partners, the state and society as a whole.

As well as traditional forms of charity, LUKOIL Group carries out strategic charity programs and social investment programs, which find synergies between approaches to social problems and the Company's strategic aims. Total spending by the Company in 2008 for charity and social partnership was in excess of \$180 million.

The Company's social and charity programs are highly appreciated by society. In 2008, LUKOIL Group was a prize winner in the annual competition 'Russian Corporate Donor 2008'. The Company won the nomination for 'Best Joint Program by Business, Non-profit Organizations and Regional (Local) Government'. This competition is an initiative by the Donors' Forum, the Ministry for Economic Development of the Russian Federation, the Russian Union of Industrialists and Entrepreneurs and the Commission of the Public Chamber of the Russian Federation for Charity, Aid and Voluntary Action. The competition panel acclaimed OAO "LUKOIL" as the leading company by charity spending levels.

#### *Support for Children's Homes and Schools*

Help for children is a priority for the Company and other organisations of the Group, and underlies all of the social programs, which we have built and which we pursue: charitable programs, sponsorship, sports development programs for children and young people, and cultural programs. OAO "LUKOIL" strives to achieve a balanced approach, providing support both to children who by virtue of their family circumstances or health find themselves in a worse situation than their contemporaries and to children with favourable family backgrounds, by helping them to develop their natural abilities and talents.

The Company provides support to children in more than 50 children's homes and boarding schools. The Company helps children leaving these institutions to obtain an education and good health care, acquire a profession and find their place in life. The Company provides financial support for various needs at the children's homes, schools and boarding schools, which it sponsors – from vacations for the children to major building repairs. Each year OAO "LUKOIL" organizes summer vacations for children on the Black Sea and Caspian Sea coasts as well as educational trips around Russia for children from homes sponsored by the Company in the towns of Ishim, Langepas, Kirov, St. Petersburg, and Baku. OAO "LUKOIL" has been providing grants since 2006 to students who continue their education in higher or vocational colleges after leaving these children's homes. In 2008 the Company began funding an educational program at the Astrakhan College of technology for 30 children from children's homes and underprivileged families, who will obtain jobs at LUKOIL Group organizations in the region after they graduate.

The Group is particularly concerned with children with special needs. One project, which Group has maintained over a number of years, is called 'An illustrated book for every blind child', and is part of the program, 'Illustrated Books for Blind Children'. Various publications were supplied to specialized children's institutions in Astrakhan Region in 2008 as part of this project.

#### *Education Programs*

LUKOIL Group attaches great importance to training of young, qualified specialists, who will ensure success and prosperity of the Russian oil & gas industry in the future.

LUKOIL Group provides financial support to a number of higher education institutions which train oil & gas specialists. These include specialized universities and institutions in Moscow, St. Petersburg, Perm, Ukhta, Tyumen, Ufa, Volgograd, Arkhangelsk and Astrakhan. Sector training institutes in the near-abroad countries, such as the State Oil Academy of Azerbaijan, also receive support from LUKOIL Group. As well as supporting oil & gas institutes, OAO "LUKOIL" also helps the Russian Civil Service Academy, the State University–Higher School of Economics, the Financial Academy (attached to the Russian Federal Government), the Diplomatic Academy, the Mendeleyev Chemical Engineering University, the Moscow Physics and Technical Institute, the Khrulev Military Logistics and Transport Academy, as well as secondary schools, including Moscow upper secondary school № 45.

Since 2000 the Company has paid grants to particularly talented students at oil industry and technical institutes. Such corporate grants are currently paid to 180 students in various towns and cities

across Russia. OAO “LUKOIL” plans to make this scheme more comprehensive by providing incentives to young people when they are still at school.

The Company also provides support for young teachers. About 70 talented young teachers at leading Russian oil & gas institutes receive grants from OAO “LUKOIL”.

In addition, LUKOIL Group helps institutions of higher education to improve their material and equipment provision by financing purchases of scientific equipment for laboratories, enabling the education process to stay up to date. During 2008 such assistance was provided to sectoral higher education institutions in Moscow, Tyumen, Perm, and Ukhta, and also to the Diplomatic Academy and Moscow upper secondary school № 45.

#### *Support for Medical Institutions*

Assistance to the health care system in regions where the Company has operations, as well as support to a number of major specialized medical research centers, represents an integral part of the Company’s social commitment. OAO “LUKOIL” provides assistance to the Scientific Center for Obstetrics, Gynaecology and Perinatal Care, the Center for Haematology Research, the Russian Cardiovascular Scientific and Production Complex, and to the Medical Center of the Federal Agency of Specialized Construction.

#### *Social Project Competition*

In addition to the traditional forms of charity assistance described above, Company’s Charity Foundation and Company subsidiaries also organize social project competitions, which have proved to be an efficient way of channelling financial assistance to help improve social and economic conditions in regions, where the LUKOIL Group has operations. Allocation of prize money is based on principles of transparency, competitiveness and publicity. The purpose of the competitions is to support projects and initiatives, which originate from and address urgent needs of those regions.

The first OAO “LUKOIL” social projects competition was held by OOO “LUKOIL-PERM” in 2002.

The Company’s social project competitions were extended from Perm Region to Volgograd and Astrakhan Regions in 2004, to the Komi Republic and Western Siberia in 2005, to Nizhny Novgorod Region in 2007, and to Kaliningrad Region and Kalmykia in 2008. In the latter two regions, where the competitions were held for the first time in 2008, there were 12 and 8 winners (respectively) and they were selected from a total of 100 projects, which were put forward.

The number of participants and the quality of projects, which are put forward for funding, has increased year by year. The competition budget in 2008 was 25 times bigger than in 2002 and competition geography has expanded from a single Russian region to 10 regions. In 2008 a total of 318 projects received funding after being selected from more than 1600 project proposals, which were put forward in all the regions where competitions were held.

In the 7 years since they began, LUKOIL Group’s social project competitions have proved their worth as a unique vehicle for nurturing social initiative. Experts have called attention to efficiency of the competition mechanism, which has a strong motivational element, and is seen as a model, which could be emulated in social programs of the Russian Federal Government. The mechanism enables project participants to develop their potential, set themselves goals and organize their progress towards achievement of those goals, helped by the informational and financial resources, which LUKOIL Group puts at their disposal.

#### *Preserving Cultural and Spiritual Heritage*

Support for cultural, historical and spiritual heritage is a traditional aspect of LUKOIL Group's charity activities. LUKOIL Group does all it can to preserve and revive cultural, historical and religious values and traditions, whose loss would have inevitable negative impact on the lives of current and future generations, leading to spiritual degeneration and impoverishment of society as a whole.

LUKOIL Group provides support to a number of leading Russian museums, including the Pushkin Museum of Fine Art, Museums of the Moscow Kremlin, the Russian Museum, the Tretyakov Gallery and the Kirov Art Museum. In particular, the Company provided assistance in 2008 to the Tretyakov Gallery for restoration of the painting by the outstanding Russian artist Nikolay Ghe ‘The Judgment of the Sanhedrin: He is Guilty!’. An exhibition by winners of the children’s drawing competition, ‘My picture of the Kremlin’, was held in the Kremlin Armoury (part of the Museums of the Moscow Kremlin) to coincide with International Children’s Day. The competition was part of a regional educational program carried out jointly by the Company and the Museums of the Moscow Kremlin.

A monument to the outstanding Russian engineer, Vladimir Shukhov, was erected opposite OAO “LUKOIL’s” headquarters in Moscow in 2008. The Company financed creation of the monument and presented it as a gift to the City of Moscow. In addition the Company Museum held an exhibition devoted to the work of Vladimir Shukhov. The exhibition was subsequently transferred to the Central State Museum of Modern Russian History.

LUKOIL Group also has programs of assistance to theatres and performing art groups. The Company has worked for many years with the Tchaikovsky Symphony Orchestra, conducted by Vladimir Fedoseyev, and also supports the Perm State Theatre of Opera and Ballet, the Volgograd Youth Theatre and other live art groups in regions of Company operations. The Company is a member of the Council of Patrons of the Bolshoi Theatre in Moscow.

LUKOIL Group makes significant contributions to restoration and preservation of religious traditions and spiritual heritage. In 2008 OAO “LUKOIL” continued its program of support for restoration work at the Optina Pustyn Monastery in Kozelsk as well as providing funding for restoration of the Orthodox Cathedral of the Assumption in Budapest (Hungary). OAO “LUKOIL” is a permanent sponsor of the Church of the Fedorovskaya Icon of the Mother of God in Astrakhan. The Company also provides assistance to the Church of the Icon of the Mother of God in Kaliningrad Region, the Bogoyavlensky Monastery, the Nunnery of the Assumption, the Bakharevsky Serafimo-Alexeyevsky Nunnery of the Kazanskaya Mother of God, and the Monastery of the Holy Tsar-Martyrs in Perm Region.

#### *Help to War Veterans and the Disabled*

Oil workers and other veterans of the Great Patriotic War (World War II), as well as veterans of the labour front, have a special place in LUKOIL Group’s social programs. Every year veterans who live in regions where LUKOIL Group has operations receive special payments and gifts from the Company to coincide with Victory Day.

LUKOIL Group also provides financial assistance to people with disabilities. The Company helps them to earn a living independently and thus to feel a part of society.

#### *Support for Northern Peoples*

Operations by LUKOIL Group companies in Siberia and the Far North of Russia can have significant impact on the living conditions of small indigenous peoples, creating various social and economic problems. LUKOIL Group respects the traditions and customs of these peoples and understands the importance of preserving their age-old way of life. LUKOIL Group is therefore implementing special programs to help such indigenous groups, and LUKOIL Group’s policy is to shift gradually from charity provision to economic partnership.

In the Nenets and Khanty-Mansiysk Autonomous Districts LUKOIL Group organizations have made agreements with local administrations, with heads of lands that are traditionally inhabited and exploited by indigenous groups, and with social organizations. The agreements guarantee money compensation to indigenous families for use of their traditional lands, provision of tools and equipment for reindeer herding and household purposes, construction of housing and communications, and health care. LUKOIL Group organizes traditional celebrations and sports events, as well as holding competitions which offer financing for projects to support spiritual, historical and cultural values of indigenous peoples. The Company understands that material support alone is not enough, and that northern peoples also need help to improve education levels and find employment. The Company therefore works hard to

provide various special training to local people and to find them subsequent employment in LUKOIL Group organizations.

### *Sport*

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

LUKOIL Group's main tool for promotion of fitness and mass sport among its employees is organization of international amateur sports competitions. The first such competition was held in 2001 in Astrakhan, the second in Perm in 2003, and the third in Kaliningrad in June 2005. The fourth winter event, celebrating the Company's 15<sup>th</sup> anniversary, was held in Kogalym in 2007.

The 4<sup>th</sup> international family sports competition, "Dad, mom and me – a sporty family", was held by LUKOIL Group in Perm in 2008 and was dedicated to the Year of the Family in Russia. Participants came to Perm in 31 teams from Russia, Romania, the Czech Republic, Latvia and Ukraine.

The Company is an important source of support for several leading Russian sports teams, including Spartak football club (Moscow), Zarya Kaspiya handball team in Astrakhan (known until 2007 as LUKOIL-Dinamo), the Spartak water polo team in Volgograd (known until 2007 as LUKOIL-Spartak), the Kaliningrad volleyball team, Dinamo-Yantar, and the Torpedo hockey team from Nizhny Novgorod.

LUKOIL Group makes a large contribution to development of ski sport in Russia, providing support to the national ski-racing team and acting since 2006 as general sponsor to the Russian Federation of Ski Racing, and thus as sponsor of both the male and female national ski teams. OAO "LUKOIL" also supports one of the biggest children's sport organizations in Russia, the Children's Football League, through which about 2,500 teams from all over Russia compete annually in regional and international championships. In 2008 the Company became a sponsor of the Student Basketball Foundation, under whose aegis Russia's first student basketball championship was held. More than 100 teams, consisting of students from Russian higher education institutions, took part in the championship.

As part of Company support for youth education the LUKOIL Sports Club teamed with leading Russian sportsmen and sport veterans in 2008 to implement the All-Russian charity program, "Live with Sport". The aim of the program was to promote a healthy lifestyle and create the conditions for regular involvement of young people in sport.

Events as part of the "Live with Sport" program were held in Perm Territory, Astrakhan, Volgograd and Chelyabinsk regions and the Komi Republic. Meetings and master classes with leading Russian sportsmen and sport veterans took place in 11 education institutions, involving more than 3,000 children. OAO "LUKOIL" provided modern sports equipment and clothing for use by the children.

Sport means more to OAO "LUKOIL" than backing sports teams – it is also a way of testing the Company's own products in extreme conditions. The victories and successes of LUKOIL Racing Team (Moscow), and Sura Motorcross Team (Penza) continue to prove the efficiency of OAO "LUKOIL" fuels and motor oils.

## **Board of Directors and Management Committee**

### ***Board of Directors of OAO "LUKOIL"***

**Valery Isaakovich Grayfer**

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

**General Director, OAO RITEK**

**Born: 1929**

Graduated from the I.M. Gubkin Moscow Oil Institute in 1952. Candidate of Technical Sciences (PhD). Recipient of six orders, four medals, and a Certificate of Honour of the Supreme Soviet of the Tatar ASSR. 1985: USSR Deputy Minister of Oil and Gas in charge of the Chief Tyumen Production Division for the oil and gas industry. Since 1992: General Director 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.

Since 1996: member of the Board of Directors of OAO "LUKOIL".

**Vagit Yusufovich Alekperov**

**President of OAO "LUKOIL"**

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

**Chairman of the Management Committee of OAO "LUKOIL"**

**Born: 1950**

Graduated from the M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Recipient of four orders and eight medals. Two times winner of the RF Government Prize. Employed since 1968; worked at oil fields in Azerbaijan and Western Siberia. 1987-1990: General Director of the Production Association Kogalymneftegaz of Glavtyumenneftegaz of the Ministry of the Oil Industry of the USSR. 1990-1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas. 1992-1993: President of the Oil Concern Langepasuraikogalymneft. 1993-2000: Chairman of the Board of Directors of OAO "LUKOIL". Since 1993: President of OAO "LUKOIL".

Since 1993: member of the Board of Directors of OAO "LUKOIL".

**Igor Vyacheslavovich Belikov**

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

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

**Director of the Russian Institute of Directors**

**Born: 1956**

---

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

Graduated from Voronezh State University in 1980 and a post-graduate course at African Studies Institute under the USSR Academy of Science in 1986, 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) issued by Academy of Finance under the Government of the Russian Federation, and a corporate governance certificate from Schulich School of Business (Canada).

Since 2001: 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).

Since 2008: member of the Board of Directors of OAO "LUKOIL".

**Donald Evert Walette, Jr.**

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

**President of ConocoPhillips Russia/Caspian Region**

**Member of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"**

**Born: 1958**

Graduated from University of Southern California in 1981, BA in Chemical Engineering. 2002-2005: Manager, production assurance and optimization, ConocoPhillips. 2005-2006: Vice-President, Shtokman Project, ConocoPhillips Russia/Caspian region. Since December 2006: President of ConocoPhillips Russia/Caspian Region.

Since 2007: member of the Board of Directors of OAO "LUKOIL".

<b>Oleg Emelyanovich Kutafin</b>
----------------------------------

**Member of the Board of Directors of OAO "LUKOIL" (till 04.12.2008)**

**President of Moscow State Academy of Law**

**Chairman of the Audit Committee of the Board of Directors of OAO "LUKOIL" (till 04.12.2008)**

**Born: 1937**

Graduated from the M.V. Lomonosov Moscow State University in 1959. Professor, Doctor of Legal Sciences, Academician of the Russian Academy of Sciences, Academician of the Russian Academy of Education, Distinguished Scientist of the Russian Federation. 1987-2007: Rector of Moscow State Academy of Law. Since 2007: President of Moscow State Academy of Law. Chairman of the Citizenship Commission of the President of the Russian Federation, Deputy Secretary of the RF Public Chamber. Recipient of the "Order of Merit Before the Fatherland" of I, II, III and IV degree, and ten medals.

---

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

Passed away on 4 December 2008.

Since 2001: member of the Board of Directors of OAO "LUKOIL".

**Ravil Ulfatovich Maganov**

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

**Member of the Management Committee of OAO "LUKOIL"**

**First Executive Vice President of OAO "LUKOIL" (Exploration and Production)**

**Member of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"**

**Born: 1954**

Graduated from the I.M. Gubkin Moscow Institute of the Oil and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of two orders and three medals. Three times winner of the RF Government Prize in Science and Engineering. 1988–1993: Chief Engineer, Deputy General Director, General Director of PO Langepasneftegaz. 1993–1994: Vice-President of OAO "LUKOIL". 1994–2006: First Vice-President of OAO "LUKOIL". Since 2006: First Executive Vice-President of OAO "LUKOIL".

Since 1993: member of the Board of Directors of OAO "LUKOIL".

**Richard Herman Matzke**

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

**Chairman of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"**

**Born: 1937**

Graduated from Iowa State University in 1959, Pennsylvania State University in 1961, and St. Mary's College of California in 1977. MA in Geology, Master of Business Administration. 1989–1999: President of Chevron Overseas Petroleum, member of the Board of Directors of Chevron Corporation. 2000–2002: Vice-Chairman of Chevron, Chevron-Texaco Corporation. 2006: Awarded a public non-governmental medal "For the Development of the Oil and Gas Complex of Russia" and the "Director of the Year 2006" National Award, Russia, in the "Independent Director of the Year" nomination category, inspired by the Independent Directors Association (IDA) and PricewaterhouseCoopers.

Since 2002: member of the Board of Directors of OAO "LUKOIL".

**Sergei Anatolievich Mikhailov**

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

**General Director of OOO Management-Consulting**

**Chairman 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"**

---

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

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

**Born: 1957**

Graduated from the F.E. Dzerzhinsky Military Academy in 1979, Moscow Aviation Institute (Refresher Training Course) in 1981, the Plekhanov Russian Economics Academy in 1998. Candidate of Technical Sciences (PhD), Doctor of Economics, professor. Recipient of four medals. 1974–1992: service in the armed forces. 1992-1996: head of department, Deputy Chairman of the Russian Federal Property Fund. 1996–1997: head of the department of restructuring and investment of the Ministry of Industry of the Russian Federation. 1997-2003: General Director of ZAO Upravlyayushchaya Kompaniya Menedzhment-Tsentr [asset management company]. Since 2001: General Director of OOO Menedzhment-Konsalting [Management Consulting limited liability company]. Since 2003: Chairman of the Board of Directors of ZAO Upravlyayushchaya Kompaniya Menedzhment-Tsentr.

Since 2003: member of the Board of Directors of OAO “LUKOIL”.

**Nikolai Alexandrovich Tsvetkov**

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

**Chairman of the Board of Directors of URALSIB Financial Corporation**

**Member of the Human Resources and Compensation Committee of the Board of Directors of OAO “LUKOIL”**

**Born: 1960**

Graduated from the F.E. Dzerzhinsky Tambov Higher Military Aviation Engineering School in 1980, the N.E. Zhukovsky Air Force Academy in 1988, and the G.V. Plekhanov Russian Economics Academy in 1996. Candidate of Economics (PhD). 1994–1997: President of AOZT Oil Investment Company NIKoil, executive director of the Securities Department of OAO “LUKOIL”, Vice-President of OAO “LUKOIL”. 1998-2003: Chairman of the Management Committee of AB IBG NIKoil. 2003-2005: Chairman of OAO AKB AVTOBANK-NIKOIL. 2005-2007: Chairman of the Management Committee of URALSIB BANK. Since 2007: Chairman of the Board of Directors of URALSIB Financial Corporation.

Since 1995 (except 1996-1997): member of the Board of Directors of OAO “LUKOIL”.

**Igor Vladimirovich Sherkunov**

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

**President of OOO FKM**

**Member of the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”**

**Member of the Audit Committee of the Board of Directors of OAO “LUKOIL”**

**Born: 1963**

Graduated from Moscow Finance Institute in 1985, and the All-Russian Foreign Trade Academy in 1993. 1993–1996: Vice-President of OAO Strakhovaya Kompaniya "LUKOIL" [LUKOIL Insurance Company]. 1996–2002: General Director of OOO LUKOIL-Reserve-Invest. 2003-2008: Chairman of the Board of Directors of ZAO Investitsionnaya Gruppy Kapital [Capital Investment Group]. Since 2008: President of OOO FKM; since 2009: President of OOO SMENA Magazine Publishing House.

Since 2001: member of the Board of Directors of OAO “LUKOIL”.

**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”**

**Member of the Audit Committee of the Board of Directors of OAO “LUKOIL” (since 13.02.2009)**

**Born: 1951**

Graduated from the Economics Department of the Lomonosov Moscow State University in 1974. Doctor of Economics, professor. Recipient of an order and a medal. Employed since 1969. 1991–1994: Deputy Chairman of the Government of the Russian Federation, Minister of Economy of the Russian Federation, Minister of Labor and Employment of the Russian Federation. 1994–2002: Deputy of the State Duma (Parliament) of the Russian Federation of three convocations. 1996–1997: First Deputy Chairman of the State Duma of the Russian Federation, 1997 – 1998: Chairman of 'Our Home is Russia' Duma faction. 1998: Deputy Chairman of the Government of the Russian Federation. 2002–2005: Chairman of the Supervisory Board of Renaissance Capital Group. Since 2005: President of the Russian Union of Industrialists and Entrepreneurs. Member of the RF Public Chamber, Member of the Presidential Council for the Implementation of Priority National Projects and Demographic Policy, Member of the Business Competition and Enterprisership Board under the Chairman of the Government of the Russian Federation, Member of the Governmental Commission for Administrative Reform.

Since 2005: member of the Board of Directors of OAO “LUKOIL”.

---

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

## ***Management Committee of OAO "LUKOIL"***

**Vagit Yusufovich Alekperov**

**President of OAO "LUKOIL"**

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

**Chairman of the Management Committee of OAO "LUKOIL"**

**Born: 1950**

Graduated from the M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Recipient of four orders and eight medals. Two times winner of the RF Government Prize. Employed since 1968; worked at oil fields in Azerbaijan and Western Siberia. 1987-1990: General Director of the Production Association Kogalymneftegaz of Glavtyumenneftegaz of the Ministry of the Oil Industry of the USSR. 1990–1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas. 1992-1993: President of the Oil Concern Langepasuraikogalymneft. 1993–2000: Chairman of the Board of Directors of OAO "LUKOIL". Since 1993: President of OAO "LUKOIL".

**Anatoly Alexandrovich Barkov**

**Member of the Management Committee of OAO "LUKOIL"**

**Vice-President of OAO "LUKOIL", Head of the Main Division for General Affairs, Corporate Security and Communications**

**Born: 1948**

Graduated from Ufa Oil Institute in 1992. Candidate of Economics (PhD). Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of an order and ten medals. 1987–1992: Director of the Central Headquarters of Production Services, Director of the Oil and Gas Production Department, Chief Engineer of PO Kogalymneftegaz. 1992–1993: Executive Director, Director of the Foreign Projects Department of the Oil Concern Langepasuraikogalymneft. Since 1993: Vice-President of OAO "LUKOIL", Head of the Main Division for General Affairs, Corporate Security and Communications.

**Sergei Petrovich Kukura**

**Member of the Management Committee of OAO "LUKOIL"**

**First Vice-President of OAO "LUKOIL" (Economics and Finance)**

**Born: 1953**

Graduated from the Ivano-Frankovsk Oil and Gas Institute in 1979. Doctor of Economics. Distinguished Economist of the Russian Federation. Recipient of an order and five medals. 1992–1993: Vice-President, First Vice-President of the Oil Concern Langepasuraikogalymneft. Since 1993: First Vice-President of OAO "LUKOIL".

**Ravil Ulfatovich Maganov**

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

**Member of the Management Committee of OAO "LUKOIL"**

**First Executive Vice President of OAO “LUKOIL” (Exploration and Production)**

**Member of the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”**

**Born: 1954**

Graduated from the I.M. Gubkin Moscow Institute of the Oil and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of two orders and three medals. Three times winner of the RF Government Prize in Science and Engineering. 1988–1993: Chief Engineer, Deputy General Director, General Director of PO Langepasneftegaz. 1993–1994: Vice-President of OAO “LUKOIL”. 1994-2006: First Vice-President of OAO “LUKOIL”. Since 2006: First Executive Vice-President of OAO “LUKOIL”.

**Ivan Alexeevich Maslyaev**

**Member of the Management Committee of OAO "LUKOIL"**

**Head of the Main Division of Legal Support of OAO “LUKOIL”**

**Born: 1958**

Graduated from Lomonosov Moscow State University in 1980. Candidate of Legal Sciences (PhD). Recipient of three medals. 1992–1993: Head of the Legal Department of the Oil Concern Langepasuraikogalymneft; 1994–1999: Head of the Legal Division of OAO “LUKOIL”, since 2000: Head of the Main Division of Legal Support of OAO “LUKOIL”.

**Alexander Kuzmich Matytsyn**

**Member of the Management Committee of OAO "LUKOIL"**

**Vice-President of OAO “LUKOIL” – Head of the Main Division of Treasury and Corporate Finance**

**Born: 1961**

Graduated from Lomonosov Moscow State University in 1984. Candidate of Economics (PhD). Master of Business Administration (Bristol University, 1997). Recipient of a medal of the “Order of Merit Before the Fatherland” of II degree. 1994-1997: Director, General Director of KPMG, international auditors. Since 1997: Vice-President – Head of the Main Division of Treasury and Corporate Finance of OAO “LUKOIL”.

