

TENTATIVELY APPROVED  
by the Board of Directors of the Open Joint Stock Company  
“Oil company “LUKOIL”  
Minutes No. 11 of 24 May 2013

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

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**Annual Report**  
**of Open Joint Stock Company**  
**“Oil company “LUKOIL”**  
**for 2012**

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

Vice-President, Chief Accountant L.N. Khoba \_\_\_\_\_  
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## **Forward-looking statements**

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

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

### **Development prospects of ОАО “ЛУКОЙЛ”**

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

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

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

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

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

The main lines of business of LUKOIL Group organisations are exploration, production and sale of oil and gas; the manufacture and sale of petroleum products; generation, transmission and sale of heat and electricity.

The Board of Directors established the following, among other things, as the priority tasks of OAO “LUKOIL” in 2012 and the near future:

- stabilising and maintaining production volumes in traditional areas of presence;
- implementing plans for new priority projects in Russia (North Caspian, deposits of the Bolshekhetskaya depression);
- continuing work on implementation of foreign projects on the deepwater shelf of Western Africa, the Black Sea shelf of Romania, the shelf of the Aral Sea in Uzbekistan and the Gissar and Khauzak-Shady-Kandym projects in Uzbekistan;
- meeting key objectives under the West Qurna-2 project;
- continuing the implementation of the Programme to increase the level of utilisation of associated gas of LUKOIL Group companies in 2011-2013;
- continuing implementation of the programme to upgrade the Group’s refineries, including the construction of a new delayed coking unit in Perm, a VGO hydrocracking unit in Volgograd, and the second catalytic cracking unit and a heavy still bottoms cracking unit in Nizhny Novgorod.

The priority areas of activity for OAO “LUKOIL” in 2012 included:

- maintaining a competitive return on capital employed, growth in free cash flow, and increasing shareholder return in accordance with the provisions of *Strategic Development Programme of the LUKOIL Group for 2012–2021*;
- ensuring the required level of all indicators of industrial and occupational safety and environmental protection (HSE) at Company enterprises and divisions, and reliable protection of the staff and assets of the LUKOIL Group;
- implementation of measures aimed at improving the management system at the LUKOIL Group, improving staff qualifications and incentives, and a growth in productivity.

The net profit of OAO “LUKOIL” under Russian accounting standards in 2012 equalled RUB 217,807,128 thousand, compared to RUB 242,637,070 thousand in 2011, and sales revenue (less value-added tax and excises) in 2012 equalled RUB 39,906,776 thousand, compared to RUB 35,106,995 thousand in 2011.

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

As at 31 December 2012 more than 46,000 legal entities and individuals were registered in the Company’s shareholders register.

OAO “LUKOIL’s” share capital is 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 per cent of share capital.

OAO “LUKOIL’s” shares are on the A1 Quotation List (highest level) of the Russian MICEX exchange. The depositary receipts issued on Company shares are traded on the stock exchanges in London, Frankfurt, Munich, Stuttgart and on the over-the-counter market in the USA.

As an issuer of highly liquid securities, the Company has demonstrated its investment appeal for Russian and foreign investors over the course of many years. Company officials, who consider the purchase of Company shares the best method of investment, continued to increase their share in the charter capital of OAO “LUKOIL” in 2012.

The Company began to pay interim dividends for the first time in 2012. By decision of the extraordinary General Shareholders Meeting held on 18 December 2012, OAO “LUKOIL” paid interim dividends of nearly RUB 34 billion. The amount of dividend per ordinary share equalled RUB 40.

As part of the improvement of the Company’s corporate governance system, the Board of Directors of OAO “LUKOIL” paid special attention in 2012 to improving the effectiveness of the systems of internal control, internal audit and risk management. A number of important internal Company documents were approved in this area, including:

- the *Programme to Improve the Quality of Internal Audit at OAO “LUKOIL” during the period 2012-2016*;
- the *Regulations on Assessment of Internal Audit at OAO “LUKOIL”*;
- the Internal control procedures;
- the *Internal Audit Rules of Open Joint Stock Company “Oil Company “LUKOIL”*.

#### *Development prospects of OAO “LUKOIL”*

As the centre of organisational and financial management of the LUKOIL Group, OAO “LUKOIL” develops the Group’s overall operating and development guidelines and determines the resources and methods necessary to achieve these benchmarks.

According to the *Strategic Development Programme of the LUKOIL Group for 2012–2021*, approved by the Board of Directors of OAO “LUKOIL” in December 2011, the Company’s strategic goals include:

- improving investment appeal and a sustainable increase in shareholder value;

- ensuring environmental and industrial safety, social and personal security;
- implementing investment projects with an internal rate of return no lower than the approved rate;
- achieving a return on capital employed comparable to the leading peer companies;
- ensuring full compensation of production with a growth in reserves;
- ensuring an average annual growth in hydrocarbon production of at least 3.5%;
- increasing the share of the Exploration & Production business segment's foreign projects in free cash flow;
- meeting the demand for light petroleum products on the LUKOIL Group's strategic markets;
- the gradual transition to deep refined production, while bringing the Group's refinery structure up to the level of comparable peer companies;
- maximising the Company's value from use of integration opportunities.

## **EVENTS in 2012**

### **First quarter**

#### **January**

##### **Start of work on a tar hydrocracking facility at the Burgas Refinery (Bulgaria)**

The facility is the main element of a complex for refining of heavy residues, which will enable the Refinery to increase annual production of Euro-5 diesel fuel by 1.2 million tonnes and to cease production of high-sulphur fuel oil. The tar hydrocracker will have 2.5 million tonnes annual capacity and is scheduled for launch in January 2015.

#### **February**

##### **Increase of green energy capacities**

The company LUKERG Renew acquired an interest in a wind-powered electricity generating station in Bulgaria with capacity of 40 megawatts, representing 10% of total electricity produced by wind power in Bulgaria.

#### **March**

##### **Signing of field construction contracts for West Qurna-2 in Iraq**

Construction of 5 well-cluster pads with 67 production wells and of 5 oil collection lines will be carried out over a period of 29 months by Samsung Engineering (South Korea). A gas turbine power station will be built by ENKA Insaat (Turkey) in a period of 27 months. Expansion of reservoir capacity at the crude oil export port of Tuba will be carried out by Entrepose Projets/Rosco (France and Jordan) in a period of 22 months.

### **Second quarter**

#### **April**

##### **Construction of underwater pipelines in the Caspian Sea**

It is planned to lay two pipelines on the seabed by 2015: an oil pipeline with diameter of 559 mm, extending for 114 km from the coast, and a gas pipeline with 711 mm diameter, extending for 114 km.

##### **Start of development work at the West Qurna-2 field**

LUKOIL Group began drilling and work on construction of the main surface facility, an oil preparation unit. The production drilling project envisages the construction of 23 slanted wells, work on which will be carried out simultaneously from five well cluster pads using the latest diesel-generating plants with lift capacity of 450 tonnes.

##### **Opening of a terminal in Barcelona**

The new terminal will enable LUKOIL Group to carry out re-export and distribution of diesel and jet fuel and biofuel in Spain. A new reservoir facility transforms the terminal into a major Mediterranean hub for transshipment of oil products with total capacity of 1 million cubic meters. The terminal is connected to the pipeline system of Hydrocarbonates Logistics Company, and has 8 racks for unloading of oil products road tankers with daily capacity for 400 road tankers.

#### **June**

## **OAO “LUKOIL” and ENEL agreed to cooperate**

The companies will consider joint projects for exploration & production of natural gas in Russia and abroad, particularly at offshore fields in the Caspian Sea and North Africa. Prospects will also be considered for sale of liquefied gas and pipeline gas on the European and Russian markets.

## **The Annual General Meeting of Shareholders of OAO “LUKOIL”**

Shareholders approved the Company's Annual Report for 2011, annual financial statements and the payment of 75 rubles per ordinary share as dividends for 2011 (27.1% more than 59 rubles per share paid for 2010).

## **Third quarter**

### **August**

#### **Start of production of new-generation engine lubricants**

An OAO “LUKOIL”'s organization started production of a new range of engine lubricants, LUKOIL GENESIS, at the Ploesti Refinery (Romania). These lubricants fully comply with environmental requirements for lubricants to be used in Euro-5 and -6 engines and offer economies of about 1 liter of fuel per tank, compared with lubricants of the previous generation.

LUKOIL GENESIS lubricants are already being sold in EU countries. In Russia they will be used for first-fill of foreign cars manufactured in the country.

### **September**

#### **First production at the Junin-6 block in Venezuela**

Geological reserves at Junin-6 are about 53 billion barrels of oil. Output during the early-oil stage will reach 50 thousand barrels per day and peak output will be up to 450 thousand barrels per day. Duration of the contract is 25 years, renewable for a further 15 years.

## **Fourth quarter**

### **November**

#### **A LUKOIL Group company joins Sierra Leone offshore project in the Gulf of Guinea**

A “LUKOIL” Group Company acquired 25% of the project for geological exploration, development and production in the territorial waters of the Republic of Sierra Leone in the Gulf of Guinea from the Canadian company Talisman Energy. Project participants are: Talisman Energy - 30% (operator), Petronas - 25%, Prontinal Ltd - 20%. Geological exploration work has identified several potentially productive sites at the block.

#### **All diesel fuel production at OOO “LUKOIL-Volgogradneftepererabotka” meets Euro-5**

Full compliance with Euro-5 standards for diesel fuel was made possible by commissioning of a new diesel hydrotreatment unit with annual capacity of 3 million tonnes. In addition to production of diesel fuel, the unit can also carry out hydrotreatment of up to 200 thousand tonnes of coker naphtha per year, boosting output of high-octane gasoline.

### **December**

#### **An organization of “LUKOIL” wins an auction for rights to mineral use in Western Siberia, including the Imilorskoye+Zapadno-Imilorskoye and Istochnoye fields**

Geological and recoverable oil reserves in categories C1+C2 at the area were 855.5 and 193.7 million tonnes, respectively, as of January 1, 2012. The company offered a single payment for mineral use of \$1.67 billion, or \$1.2 per barrel of explored and evaluated reserves. Two oil fields have been discovered at the area: Imilorskoye+Zapadno-Imilorskoye and Istochnoye. Mineral licenses will be issued for a period of 20 years. Under the terms of the auction 30% of the oil will be processed at OOO “LUKOIL-Permnefteorgsintez”.

## **An Extraordinary General Meeting of Shareholders of the Company approves payment of an interim dividend**

Shareholders decided to pay an interim dividend of 40 rubles per ordinary share.

## **1. Exploration and Production of Oil & Gas**

### **The strategy for 2012–2021 targets:**

- At least 3.5% average annual growth of hydrocarbon output
- Stabilization of crude oil production in Western Siberia
- Increase of the crude oil recovery factor in Russia
- More than 80% of all investments to be spent on exploration & production
- Substantial increase in the share of international projects in total production
- Substantial increase in the share of gas in total hydrocarbon production

### **E&P segment indicators, \$ million**

<b>Indicator</b>	<b>2012</b>	<b>2011</b>	<b>Change, %</b>
Revenue	47,089	44,858	5.0
EBITDA	13,858	12,126	14.3
Net income	8,326	6,665	24.9
Capital expenditures	8,902	6,629	34.3

### *Exploration & production is the main creator of Company value, generating more than 75% of net income*

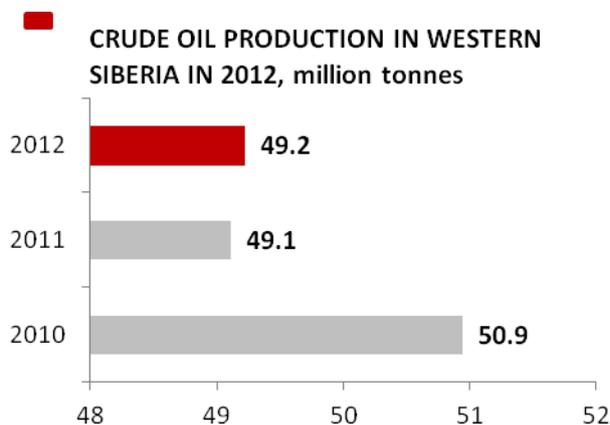
The Company is focused on ways of strengthening its resource base and using it in the most efficient way possible. This is what makes OAO “LUKOIL” the highest achiever among Russia’s vertically integrated oil companies (VICs) in terms of net income per barrel of produced hydrocarbons.

The most important event in the Exploration & Production business segment during 2012 was stabilization of oil production levels in Western Siberia. In recent years the Company has invested heavily in the region in order to increase exploration and production drilling, and its success in halting output declines is the fruit of these efforts.

Investment in high-tech field development methods, such as horizontal drilling and hydraulic fracturing, has enabled the Company to bring additional reserves into development in the Northern Caspian and the Komi Republic.

Another significant achievement for LUKOIL in the reporting year was gaining access to mineral areas with federal status in Western Siberia (the Imilorskoye+Zapadno-Imilorskoye and Istochnoye fields).

The most important development in the Group’s foreign projects during 2012 was at the West Qurna-2 field in Iraq, where we started production drilling and construction of oil preparation facilities.



## Price

Oil prices were highly volatile in 2012 due to political instability in the Middle East (Syria, Iran), debt problems in the US and the eurozone, increase of oil production in the US, Canada and Iraq, and the depletion of hydrocarbon fields in the North Sea.

The average price of Brent crude oil rose by 0.4% in 2012 compared with 2011 to \$111.7 per barrel and the average price of Urals oil rose by 1.3% to \$110.5 per barrel

The gas market saw major fluctuations at the start of 2012 due to weather events in Europe. However, average full-year prices for gas on various trading floors in Europe showed a significant increase of 19-25% and the increase in the US was 15%.

## *Tax environment and improvements to tax legislation*

The scale of the Company's activities in Russia means that its tax profile is largely determined by taxes payable in Russia. The main Russian duties and taxes, for which the Company is liable, are as follows: mineral extraction tax (MET), which accounted for 90.4% of total tax dues other than income tax in 2012; and excise and export duties, which are linked to international crude oil prices and change in accordance with crude price fluctuations.

Main tax and duty payments by the Company in 2012 except for income tax grew by \$1,379 million (+4.1%). The increase was mainly caused by growth of MET expenses, due to raising of the tax rate.

The **MET rate for oil** in 2012 increased by 7.4% in US dollar terms. Through the application of benefits the Company has been able to reduce MET tax costs by \$1,490 million, of which 8.7% related to the benefits of oil production at the Yu. Korchagin field in the Caspian Sea. The benefits include:

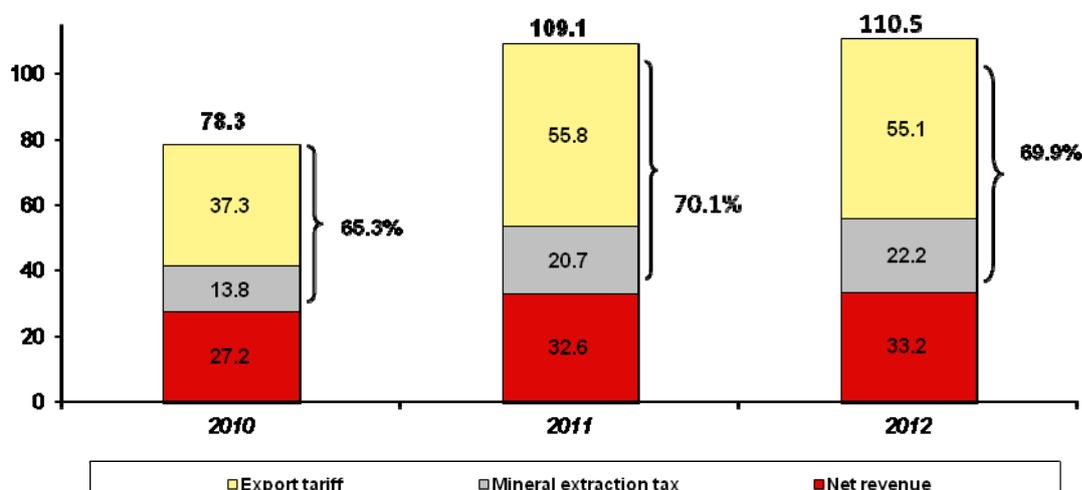
- reduced rate of MET at highly depleted fields;
- zero rate for new deposits;
- zero rate for high-viscosity oil

Payment of crude oil export duty by the Company decreased by \$444 million in 2012 due to lowering of average export duty rates on crude oil by 1.2% and the application of the following benefits:

- reduction of export duties for new fields;
- a lower rate of export duty on high viscosity oil (the '10-10-10' system). Reduced rate of export duty for a period of 10 years (2013 - 2022) applicable to oil with high-viscosity of at least 10 thousand cps in reservoir conditions (10% of the standard duty).
- preferential export duties on crude oil (about 50% of the standard duty) for the Caspian Sea, Nenets Autonomous District, the Yamal-Nenets Autonomous District, Eastern Siberia, and shelf fields. Savings on exports of oil from the Yu. Korchagin field in 2012 amounted to \$150 million.

In projects regulated by PSAs, taxes continue to be paid in accordance with the terms of these agreements.

**Revenue structure of a Russian oil exporter, \$/barrel**



## Licensing

*LUKOIL became the first privately owned Company in Russia to obtain access to mineral areas with federal status, as defined by the Russian Law on Minerals.*

*426 licenses on the Group balance sheet*

*11 licenses obtained in 2012*

The Group continued its work in 2012 to obtain new licenses for mineral use and to optimize the license portfolio in order to raise the quality of the Company's reserve base.

The main event of the year in the licensing sphere was victory by a wholly-owned subsidiary of the Company, OOO LUKOIL-Zapadnaya Sibir, in an auction for usage rights at a mineral area with federal status in Western Siberia, including the Imilorskoye+Zapadno-Imilorskoye and Istochnoye fields. A license for mineral use will be issued for a period of 20 years. Under the terms of the auction, 30% of the oil, which is produced, will be processed at OOO "LUKOIL-Permnefteorgsintez".

LUKOIL Group companies had 426 licenses on their balance sheets as of January 1, 2013, of which 338 were for exploration & production of hydrocarbons, 22 were for geological study, including prospecting and evaluation of mineral fields, and 66 were for geological study, exploration & production of raw hydrocarbons.

The Company obtained 11 new licenses for use of mineral resources in 2012, of which 5 as a result of auctions and competitions, 3 for geological study in response to an application by the mineral resources user, and 3 as a result of acquisition of an interest in another company.

## Crude Oil and Gas Reserves

Proved oil & gas reserves of LUKOIL Group by regions in 2012

	Oil, million barrels	Gas, billion cubic feet	Hydrocarbons, million boe	Share in hydrocarbon reserves
Western Siberia	7,092	2,878	7,572	43.8%

Urals	2,088	774	2,217	12.8%
Volga	189	189	220	1.3%
Northern Caspian	556	1,719	843	4.9%
Timan-Pechora	2,387	489	2,468	14.3%
Bolshekhetskaya Depression	235	11,430	2,140	12.4%
Other	213	13	216	1.2%
International projects	621	5,995	1,620	9.3%
<b>TOTAL</b>	<b>13,381</b>	<b>23,487</b>	<b>17,296</b>	

*LUKOIL's large resource potential provides a guarantee of strong development in the future*

*3P hydrocarbon reserves are 29.3 billion boe*

*3C contingent resources are 10.3 billion boe*

The Company is working as hard as it can to realize its immense resource potential, converting it into proved reserves for future development. Replacement of production by proved reserves exceeded 100% in 2012. This achievement was due to:

- geological exploration, production drilling and acquisitions, which together gave an increase of proved reserves by 703 million boe (most of the growth was from additional exploration of fields in the Northern Caspian and Komi Republic);

- revision of previous estimates, which gave an increase of reserves by 142 million boe thanks to improvements in the technology used for development of existing fields, progress towards commissioning of several new deposits, and increase of gas utilization.

Organic reserve growth compensated 82% of hydrocarbon production in 2012. Most of the organic growth of proved reserves was obtained in Russia (613 million boe or 92% of the total).

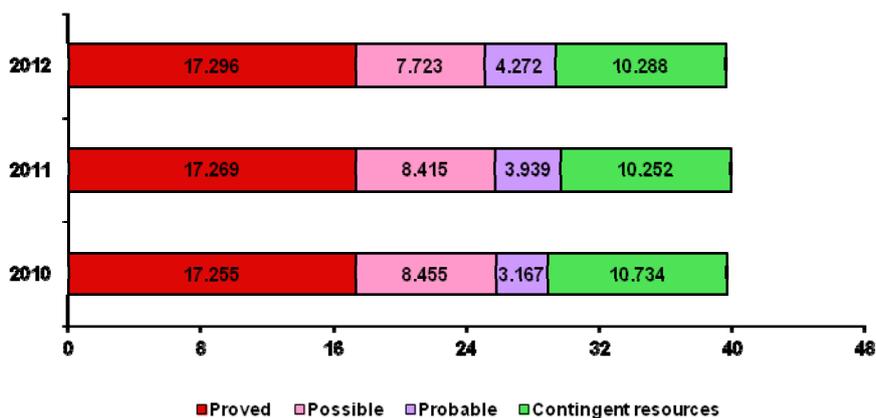
LUKOIL Group carries out intensive geological exploration work, using the latest technology, and the Group is also implementing a program to increase rates of gas utilization in order to speed up the transfer of contingent resources to reserves as the time approaches for them to be brought into production.

Western Siberia, Timan-Pechora and the Urals account for most of the Group's reserves. The main part of proved gas reserves are in Bolshekhetskaya Depression (Western Siberia), Uzbekistan and the Caspian region. Some 58% of the Company's total proved reserves (64% of oil reserves and 37% of gas reserves) are in development. This reserve structure reflects high potential for increase of production by the Company in the medium term, particularly of gas production.