**Anatoly Alexeevich Moskalenko**

**Member of the Management Committee of OAO "LUKOIL"**

**Head of the Main Division of Human Resources of OAO “LUKOIL”**

**Born: 1959**

Graduated from the Supreme Soviet of the RSFSR Moscow Higher Combined Arms Academy in 1980, Military Diplomatic Academy in 1987, Russian Academy of Government Service under the President of the Russian Federation in 2005. Candidate of Economics (PhD). Recipient of five orders and twenty medals. 1976-2001: service in the armed forces. 2001–2003: Head of the Human Resources Division, Head of the Human Resources Department of OAO “LUKOIL”. Since 2003: Head of the Main Division of Human Resources of OAO “LUKOIL”.

**Vladimir Vitalievich Mulyak**

**Member of the Management Committee of OAO "LUKOIL"**

**Vice-President – Head of the Main Division of Oil and Gas Production and Infrastructure**

**Born: 1955**

Graduated from the I.M. Gubkin Moscow Institute of the Oil and Gas Industry in 1977. Candidate of Geological and Mineral Sciences (PhD). Recipient of a medal of the “Order of Merit Before the Fatherland” of II degree. 1990 -1996: Chief Engineer, Director of Oil and Gas Production Department of Lasyeganneft of AOOT LUKoil-Langepasneftegaz. 1996-2001: First Deputy General Director for production, General Director of PO Belorusneft. 2001: Senior Vice-President for production of OAO NK KomiTEK. 2002-2007: Chief Engineer – First Deputy General Director, General Director of OOO LUKOIL-Komi. Since 2007: Vice-President – Head of the Main Division of Oil and Gas Production and Infrastructure.

**Vladimir Ivanovich Nekrasov**

**Member of the Management Committee of OAO "LUKOIL"**

**First Vice-President of OAO “LUKOIL” (Refining, Marketing and Distribution)**

**Born: 1957**

Graduated from Tyumen Industrial Institute in 1978. Candidate of Technical Sciences (PhD), full member of the Academy of Mining Sciences. Recipient of an order and three medals. RF Government Prize Winner. 1992–1999: Chief Engineer, General Director of TPP Kogalymneftegaz of OOO LUKOIL-Western Siberia. Since 1999 - 2005: Vice-President of OAO “LUKOIL”, General Director of OOO LUKOIL-Western Siberia. Since 2005 - First Vice-President of OAO “LUKOIL”.

**Valery Sergeevich Subbotin**

**Member of the Management Committee of OAO "LUKOIL"**

**Vice-President of OAO “LUKOIL”, Head of the Main Division of Sales and Supplies**

**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 BoD Office of OAO “LUKOIL”. 2005-2007: First Deputy Head of the Main Division of Sales and Supplies of OAO “LUKOIL”. Since 2007: Vice-President of OAO “LUKOIL”, Head of the Main Division of Sales and Supplies.

**Leonid Arnoldovich Fedun**

**Member of the Management Committee of OAO "LUKOIL"**

**Vice-President of OAO “LUKOIL”, Head of the Main Division of Strategic Development and Investment Analysis**

**Born: 1956**

Graduated from the M.I. Nedelin Higher Military Command School in Rostov in 1977. Candidate of Philosophical Sciences (PhD). Recipient of an order and seven medals. 1993–1994: General Director of AO LUKOIL Consulting. Since 1994: Vice-President of OAO “LUKOIL”, Head of the Main Division of Strategic Development and Investment Analysis.

### **Evgeny Leonidovich Khavkin**

**Member of the Management Committee of OAO "LUKOIL"**

**Secretary of the Board of Directors, Head of the Office of the Board of Directors of OAO "LUKOIL"**

**Born: 1964**

Graduated from the Moscow Institute of Economics, Management and Law in 2003. Recipient of two medals. 1988: employed at entities in Western Siberia. 1997–2003: Deputy Head of the Office of the Board of Directors, First Deputy Head of the Office of the Board of Directors of OAO "LUKOIL". Since 2003: Secretary of the Board of Directors, Head of the Office of the Board of Directors of OAO "LUKOIL".

### **Lyubov Nikolaevna Khoba**

**Member of the Management Committee of OAO "LUKOIL"**

**Chief Accountant of OAO "LUKOIL"**

**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: Chief Accountant of OAO "LUKOIL".

### **Dzhevan Krikorovich Cheloyants**

**Member of the Management Committee of OAO "LUKOIL"**

**Vice-President of OAO "LUKOIL", Head of the Main Technical Division**

**Born: 1959**

Graduated from Grozny Oil Institute in 1981. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of a medal of the "Order of Merit Before the Fatherland" of II degree, and of four medals. RF Government Prize winner. 1990–1993: Departmental Head, Deputy General Director for foreign economic relations of PO Langepasneftegaz. 1993–1995: Vice President of commerce on foreign markets of AO "LUKOIL". 1995–2001: Vice-President of OAO "LUKOIL", Head of the Main Division of Sea and Foreign Projects. 2001–2007: Vice-President of OAO "LUKOIL", Head of the Main Division of Oil and Gas Production and Infrastructure. Since 2007: Vice-President of OAO "LUKOIL", Head of the Main Technical Division.

### **Vagit Sadievich Sharifov**

**Member of the Management Committee of OAO "LUKOIL"**

**Vice-President of OAO "LUKOIL", Head of the Main Division of Control and Internal Audit**

**Born: 1945**

Graduated from the M. Azizbekov Oil and Chemistry Institute (Azerbaijan) in 1968. Doctor of Economics. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of two orders and six medals. 1985–1994: Chief Engineer, General Director of Association Volgogradnefteprodukt, AOOT

LUKoil-Volgogradnefteprodukt. 1994–1995: General Director of a branch of AO LUKoil Financial Company. 1995–1996: General Director of the Volgograd Territorial Division of OAO “LUKOIL”. 1996-2002: Vice-President of OAO “LUKOIL” for petroleum product sale, marketing and distribution. Since 2002: Vice-President of OAO “LUKOIL”, Head of the Main Division of Control and Internal Audit.

### *Committees of the Board of Directors*

#### **Strategy and Investment Committee**

The purpose of this Committee is to make proposals to the Board concerning:

- long-term strategic development goals,
- the analysis of strategic development concepts, programs and plans,
- the amount of dividends and the dividend payment procedure,
- the distribution of profit and losses for the financial year.

The Committee consists of Richard Matzke (Chairman), Don Walette, Jr., Ravil Maganov and Igor Sherkunov.

#### **Audit Committee**

The purpose of this Committee is to make proposals to the Board concerning:

- the professional skills and quality of services provided by the auditors and their compliance with auditor independence requirements,
- the selection and performance evaluation of the auditors.

The Committee consists of Sergei Mikhailov (Chairman), Igor Sherkunov and Alexander Shokhin (elected as Committee member on 13.02.2009). Oleg Kutafin was also a Committee member till 04.12.2008.

#### **HR and Compensation Committee**

The purpose of this Committee is to make proposals to the Board concerning:

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

The Committee consists of Alexander Shokhin (Chairman), Igor Belikov, Sergei Mikhailov and Nikolai Tsvetkov.

### *Shares of members of the Board of Directors and Management Committee in Charter Capital as at 31 December 2008*

<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	-
D.E. Walette	-
V.I. Grayfer	0.007
R.U. Maganov	0.49
R. Matzke	-
S.A. Mikhailov	0.003
N.A. Tsvetkov	0.32
I.V. Sherkunov	0.06
A.N. Shokhin	-
A.A. Barkov	0.07

S.P. Kukura	0.39
I.A. Maslyaev	0.02
A.K. Matytsyn	0.30
A.A. Moskalenko	0.009
V.V. Mulyak	0.01
V.I. Nekrasov	0.04
V.S. Subbotin	0.005
L.A. Fedun	1.14
E.L. Khavkin	0.01
L.N. Khoba	0.34
D.K. Cheloyants	0.10
V.S. Sharifov	-

\* Share stakes of BoD and Management Committee members are shown in accordance with the requirements of Russian law for disclosure of such information, and include shares held directly by Board/Management Committee members as well as shares held by nominee investors in their name.

***Information on transactions with OAO "LUKOIL" shares performed by BoD and Management Committee members during 2008***

<i>Full Name</i>	<i>Number of shares</i>	<i>Type of transaction</i>	<i>Date of transaction</i>
I.V. Sherkunov	160,000	purchase	25.01.2008
V.Yu. Alekperov	100,000	purchase	15.09.2008
V.Yu. Alekperov	100,000	purchase	16.09.2008
A.A. Barkov	75,000	sale	25.09.2008
V.I. Grayfer	11,959	purchase	26.09.2008
D.K. Cheloyants	65,000	purchase	26.09.2008
V.I. Nekrasov	3,000	purchase	06.10.2008
V.I. Nekrasov	3,000	purchase	07.10.2008
V.I. Nekrasov	3,000	purchase	07.10.2008
V.S. Subbotin	8,420	purchase	14.10.2008
A.K. Matytsyn	50,000	purchase	28.10.2008
L.N. Khoba	50,000	purchase	28.10.2008

***Information on funds paid to BoD and Management Committee members in 2008***

<i>Management bodies</i>	<i>RUB, thousand</i>				
	<i>Remuneration</i>	<i>Wages</i>	<i>Bonuses</i>	<i>Other payments</i>	<i>Total</i>
Board of Directors	55,500	-	-	9,630**	65,130
Management Committee	27,936	390,935	335,470	19,446	773,787

\*\* reimbursement of expenses

In accordance with the decision of the General Shareholders Meeting of 26 June 2008, each of the members of the Board of Directors was paid remuneration of 4,300,000 roubles in 2008 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 – 1,000,000 roubles;
- to each of the chairs of the committees of the Board of Directors – 500,000 roubles for performing the functions of Committee chair.

In addition to remuneration for performing their functions as members of the Board of Directors, 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 28 June 2007 (Minutes No. 1), 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.

The annual General Shareholders Meeting of OAO “LUKOIL”, held on 26 June 2008, passed a decision to establish new amounts of remuneration for newly elected members of the Board of Directors. Specifically, remuneration for performing the duties of a member of the Board of Directors was established as 4,470,000 roubles; remuneration for performing the functions of Chairman of the Board of Directors - 1,040,000 roubles, and Chairman of a Committee - 520,000 roubles.

In 2008 the members of the Management Committee were paid:

- remuneration in accordance with the contract with the member of the Management Committee<sup>\*\*\*</sup>;
- a basic annual salary (the monthly payments for the position during the year, pursuant to employment contracts);
- annual performance bonuses for 2007 in accordance with the *Regulations on the System of Payment and Incentives for Management Personnel of OAO “LUKOIL”*, approved by the Board of Directors of OAO “LUKOIL” on 26 May 2006;
- additional social benefits;
- annual long-term bonus payments.

<sup>\*\*\*</sup> In accordance with the terms of contracts concluded with members of the Management Committee, they are paid remuneration in the amount of one monthly salary for primary employment. The remuneration payment shall depend on the achievement of corporate-wide key performance indicators during the reporting period.

## **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”**

In 2008 the work of the Board of Directors was structured based on the Work Plan of the Board of Directors for 2007-2008, approved by the Board of Directors on 20 July 2007 (Minutes No. 18) and the Work Plan of the Board of Directors for 2008-2009, approved by the Board of Directors on 21 July 2008 (Minutes No. 19).

During the reporting year the Board of Directors held nine meetings through joint attendance and 21 absentee vote meetings.

A field meeting was held on 24 April 2008 in Tashkent (Republic of Uzbekistan).

The Board of Directors of OAO “LUKOIL” operated in accordance with its authorities, as defined in the Federal Law *On Joint Stock Companies*, the Company Charter and the *Regulations of the Board of Directors of OAO “LUKOIL”*.

An important function of the Board of Directors is the overall management of the Company, and determining the priority areas of the Company’s operations.

In carrying out the overall management of the Company, the Board of Directors paid special attention to the development, planning and monitoring of the execution of the OAO “LUKOIL” investment programme, implementation of the budget, and oversight of the Company’s performance indicators.

The Board of Directors took decisions on the following issues in fulfilment of this function in 2008:

- On the preliminary performance results of LUKOIL Group in 2007, the tasks for 2008 and the near term, and the priority lines of business of OAO “LUKOIL” in 2008. On comparative data based on the Company’s performance figures over the past few years (Minutes No. 1 of 12 January 2008);
- On the operating results of the LUKOIL Group in the first half of 2008 and progress in the execution of the 2008 budget and investment programme (Minutes No. 21 of 29 August 2008);
- On the main indicators of the Medium-Term Development Plan of the LUKOIL Group for 2009-2011 and the Budget and Investment Programme of the LUKOIL Group for 2009 (Minutes No. 24 of 30 October 2008).

The Company’s preliminary operating results in 2007 were summarised and the tasks for 2008 were set at the first meeting of the Board of Directors in 2008, held on 12 January 2008 (Minutes No. 1). The Board of Directors identified the achievement of the key indicators of the Medium-Term Development Plan of the LUKOIL Group for 2008–2009 and the Budget and Investment Programme of the LUKOIL Group for 2008 as one of its main tasks.

For the LUKOIL Group in general, the Board of Directors recommended to the Management Committee that the Company perform consistent work to implement the priority areas of development of the LUKOIL Group in 2008, including: improving the effectiveness and expanding the Company’s operations in all business segments; streamlining of investment processes and planning; optimisation of staff at companies; improving the productivity of work; and development of promising lines of business (including power and utilities through the creation of a specialised business sector).

For the continued development of the Company, and to ensure its membership in the group of leading vertically integrated world oil majors, the Board of Directors has recommended that the performance benchmarks of the leading global companies be used when developing long-term industry development programmes, including the Strategic Development Plan of the LUKOIL Group for 2008–2017.

Considering the crisis on world financial markets and the downward trend in the global economy that appeared in the second half of 2008, at a meeting on 30 October 2008 (Minutes No. 24) the Board of Directors analysed the effect of the global financial crisis on the operations of OAO "LUKOIL" and the strategy and techniques for managing the risks that have appeared to minimise potential losses in the Company's shareholder value.

When planning the activity of the Company and the LUKOIL Group as a whole, the Board of Directors designated specific steps and lines of business in the development of individual business segments of the LUKOIL Group. This work was carried out within the framework of the following issues:

- On measures to create the Power and Utilities business sector (Minutes No. 4 of 11 February 2008), in connection with which the Board of Directors recognised the expedience of acquisition by one of the LUKOIL Group organisations of a controlling shareholding in OAO YuGK TGC-8. This decision was adopted in execution of that part of the *Strategic Development Program of the LUKOIL Group for 2008–2017*, approved by decision of the Board of Directors of OAO "LUKOIL" on 22 May 2007 (Minutes No. 13), concerning the creation of the Power and Utilities business sector.
- On Company projects in the Republic of Uzbekistan (Minutes No. 9 of 24 April 2008). The LUKOIL Group's activity in the Republic of Uzbekistan was approved at the meeting of the Board of Directors and recognised as a priority area for further development of projects to materially increase the share of gas in the Company's production activity.
- On measures to be taken by the Company to replenish liquid hydrocarbon reserves (Minutes No. 27 of 24 November 2008).
- On the state of industrial safety at the LUKOIL Group (Minutes No. 27 of 24 November 2008). The main areas of activity of OAO "LUKOIL" to ensure industrial and occupational safety during the period 2009–2010 were approved during the work on this issue, and a high level of mutually beneficial cooperation with ConocoPhillips in the area of industrial safety, which makes it possible for the Company to occupy a competitive position among Russian oil and gas companies, was noted.

The Code of Corporate Governance, approved at the meeting of the Government of the Russian Federation on 28 November 2001 and recommended by the Federal Commission on the Securities Market of the Russian Federation, assigns the Board of Directors of a joint stock company a special role in improving the system of corporate governance of the company.

The Board of Directors took the following decisions in this area in 2008:

- at its first meeting on 26 June 2008 (Minutes No. 17) the newly elected Board of Directors, in accordance with the *Regulations on the Board of Directors of OAO "LUKOIL"*, elected V.I. Grayfer as Chairman of the Board of Directors, and on the recommendation of the Chairman of the Board of Directors appointed E.L. Khavkin as Secretary of the Board of Directors. It also confirmed the members of the committees of the Board of Directors of the Company;
- At the meeting on 21 May 2008 (Minutes No. 13) the Board of Directors summed up the results of its activities and the activities of the committees of the Board of Directors of OAO "LUKOIL" in 2007–2008. It was noted that the work was structured in accordance with a previously approved plan, and most of the issues forwarded for the consideration of the Board of Directors were studied and explored in advance by the relevant committee. To improve the management by the Company, a control mechanism over the execution of the decisions taken and instructions given by the Board of Directors has been created at OAO "LUKOIL". In view of the ever increasing role of the Board of Directors in overall management by the Company, and the Company's performance results in 2008, which attest to a positive growth dynamic throughout the LUKOIL Group, the work of the Board of Directors was assessed favourably. Information on the state of

execution of the decisions of the Board of Directors of OAO “LUKOIL” during 2007–2008 was also heard at this meeting.

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

In 2008 the annual General Shareholders Meeting of OAO “LUKOIL” was held in Moscow on 26 June.

Issues concerning the preparations for the General Shareholders Meeting of OAO “LUKOIL” were decided by the Board of Directors of the Company in strict compliance with the requirements of the Federal Law *On Joint Stock Companies* and the Company Charter.

The following decisions were taken through absentee voting on 4 February 2008 (Minutes No. 3):

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

Issues concerning the preparations for the annual General Shareholders Meeting were decided by the Board of Directors on 24 April 2008 (Minutes No. 9). These issues included: determination of the date of compilation of the list of persons entitled to participate in the Meeting, approval of the agenda of the annual Meeting, the text and form of the voting ballots, recommendations for the Meeting on adopting decisions on the items on the agenda of the Meeting, and other organisational issues.

At the meeting on 21 May 2008 (Minutes No. 13), the Board of Directors tentatively approved the Annual Report of OAO “LUKOIL” for 2007 for submission to the annual General Shareholders Meeting of the Company.

In 2008 the Board of Directors, exercising its duty to approve internal documents of the Company, adoption of which is assigned to the competence of the Board of Directors:

- approved the amendments and addenda to the Regulations *On the System of Payments and Incentives for Managerial Personnel of OAO “LUKOIL”* (Minutes No. 29 of 19 December 2008);
- invalidated the Regulations *On Personal Pensioners of the LUKOIL Group* and the Regulations *On Non-State Pension Coverage at LUKOIL Group Organisations* (Minutes No. 5 of 26 February 2008).

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

At the meeting on 21 July 2008 (Minutes No. 19) the Board of Directors approved the members of the Management Committee of OAO “LUKOIL” (15 people) and established the basic terms of the contract to be concluded with a member of the Management Committee.

The Board of Directors took a decision on paying a bonus to the President of the Company (Minutes No. 20 of 31 July 2008).

In accordance with the requirements of the Federal Law *On Joint Stock Companies*, on 21 July 2008 (Minutes No. 19) the Board of Directors established the maximum amount of payment for the services of the Auditor of OAO “LUKOIL”.

In connection with the adoption in November 2006 of a decision on long-term incentives for employees of OAO “LUKOIL” and its subsidiaries, the Board of Directors of the Company adopted decisions under the Regulations *On Long-Term Incentives for Employees of OAO “LUKOIL” and its Subsidiaries* in 2008. These decisions were adopted on 14 April 2008 (Minutes No. 8), 14 July 2008 (Minutes No. 18) and 19 December 2008 (Minutes No. 29).

Since decisions on bond issues lie within the competence of the Board of Directors, the following resolutions were taken in 2008:

- On the placement of series BO-01 to BO-20 bearer bonds (Minutes No. 25 of 30 October 2008);
- On the approval of the decision on placement of series BO-01 to BO-20 bearer bonds (Minutes No. 25 of 30 October 2008);
- On the approval of the Securities Prospectus (series BO-01 to BO-20 non-convertible interest-bearing registered bearer bonds) (Minutes No. 25 of 30 October 2008).

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

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

## 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 used for dividend payments should equal at least 15% of the net profit 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 2003	24.00	20,414	20,351	42
for 2004	28.00	23,816	23,745	31
for 2005	33.00	28,069	27,823	42
for 2006	38.00	32,321	32,252	59
for 2007	42.00	35,724	35,633	55
for 2008	On 23 April 2009 the Board of Directors of OAO “LUKOIL” recommended to the General Shareholders’ Meeting of 25 June 2009 that it approve the payment of dividends based on the Company’s 2009 performance in the amount of 50 roubles 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.*

## Market for the Company's securities

During 2008, OAO "LUKOIL" ordinary shares were among the most liquid securities on the Russian stock market. The main trading floors for the Company's shares in Russia remained: ZAO Moscow Interbank Currency Exchange (MICEX) and OAO Russian Trading System Stock Exchange (RTS). OAO "LUKOIL" shares were among the three leading shares of Russian issuers in terms of turnover on the organised securities market in 2008. Of all registered transactions with OAO "LUKOIL" shares in Russian trading systems, 97.9% of them took place on MICEX. OAO "LUKOIL" shares were also traded on the over-the-counter market.

An increase in the volume of trading in both qualitative and monetary terms year on year was seen in 2008. The growth in trading on the Russian market in quantitative terms was 27.29%, and in monetary terms (USD) 19.52%. Transactions involving a total of 867,725,240 shares worth RUB 1,607,063.62 million were concluded in 2008.

ADRs for Company shares continued to circulate on international stock exchanges. Trading on the London Stock Exchange, where the receipts have been listed since 2002, increased by 63.22% in quantitative terms, and by 30.43% in monetary terms, and equalled 1,075,382,795 receipts worth USD 89.4 billion at year end. Depositary receipts issued for OAO "LUKOIL" shares were the second most traded depositary receipts of a foreign company listed on the London Stock Exchange (IOB section), trailing only the depositary receipts for OAO Gazprom shares. Company ADRs accounted for 17.1% of total average monthly trading in this section.

The overall number of ADRs issued for the Company's ordinary shares fell throughout 2008. This trend picked up speed in the last few months of the year. There were 578,718,824 ADRs as at 31 December 2008 (68.04% of the Company's charter capital), which is 2.3% less than the number of registered ADRs at year end 2007.

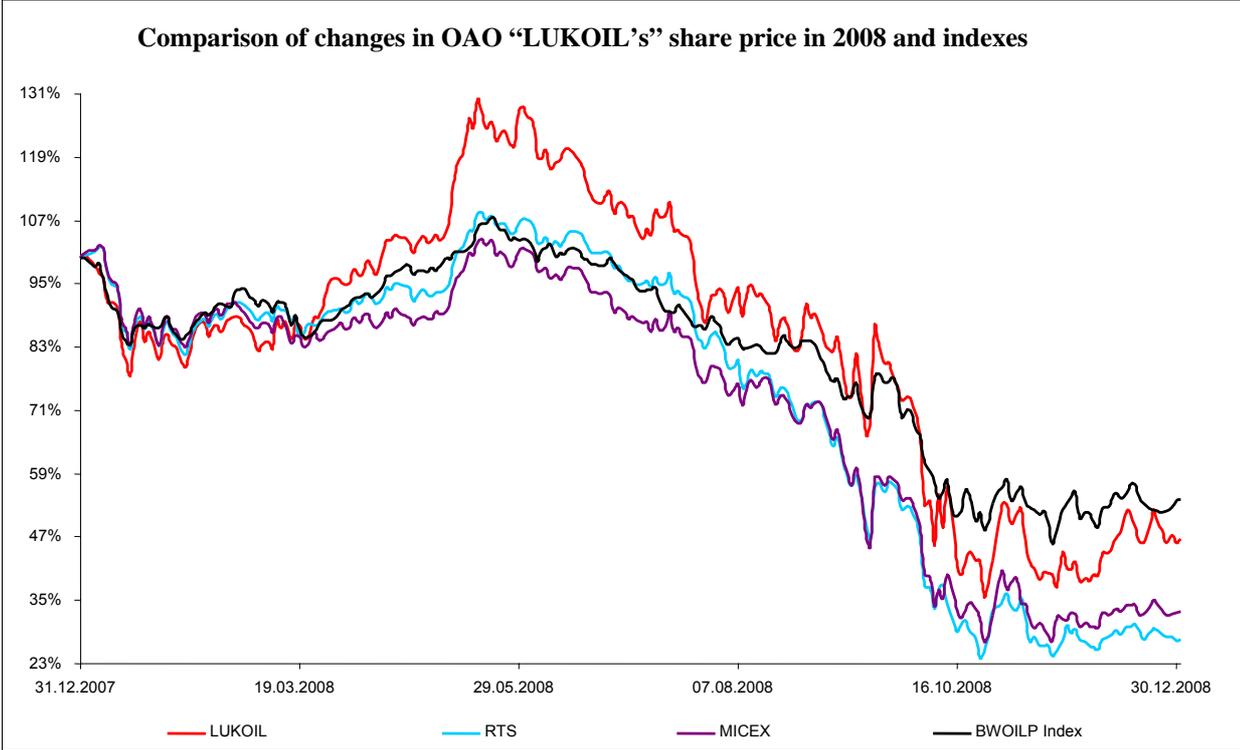
OAO "LUKOIL" shares are an underlying asset for derivatives on the futures exchange. Futures contracts on delivery of OAO "LUKOIL" shares were the fourth most traded futures during the reporting period, trailing only RTS index futures, futures on OAO Gazprom shares and US dollar futures.

According to MICEX, the price of OAO "LUKOIL" shares fell by 53.31% in 2008. Despite the difficult economic situation on global markets, the Company's share price has shown relative resilience, and has performed better than average for the Russian stock market. In fact, the MICEX stock index fell by 67.2% over the indicated period. The relative stability of OAO "LUKOIL's" share price was due, among other things, to the Company's timely and prompt reaction to market changes, which enabled it to successfully do business and maintain its investment appeal despite the instability of the global financial system.

Market professionals have singled out the following negative factors affecting the Company's share price:

- the substantial, rapid fall in oil and oil product prices on the world commodities market in the second half of 2008;
- the progression of the global financial crisis, causing a slowdown or halt in growth in virtually all economic sectors of well-developed and developing countries;
- the massive capital flight from all developing markets, including from Russia, due to liquidity problems on the international financial market and a risk reassessment by investors.

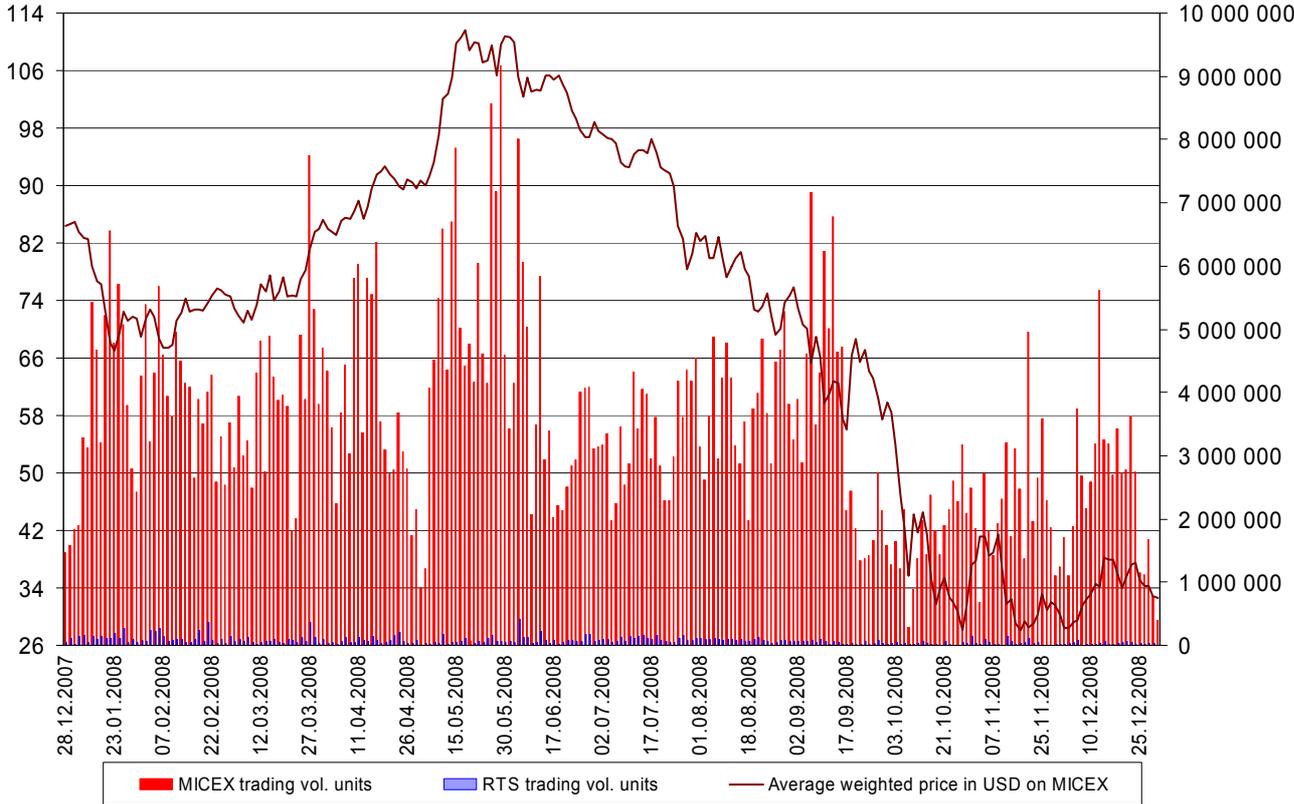
Figure No. 1



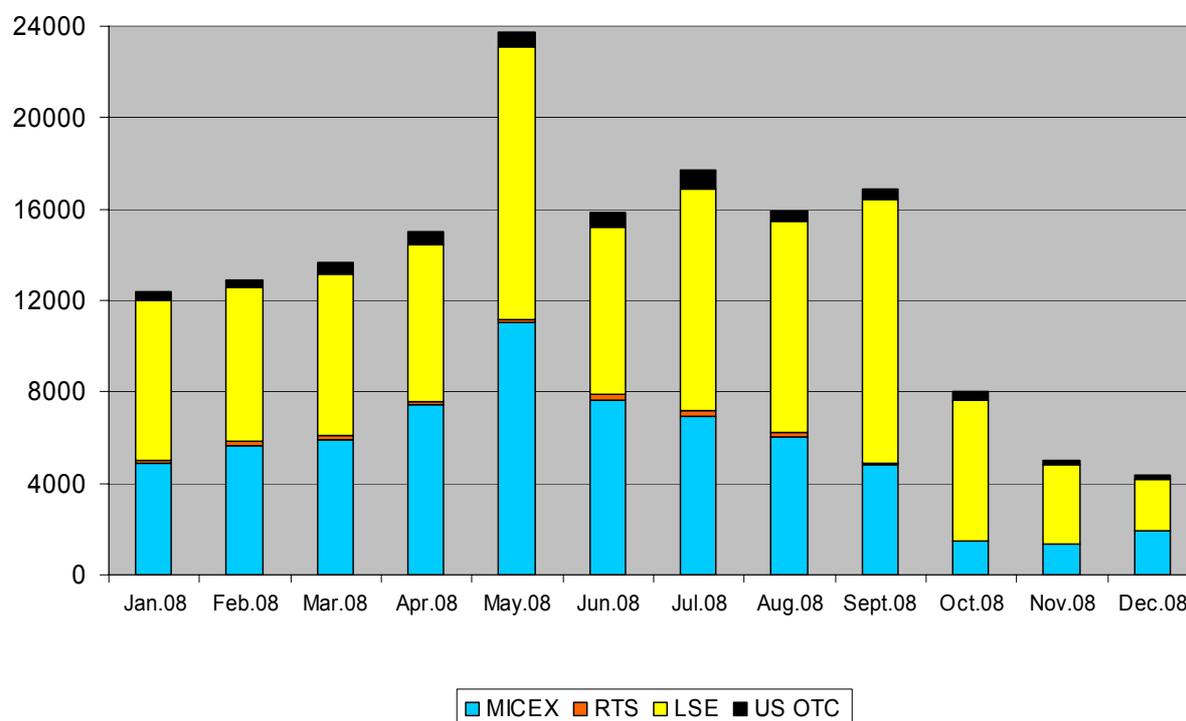
\* BWOILP – Bloomberg World Oil and Gas Producers INDEX

Figure No. 2

Breakdown of OAO "LUKOIL's" share price in 2008



**Monthly trading in OAO “LUKOIL” shares (ADR)  
in 2008, USD million**



**Equity structure of OAO “LUKOIL” as at 31 December 2008**

	Number of holders of registered ordinary shares	Number of shares	% of total number of shares
<b>Foreign legal entities</b>	9	95,908	0.01%
<b>Russian legal entities, including:</b>	155	824,430,348	96.93%
ZAO ING Bank (Eurasia)		585,245,353	68.81%
ZAO KB Citibank*		69,274,981	8.14%
ZAO DKK*		67,184,973	7.90%
ZAO NDTs*		48,689,475	5.72%
SDK Garant*		31,028,284	3.65%
ZAO DK URALSIB*		19,627,533	2.31%
<b>Individuals</b>	51,637	26,036,999	3.06%
<b>TOTAL</b>	<b>51,801</b>	<b>850,563,255</b>	<b>100.00%</b>

\* Nominee shareholder

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

## **1. Introduction**

This report includes statements which, by their nature, are forecasts and imply a wide range of uncertainties. Therefore, OAO “LUKOIL” cannot guarantee that the Company’s forecasts and estimations in respect to the future course of events will materialise.

Important factors which may result in the Company’s results differing from those forecasted include, but are not limited to, our assumptions in respect to the evolution of global energy markets, levels of production and processing of hydrocarbons, levels of reserves, changes in the competitive environment on global markets, technological advancements, accessibility of external funding, capital expenditures and other contractual obligations, prices of crude oil, natural gas and oil products, weather conditions, legislative changes and overall economic conditions impacting the conduct of business across the regions of the Company’s operations.

OAO “LUKOIL” does not bear any responsibility and does not intend to revise the forward-looking statements made in this report, based on their probabilistic nature.

The Company, a vertically integrated oil and gas group with significant levels of assets and transactions diversified by geography and segment, is exposed to a great number of risks and uncertainties. It is rather problematic to adequately assess all material consequences and probabilities of the occurrence of these risks. Still, if certain risks do materialize, they may have material impact on the Company’s performance both in the short- and long-term perspective.

In this report OAO “LUKOIL” limits itself to an assessment of the risks and uncertainties which the Company may face in the course of 2009.

Company management makes sure that identified risks and uncertainties are accounted for in full when preparing forecasts and plans; besides, the management strives to present shareholders with the most credible information possible regarding these risks and uncertainties. The Company presumes that this approach will not only contribute to precluding risk events from happening, but will enable us to take full advantage of favourable conditions and let them materialise.

The Company presumes that in the course of 2009 business activities of both OAO “LUKOIL” and the LUKOIL Group will be impacted mainly by the following groups of risks:

- Macroeconomic and price risks;
- Industry risks;
- Country and regional risks;
- Financial risks;
- Legal risks;
- Operational risks.

In its day-by-day activities, the Company makes proactive use of procedures aimed at prompt identification, measurement and prioritization of its risks and consistently applies mitigation and/or prevention techniques while dealing with the threats to the business.

Regardless of the Company’s efforts to consistently account for the whole spectrum of risks and threats, it is still plausible that certain events, not previously identified, may occur as a result of a sharp rise in uncertainties, rapid changes in the competitive environment and/or changes in global business environment.

## **2. Macroeconomic and price risks**

The Company’s business and its growth perspectives largely depend on the dynamics of global economic development, the balance of global and regional supply and demand for hydrocarbons, the ability of OPEC countries and other producers to impact the levels of supply and prices of crude oil and

alternative energy sources, prices and accessibility of new technologies, levels of production costs, accessibility of cheap sources of funding and other factors.

At present the Company, along with other global market participants, is exposed to the negative consequences of global slowdown. Under highly uncertain scenarios regarding future trends and the depth of the crisis, we may not be able to make verifiable predictions and forecasts.

The Company scrupulously assesses forecasts which predict further slowdown of the global economy, including as a result of Asian economies being driven into the orbit of the global crisis and worsening of the economic environment in Western Europe and the USA. Further worsening of the global macroeconomic environment will directly impact global demand for hydrocarbons, thus placing further downward pressure on crude prices.

The following signals tend to corroborate the above negative development scenario:

- The short-term prospects on the market of hydrocarbons appear quite pessimistic. International analysts expect a further reduction in oil consumption in 2009, which will be worsened by the downward pressure exercised on crude supplies by excessive capacities present in oil-producing countries. Oil prices, in the medium and long term, will be greatly influenced by the depth and duration of the global economic slowdown, as well as by the level of supplies from the OPEC countries.
- The main regions generating energy demand and consumption are concentrated outside the OECD region; still, in spite of an expected moderate demand growth for crude on behalf of these countries, this demand will be more than balanced by continuing curbing of crude consumption in the OECD region.
- Certain supply growth, generated by such countries as the USA and Brazil, might compensate to some extent the continuing curbing of production and supply of hydrocarbons by Mexico, the countries of the North Sea shelf and others. Nevertheless, after the peak of the credit crunch has been surpassed, there may be a return of oil shortages worldwide.
- Curbing of crude oil supplies by OPEC countries has not led to any perceptible upward pressure on prices on the global markets. Most energy analysts doubt that OPEC countries will be able to sharply reduce their supply.
- Levels of commercial stocks of OECD countries have grown significantly over the last few months. The mix of surplus production capacities and significant levels of commercial inventories will continue to exercise downward pressure on the level of supply, aggravated by already weakened demand.

Under the auspices of the above trend, further spikes in volatility of crude prices should be expected in the short term. The tendency towards volatility spikes, among other factors, may be attributable to the fact that both OPEC countries and other large oil producers will continue trying to balance their desire to achieve high prices and the necessity to prevent the global economy from further slowdown. This means that crude supplies will peak and slump, concomitantly causing accentuated price spikes.

Anyway, a steady rise in oil prices is not deemed plausible until the recovery starts and global demand begins to resume. We feel that this is the most probable scenario for the nearest future.

A further decrease in hydrocarbon prices will continue to have a negative impact on the Company's business, including operating results, cash flow levels and our ability to perform investment programmes as planned.

In order to respond to imminent threats, the Company has elaborated a number of scenarios, i.e. optimistic, basic and pessimistic. The above scenarios are designed to respond to macroeconomic uncertainties by incorporating such key variables as: prices of hydrocarbons, levels of inflation, taxes and exchange rates. Each of these scenarios includes an appropriate action plan to be implemented as necessary.

For the purpose of planning for the period of 2009 and for the medium term, the Company expects that Brent prices will be within USD 50-60 per barrel and we focus its attention on how the most

pessimistic scenarios may impact its operational and financial resilience, and what actions should be undertaken in order to preserve our long term stability and competitive advantages.

In order to reduce the most severe consequences of the current slowdown, the Company has been consistently implementing a crisis management program which includes, inter alia, the following measures:

- Curbing of investment costs, including by means of optimisation and abandonment of less profitable projects;
- Cutting of operational expenses. Together with other Russian oil companies, the Company has been conducting talks with the government authorities on moderating the rates of growth of tariffs established by natural monopolies and costs for energy sources;
- Cutting of working capital levels alongside the level of capital employed in the wholesale and retail value chain through optimisation of supplies;
- Negotiating price and tariff reduction with suppliers and contractors;
- Enhancement of technological and economic effectiveness of oil extraction;
- Negotiating further reduction of the tax burden levied on oil industry in Russia through talks with the relevant government authorities.

The LUKOIL Group achieved record free cash flow and revenue growth figures in 2008. Although we may not be able to achieve comparable results in 2009, we will still strive to generate sufficient cash flow from internal sources to cover our main investment needs. We are not planning to make any serious amendment to our strategic investment programmes.

### **3. Industry risks**

#### **3.1. Overview of risks of competition in the oil and gas industry and current positioning of the firm**

The Company strives to achieve leadership positions in the oil and gas industry through consistent development of its strategic assets and proactive diversification of its operations.

The oil industry is characterised by intense competition. On the local market the Company competes against the leading Russian oil companies, while globally it competes against major vertically integrated holdings. The Company is exposed to fierce competition across all segments of its operations:

- Participating in auctions to acquire exploration and production licences;
- Struggling to acquire shares in those companies which already possess production and exploration licences for hydrocarbon extraction;
- Competing for access to transportation and wholesale facilities owned by state monopolies or oligopolies;
- Competing for access to service companies' facilities and skills;
- Competing for access to suppliers of specialised petroleum and gas equipment;
- Competing for qualified staff.

#### **3.2. Oil production segment**

##### **Access to new sources of crude**

The core competitive advantage of any oil company is the ability to replenish its resource base while its reserves are being depleted. The majority of the Group's oil fields are located in Russian Federation; besides, we are implementing long-term investment programmes to bring oil fields located in the countries of the former Soviet Union and in other foreign countries into operation.

The Company is ranked second in Russia by volumes of hydrocarbons produced, and first by volumes of oil refined. The Company is also ranked among global industry leaders by the same parameters and has an extensive portfolio of promising investment projects.

Nevertheless, some of the Company's competitors are larger, possess a more significant resource base, and have a longer history of operations.

These companies may possess more robust competitive advantages than we do, including:

- Wider diversification of operations and more streamlined risk profile;
- Stronger financial position which enables them to implement programmes on a larger scale;
- Higher synergy to exploit advantages of vertical and horizontal integration;
- Greater economies of scale;
- Higher innovation potential, technological abilities and infrastructure scale;
- Global presence.

These companies may be able to pay higher prices to acquire promising deposits and resources.

Thus, our Company faces the serious risk of not being granted access to the most profitable resources in future, which could affect the volume of the Company's proved reserves and, as a consequence, impact its financial results and capitalisation.

This risk has been incorporated into the Company's long term strategy, which is primarily focused on sustaining growth rates through the acquisition of the most profitable assets, participation in strategic alliances, abandonment of low-profit programmes and assets and expansion into new markets.

### **Risks of exploratory drilling and/or opening of new wells**

The Company is faced with the risk that it will not discover and/or bring forward commercially feasible oil and gas reserves while implementing its investment programmes.

OAO "LUKOIL" performs geological and exploratory drilling in different geographical regions, including territories with unfavourable climatic and political conditions and an inefficient cost structure. Costs on drilling, bringing the well into operation and production are often characterised by a high level of uncertainty.

As a result the Company might be required to bear additional costs or be forced into abandoning the project.

Unless the Company proves capable of conducting successful exploratory works and acquiring productive assets to replace depleted deposits, its proved reserves will diminish as existing fields are worked out, which may erode the assets and the overall capitalisation of the Company.

In order to mitigate the above risks, the Company undertakes the following measures in the Exploration and Production segment:

- Consistently implements its long-term development strategy through the replenishment of oil reserves in traditional production regions and participates in the development of new production regions, including outside the territory of Russian Federation;
- Strives to sustain the set pace of production growth in the medium term;
- Improves production efficiency ratios and reduces production costs through extensive use of advanced technologies, enhancement of well yields and amelioration of the production process;
- Uses financial ratios to better estimate the quality of investment options and optimise the asset portfolio.

### **Risks of overstating or understating the levels of oil reserves**

Data on oil, gas and other hydrocarbon reserves declared by the Company should be considered pure estimates, and may be revised downward in case of a change in macroeconomic conditions, including prices for hydrocarbons and other input data used for reserve estimation.

The quality of reserve and resource estimation depends on the quality of the underlying information and the ability to interpret results of geological exploration and drilling. Significant revisions of data on the Company's reserves and resources may be required at every stage such as exploratory

drilling, data interpretation, trials and production. The Company could experience an unplanned curbing of production and a fall in capitalisation, were this risk to occur.

The Company takes all necessary measures to establish a reliable procedure for measuring and estimating reserves. It also engages international companies that are recognised leaders in the area of estimation of hydrocarbon reserves.\*

### **Risks of access to transportation infrastructure**

OAO “LUKOIL” is largely dependent on transportation services provided by state monopolies such as OAO AK Transneft, OAO AK Transnefteprodukt and OAO RZhD, the pricing and access to which are heavily regulated by the state, for the transportation of its products. The Group also depends on the transportation facilities of OAO Gazprom for its gas transportation needs. The Company makes efforts to reduce this dependency by using alternative transportation facilities, but its dependence remains significant.

The state controls access to export facilities and sets the rules for granting access rights, which has a direct effect on the Company’s ability to export oil and oil products.

The Company’s dependence on state transportation monopolies may have severe consequences, which may be summarised as follows:

- Losses as a result of disruptions of the pipeline system or railways caused by breakdowns, leakage or other mishaps;
- Unplanned increase in transportation costs due to the necessity to use an alternative service provider on short notice, which may occur in case of a restriction of access to the pipeline system. If worse comes to worst, this risk could lead to a curtailing of business in certain regions;
- Growth in operating costs as a result of a sharp and unexpected rise in the transportation tariffs regulated by the state.

The Company considers these risks strategic, and pays serious attention to the search for ways of mitigating the above threats, including the following:

- Signing of long-term transportation agreements with operators of transportation facilities;
- Diversification of transportation routes and flows;
- Building up proprietary infrastructure to store and transship products;
- Cutting transportation costs.

The risk of not gaining access to OAO Gazprom’s gas transportation network for the gas produced by the Company is of utmost importance, because of the absence of viable alternative options for gas shipment.

Pursuant to the existing regulations, OAO Gazprom is required to grant rights of equal access to all independent domestic suppliers, but in practice it can use unlimited discretion in determining third-party access to the pipeline system. Under certain conditions, this could hinder our access rights to the transportation facilities of the unified gas pipeline system (UGPS).

In order to reduce this risk, OAO “LUKOIL” has been developing partnership relations with OAO Gazprom, concluding long-term sales contracts with OAO Gazprom and making strategic alliances.

### **3.3. Oil refining and distribution segment**

#### **Competition risks**

A highly promising market segment, oil refining and distribution will make it possible to:

- Create synergies for the Group as a whole;
- Redistribute flows of crude towards the generation of products with higher margins;
- Expand into new and more attractive markets, while minimising political uncertainties.

---

\* The LUKOIL Group’s annual reserve estimation is audited by Miller & Lents.

This segment has traditionally been very competitive. It is characterised by major barriers to entry represented by significant capital expenditures.

The main threat to the Company on the domestic oil product market is growing competition from the state, which is consistently expanding its share of refining facilities. The increase in the state's share of the market is having an ever greater impact on the economics of the segment, and primarily on supply and pricing levels. In order to mitigate the risk of dependence on the highly concentrated local market, the Company actively engages in global expansion initiatives through the acquisition of new refining facilities and expansion of its retail network worldwide.

There is also a high level of competition on international markets of processed crude.

The major forces contributing to global competition are:

- Rapidly expanding competition from oil producing companies of the Middle East, which are continuously developing their pool of refining facilities;
- The appearance of new global leaders in the oil and gas industry which possess notable competitive advantages in terms of economies of scale;
- Toughening of environmental regulation and standards, tightening of product quality requirements;
- Risks of a rise in costs of modernisation and upgrading of refining facilities.

The growth in competition on the markets of oil products may present the following risks for the Company:

- Underutilisation of production facilities;
- Growth of operating expenses;
- Reduced profit margins from oil refining;
- Growth of investment expenditures.

The level of competition on global markets may increase from time to time, for example when new refining facilities are rolled out or new companies enter the market, which may lead to price wars and reduce the appeal of certain market segments.

The Company is taking the following actions to gain sustainable strategic advantages and become a global player in the oil refining segment:

- Expanding refining capacities and enhancing the depth of refining, increasing its diversification;
- Increasing the production of high quality and environmentally friendly products with high margins;
- Optimising production costs and logistics to cut transportation costs;
- Increasing sales efficiency;
- Boosting sales of oil products and related services;
- Actively developing the retail sales network to strengthen its presence in the most profitable oil product retail segment.

To resolve local issues related to the oversupply of regional markets, the Company regularly monitors its sales markets and, where necessary, redistributes excess stock or redirects commodity flows towards more attractive market niches.

## **Risks of a fall in sales revenue in the oil refining segment**

Under the global slowdown, the main threats to the Company's operations remain current supply and demand and, hence, price levels.

The Company presumes that competitive forces will have varying impacts on supply and demand patterns in Russia and worldwide.

### **Russian Federation**

The Company presumes that the refining segment in the Russian Federation will remain fairly profitable, even under the current conditions. This opinion is based on the fact that the demand for major oil products in Russia, mainly gasoline, has remained practically unchanged. Moreover, under the conditions of limited and regulated supply the prices are not likely to fall. To all appearances, this situation may continue in the near future.

The further depreciation of the rouble will remain an important risk, and will continue to impact the economics of the refining segment in Russia. This risk may cause a further decrease in the Company's sales revenues as a result of translation effect into US dollars, its transactional currency.

### **Foreign markets**

As for the situation surrounding the export and sale of oil products on foreign markets, a further decrease in sales prices due to falling demand is likely to be expected.

The Company will take all necessary steps to minimise the effects of a fall in revenues in this segment by:

- Making changes to load schedules at refining facilities;
- Redistribution of commodities flows between markets;
- Continued development of both proprietary retail facilities and crude oil and oil product storage facilities.

## **3.4. Gas production, processing and marketing**

OAO "LUKOIL" produces significant amounts of both natural gas and associated gas from its own deposits. The natural gas produced by the Company in Russia is sent for further processing to the Group's production facilities or is resold to OAO Gazprom companies. The Company plans to bring the rate of gas utilisation to 95% in the medium term.

This business segment will become more and more important for the Company in future, first of all, due to its synergetic effect with other key business segments, secondly, due to the fact that gas prices are considered to be less volatile because of a long term nature of gas contracts, which may have a smoothing effect on the Company's sales revenues.

### **Gas sales risks**

OAO Gazprom's monopsonic position as the sole buyer of all natural gas produced by independent oil companies is one of the key risks for the Company in this segment.

OAO Gazprom may limit sales quotas assigned to independent producers, thus causing disruption of gas production by the Company or even mothballing of a number of projects.

To minimise exposure to this risk, the Company makes every effort to build a long-term strategic partnership with OAO Gazprom. The Company has created a joint venture with OAO Gazprom to supply natural gas, associated gas and dry stripped gas to end consumers. This partnership is aimed at securing

guaranteed sales channels and priority access to OAO Gazprom's gas transportation network for the Company, and secure access to end consumers in the regions.

### **Risks related to the purchase price of gas**

The risk of a low purchase price for gas, which is established by OAO Gazprom, is also very high.

The prices for natural gas on the domestic market are regulated, and have traditionally been much lower than market gas prices in Europe, which could severely erode the current margin of this business segment.

As for the future purchase price of gas, it should first be noted that OAO Gazprom has been consistently taking measures to liberalise retail prices for energy resources. Second, OAO "LUKOIL" has been working with OAO Gazprom to negotiate a more competitive price for natural gas. Third, in order to minimise exposure to the risk of dependence on regulated domestic gas prices and to boost the profitability of the segment, the Company intends to take the following measures:

- Increase gas production and develop alternative ways to use gas, including through the development of proprietary gas processing facilities and further diversification into other business segments where natural and associated gas are in demand as a raw material;
- Expand the development of gas fields in foreign countries, thereby diversifying the sales market for the raw materials produced by the Company;
- Invest in the power and utilities segment, which will help the Company to save significantly on purchases of energy resources and boost rates of petroleum gas utilisation through its burning as fuel at gas-fired power plants.