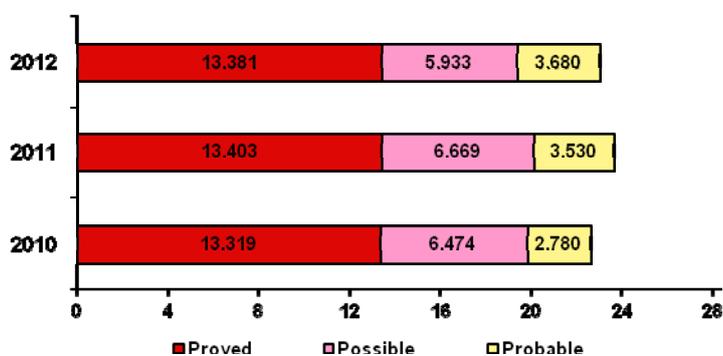
Most of LUKOIL's proved reserves are conventional. Only about 4.4% of proved hydrocarbon reserves (3.8% of 3P reserves) consist of high-viscosity oil and 5.3% of proved reserves (7.0% of 3P) are at offshore fields. This structure means that the Company can control development costs efficiently and commission new fields more quickly.

**LUKOIL is among Russian and international leaders by volumes of proved hydrocarbon reserves. The Group's ratio of proved hydrocarbon reserves to production is more than 21 years (20 years for oil and 28 years for gas).**

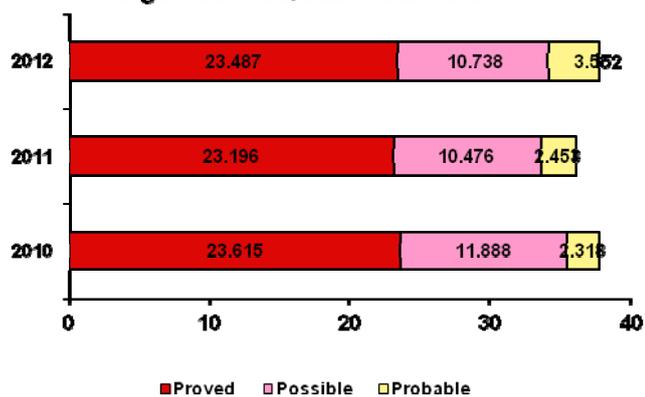
3P hydrocarbon reserves and 3C contingent resources, billion boe



3P oil reserves, billion barrels



3P gas reserves, trillion cubic feet



### Oil & gas reserves of LUKOIL Group

January 1, 2013	Oil million barrels	Gas billion cubic feet	Oil + gas* million boe
<b>Proved reserves</b>	<b>13,381</b>	<b>23,487</b>	<b>17,296</b>
of which:			
In development	8,537	8,727	9,992

Not in development	4,844	14,760	7,304
<b>Probable reserves</b>	<b>5,933</b>	<b>10,738</b>	<b>7,723</b>
<b>Possible reserves</b>	<b>3,680</b>	<b>3,552</b>	<b>4,272</b>

\* Conversion ratio from cubic feet to barrels: 1 barrel = 6,000 cubic feet.

## Geological Exploration

*LUKOIL Group organizations carry out exploration work in 11 countries around the world in order to maximize replacement of hydrocarbon production by new reserves.*

LUKOIL Group is investing in prospective regions both in Russia and abroad, preparing the raw material base for production and ensuring that levels of production increase rapidly. The Company uses modern technology in its exploration work, which ensures growing efficiency of exploration. The success rate in prospecting and exploration drilling by the Group is about 70%.

The Company substantially increased volumes of 3D seismic work (by 51.3% to 6,523 km<sup>2</sup>) in 2012 compared with 2011, in order to identify and detail structures, and to prepare for drilling of prospecting and exploration wells at promising sites. The volume of 2D seismic was 3,248 km.

Vertical seismic profiling, which details the geological structure around a well that has been drilled, was carried out at 15 wells in 2012. Exploration drilling increased by 26.5% to 201 thousand meters in 2012 and a total of 52 exploration wells were completed, of which 36 were productive.

Five new fields were discovered, of which two oil fields in Perm Region (Provorovskoye and Sukhareva), one oil field in Tatarstan (Zapadno-Bimskoye), one oil field in Volgograd Region (Dobroye) and one gas condensate field in Uzbekistan (Shurdarye). A total of 17 hydrocarbon accumulations were discovered at already known fields.

Growth of proved reserves in 2012 as a result of geological exploration, production drilling and acquisitions totaled 703 million boe. Most of the increase was from further exploration of fields in the Northern Caspian and Komi Republic. Organic reserve growth compensated 82% of hydrocarbon production. Most of the organic growth of proved reserves was in Russia (613 million boe or 92% of the total).

### Largest prospecting projects in 2012

#### *Prospecting and exploration work in the Caspian Sea*

The Northern Caspian will be a key region for growth of oil and gas production by the Company in the medium term, and LUKOIL is therefore devoting particular attention to the development of resource potential in the region. Increase of the Company's proved reserves to international standards in the region during 2012, thanks to additional exploration, was 109 million barrels (+14.9% to 2011).

Three wells were completed in the Caspian Sea and all of them were productive, so the success rate in exploration drilling was 100%.

A first prospecting well was drilled at the Zapadno-Sarmatskaya structure and confirmed gas presence in Titonian sediments, which have already been found to be productive at the Yu. Kuvykina (Sarmatskoye) field. Drilling work began on Zapadno-Sarmatskaya well № 2. A total 89 km<sup>2</sup> of 3D seismic surveying was carried out at the Sarmatskaya area, and 500 km of 2D survey work was completed at the Severny area for detailing of the Yuzhnaya and Yuzhno-Shirotnaya structures and to search for a zone of possible development of non-anticlinal features to the south of the Yu. Korchagin and V. Filanovsky fields.

#### *Prospecting work in the Denisovskaya Depression (Komi Republic)*

A total 23,400 meters of prospecting and exploration drilling was carried out in the Komi Republic and five wells were completed, of which four were productive (80% drilling success rate). Exploration wells № 2 and 4 at the Vostochno-Lambeishorskoye field were completed and transferred to the field operator. They are now operating with daily flow rates of about 600 cubic meters.

### ***Prospecting drilling in the Baltic Sea***

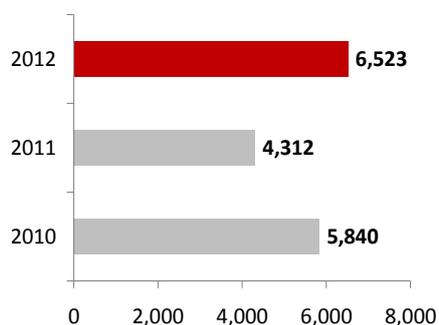
LUKOIL carried out exploration work both onshore in Kaliningrad Region and on the Baltic Sea shelf during 2012. Total drilling was 6 thousand meters and 100 km of 2D seismic work was carried out at the Yuzhny license area. Drilling of prospecting well № 1 in the Baltic Sea was completed (the distance drilled in 2012 was 4 thousand meters). The well is now being tested. A first prospecting well was also drilled at the Yuzhno-Volodarovskaya structure (1,930 meters drilled).

### ***Prospecting work in Uzbekistan***

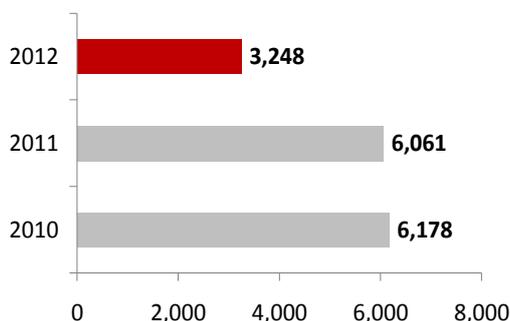
At the Kandym block wells Parsankul-9 and Parsankul-10 were completed and testing gave daily gas inflows of 90 thousand cubic meters and 196 thousand cubic meters, respectively. Preparations were made for 3D seismic data acquisition and 450 km<sup>2</sup> of 3D work was carried out. The geological model of the Parsankul field was updated in 2012 and rapid assessment of C1 hydrocarbon reserve increment from the new wells was made.

Drilling work was completed in the South-West Gissar project and well Shurdarye-2 was tested. Testing of Upper Carbonaceous sediments gave daily commercial inflow of gas and condensate at rates of 647 thousand cubic meters and 95 tonnes, respectively, marking discovery of the Shurdarye field.

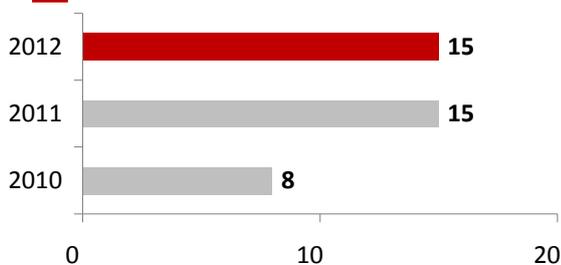
**3D SEISMIC EXPLORATION, km<sup>2</sup>**



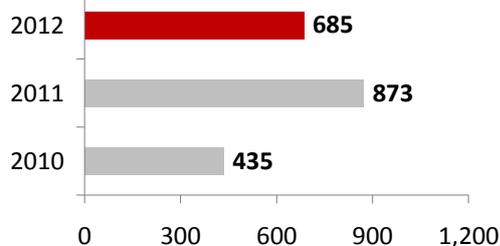
**2D SEISMIC EXPLORATION, km**

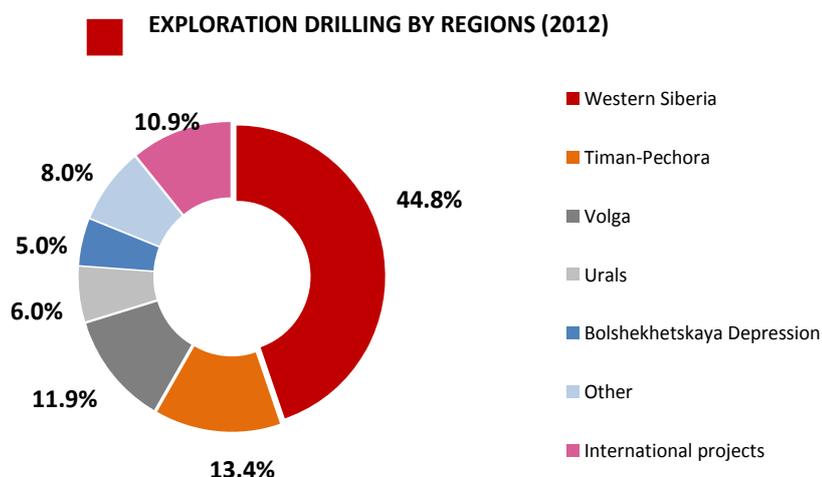
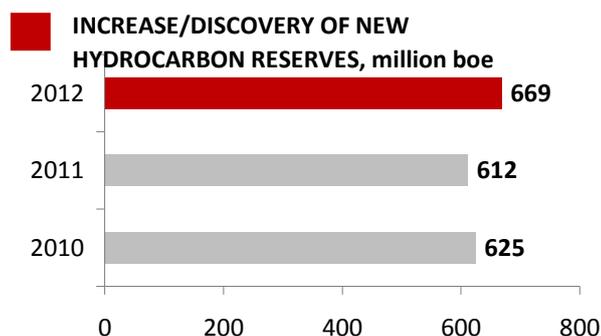
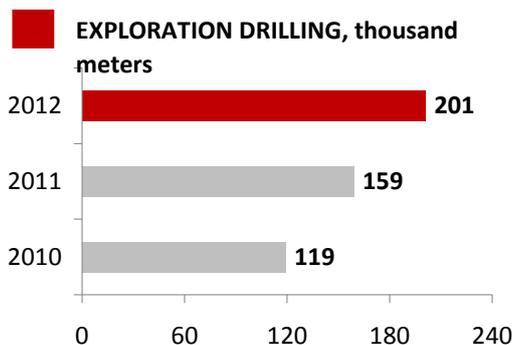


**Vertical seismic profiling, wells**



**SPENDING ON GEOLOGICAL EXPLORATION, \$ million**





### Prospective regions

Prospective regions and fields in the exploration & production segment:

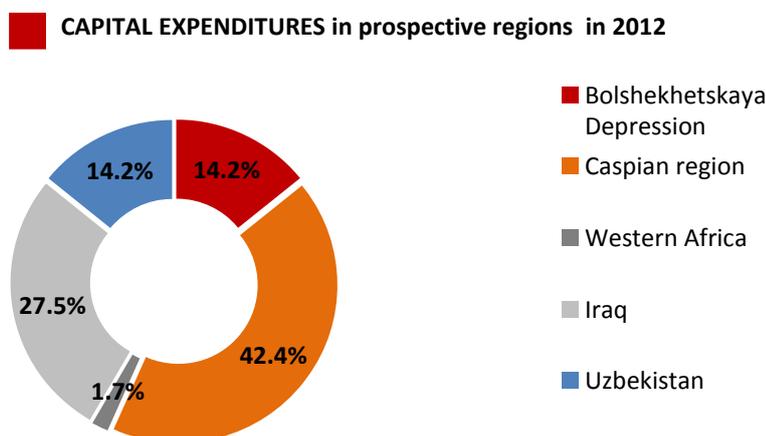
region	Fields
<b>Timan-Pechora</b>	Trebs and Titov (oil), Vostochno-Lambeishorskoye (oil), Yaregskoye (high viscosity oil) Usinskoye (Permian-Carbonaceous)
<b>Northern Caspian</b>	Yu. Korchagin (oil & gas) V. Filanovsky (oil & gas)
<b>Western Siberia</b>	Imilorskoye+Zapadno-Imilorskoye and Istochnoye (oil) Bolshekhetskaya Depression (gas)
<b>Uzbekistan</b>	Gissar, Kandym-Khauzak-Shady (gas, gas condensate, oil)
<b>Iraq</b>	West Qurna-2 (oil)

LUKOIL Group continued to invest in prospective production regions during 2012, laying a solid foundation for the growth of hydrocarbon production in the future. The Company is committed to making the best use of its huge resource potential via two approaches:

- establishment of operations in new regions, acquisition of licenses in Russia and abroad;

- use of new technologies at relatively depleted areas and in regions with reserves that are hard to recover.

Spending on prospective projects during 2012 amounted to \$3.4 billion, which is more than 28% of total capital spending in 2012. In Russia the Company invested more than \$1.4 billion for development of the Caspian region, and about \$0.5 billion on fields in the Bolshekhetskaya Depression. The greater part of foreign capex in the exploration & production segment in 2012 was at the West Qurna-2 field in Iraq.



### Prospective regions in Russia Timan-Pechora

The Timan-Pechora oil & gas province has substantial potential for production growth. LUKOIL plans to bring the heavy oil reserves of Timan-Pechora (about 4.4% of the Company's total proved reserves) into production more quickly by applying new technologies. Most of the Company's heavy oil reserves are located at the Yaregskoye and Usinsk fields, and development of the Trebs and Titov fields via a joint venture also offers potential for increase of hydrocarbon production in the region.

#### • *Trebs and Titov fields*

In 2011 the Company together with OJSC Bashneft set up a joint venture to develop the Trebs and Titov oil fields, with LUKOIL taking a 25.1% stake in the development project. Production is expected to begin in 2013 and peak production will be 4.8 million tonnes per year. The Company will obtain major synergies from the use of its own oil transport infrastructure (the South Khylochuyu-Varandey pipeline and the Varandey terminal) to export oil from the fields.

#### • *Vostochno-Lambeishorskoye field*

The Vostochno-Lambeishorskoye deposit was discovered in the Denisovskaya Depression, in 2012 and first production was obtained in 2012, when three exploration wells were put into trial operation and gave flows of 1,400 tonnes per day. Oil production in 2012 was 0.4 million tonnes and is expected to rise to 0.8–1.2 million tonnes in 2013-2015 (a plateau level of 1.3 million tonnes). Proved oil reserves at the end of 2012 were 81 million barrels.

#### • *Yaregskoye field*

Yaregskoye is the Company's largest field with high-viscosity oil deposits and has proved reserves of 314 million barrels (equivalent to 47 million tonnes taking account of the high density of the oil). Output from the field has benefited from a preferential export duty rate, equal to 10% of the standard rate, since mid-2012. The peak production level should be 3.1 million tonnes.

#### • *Usinskoye field (permian-carbonaceous)*

The permian-carbonaceous deposit at the Usinskoye field is the Company's second largest source of high-viscosity oil. Such oil qualifies for preferential taxation under the '10-10-10' system. The target production level at the field is 2.5 million tonnes per year.

Proved hydrocarbon reserves at the end of 2012 were 444 million boe

## **Northern Caspian**

The Northern Caspian will be a key region for growth of oil & gas output by the Company in the medium term thanks to the development of large fields, which were discovered in the 2000s. The Company is giving special attention to the development of resource potential in the region. Additional exploration of fields there led to increase of the Company's proved reserves to international standards by 109 million barrels in 2012 (+14.9% to 2011).

### **• *Yu. Korchagin field***

LUKOIL Group began its production operations in the Russian sector of the northern part of the Caspian seabed at the Yu. Korchagin field in 2010 and output from the field rose by 135% in 2012. The target is to produce 2.4 million tonnes per year at the field using long, highly complex horizontal wells. Proved hydrocarbon reserves at the end of 2012 were 86.5 million boe

### **• *V. Filanovsky field***

The V. Filanovsky field will be the second production asset launched by LUKOIL Group in the offshore Caspian. Production is scheduled to begin in 2015 and should reach the target level of 6.1 million tonnes in 2016. Intensive work is currently underway on construction of infrastructure facilities (offshore platforms, pipelines, and equipment). The V. Filanovsky field is the biggest in the region and, unlike earlier discoveries, its reserves consist mainly of oil. Proved hydrocarbon reserves here at the end of 2012 were 487 million boe

## **Western Siberia**

Western Siberia is an established region of hydrocarbon production for LUKOIL Group, and most of its oil fields are highly depleted. Prospects for increase of production of hydrocarbons in the region depend on the acquisition of new licenses, intensification of drilling work and use of secondary and tertiary recovery techniques (hydraulic fracturing, sidetracking, horizontal wells, etc.). Increase of hydrocarbon production will also be achieved through the development of gas fields in the region.

### **• *Imilorskoye + Zapadno-Imilorskoye and Istochnoye fields***

LUKOIL Group strengthened its base in Western Siberia during 2012 through the acquisition of a license, which gives rights at the Imilorskoye + Zapadno-Imilorskoye and Istochnoye fields.

Geological and recoverable oil reserves (C1+C2) at the area as of January 1, 2012 were, respectively, 855.5 and 193.7 million tonnes. The license will enable the Company to greatly increase its reserves and raise future production levels in the strategic region of Western Siberia.

The Imilorskoye field has enormous resource potential, and ownership by the Company of developed infrastructure close by will reduce development costs. Efficient development of the field will create new jobs and increase tax revenues to the state budget. First production from Imilorskoye is expected in 2015.

### **Description**

Two oil fields have been discovered at the territory: Imilorskoye + Zapadno-Imilorskoye (1987) and Istochnoye (1988). The Company offered a single payment of 50.8 billion rubles for mineral usage rights,

representing \$1.2 per barrel of proved and appraised reserves. Geological and recoverable oil reserves (C1+C2) at the area as of January 1, 2012 were 855.5 and 193.7 million tonnes, respectively.

The area is located in Surgut administrative sub-division of Khanty-Mansiysk Autonomous District, 65 km south-west of the city of Noyabrsk, which is in Yamal-Nenets Autonomous District. A communication corridor passes at a distance of 29 km from the center of the area, and consists of a road with hard surface connecting Surgut with Noyabrsk, a trunk oil pipeline connecting the Kholmogory and West Surgut pumping stations, power transmission lines (500, 220 and 110 kilovolt) and a gas pipeline connecting Kholmogorskaya compression station to the Surgut gas-processing plant. A pipeline carrying marketable crude oil passes 15 km to the east of the area boundary, and trunk oil and gas pipeline routes pass 55 km to the east of the boundary.

The Imilorskoye field is directly adjacent to the largest Group's field currently in development – the Tevlinsko-Russkinskoye field – and shares many of its geological features. The region around Imilorskoye is well equipped with facilities, having all of the necessary production and transportation infrastructure for field development, so Imilorskoye can be made ready and brought into production relatively quickly and with best-possible economic and synergy effects.

#### • *Gas fields in the Bolshekhetskaya depression*

Fields in the Bolshekhetskaya depression represent LUKOIL Group's core production base for natural gas in Russia. The Group's biggest operating gas field is Nakhodkinskoye, which accounted for about 95% of the Company's natural gas production in Russia in 2012. Other, equally large fields are scheduled for launch in the future. These are Pyakyakhinskoye (scheduled launch in 2016), Yuzhno-Messoyakhskoye (2018) and Khalmerpayutinskoye (2019). Natural gas production by the Group in Russia should more than double over the next 10 years thanks to commissioning of these fields. Total production of natural gas by the Company in the Bolshekhetskaya depression, when all of the fields there are operational, should be in the order of 20 billion cubic meters.

Proved hydrocarbon reserves at fields in the Bolshekhetskaya depression at the end of 2012 were 2,140 million boe.

#### **Prospective regions abroad**

Prospects for increasing hydrocarbon production in international projects relate mainly to the development of existing assets in Uzbekistan and Iraq.

#### **Uzbekistan**

LUKOIL Group's main gas projects outside Russia are concentrated in Uzbekistan. The Khauzak-Shady and South-West Gissar projects are in production and the Kandym project is scheduled for production launch in 2014. These projects are being implemented with support from the Government of Uzbekistan on financial terms, which are attractive to the Company. Production at the Gissar block reached the plateau target level in 2012 (1.1 billion cubic meters of natural gas per year). The target for annual production at the Kandym group of fields is 8.1 billion cubic meters of gas.

Total marketable hydrocarbon production from the Group's projects in Uzbekistan was 26 million boe in 2012, which is 53.3% more than in 2011.

Proved hydrocarbon reserves at fields in Uzbekistan were 793 million boe at the end of 2012.

#### **Iraq**

The West Qurna-2 field in Iraq will make the biggest single contribution to future growth in Company output of crude oil. Production drilling at the field began in 2012, and first outputs are expected in 2014. The Company's contract at the field is for 25 years. The production target is 1.2 million barrels per day and should be maintained for 19.5 years.

LUKOIL Group's share of proved reserves at West Qurna-2 amounted to 165 million boe the end of 2012.