### **3.5. Risks related to operating expenses**

Operating costs have a strong impact on the Company's operating efficiency.

The Company faces a significant rise in major cost items:

- Energy costs related to increases in tariffs in the power and utilities industry in Russia;
- Costs related to services provided by service companies due to a deficit on this market;
- Wage costs due to shortage of qualified staff and the steady growth of wages in the countries where the Company operates;
- Cost inflation for oil companies in Russia amount on average to 15–20% annually (in US dollar equivalent).

The key measures to reduce operating costs are:

- Negotiating cost-effective deals with suppliers and subcontractors;
- Constant monitoring of prices for services and products used;
- Negotiating with the state authorities to obtain lower indexation of tariffs on natural monopolies and energy costs.

We expect further cost savings in US dollars, due to the continuing depreciation of the rouble to the US dollar. The Company forecasts that the drop in revenue from product sales will be offset somewhat by a reduction in operating costs denominated in US dollars. This is due to the fact that the Company's export revenue is denominated in US dollars, while operating costs are incurred in roubles since its core business is located in Russia. Thus, rouble depreciation to the US dollar will contribute to a relative decrease in operating costs, and will have a positive impact on the Company's financial performance.

Moreover, due to the drop in prices for metallurgical and other types of energy-intensive products, the Company expects a corresponding reduction in costs on purchases of these types of raw and other materials. As a result, the Company can expect that the reduction in operating costs will naturally hedge its falling revenue from product sales.

### **3.6. Risks related to investment projects**

Existing project implementation practices show that the main risks are usually associated with:

- Possible delays in commissioning new facilities, because of a deficit of construction and assembly companies on the services market; this trend has emerged recently as a result of an increase in investment initiatives in both the oil and gas and other industries. This trend will most likely continue in the near future;
- Overruns in actual capital expenditures over initially planned expenses, due to changes in market trends worldwide.

Taking into account the complexity, capital intensity and uniqueness of the assets constructed, delays in commissioning of new assets and a further increase in capital expenditures can be expected.

The Company is taking the following measures to combat the above risks:

- Strict control over compliance with the project cycle during project design and construction;
- Timely development and approval of technical documentation;
- Strives to enhance project management skills and efficiency;
- Conducts independent review of projects at the planning stage.

The Company believes that the optimisation of the contractual strategy and holding of open tenders with a broad range of potential equipment, material and service providers could be an effective way of mitigating the negative impacts of the unstable market situation.

Besides, the Company believes that the risk of actual costs exceeding budgeted costs may even fall during the current recession due to decreased demand for the services of service companies and a slowdown in investment activity.

## **4. Country and regional risks**

### **4.1. Risks related to OAO “LUKOIL’s” operations in the Russian Federation**

The Company performs its core production and refining operations in Russia, which may have significant negative impact on Company’s operations and undermine its growth opportunities due to the peculiarities of the political system of the Russian Federation and related uncertainties.

General conditions of doing business in the Russian Federation (including weak political and social institutions, the instability of the tax system and its lack of adaptability to the changing economic environment, monopolistic pricing in the power and utilities and transportation industries, low labour productivity, etc.) are also major risk factors for the Company.

Other political uncertainties include the following:

- Risk of expropriation of assets as a result of state pressure on independent companies;
- Risk of negative changes in legislation, especially tax and forex regulation, which considering the imbalanced nature of the current budget may result in a sharp drop in the Company’s cash proceeds;
- Formation of new regulatory authorities with broad powers over companies in the oil and oil refining industries;
- Terrorist attacks and increased crime rate.

The operations of OAO “LUKOIL” in Russia may be severely impacted by economic risks related to the certain peculiarities of the current Russian economy:

- Due to the economic downturn, funding conditions may worsen in Russia’s weak and underdeveloped financial system;
- The Russian economy is not sufficiently diversified and depends greatly on world commodity prices. A significant and prolonged drop in global commodity prices could significantly impact the profits of commodities/resource companies;
- The obsolete infrastructure of the Russian economy, which does not meet modern standards, has a substantial negative effect on the Company’s growth potential.

To mitigate economic and political risks, OAO “LUKOIL” is trying to expand the geography of its operations and the assortment of goods produced.

## **4.2. Risks related to the Company’s foreign activity**

The Company operates in various foreign countries, including the former Soviet republics of Ukraine, Belarus, Moldova, Kazakhstan, Georgia, Azerbaijan, Uzbekistan, Estonia, Latvia and Lithuania.

Operating conditions in some countries are exposed to political uncertainties, the materiality of which is comparable to operating risks in the Russian Federation.

LUKOIL Group companies also conduct certain operations and own assets in Eastern European countries, including Bulgaria, Romania, Hungary, Poland, Serbia, Macedonia, Slovakia, Czech Republic, Montenegro, Turkey, Croatia and Bosnia and Herzegovina.

These countries are also going through a transition period, impacted largely by their accession to the European Union, which presents uncertainties as to their tax, currency and other types of regulations and the regulation of operations of foreign companies on their territories.

The Company develops deposits in countries such as Egypt, Iran, Iraq, Saudi Arabia, Colombia, Venezuela, Cote d’Ivoire and Ghana.

Operations in these countries carry the following risks:

- Risks of political instability, with a greater chance of nationalisation of the Company’s assets;
- Risks of suspension or termination of the Company’s operations in these countries due to the introduction of international sanctions or start of military actions.

To minimise the risks of operating in countries with transitional economies or unstable political regimes, the Company is trying to diversify its operations and acquire assets in European countries (Finland, Belgium, Luxembourg, Cyprus, Italy) and the USA, where country risks are deemed to be minimal.

## **5. Financial risks**

### **5.1. Inflationary risks**

The Company faces inflationary risks, which have worsened greatly due to the current recession.

Inflation, aggravated by the general worsening of economic conditions, could lead to negative consequences for the Company’s financial performance, exacerbated by the actions of the authorities to reduce social tensions and uphold the adopted budget.

Some of the Company’s costs depend largely on inflationary expectations, for instance, costs on the services and products of state monopolies, which do not stop growing, which may unfavourably impact Company’s costs in the near future.

The Company makes every effort to suppress cost inflation, including through price negotiations with goods and service providers and tendering procedures.

## **5.2. Interest-rate risks**

The Company is a major borrower on both the domestic and international capital markets. The Company is exposed to a significant risk of interest-rate fluctuations, and is especially sensitive to changes in Federal Reserve rates and interest rates in European countries.

Right now risk-free interest rates are nearing their historical minimums, while the rates of the European Central Bank have not yet reached the minimum but are approaching it.

At the same time, despite extraordinarily low levels of risk-free interest rates, access to international capital markets in the short and medium term remains questionable due to a sharp increase in the cost of resources and a widening of spreads on corporate bonds, mainly of companies from developing countries.

A further deterioration of the sovereign ratings of the Russian Federation and the possible downward revision of the credit ratings of Russian companies also causes upward pressure on corporate spreads.

The current trend towards a rise in the cost of resources on financial markets and loan servicing costs increase the probability of a further growth in the cost of external funding for the Company in each borrowing segment.

Meanwhile, OAO "LUKOIL's" good credit standing, reflected in the assignment of international investment grade credit ratings over the past few years, is an important deterrent to a growth in borrowing costs for the Company.

Nevertheless, the Company is prepared for a scenario of further growth in borrowing costs. The Company's program to reduce the negative impact of growth in borrowing costs includes the following measures:

- Measures to optimise the borrowing portfolio, taking changing market indicators into account;
- Increase in the share of fixed-rate instruments at a level acceptable for the Company;
- Expansion of the range of banking partners, first and foremost at institutions that have suffered least from the current global financial crisis;
- Greater use of traded financial instruments (letters of credit, guaranties) to make it possible to reduce dependence on benchmark interest rates.

## **5.3. Liquidity risks**

Liquidity risks are risks related to difficulties in obtaining access to external financing of operating and investing activity.

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

- sharp fluctuations in energy price;
- amounts of taxes, duties and customs payments;
- cost inflation.

In the short-term perspective, instability on international energy markets, and the attendant low prices on hydrocarbons, will have an adverse effect on the Company's operating cash flow. However, this trend will be mitigated by the increase in the USD exchange rate against the rouble, which will help to reduce rouble costs in US dollar terms, and will mitigate the negative effect of lower hydrocarbon prices and the corresponding drop in revenues.

To minimize liquidity risks the Company actively manages its cash flows, focussing on maintaining key liquidity ratios at acceptable levels. The high corporate credit ratings assigned by major international rating agencies support this approach.

Another risk associated with declining cash flows is the risk of restricted access to financing on international currency and capital markets. This risk may be aggravated by the following factors:

- inability of banks experiencing financial difficulties to provide financing;
- increase in the cost of borrowing from banks;
- probability of a temporary reduction in the availability of existing lines of credit.

In order to reduce external financing risks, the Company continues to enhance its mutually beneficial relationships with its main banking partners, and conducts negotiations aimed at maintaining the LUKOIL Group's current financing capabilities.

In addition, the Company is in talks to secure stabilisation credits from the Government of the Russian Federation.

With a rapid drop in external financing, OAO "LUKOIL" will consider internal resources as the primary means of financing both working capital and the investment program and will create the corresponding mechanisms to do so.

#### **5.4. Currency risks**

The Company is subject to the risk of unfavourable fluctuations in exchange rates; however, with the general strengthening of the US dollar and the weakening of the rouble, the short-term situation has changed favourably.

As a result of the strengthening of the US dollar and the Russian Central Bank's stated policy of gradual devaluation of the rouble against a currency basket consisting of the US dollar and the euro, the Company's competitive position is gradually improving; among other things, this trend means that lower revenues are offset to a certain extent by a reduction in costs in US dollar terms.

#### **5.5. Risks in the use of financial instruments**

The Company uses financial instruments to manage risks in its foreign-trade activity.

OAO "LUKOIL" sells some of its production on international markets, including crude oil and oil products, through its subsidiary LITASCO SA, which functions as the Company's trading arm abroad.

Due to the high volatility of hydrocarbon prices, LITASCO encounters significant risks of rapid price fluctuations in the short period during which these assets are held on its balance sheet and have not yet been sold to end users, which may lead to losses on trading operations.

In order to minimise the risk that the sale price of stocks will be lower than the price of acquisition, LITASCO hedges its price risks using derivatives. This is a normal practice for trading companies.

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

Due to the inverse correlation between the value of derivatives and the value of the underlying assets in real time, over the course of 2008 when prices on underlying assets were falling precipitously, LITASCO was able to effectively hedge the prices by taking offsetting positions on derivatives. LITASCO was thus able to generate profits from its trading activity despite the unfavourable movements on the market.

## **5.6. Credit risks**

A credit risk is the risk that counterparties will not meet their contractual obligations. Credit risks arise in respect of accounts receivable, including the failure to pay interest and overdue payments, the risk of default on financial instruments that are assets for the Company, and also on financial instruments used to hedge cash flows.

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.

Note however, that over the past five years the turnover ratio for accounts receivable has been steadily improving, due among other things to the Company's more effective debt collection policy.

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 risk concentration on any one counterparty.

## **5.7. Risk of a drop in the Company's credit rating**

The Company's credit rating is subject to review. A downward revision of the ratings forecast may be related to deterioration in the conditions in which the Company operates.

When ratings are assigned, the traditional forecasting horizon is the medium term. However, ratings agencies are currently more inclined to assess the effect of sharply lower oil prices on profits and cash flows in the short term. This may make the terms of access to external sources of finance less appealing.

The Company's credit rating could drop given further deterioration in the economic climate in the Russian Federation, and the possible fall in Russia's sovereign credit rating.

The Company takes great care to monitor key financial indicators; one of the reasons to do so is to comply with the international A credit rating on the Standard & Poor's scale.

## **6. Legal risks**

### **6.1. Tax environment in Russia**

OAO "LUKOIL" is subject to risks involved in changes to the legal regulation of the Company's operations and assets, both in the Russian Federation, where it is resident, and in other states where the Company has operations.

If new types of taxes are introduced, or if changes are made to the procedures for paying existing taxes, the Company may be forced to pay higher taxes, which may have a negative effect on its operations.

Tax planning and control measures used by the Company are based on interpretations of tax legislation in effect at the time these measures are carried out. The Company is subject to regular audits by the tax authorities, which is a normal occurrence in Russia, and in certain cases the authorities attempt to impose significant additional taxes. The Company believes that it properly meets its tax obligations based on its understanding of current tax laws. However, the relevant authorities may have differing interpretations and the effects could be significant.

At the start of 2008 a number of changes were made to the tax laws, which change the procedure for calculating and paying taxes and duties.

The most important of these are the following:

- A zero percent tax rate was introduced on dividends received from subsidiaries, which can be applied provided that a number of conditions are met;

- The income tax rate for dividends received by a Russian organisation from participation in a foreign organisation was reduced from 15% to 9%.

However, in the current recession, there is a risk that the state authorities will make greater demands on the oil-and-gas sector if the Government of the Russian Federation faces a deeper budget deficit.

The Company cannot prevent the occurrence of such negative events, but it does take all necessary steps to keep up to date on changes in current legislation, and advances proposals on the liberalisation of legislation to maintain the sustainable development of companies in the oil-and-gas sector.

Nonetheless, in the current crisis the Government of the Russian Federation is supporting domestic business in general and oil companies in particular. There are grounds to believe that the Government will consistently implement measures to liberalise tax laws and reduce the tax burden.

In addition to decreasing the profits tax rate from 24% to 20%, a number of measures were taken that had a substantial positive effect on the sector:

- The cut-off price for the mineral extraction tax was increased from USD 9 to USD 15 per barrel;
- Tax holidays were introduced for the Nenets Autonomous Okrug and the regions of the Caspian Sea and the Sea of Azov where the Company operates;
- Obstacles to the application of concessions on deposit exhaustion and oil viscosity were removed;
- The depreciation premium on new items of fixed assets was increased;
- The period for writing off the cost of licenses has been reduced to two years;
- The period for calculating the rate of duty on oil and oil products has been reduced from two months to one.

This set of measures will allow oil companies to rely on additional investment sources during a time of low oil prices.

The Company constantly monitors changes to tax legislation, assesses and forecasts the potential effect of such changes, and takes them into account in its operations.

Recognising the key importance of the oil industry to the Russian budget, the Company expects that the Russian Government will take certain measures in the field of tax and duty collection aimed at stabilizing the situation in the sector during this period of crisis.

During the Government meeting on the 12th of February 2009 in the city of Kirishi, the concept of a temporary zeroing of customs duties on oil produced in Eastern Siberia was discussed, and ideas on changes to the system for the taxation of oil companies were also considered. The main provisions of the concepts discussed consist in a transition from the collection of mineral extraction tax (MET) at new deposits to a tax on the excess profits of oil companies. Companies currently post MET to costs. High tax rates, along with delayed changes to them, may make it uneconomic to produce oil in certain regions during periods of wide fluctuations of energy prices. The transition to the collection of taxes on excess profits will promote stability among Russian oil companies. Also discussed were questions of levelling export duties on light and dark oil products, and problems of changing the procedure for determining export customs duties on oil and oil products.

## **6.2. Risks associated with changes in currency regulation**

Some of the Company's assets and liabilities are denominated in foreign currency, and for this reason changes to Russian currency legislation may have a negative effect on the value of the Company's assets and liabilities, and also on foreign currency proceeds.

Russian currency legislation has been significantly liberalized, with regulation of various types of currency operations related to capital movement and the creation of reserves for currency operations in respect of capital movement having been abolished.

Despite the continuing gradual liberalization of currency regulations, the Company believes there is a potential risk that unfavourable changes will be made to Russian currency laws if crisis conditions continue.

The Company constantly monitors changes to currency regulations and legislation, and systematically analyzes and evaluates legislative initiatives, which allows us to minimise the risk of unpredictable developments.

### **6.3. Risks associated with changes in customs legislation**

Exports of hydrocarbons are not currently subject to quantitative restrictions or export licensing.

Changes to RF Law No. 5003-1 of 21 May 1993 *On the Customs Tariff* were recently passed.

These changes allow the Company to reduce the period for calculating export duties, and also the period of validity of duties, from two months to one month, which will certainly help to make the amount of duties more appropriate and the payment of duties more balanced, especially in times of high volatility of energy prices.

Despite the positive trends in customs legislation, the Company cannot exclude the risk of future changes to customs control rules and customs duties. In particular it is possible that customs duties on oil and oil products will be increased in response to a worsening financial and economic situation in Russia. Such changes could have a negative effect on the Company's financial performance.

Nonetheless, the overall trend in customs regulations indicates that the risks associated with changes are non-material.

### **6.4. Risks associated with changes to subsoil usage and licensing legislation**

A number of laws were passed in 2008 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.

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

RF Law No. 2395-1 of 21 February 1992 *On the Subsoil* (as amended by Federal Law No. 120-FZ of 18 July 2008) establishes restrictions on the Company's ability to use subsoil blocks of federal significance. Subsoil blocks of federal significance include, inter alia:

- Blocks that contain reserves of hydrocarbons, with gas reserves from 50 billion m<sup>3</sup> and recoverable reserves of oil from 70 million tonnes;
- Blocks of inland waters, territorial waters, and the continental shelf of the Russian Federation.

If during geological exploration by the Company (including under a joint license) a deposit is discovered that has the status of federal significance, the Government of the Russian Federation may decide to refuse to provide subsoil usage rights to the exploration and production block of federal significance or, if the geological exploration of the subsoil is performed under a joint license, to terminate the exploration and production rights to the block if a threat arises to the country's defence and the state's security. This may lead to the seizure of the deposit with the payment of compensation to the subsoil users.

The decision to refuse usage rights to a LUKOIL Group organisation or termination of usage rights may have an indirect effect on the Company's income.

Under Russian law, only legal entities in whose charter capital the equity holding (contribution) of the Russian Federation is more than fifty percent and/or in respect of which the Russian Federation has the right to directly or indirectly dispose of more than fifty percent of the total number of votes conferred by the voting shares (holdings) making up the charter capital may be subsoil users on federally significant subsoil blocks of the continental shelf of the Russian Federation, and also on federally significant subsoil blocks located in the Russian Federation and extending onto the continental shelf. This condition restricts the ability of LUKOIL Group organisations to obtain new licenses. This restriction may be partially eliminated through participation in joint enterprises with OAO Gazprom and OAO Rosneft.

The main legal risk that may affect OAO “LUKOIL” in connection with possible future changes to requirements on licensing subsoil use is the risk that the licensing procedure will become more difficult, and specifically that possible restrictions will be introduced on participation in tenders and auctions to obtain subsoil usage rights, as well as an expansion of the list of grounds for the termination and suspension of licenses.

In addition, the Company cannot exclude the possibility that the licenses held by OAO “LUKOIL” and its subsidiaries could be suspended or recalled prior to their expiration date in connection with possible violations of licensing terms, late payment or for other reasons. This may have a negative effect on the Company’s operations and the value of its assets.

OAO “LUKOIL” performs systemic work to analyse and assess legislative initiatives of the ministries and agencies involved in subsoil legislation and the licensing of particular types of activities, and takes these into account in its operations, which allows it to minimise risks associated with possible changes to legislation.

OAO “LUKOIL” believes that the legal risks associated with changes to licensing requirements for the Company’s main line of business will not critically affect the financial results of the Company’s operations, since the Company has all necessary fixed assets and equipment and conducts its operations on the basis of compliance with the norms of effective Russian legislation.

#### **6.5. Risk associated with the non-recoverability of deductions on excise payments and with claims against the Company by the tax authorities**

In connection with amendments to the Tax Code of the Russian Federation, which came into effect from 1 January 2009, there is a risk of possible claims by the tax authorities in respect of the legitimacy of deductions of excise payments, if during the period of validity of the new version of article 182 of the Tax Code Group organizations take deductions for excise on oil products produced in 2008, but on which excise payments were made in 2009.

In addition to risks associated with negative changes to Russian laws, the Company may encounter risks of deterioration in the legal climate for doing business in foreign states.

#### **6.6. Tax risks in countries where the Company has a presence**

The risks described below are beyond the Company's control. Nonetheless, OAO “LUKOIL” pays the utmost attention to these risks and works to find means of minimizing their effect on the Company's financial results.

##### **Risks involved in the recovery of value-added tax in Ukraine**

There is currently a risk that the Ukrainian tax authorities will incorrectly apply the statutory norms for the recovery of value-added tax, which may make it impossible to recover on time and in full the amounts of VAT paid in connection with the export of oil products.

##### **Risks of changes to tax legislation in Kazakhstan**

A new Tax Code took effect in Kazakhstan from 1 January 2009.

The main concept behind the new Tax Code is to increase the tax burden on extracting companies in cases where high oil prices are established on the market.

As a result of these amendments, the favourable tax treatment of oil production, which had previously been provided to taxpayers on an individual basis, has been eliminated. The general taxation procedure now applies to such taxpayers. Moreover, an additional tax load has been established for exporters, including a higher rate of mineral extraction tax and export royalties.

Thereby, in the event of a substantial increase in oil prices on global markets, the tax burden on the LUKOIL Group will be substantially increased; however, in the current situation, this risk seems to us to be insignificant.

## **7. Operating risks**

### **7.1. Environmental and industrial safety risks**

The problems of the greenhouse effect and climate change are becoming ever more important to the global community. Operations on the extraction and refining of oil and gas carry with them potential environmental risks – they are associated with significant emissions of carbon dioxide, the possibility of oil spills, and other industrial accidents.

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”. Indirect effects on the financial results of the operations of OAO “LUKOIL” may be felt from damage to the Company's reputation and the actions of state authorities should such environmental risks be realized.

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

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

Systems have been created at all LUKOIL Group organizations to manage industrial safety, occupational safety, and the environment, certified in accordance with international standards ISO 14001\* and OHSAS 18001\*\*. In terms of its industrial and occupational safety figures, OAO “LUKOIL” is one of the best companies in the Russian oil and gas sector and is generally at the levels of major transnational companies. Nonetheless, the Company continues to invest funds in insuring its assets and third-party liability. The environmental risk insurance coverage of OAO “LUKOIL” is equal to USD 15 billion.

One of the elements of the Company's industrial safety management system is the creation and implementation of environmental safety programs. During 2008, the Company completed implementation of the Environmental Safety Program of the LUKOIL Group for 2004–2008, developed under the framework of the System for the Management of Industrial, Occupational and Environmental Safety. The Program contained more than 300 environmental-protection measures.

The new Environmental Safety Program for 2009-2013 and Forecast to 2017 was presented in December 2008. The goal of the Program is to improve the environmental management system and minimize the negative impact of production activities on the environment. The Program includes measures on waste disposal, handling of associated petroleum gas, implementation of the mechanisms of the Kyoto Protocol, increase in the production of environmentally cleaner Euro-4 and Euro-5 fuels, and ensuring that our environmental impact meets the standards of domestic and international legislation. The

---

\* The ISO 14001 standard confirms that the Company has an environmental policy in place and that the Company complies with its provisions in its work, works to continuously improve the environmental management system, and takes all necessary measures to prevent a negative environmental impact.

\*\* The specifications of OHSAS 18001 are intended to help organizations manage project risks related to protecting the health and safety of employees and the population. Key elements of the specifications involve identifying risk factors, assessing and monitoring them, compliance with regulatory requirements, and continuous improvements to occupational safety.

Programme includes about 500 measures to be taken. The Programme also includes a forecast assessment of the environmental impact to 2017 of the operations of the LUKOIL Group in Russia and abroad. Forecasts were made for an optimistic and a pessimistic scenario. The main factors with a comprehensive effect on the forecast were more stringent demand of environmental legislation, increasing costs on environmental measures, and also increasing production volumes.

In addition to the foregoing, the Company constantly monitors the ecological situation at its most environmentally risky production facilities and is working to reduce harmful emissions. The Company has made significant progress compared to the average pollution level of Russian refineries.

A number of OAO "LUKOIL" projects in the field of environmental protection have received awards from the Ministry of Natural Resources, which is evidence that the government highly appreciates the Company's environmental programme.

## **7.2. Risk of shortage of qualified personnel**

The growing global shortage of specialists and the general ageing of employees in the oil-and-gas sector are forcing companies to turn their eyes to the Russian labour market. 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 modernize facilities with a view to reducing the number of service personnel, which may have a negative impact on the Company's operating financial performance.

In order to minimize this risk, OAO "LUKOIL" is taking active measures to develop its own personnel reserves, implements comprehensive social programs for employees and their family members, and invests in the development of domestic educational institutions in the oil and gas sector.

## **8. Risk management procedures**

As part of its risk management efforts, OAO "LUKOIL" has identified key business processes and integrated modern risk management technologies in them.

The Company has implemented a centralized 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, minimizing their effects on the company's performance.

In addition, the Company carries out systematic monitoring at the corporate level of potential risk events associated with current operations and investment projects, as part of its operational risk management.

The efficient centralized fiscal management system implemented by the Treasury of the Company allows us to minimize liquidity risks.

The Company has a division that oversees the risk management process on a central basis.

The Company is currently developing a global corporate-wide risk management system that will take into account the accumulated experience in developing risk management systems at the subsidiaries of OAO "LUKOIL".

The corporate-wide risk management system is being developed taking into account best practices in integrated risk management, which sets key principles of risk management, including the risk appetite of Company shareholders and management, and the distribution of responsibility for risk management.