Agreement in principle was reached with authorized representatives of Iraqi state companies in late 2012 for reduction of the target levels of oil production at West Qurna-2 from 1.8 million to 1.2

million barrels per day and on extension of the production plateau from 13 to 19.5 years, together with extension of the total contract period from 20 to 25 years. These new base parameters will be reflected in the final development plan. The changes significantly lower levels of risk in implementation of the West Qurna-2 project.

### **Oil field development and oil production**

LUKOIL Group oil production by regions

	Million tonnes	Share in output, %
Western Siberia	49.214	54.8%
Urals	13.654	15.2%
Volga	3.833	4.2%
Timan-Pechora	15.634	17.4%
Other	1.899	2.2%
International projects	5.622	6.2%
<b>Total</b>	<b>89.856</b>	<b>100</b>

**The Group produced 89,856 thousand tonnes of oil (1,813 thousand barrels per day) in 2012.<sup>1</sup> Oil and liquids production was 1,850 thousand barrels per day.<sup>2</sup>**

From 2012, the Group adopted a new methodology for calculating its production of hydrocarbons, which separates crude oil, liquid outputs obtained by gas processing, and marketable gas outputs. Beginning in 2012, liquid hydrocarbon production includes crude oil and liquid products obtained by gas processing, while quantities of gas dispatched to gas-processing plants for production of liquid hydrocarbons are subtracted from the volume of marketable gas. The new methodology improves accuracy in calculation of hydrocarbon production by using appropriate coefficients for measurement of associated gas, which is sent for processing, in terms of barrels proportionate to its energy content.

**In 2012, the Company succeeded in stabilizing output of crude oil at fields in Western Siberia, which provide 55% of total production by the Group.** Improvement of systems for maintenance of formation pressure, efficient use of the latest enhanced oil recovery (EOR) technologies and of horizontal drilling led to increase of oil production in Western Siberia by 0.2%.

The main negative impact on production levels in 2012 was from decline in oil production at the Yuzhno-Khylchuyuskoye field in Timan-Pechora due to increased water content and shrinkage of recoverable reserves. Additional measures for stabilizing oil production at Yuzhno-Khylchuyuskoye have been developed and approved, including drilling of sidetracks and the use of dual injection systems.

In 2012 subsidiaries and affiliates of OAO "LUKOIL" carried out hydrocarbon production at 402 fields in Russia and abroad.

The Company had 31.6 thousand production wells at the end of 2012, of which 27.7 thousand were actually producing, and the number of injection wells was 11.5 thousand (of which 9.1 thousand were under pressure). Production well numbers increased by 2.5% in comparison with 2011, while the number of injection wells grew by 5.1%, resulting in an overall increase of production efficiency. The share of

<sup>1</sup> Including the Group share of production by affiliates.

<sup>2</sup> Including hydrocarbon liquids produced at the Group's gas-processing plants.

production wells out of use remained almost unchanged compared with the end of 2011 at 12.2% of the total. The average daily flow rate from oil wells in projects with LUKOIL Group participation was 13.0 tonnes.

Amounts of drilling work increased substantially (by 31.9%) in the reporting year, enabling the launch of 1,269 new production wells, including 268 horizontal wells. The average daily flow rate at new wells was 33.7 tonnes and the average for horizontal wells was 58.8 tonnes. The Company is expanding the share of horizontal wells year by year and they accounted for 21.1% of total new wells in 2012.

Use of enhanced oil recovery methods enabled additional production of 23.1 million tonnes of oil (3.7% more than in 2011), accounting for 25.7% of total oil production. A particularly important role was played by drilling of horizontal wells with multi-zonal fracturing. These techniques were used at 99 wells in Western Siberia, the Urals and Timan-Pechora and gave an average oil production rate of 43.5 tonnes per day.

New technologies are much used for the down-hole section of well completions, including passive flow-regulation systems to prevent gas blowouts at the Yu Korchagin field.

Sidetracks were drilled at 362 wells in Russia during 2012 (55.4% more than in 2011) and gave average increase of flow rate by 16.9 tonnes per day. Consistently high efficiency of sidetracking has been achieved thanks to experiment-based mini-projects using hydrodynamic modeling, and also through improved accuracy in forecasting of geological structure and the structure of reserves. Drilling of sidetracks is mainly used at wells that are out of use, in order to extract residual oil.

## **Russia**

Oil production in Russia during 2012 was 84.2 million tonnes, of which 83.8 million tonnes were produced by OAO "LUKOIL"'s subsidiaries.

OAO "LUKOIL"'s subsidiaries and affiliates carried out hydrocarbon production at 369 fields in Russia during 2012. Commercial production operations began at 8 new oil fields in Russia during the course of the year (7 oil and 1 gas field). More than 20 Company fields in Russia increased oil production by more than 50 thousand tonnes in 2012 compared with 2011. Production growth was largest at the Yu. Korchagin field (increase by 454.8 thousand tonnes) and at the Urevskoye and Zapadno-Tugrovskoye fields in Western Siberia (343.3 thousand and 243.1 thousand tonnes, respectively).

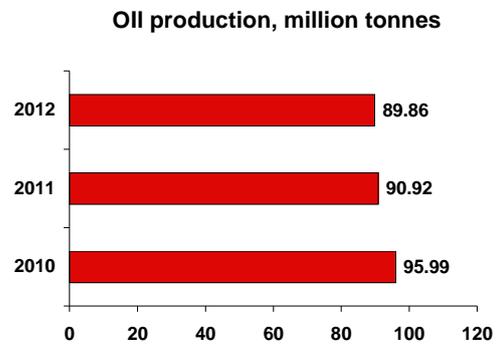
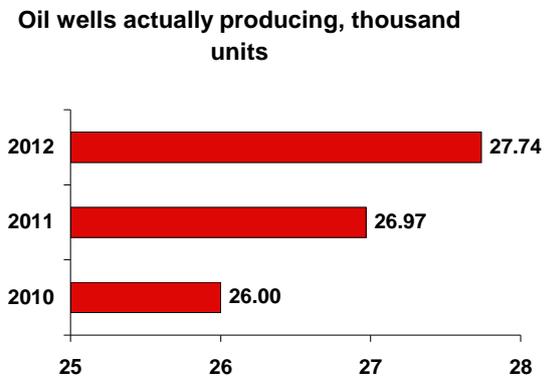
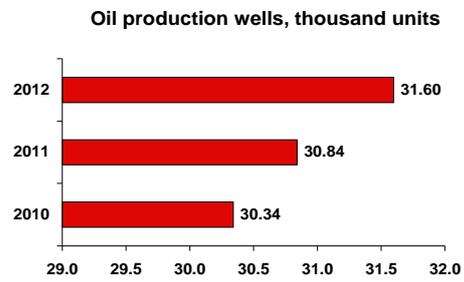
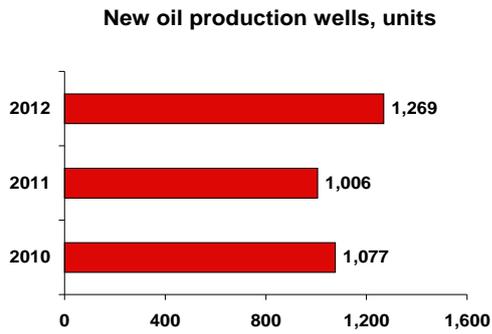
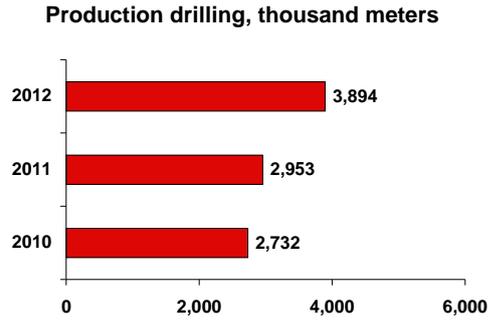
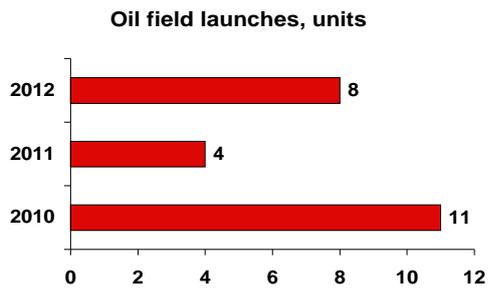
The Company substantially increased production drilling in Russia (by 36.0%) in 2012, mainly in the Urals and Volga regions. The Company had a total of 29.6 thousand production wells by the end of 2012, of which 25.9 thousand were actually in production.

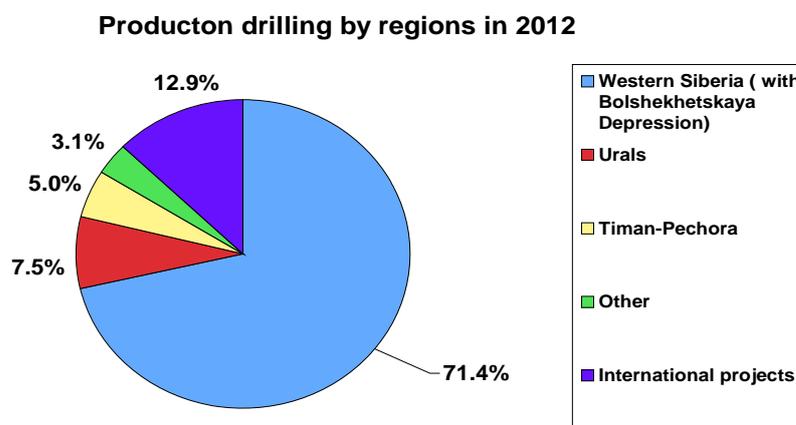
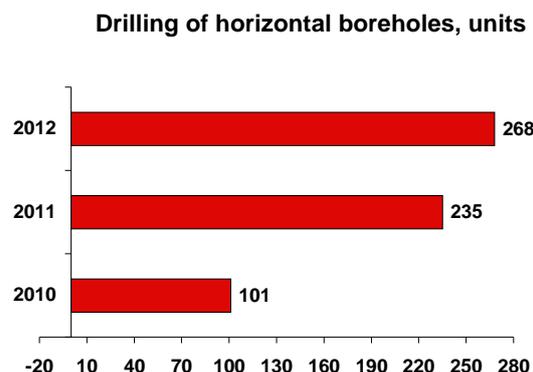
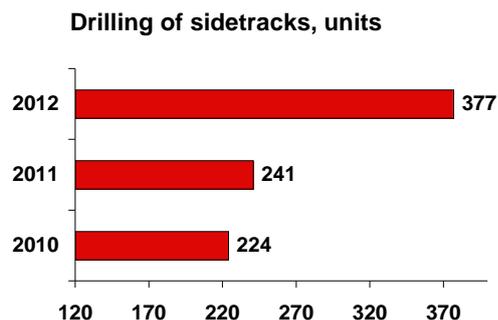
### **International Projects**

**LUKOIL Group produced 5.6 million tonnes of oil outside Russia in 2012. The Group will significantly increase oil production in foreign projects in the near future by commissioning the West Qurna-2 field.**

The biggest increase of oil production outside Russia in 2012 compared with 2011 was in Uzbekistan, where output at the Kandym-Khauzak-Shady and South-West Gissar fields increased by 77.8% and 57.1%, respectively, in comparison with 2011.

Production drilling in the Company's international projects increased by 9.3% compared to 2011, reaching 503 thousand meters. The number of oil production wells increased by 7.5% to 2,048 wells, of which 1,864 were in operation. A total of 263 new production wells were commissioned as part of international projects, in which the Group was a participant.





### Gas field development and gas production

LUKOIL Group production of marketable gas by regions, million m<sup>3</sup>

Western Siberia	3,879
Bolshekhetskaya Depression	7,591
Urals	943
Volga	452
Timan-Pechora	721
Other	11
International projects	6,337
<b>Total</b>	<b>19,934</b>

LUKOIL Group's gas program aims to achieve rapid increase of gas production both in Russia and abroad in order to raise the share of gas to a third of total hydrocarbon production by the Group.

**Total production of gas by LUKOIL Group (including the Group share in production by affiliates) increased by 11.9% in 2012 to 24,606 million m<sup>3</sup>.** Output of marketable gas (net of own consumption, re-injection to strata and transport losses) amounted to 19,934 million m<sup>3</sup> (117.3 million boe), which is 10.5% more than in 2011. Production of marketable gas in Russia rose by 2.9% and outside Russia by 31.3%. Revenue from natural gas sales rose by \$422 million or 48.8% in 2012, with

rises shown both inside and outside Russia. Growth of revenue on the domestic market was due mainly to increase in pricing of sales to OAO “Gazprom” and its affiliates by 37.0%. Revenue growth abroad reflected increase in volumes and pricing of natural gas in Uzbekistan.

Production of liquid hydrocarbons in 2012 at the Group’s gas-processing plants in Western Siberia, the Urals and the Volga region rose by 13.6 million boe compared with 2011 to 13.1 million boe.

**The main achievement in the Company’s gas business during 2012 was attainment of plateau production (1.1 billion m<sup>3</sup> of natural gas) at the Dzharkuduk field as part of the South-West Gissar project in Uzbekistan.** A final investment decision was taken on the next stage of the project, which will include the launch of a gas preparation complex at Dzharkuduk and commissioning of the new Adamtash and Gumbulak gas-condensate fields.

The Company had 408 gas production wells at the end of 2012, of which 312 were actually producing.

Total natural gas production increased by 10.8% in 2012 to 15,605 million m<sup>3</sup>, due mainly to increase of production as part of the Gissar and Khauzak projects in Uzbekistan. Natural gas production outside Russia grew by 31.7%.

Total output of associated petroleum gas increased by 13.4% to 9,001 million m<sup>3</sup>. Associated gas is re-injected to maintain formation pressure at Company fields, as well as being used to produce electricity at gas power stations and for other production purposes. Marketable associated gas is delivered to gas-processing plants and local consumers.

LUKOIL Group is raising the share of associated gas, which it utilizes,<sup>1</sup> year by year and achieved a figure of 87.6% in 2012 against 79.3% in 2011, 77.5% in 2010 and 71.1% in 2009. The growth reflects development of systems for utilization of gas at fields (construction of compressor stations and gas pipelines). Associated gas utilization at major fields in Western Siberia is in excess of 95%.

The Company is building gas-fired generating stations at its fields in order to increase utilization of associated gas. This small-scale generating program reduces gas flaring and also reduces spending on electricity, providing savings in lifting costs. The Company is implementing a program for the period 2011-2013 to increase levels of associated gas utilization throughout LUKOIL Group organizations. During 2012 work was completed as part of the program on construction and reconstruction of 53 facilities for associated gas utilization.

## **Russia**

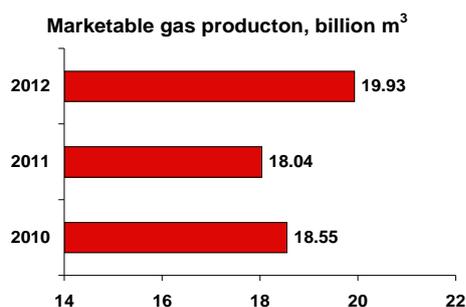
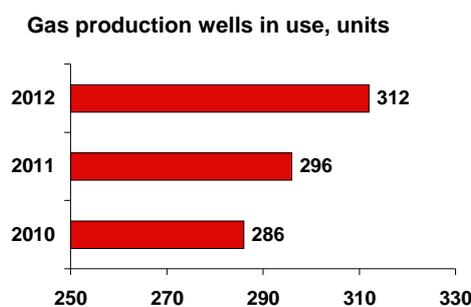
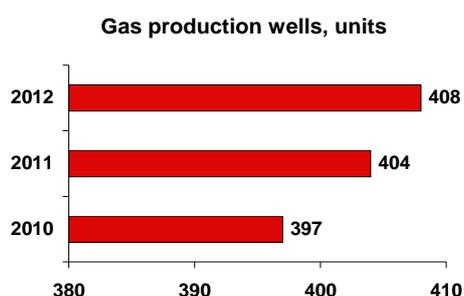
Marketable gas production in Russia in 2012 totaled 13,597 million m<sup>3</sup>, which is 2.9% more than in 2011. LUKOIL Group had 293 gas production wells in Russia by the end of 2012, of which 218 were in production. The bulk of the Group’s natural gas production in Russia (about 95%) is at the Nakhodkinskoye field in the Bolshekhetskaya depression, which produced 8.1 billion m<sup>3</sup> of natural gas in 2012.

## **International Projects**

Marketable gas production outside Russia grew by 31.3%, due mainly to increase of production in the Gissar and Khauzak projects in Uzbekistan, and the share of natural gas in total output increased to 91.5%. LUKOIL Group had 115 gas production wells outside Russia at the end of 2012, of which 94 were actually producing.

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<sup>1</sup> The share of associated gas, which is used, as a share of total associated gas extracted from strata. The remainder is flared off.



## Uzbek Projects as Business Drivers

### Uzbek projects as a share of total proved reserves in projects outside Russia



## Reference

- Uzbekistan is a Presidential Republic and is part of the Commonwealth of Independent States (CIS). The country covers an area of 447.8 thousand km<sup>2</sup> and its administrative divisions consist of 12 provinces and the Republic of Karakalpakstan. Population – 30 million. GDP - \$52 billion. 80% of population are Uzbeks, 5.5% - Russians.

- Uzbekistan is rich in mineral resources, which are one of the main sources of foreign currency inflows to the national economy. Proved gas reserves at the end of 2011 were 1.6 trillion cubic feet and gas production in that year was 57 billion m<sup>3</sup>.

- Hydrocarbons produced in Uzbekistan are sold to Europe (via the the Central Asia–Center pipeline) and to China (via a transport route connecting Turkmenistan, Uzbekistan, Kazakhstan and China).

## LUKOIL Group in Uzbekistan

- Year of arrival in Uzbekistan -2004

- Total assets, measured by the Group's interest in projects at the end of 2012: 792 million boe of reserves, 4,251 million m<sup>3</sup> annual production of marketable gas, and 138 thousand tonnes of annual oil production

- Total investments by the Group in Uzbek projects since entering the market are about \$2 billion
- The Group's net income per boe in Uzbekistan is about \$18 and IRR notably exceeds the level of 15%, which is average for the Company.

Assets in the Republic of Uzbekistan are the foundation of our strategy for expanding LUKOIL Group's gas business.

**Gas production by LUKOIL Group in Uzbekistan will grow by at least four times in the next five years**

### **Kandym-Khauzak-Shady**

Agreement signing – 2004

Agreement period – until 2039

Agreement type – PSA, exploration & production of gas

Group share of profit – 90% (operator)

Other project participants: Uzbekneftegaz (10%)

Group investments from 2004 to 2012 – \$1.27 billion

Peak gas production – 12 billion m<sup>3</sup> per year

Hydrocarbon reserves at the end of 2012 – 558 million boe

Marketable hydrocarbon production in 2012 – 19 million boe

Kandym-Khauzak-Shady is the most efficient gas project in LUKOIL Group's portfolio. Gas outputs are dispatched via the Central Asia–Center pipeline or the pipeline connecting the Bukhara gas production region with Tashkent, Bishkek and Almaty as far as the Uzbek border, where they are sold under contract to OAO "Gazprom". According to the PSA, a royalty is paid on the gas at a rate of 30%. LUKOIL Group enjoys a seven-year income tax holiday from the start of production. The target annual production level at the Kandym group of fields is 8.1 billion m<sup>3</sup> of gas.

Kandym-Khauzak-Shady accounted for more than 51% of marketable gas production in the Group's international projects during 2012.

#### ***Khauzak-Shady***

The Khauzak-Shady project was commissioned in late 2007 and provided the greater part of LUKOIL's gas production outside Russia in 2012 (51.4%), when marketable gas production from the project was 3.26 billion m<sup>3</sup>. A booster compression station with 15 megawatt capacity is to be commissioned in December 2013 in order to maintain annual production levels in the project.

#### ***Kandym***

The Kandym project is now being prepared for production launch: the Kuvachi-Alat area, with target annual production of 1.5 billion m<sup>3</sup> of gas, and the northern part of the Shady area, with target annual gas production of 0.7 billion m<sup>3</sup>, are to be commissioned in 2014.

The Kandym project includes 126 wells, a gathering system for well outputs with total length of more than 500 km, a gas-processing plant (three production lines), a gas export pipeline (90 km), a shift camp with capacity for 1,380 workers and other other infrastructure.

#### **South-West Gissar**

Agreement signing - 2007

Acquisition of shares - 2008

Period of the agreement - to 2043

Type of agreement - PSA, exploration and production of oil & gas

The LUKOIL Group's share - 100%

Other participants: Uzbekneftegaz

Group investments from 2008 to 2012 - \$1.29 billion  
Peak annual gas production - 4.2 billion m<sup>3</sup>  
Hydrocarbon reserves at the end of 2012 - 235 million boe  
Hydrocarbon production in 2012 - 6.8 million boe

The South-West Gissar contract territory consists of 7 fields (5 gas-condensate and 2 oil). Oil production under the Gissar PSA has been underway since 2007 at 2 oil fields –Kushkuduk and Okkul. Gas has also been produced since the end of 2011 at the Dzharkuduk - Yangi Kyzylcha field. The initial annual production target for Dzharkuduk is 1.1 billion m<sup>3</sup> of natural gas.

The Gissar block reached its target production level of 1.1 billion m<sup>3</sup> in 2012 and a final investment decision was taken in December to proceed with the next stage of project development, including the launch of a gas preparation facility at Dzharkuduk and commissioning of the new Adamtash and Gumbulak gas-condensate fields. Plans for the next phase include drilling of 40 wells, construction of a gathering system for well outputs and of a preliminary gas preparation unit at the Adamtash field, as well as complex gas preparation units at the Dzharkuduk - Yangi Kyzylcha field and construction of other infrastructure.

## 2. Oil Refining, Gas Processing and Petrochemicals

### Strategy 2012–2021:

- Significant increase of light products yield at Russian refineries
- Increase in gasoline production at Russian refineries
- Increase in average daily sales at Russian filling stations by 27%
- Installation of new secondary refining units at Russian refineries
- Upgrading of foreign refineries to match the best international standards
- Reduction in output of dark petroleum products at Russian refineries

### *All of Group gasoline production meets Euro-5 requirements*

The Company has continued rapid development of the refining & marketing segment, with particular focus on improvement of operating efficiency and achievement of greater refining depth. Changes to Russian legislation are stimulating output of premium, environmentally friendly fuels. Current modernization of the Perm and Ukhta refineries and installation of a catalytic cracker at the Nizhny Novgorod Refinery will help the Group to substantially improve its financial results in the segment. In 2012 all automotive gasoline outputs at all of the Group's Russian refineries met Euro-5 requirements.