In key areas of operations, such as a strategic planning, assessment of risk profiles, assessment and implementation of investment projects, management of financial resources, liquidity, and derivative risk, the company intends to implement a quantitative risk assessment system, including such indicators as value at risk, cash flows at risk, etc.

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

- prevention/reduction of potential damage from identified risks, for the purpose of increasing the Company's capitalization;

- increasing the efficiency of trading operations and hedging;
- achieving the optimal distribution of risk capital on the basis of the risk–income ratio;
- satisfying the requirements of regulatory authorities on disclosing risk information;
- improvement of the Company's credit rating and greater trust on the part of investors and all interested users of information on the Company.

## Information on adherence to the Corporate Governance Code

	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
<i>General meeting of shareholders</i>			
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 shareholders meeting, using electronics means of communication, including over the Internet.	Compliance	Point 5.5 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
4.	Shareholders have the opportunity to submit an item to the agenda of the general shareholders meeting or demand the convocation of a general shareholders meeting without submitting a statement from the shareholder registry, if their rights to shares are accounted for in a shareholder registry system, or if rights to shares are accounted on a deposit account, then a statement from the deposit account is sufficient to exercise the given rights.	Compliance	Point 3.3 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
5.	The charter or internal documents of the joint stock company contains a requirement on the mandatory attendance at the general shareholders meeting of the General Director, members of the Management Committee, members of the Board of Directors, members of the Audit Commission, and the auditor of the joint stock company.	De facto compliance	In accordance with point 6.2 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i> , the Board of Directors send an invitation to attend the general Shareholders Meeting to the President of the Company, members of the Board of Directors, members of 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, 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 general shareholders meeting will consider issues of the election of the members of the Board of Directors, General Director, members of the Management Committee, members of the Audit Commission, and also the issue of the approval of the Auditor of the Company.	De facto compliance	See note to item 5
7.	The internal documents of the joint stock company contain the procedure for registering the 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>

<b>Board of Directors</b>			
8.	The charter of the joint stock company contains the authorities of the Board of Directors regarding the annual approval of the financial business plan of the joint stock company.	-	In accordance with point 10.6.3 of the Charter of OAO "LUKOIL", the development and approval of quarterly, annual and future plans, the budget and the investment programme are assigned to the authority of the Management Committee.
9.	The Board of Directors has approved a procedure for risk management at the joint stock company.	Compliance	<p>Point 3.1.10 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i></p> <p>In accordance with this point, the authorities of the Audit Committee include 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 joint stock company defines the rights of the Board of Directors to take a decision on terminating the authority of the General Director appointed by the general shareholders meeting.	-	<p>The Charter of OAO "LUKOIL" assigns the appointment of the President and the early termination of the authorities of the President to the competence of the general Shareholders Meeting.</p> <p>The President is appointed by the general Shareholders Meeting for a term of five years.</p>
11.	The charter of the joint stock company defines the right of the Board of Directors to establish requirements on the qualifications and amount of remuneration of the General Director, members of the Management Committee, and top management of the main structural units of the joint stock company.	Compliance	<p>Point 9.7.10 of the Charter of OAO "LUKOIL"</p> <p>The authorities of the Board of Directors include the establishment of the main terms of contracts to be concluded with the President and members of the Management Committee.</p> <p>Sections 2 and 3 of the <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i>.</p> <p>One of the purposes of the Committee is to develop and submit to the Board of Directors recommendations on issues of human resources and Company standards on recruiting candidates to the management bodies. The Committee determines the criteria</p>

			for selecting candidates to the Board of Directors, Management Committee, and for the position of President of the Company, makes a preliminary assessment of candidacies to the positions of the management bodies, and makes the corresponding recommendations to the Board of Directors of the Company. The Committee also makes recommendations to the Board of Directors on the material terms and conditions of contracts being concluded with members of the Management Committee and the President of the Company.
12.	The charter of the joint stock company defines the right of the Board of Directors to approve the terms of contracts with the General Director and members of the Management Committee.	Compliance	Point 9.7.10 of the Charter of OAO "LUKOIL" The authorities of the Board of Directors include the establishment of the main terms of contracts to be concluded with the President and members of the Management Committee.
13.	The charter or the internal documents of the joint stock company contain a requirement that when approving the terms of the contract with the General Director (management organisation, manager) and the members of the Management Committee, the votes of members of the Board of Directors who hold such positions are not counted in the voting.	Compliance	Point 9.8.4 of the Charter of OAO "LUKOIL"
14.	The Board of Directors of the joint stock company includes at least three independent directors that meet the requirements of the Code of Corporate Governance.	Compliance	Point 9.2 of the Charter of OAO "LUKOIL" contains a provision that shareholders will attempt to nominate and elect to the Board of Directors at least three independent directors.
15.	The Board of Directors of the company 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 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 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
16.	The Board of Directors of the company does not contain persons who are a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with the company.	-	Apart from A.N. Shokhin, who from 2009 also serves on the Board of Directors of OAO TNK-BP Management, the Board of Directors of OAO "LUKOIL" does not contain any other person who is the General Director (manager), member of management bodies, or employee of a legal entity that competes with OAO "LUKOIL". 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 influence the operations of these companies.
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, in the event of the appearance of such conflict, 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 is obligated not to disclose and not to use, <i>inter alia</i> in their personal interests, 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 performs an analysis of 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 existence/absence of interest in transactions performed by the Company, when the Board of Directors takes the relevant decisions; the appearance and termination of related-party status/affiliation relative to the Company; the onset of circumstances preventing effective work as a member of the board of directors; loss by a director of the status of independent director.</p>
19.	The company's internal documents specify the obligation of members of the Board of Directors to notify the Board of Directors of their intention to complete a transaction with the securities of a company on whose board they serve, or the securities of the subsidiaries (equity affiliates) of such company, and also to disclose information on transactions they have performed with such securities.	Compliance	<p>Point 3.9 of the <i>Regulations on the Information Policy of OAO "LUKOIL"</i></p> <p>Point 1.5 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i></p>
20.	The company's internal documents 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 annual report of the company 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 documents 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 documents contain a provision on the mandatory approval by the Board of Directors of the company's transactions involving 10 percent or more the value of the assets of the company, 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 documents specify the right of the Board of Directors to receive the information necessary to perform their functions from the executive bodies and heads of the main structural units of the company, and also liability for the failure to provide such information.	Compliance	Point 5.2 of the <i>Regulations on the Information Policy of 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	Point 4.1 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i> The audit committee is elected from the non-executive directors of the Company. 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.	Leadership 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 documents specify the right of all members of the audit committee to have access to any documents and information of the company, provided they do not disclose confidential information.	Compliance	Point 14.1 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>
30.	A committee of the Board of Directors has been created (human resources and compensation committee) whose functions are to determine criteria for the recruitment of candidates to the Board of Directors and the development of the company's compensation policy.	Compliance	<i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> .
31.	Leadership 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	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 is elected from the non-executive directors of the Company. 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).	-	The possibility of creating such a committee is under consideration
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).	-	The possibility of creating such a committee is under consideration
35.	The corporate conflicts committee does not contain company officers.	-	See point 34
36.	Leadership of the corporate conflicts committee is entrusted to an independent director.	-	See point 34
37.	The company has internal documents approved by the Board of Directors that stipulate the procedure for the creation and operation of board committees.	Compliance	<i>The Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL", the Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL", and the 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"
<b><i>Executive bodies</i></b>			
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 documents contain a provision on the mandatory approval by the management committee of transactions with real estate or the receipt of a loan by the company, if the given transactions do not constitute major transactions and if their performance is not part of the normal course of business of the company.	Compliance	The Company has in place a <i>Procedure for Approving Major Transactions by subsidiaries of OAO "LUKOIL"</i> , approved by decision of the Management Committee of OAO "LUKOIL" of 14 December 2004 (Minutes No. 36). 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", on the acquisition (alienation) of fixed assets and/or intangible assets, provision of loans, credits, guarantees and suretyships, targeted financing, and also the receipt of loans and credits, if such transactions meet specific criteria related to the size of transactions in monetary terms, and also (for transactions with real estate) the percentage share of the value of fixed assets and/or intangible assets in the book value of the assets of the subsidiary. Approval of one or several inter-related transactions involving the acquisition,

			alienation or possibility of alienation of property the value of which is between 10 percent and 25 percent of the book value of the Company's assets, except transactions performed in the normal course of the Company's business, are assigned to the competence of the Board of Directors by point 9.7.19 of the Charter of OAO "LUKOIL".
41.	The company's internal documents specify the procedure for the coordination of operations that fall outside the normal course of business of the company.	De facto compliance	The decision of the Board of Directors of 29 October 2007 (Minutes No. 25) established that the Management Committee of OAO "LUKOIL" has the right, in the event of substantial changes to the macroeconomic conditions, to make revisions to the Investment Programme of the LUKOIL Group for 2008, provided that these revisions are in accord with the strategic goals of the Company and are supported by sources of financing, with subsequent approval of the said revisions by the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL".
42.	The executive officers of the company do not include persons who are a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with the joint stock 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 the general director or members of the management committee of the joint stock 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 joint stock 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 joint stock 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 joint stock company's internal documents specify the obligation of the executive bodies to refrain from actions that will or potentially could lead to a conflict between their interests and the interests of the joint stock 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 joint stock company's charter or internal documents contain criteria for selecting the management organisation (manager).	-	See point 44
47.	Provision by the executive bodies of monthly reports on their work to the board of directors	-	In accordance with article 69 of the Federal Law <i>On Joint Stock</i>

			<i>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.	Establishment of liability in the contracts concluded by the joint stock company with the general director (management company, manager) and the members of management 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 confidential the work of the Management Committee and not to disclose information that becomes known to them in connection with their performance of the duties of a member of the Management Committee. These contracts also stipulate the liability of members of the Management Committee for losses caused to the Company as a result of their culpable actions (inaction) as members of the collective executive body of the Company. 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. 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.
<b><i>Company secretary</i></b>			
49.	The joint stock company has a designated official (i.e. the company secretary) who is responsible for ensuring compliance by the company's bodies and officials with procedural requirements guaranteeing the observance of the company's rights and legal interests	Compliance	By decision of the Board of Directors 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 joint stock 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.
<b><i>Material corporate actions</i></b>			
52.	The company charter or internal documents contain requirements on approving major transactions prior to their conclusion	De facto compliance	Pursuant to point 9.7.17 of the Charter of OAO "LUKOIL", the competence of the Board of Directors includes approval of major transactions, the

			subject of which is property with a value equal to between 25 percent and 50 percent of the book value of the assets of the Company, determined according to the data of its financial statements on the latest reporting date, except for transactions carried out in the normal course of business of the Company, transactions related to the placement by subscription (sale) of ordinary shares of the Company, and transactions related to the placement of issuable securities convertible to ordinary shares of the Company. In the reporting year OAO "LUKOIL" performed no transactions that are considered major transactions in accordance with the Federal Law <i>On Joint Stock Companies</i> .
53.	Mandatory hiring of an independent appraiser to assess the market value of property that is the subject of a major transaction	Compliance	Point 5.2.2 of the <i>Regulations on Independent Appraisals in the Interests of the LUKOIL Group</i>
54.	The company charter contains a ban on taking any actions during the acquisition of major shareholdings in the joint stock company (takeover) aimed at protecting the interests of the executive bodies (members thereof) and the members of the Board of Directors of the joint stock company or worsening the position of shareholders in comparison with the current situation (specifically, prior to the end of the scheduled period for acquisition of shares the Board of Directors is prohibited from passing a decision on 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 Independent Appraisals in the Interests of the LUKOIL Group</i>
56.	The company charter does not release the buyer from the obligation to propose that shareholders sell the ordinary shares in the company belonging thereto (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 documents 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 Independent Appraisals in the Interests of the LUKOIL Group</i>
<b>Disclosure of information</b>			
58.	An internal document has been approved by the board of directors that determines the company's rules and approaches to the disclosure of information (Regulations on Information Policy)	Compliance	<i>Regulations on Information Policy at OAO "LUKOIL"</i>
59.	The company's internal documents contain requirements on disclosing information on the objective of placement of shares, on the parties that plan to purchase the placed shares (including a major shareholding), and whether the company's top officials will participate in the purchase of the company's placed shares	Compliance	Point 3.11 of the <i>Regulations on the 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 documents contain requirements on the disclosure of information on transactions with parties designated by the charter as top officials of the company and on transactions with organisations in which top company officials own directly or indirectly an equity shareholding of 20 or more percent or in which such parties can exert significant influence through other means	Compliance	<i>The 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, point 4.1, Appendix No. 2.</i> Information on one-time transactions or a series of transactions with related parties, if the amount of such transactions exceeds a specific threshold or are concluded outside the normal course of business, must be disclosed if this information could have a material effect on the exchange rate of the securities. Information on operations with related parties is also regularly disclosed in the notes to the financial statements of the LUKOIL Group prepared according to US GAAP
63.	The joint stock company's internal documents contain requirements on disclosing information on all transactions which 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 on ensuring the performance of obligations associated with the listing of the securities of OAO "LUKOIL" 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 shares of the joint stock company.	Compliance	Section 7 of the <i>Regulations on the Information Policy of OAO "LUKOIL"</i>
<b><i>Control over the financing and operating activity of an enterprise</i></b>			
65.	There are internal procedures approved by the board of directors for control over the company's financial and business activity	Compliance	<i>Regulations on Internal Audit in the LUKOIL Group, Regulations on Internal Control and Internal Audit at OAO "LUKOIL"</i>
66.	The company has a special division responsible for ensuring compliance with the internal control procedures (the control and audit service)	Compliance	The Main Division of Control and Internal Audit
67.	The company's internal documents contain requirements on determination by the board of directors of the structure and composition of the company's control and audit service	-	The Main Division of Control and Internal Audit is subordinate to the Company President. In this regard, the authorities of the Audit Committee of the Board of Directors of OAO "LUKOIL" include study of the system of internal controls at the Company and analysis of the effectiveness of the

			work of the Main Division of Control and Internal Audit, in order to report to the Board of Directors of the Company on the financial and business operations of the Company
68.	The control and audit service does not contain persons who have been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who have been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market	De facto compliance	The Company has no information to the effect that any person who is an employee of the Main Division of Control and Internal Audit has been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who has been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.
69.	The control and audit service does not contain persons who are members of the company's executive bodies or persons who are participants, the general director (manager), members of the management bodies or employees of a legal entity that competes with the company	-	The Head of the Main Division of Control and Internal Audit is a member of the Management Committee of OAO "LUKOIL"
70.	The company's internal documents contain a deadline for submitting documents and materials to the control and audit service for assessment of the financial and business operations performed, and also the liability of company officials and employees for the late submission of such documents and materials	De facto compliance	Section 3 of the <i>Instructions on Documentary Support for Management Activity at OAO "LUKOIL"</i> . Documents and materials are to be provided to the control and audit service in accordance with the general procedure for document flow.
71.	The company's internal documents contain the obligation of 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 contains requirements on preliminary assessment by the control and audit service 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 Internal Control and Internal Audit at OAO "LUKOIL"</i> stipulate the participation of the Main Division of Control and Internal Audit 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 documents contain the procedure for agreeing unusual operations with the board of directors	Compliance	Point 9.7.20 of the Charter of OAO "LUKOIL"
74.	There is an internal document approved by the board of directors 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 prior to its submission to the shareholders at the general shareholders meeting	Compliance	Point 3.1 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>
<b>Dividends</b>			
76.	There is an internal document approved by the board of directors that is used by the board of directors 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 the dividend policy contain a procedure for determining the minimum share of net profit of the	Compliance	Point 3.2 of the <i>Regulations on the Dividend Policy of OAO "LUKOIL"</i>

	company 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		
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 shareholders meetings, and the given information is placed on the company's Internet website	Compliance	<p><i>Regulations on the Dividend Policy of OAO "LUKOIL"</i> were approved by decision of the Board of Directors of OAO "LUKOIL" of 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>The <i>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 2008 that are recognised as major transactions in accordance with the Federal Law *On Joint Stock Companies*, and other transactions covered by the approval procedure for major transactions in accordance with the Charter of OAO “LUKOIL”:**

OAO “LUKOIL” did not carry out any transactions in 2008 that are recognised as major transactions in accordance with the Federal Law *On Joint Stock Companies*, or any other transactions covered by the procedure for approving major transactions in accordance with the Charter of Open Joint Stock Company “Oil company “LUKOIL”, as amended on 12 August 2002, 26 June 2003, 24 June 2004, 24 January 2005, 28 June 2005, 28 June 2006, and 28 June 2007.

**List of transactions carried out by OAO “LUKOIL” in 2008 that are recognised as interested-party transactions in accordance with the Federal Law *On Joint Stock Companies*:**

*Interested-party transactions of OAO “LUKOIL” approved by the annual General Shareholders Meeting of OAO “LUKOIL” of 26 June 2008 and concluded in 2008*

1. Number of the transaction approved by the annual General Shareholders Meeting	1
2.1. Price (amount in USD)	The approximate amount of the loan is up to USD 2,213,575,423.70.
2.2. Price (amount in roubles)	The approximate amount of the loan is up to RUB 52,240,380,000.
3. Names of parties	OAO “LUKOIL” (Lender) OOO Naryanmarneftegaz (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Shareholder loan agreement (hereinafter the “Agreement”).
6. Subject of the transaction	The Lender provides the Borrower with a special-purpose loan in an amount of up to RUB 52,240,380,000. The Borrower undertakes to repay the loan amount received and to pay interest thereon by the dates and according to the procedure determined by the Agreement. The loan is provided for a term of 30 years from the date of signing of the Agreement, and may be extended for another 30 years. Early repayment is possible on agreement with the Lender. The Borrower will pay the Lender interest at the Applicable interest rate established by the Lender relying on market interest rates, as determined based on the fixed interest rates on Russian rouble loans offered to companies by the leading international commercial creditors on the Russian market on similar loans for the relevant term. The Lender will provide the Borrower with a written notice on the amount of the Applicable interest rate, which will be used from the date of signing of the Agreement. The interest rate may be changed by the Lender.
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 Naryanmarneftegaz.

8. Other material terms of the transaction	Any repayment of principal, interest or other amounts due and payable under the Agreement shall be made exclusively using the income and other funds of the Borrower received from operations other than Sole Risk Operations. Sole Risk Operations shall be understood to mean all oil and gas operations performed and financed by any party to the agreement at its own risk and expense.
1. Number of the transaction approved by the annual General Shareholders Meeting	2
2.1. Price (amount in USD)	The approximate amount of the loan is up to USD 1,906,779,661.02.
2.2. Price (amount in roubles)	The approximate amount of the loan is up to RUB 45,000,000,000.
3. Names of parties	OAO "LUKOIL" (Lender) OAO YuGK TGC-8 (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Provision of a loan.
6. Subject of the transaction	The Lender provides the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments (tranches)), the total amount of debt on which may not exceed RUB 45,000,000,000 at any time, and the Borrower undertakes to repay the funds received and to pay interest thereon at a rate to be determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group (hereinafter the Marketing Policy), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended, for loans with a term of up to one year.
7. Grounds for status as an interested party	Vladimir Ivanovich Nekrasov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO YuGK TGC-8.
8. Other material terms of the transaction	The borrowed funds are being provided to replenish working capital, and cannot be used by the Borrower for any other purposes. The revolving loan is provided for a term of up to 31 December 2008, with the option for the Lender to call the loan early. If on 30 December of this year neither of the Parties has announced otherwise in writing, the deadline for repaying the loan will be deferred until 31 December of the following year. The Parties will be notified in writing of a change in the interest rates in accordance with the Marketing Policy.
1. Number of the transaction approved by the annual General Shareholders Meeting	3
2.1. Price (amount in USD)	The approximate amount of the loan is up to USD 1,906,779,661.02.
2.2. Price (amount in roubles)	The approximate amount of the loan is up to RUB 45,000,000,000.
3. Names of parties	OAO "LUKOIL" (Borrower) OAO YuGK TGC-8 (Lender)
4. Names of beneficiaries	-
5. Name of transaction	Receipt of a loan.
6. Subject of the transaction	The Lender provides the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments (tranches)), the total amount of debt on which may not exceed RUB 45,000,000,000 at any time, and the Borrower undertakes to repay the funds received and to pay interest thereon at a rate to be determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group (hereinafter the Marketing Policy), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended, for call loans.
7. Grounds for status as an interested party	Vladimir Ivanovich Nekrasov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO YuGK TGC-8.

8. Other material terms of the transaction	<p>The borrowed funds are being provided to replenish working capital, and cannot be used by the Borrower for any other purposes.</p> <p>The revolving loan is provided for a term of up to 31 December 2008, with the option for the Lender to call the loan early. If on 30 December of this year neither of the Parties has announced otherwise in writing, the deadline for repaying the loan will be deferred until 31 December of the following year.</p> <p>The Parties will be notified in writing of a change in the interest rates in accordance with the Marketing Policy.</p>
1. Number of the transaction approved by the annual General Shareholders Meeting	4
2.1. Price (amount in USD)	up to USD 10,000 – premium for coverage A; up to USD 1,290,000 – premium for coverage B.
2.2. Price (amount in roubles)	up to RUB 255,000 – premium for coverage A; up to RUB 32,895,000 – premium for coverage B.
3. Names of parties	<p>OAO Kapital Insurance (Insurer)</p> <p>OAO “LUKOIL” (Policyholder)</p>
4. Names of beneficiaries	<p>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.</p> <p>Under coverage B – OAO “LUKOIL”.</p>
5. Name of transaction	Policy (contract) on insuring the liability of directors, officers and corporations.
6. Subject of the transaction	<p>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.</p> <p>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 after the end 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”.</p> <p>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.</p>
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	<p>The policy is effective from 19 July 2008 to 19 July 2009.</p> <p>The premium under coverage A applies in equal measure to each of the Directors and Officers indicated in the list shown in the appendix to the policy.</p> <p>The liability limit is at least USD 50,000,000 (total aggregate limit for coverage A and B, including legal defence costs).</p> <p>All settlements are made in roubles at the exchange rate of the Bank of Russia on the date of payment.</p>

***Interested-party transactions of OAO "LUKOIL" approved by the Board of Directors of OAO "LUKOIL" and concluded in 2008***