**LUKOIL Group has therefore met the criteria of the Russian Government's Technical Requirements for fuel quality matching Euro-5 significantly ahead of time.** This has been possible thanks to a broad program for the modernization of the Group's oil refineries.

Total crude oil throughput at Group refineries grew by 5.1% in 2012 to a level of 1,128 thousand barrels per day.

### Refining & Marketing, main indicators

Indicator, \$ million	2012	2011	Growth, %
Revenue	134,877	128,549	4.9
EBITDA	5,199	5,794	-10.3
Net income	3,639	3,687	-1.3
Capital expenditures	2,078	1,354	53.5

### Price and tax environment

#### *More than \$65 per tonne – savings from reduction of excise rates on Euro-5 fuels*

There was a gradual recovery in demand for petroleum products during 2012 thanks to growth of the world economy. Product prices on the domestic and export markets grew significantly as a result. Average prices for fuel oil in Europe rose by 3.5% (FOB Rotterdam), and prices for high-octane gasoline were 5.3% higher. On the domestic market prices for heating fuel oil rose by 0.4% and prices for AI-95 gasoline fell by 3.2%.

#### *Tax environment and improvements to tax legislation*

There has been a substantial increase in Russian consumption of high-octane automotive gasoline in recent years due to the increasing number of automobiles. The Government has therefore taken a number of steps to stimulate production of premium fuels with excellent environmental features:

- The '60-66' system has been introduced, which unifies export duties for light and dark oil products at 66% of the duty level for crude oil while keeping a higher rate of 90% for exports of gasoline. This system encourages deeper refining of crude oil, which the Group has been working on for a number of years and will continue this work in the future.

- Differentiation of excise rates for petroleum products. Excise rates for Euro-5 fuels were lowered by 25% as from July 1, 2012.

## Oil Refining

### Oil Refineries of LUKOIL Group

Refinery	Nelson Index	Annual capacity, million tonnes per year	Throughput in 2012, million tonnes
OOO "LUKOIL-Permnefteorgsintez" (Perm Refinery)	7.9	13.1	13.12
OOO "LUKOIL-Volgogradneftepererabotka" (Volgograd Refinery)	6.1	11.3	11.36
OOO "LUKOIL-Ukhtaneftepererabotka" (Ukhta Refinery)*	3.7	3.9	3.73
OOO "LUKOIL-Nizhegorodnefteorgsintez" (Nizhny Novgorod Refinery)	6.3	17.0	16.05
Mini-refineries in Uray and Kogalym	-	0.4	0.17
<b>Total, Russian refineries</b>	<b>6.5</b>	<b>45.7</b>	<b>44.43</b>
PAO "Odessa Refinery" (Odessa Refinery (Ukraine))	3.9	2.8	0
Petrotel LUKOIL S.A. (Ploiesti Refinery (Romania))	10.0	2.4	2.22
LUKOIL Neftochim Burgas AD (Burgas Refinery (Bulgaria)**	8.9	9.8	6.35
ISAB S.r.l. (ISAB Complex)***	9.3	12.8	8.64
Zeeland Refinery N.V. (Zeeland Refinery)****	8.4	3.6	4.42
<b>Total, foreign refineries</b>	<b>8.6</b>	<b>31.4</b>	<b>21.63</b>
<b>Total</b>	<b>7.3</b>	<b>77.1</b>	<b>66.06</b>

\* Excluding vacuum distiller capacity of atmospheric-vacuum distillation unit including refining of 0.48 million tonnes of fuel oil in 2012

\*\*I Capacity and refining volumes at ISAB (for oil and fuel oil) represent the Company share (80%).

\*\*\* Capacity and refining volumes at Zeeland (for oil) represent the Group share (45%). 1.63 million tonnes of vacuum gasoil were also processed at Zeeland in 2012.

LUKOIL Group continued rapid development of its oil refining business in 2012 through modernization and expansion of refining capacities. Group refineries processed 66.1 million tonnes of crude oil during the year (the figure includes the Group's share of refining at the ISAB and Zeeland complexes).

The Company is continuing modernization of existing capacities. Main works on refining facilities, scheduled for completion in 2015–2016 are as follows:

<b>Perm Refinery</b>	- Complex for refining of oil residues
<b>Nizhny Novgorod Refinery</b>	- Catalytic cracking of vacuum gasoil - Vacuum block - Isomerization unit
<b>Burgas Refinery</b>	- Complex for refining of heavy residues
<b>Volgograd Refinery</b>	- Atmospheric-vacuum distillation unit - Hydrocracking of vacuum gasoil - Isomerization unit

### **Russian refineries**

#### **99.1% – Share of high-octane gasolines in total output of automotive gasolines**

Crude oil refining at refineries owned by the Group in Russia (including mini-refineries) totaled 44.4 million tonnes in 2012. Reduction of the figure by 1.9% from the 2011 figure was due to major repair work at the Nizhny Novgorod Refinery during 2012.

The share of high-octane gasoline in total output of gasoline at Group refineries in Russia (not including mini-refineries) rose to 99.1% in 2012 (from 96.2% in 2011). Light-product yield was 54.0% (not including mini-refineries). Irrecoverable losses were 0.53% (not including mini-refineries)

Capital expenditures at the Group's refineries in Russia in 2012 were \$988 million, up from \$586 million in 2011. The growth reflects commissioning of new capacities and the start of construction and assembly work as part of refinery modernization projects.

The most important events in 2012 as regards upgrading of LUKOIL's refineries in Russia were the completion of reconstruction work on atmospheric-vacuum distillation unit №-5 at the Nizhny Novgorod Refinery and commissioning at the Volgograd refinery of a diesel fuel hydrotreatment facility with 3 million tonnes annual capacity. At the Ukhta Refinery modernization work was completed on the reaction section of a GDS-850 unit for hydrotreatment of diesel fuel, and work on the atmospheric-vacuum distillation unit increased annual capacity of its vacuum block to 2.0 million tonnes.

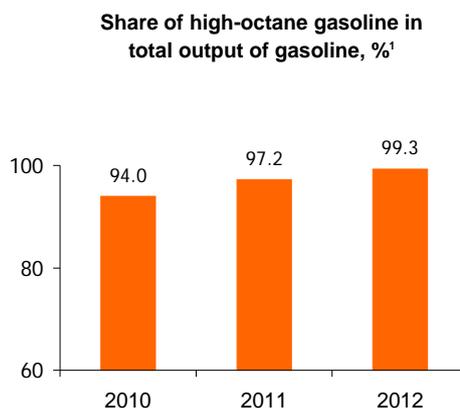
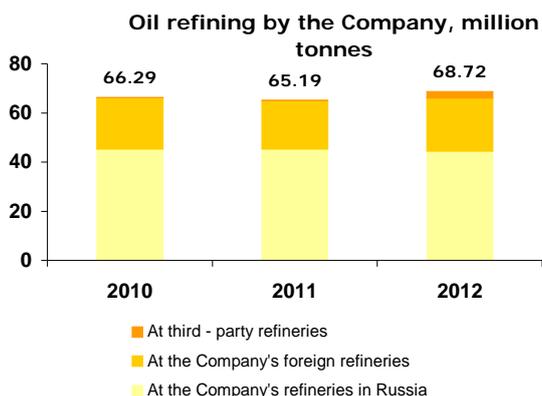
### **Foreign refineries**

Refinery throughputs in 2012 at LUKOIL Group's international refineries, including the Group's share of refining at the ISAB and Zeeland complexes, were 21.6 million tonnes, which is 10.1% more than in 2011, due to increase of the Group's share of refining at the ISAB complex from 60% to 80% .

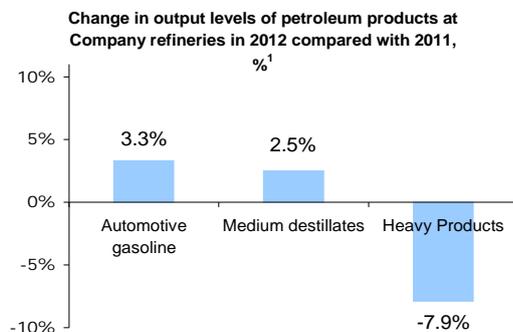
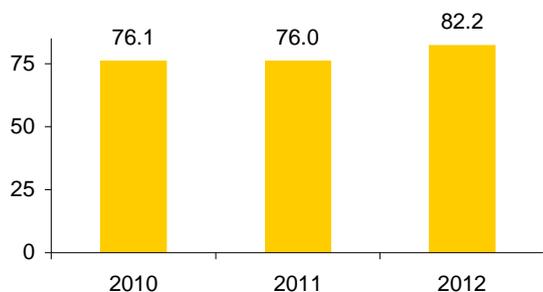
Light product yield (not including ISAB and Zeeland) rose to 69.8% (67.7% in 2011). Irrecoverable losses at foreign refineries in 2012 were 0.56% (not including ISAB and Zeeland).

Capital expenditures at Group refineries outside Russia in 2012 were \$418 million, compared with \$197 million in 2011. The major increase of capex levels at foreign refineries was due to construction of a complex for refining of heavy residues at the Burgas refinery.

The main achievements as part of upgrading work at foreign refineries in 2012 were upgrade of metering aggregates for petroleum products at the Burgas Refinery and completion of reconstruction of the amine block at the Ploiesti Refinery.



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



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

## Production of Lubricants

*Around 48% – Group share in Russian lubricant production*

*More than 250 lubricant products*

*Company lubricants are sold in 103 countries around the world*

### Lubricant production at LUKOIL Group refineries

Nizhny Novgorod Refinery	Nizhny Novgorod	Full-cycle lubricant production	193.7 thousand tonnes
Perm Refinery	Perm		399.7 thousand tonnes
Volgograd Refinery	Volgograd		536.0 thousand tonnes
<b>TOTAL, full-cycle lubricant production</b>			<b>1,129 thousand tonnes</b>
LLK Lubricants Romania S.R.L.	Ploiesti, Romania	Mixing of lubricants from ready-made components	17 thousand tonnes
LLK Finland Oy	Hamina, Finland		31 thousand tonnes
Tyumen branch of LLK-International	Bogandinsky, Tyumen Region		36 thousand tonnes
LLK EURASIA	Izmir, Turkey		21 thousand tonnes

<b>TOTAL, mixing of lubricants from ready-made components</b>	<b>105 thousand tonnes</b>
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*LUKOIL is the leader on the Russian market for lubricants*

Lubricant production totalled 1,129 thousand tonnes in 2012 (including mixing from ready-made components). Branded lubricant production was 358 thousand tonnes in 2012, which is a 13.3% more than in 2011.

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

Work is underway to launch production of 39 newly designed products, including synthetic oils for automatic gearboxes, and 93 OEM approvals have been obtained. LUKOIL lubricants have more than 400 currently valid official approvals from machinery and equipment manufacturers.

LUKOIL Group continued its program to develop import-substituting lubricant products in 2012. LUKOIL Group lubricants became the first Russian-made products to be used for first-fill of new vehicles at the SAMAVTO plant, which assembles ISUZU buses in Uzbekistan. Group lubricants will also be supplied for first-fill of Chance automobiles (based on the Chevrolet Lanos) and agricultural machinery under an agreement with the Kazakhstan automotive assembly company, Agromashholding .

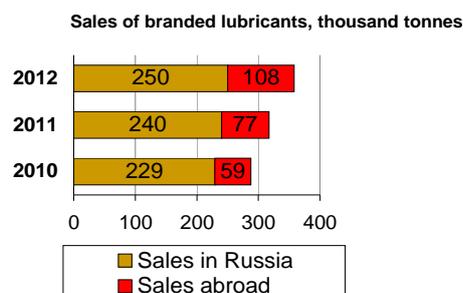
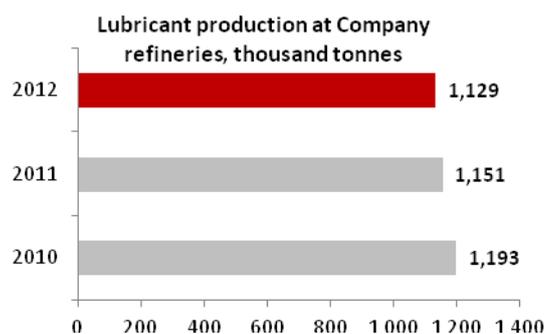
LLK-NAFTAN, the joint venture of OOO “LLK-International and the Naftan Refinery (Belarus), met 44.4% of the Group’s requirements for additives used in lubricant production in 2012. The JV has increased output by several times since its creation in 2006.

The Company continued its expansion on the international market for marine engine lubricants during 2012. Tests were carried out and approvals obtained from MAN/B&W for the high-alkali oil, LUKOIL NAVIGO MCL100, which was launched on the market in 2012. It was established that amounts of lubrication required when using LUKOIL NAVIGO are less than for other competing products, making LUKOIL Group products the lubricant of choice for use in the most up-to-date and powerful ship engines.

Entry to new markets in South Korea, Taiwan, Saudi Arabia, India and Bangladesh, together with expansion of the global distribution network, enabled increase of sales volumes by 75% in 2012 and increased the number of countries where LUKOIL maritime engine lubricants are available to 64.

In 2012 the Company launched a new range of oils for vehicle engines, LUKOIL GENESIS, on the European market. The oils are produced at the Company’s production platforms in Europe (Finland and Romania). The LUKOIL GENESIS PREMIUM and LUKOIL GENESIS FE products were the first lubricants made by a Russian company to obtain approval from the international automotive industry leader, General Motors, compliant with the GM dexos™ standard.

Cooperation with foreign vehicle manufacturers plays an important role in Company business. As well as producing lubricants for sale to vehicle users, LUKOIL Group is strengthening its positions as a supplier of first-fill lubricants to manufacturers. Work to develop this business led to the signing of contracts in 2012 for supply of LUKOIL GENESIS FE oils to Opel and Chevrolet assembly plants in Kaliningrad and to the GM Powertrain engine-building plant in Tashkent (Uzbekistan). LUKOIL Group also worked with technical specialists from Renault to develop the new LUKOIL GENESIS RN 5W-40 oil for first-fill of Renault engines at the Russian car maker, AvtoVAZ. Work with vehicle manufacturers will continue in 2013 in order to develop new products and to arrange the production and supply of LUKOIL lubricants to service networks.



## Gas Processing

### Gas-processing plants of LUKOIL Group

Gas-processing plant	Location	Capacity		Processing in 2012	
		Gas processing, million m <sup>3</sup> per year	Processing of liquid hydrocarbons, th. tonnes per year	Gas processing, million m <sup>3</sup>	Processing of liquid hydrocarbons, th. tonnes
<b>Lokosovsky Gas-processing Plant of OOO «LUKOIL-Zapadnaya Sibir»</b>	Langepas (Western Siberia)	2,140	–	2,107	–
<b>OOO «LUKOIL-PNGP» (Permneftegazpererabotka)</b>	Perm	560	1,000	582	742
<b>OOO «LUKOIL-KGPZ» (Korobkovsky Gas-processing Plant)</b>	Kotovo (Volgograd Region)	450	161	438	73
<b>Usinsk Gas-processing Plant of OOO «LUKOIL-Komi»</b>	Usinsk (Komi Republic)	504	–	221	–
<b>Total</b>		<b>3,654</b>	<b>1,161</b>	<b>3,348</b>	<b>815</b>

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

In 2012 the Group's gas-processing plants processed 3.348 billion m<sup>3</sup> of gas feedstock (+4.7% to 2011) and 815 thousand tonnes of liquid hydrocarbons (+9.8% to 2011). The increase in gas processing was due to higher demand for outputs.

Group plants produced 2.652 billion m<sup>3</sup> of stripped gas, 978 thousand tonnes of liquefied gas, 696 thousand tonnes of natural gas liquids and 190 thousand tonnes of liquid hydrocarbons (stable gas naphtha, isopentane, propane-butane-pentane and hexane-heptane fractions).

Work began at the **Usinsk Gas-processing Plant** on reconstruction of an input compressor station and installation of a sulphur-removal unit.

## Petrochemicals

### Petrochemical Plants of LUKOIL Group

Plant	Location	Production profile
<b>Petrochemical plants</b>		
OOO “Stavrolen”	Budennovsk (Stavropol Region, Russia)	Polyethylene, polypropylene and other products
OOO “Saratovorgsintez”	Saratov (Russia)	Acrylonitrile, sodium cyanide and other organic synthesis products
OOO “Karpatneftekhim”	Kalush (Ukraine)	Polyethylene, polyvinyl chloride, caustic soda and other products
<b>Refineries with petrochemical units</b>		
“Neftokhim Burgas AD”	Burgas (Bulgaria)	Polymers

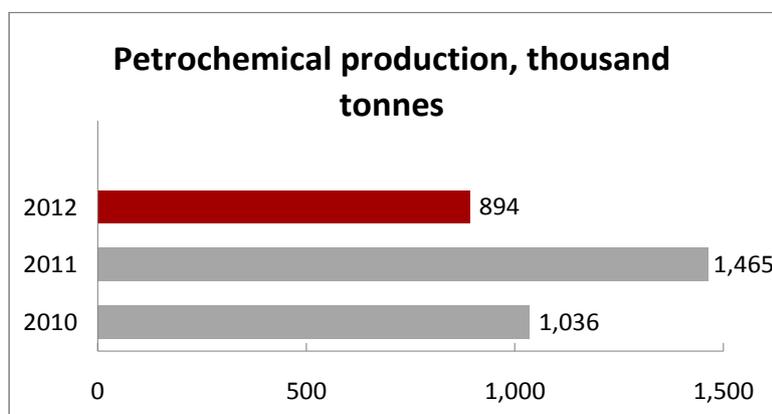
*The Group’s strategy in the petrochemicals segment is to achieve value-added through synergies with gas production and oil refining businesses*

Group plants in Russia, Ukraine and Bulgaria produce pyrolysis and organic synthesis products, fuel fractions and polymer materials. The Group meets a large share of Russian domestic demand for various chemicals and is a major exporter of chemicals to more than 30 countries worldwide

Output volumes at LUKOIL Group petrochemical plants in 2012 totaled 894.4 thousand tonnes, which is 39.0% less than in 2011. The output decline was due to downtime at the Stavrolen plant due to repair work and lower levels of production by Karpatneftekhim in response to a weak market environment.

Work was carried out in 2012 for modernization of existing production capacities and the creation of new capacities as part of LUKOIL Group’s strategy for development of its petrochemical business.

Planning work began for installation of a second sodium cyanide production line at OOO “Saratovorgsintez”. A highly important project at OOO “Stavrolen” is for creation of a processing complex, which will receive gas inputs from fields in the Northern Caspian. The first line of a gas-processing plant with capacity for 2 billion m<sup>3</sup> of gas is scheduled for launch in 2015, when modernization of existing ethylene and polyethylene units should also be completed. Preparation of project documents and working documents has begun for re-equipment of existing ethylene capacities in order to ensure maximum processing of liquefied gases.



### 3. Power Generation

LUKOIL Group power generating companies

Name	Location	Capacity		Output in 2012	
		Installed electric generating capacity, end-2012, megawatts	Installed heat capacity, end-2012, Gcals/hour	Electricity, million GWh	Heat, thousand Gcals
OOO "LUKOIL-Volgogradenergo"	Volgograd	1,521	5,130	3,423	5,765
OOO "LUKOIL-Rostovenergo"	Rostov-on-Don	580	2,739	1,572	4,133
OOO "LUKOIL-Kubanenergo"	Krasnodar	1,091	609	6,001	1,117
OOO "LUKOIL-Astrakhanenergo"	Astrakhan	497	1,896	3,001	2,154
OOO "LUKOIL-Ecoenergo"	Rostov-on-Don	295	0	767	0
OOO "LUKOIL-Stavropolenergo"	Kislovodsk	12	239	23	211
S.C. "LUKOIL ENERGY & GAS ROMANIA" S.R.L.	Ploiesti, Romania	61	676	276	657
S.C. "LUKOIL Energy & Gas Bulgaria" EOOD	Burgas, Bulgaria	257	1,445	178	618
OOO "Energy & Gas Ukraine" (former OOO "LUKOIL Energy & Gas Ukraine")	Odessa, Ukraine	18	49	122	15
<b>Total</b>		<b>4,332</b>	<b>12,783</b>	<b>15,363</b>	<b>14,670</b>

LUKOIL Group's power business comprises generation as well as delivery and sale of electrical energy and heat produced at power plants. The nucleus of the segment is the Russian power generating company, OAO "UGK TKG-8", which was acquired by LUKOIL Group in 2008, but it also includes companies producing electricity and heat at Group refineries in Bulgaria, Romania, and Ukraine. This business sector provides energy both for the Company's own needs (in the exploration & production and refining & marketing segments) and for the needs of external power and heat customers in the Southern Federal District of Russia.

#### Generation of electricity and heat energy

Total electricity output in 2012 by companies in LUKOIL Group electricity division was 15.4 billion kWh and heat output was 14.7 million Gcal, of which 13.4 million Gcal in Russia. Levels of electricity and heat production were dictated by conditions on the electricity market.

Main achievements by the division in 2012 were as follows:

- Combined cycle gas turbine-410 at OOO “LUKOIL-Kubanenergo” entered the wholesale market for electrical energy and capacity.
- OOO “LUKOIL-ENERGOSERVICE” entered the wholesale market for electrical energy and capacity in Western Siberia and Nizhny Novgorod regions.
- The Cherga wind generating station in Bulgaria (40 megawatt capacity) was acquired.
- Switching unit-110 was commissioned at the Krasnaya Polyana hydroelectric station to ensure dependable supplies of electricity to Olympic facilities.

### **Small-scale generating**

Development of the Group’s own small-scale electricity generating facilities at fields enables substantial reduction of electricity purchases and increases the rate of use of associated gas through gas-fired electricity generation. The Company has small-scale generating capacity amounting to 661 MW. Electricity generation at company facilities in this segment were 2,349 kWh in 2012.

### **Energy-saving technologies**

The Company’s energy management program represents a permanent mechanism, which helps LUKOIL enterprises to improve their energy efficiency. The system should be extended to all LUKOIL Group organizations by the end of 2015, by which time it will also be ISO 50001 certified.

### **Renewable energy**

During 2012 LUKOIL Group continued to develop its partnership in the field of renewable energy with the Italian company ERG, which has long experience in the construction and operation of renewable energy facilities. The joint venture, LUKERG Renew GmbH, acquired 100% of the Romanian company Land Power SRL, which has rights to build a wind generating plant in Romania. Construction of the plant, consisting of 42 wind generators with total capacity of 84 megawatts, is due to begin in 2013, and annual output from the plant will be in excess of 200 thousand mWh.

Also in the reporting year LUKOIL Group completed the acquisition of two wind plants in Bulgaria – Kavarna (32 megawatts) and Long Man (8 megawatts) – from Raiffeisen Energy Environment. The plants operate 20 wind turbines (each 2 megawatts) built by the company Vestas. Total output in 2012 was 101,882 kWh (121% of the annual target).

## 4. Sales and Marketing

Strategy:

- Logistics optimization: reduction of transportation expenses
- Efficient management of trade flows
- Increase of efficiency in trading operations
- Increasing retail sales of fuel and of related goods and services
- Retail network optimization

**Development of the Company's own transport infrastructure substantially reduces cost inflation.** The positive effect in 2012 from use of LUKOIL Group's own transport and logistics facilities for export of crude and petroleum products from Russia, as compared with alternative delivery routes, is estimated at about \$650 million in current market conditions

**Completion in 2012 of the Kharyaga-Yuzhnoye Khylochuyu pipeline, which connects Group fields, represents an important step in development of own transport infrastructure.** Launch of the pipeline shortens the payback period for the Varandey terminal by substantially increasing capacity use at Varandey. The new pipeline will also enable LUKOIL Group to cut its costs on transport of crude oil through the Baltic Pipeline System, as well as reducing load factors in the Kharyaga-Usa field-to-field pipeline and the Usa-Ukhta and Ukhta-Yaroslavl trunk pipelines, all of which are currently operating close to their capacity.

### Features

Total length – 158 km.

Throughput capacity – 4 million tonnes per year.

### Purpose

The pipeline is intended for transport of marketable crude oil from the Sever-TEK terminal (Kharyaga) to the Yuzhnoye Khylochuyu oil delivery point for subsequent transportation via the Yuzhnoye Khylochuyu- Varandey pipeline.

### Technology

The Kharyaga-Yuzhnoye Khylochuyu pipeline is fitted with the LeakSPY leak-detection system, which has already shown its efficacy in use on other pipeline routes. A high-strength anti-corrosion covering is used on underground sections of the pipeline. Surface sections are covered with reinforced heat insulation. Regular internal diagnostics will be carried out when the pipeline is in use.

Oil type	API density	Sulphur content	Tonnes-to-barrels conversion ratio
Kharyaga	39	0.3%	7.6
Brent	39	0.4%	7.6
Urals	31	1.2%	7.2

As part of its efforts to expand transport infrastructure the Company launched a new petroleum product terminal during 2012 in the port of Barcelona in Spain. The terminal will be used for re-export and distribution of diesel and jet fuel in Spain, and also for transshipment of biofuels. Substantial

reservoir facilities make the terminal a major Mediterranean hub for transshipment of petroleum products with 1 million m<sup>3</sup> capacity.

## Sales of Crude Oil

**Total volume of crude oil sales by the Company in 2012 including deliveries to the Company's own and third-party refineries, was 105 million tonnes.** Substantial volumes of oil were reallocated from export to the Goup Russian refineries and the domestic market due to increased efficiency of domestic crude sales in comparison with most non-CIS export markets. As in previous periods, the most efficiency use of crude oil produced by the Company was refining at Russian refineries. Deliveries to Group refineries in Russia during 2012 totaled 44.4 million tonnes.

A total 162 thousand tonnes of crude oil were purchased from third-parties and delivered to the Nizhny Novgorod and Ukhta Refineries, enabling the Company's own oil to be reallocated to the most efficient export routes.

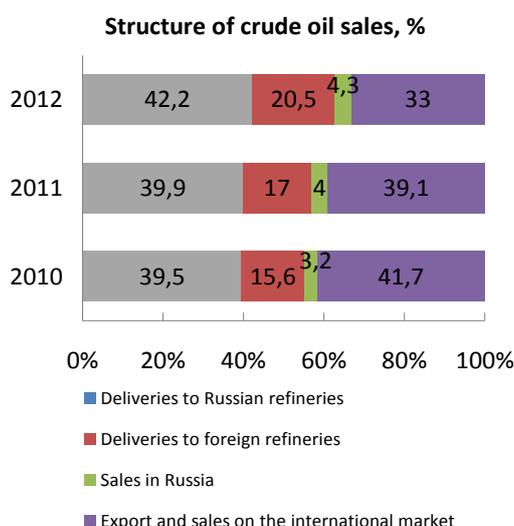
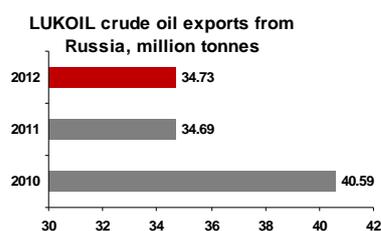
**Deliveries of crude oil to Group foreign refineries and to the ISAB and Zeeland complexes** amounted to 21.6 million tonnes in 2012, which is 10.1% more than in 2011. Most of the growth was attributable to an increase of the Group's share in ISAB S.r.l. A total 2.66 million tonnes of oil were delivered to third-party refineries, representing an increase of several times in comparison with 2011 due to growth in volumes processed at refineries in Belarus.

Some 4.5 million tonnes of crude oil were sold **on the domestic market** in 2012, representing an increase of 1.7% over 2011. This oil is sold on the basis of formulas, which provide a premium in comparison with the export alternative.

**Export of crude oil** from Russia by OAO "LUKOIL" subsidiaries (including oil obtained from third parties) amounted to 34.7 million tonnes in 2012. The share of deliveries via the Transneft pipeline system grew to 87.7%, due mainly to decline of output at the Yuzhno-Khkhylchuyuskoye field, which dispatches its oil via the Company's own terminal at Varandey.

**A total of 4.2 million tonnes of crude oil were exported via the Company's own terminals (3.2 million tonnes through Varandey and 1.0 million tonnes through the port of Svetly).**

Crude oil sales on the **international market** (including exports) were 34.7 million tonnes, of which 4.3 million tonnes in the CIS and the remainder outside the CIS. Total crude oil sales on Russian and international markets in 2012 were 39.2 million tonnes, which is 18.8% less than in 2011.



\* Including petroleum products delivered to ISAB and Zeeland.

## Gas sales

Volumes of natural, associated and stripped gas sold by LUKOIL Group in 2012 were 19.934 billion m<sup>3</sup>, which is 10.5% more than in 2011. The figure includes 9.646 billion m<sup>3</sup> of gas sold to OAO “Gazprom” and its affiliates (of which more than 8.0 billion m<sup>3</sup> of natural gas from the Company’s Nakhodkinskoye field) and 4.611 billion m<sup>3</sup> to other consumers (including deliveries to the Group’s gas-processing plants).

Growth of prices and of the share of gas sold to end-users via highly efficient channels led to rise of the average-weighted selling price by 29% in comparison with 2011 to 1,665 rubles per 1,000 m<sup>3</sup> (1,590 rubles per 1,000 m<sup>3</sup> in sales to Gazprom and 1,857 rubles per 1,000 m<sup>3</sup> in sales to end users).

### Cooperation with Gazprom

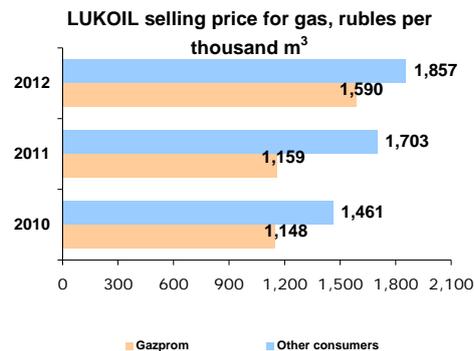
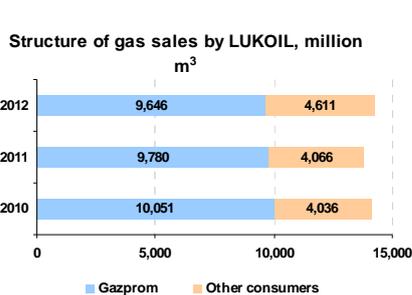
OAO “LUKOIL” reached agreement with OAO “Gazprom” in the reporting year on deliveries of 8.35– 12.11 billion m<sup>3</sup> of gas from fields in the Bolshekhetskaya Depression during 2012–2016. The agreement will enable prices for gas deliveries to be indexed starting from 2012 in accordance with rates and periods of change in the average regulated wholesale gas price for all categories of consumers in Russia (except households). Gas was previously delivered at fixed prices without indexation. The agreement also states that OAO “Gazprom” will make every effort to accept all of LUKOIL Group’s gas output from fields in the Northern Caspian into its gas transport system after LUKOIL Group begins production in that region and will deliver equivalent amounts to the Group enterprises.

A protocol of a joint meeting between the top managers of OAO “Gazprom” and OAO “LUKOIL” was signed in 2012, by which OAO “Gazprom”’s regional gas sales company will supply additional volumes of gas for LUKOIL Group’s generating needs at prices equal to the minimum set by the Federal Customs Service, without any price-raising coefficients.

Thanks to intensive work by Company specialists, amendments have been made to the principles by which gas transportation tariffs via the OAO “Gazprom” pipeline system are calculated for external producers. The amendments enable efficient transportation of gas over large distances.

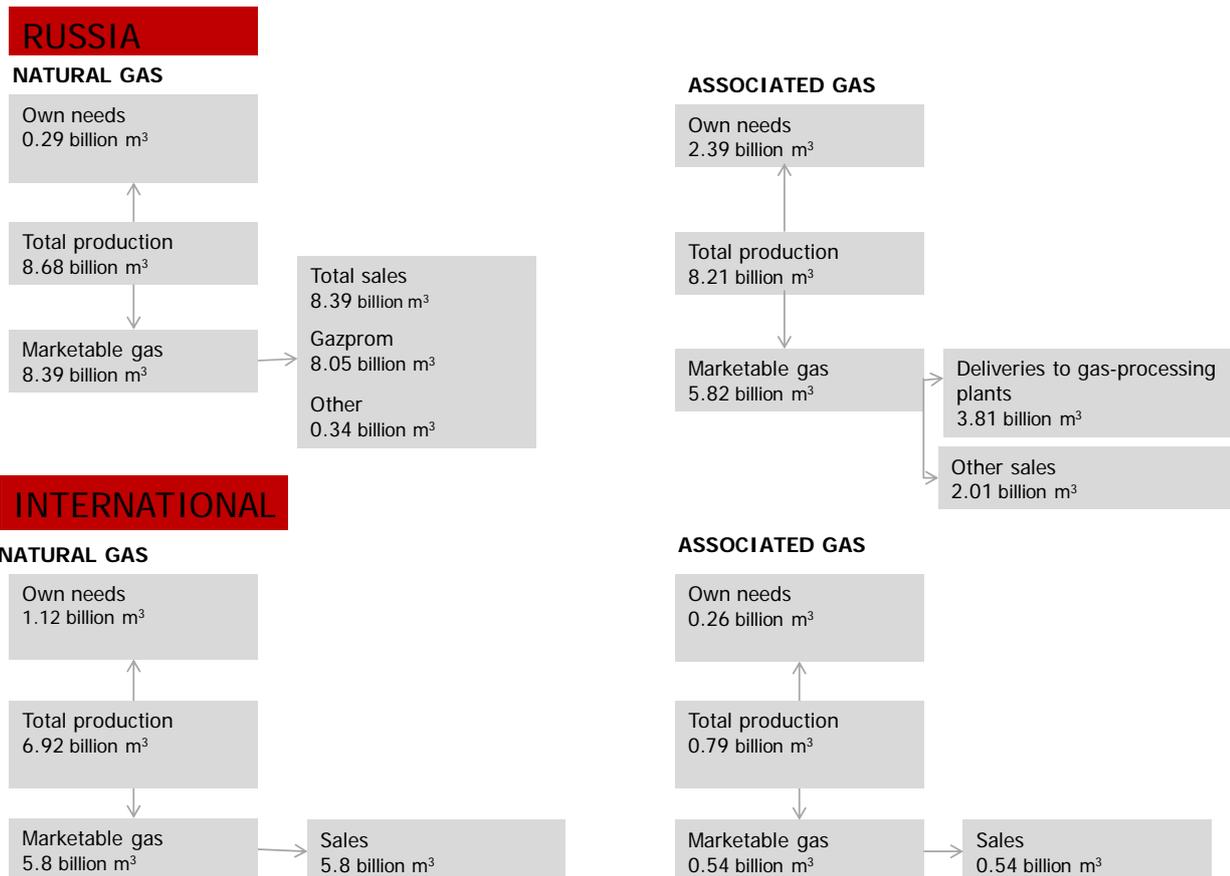
### Supplies of associated petroleum gas

A long-term agreement (2013-2022) has been signed with OJSC “E.ON Russia” for delivery by OOO “LUKOIL-PERM” of 2.4 billion m<sup>3</sup> of associated gas to the Yayvinsky Power Station. This represents a major step towards meeting targets for use of associated gas production in Perm Territory.



## Gas production and supply structure

## GAS PRODUCTION AND SUPPLY STRUCTURE



### Petroleum Product Marketing

#### LUKOIL retail network (number of filling stations)

	LUKOIL RETAIL NETWORK (NUMBER OF FILLING STATIONS)
USA	425
EUROPE	2,420
BALTIC COUNTRIES	212
RUSSIA	2,368
CIS	503
<b>TOTAL</b>	<b>5,928</b>

#### Petroleum product and petrochemical wholesale

LUKOIL Group sold 11.6 million tonnes of petroleum products to wholesale customers on the **domestic market** in 2012, representing an increase of 5.6% compared with 2011.

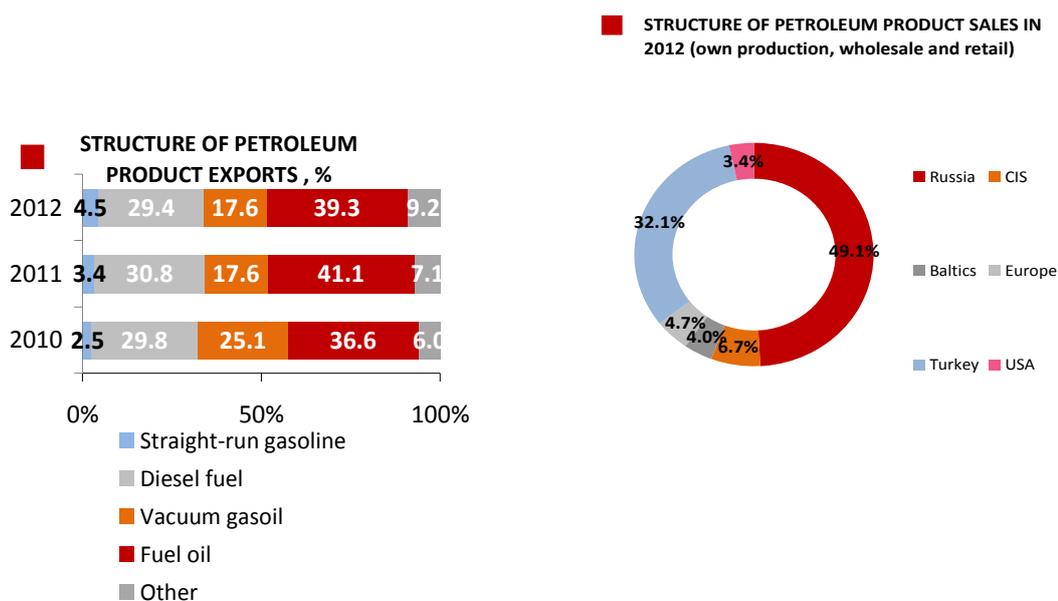
**Export of petroleum products** declined by 6.2% in 2012 to 22.5 million tonnes as deliveries of medium distillates to the domestic market were increased. The structure of exports remained unchanged in the reporting year: company exports were dominated by diesel fuel, fuel oil and gasoil, which together accounted for 89% of total product export volumes. The Company's petroleum product export structure mainly corresponds to the structure of product exports from Russia as a whole.

Railway remained the chief means of transport for Group exports of petroleum products (about 77% of the total). Products were carried by railway to the Vysotsk terminal, via which 10.5 million tonnes of

products were dispatched in 2012 (including 0.01 million tonnes of vacuum gasoil, 2.0 million tonnes of diesel fuel and 6.9 million tonnes of fuel oil).

Exports of petroleum products were also carried by river and sea transport, and by pipeline (13% and 10% of export volumes respectively).

LUKOIL Group is rapidly developing its **international petroleum product trading business**, increasing both scale of the business and international diversification. LUKOIL Group has trading offices in nine countries worldwide and makes deliveries of crude oil and petroleum products to markets in Europe, the USA and the Asia-Pacific region, as well as increasing its sales volumes in new regions (Africa, Latin America and the Middle East). The Group had trading business in 90 countries worldwide during the reporting year.



## Bunkering

### *Around 30% – Group share of bunker fuel volumes sold in Russia*

The Group subsidiary, OOO “LUKOIL-BUNKER”, carries out refueling of ships at Russian sea and river ports, wholesale supplies of ship fuel. Volumes in this business increased by 17% in 2012 compared with 2011 to a level of 2.5 million tonnes.

The Company has bunkering operations at ports in five regions of the Russian Federation. Most of the business is at ports on the Baltic, Barents and Black seas, and also on Russia’s inland waterways.

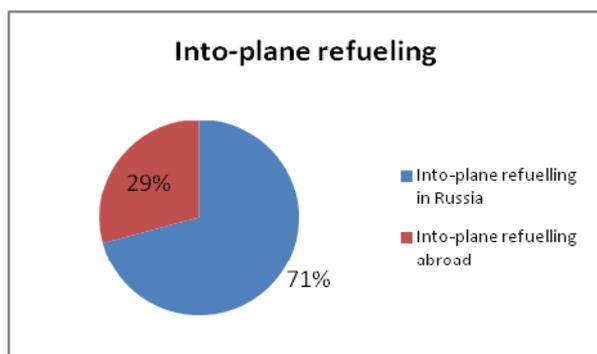
## Aircraft refueling

### *Around 26% – Group share of jet fuel supplies on the Russian market*

The group subsidiary OOO “LUKOIL-AERO” supplies jet fuel (mainly into-plane refueling at airports in Russia and in other countries) via a network of its own subsidiaries or through contracts with refueling companies. Into-plane refuelling grew by 16% in 2012 to a level of 1.3 million tonnes.

OOO “LUKOIL-AERO” manages the allocation of all the jet fuel produced at LUKOIL Group refineries in Nizhny Novgorod, Volgograd, Perm and Ukhta. The Company also purchases jet fuel from third parties for resale if production at its own refineries is insufficient to meet the needs of customers.

The main customers of OOO “LUKOIL-AERO” for many years have been leading Russian airlines and civil aviation companies.



## Retail fuel sales

### *9.1 tonnes per day – average sales volume per filling station*

LUKOIL Group's retail network operated in 27 countries at the start of 2013, including Russia, CIS and European countries, as well as the USA. The network included 183 storage facilities with total reservoir capacity of 2.7 million m<sup>3</sup> and 5,928 filling stations (including franchises).

**Retail sales of petroleum products through owned and leased filling stations increased by 1.1% in the reporting year compared with 2011 to a level of 15.9 million tonnes.**

Increase of overall retail sales volumes was due to 6.5% increase of volumes on the Russian market in comparison with 2011, caused by growth of demand for high-quality fuels as vehicle ownership in Russia increases.

Investments in development of the retail distribution chain totaled \$388 million in 2012.

LUKOIL Group continued to implement its program for development of a marketing and sales network for liquefied and compressed gas in 2012. Total Group sales of these products were 910 thousand tonnes, which is 2.1% more than in 2011.

### *Optimizing the retail chain*

During the reporting year the Company pursued its efforts to optimize the retail chain with the objective of reducing costs and raising efficiency. These actions affected 93 filling stations in Europe and the CIS countries during 2012 (38 stations were leased, 8 were closed down, 39 were transferred to dealer management and 8 were sold). In Russia itself, 46 stations were affected (19 were leased, 3 closed down and 24 sold) as well as 6 storage sites (1 was leased, 3 sold, 2 were mothballed). Work also continued on construction and acquisition of highly efficient stations and reconstruction of those already in ownership. In Europe and the CIS countries, except for Russia, LUKOIL Group built 7 new stations, acquired 61 and refurbished 92. In Russia the Company built and opened 28 new filling stations, refurbished 73 existing stations and made 43 acquisitions.

### *Non-cash payment*

The Company continued to develop its system for non-cash payment by customers at its filling stations in 2012, using the LICARD fuel card system. A total of 2,738 filling stations in Russia (including franchises) were capable of accepting the cards for payment at the start of 2013. There were 1,004 stations using the cards outside Russia. The total volume of fuel sales using LICARD was 6.3 million tonnes in 2012 with total value of \$6.1 billion, including about 4.6 million tonnes sold in Russia.