1. Number of the transaction approved by the Board of Directors	1
2.1. Price (amount in USD)	The approximate amount of the agency fee is USD 0.27 including VAT. The amount of the Agent's expenses is USD 175.44.
2.2. Price (amount in roubles)	The approximate amount of the agency fee is RUB 7 including VAT. The amount of the Agent's expenses is RUB 4,500.
3. Names of parties	OAO "LUKOIL" (Agent) OOO Naryanmarneftegaz (Principal)
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 for a fee to perform legal and other actions on the Principal's instructions in its own name, but at the Principal's expense, aimed at determining the market value of the oil sold by the Principal on the domestic market of the Russian Federation and for export (including sales under commission agreements) in 2007.
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 Naryanmarneftegaz.
8. Other material terms of the transaction	The amount of the fee is 0.15 % of the amount of the Agent's expenses, plus 18% VAT.
1. Number of the transaction approved by the Board of Directors	2
2.1. Price (amount in USD)	USD 2,500
2.2. Price (amount in roubles)	RUB 61,225
3. Names of parties	OAO "LUKOIL" (Licensor) Independent Non-Profit Organisation LUKOIL Athletic Club (Licence Holder)
4. Names of beneficiaries	-
5. Name of transaction	Licensing agreement on the provision of a non-exclusive licence to use trademarks (hereinafter the "Agreement").
6. Subject of the transaction	The Licensor is providing the Licence Holder, for a fee and for the effective term of the Agreement, with a non-exclusive license to use on the territory of the Russian Federation trademarks belonging thereto pursuant to certificates No. 141745, 141746, 141747 and 141748 with a priority date of 20 July 1995, and pursuant to certificate No. 164551 with a priority date of 6 February 1998, issued by the Patents and Trademarks Committee of the Russian Federation (Rospatent).
7. Grounds for status as an interested party	Mikhail Pavlovich Bereznoi, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of the Independent Non-Profit Organisation LUKOIL Athletic Club.  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	<p>The Licence Holder only has the right to use the trademark  in combination with the trademarks “LUKOIL”, “ЛУКОИЛ”, “ЛУКОЙЛ” or “ЛУКОЙЛ”.</p> <p>In this regard, a combination of two trademarks is recognised as a composition in which all trademarks are distinctly recognisable and are located close to one another on each object.</p> <p>The amount of the licence fee for the entire effective term of the Agreement is USD 2,500, plus VAT in accordance with the legislation of the Russian Federation.</p>
1. Number of the transaction approved by the Board of Directors	3
2.1. Price (amount in USD)	USD 2,500
2.2. Price (amount in roubles)	RUB 61,225
3. Names of parties	<p>OAO “LUKOIL” (Licensor)</p> <p>Non-Profit Organisation LUKOIL Charitable Fund (Licence Holder)</p>
4. Names of beneficiaries	-
5. Name of transaction	Licensing agreement on the provision of a non-exclusive licence to use trademarks (hereinafter the “Agreement”).
6. Subject of the transaction	The Licensor is providing the Licence Holder, for a fee and for the effective term of the Agreement, with a non-exclusive license to use on the territory of the Russian Federation trademarks belonging thereto pursuant to certificates No. 141745, 141746, 141747 and 141748 with a priority date of 20 July 1995, and pursuant to certificate No. 164551 with a priority date of 6 February 1998, issued by the Patents and Trademarks Committee of the Russian Federation (Rospatent).
7. Grounds for status as an interested party	<p>Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the Fund.</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of the Fund.</p> <p>Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO “LUKOIL”, is the brother of Nelli Yusufovna Alekperova, a member of the Board of the Fund.</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the Fund.</p>
8. Other material terms of the transaction	<p>The Licence Holder only has the right to use the trademark  in combination with the trademarks “LUKOIL”, “ЛУКОИЛ”, “ЛУКОЙЛ” or “ЛУКОЙЛ”.</p> <p>In this regard, a combination of two trademarks is recognised as a composition in which all trademarks are distinctly recognisable and are located close to one another on each object.</p> <p>The amount of the licence fee for the entire effective term of the Agreement is USD 2,500, plus VAT in accordance with the legislation of the Russian Federation.</p>
1. Number of the transaction approved by the Board of Directors	4
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 Bank Petrocommerce (Bank)</p> <p>OAO “LUKOIL” (Client)</p>
4. Names of beneficiaries	-
5. Name of transaction	Bank account agreement of a resident legal entity (hereinafter the “Agreement”).
6. Subject of the transaction	In accordance with the Agreement, the Bank simultaneously opens a current hard-currency account (in US dollars) and a transit account (the Accounts) and services these accounts on the terms and conditions stipulated by the effective legislation

	of the Russian Federation, regulatory acts of the Bank of Russia and the Agreement.
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. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The possibility to manage the funds on the Accounts by electronic or other means of communication with the use of equivalents of a handwritten signature (except facsimile), codes, passwords and other methods to verify that the instructions are given by an authorized party may be stipulated in a separate agreement (contract).
1. Number of the transaction approved by the Board of Directors	5
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 Bank Petrocommerce (Bank) OAO "LUKOIL" (Client)
4. Names of beneficiaries	-
5. Name of transaction	Bank account agreement of a resident legal entity (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Bank opens a settlement account in the currency of the Russian Federation (the Account) and performs settlement and cash services on the account on the terms and according to the procedure stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia and the Agreement.
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. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The Bank shall provide services that are not directly related to settlement and cash services (lending, securities operations, encashment, etc.) under separate contracts (agreements). The possibility to manage the funds on the Account by electronic or other means of communication with the use of equivalents of a handwritten signature (except facsimile), codes, passwords and other methods to verify that the instructions are given by an authorized party may be stipulated in a separate agreement (contract).
1. Number of the transaction approved by the Board of Directors	6
2.1. Price (amount in USD)	The approximate amount of the agency fee is USD 2.65, plus VAT of USD 0.48. The amount of the Agent's expenses is USD 2,651.98.
2.2. Price (amount in roubles)	The approximate amount of the agency fee is RUB 65, plus VAT of RUB 11.70. The amount of the Agent's expenses is RUB 65,000.
3. Names of parties	ZAO LUKOIL-Neftekhim (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 for a fee to conclude service contracts with third parties (Appraisers), in its own name but at the Principal's expense, on the valuation of the market value of information technology support assets to be transferred by the Principal to OOO LUKOIL-INFORM (Valuation Targets), and to accept the valuation reports on the Valuation Targets prepared by the Appraisers.
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 Supervisory Board of ZAO LUKOIL-Neftekhim.
8. Other material terms of the transaction	The Agent's fee is 0.1% of the amount spent by the Agent on the performance of the Principal's instructions, plus 18% VAT.
1. Number of the transaction approved by the Board of Directors	7
2.1. Price (amount in USD)	The approximate amount of the agency fee is USD 0.93 including VAT. The amount of the Agent's expenses is USD 606.79.
2.2. Price (amount in roubles)	The approximate amount of the agency fee is RUB 23 including VAT. The amount of the Agent's expenses is RUB 15,000.
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 for a fee to perform legal and other actions on the Principal's instructions in its own name, but at the Principal's expense, aimed at determining the monthly market value of the oil sold by the Principal on the domestic market of the Russian Federation and for export (including sale under commission agreements) in 2007.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The amount of the fee is 0.15% of the amount of the Agent's expenses, plus 18% VAT. The agreement enters into force from the time of its signing, and extends to the legal relations between the parties arising from 1 June 2007.
1. Number of the transaction approved by the Board of Directors	8
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 Bank Petrocommerce (Bank) OAO "LUKOIL" (Client)
4. Names of beneficiaries	-
5. Name of transaction	Current hard-currency bank account agreement of a resident legal entity (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Bank simultaneously opens a current hard-currency account (in euros) and a transit account

	and services these accounts on the terms and conditions stipulated by the effective legislation of the Russian Federation, regulatory acts of the Bank of Russia and the Agreement.
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. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The Agreement shall enter into force from the time when it is signed by both Parties.
1. Number of the transaction approved by the Board of Directors	9
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. 0710080 of 12 February 2007 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to perform transactions on the export sale of the Principal's oil produced at the Sredne-Khulymskoe deposit in its own name, at its own expense and in its own interests. Pursuant to a Supplemental Agreement, amendments are being made to section 5 of the Agreement stipulating rouble settlements between the Commission Agent and the Principal in those cases when settlements with the Buyer are made by the Commission Agent in Russian roubles.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Commission Agent shall withhold a fee from the proceeds received from the Buyer on its account for the performance of instructions, but not before the report is approved by the Principal. The fee shall be withheld by the Commission Agent in the currency in which the proceeds were received from the Buyer.
1. Number of the transaction approved by the Board of Directors	10
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. 0710171 of 19 March 2007 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to

	perform transactions on the export sale of the Principal's oil to the Republic of Belarus (with settlements in a foreign currency) in its own name, at its own expense and in its own interests. Pursuant to a Supplemental Agreement, amendments are being made to section 5 of the Agreement stipulating rouble settlements between the Commission Agent and the Principal in those cases when settlements with the Buyer are made by the Commission Agent in Russian roubles.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Commission Agent shall withhold a fee from the proceeds received from the Buyer on its account for the performance of instructions, but not before the report is approved by the Principal. The fee shall be withheld by the Commission Agent in the currency in which the proceeds were received from the Buyer.
1. Number of the transaction approved by the Board of Directors	11
2.1. Price (amount in USD)	From 1 March 2008 the lease payment is USD 2,921.16 per month, plus VAT of USD 525.81.
2.2. Price (amount in roubles)	From 1 March 2008, the lease payment is RUB 71,977.41 per month, plus VAT of RUB 12,955.93.
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 for the temporary use of the Lessee the non-residential premises with a total area of 56 m <sup>2</sup> , 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 <sup>th</sup> floor of Building A at the address: Sretensky bulvar 11, Moscow. According to the Supplemental Agreement to the Agreement, clause 3.1 of the Agreement will be amended in connection with an increase in the lease payment for use of the non-residential premises from RUB 61,026.05 a month (plus VAT of RUB 10,984.69) to RUB 71,977.41 a month (plus VAT of RUB 12,955.93).
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 the Fund NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	The Supplemental Agreement will enter into force from 1 March 2008. The total amount of the lease payment under the Agreement is RUB 84,933.34 a month, including VAT.
1. Number of the transaction approved by the Board of Directors	12
2.1. Price (amount in USD)	The approximate amount of the commission fee is USD 1,000,000 including VAT.
2.2. Price (amount in roubles)	The approximate amount of the commission fee is RUB 24,640,000 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, on the instructions of the Principal and for a fee, to perform transactions 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	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Agreement enters into force from the time of its signing, and will remain in force until 28 February 2009, and as regards mutual settlements – until they have been completed in full. The commission fee is 0.42% of the value of the oil shipped to the Buyer, plus VAT at the rate stipulated by the legislation of the Russian Federation based on the amount of the commission fee.
1. Number of the transaction approved by the Board of Directors	13
2.1. Price (amount in USD)	USD 475,270,424.84.
2.2. Price (amount in roubles)	RUB 11,634,620,000.
3. Names of parties	OAO "LUKOIL" (Lender) OOO Naryanmarneftegaz (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement")
6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a revolving special-purpose loan, either in a lump sum or in instalments, on the conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and according to the procedure indicated in the Agreement.
7. Grounds for status as an interested party	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO Naryanmarneftegaz.
8. Other material terms of the transaction	The loan is provided on a revolving basis, with a term of up to 7 July 2008 inclusive. The Borrower shall pay the Lender interest at a rate to be determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group, approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended, for loans with a term of up to one year. The Agreement shall enter into force from the time when the monetary funds are transferred to the Borrower, and shall remain in effect until the Parties perform their obligations in full.
1. Number of the transaction approved by the Board of Directors	14
2.1. Price (amount in USD)	The amount of the lease payment due for remittance from 1 February 2008 to 31 May 2008 equals USD 178,720.25, plus VAT of USD 32,169.64.
2.2. Price (amount in roubles)	The amount of the lease payment due for remittance from 1 February 2008 to 31 May 2008 equals RUB 4,378,646.04, plus VAT of RUB 788,156.28.

3. Names of parties	<p>OAo FK Spartak-Moskva [Spartak Moscow Football Club] (Lessee)          OAO "LUKOIL" (Lessor)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0411156 of 1 October 2004 on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	<p>Pursuant to the Agreement, the Lessor provides for the temporary use of the Lessee the non-residential premises with a total area of 739.5 m<sup>2</sup>, located on the 3<sup>rd</sup> floor of the building at the address: Pokrovsky bulvar 3, bldg. 1, Moscow.</p> <p>In accordance with the Supplemental Agreement, from 1 February 2008 the lease payment for use of the non-residential premises will increase from RUB 790,209.98 a month, plus VAT of RUB 142,237.80, to RUB 1,094,661.51 a month, plus VAT of RUB 197,039.07.</p>
7. Grounds for status as an interested party	<p>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO FK Spartak-Moskva.</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva.</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 FK Spartak-Moskva.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva.</p>
8. Other material terms of the transaction	-
1. Number of the transaction approved by the Board of Directors	15
2.1. Price (amount in USD)	The amount of the agency fee is USD 2,040.82, including VAT. The amount of the Agent's expenses is USD 7,918,367.35.
2.2. Price (amount in roubles)	The amount of the agency fee is RUB 50,000, including VAT. The amount of the Agent's expenses is RUB 194,000,000.
3. Names of parties	<p>OAO "LUKOIL" (Principal)          Non-Profit Organisation LUKOIL Charitable Fund (Agent)</p>
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 to perform legal and other actions on the Principal's instructions in its own name, but at the Principal's expense, aimed at the advancement of physical fitness and sports, specifically to conclude a contract with the Regional Public Organisation Support Centre for OAO Spartak Moscow Football Club on gratuitous special-purpose financing.
7. Grounds for status as an interested party	<p>Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the Fund.</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of the Fund.</p> <p>Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperova, a member of the Board of the Fund.</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the Fund.</p>
8. Other material terms of the transaction	<p>The date of performance by the Agent of its obligations under the Agreement will be the date when the Principal approves the Agent's final report. The Agent must submit the final report to the Principal no later than 15 December 2008.</p> <p>The Agent will submit an invoice for the payment of its fee within five business days after the date of approval of its final report.</p>

1. Number of the transaction approved by the Board of Directors	16
2.1. Price (amount in USD)	The amount of the lease payment from 1 February 2008 is USD 14,727.02 per month, plus VAT of USD 2,650.86.
2.2. Price (amount in roubles)	The amount of the lease payment from 1 February 2008 is RUB 360,812.10 per month, plus VAT of RUB 64,946.18.
3. Names of parties	<p>OAo Bank Petrocommerce (Lessee)</p> <p>OAo "LUKOIL" (Lessor)</p>
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	<p>Pursuant to the Agreement, the Lessor provides for the temporary use of the Lessee the non-residential premises with a total area of 180.0 m<sup>2</sup> (room 70 and part of room 69), located at the address: Pokrovsky bulvar 3, bldg. 1, Moscow. The Lessor has title to the building.</p> <p>In accordance with the Supplemental Agreement to the Agreement, from 1 February 2008 the lease payment for use of the non-residential premises will increase from RUB 255,317.85 per month, plus VAT of RUB 45,957.21, to RUB 360,812.10 per month, plus VAT of RUB 64,946.18.</p> <p>The new banking details of the Lessor are given in section 7 of the Agreement.</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>Leonid Arnoldovich Fedun, a member of the Management Committee of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.</p>
8. Other material terms of the transaction	-
1. Number of the transaction approved by the Board of Directors	17
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 "LUKOIL" (Disclosing Party)</p> <p>Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Recipient)</p>
4. Names of beneficiaries	-
5. Name of transaction	Confidentiality agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Disclosing Party will transfer information to the Recipient contained in a report prepared by Closed Joint Stock Company PricewaterhouseCoopers Audit under contract No. MOS-ABAS-FS-26001005-A072-078-07/0710832 of 12 October 2007 on the actuarial valuation of pension and social obligations, with the aim of preparing and submitting to the Disclosing Party an Action Plan on the transfer of the non-state pension coverage system under non-state pension coverage contract No. 994-515 of 14 August 2000 to new financing terms.
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 the Fund NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	-
1. Number of the transaction approved by the Board of Directors	18

2.1. Price (amount in USD)	The approximate amount of contributions for 2008 is USD 2,495,921.70.
2.2. Price (amount in roubles)	The approximate amount of contributions for 2008 is RUB 61,200,000.
3. Names of parties	OAO "LUKOIL" (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)
4. Names of beneficiaries	Beneficiaries are the individual participants to the personal accounts of whom pension contributions are made or to whom payments of non-state pensions are made in accordance with the pension contract concluded between the Depositor and the Fund.
5. Name of transaction	Pension contract (for former employees, lifetime payment) (hereinafter the "Contract").
6. Subject of the transaction	The Fund undertakes to provide non-state pension coverage to the Participants designated by the Depositor under pension option No. 16 "with fixed pension contributions to be made to the personal pension accounts of the Participants. Payment of lifetime pensions". The pension rules were approved by decision of the Fund Board No. 20 of 29 November 2007.
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 the Fund NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	Pension contributions shall be made by the Depositor on a monthly basis, or as necessary based on the list approved by the Depositor. The amount of the contribution shall be determined by the Depositor in accordance with the Regulations. A lifetime non-state pension shall be paid to the Participants. The Contract shall enter into force from the time of its signing, and remain in effect for an indefinite period. Pension eligibility is based on the acquisition by the Participant of the right to receive an employment pension or a pension under state pension coverage during the period of his/her employment relations with the Depositor (or after the termination of these relations).
1. Number of the transaction approved by the Board of Directors	19
2.1. Price (amount in USD)	The approximate amount of contributions in 2008 is USD 3,919,249.59.
2.2. Price (amount in roubles)	The approximate amount of contributions in 2008 is RUB 96,100,000.
3. Names of parties	OAO "LUKOIL" (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)
4. Names of beneficiaries	Beneficiaries are the individual participants to the personal accounts of whom pension contributions are made or to whom payments of non-state pensions are made in accordance with the pension contract concluded between the Depositor and the Fund.
5. Name of transaction	Pension contract (for employees, lifetime payment) (hereinafter the "Contract").
6. Subject of the transaction	The Fund undertakes to provide non-state pension coverage to the Participants designated by the Depositor under pension option No. 16 "with fixed pension contributions to be made to the personal pension accounts of the Participants. Payment of lifetime pensions". The pension rules were approved by decision of the Fund Board No. 20 of 29 November 2007.
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 the Fund NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	Pension contributions shall be made by the Depositor on a monthly basis, or as necessary based on the list approved by the Depositor. The amount of the contribution shall be determined by the Depositor in accordance with the Regulations. A lifetime non-state pension shall be paid to the Participants. The Contract shall enter into force from the time of its signing, and remain in effect for an indefinite period. Pension eligibility is based on the acquisition by the Participant of the right to receive an employment pension or a pension under state pension coverage during the period of his/her employment relations with the Depositor (or after the termination of these relations).

1. Number of the transaction approved by the Board of Directors	20
2.1. Price (amount in USD)	The approximate amount of contributions in 2008 is USD 240,619.90.
2.2. Price (amount in roubles)	The approximate amount of contributions in 2008 is RUB 5,900,000.
3. Names of parties	OAO "LUKOIL" (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)
4. Names of beneficiaries	Beneficiaries are the individual participants to the personal accounts of whom pension contributions are made or to whom payments of non-state pensions are made in accordance with the pension contract concluded between the Depositor and the Fund.
5. Name of transaction	Pension contract (for former employees, fixed-term of payment) (hereinafter the "Contract").
6. Subject of the transaction	The Fund undertakes to provide non-state pension coverage to the Participants designated by the Depositor under pension option No. 17 "with fixed pension contributions to be made to the personal pension accounts of the Participants. Payment of pensions until the funds on the personal pension account of a Participant are exhausted over a period established by the contract (at least five years)". The pension rules were approved by decision of the Fund Board No. 20 of 29 November 2007.
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 the Fund NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	Pension contributions shall be made by the Depositor as necessary, based on the list approved by the Depositor. The amount of the contribution to each Participant shall be determined by the Depositor in accordance with the Regulations. A non-state pension shall be paid to the Participants on a monthly basis for the period of time established by the Depositor, until the funds on the personal pension account have been exhausted. The Contract shall enter into force from the time of its signing, and remain in effect for an indefinite period. Pension eligibility is based on the acquisition by the Participant of the right to receive an employment pension or a pension under state pension coverage.
1. Number of the transaction approved by the Board of Directors	21
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" (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)
4. Names of beneficiaries	Beneficiaries are the individual participants to the personal accounts of whom pension contributions are made or to whom payments of non-state pensions are made in accordance with the pension contract concluded between the Depositor and the Fund.
5. Name of transaction	Supplemental Agreement to Decretal Pension Contract No. 994-515 of 14 August 2000 (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Decretal Pension Contract, the Fund undertakes to provide non-state pension coverage to the Participants designated by the Depositor under pension option No. 10 of the Pension Rules of the Fund. According to the Supplemental Agreement, the amount of the special-purpose contribution to create property to support the charter activity of the Fund is established in the amount of 3% of the total amount of the pension contribution to be made.
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 the Fund NO NPF LUKOIL-GARANT.
8. Other material terms of the transaction	Sub-clause 5.3.3 was added to clause 5.3 of the Contract, and grants the Depositor the right to send written instructions to the

	Fund on the transfer of all or part of the funds deposited on a pension account opened under the Contract to other pension accounts of the Depositor in the Fund. Appendix No. 1 to the Contract – Pension Rules of NO NPF LUKOIL-GARANT – was amended accordingly.
1. Number of the transaction approved by the Board of Directors	22
2.1. Price (amount in USD)	From 1 February 2008, the lease payment is USD 3,226.50 per month, plus VAT of USD 580.77.
2.2. Price (amount in roubles)	From 1 February 2008, the lease payment is RUB 79,113.74 per month, plus VAT of RUB 14,240.47.
3. Names of parties	OAO “LUKOIL” (Lessor) Independent Non-Profit Organisation LUKOIL Athletic Club (Lessee)
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	In accordance with the Agreement, the Lessor provides for the temporary use of the Lessee the non-residential premises with a total area of 80.5 m <sup>2</sup> , located at the address: Pokrovsky bulvar 3, bldg. 1, Moscow. Due to the return of part of the premises in accordance with Supplemental Agreement No. 06101460001 of 22 January 2007, since 1 January 2007 the area of the leased premises has equaled 63.6 m <sup>2</sup> . Pursuant to the Supplemental Agreement, from 1 February 2008 the amount of the lease payment will increase from RUB 67,961.26 per month, plus VAT of RUB 12,233.03, to RUB 79,113.74 per month, plus VAT of RUB 14,240.47. The new banking details of the Lessor are given in section 7 of the Agreement.
7. Grounds for status as an interested party	Mikhail Pavlovich Berezhnoi, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Supervisory Board of the Independent Non-Profit Organisation LUKOIL Athletic Club.  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 shall enter into force from the time of its signing, and shall extend to the legal relations between the Parties arising from 1 February 2008.
1. Number of the transaction approved by the Board of Directors	23
2.1. Price (amount in USD)	The amount of the lease payment from 1 February 2008 is USD 10,435.38 per month, plus VAT of USD 1,878.37.
2.2. Price (amount in roubles)	The amount of the lease payment from 1 February 2008 is RUB 255,875.50 per month, plus VAT of RUB 46,057.59.
3. Names of parties	OAO Naryanmarneftegaz (Lessee) OAO “LUKOIL” (Lessor)
4. Names of beneficiaries	
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0411450 of 1 November 2004 on non-residential premises (hereinafter the “Agreement”).
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides for the temporary use of the Lessee the non-residential premises with a total area of 91.3 m <sup>2</sup> , located at the address: Pokrovsky bulvar 3, bldg. 1, Moscow. The Lessor has title to the building. Pursuant to Supplemental Agreement No. 04114500002 of 1 May 2005, the Lessee was also provided for temporary use premises in the aforementioned building with a total area of 107.4 m <sup>2</sup> . In accordance with the Supplemental Agreement to the Agreement, from 1 February 2008 the lease payment for use of the non-residential premises will increase from RUB 219,432.45 per month, plus VAT of RUB 39,497.85, to RUB 255,875.50 per month, plus VAT of RUB 46,057.59.

	The new banking details of the Parties are given in section 7 of the Agreement.
7. Grounds for status as an interested party	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO Naryanmarneftegaz.
8. Other material terms of the transaction	The Supplemental Agreement shall enter into force from the date of its signing, and shall extend to the legal relations between the parties arising from 1 February 2008.
1. Number of the transaction approved by the Board of Directors	24
2.1. Price (amount in USD)	USD 23,529,411.76.
2.2. Price (amount in roubles)	RUB 580,000,000.
3. Names of parties	OAO "LUKOIL" (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a special-purpose loan (either in full or in instalments (tranches)) on the conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and according to the procedure indicated in the Agreement.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The loan is provided for a term of up to 31 January 2011 inclusive, with an early repayment option. The Borrower shall pay interest on the amount of the loan received throughout the entire period of actual use of the borrowed funds, at a rate to be determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group, approved by decision of the Management Committee of OAO "LUKOIL" on 30 August 2006 (minutes No. 26), as amended. The Agreement shall enter into force from the time when the monetary funds are transferred to the Borrower, and shall remain in effect until the Parties perform their obligations in full.
1. Number of the transaction approved by the Board of Directors	25
2.1. Price (amount in USD)	The amount of the agency fee is USD 0.53, not including VAT. The amount of the Agent's expenses is USD 340.49.
2.2. Price (amount in roubles)	The amount of the agency fee is RUB 13, not including VAT. The amount of the Agent's expenses is RUB 8,400.
3. Names of parties	OOO Naryanmarneftegaz (Principal). OAO "LUKOIL" (Agent).
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 to perform legal and other actions on the Principal's instructions in its own name, but at the Principal's expense, aimed at determining the monthly market value of the oil sold by the Principal on the domestic market of the Russian Federation and for export (including sale under commission agreements) in 2004 and 2005.
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 Naryanmarneftegaz.
8. Other material terms of the transaction	The Agreement shall enter into force on its signing by the Parties, and will remain in force until the Parties have performed their obligations in full. The Agreement extends to relations between the Parties arising from 23 October 2006. The amount of the agency fee under the Agreement is 0.15% of the amount of the Agent's expenses (without VAT), plus 18% VAT.
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 RITEK (Principal) OAo "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Addendum to Commission Agreement No. 0710080 of 12 February 2007 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of Sredne-Khulymy oil in its own name, but at the expense of the Principal. The Addendum introduces amendments to clause 13.1 of the Agreement, establishing the Agreement's effective term as up to 30 March 2008.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAo "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAo RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAo RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo RITEK.
8. Other material terms of the transaction	-
1. Number of the transaction approved by the Board of Directors	27
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in roubles)	No financial terms stipulated.
3. Names of parties	OAo "LUKOIL", OAo Gazprom Neft and OOO NGK Razvitie Regionov (the Enterprise).
4. Names of beneficiaries	-
5. Name of transaction	Contract on financing the Limited-Liability Company Neftegazovaya kompaniya Razvitie Regionov (the "Contract").
6. Subject of the transaction	The Contract determines the mutual rights and obligations of the Participants (meaning at any given time the party directly holding equity interests in the Enterprise at that moment) in respect of the financing of the Enterprise. Financing shall be provided within the framework of the Enterprise's participation in projects on the exploration, development, production, processing, refining, transportation and sale of hydrocarbon raw materials, and in carrying out any actions and measures related thereto (the Projects).
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 Enterprise is a special purpose vehicle. The Participants will jointly implement the Projects through the financing of the Enterprise. The rights, duties, and responsibilities of the Participants on the obligations arising from the Contract will be proportional to their Equity Interests.