### *Customer loyalty*

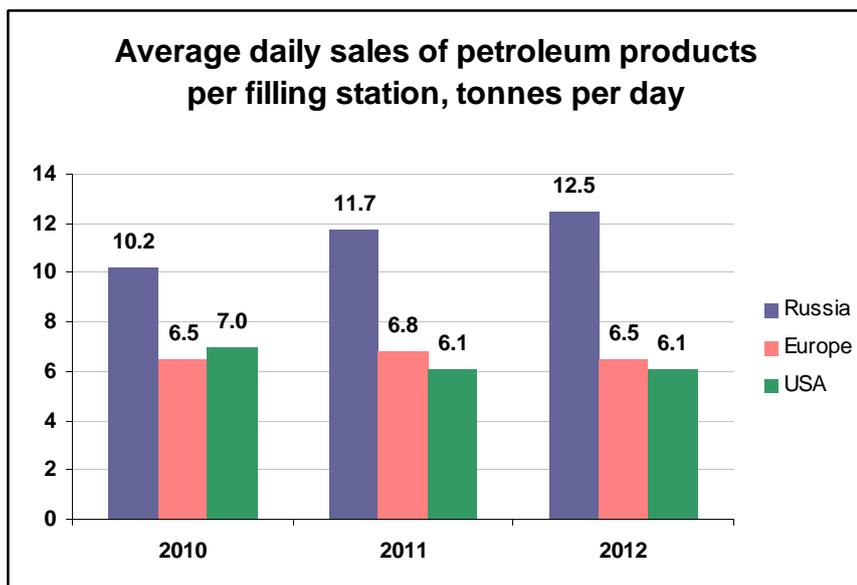
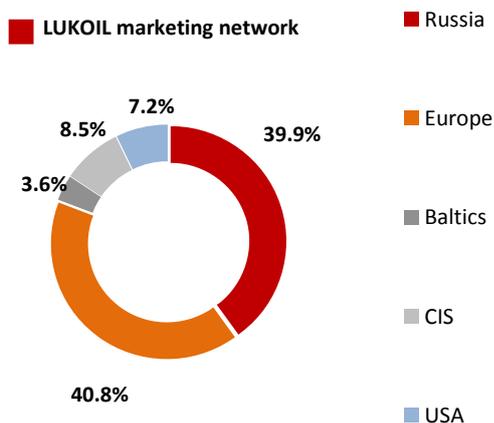
The Company has implemented a loyalty program for its retail customers since the middle of 2010. The program had 2.9 million participants in Russia by the start of 2013. Total fuel sales using loyalty cards in 2012 were about 2 million tonnes of petroleum products.

**Non-fuel sales**

Revenue from non-fuel sales and services at the Group’s filling stations in Russia amounted to \$253 million in the reporting year, which is 9% more than in 2011. The corresponding sum in Europe and the CIS was \$456 million. The Company plans to further increase non-fuel revenues through marketing, optimization of the product range, improvement of fast-food services at filling stations, new service additions, work with major suppliers, use of best trading practices, and better standards of customer service.

**EKTO fuel**

Work continued to promote the Group’s EKTO fuel brand on foreign markets in 2012 (in Lithuania, Latvia, Estonia, Ukraine, Romania, Turkey, Moldova, Bulgaria, Macedonia and Croatia). The geography of EKTO sales is expanding year by year. Total sales of EKTO fuel (diesel and gasoline) outside Russia in 2012 were about 1 million tonnes, via more than 1,128 filling stations.



## 5. TECHNOLOGY AND INNOVATION

### *More than \$157 million – R&D financing in 2012*

Innovation and the use of new technologies are among the main competitive strengths of OAO “LUKOIL”. Company specialists both design new technologies and work to modernize existing technologies.

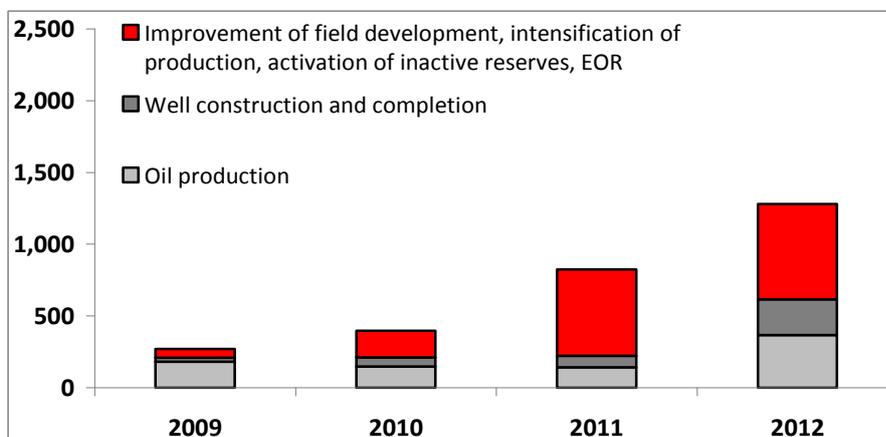
A project to create innovative technologies for improvement of oil recovery rates through integration of heat and gas methods was presented in 2012 in the framework of cooperation between OAO “RITEK” and the Skolkovo Foundation. An OAO “RITEK” subsidiary, OOO “RITEK-Its”, was set up for purposes of project implementation and became a participant of the Skolkovo Foundation in 2012.

The Group continued to work closely in 2012 with the Russian Corporation of Nanotechnologies (RUSNANO) on commercialization of nanotechnologies with applications in the oil & gas industry. OAO “RITEK” carried out joint work with RUSNANO during the accounting year on innovative developments for extraction of difficult reserves in Bazhenov formations. Testing of mini-GTL technologies was also carried out as part of R&D work on techniques for refining of associated petroleum gas into liquid hydrocarbons.

### **Exploration & production technologies**

*LUKOIL is the Russian oil & gas industry leader in efficient application of new technologies in the upstream segment*

#### **Number of actions at fields using new technologies**



R&D work in the business segment during 2012 was focused on development of geological and geophysical study techniques, improvement of reserve assessment methods (work continued on a methodology to assess hydrocarbon reserves in reservoirs with complex structure), as well as design and improvement of methods for increasing oil recovery and optimal technology solutions for the development of new areas and deposits. The Company is keen to develop technologies that ensure environmental safety during field development, particularly in development of offshore fields.

### **New drilling technologies**

As well as expanding technology uses and the number of regions where they were applied, the Company worked in 2012 to adapt technologies that enable maximum contact with the reservoir and technologies for horizontal well completion with multi-zonal hydrofracturing at locations with

carbonaceous and terrigenous formations. Good results were obtained from the use of these technologies during 2012 in the Urals region near Perm, the Komi Republic and in Western Siberian gas projects.

Breakthrough technologies used by LUKOIL Group in 2012 included drilling of horizontal wells with multi-zonal hydrofracturing of strata. A total of 99 wells with multi-zonal hydrofracturing were brought into operation in 2012 and gave average daily oil flows of 43.5 tonnes. Use of the technique was limited to Western Siberia in 2011, but it was extended to fields operated by OOO “LUKOIL-PERM” and OOO “LUKOIL-Komi” during 2012.

The latest technologies for down-hole well completion were increasingly used in construction of new wells during 2012. Production wells at the Yu. Korchagin field have been equipped with passive flow regulation systems (ResFlow) in order to prevent gas blowouts.

Scheduled work was carried out to equip wells with fiber-optic systems, which enable non-stop monitoring of the development process. To date fiber-optic systems have been installed at several wells producing from the permian-carbonaceous deposit at the Usinsk field, Well № 113 at the Yu. Korchagin field and at other wells.

## **Enhanced oil recovery techniques**

### *27% of LUKOIL's crude oil production in Russia uses enhanced oil recovery techniques*

One key outcome of the Company's technology drive is ever greater application of methods for intensification of oil production and of enhanced oil recovery (EOR) techniques. These methods offer significant increase of recoverable reserves and oil production, enabling commercial development of high-viscosity oil, oil in low permeability reservoirs, and hard-to-recover reserves at late stages of field development. The Company uses physical, chemical, hydrodynamic and heat methods to stimulate extraction.

The Group carried out 5,605 EOR operations in 2012, which is 15% more than in 2011. Additional production obtained in Russia during the reporting year through the use of EOR techniques was 23.1 million tonnes. Most of the additional production (more than 15.1 million tonnes) was obtained using physical methods, primarily hydrofracturing.

The Group carried out 867 hydrofracturing operations at fields in 2012, achieving average additional oil flows of 8.1 tonnes per day.

Use of other EOR methods (hydrodynamic, heat, chemical methods and oil production intensification) gave 8 million tonnes of production. The Company continued to make extensive use of the latest chemical technologies in 2012 (there were 1,602 operations using chemical technologies in 2012 compared with 1,417 in 2011).

Drilling of sidetracks at existing wells has also proved a highly-efficient form of EOR. The Company continued to make extensive use of sidetracks in 2012, when 377 sidetracks were drilled with average daily output of 16.7 tonnes. Consistently high efficiency was achieved through experimentally-proven mini-projects with use of hydrodynamic modeling, as well as greater accuracy in forecasting of the geological structure of reserves at locations where sidetracks were drilled. Sidetracks are mainly used to extract residual oil reserves at wells, which have been taken out of operation.

## **Production of high-viscosity oil**

The Company is rapidly developing and applying new technologies for production of high-viscosity oils. The Russian Government is taking steps to encourage production of high-viscosity oil, making it more profitable by means of preferential taxation. Work with high-viscosity oil extraction in Russia is concentrated in the Komi Republic, where LUKOIL Group is developing the Yaregskoye and Usinskoye fields. Thermal methods are used at both fields to increase oil recovery and annual production is in excess of 3 million tonnes.

The **permian-carbonaceous deposit at the Usinskoye field** is being developed using steam-heating and cyclic-steam stimulation across extended areas. Wells were completed in 2012 and injection of the heat medium to the target area was begun. Work continued in the south-eastern part of the field on

a test-production program for drilling of horizontal injection and slanted production wells to be completed above the natural screen (datum R-4).

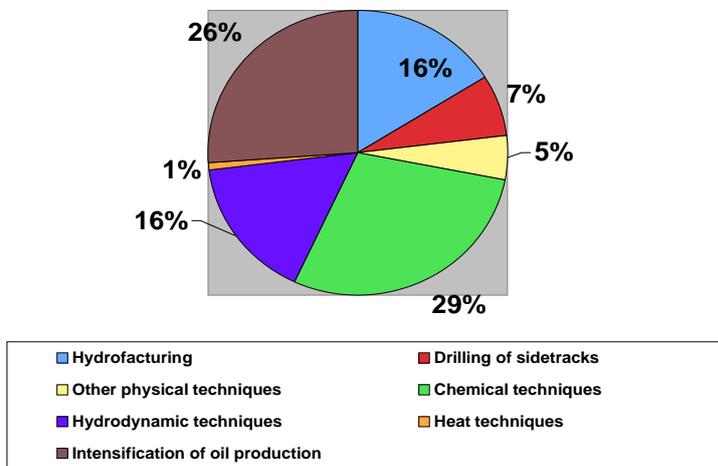
The **Yaregskoye field** is being developed using a thermal mine-shaft technology (production at the field mainly uses a mining technique). Boring combines have been mobilized at the field to prepare sloped mine-shaft blocks for development, offering significant savings on construction costs. The company Scientific Drilling Controls Limited carried out work for the first time to study 125 underground boreholes at the field. A program of remedial cementing (prevention of water inflow) was designed and implemented using the study results.

Five steam injection wells were put under pressure in 2012 at test production area № 5 at the Lyaelskaya area, enabling implementation for the first time in the world of a project for reciprocal thermogravitational formation drainage. Further use of this technique will enable up to 16.4 million tonnes of oil to be brought into production.

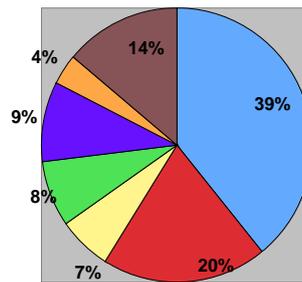
### Geological and hydrodynamic models

Oil & gas production subsidiaries of LUKOIL Group produced oil & gas at 369 fields in the Russian Federation during 2012. Geological and hydrodynamic modeling is used for monitoring of development processes, choice of technologies, and for measuring efficiency in secondary and tertiary production of reserves. Modeling leads to improvement of oil recovery rates and reduces expenditures on field development. Although reserves in traditional production regions have been in development for long periods of time, use of modeling has enabled the Company to keep output levels steady and in some cases to increase output. This result reflects improved quality of the models and ever greater use of such models during production drilling, as well as continued work to improve well-completion techniques, and techniques for primary and secondary drilling into productive strata.

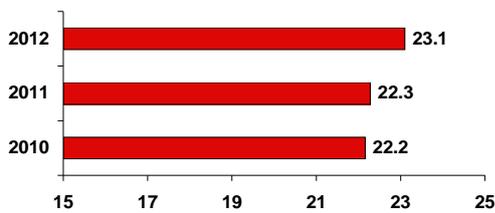
**Structure of EOR techniques used by LUKOIL Group in 2012**



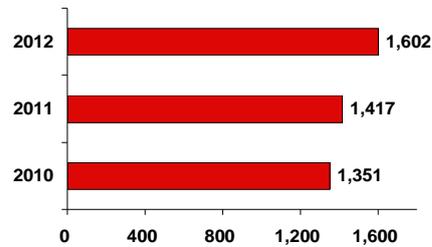
### Shares of additional production obtained by use of various EOR techniques in 2012



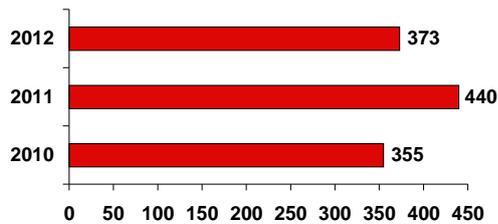
Additional production from EOR in Russia, million tonnes



EOR using chemicals, number of wells



Number of updates of geological-hydrodynamic models, wells



### Effect from EOR in Russia

	Additional production from EOR methods, million tonnes	EOR production as a percentage of total production, %
LUKOIL Group in Russia	23.1	27.4
Western Siberia	13.7	27.7
Timan-Pechora	4.0	25.5
Urals	4.6	34.0
Volga	0.5	13.3
Other	0.3	16.7

## **Refining Technologies**

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

Since July 2012 all of the Russian refineries of LUKOIL Group have switched to production of automotive gasolines, which fully meet Euro-5 specifications. This enabled savings on excise rates in 2012 (the rates are differentiated according to fuel quality).

The Company is now carrying out construction of new equipment and modernization of its refineries. At the Ukhta Refinery work was completed in 2012 for modernization of the reactor block on the GDS-850 hydrodewaxer and of the furnace unit for catalytic reforming. Annual capacities of the two units were raised to 1.1 and 0.4 million tonnes, respectively, as a result. At the Nizhny Novgorod Refinery reconstruction of atmospheric-vacuum distillation unit № 5 was completed in 2012. At the Volgograd Refinery a new improved management system was installed in 2012 on the isomerization unit, enabling increase of marketable outputs.

Studies are also being carried out to find ways of improving energy efficiency and levels of safety in operations at oil refineries, gas-processing plants and petrochemical facilities.

The Company is devoting much attention to development of the latest technologies for production of lubricants and additives, and a science and technology unit focused on this issue has been set up within the Company. Its main functions are development and marketing of high-quality products for proper operation of modern machinery, as well as development of new technologies and blends. This work is being carried out by Company specialists in collaboration with scientific centres in Russia.

## **Information Technologies**

*More than 14 thousand users of the Company's Integrated Management System*

The Company appreciates the importance of information technologies for efficiency gains in industrial operations and business management. LUKOIL Group has therefore expanded the functionality of all its software programs and applied them at an ever increasing number of Group organizations. Consistent work to create and develop the Company's Integrated Management System with SAP architecture had enabled installation of 24 modules at nearly 114 Group organizations by the end of 2012. Local regulatory rules for asset and project portfolios and for business processes have been designed on the basis of LUKOIL's corporate governance documents to assist in transition to the Global Integrated Management System. A process management model for the Group has been designed, enabling harmonious interaction between business processes.

## 6. Social Responsibility

### Protecting the Environment

The Group's 2012-2021 strategy includes:

- achievement of 95% utilization of associated petroleum gas;
- ending discharge of effluent into natural water bodies;
- reducing greenhouse gas emissions and obtaining additional income through implementation of the mechanisms of Article 6 of the Kyoto Protocol;
- fully overcoming the aftermath of previous environmental damage;
- obtaining a ratio no higher than 1x between waste accumulation and use/recycling of waste;
- payments for negative environmental impact should not exceed the standard rate of such payments by more than 15%;
- reduction of pipeline failures and purification of land that has been damaged as a result of such failures.

LUKOIL Group acknowledges its responsibility to society for rational use of natural resources and preservation of the environment. The Company therefore observes the highest standards of care for the environment and of industrial safety in its operations.

More than \$754 million were spent on environmental measures in the reporting year. A significant share of this money (more than 50%) was spent to protect air quality, including increased levels of associated gas utilization. A further 35% of the total were spent to address the consequences of accidents.

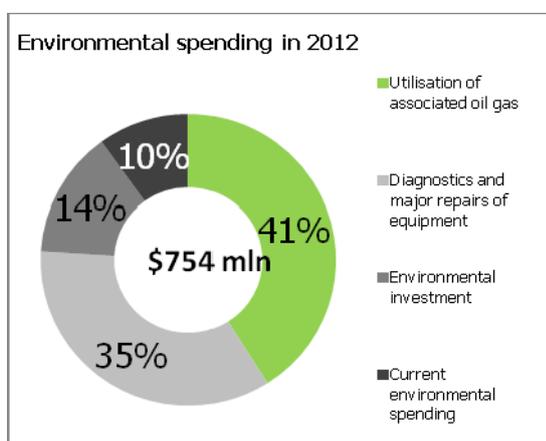
The Company achieved reduction of per unit environmental impact indicators in nearly all areas of its business during 2012:

- Release of pollutants into the atmosphere was reduced by nearly 14%, thanks mainly to steps as part of the corporate program to increase utilization of associated gas, thereby reducing combustion of the gas at field flares.
- The area of polluted land was reduced by 17% thanks to reclamation work.
- The number of incidents with that caused damage to the environment was reduced by 12.5%. Nearly all of the accidents were caused by pipeline failures. Major repairs to pipelines are being carried out in order to minimize such failures.

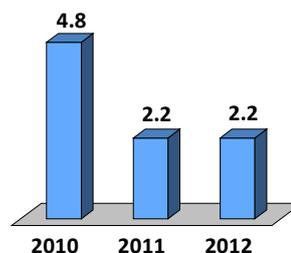
Main environmental actions by LUKOIL Group organizations in 2012 are presented in the following table.

Objective	Main actions in 2012
Rational use of water resources, preventing water pollution	<ul style="list-style-type: none"> <li>• Diagnostics and major repairs to pipelines (905 km, +36% compared with 2011) and application of corrosion inhibitors to pipelines.</li> <li>• Building water-separation systems and systems for utilization of formation water.</li> <li>• Checking the condition of pipeline crossings over water</li> <li>• Purification of polluted ground water from drainage systems.</li> <li>• Modernization of existing purification facilities and installation of new facilities.</li> </ul>
Reduction of atmospheric pollutant emissions	<ul style="list-style-type: none"> <li>• Modernization and construction of facilities to increase the rate of utilization of associated gas.</li> <li>• Modernization and construction of new, more efficient combined-</li> </ul>

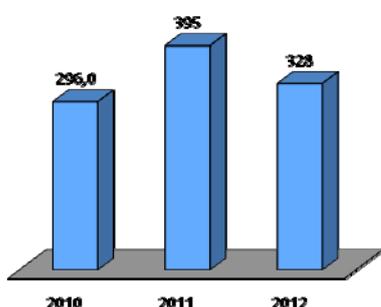
	<p>cycle turbines at generating facilities.</p> <ul style="list-style-type: none"> <li>• Replacement of equipment for the reduction of pollutant emissions: replacement of lateral seals, modernization and replacement of furnaces, replacement of pumping equipment.</li> <li>• Better use of technologies: timely regulation of combustion in furnaces, boilers, etc.</li> </ul>
Utilization of accumulated waste containing oil	<ul style="list-style-type: none"> <li>• Increase of sub-contractor works to neutralize waste.</li> <li>• Construction of a complex for processing of waste containing oil.</li> <li>• Construction of specialized zones for utilization of production waste.</li> </ul>
Preventing pollution and ensuring rational use of land	<ul style="list-style-type: none"> <li>• Reclamation of disturbed land and land polluted by crude oil (2,464 and 159 hectares, respectively).</li> <li>• Diagnostics and major repairs to pipelines, and application of corrosion inhibitors.</li> </ul>
Preserving biodiversity	<ul style="list-style-type: none"> <li>• Financing of work to replenish fish stocks.</li> <li>• Monitoring of environmental components.</li> </ul>



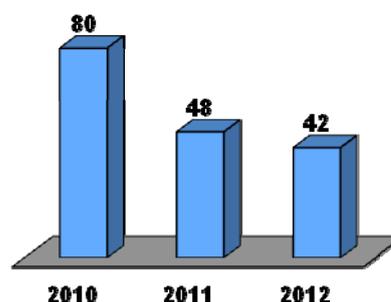
**Foul water discharge, million m<sup>3</sup>**



**Polluted land, hectares**



**Number of accidents causing environmental damage**



## Health and safety

Ensuring safe and decent working conditions is a priority for the Company. Thanks to the efforts carried out by the Company in this direction, there are no work places at the Company which are classified as hazardous (high-risk).

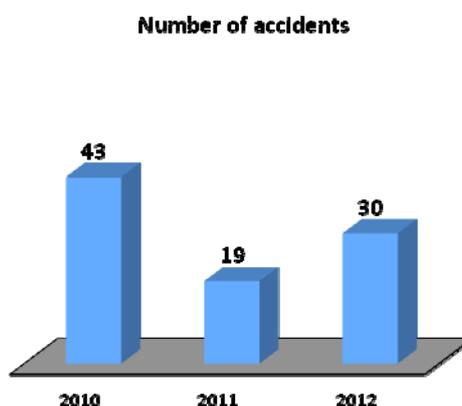
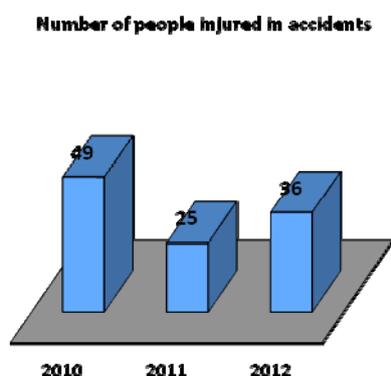
Improvements were made to conditions at 5,952 work places during 2012. Incidence of minor injuries to Company employees in the work place declined by 12.5% in comparison with 2011, and registered cases of work-related sickness declined by 2.7 times.

A total of 56 command-system and staff trainings and drills were carried out in 2012, as well as 72 complex drills, 177 tactical and specialized drills, and more than 150 drills and trainings in proper actions to address oil and product leakages.

Scheduled preventative measures ensured that there were no incidents during 2012, which could be classed as emergencies. Safety drills and training sessions are held regularly at sea and river terminals, and at production, refining and storage sites, to ensure that the Company’s special teams and equipment remain in a high state of readiness to deal with any oil or petroleum product leakages.

The structure of spending on industrial safety in 2012 was as follows.

Actions	%
Ensuring that tasks are carried out using the latest technologies	0.2
Teaching, training and raising of employee qualifications in the field of health and safety	2.0
Making work places compliant with legal requirements	4.8
Providing staff with protective gear and ensuring that work places meet appropriate health and hygiene standards	13.3
Meeting government and corporate standards for health and safety	4.9
Improving the system for management of industrial, health and fire safety. Providing regulatory and legal support.	4.2
Preventing and dealing with emergencies	33.4
Ensuring that facilities comply with OAO “LUKOIL”’s own internal regulations for industrial, health and fire safety in the work place	37.2



## Personnel and Social Programs

**LUKOIL Group has become an industry leader thanks to the coordinated work of a high-class team of world-class professionals**

**More than 112,000 people are employed by the Group**

LUKOIL Group social policy is aimed at maximizing labour productivity, realizing the personal potential of employees to the full, and ensuring that they benefit from proper social protection. The Company is attentive to the interest and needs of its employees and try to ensure that each one of them takes a personal interest in achievement by the Company of the best possible results.

## **Matching best international practice**

The Company aspires to a system of human resource management that matches best global practice. The Company worked in the reporting year to optimize its organizational structure, eliminating inefficient links and duplication of management functions, and centralizing accounting functions. The number of the Group's employees decreased by 7% compared with 2011, and there were gains in labor productivity and per-employee indicators: revenue per employee grew by 11.8% in the reporting year, and net income per employee by 14.1%.

## **Social partnership**

The Company makes full use of social partnership in the labour sphere, expanding and strengthening cooperation with its trade union, government bodies and local communities. Since 2008 OAO "LUKOIL" has been the official representative of the Russian Union of Industrialists and Entrepreneurs in the Tripartite Commission for Regulation of Social and Labour Relations, which is the most senior social partnership organization acting under the Labour Code of the Russian Federation. In 2012 the Company took part in 8 sessions of the Commission, at which 31 issues were considered.

## **Appraisal**

Staff appraisal is of central importance for efficiency management at LUKOIL Group. The Company implemented 'appraisal and development center' technology in 2012, which helps to identify the individual potential of employees and prepare customized training programs to match their development needs.

The Company has carried out annual employee appraisals since 2007, which make it possible to draw overall appraisals together and make a proper assessment of competence.

Based on the appraisal results, employees receive detailed and coherent feedback, which helps them to understand what they must do in order to improve their performance at work. Annual appraisal of more than 1,787 employees was carried out in 2012 and the results were used to prepare personal development plans and to calculate annual bonuses for 2011.

## **Incentive system**

### ***Financial incentives***

The Company's system of remuneration is designed to strengthen the motivation and commitment of employee to further growth of the Company's shareholder value. Wage levels in the industry are constantly monitored, which enables timely decisions on adjustment of wages in order to make them competitive and to encourage highly qualified specialists to seek employment at the Company. As a result the Company's payroll has expanded in the last five year despite a substantial reduction in employee numbers.

### ***Non-financial incentives***

In addition to material incentives, LUKOIL Group provides encouragement to personnel through marks of merit for outstanding achievements at work. Special events were held at all Group companies in 2012 at which workers and groups of workers received national awards, sectoral marks of distinction and Company awards. There were 39 winners of national awards among Group employees in 2012, while sectoral distinctions were earned by 510 workers and the Company's own awards were conferred on 1,480 employees and 13 groups of employees. Prizes were awarded to 2 employees of LUKOIL Group organizations by the Russian Union of Oil & Gas Workers in 2012.

### ***Social provisions***

An efficient system of social guarantees helps to attract highly-qualified specialists to the Company, reduce employee turnover rates and strengthen corporate morale, and is therefore of fundamental importance for the success of LUKOIL Group operations. Therefore, in addition to its financial and non-financial incentive schemes, the Company offers a broad range of programs and opportunities to its employees as part of the LUKOIL social package. These include:

- leisure and recreation provisions for employees and their families, organization of sport and fitness events
- health care and medical treatment for Company employees, including voluntary health insurance
- help to employees in acquiring housing
- social support to women and families with children
- social support to young specialists
- non-state pension provision for employees, which has operated since 2004 on a principle of shared funding of non-state pensions by employee and employer. By the start of 2013 more than 37.6 thousand employees at LUKOIL Group organizations in Russia had entered the shared funding system, and the sum of their contributions during the year was over \$12.6 million. The Company's total contributions under non-state programs of pension provision in Russia and abroad for the reporting period were in excess of \$35.4 million.

Total spending in 2012 on implementation of social programs for employees, their families and pensioners was in excess of \$307.7 million, and spending on infrastructure for provision of social services totaled \$76.6 million.

### **Young Specialists**

Committees of young specialists operate at Company enterprises, and their functions include support to young specialists in adjustment to new working conditions, helping them to acquire and improve their skills, and work to encourage commitment to corporate values and corporate culture. The Company held its seventh competition in 2012 to find the Best Young Specialist of the Year, as a result of which the title was awarded to 51 of the Group's young specialists. Further trainings were organized and held as part of the Young Specialist's School, helping to reduce the amount of time needed for adaptation of new employees to the corporate environment and to raise their professional efficiency.

The tradition of providing work experience opportunities at the Company for students of leading Russian universities was continued in 2012 (3,000 students benefited from a period of work experience at the Company during the year). Work also continued on joint schemes with specialized oil & gas institutes around the country in the 'Step into the Future' program for selection of best students.

### **Employee training**

Company work with personnel is focused on skill levels. The Group has a system of continuous training, which is designed to ensure that Group personnel acquire the knowledge and skills, which they need for their jobs. The Company uses the whole spectrum of modern training aids: workshops, seminars away from the work place, special training programs, work placements abroad, trainings, courses for improvement of qualifications, professional training days, distance learning and MBA programs. The Corporate Study Centre which was opened in 2010 in the city of Astrakhan trains workers for operations on offshore oil & gas platforms and at river and sea terminals, as well as teaching employees how to deal with emergency situations and ensuring that they are familiar with industrial fire safety procedures.

### **Cooperation with the International Labour Organization**

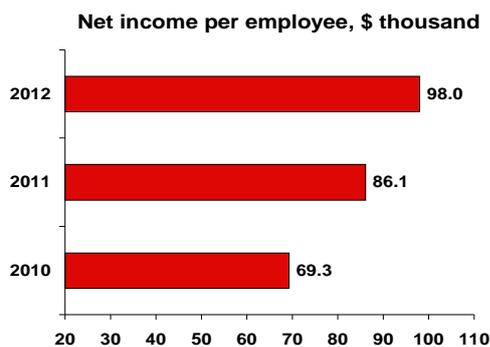
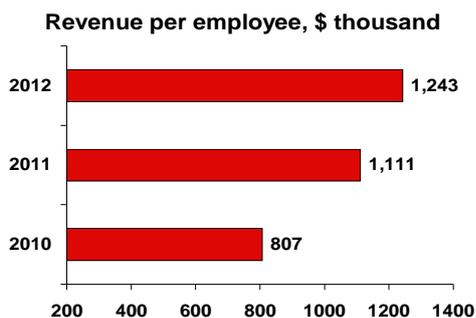
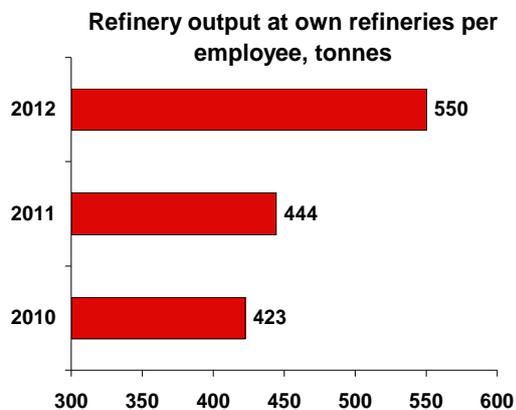
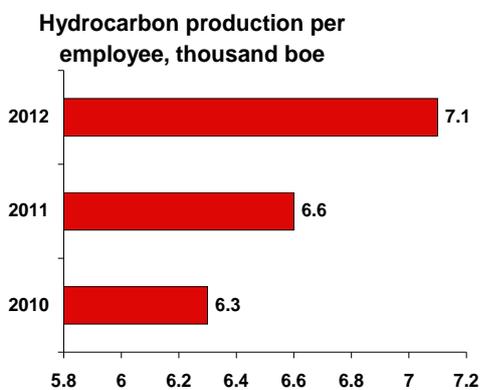
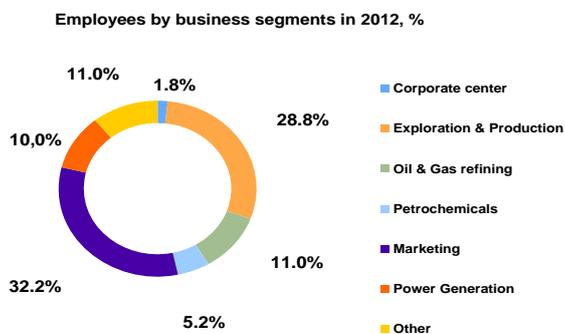
At the end of 2012 OAO "LUKOIL" and the International Labour Organization (the ILO, which is a specialized institution in the United Nations Organization) signed a cooperation agreement in the field of youth employment, personnel exchange and training of personnel. The Company will work with the ILO to develop and implement a project entitled 'Partnership for youth employment in the Commonwealth of Independent States'.

The purpose of the project is to create an international platform for CIS countries to exchange knowledge and mutual instruction, and to provide technical assistance to the Russian Federation in the sphere of employment, as well as to carry out technical cooperation initiatives in the CIS countries.

The parties will also explore the possibility of personnel exchange and organization of training for LUKOIL staff. A joint committee will be set up and will meet once a year to monitor agreement implementation.

The next step will be to design cooperation programs in the above-mentioned fields, and to organize visits by LUKOIL senior management to CIS countries for tripartite dialogue.

At present LUKOIL remains the only Russian company, which has signed a cooperation agreement with the International Labor Organization.



## Sponsorship and Charity

*LUKOIL Group spent more than \$83 million on charity and social programs in 2012*

Social and charity programs are among the Company's most important strategic tasks, since they help to ensure constructive partnership with central and local government and with society. These initiatives by LUKOIL help to improve the social and economic situation in regions, where the Company has operations.

### Social investment programs

- ***Support for children's homes and schools***

Providing help to children is the main priority for LUKOIL Group in the charity sphere. The Company 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 peers, and to children with favourable family backgrounds by helping them to develop their natural abilities and talents. Assistance is provided to children's homes in the form of grants, holidays at summer camps and other support. The Company helps these children to obtain an education, remain in good health, acquire a profession and find their place in life. The Company is also implementing a project to recruit and train young executives with backgrounds in children's homes and disadvantaged families.

- ***Education programs***

*Concern for the young generation and the preparation of qualified young specialists for the Russian oil industry is essential for meeting human resource challenges in the future*

*More than \$183 thousand spent on stipends*

*More than \$308 thousand spent on grants*

The Company gives its support to 15 universities and 4 technical colleges, paying personal stipends and grants, and providing material and technical assistance. LUKOIL Group has carried out much work to help education, science and industry to meet each other's needs. In 2012 LUKOIL grants were awarded to 200 students and 80 gifted young teachers received personal stipends. The Company's stipend payments have risen significantly in the last five years (by 58.1%) and grant payments have increased by 26.0%.

- ***Support for medical institutions***

The Company provides assistance to a number of major medical research centers (the Russian Cardiological Scientific and Production Complex and the A.V. Vishnevsky Institute of Surgery) as well as supporting development of medical services in its regions of presence.

- ***Social project competitions***

LUKOIL Group's social project competitions, which are held annually in 10 of Russia's administrative regions, are among the most efficient mechanisms for implementation of socially important programs. The Company budget for social project competitions in 2012 was nearly \$2.7 million, representing an increase of nearly two times over the last five years.

### Sponsorship and charity programs

- ***Preserving cultural and historical heritage***

The Company gives support every year to a number of leading Russian museums and arts groups, financing new exhibitions and productions, as well as contributing to the revival of religious traditions and spiritual culture. Several programs for the support of folk arts and crafts in the Kama region (near the city of Perm) benefit from LUKOIL's assistance.

- ***Targeted assistance***

The Company provides special payments each year to veterans of the Great Patriotic War (World War II) who have worked in the oil industry and also to labor veterans. The Company also provides assistance to families of members of the armed forces, who have lost their lives in more recent armed conflicts.

- ***Working with peoples of the Russian Far North***

The Company develops and implements special programs for work with the owners of kinship lands. LUKOIL Group organizations makes agreements for socio-economic development of districts and locations inhabited by small indigenous people in order to preserve and develop the traditional way of life of the Khanti, Mansi, Nenets and Selkup peoples. Financing is made available for construction and repairs to housing in villages and areas traditionally populated by indigenous peoples, and apartments are provided for local people in nearby towns. The Company also contributes to ensuring that healthcare services are available to nomadic peoples who live in inaccessible regions beyond the Arctic Circle, including health checks and medical treatment for reindeer herders and their families.

LUKOIL Group views preservation of the lifestyle, language and culture of indigenous peoples as an important goal. The Company therefore works with local administrations in the Far North, helping to finance the construction of educational facilities, maintenance of places of worship, and holding of national festivals.

- ***Sport***

Sponsorship of various sports and the promotion of healthy lifestyles have been an important part of the Company's social policy for many years. The Company contributes to the health and fitness of its employees and their families by organizing international 'Spartakiada' amateur sports competitions and by leasing sports facilities.

**The Company provides sponsorship to leading Russian sports teams, including Moscow Spartak football club, the Caspian Dawn handball club in Astrakhan, the Volgograd Spartak water polo club, Torpedo hockey club in Nizhny Novgorod, the Dynamo-Krasnodar women's volleyball team and the Dynamo-Yantar volleyball club.** For many years the Company has been the general sponsor of the national ski-racing team and partner of the Russian Ski-Racing Federation. The Company assists both in training of the national team and development of amateur ski sport in Russia. In 2012 the Russian men's national ski-racing team won the World Cup for Teams for the first time in its history. The Company is also the official sponsor of the VTB League, which is the largest basketball championship in the post-Soviet countries.

As part of its support to the Russian Olympic Movement OAO "LUKOIL" is cooperating with the Russian Olympic Support Foundation, which provides targeted support to sportsmen in Russian national teams practising Olympic sports.

In addition to its support for sports teams, the Company also views sport as a way of testing the Company's own products to the limits. The successes and victories of LUKOIL Racing Team, which is the strongest car racing team in Russia, continue to prove the efficiency of the Company's fuels and lubricants at both circuit and rally competitions in prestigious Russian and international racing series

The Company has provided support for more than 12 years to one of the biggest children's sport organizations in Russia, the Children's Football League. About 3 thousand teams and more than 50 thousand young football players from all parts of Russia – from Vladivostok to Kaliningrad – take part in League competitions each year. In 2012 competitions as part of the Children's Football League were also held in five countries outside Russia (Bulgaria, Latvia, Ukraine, Uzbekistan and Turkey).

- ***Blood donation***

***Company employees contributed 150 liters of blood in 2012***

Blood donation is an important type of corporate voluntary action and the Company has carried out such actions since 2010. A total 150 liters of blood were collected in 2012. Blood donation is a

valuable form of corporate voluntary action, which both helps society and helps to strengthen corporate culture by bringing members of staff together and forging links between them.

### ***LUKOIL corporate museums***

#### ***More than 25 museums in Russia and abroad***

The Company's corporate museums make an important contribution to corporate culture and provide a universal center for communication. They keep the best traditions of the oil industry alive and provide continuity between successive generations of oil workers.

The network of corporate museums includes the main OAO "LUKOIL" Museum and more than 25 museums at Group organizations in various regions of Russia, as well as in Ukraine, Bulgaria and Romania. As well as hosting exhibitions, Company museums are also used for special ceremonies to greet newly-hired professionals, to celebrate anniversaries, to congratulate retiring employees, to award corporate prizes, and for evenings devoted to specific themes. The OAO "LUKOIL" Museum holds regular sessions with students of the Gubkin Oil & Gas State University to study the history of the Russian oil industry and issues of corporate culture.

The OAO "LUKOIL" Museum held 15 touring exhibitions during 2012 both inside and outside the Company. The exhibition themes included: 'LUKOIL's Electricity Business', 'The 80<sup>th</sup> Birthday of Yu. S Korchagin', '20 Years of OAO "RITEK"', '15 Years of LUKOIL-Overseas', 'The Young Specialists Council', 'LUKOIL for Children', 'Children's Drawing Competition', 'Innovation at LUKOIL' and others.

**Information on the amount of each type of energy resource used by OAO “LUKOIL”  
in 2012 in physical and monetary units**

Type of energy resource	Used in 2012	
	In physical units	In monetary units
Thermal energy	35,599 Gcal	RUB 16,689,773, including VAT
Electricity	16,645,829 kWh	RUB 67,966,175, including VAT

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

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

**Valery Isaakovich Grayfer**

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

**Chairman of the Board of Directors of OAO RITEK**

**Born: 1929**

Graduated from the I.M. Gubkin Moscow Oil Institute in 1952. Candidate of Technical Sciences (PhD). Recipient of six orders, four medals, and a Certificate of Honour of the Supreme Soviet of the Tatar ASSR. Awarded a Certificate of Honour of the Russian Federation President in 2009. 1985: USSR Deputy Minister of Oil Industry in charge of the Chief Tyumen Production Division for the oil and gas industry. From 1992 to 12 January 2010: General Director of OAO RITEK. Since 2010: Chairman of the Board of Directors of OAO RITEK. Since 2000: Chairman of the Board of Directors of OAO "LUKOIL". Professor of the I.M. Gubkin Russian State Oil and Gas University, Lenin Prize winner and the Government of the Russian Federation Prize winner.

Elected to the LUKOIL Board of Directors since 1996.

**Vagit Yusufovich Alekperov**

**President of OAO "LUKOIL"**

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

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

**Born: 1950**

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

Elected to the LUKOIL Board of Directors since 1993.

**Victor Vladimirovich Blazheev**

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

**Rector of the O.E. Kutafin Moscow State Law University (MSAL)**

**Chairman of the Audit Committee of the Board of Directors of OAO “LUKOIL” (since 27.06.2012)**

**Member of the Audit Committee of the Board of Directors of OAO “LUKOIL” (to 27.06.2012)**

**Born: 1961**

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

Elected to the LUKOIL Board of Directors since 2009.

**Herman Oskarovich Gref**

**Independent member of the Board of Directors of OAO "LUKOIL" (to 27.06.2012)\***

**Chairman of the Audit Committee of the Board of Directors of OAO “LUKOIL” (to 27.06.2012)**

**President, Chairman of the Executive Board of Sberbank of Russia**

**Born: 1964**

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

Elected to the LUKOIL Board of Directors since 2009.

**Igor Sergeevich Ivanov**

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

**President of the Russian International Affairs Council (RIAC)**

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

**Born: 1945**

Graduated from the Maurice Thorez Moscow State Institute of Foreign Languages in 1969. 1993-1998: First Deputy Minister of Foreign Affairs of the Russian Federation. 1998-2004: Minister of Foreign Affairs of the Russian Federation. 2004 – 2007: Secretary of the Security Council of the Russian Federation. Since 2005: Professor of Moscow State Institute of International Relations (MGIMO University) under the Russian Foreign Ministry. Since 2011:

President of the Russian International Affairs Council (RIAC). Associate member of the Russian Academy of Sciences. Doctor of History. Professor. Recipient of Russian and foreign orders and medals.

Elected to the LUKOIL Board of Directors since 2009.

**Ravil Ulfatovich Maganov**

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

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

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

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

**Born: 1954**

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

Elected to the LUKOIL Board of Directors since 1993.

**Richard Matzke**

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

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

**Born: 1937**

Graduated from Iowa State University in 1959, Pennsylvania State University in 1961, and St. Mary's College of California in 1977. MS in Geology, Master of Business Administration. 1989–1999: President of Chevron Overseas Petroleum, member of the Board of Directors of Chevron Corporation. 2000–2002: Vice-Chairman of Chevron, Chevron-Texaco Corporation. 2006: Recipient of 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 2010: Board member of Eurasia Drilling Company.

Elected to the LUKOIL Board of Directors from 2002 to 2010 and since 06.2011.

**Sergei Anatolievich Mikhailov**

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

**General Director of ZAO Gruppa Konsalting [Consulting Group]**

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

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

**Born: 1957**

Graduated from the F.E. Dzerzhinsky Military Academy in 1979, Moscow Aviation Institute (Refresher Training Course) in 1981, the Plekhanov Russian Economics Academy in 1998. Candidate of Technical Sciences (PhD), Doctor of Economics, professor. Recipient of four medals. 1974–1992: service in the armed forces. 1992–1996: head of department, Deputy Chairman of the Russian Federal Property Fund. 1996–1997: head of the department of restructuring and investment of the Ministry of Industry of the Russian Federation. 1997–2003: General Director of ZAO Upravlyayushchaya Kompaniya Menedzhment-Tsentr [Management-Centre asset management company]. 2001–01.2013: General Director of ZAO Gruppa Konsalting [Consulting Group]. Since 2004: Chairman of the Board of Directors of OOO Upravlyayushchaya Kompaniya Kapital Paevye Investitsionnye Fondy [Kapital Unit Investment Funds (Management Company)], of OAO Futbolny Klub Spartak-Moskva [Spartak-Moscow Football Club] and of OAO Kommerchesky Bank Petrocommerce [Petrocommerce Commercial Bank]. Since 2005: Member of the Board of Directors of ZAO IFD Kapital. 2008–2009: Chairman of the Board of Directors of ZAO Investitsionnaya Gruppa Kapital [Kapital Investment Group]. Since 2008: Member of the Board of Directors of OOO Upravlyayushchaya Kompaniya Kapital [Kapital Management Company], Chairman of the Board of Directors of ZAO Kapital Upravlenie aktivami [Kapital Asset Management]. Since 2010: Chairman of the Board of Directors of ZAO Gruppa Kapital Upravlenie aktivami [Kapital Group Asset Management], since 2011: Deputy General Director of OOO Upravlyayushchaya Kompaniya Kapital [Kapital Management Company].