	<p>At the time of signing of the Contract: The share of OAO "LUKOIL" in the charter capital of the Enterprise was 49%, and that of OAO Gazprom Neft – 51%.</p> <p>The annual financing obligation of Participants shall be discharged through the provision of loans to the Enterprise by the Participants in an amount equal to the part of the total Annual Financing Obligation of Participants proportional to their Equity Interests.</p> <p>Loans from Participants are fixed-term, repayable and fee-based, and are targeted.</p> <p>The Contract shall enter into force from the day following the day on which the Contract is duly signed by the authorised representatives of the Parties, and shall cease to have effect from the moment one of the Participants alienates its interests in full, or one of the Participants withdraws or is excluded.</p>
1. Number of the transaction approved by the Board of Directors	28
2.1. Price (amount in USD)	The amount of the agency fee is USD 4,073.32, including VAT. The amount of the Agent's expenses is USD 9,164,969.45.
2.2. Price (amount in roubles)	The amount of the agency fee is RUB 100,000, including VAT. The amount of the Agent's expenses is RUB 225,000,000.
3. Names of parties	OAO "LUKOIL" (Principal) Non-Profit Organisation LUKOIL Charitable Fund (Agent)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Agency Agreement No. 0810025 of 25 January 2008 (hereinafter the "Agreement").
6. Subject of the transaction	<p>In accordance with the Agreement, the Agent undertakes for a fee to perform legal and other actions on the Principal's instructions in its own name, but at the Principal's expense, aimed at the advancement of physical fitness and sports, specifically to conclude a contract with the Regional Public Organisation Support Centre for OAO Spartak Moscow Football Club on gratuitous special-purpose financing.</p> <p>In accordance with the Supplemental Agreement, clauses 3.1 and 3.2 of the Agreement are set out in new versions, stipulating an increase in the amount of the Agent's expenses from RUB 194,000,000 to RUB 225,000,000, and the Agent's fee from RUB 50,000 with VAT to RUB 100,000 with VAT.</p>
7. Grounds for status as an interested party	<p>Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the Fund.</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of the Fund.</p> <p>Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperova, a member of the Board of the Fund.</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the Fund.</p>
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 25 January 2008.
1. Number of the transaction approved by the Board of Directors	29
2.1. Price (amount in USD)	The approximate amount of the commission fee is USD 350,000 including VAT.
2.2. Price (amount in roubles)	The approximate amount of the commission fee is RUB 8,468,950 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 to carry out transactions on the Principal's

	instructions on the export sale of oil in its own name, but at the expense and in the interests of the Principal.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Agreement enters into force from the time of its signing, and will remain in force until 31 March 2009, and as regards mutual settlements – until they have been completed in full. The amount of the commission fee is 0.42% of the value of the oil shipped to the Buyer, plus VAT at the rate stipulated by the legislation of the Russian Federation based on the amount of the commission fee.
1. Number of the transaction approved by the Board of Directors	30
2.1. Price (amount in USD)	The approximate amount of the commission fee is USD 350,000 including VAT.
2.2. Price (amount in roubles)	The approximate amount of the commission fee is RUB 8,468,950 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 to carry out transactions on the Principal's instructions on the export sale of the Principal's oil to the Republic of Belarus in its own name, but at the expense and in the interests of the Principal.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Agreement enters into force from the time of its signing, and will remain in force until 31 March 2009, and as regards mutual settlements – until they have been completed in full. The amount of the commission fee is 0.42% of the value of the oil shipped to the Buyer, plus VAT at the rate stipulated by the legislation of the Russian Federation based on the amount of the commission fee.
1. Number of the transaction approved by the Board of Directors	31
2.1. Price (amount in USD)	USD 848.87 per month, plus VAT of USD 152.68.
2.2. Price (amount in roubles)	RUB 20,524.79 per month, plus VAT of RUB 3,694.46
3. Names of parties	OAO "LUKOIL" (Lessor) OOO NGK Razvitie Regionov (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Lease agreement on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Lessor provides for the temporary use of the Lessee the non-residential premises with a total area of 16.5 m <sup>2</sup> , namely room No. 49, located (according to the passport of the Bureau of Technical Inventory) on the 2 <sup>nd</sup>

	floor of Premises No. I in the building at the address: Pokrovsky bulvar 3, bldg. 1, Moscow.
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 term of the lease is 11 months from the date when the act of transfer of the premises is signed. The Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 1 March 2008.
1. Number of the transaction approved by the Board of Directors	32
2.1. Price (amount in USD)	No financial terms are stipulated by the Supplemental Agreement.
2.2. Price (amount in roubles)	No financial terms are stipulated by the Supplemental Agreement.
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	Supplemental Agreement to Contract No. 0310992 of 27 July 2003 on gratuitous use of property (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, the Company provides property for the gratuitous use of IATUO. In accordance with the Supplemental Agreement, the Company will transfer for gratuitous use a Mercedes-Benz S500L, licence plate No. A679AE199, to IATUO, and IATUO will return to the Company a Mercedes-Benz S500, licence plate No. S010UT97.
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 transfer of assets shall be recorded in an act of transfer. The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 14 January 2008.
1. Number of the transaction approved by the Board of Directors	33
2.1. Price (amount in USD)	The approximate fee for the services is USD 123,982.31, including VAT of USD 18,912.55, per year.
2.2. Price (amount in roubles)	The approximate fee for the services is RUB 3,000,000, including VAT of RUB 457,627, per year.
3. Names of parties	OAO IZVESTIA (Publication) OAO "LUKOIL" (Client)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract No. 0410163 of 3 March 2004 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Client instructs and the Publication undertakes to prepare and place advertising and informational materials of the Client on the activities of OAO "LUKOIL" and the organisations of the LUKOIL Group in the newspaper <i>Izvestia</i> . The fee for the services under the Contract is calculated based on the amount of advertising and informational materials placed by the Publication on the Client's instructions, in accordance with the established rates attached to the Contract. Pursuant to the Supplemental Agreement, the effective term of the Contract is extended for two calendar years.
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 IZVESTIA.
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 29 February 2008.
1. Number of the transaction approved by the Board of Directors	34
2.1. Price (amount in USD)	The approximate amount of the agency fee is USD 3.99, plus VAT of USD 0.72. The amount of the Agent's expenses is USD 39,855.05.
2.2. Price (amount in roubles)	The approximate amount of the agency fee is RUB 95.85, plus VAT of RUB 17.25. The amount of the Agent's expenses is RUB 958,514.
3. Names of parties	ZAO LUKOIL-Neftekhim (Principal) OAO "LUKOIL" (Agent)
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 to perform legal and other actions on the Principal's instructions in its own name, but at the Principal's expense, aimed at maintaining the corporate certificates of compliance of the LUKOIL Group with international standard ISO 14001 and specification OHSAS 18001, specifically: - to conclude a contract with ZAO Bureau Veritas Certification Rus on the performance of supervisory audits of the Industrial, occupational and environmental health and safety management system in accordance with the requirements of international standard ISO 14001 and specification OHSAS 18001; - to accept and pay for the services performed by ZAO Bureau Veritas Certification Rus.
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 Supervisory Board of ZAO LUKOIL-Neftekhim.
8. Other material terms of the transaction	The amount of the Agent's fee equals 0.01% of its expenses, plus VAT charged at the established rate. The Agreement enters into force from the date of its signing, and shall remain in effect until 31 December 2008, and as regards mutual settlements – until they have been completed in full.
1. Number of the transaction approved by the Board of Directors	35
2.1. Price (amount in USD)	From 1 April 2008, the lease payment is USD 2,041.95 per month, plus VAT of USD 367.55.
2.2. Price (amount in roubles)	From 1 April 2008, the lease payment is RUB 48,353.39 per month, plus VAT of RUB 8,703.61.
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 for the temporary use of the Lessee the non-residential premises with a total area of 34.2 m <sup>2</sup> , located in premises No. I on the 4 <sup>th</sup> floor of building B at the address: Sretensky bulvar 11, Moscow. Pursuant to the Supplemental Agreement, from 1 April 2008 the lease payment will increase from RUB 37,269.48 a month, plus VAT of RUB 6,708.51, to RUB 48,353.39 a month, plus VAT of RUB 8,703.61. The new name of the bank of the Lessor and the Lessee is given in section 7 of the Agreement.
7. Grounds for status as an interested party	Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the Fund.

	Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of the Fund. Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperova, a member of the Board of the Fund. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the Fund.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing, and extends to the legal relations between the Parties arising from 1 April 2008.
1. Number of the transaction approved by the Board of Directors	36
2.1. Price (amount in USD)	USD 3,420,608.12.
2.2. Price (amount in roubles)	RUB 81,000,000.
3. Names of parties	OAO "LUKOIL" (Company) Non-Profit Organisation Russian Olympian Support Fund (the Fund)
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 transfer 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 measures organised to achieve its charter goals.
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Trustees of the Fund and a member of the General Meeting of Founders of the Fund.
8. Other material terms of the transaction	The Company has the right to request that the Fund submit a report 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 Parties perform their obligations in full.
1. Number of the transaction approved by the Board of Directors	37
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 FK Spartak-Moskva [Spartak Moscow Football Club] (Lessee) OAO "LUKOIL" (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0411156 of 1 October 2004 on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides for the temporary use of the Lessee the non-residential premises with a total area of 640.5 m <sup>2</sup> , located on the 3 <sup>rd</sup> floor of the building at the address: Pokrovsky bulvar 3, bldg. 1, Moscow. Pursuant to the Supplemental Agreement: 1. The term of the lease under the Agreement is set as the period up to 31 May 2008 inclusive. 2. Clause 5.3, which stipulates the extension of the Agreement if neither party has sent written notice to the other party declining to extend the Agreement at least one month prior to the end of the lease term, is deleted from the text of the

	Agreement.
7. Grounds for status as an interested party	Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO FK Spartak-Moskva. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO FK Spartak-Moskva.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	38
2.1. Price (amount in USD)	USD 331,914,893.62
2.2. Price (amount in roubles)	RUB 7,800,000,000
3. Names of parties	OAO "LUKOIL" (Lender) OAO YuGK TGC-8 (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments (tranches)), the total amount of debt on which may not exceed RUB 7,800,000,000 at any time during the effective term of the Agreement, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and according to the procedure indicated in the Agreement.
7. Grounds for status as an interested party	Vladimir Ivanovich Nekrasov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO YuGK TGC-8.
8. Other material terms of the transaction	The borrowed funds are provided with the aim of supplementing working capital and may not be used by the Borrower for any other purpose. The revolving loan is provided for a term of up to 31 December 2008, with the option for the Lender to call the loan early. If on 30 December of the current year neither Party has stated otherwise in writing, the term of maturity of the loan is deferred to 31 December of the following calendar year. The Borrower shall pay the Lender interest at a rate determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group (hereinafter the Marketing Policy), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended, for loans with a term of up to one year. The Parties shall provide written notification of changes to interest rates in accordance with the Marketing Policy. The Agreement shall enter into force from the time funds are transferred to the Borrower and shall cease its effect after the performance by the Parties of their obligations.
1. Number of the transaction approved by the Board of Directors	39
2.1. Price (amount in USD)	USD 157,446,808.51
2.2. Price (amount in roubles)	RUB 3,700,000,000
3. Names of parties	OAO "LUKOIL" (Lender)

	OAo YuGK TGK-8 (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a special-purpose loan in an amount up to RUB 3,700,000,000 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.
7. Grounds for status as an interested party	Vladimir Ivanovich Nekrasov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO YuGK TGK-8.
8. Other material terms of the transaction	The borrowed funds are provided with the aim of refinancing a bond loan and may not be used by the Borrower for any other purpose. The loan is provided with a payment date of up to 30 June 2012 inclusive, with an option for early repayment with the consent of the Lender. The Borrower shall pay the Lender interest at a rate determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group (hereinafter the Marketing Policy), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended. The Parties shall provide written notification of changes to interest rates in accordance with the Marketing Policy. The Agreement shall enter into force from the time funds are remitted to the Borrower shall cease its effect after the performance by the Parties of their obligations.
1. Number of the transaction approved by the Board of Directors	40
2.1. Price (amount in USD)	The approximate value of the transaction is USD 27,086.88, not including VAT.
2.2. Price (amount in roubles)	The approximate value of the transaction is RUB 636,000 roubles, not including VAT.
3. Names of parties	OAO "LUKOIL" (Company) ZAO RITEK Trading (Enterprise)
4. Names of beneficiaries	-
5. Name of transaction	Service contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Company undertakes to provide information and consulting services to the Enterprise on issues of the placement of oil and determination of oil prices, including on the development of the following planning documents: Oil placement plans, changes to oil placement plans, oil sale price protocols, and changes to oil sale price protocols. The Enterprise undertakes to pay for these services.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is the father of Elena Valerievna Panakova, Chairman of the Board of Directors of ZAO RITEK Trading.
8. Other material terms of the transaction	The Contract enters into force from the time of its signing and will remain in force until 31 March 2009, and as regards mutual settlements – until they have been completed in full, and shall extend to the legal relations of the Parties arising from 1 April 2008. Fees for the services provided by the Company in accordance with the Contract will be RUB 53,000 per month, plus RUB 9,540 in VAT.
1. Number of the transaction approved by the Board of Directors	41
2.1. Price (amount in USD)	The approximate value of the transaction is USD 59,126,916.52.

2.2. Price (amount in roubles)	The approximate value of the transaction is 1,388,300,000 roubles.
3. Names of parties	OAO "LUKOIL" (Lender) OOO TsentrKasneftegaz (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	The Lender provides the Borrower with a special-purpose loan in an amount of up to RUB 1,388,300,000, 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	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO TsentrKasneftegaz.
8. Other material terms of the transaction	The loan is provided in a lump sum or in instalments up to a limit of 1,388,300,000 roubles, for a term to 25 December 2009 inclusive. The Borrower shall pay the Lender 8.5% interest. The Agreement will remain in effect until performance by the Parties of their obligations in full.
1. Number of the transaction approved by the Board of Directors	42
2.1. Price (amount in USD)	USD 76,166,024.82
2.2. Price (amount in roubles)	RUB 1,780,000,000
3. Names of parties	OAO Bank Petrocommerce (Lender) OAO "LUKOIL" (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a loan of RUB 1,780,000,000 (one billion seven hundred eighty million), for a term to 12 May 2008 inclusive, with the aim of supplementing working capital. The Borrower will pay the Lender interest in the amount of 7.2 (seven and two-tenths) percent per annum.
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. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The loan under the Agreement is provided without security for the Borrower's obligations. The Agreement 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	43
2.1. Price (amount in EUR)	Approximately EUR 3,000,000.
2.2. Price (amount in roubles)	Approximately RUB 111,780,000.
3. Names of parties	OAO "LUKOIL" (Client) LUKOIL INTERNATIONAL GmbH (Executor)

4. Names of beneficiaries	-
5. Name of transaction	Contract on the provision of legal and other services (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Executor undertakes to provide legal and other services in the registration, use and protection of items of intellectual property outside of the Russian Federation (hereinafter the Services).
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 the chairman of the Supervisory Board of LUKOIL INTERNATIONAL GmbH. Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH. Ravil Ulfatovich Maganov, a member of the Management Committee and the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH. Vladimir Ivanovich Nekrasov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH. Ludmila Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Managing Director of LUKOIL INTERNATIONAL GmbH.
8. Other material terms of the transaction	The total cost of the Services provided under the Contract should not exceed EUR 3,000,000. The Contract enters into force from the time of its signing and is concluded for an unlimited term.
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 roubles)	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 Agreement No. 0810073 of 14 February 2008 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of Sredne-Khulymsky oil (hereinafter the goods) in its own name and at the expense and in the interests of the Principal. In accordance with the Supplemental Agreement: - in point 2.6 of the Agreement the calendar date for the submission of the Commission Agent's report is changed from the 12 <sup>th</sup> to the 9 <sup>th</sup> of the month following the reporting month; - in point 2.7 of the Agreement, the notice on shipments made is replaced by a notice on the sale of commission goods and the calendar date for the submission of the notice is changed from the 10 <sup>th</sup> to the 8 <sup>th</sup> of the month following the reporting month; - in point 2.8 of the Agreement, the notice on the provision of foreign-currency proceeds is replaced by a notice on the receipt of foreign-currency funds; - point 2.16 of the Agreement introduces a new reporting document – the "notice of expenses incurred", to be provided by the Commission Agent within the reporting month; - point 4.3 of the Agreement specifies the period for the signing by the Contracting Parties of the Act of acceptance of oil as not later than the 8 <sup>th</sup> of the month following the reporting month; - in point 5.7 of the Agreement, the period for submitting the VAT invoice by the 12 <sup>th</sup> of the month following the reporting month is deleted, and a change is made to the name of the Commission Agent's reporting document (point 2.7 of the

	Agreement) in accordance with which the VAT invoice is submitted.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing and applies to the relations of the Parties connected with oil taken on commission from 1 May 2008.
1. Number of the transaction approved by the Board of Directors	45
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" (Commission Agent) OAO RITEK (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Commission Agreement No. 0810190 of 24 March 2008 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of the Principal's oil (hereinafter the goods) in its own name and at the expense and in the interests of the Principal. In accordance with the Supplemental Agreement: - in point 2.8 of the Agreement the calendar date for the submission of the Commission Agent's report is changed from the 12 <sup>th</sup> to the 9 <sup>th</sup> of the month following the reporting month; - in point 2.9 of the Agreement, the notice on shipments made is replaced by a notice on the sale of commission goods and the calendar date for the submission of the notice is changed from the 10 <sup>th</sup> to the 8 <sup>th</sup> of the month following the reporting month; - in point 2.11 of the Agreement, the notice on the provision of foreign-currency proceeds is replaced by a notice on the receipt of foreign-currency funds; - point 4.3 of the Agreement specifies the period for the signing by the Contracting Parties of the Act of acceptance of oil as not later than the 8 <sup>th</sup> of the month following the reporting month; - in point 5.8 of the Agreement, a change is made to the name of the Commission Agent's reporting document (point 2.9 of the Agreement) in accordance with which the VAT invoice is submitted.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing and applies to the relations of the Parties connected with oil taken on commission from 1 May 2008.
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 roubles)	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 Agreement No. 0810191 of 24 March 2008 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of the Principal's oil (hereinafter the goods) to the Republic of Belarus in its own name and at the expense and in the interests of the Principal. In accordance with the Supplemental Agreement: - in point 2.7 of the Agreement the calendar date for the submission of the Commission Agent's report is changed from the 12 <sup>th</sup> to the 9 <sup>th</sup> of the month following the reporting month; - in point 2.9 of the Agreement, the notice on shipments made is replaced by a notice on the sale of commission goods and the calendar date for the submission of the notice is changed from the 10 <sup>th</sup> to the 8 <sup>th</sup> of the month following the reporting month; - in point 2.10 of the Agreement, the notice on the provision of foreign-currency proceeds is replaced by a notice on the receipt of foreign-currency funds; - point 4.2 of the Agreement specifies the period for the signing by the Contracting Parties of the Act of acceptance of oil as not later than the 8 <sup>th</sup> of the month following the reporting month; - in point 5.7 of the Agreement, the established period for submitting the VAT invoice by the 12 <sup>th</sup> of the month following the reporting month is deleted, and a change is made to the name of the Commission Agent's reporting document (point 2.9 of the Agreement) in accordance with which the VAT invoice is submitted.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing and applies to the relations of the Parties connected with oil taken on commission from 1 May 2008.
1. Number of the transaction approved by the Board of Directors	47
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" (Commission Agent) OAO RITEK (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Commission Agreement No. 0410195 of 10 March 2004 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of the Principal's oil (hereinafter the goods) in its own name and at the expense and in the interests of the Principal. In accordance with the Supplemental Agreement: - in point 2.9 of the Agreement the calendar date for the submission of the Commission Agent's report is changed from the 12 <sup>th</sup> to the 9 <sup>th</sup> of the month following the reporting month; - in point 2.10 of the Agreement, the notice on shipments made is replaced by a notice on the sale of commission goods and

	<p>the calendar date for the submission of the notice is changed from the 10<sup>th</sup> to the 8<sup>th</sup> of the month following the reporting month;</p> <ul style="list-style-type: none"> <li>- in point 2.11 of the Agreement, the notice on the provision of foreign-currency proceeds is replaced by a notice on the receipt of foreign-currency funds;</li> <li>- point 2.18 of the Agreement introduces a new reporting document – the “notice of expenses incurred”, to be provided by the Commission Agent within the reporting month;</li> <li>- a reference to point 2.5 of the Agreement is deleted from point 3.6 of the Agreement;</li> <li>- point 4.3 of the Agreement specifies the period for the signing by the Contracting Parties of the Act of acceptance of oil as not later than the 8<sup>th</sup> of the month following the reporting month;</li> <li>- in point 5.8 of the Agreement, the period for submitting the VAT invoice by the 10<sup>th</sup> of the month following the reporting month is deleted, and a change is made to the name of the Commission Agent’s reporting document (point 2.7 of the Agreement) in accordance with which the VAT invoice is submitted.</li> </ul>
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.</p> <p>Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	<p>The Supplemental Agreement enters into force from the date of signing and applies to the relations of the Parties connected with oil taken on commission from 1 May 2008.</p>
1. Number of the transaction approved by the Board of Directors	48
2.1. Price (amount in USD)	The value of the donation is USD 255,972.70.
2.2. Price (amount in roubles)	The value of the donation is RUB 6,000,000.
3. Names of parties	<p>OAO “LUKOIL” (Company)</p> <p>International Association of Trade-Union Organisations of OAO “LUKOIL” (IATUO)</p>
4. Names of beneficiaries	-
5. Name of transaction	Contract of donation (hereinafter the “Contract”).
6. Subject of the transaction	Transfer by the Company of a contribution to IATUO for the purposes of promoting activity in physical education and popular sports.
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>The special-purpose use of the contribution by IATUO is defined in Appendix 1 to the Contract. In the event the funds are used for other than the designated purpose, IATUO undertakes to return these funds to the Company within 10 working days from the date indicated in point 2.5 of the Contract (30 June 2009 – the date on which IATUO is to provide a report on the use of the funds of the contribution).</p>

1. Number of the transaction approved by the Board of Directors	49
2.1. Price (amount in USD)	The amount of the agency fee is USD 7.57, plus VAT of USD 1.36. The Agent's expenses amount to USD 7,679.15, including VAT.
2.2. Price (amount in roubles)	The amount of the agency fee is RUB 179.02, plus VAT of RUB 32.22. The Agent's expenses amount to RUB 181,612, including VAT.
3. Names of parties	ZAO LUKOIL-Neftekhim (Principal) OAO "LUKOIL" (Agent)
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 and in its own name but at the Principal's expense to conclude contracts with third parties (the Appraisers) to provide services on the assessment of the market value of information technology support assets (ITA) alienated by the Principal to OOO LUKOIL-INFORM (the Valuation Targets), and also to accept the Appraisers' reports on the valuation of the Valuation Targets.
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 ZAO LUKOIL-Neftekhim.
8. Other material terms of the transaction	The Agent's fee is 0.1% of the amount spent by the Agent to execute the instructions of the Principal, plus VAT (18%). The market valuation is to be conducted as at 30 April 2007. Valuation services should be completed by 31 December 2008.
1. Number of the transaction approved by the Board of Directors	50
2.1. Price (amount in USD)	USD 327,868,852.46.
2.2. Price (amount in roubles)	RUB 7,800,000,000
3. Names of parties	OAO "LUKOIL" (Lender) OAO YuGK TGK-8 (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0810301 of 29 April 2008 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments (tranches)), the total amount of debt on which may not exceed RUB 920,000,000 at any time during the effective term of the Agreement, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement: - point 1.1 of the Agreement is set out in a new version stipulating an increase in the loan amount to RUB 7,800,000,000; - article 16 of the Agreement "Addresses and details of the Parties" is set out in a new version.
7. Grounds for status as an interested party	Vladimir Ivanovich Nekrasov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO YuGK TGK-8.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time funds are remitted to the Borrower.
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 600,000.
2.2. Price (amount in roubles)	The approximate value of the transaction is 14,232,000 roubles.

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 to perform a transaction involving the sale of the Principal's oil on the foreign market in its own name, but on the instructions and using the funds of the Principal, on FOB Murmansk terms.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Principal undertakes to pay the Commission Agent remuneration under the Commission Agreement in the amount of 0.42% of the value of goods shipped to the Buyer, plus VAT on the commission fee at the rate stipulated by Russian law. The Agreement enters into force from the time of its signing and will remain in force until 30 June 2009, and as regards mutual settlements – until they have been completed in full.
1. Number of the transaction approved by the Board of Directors	52
2.1. Price (amount in USD)	USD 24,451,939.21.
2.2. Price (amount in roubles)	RUB 580,000,000
3. Names of parties	OAO "LUKOIL" (Lender) OAO YuGK TGK-8 (Borrower)
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 up to RUB 580,000,000 on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.
7. Grounds for status as an interested party	Vladimir Ivanovich Nekrasov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO YuGK TGK-8.
8. Other material terms of the transaction	Borrowed funds are provided for the purpose of financing the purchase of 196,004,484 ordinary registered uncertified shares in OAO Volgogradenergosbyt and may not be used by the Borrower for any other purposes. The loan is provided with a payment date of up to 23 May 2011 inclusive, with an early repayment option. The Borrower shall pay the Lender interest at a rate determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group (hereinafter the Marketing Policy), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended. The Borrower shall be provided with written notification of changes to interest rates in accordance with the Marketing Policy. The Agreement shall enter into force from the time funds are remitted to the Borrower shall cease its effect after the performance by the Parties of their obligations.
1. Number of the transaction approved by the Board of Directors	53
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 Bank Petrocommerce (Bank)</p> <p>OAo "LUKOIL" (Client)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to the Contract No. 0410827 of 1 June 2004 on the current hard currency account of a resident legal entity (hereinafter the "Contract").
6. Subject of the transaction	<p>In accordance with the Contract the Bank opens a current hard currency account in US dollars and a transit account and services these accounts on the terms and conditions stipulated by the effective legislation of the Russian Federation, regulatory acts of the Bank of Russia and the Contract.</p> <p>In accordance with the Supplemental Agreement, the Client and the Bank have reached agreement that for the purposes of discharging obligations under the contracts and agreements concluded between the Bank and Client that stipulate the transfer of funds from current foreign-currency account No. 40702840700100000140 opened in accordance with the Contract (hereinafter the Account) to other of the Client's accounts without its instructions, the Bank shall remit funds from the Account on the basis of settlement documents drawn up by the Bank in the name of the Client in accordance with the procedure in effect in the Bank and signed by the authorised officials of the Bank.</p> <p>The Client undertakes to provide the Bank with information on planned receipts and withdrawals of funds using a particular form, on a daily basis by 13:00 Moscow time.</p> <p>Documents to be transferred between the Parties in accordance with the Supplemental Agreement should be signed by the authorised officials of the relevant Party and sent to the other Party in hard copy (paper) or using the remote banking services system (provided the relevant contracts are available).</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>Leonid Arnoldovich Fedun, a member of the Management Committee of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.</p>
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing, and will remain in force until the expiration of the effective term of the Contract.
1. Number of the transaction approved by the Board of Directors	54
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 Bank Petrocommerce (Bank)</p> <p>OAo "LUKOIL" (Client)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to the General Agreement on Deposit Operations No. 0511288 of 6 December 2005 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the subject is the general terms and conditions for the completion and performance of operations on the placement of funds in roubles and foreign currency in the form of a deposit by the Client in the Bank (Operation). The procedure for concluding Operations under the Agreement stipulates that deposits are placed when the Parties have reached agreement on all material terms and conditions, which include: the amount of the deposit, the currency

	of the deposit, the date of placement of the deposit, the term of the deposit, and the interest rate on the deposit per annum. In accordance with the Supplemental Agreement, an amendment is made to point 9.2 of the Agreement, stipulating that the effective term of the Agreement is automatically extended for one year if neither Party announces the termination of the Agreement in writing, or using remote banking services facilities. Such an announcement should be sent at least 30 calendar days before the end of the relevant calendar year.
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. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing and extends to the legal relations between the Parties arising from 6 December 2005.
1. Number of the transaction approved by the Board of Directors	55
2.1. Price (amount in USD)	The value of the contribution is USD 104,852.32.
2.2. Price (amount in roubles)	The value of the contribution is RUB 2,485,000.
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	The Company makes a contribution to IATUO to hold a conference on Corporate Social Responsibility and Local Development.
7. Grounds for status as an interested party	Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".
8. Other material terms of the transaction	IATUO undertakes to use the funds to hold the conference on Corporate Social Responsibility and Local Development. In the event the funds are used for other than the designated purpose, IATUO undertakes to return these funds to the Company within 10 working days from the date indicated in point 2.4 of the Contract (31 July 2009 – the date on which IATUO is to provide a report on the use of the funds of the contribution).
1. Number of the transaction approved by the Board of Directors	56
2.1. Price (amount in USD)	USD 50,000,000.
2.2. Price (amount in roubles)	RUB 1,183,000,000
3. Names of parties	OAO Bank Petrocommerce (Bank) OAO "LUKOIL" (Client)
4. Names of beneficiaries	-
5. Name of transaction	Bank deposit contract with special conditions (hereinafter the "Contract").

6. Subject of the transaction	Pursuant to the Contract, the Client places cash in US dollars and the Bank accepts and deposits it on the Deposit Account and undertakes to return the Deposit and to pay interest on it according to the procedure and on the terms stipulated by the Contract. The amount of cash placed on Deposit may not exceed USD 50,000,000 (fifty million).
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. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The Bank accrues interest on the Deposit at a rate starting at 0.5% per annum. The rate may be increased to up to 3.5% per annum depending on the average balance of funds on the Deposit Account and the number of calendar days in the interest period. The contract enters into force from the signing date. The Contract will be considered to have been terminated if funds have not been placed on Deposit not later than the day of conclusion of the Contract. The Contract is concluded for a term of 90 calendar days. This term is automatically extended for a similar period unless either of the Parties announces the termination of the Contract or the Client sends a written waiver.
1. Number of the transaction approved by the Board of Directors	57
2.1. Price (amount in USD)	The lease payment from 1 September 2008 equals USD 7,270.37 per month, plus VAT of USD 1,308.67.
2.2. Price (amount in roubles)	The lease payment from 1 September 2008 equals RUB 172,016.99 per month, plus VAT of RUB 30,963.06.
3. Names of parties	OAO Bank Petrocommerce (Lessee) OAO "LUKOIL" (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Agreement No. 200-0347 of 19 May 2000 on the lease of non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 119.4 m <sup>2</sup> , located at the address: Sretensky bulvar 11, Moscow, basement floor of building D, room Nos. XI- 3, 4, 5, 6, 7, 8, 9, 10, 11, 11a, 12, 13, 14, 15, and 15a, to be used for housing the operating division. In accordance with the Supplemental Agreement, from 1 September 2008 the lease payment for the use of the non-residential premises is established as RUB 17,288.14 per square meter per year, plus VAT of RUB 3,111.87. Total payment due per month shall be RUB 172,016.99, plus VAT of RUB 30,963.06.
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. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	-

1. Number of the transaction approved by the Board of Directors	58
2.1. Price (amount in USD)	USD 2,720.15 per month, plus VAT of USD 489.63.
2.2. Price (amount in roubles)	RUB 63,515.53 per month, plus VAT of RUB 11,432.80.
3. Names of parties	OAO "LUKOIL" (Lessor) OOO NGK Razvitie Regionov (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Agreement on the lease of non-residential premises (hereinafter 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 <sup>2</sup> , 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 <sup>st</sup> floor of the building at the address: Pokrovsky bulvar 3, building 1, Moscow.
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 term of the lease is 11 months from the date of the signing of the act of transfer of the premises.
1. Number of the transaction approved by the Board of Directors	59
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" (Commission Agent) OAO RITEK (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Supplement to Commission Agreement No. 0310587 of 14.02.08 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes, on the instructions of the Principal and for a fee, to carry out transactions on the export sale of Sredne-Khulymsky oil (hereinafter the goods) in its own name and at the expense and in the interests of the Principal. In accordance with the Supplement: - point 2.15 of the Agreement introduces additional shipping export destinations for the goods on DAF, FCA terms and the list of required documents to be submitted to the Commission Agent by the Principal to sell goods on these terms; - point 2.17 of the Agreement introduces a new reporting document – the "register", to be provided by the Commission Agent during the 10 calendar days from the date of consignment; - point 4.2. of the Agreement determines the time of transfer of oil by the Principal to the Commission Agent when selling goods on DAF and FCA terms – the time when the stamp of the destination station is placed on the last rail waybill for the goods delivered to the destination in a single calendar day; - point 4.3 of the Agreement is supplemented with the procedure for determining the quantity of goods accepted by the Commission Agent on commission when selling goods on DAF and FCA terms – similar to that for the sale of goods on DDU terms established by the Agreement; - point 4.5 of the Agreement also determines the procedure for settlements between the Commission Agent and the Buyer on the sale of goods on DAF and FCA terms – similar to that for the sale of goods on DDU terms established by the Agreement; - point 5.5 of the Agreement revises the procedure for the Commission Agent to withhold demurrage – in the event the Buyer provides a full set of supporting documents for the demurrage, but not earlier than the approval of the relevant report by the Principal; - in point 5.6 of the Agreement, references to point 5.2 and 5.3 of the Agreement are deleted, and amounts to be reimbursed by the Commission Agent are indicated: expenses (including demurrage) incurred by the Commission Agent when carrying

	out the Agreement, and the amount of commission fees; - point 5.8 of the Agreement revises the amounts that the Principal must reimburse to the Commission Agent: costs and commission fees stipulated by point 5.6 of the Agreement.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing and applies to the relations of the Parties connected with oil taken on commission from 20 June 2008.
1. Number of the transaction approved by the Board of Directors	60
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in roubles)	No financial terms stipulated.
3. Names of parties	OAO "LUKOIL" (Lessor) OOO NGK Razvitie Regionov (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract No. 0810220 on the lease of non-residential premises of 1 April 2008 (the "Contract").
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 16.5 m <sup>2</sup> , namely room No. 49, located (according to the passport of the Bureau of Technical Inventory) in Premises No. I on the 2 <sup>nd</sup> floor of the building at the address: Pokrovsky bulvar 3, bldg. 1, Moscow. In accordance with the Supplemental Agreement, point 5.3 of the Contract, stipulating the possibility of extending the Contract for a term of 11 months from the date of signing of the act of acceptance of premises, and on the terms stipulated in the Contract, if neither of the Parties has sent a notice to the other Party on its decision not to extend the Contract, is deleted, and the term of the lease is established as being to 31 July 2008.
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	No other material terms stipulated.
1. Number of the transaction approved by the Board of Directors	61
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in roubles)	No financial terms stipulated.
3. Names of parties	OAO Bank Petromercom (Bank) OAO "LUKOIL" (Client)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Contract No. 0410827 of 1 June 2004 on the current foreign-currency account of a resident legal entity (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract the Bank opens a current foreign-currency account in US dollars and a transit account and services these accounts on the terms and conditions stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Contract. In accordance with Supplemental Agreement No. 4 to the Contract (hereinafter the "Agreement"), the Client and the Bank have reached agreement that, from the time of signing of the Agreement, Supplemental Agreement No. 1 of 1 June 2004 to the Contract, stipulating the accrual of interest by the Bank on the balance of funds on the Client's current foreign-currency

	<p>account of USD 100,000 and above in the amount of 3.25% per annum, as well as the payment of interest quarterly, shall lose force.</p> <p>All other provisions of the Contract remain in force in full measure.</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>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p>
8. Other material terms of the transaction	The Agreement enters into force from the time of its signing, and shall remain in force until the end of the effective term of the Contract.
1. Number of the transaction approved by the Board of Directors	62
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in roubles)	No financial terms stipulated.
3. Names of parties	<p>OAO Bank Petrocommerce (Bank)</p> <p>OAO "LUKOIL" (Client)</p>
4. Names of beneficiaries	-
5. Name of transaction	Contract on the current foreign-currency account of a resident legal entity (the "Contract").
6. Subject of the transaction	In accordance with the Contract the Bank opens a current foreign-currency account for the Client in euros and in parallel with the current account opens a transit foreign-currency account and services these accounts on the terms and conditions stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Contract.
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>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p>
8. Other material terms of the transaction	<p>The Bank does not accrue or pay the Client interest for the use of funds held on the accounts.</p> <p>Termination of the Contract constitutes grounds to close the accounts.</p> <p>The Contract is concluded for an unlimited term and enters into force from the date it is signed by both Parties.</p>
1. Number of the transaction approved by the Board of Directors	63
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 Bank Petrocommerce (Bank)</p> <p>OAO "LUKOIL" (Client)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract No. 0810705 of 20 August 2008 on the current foreign-currency account of a resident

	legal entity (hereinafter the “Contract”).
6. Subject of the transaction	In accordance with the Contract the Bank opens a settlement account in Russian currency (the Account) and provides settlement and cash services on the terms and pursuant to the procedure stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Contract. In accordance with the Supplemental Agreement, for the purposes of discharging obligations under contracts and agreements concluded between the Bank and the Client, stipulating the remittance of funds from the Account to other of the Client’s accounts without additional instructions, the Bank shall transfer funds from the Account on the basis of a payment order drawn up by the Bank on behalf of the Client in accordance with the effective legislation of the Russian Federation and the procedure in effect at the Bank.
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. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing, and shall remain in force until the expiration of the effective term of the Contract. The Supplemental Agreement may be terminated early by mutual agreement of the Parties or by either of the Parties unilaterally, provided that the opposite Party is notified not later than 14 calendar days before the expected date of termination.
1. Number of the transaction approved by the Board of Directors	64
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” (IATUO)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract No. 0310992 of 27 July 2003 on gratuitous use of property (hereinafter the “Contract”).
6. Subject of the transaction	In accordance with the Contract the Company provides IATUO with the use of equipment, furniture, and computer equipment free of charge, in accordance with the List, which is an integral part of the Contract. In accordance with the Supplemental Agreement: - point 1.1 of the Contract is revised to stipulate the transfer by the Company to IATUO of equipment, furniture, and office equipment on the Company’s balance sheet for use free of charge (Appendix No. 1 to the Contract) in execution of point 9.1.1. of the Agreement between the employer and the OAO “LUKOIL” unions for 2009–2011. - point 5.2 of the Contract is revised, stipulating the extension of the Contract to 5 December 2011.
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 date of signing.
1. Number of the transaction approved by the Board of Directors	65
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" (IATUO)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Contract No. 0410494 of 11 May 2004 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Company provides at no charge to IATUO the use of non-residential premises with a total floor space of 728.5 square meters, located on the fourth and fifth floors of the building located at: Pokrovsky bulvar 3, building 1A, Moscow. In accordance with the Supplemental Agreement, point 1.1 of the Contract is set out in a new version, stipulating the provision by the Company to IATUO for use at no charge of non-residential premises with a total floor space of 728.5 square meters, located on the fourth and fifth floors of the building located at: Pokrovsky bulvar 3, building 1A, in execution of point 9.1.1 of the Agreement between the employer and the trade union of OAO "LUKOIL" for 2009–2011.
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 signing.
1. Number of the transaction approved by the Board of Directors	66
2.1. Price (amount in USD)	USD 32,370.42, plus VAT of USD 5,826.68.
2.2. Price (amount in roubles)	RUB 847,457.63, plus VAT of RUB 152,542.37.
3. Names of parties	Non-profit partnership "Russian Institute of Directors" (Organiser) OAO "LUKOIL" (Company)
4. Names of beneficiaries	-
5. Name of transaction	Contract
6. Subject of the transaction	In accordance with the Contract the Organiser undertakes to hold the VII National Congress of Corporate Directors (hereinafter the Congress) on 3 December 2008 in Moscow, support the Company's participation in the Congress with the status of Primary Sponsor and provide the Company with the services stipulated by the Contract, while the Company undertakes to make a sponsorship contribution in the amount stipulated in the Contract.
7. Grounds for status as an interested party	Igor Vyacheslavovich Belikov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the Director of the non-profit partnership "Russian Institute of Directors".
8. Other material terms of the transaction	The Company will make a sponsorship contribution in the amount of RUB 1,000,000, including VAT, within 10 days from the date the Contract is signed.
1. Number of the transaction approved by the Board of Directors	67
2.1. Price (amount in USD)	USD 138,098,013.09

2.2. Price (amount in roubles)	RUB 3,615,405,982.59
3. Names of parties	OAO "LUKOIL" (Lender) OOO Naryanmarneftegaz (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0710517 of 2 July 2007 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a special-purpose loan in the amount of RUB 11,000,000,000, and the Borrower undertakes to return the loan received and pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement: 1. The Parties state that as the result of the reorganisation of the Borrower in the form of the spin-off from it of OOO NMNG-M&A, in which pursuant to the separation balance sheet the rights and obligations of the Borrower under the Agreement passed to OOO NMNG-M&A in respect of the principal debt, equal to RUB 3,105,060,000. 2. In respect of the Borrower, from 1 July 2008 the Contract is terminated as regards the principal, equal to RUB 3,105,060,000. Taking this into account, and also taking into account the Borrower's repayment of some of the principle, the balance of the loan under the Contract is equal to RUB 3,615,405,982.59.
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 Naryanmarneftegaz.
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 July 2008. The other terms of the Agreement remain unchanged.
1. Number of the transaction approved by the Board of Directors	68
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 Bank Petrocommerce (Bank) OAO "LUKOIL" (Client)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Contract No. 0810703 of 20 August 2008 on the current foreign-currency account of a resident legal entity (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract the Bank opens a current foreign-currency account for the Client in euros and in parallel with the current account opens a transit foreign-currency account and services these accounts on the terms and conditions stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Contract. In accordance with the Supplemental Agreement, the Bank transfers funds to other of the Client's accounts without additional instructions on the basis of a payment order.
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. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing, and shall remain in force until the expiration of the effective term of the Contract.

1. Number of the transaction approved by the Board of Directors	69
2.1. Price (amount in USD)	USD 26,666,666.67.
2.2. Price (amount in roubles)	RUB 720,000,000
3. Names of parties	OAO "LUKOIL" (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a special-purpose loan in an amount up to RUB 720,000,000 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.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The loan is being provided with the aim of replenishing working capital. The loan is provided with a payment date of up to 30 November 2011 inclusive, with an early repayment option. The Borrower shall pay the Lender interest at a rate determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group (hereinafter the Marketing Policy), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended. The Borrower shall be provided with written notification of changes to interest rates in accordance with the Marketing Policy. Interest will accrue on a monthly basis and will be paid in accordance with Appendix No. 1 to the Agreement (quarterly). The Agreement shall enter into force from the time funds are remitted to the Borrower shall cease its effect after the performance by the Parties of their obligations.
1. Number of the transaction approved by the Board of Directors	70
2.1. Price (amount in USD)	The approximate value of the transaction is USD 34,074,074.07.
2.2. Price (amount in roubles)	The approximate value of the transaction is RUB 920,000,000.
3. Names of parties	OAO "LUKOIL" (Supplier) OAO YuGK TGK-8 (Buyer)
4. Names of beneficiaries	-
5. Name of transaction	Gas supply contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Supplier undertakes to deliver and the Buyer undertakes to accept and pay the Supplier for dry stripped gas (hereinafter the gas) in the amount of 296.816 million m <sup>3</sup> during the period from 1 January 2009 to 31 December 2009.
7. Grounds for status as an interested party	Vladimir Ivanovich Nekrasov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO YuGK TGK-8.
8. Other material terms of the transaction	The recipients of gas shipments under the Contract are: 1. Kamyshinskaya TETs branch of OAO YuGK TGK-8 "Volgograd Generation"; 2. Volgogradskaya TETs-2 branch of OAO YuGK TGK-8 "Volgograd Generation"; The Contract enters into force from the date of its signing and shall remain in effect until 31 December 2009, and as regards

	settlements – until they have been completed in full.
1. Number of the transaction approved by the Board of Directors	71
2.1. Price (amount in USD)	Approximately USD 189,736,067.94
2.2. Price (amount in roubles)	Approximately RUB 5,249,997,000, including VAT
3. Names of parties	ZAO RITEK Trading (Supplier) OAO “LUKOIL” (Buyer)
4. Names of beneficiaries	-
5. Name of transaction	Oil supply contract (hereinafter the “Contract”).
6. Subject of the transaction	In accordance with the Contract, the Supplier undertakes to supply the Buyer with oil in an amount up to 1,500,000 (nine hundred thousand) tonnes during the period from 1 January 2009 to 31 December 2009 for placement on the Russian domestic market.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO “LUKOIL”, is the father of Elena Valerievna Panakova, Chairman of the Board of Directors of ZAO RITEK Trading.
8. Other material terms of the transaction	Oil will be supplied using the oil mainline network of OAO AK Transneft.
1. Number of the transaction approved by the Board of Directors	72
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” (Lender) OOO TsentrKaspneftegaz (Borrower)
4. Names of beneficiaries	
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0810300 of 29 April 2008 (hereinafter the “Agreement”).
6. Subject of the transaction	In accordance with the Agreement, the Lender will provide the Borrower with a special-purpose loan in an amount of up to 1,388,300,000 roubles, and the Borrower undertakes to repay the funds received and pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement the section “Addresses and details of the Parties” is set out in a new version.
7. Grounds for status as an interested party	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OOO TsentrKaspneftegaz.
8. Other material terms of the transaction	All other provisions of the Contract remain in force in full measure. The Supplemental Agreement enters into force from the time of its signing, and shall remain in force until the expiration of the effective term of the Contract.
1. Number of the transaction approved by the Board of Directors	73
2.1. Price (amount in USD)	USD 25,787,965.62.
2.2. Price (amount in roubles)	RUB 720,000,000
3. Names of parties	OAO “LUKOIL” (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0610530 of 22 June 2006 (hereinafter the “Agreement”).

6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a special-purpose loan in an amount up to RUB 400,000,000 on the conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement: - the amount of the loan under the Agreement has been increased by RUB 320,000,000; - point 1.1 of the Agreement is set out in a new version stipulating an increase in the loan amount to RUB 720,000,000.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing and constitutes an integral part of the Agreement.
1. Number of the transaction approved by the Board of Directors	74
2.1. Price (amount in USD)	USD 25,631,897.47.
2.2. Price (amount in roubles)	RUB 720,000,000
3. Names of parties	OAO "LUKOIL" (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender provides the Borrower with a special-purpose loan in an amount up to RUB 720,000,000 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.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The loan is provided with the aim of replenishing working capital. The loan is provided with a payment date of up to 30 November 2011 inclusive, with an early repayment option. The Borrower shall pay the Lender interest at a rate determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group (hereinafter the Marketing Policy), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended. The Borrower shall be provided with written notification of changes to interest rates in accordance with the Marketing Policy. Interest will accrue on a monthly basis and will be paid in accordance with Appendix No. 1 to the Agreement (quarterly). The Agreement shall enter into force from the time funds are remitted to the Borrower and shall cease its effect after the performance by the Parties of their obligations.
1. Number of the transaction approved by the Board of Directors	75
2.1. Price (amount in USD)	The approximate value of the transaction is USD 7,623,156.42.
2.2. Price (amount in roubles)	The approximate value of the transaction is 211,999,980 roubles.
3. Names of parties	OAO "LUKOIL" (Buyer)

	ZAO RITEK Trading (Supplier)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Oil Supply Contract No. 0711045 of 14 December 2007 (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Supplier undertakes to supply the Buyer with up to 900,000 tonnes of oil during the period from 1 January 2008 to 31 December 2008 for placement on the Russian domestic market. In accordance with the Supplemental Agreement, point 1.1 of the Contract is set out in a new version, stipulating the Supplier's obligations to supply the Buyer with up to 1,000,000 tonnes of oil during the period from 1 January 2008 to 31 December 2008 for placement on the Russian domestic market.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is the father of Elena Valerievna Panakova, Chairman of the Board of Directors of ZAO RITEK Trading.
8. Other material terms of the transaction	Oil will be supplied using the oil mainline network of OAO AK Transneft.
1. Number of the transaction approved by the Board of Directors	76
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" (Disclosing Party) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Recipient)
4. Names of beneficiaries	-
5. Name of transaction	Confidentiality agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Disclosing Party transfers to the Recipient information contained in the report prepared by the Closed Joint-Stock Company PricewaterhouseCoopers Audit under actuarial valuation contract No. MOS-ABAS-FS-26001005-A072-078-07/0810808 of 29 September 2008, with the aim of preparing and submitting a Plan of Measures to the Disclosing Party under non-state pension plan contract No. 994-515 of 14 August 2000, regarding the transfer of the non-state pension plan system to new financing conditions.
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.
8. Other material terms of the transaction	-
1. Number of the transaction approved by the Board of Directors	77
2.1. Price (amount in USD)	The interest for the year will be USD 460,266.09.
2.2. Price (amount in roubles)	The interest for the year will be RUB 12,800,000.
3. Names of parties	OAO "LUKOIL" (Lender) OAO RITEK (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0610109 of 2 March 2006 (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 RUB 200,000,000 on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement, the following amendments are made to the Agreement: - in point 4.1 of article 4 "Dates for the provision and repayment of the loan", the date for the provision of the loan is

	extended to 31 December 2009 inclusive; - Appendix No. 1 (Schedule for repayment of principal and interest) to the Agreement is set out in a new version.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the General Director, a member of the Board of Directors, and the Chairman of the Management Committee of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Dzhevan Krikorovich Cheloyants, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing and constitutes an integral part of the Agreement.
1. Number of the transaction approved by the Board of Directors	78
2.1. Price (amount in USD)	The amount of the agency fee equals USD 3,623.19, including VAT. The amount of the Agent's expenses is USD 3,623,188.41.
2.2. Price (amount in roubles)	The amount of the agency fee is 100,000 roubles, including VAT. The amount of the Agent's expenses is RUB 100,000,000.
3. Names of parties	OAO "LUKOIL" (Principal). Non-profit organisation LUKOIL Charitable Fund (Agent)
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 to carry out legal and practical actions on the instructions of the Principal, in its own name but at the Principal's expense, aimed at developing physical education and sport, including the conclusion of a contract with the Regional Public Organisation "Spartak Moscow FC Supporters' Centre" on gratuitous targeted financing in the period from 1 January 2009 to 31 December 2009.
7. Grounds for status as an interested party	Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Fund Board. Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of the Fund. Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperova, a member of the Board of the Fund. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the Fund.
8. Other material terms of the transaction	The services will be provided in stages. Each stage will cover one calendar quarter. The Agent will provide a report to the Principal within five days from the end of the stage. The Agent will raise an invoice for the payment of fees within five business days from the date of the approval of each quarterly report. The Agreement enters into force from the time of signing, and will remain in effect until the Parties perform their obligations.
1. Number of the transaction approved by the Board of Directors	79
2.1. Price (amount in USD)	USD 8,582,048.97.
2.2. Price (amount in roubles)	RUB 245,532,421
3. Names of parties	OAO Bank Petrocommerce (Seller) OAO "LUKOIL" (Buyer)
4. Names of beneficiaries	-

5. Name of transaction	Contract on the sale of shares in the Open Joint Stock Company LUKOIL-Inter-Card (hereinafter the “Contract”).
6. Subject of the transaction	<p>In accordance with the Contract, the Seller undertakes to transfer title to and the Buyer undertakes to pay for 12,730 shares in the Open Joint Stock Company LUKOIL-Inter-Card (hereinafter the Issuer) on the terms and conditions of the Contract. Information on the shares to be transferred under the Contract (hereinafter the Shares):</p> <ul style="list-style-type: none"> <li>– full name of the Issuer: Open Joint Stock Company Lukoil-Inter-Kard;</li> <li>– type of securities: ordinary registered shares;</li> <li>– total number of shares: 12,730 (twelve thousand seven hundred thirty);</li> <li>– par value per share: 1,000 (one thousand) roubles;</li> <li>– state registration number of the shares: 1-01-45436-E.</li> </ul>
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>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Igor Vladimirovich Sherkunov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p>
8. Other material terms of the transaction	<p>Title to the Shares will be transferred on the basis of a Transfer Directive to be conveyed by the Seller to the Buyer not later than one business day from the time the Buyer discharges its obligations on the payment of the Shares.</p> <p>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.</p>