Elected to the LUKOIL Board of Directors since 2003.

**Mark Mobius**

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

**Executive Chairman, Templeton Emerging Markets Group**

**Chairman of the Human Resources and Compensation Committee of OAO "LUKOIL"**

**(since 27.06.2012)**

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

**"LUKOIL"**

**Born: 1936**

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

Elected to the LUKOIL Board of Directors from 2002 to 2004 and since 06.2010.

**Guglielmo Antonio Claudio Moscato**

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

**Chairman and CEO of Gas Mediterraneo & Petrolio**

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

**Member of the HR and Compensation Committee of the Board of Directors of OAO  
“LUKOIL” (to 27.06.2012)**

**Born: 1936**

Graduated from Polytechnic University of Milan (Politecnico di Milano) (Italy), 1961. Former Chairman of the Board of Directors of Eni SpA and former Chairman and Chief Executive Officer of AGIP SpA as well former Chairman of Eni Enrico Mattei Foundation and Chairman of Eni Corporate University.

At present: Honorary Consul of Kazakhstan Republic for Milan and Lombardia Region, Member of Energy Sources Economy Institute, member of Association Amici della Scuola Normale e Superiore di Pisa, Member of the Association Italy – Iraq, Italy – Libya, Board member of Trevi S.p.A., Board Member of Canadian Oil Co (Canoel), Member of Advisory Council of John Hopkins University (Washington D.C.) Bologna Center, Chairman and CEO of Gas Mediterraneo & Petrolio.

Elected to the LUKOIL Board of Directors since 2011.

**Ivan Pictet**

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

**Member of the UN Investments Committee of the UN Joint Staff Pension Fund Board**

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

**Born: 1944**

Graduated from the School of Business Administration at the University of St. Gallen in 1970, where Mr. Pictet earned a Master’s Degree in economics.

Mr. Pictet joined Pictet & Cie in 1972

1981 – 2005: Managing Partner of Pictet & Cie

2005 – 2010: Senior Managing Partner of Pictet & Cie

1991 – 1995: President of the Geneva Chamber of Commerce and Industry

2000 – 2010: President of Genève Place Financière

He serves as a member of the UN Investments Committee of the UN Joint Staff Pension Fund Board since 2005. He serves as a member of the International Advisory Board of Blackstone Group International Limited since 1995, AEA European Advisory Board since 2010, AEA Investors LP Global Advisory Board (NY, USA) since 2011 and as a member of the Board of Directors of Symbiotics since 2011. He is also President of Fondation pour Geneve and Chairman of the Fondation Pictet pour le développement since 2009. Mr. Pictet was appointed Chairman of the Board of PSA International SA in 2012.

Elected to the LUKOIL Board of Directors since 2012.

### **Alexander Nikolaevich Shokhin**

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

**President of the Russian Union of Industrialists and Entrepreneurs**

**President of the National Research University – Higher School of Economics, Chairman of the Department for Theory and Practice of Interaction between Business and Government**

**Chairman of the Human Resources and Compensation Committee of OAO "LUKOIL" (to 27.06.2012)**

**Member of the Human Resources and Compensation Committee of OAO "LUKOIL" (since 27.06.2012)**

**Born: 1951**

Graduated from the Economics Department of the Lomonosov Moscow State University in 1974. Doctor of Economics, professor. Recipient of the Order 'For Merits before the Fatherland', 3<sup>rd</sup> and 4<sup>th</sup> Degree and a medal of Russian Security Council for 'Services to national security'. Employed since 1969. 1991–1994: Deputy Chairman of the Government of the Russian Federation, Minister of Economy of the Russian Federation, Minister of Labor and Employment of the Russian Federation. 1994–2002: Deputy of the State Duma (Parliament) of the Russian Federation of three convocations. 1996–1997: First Deputy Chairman of the State Duma of the Russian Federation, 1997 – 1998: Chairman of 'Our Home is Russia' Duma faction. 1998: Deputy Chairman of the Government of the Russian Federation. 2002–2006: Chairman of the Supervisory Board of Renaissance Capital Group. 2005–2009: member of the Public Chamber of the Russian Federation. Since 2005: President of the Russian Union of Industrialists and Entrepreneurs.

Member of the RF Presidential Commission for Federal Pool of High Potential Managers; Member of the Council on Competitiveness and Entrepreneurship under the Chairman of the Government of the Russian Federation, Member of the Government Commissions: on Administrative Reform; Law-making; High Technology and Innovation; Transport and Communications; Small and Medium-Sized Businesses.

Elected to the LUKOIL Board of Directors since 2005.

**\* 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, and a Certificate of Gratitude from the Russian Federation President. Two times winner of the RF Government Prize. Employed since 1968; worked at oil fields in Azerbaijan and Western Siberia. 1987-1990: General Director of the Production Association Kogalymneftegaz of Glavtyumenneftegaz of the USSR Ministry of Oil and Gas. 1990–1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas. 1992-1993: President of the Oil Concern Langepasuraikogalymneft. 1993–2000: Chairman of the Board of Directors of OAO "LUKOIL". Since 1993: President of OAO "LUKOIL".

**Anatoly Alexandrovich Barkov**

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

**Vice-President, General Affairs, Corporate Security and Communications of OAO "LUKOIL"**

**Born: 1948**

Graduated from Ufa Oil Institute in 1992. Candidate of Economics (PhD). Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of an order and ten medals. 1987–1992: Director of the Central Headquarters of Production Services, Director of the Oil and Gas Production Department, Chief Engineer of PO Kogalymneftegaz. 1992–1993: Executive Director, Director of the Foreign Projects Department of the Oil Concern Langepasuraikogalmneft. 1993 – January 2012: Vice-President, Head of the Main Division for General Affairs, Corporate Security and Communications. Since February 2012: Vice-President for General Affairs, Corporate Security and Communications of OAO "LUKOIL"

**Vadim Nikolaevich Vorobyov**

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

**Vice-President for Coordination of Petroleum Product Marketing and Distribution of OAO "LUKOIL"**

**Born 1961**

Graduated from the N.I. Lobachevsky Gorky State University (1983) and the N.I. Lobachevsky Nizhni Novgorod State University (1998). Candidate of Economics (PhD). Recipient of a Medal of the Order "For Merits before the Fatherland", 2<sup>nd</sup> Degree. 1981-1992: elected to local youth and party bodies. 1992-1998: in management positions at Nizhni Novgorod insurance and banking institutions. 1998-2002: Vice-President, President OAO Oil Company NORSI-OIL. From 2002 to 2005, General Director of OAO "LUKOIL-Volganefteprodukt". 2005-2009: Vice-President of OAO "LUKOIL", Head of the Main Division of Coordination of Petroleum Product Marketing and Distribution in Russia. 2009 – January 2012:: Vice-President, Head of the Main Division of Coordination of Petroleum Product Marketing and Distribution. Since February 2012: Vice-President for Coordination of Petroleum Product Marketing and Distribution of OAO "LUKOIL"

### **Sergei Petrovich Kukura**

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

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

**Born: 1953**

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

### **Ravil Ulfatovich Maganov**

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

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

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

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

**Born: 1954**

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

### **Sergei Nikolaevich Malyukov**

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

**Vice-President for Control and Internal Audit of OAO "LUKOIL"**

**Born: 1954**

Graduated from the F.E. Dzerzhinsky Military Engineering Academy in 1977 and Higher School of Economics in 1997. Candidate of Philosophical Sciences (PhD). Recipient of five medals. 1972–1995: service in the armed forces. 1995–2010: head of section, head of division, head of department of the Main Division of Strategic Development and Investment Analysis of OAO “LUKOIL”; 2010 – January 2012: – Head of the Main Division of Control, Internal Audit and Risk Management. Since February 2012: – Vice-President for Control and Internal Audit of OAO “LUKOIL”.

**Ivan Alexeevich Maslyaev**

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

**Vice-President, General Counsel of OAO “LUKOIL”**

**Born: 1958**

Graduated from the Lomonosov Moscow State University in 1980. Candidate of Legal Sciences (PhD). Distinguished Lawyer of the Russian Federation. Recipient of three medals. 1992–1993: Head of the Legal Department of the Oil Concern Langepasuraikogalymneft; 1994–1999: Head of the Legal Division of OAO “LUKOIL”, 2000 - January 2012: Head of the Main Division of Legal Support. Since February 2012: Vice-President, General Counsel of OAO “LUKOIL”

**Alexander Kuzmich Matytsyn**

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

**Vice-President of Finance of OAO “LUKOIL”**

**Born: 1961**

Graduated from the Lomonosov Moscow State University in 1984. Candidate of Economics (PhD). Master of Business Administration (Bristol University, 1997). Recipient of a Medal of the Order "For Merits before the Fatherland", 2<sup>nd</sup> Degree. 1994-1997: Director, General Director of KPMG, international auditors. 1997 – January 2012.: Vice-President – Head of the Main Division of Treasury and Corporate Finance. Since February 2012: Vice-President of Finance of OAO “LUKOIL”.

**Anatoly Alexeevich Moskalenko**

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

**Vice-President for Human Resources Management and Corporate Structure Development 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”. 2003 – January 2012: Head of the Main Division of Human Resources. Since February 2012: Vice-President, Human Resources Management and Corporate Structure Development of OAO “LUKOIL”.

## **Vladimir Vitalievich Mulyak**

**Member of the Management Committee of OAO "LUKOIL" (to 26.02.2013)**

**Vice-President for Technologies, and Oil and Gas Field Development of OAO "LUKOIL"**

**Born: 1955**

Graduated from the I.M. Gubkin Moscow Institute of the Petrochemical and Gas Industry in 1977. Candidate of Geological and Mineral Sciences (PhD). Recipient of a Medal of the Order "For Merits before the Fatherland", 2<sup>nd</sup> Degree. RF Government Prize winner in Science and Engineering. 1990 -1996: Chief Engineer, Director of Oil and Gas Production Department of Lasyeganneft of AOOT LUKoil-Langepasneftegaz. 1996-2001: First Deputy General Director for production, General Director of PO Belorusneft. 2001: First Vice-President for production of OAO NK KomiTEK. 2002-2007: Chief Engineer – First Deputy General Director, General Director of OOO LUKOIL-Komi. 2007 – January 2012: Vice-President – Head of the Main Division of Oil and Gas Production and Infrastructure. February 2012 - January 2013: Vice-President for Technologies, and Oil and Gas Field Development of OAO "LUKOIL". Since January 2013: Vice-President for Science and Technology of the Exploration and Production Business Segment and General Director of OOO LUKOIL-Engineering.

## **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 two orders and three medals. RF Government Prize Winner. 1992–1999: Chief Engineer, General Director of TPP Kogalymneftegaz of OOO LUKOIL-Western Siberia. 1999 - 2005: Vice-President of OAO "LUKOIL", General Director of OOO LUKOIL-Western Siberia. Since 2005: First Vice-President of OAO "LUKOIL".

## **Valery Sergeevich Subbotin**

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

**Vice-President for Sales and Supplies of OAO "LUKOIL"**

**Born: 1974**

Graduated from Tyumen State University in 1996. Recipient of a Medal of the Order "For Merits before the Fatherland", 2<sup>nd</sup> Degree. 1998-2003: AO LUKOIL-Prague, AO LUKOIL-Bulgaria, Moscow representation of LITASCO. 2003 – 2005: First Deputy Head of the Office of the Board of Directors of OAO "LUKOIL". 2005-2007: First Deputy Head of the Main Division of Sales and Supplies of OAO "LUKOIL". 2007 – January 2012: Vice-President, Head of the Main Division of Sales and Supplies. Since February 2012: Vice-President for Sales and Supplies of OAO "LUKOIL"

### **Gennady Stanislavovich Fedotov**

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

**Vice-President for Economics and Planning of OAO "LUKOIL"**

**Born 1970**

Graduated from Moscow Institute of Physics and Technology in 1993. Recipient of a Medal of the Order "For Merits before the Fatherland", 2<sup>nd</sup> Degree. 1994-2002: employed by Halliburton and Shell. 2002-2007: Head of Division, Deputy Head, Head of the Main Division of Corporate Budget Planning and Investments of OAO "LUKOIL". 2007 – January 2012: Vice-President, Head of the Main Division of Economics and Planning. Since February 2012: Vice-President for Economics and Planning of OAO "LUKOIL"

### **Leonid Arnoldovich Fedun**

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

**Vice-President for Strategic Development of OAO "LUKOIL"**

**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. 1994 – January 2012: Vice-President, Head of the Main Division of Strategic Development and Investment Analysis. Since February 2012: Vice-President for Strategic Development of OAO "LUKOIL".

### **Evgeny Leonidovich Khavkin**

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

**Vice-President, Chief of Staff of OAO "LUKOIL"**

**Born: 1964**

Graduated from Moscow Institute of Economics, Management and Law in 2003. Recipient of two medals. Since 1988: employed at entities in Western Siberia. 1997–2003: Deputy Head, First Deputy Head of the Office of the Board of Directors of OAO "LUKOIL". 2003 – January 2012: Secretary of the Board of Directors, Head of the Office of the Board of Directors of OAO "LUKOIL". Since February 2012: Vice-President, Chief of Staff of OAO "LUKOIL".

### **Lyubov Nikolaevna Khoba**

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

**Vice-President, 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”. 2004 – January 2012: Chief Accountant of OAO “LUKOIL”. Since February 2012: Vice-President, Chief Accountant of OAO “LUKOIL”.

## ***Committees of the Board of Directors***

### **Strategy and Investment Committee**

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

- long-term strategic development goals,
- the analysis of strategic development concepts, programs and plans,
- the amount of dividends and the dividend payment procedure,
- the distribution of the Company’s profit and losses for the financial year,
- implementation of the Company’s policy in the area of the Company’s own securities;
- major transactions involving property worth 25-50 percent of the book value of the Company’s assets.

From 27 June 2012 the Committee consists of Igor Ivanov (Chairman), Ravil Maganov, Richard Matzke, Mark Mobius and Guglielmo Moscato.

### **Audit Committee**

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

- the professional skills and quality of services provided by the auditors and their compliance with auditor independence requirements,
- the selection of the Company’s Auditor and evaluation of their objectivity and independence,
- assessment of efficiency of the Company’s internal controls,
- evaluation of the risk management system.

From 27 June 2012 the Committee consists of Victor Blazhev (Chairman), Sergei Mikhailov and Ivan Pictet.

### **HR and Compensation Committee**

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

- HR policies and procedures,
- executive selection policies and standards in order to attract and retain talent of the highest quality,
- director and executive compensation, and compensation of members of the Company’s Audit Commission,
- principal terms and conditions of the contracts signed with the members of the Management Committee and the Company President.

From 27 June 2012 the Committee consists of Mark Mobius (Chairman), Sergei Mikhailov and Alexander Shokhin.

***Shares of members of the Board of Directors and Management Committee in the Company's Charter Capital as at 31 December 2012***

<b><i>Members of the Board of Directors and Management Committee</i></b>	<b><i>Share in charter capital, %*</i></b>
<b><i>Board of Directors</i></b>	
V.Yu. Alekperov	2.15
V.V. Blazheev	-
V.I. Grayfer	0.01
I.S. Ivanov	-
R. Matzke	-
R.U. Maganov	0.37
S.A. Mikhailov	0,06
M. Mobius	-
G. Moscato	-
I. Pictet	-
A.N. Shokhin	-
<b><i>Management Committee</i></b>	
V.Yu. Alekperov	2.15
A.A. Barkov	0.07
V.N. Vorobyov	0.006
S.P. Kukura	0.39
R.U. Maganov	0.37
S.N. Malyukov	0.001
I.A. Maslyaev	0.02
A.K. Matytsyn	0.30
A.A. Moskalenko	0.01
V.V. Mulyak	0.01
V.I. Nekrasov	0.04
V.S. Subbotin	0.007
G.S. Fedotov	0.002
L.A. Fedun	1.39
E.L. Khavkin	0.01
L.N. Khoba	0.34

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

The following Board members also provided the Company with information on their ADR holdings for the Company's underlying ordinary shares (including beneficiary holdings):

Board member	Share in charter capital corresponding to the number of the ADRs held, %
R. Matzke	0.0003

G. Moscato

0.00006

I. Pictet

0.006

**Information on transactions with OAO “LUKOIL” shares performed by Board and Management Committee members during 2012**

<b>Full Name of the Board /Management Committee member</b>	<b>Type of transaction</b>	<b>Number of shares</b>	<b>Date of transaction</b>
V.Yu. Alekperov	purchase	57,000	18.01.2012
V.Yu. Alekperov	purchase	35,000	19.01.2012
V.Yu. Alekperov	purchase	10,000	18.10.2012
V.Yu. Alekperov	purchase	10,000	08.11.2012
V.Yu. Alekperov	purchase	85,000	29.11.2012
V.Yu. Alekperov	purchase	2,100,175	17.12.2012
A. A. Barkov	purchase	20,745	31.10.2012
V.N. Vorobyov	purchase	1,600	14.02.2012
V.N. Vorobyov	purchase	1,601	15.11.2012
V.I. Grayfer	purchase	33,716	26.01.2012
S.P. Kukura	purchase	1,000	15.02.2012
S.P. Kukura	purchase	980	26.11.2012
R.U. Maganov	purchase	6,000	31.01.2012
R.U. Maganov	purchase	2,000	01.02.2012
R.U. Maganov	purchase	6,500	02.02.2012
R.U. Maganov	purchase	2,300	03.02.2012
R.U. Maganov	purchase	10,750	14.11.2012
S.N. Malyukov	purchase	1,000	13.02.2012
S.N. Malyukov	purchase	1,000	16.11.2012
I. A. Maslyaev	purchase	3,200	03.02.2012
I. A. Maslyaev	purchase	4,466	07.11.2012
A.A. Moskalenko	purchase	2,020	09.02.2012
V.V. Mulyak	purchase	1,291	10.02.2012
V.I. Nekrasov	purchase	5,000	30.01.2012
V.I. Nekrasov	purchase	2,500	29.10.2012
V.S. Subbotin	purchase	5,260	01.11.2012
V.S. Subbotin	purchase	5,197	12.11.2012
V.S. Subbotin	purchase	5,257	30.11.2012
G.S. Fedotov	purchase	2,690	14.02.2012
L.A. Fedun	purchase	33,238	10.02.2012
L.A. Fedun	purchase	1,900,120	17.12.2012
E.L. Khavkin	purchase	1,000	15.02.2012

The Company was also notified of the purchase by Board member G. Moscato of 500 ADRs (for the Company’s underlying ordinary shares) on 23 January 2012.

## ***Information on funds paid to Board and Management Committee members in 2012***

### **Board of Directors**

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

As a rule, along with election of Board members the Annual General Shareholders Meeting takes a decision on establishing new amounts of remuneration for newly elected Board members or on retaining the amounts of remuneration established by a similar decision of the Annual General Shareholders Meeting earlier, with recommendations of the Human Resources and Compensation Committee of the Board of Directors duly taken into account.

In 2012, the Board members were paid remuneration in the amounts established by decision of the Annual General Shareholders Meeting of 23 June 2011 (Minutes No. 1):

each of the members of the Board of Directors was paid remuneration of 4,700,000 roubles for performing their duties as Board members;

in addition to their remuneration for performing the duties of members of the Board of Directors, the following payments were made:

- to the Chairman of the Board of Directors for performing the functions of Chairman – 1,100,000 roubles;
- to each of the chairs of the committees of the Board of Directors – 550,000 roubles for performing the functions of Committee chair.

In addition, the members of the Board of Directors were paid for their attendance at meetings of committees of the Board of Directors, and for their attendance at meetings of the Board of Directors or a committee of the Board of Directors, where attendance required a transcontinental flight, and also for their participation in conferences and other events on written instructions from the Chairman of the Board of Directors, in the amount established by decision of the Annual General Shareholders Meeting of OAO

“LUKOIL” of 23 June 2011 (Minutes No. 1). The specific amount of remuneration due for payment was determined as at the date of the Annual General Shareholders Meeting of OAO “LUKOIL” on 27 June 2012, in accordance with the actual participation of members of the Board of Directors at meetings and conferences (other events).

Members of the Board of Directors were also reimbursed for expenses in relation to their performance of the functions of members of the Board of Directors, the types of which were established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 24 June 2004 (Minutes No. 1), in the amount of actually incurred documented expenses.

The Annual General Meeting of Shareholders held on 27 June 2012 deemed it appropriate to retain the amounts of remuneration for members of the Board of Directors of OAO “LUKOIL” established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 23 June 2011 (Minutes No. 1).

### **Management Committee**

In 2012 the members of the Management Committee were paid:

- remuneration in accordance with the contract with the member of the Management Committee\* ;
- a basic annual salary (the monthly payments for the position during the year, pursuant to employment contracts);
- annual performance bonuses for the previous year in accordance with the *Regulations on the System of Payment and Incentives for Management Personnel of OAO “LUKOIL”*;
- annual long-term bonus payments in accordance with the *Regulations on long-term incentives for employees of OAO “LUKOIL” and its subsidiaries*;
- additional social benefits.

\* In accordance with the terms of contracts signed with members of the Management Committee, they are paid remuneration in the amount of one monthly salary (subject to the indexation coefficient) for primary employment provided the corporate-wide key performance indicators for the reporting period are achieved.

### **President**

Pursuant to the Charter of OAO “LUKOIL”, the key terms of the contract with the President are established by the Board of Directors. The key terms of the contract with the President, including the amount of his remuneration, were established at the meeting of the Board of Directors held on 23 June 2011, on the day of the annual General Shareholders Meeting at which V.Yu. Alekperov was appointed

as Company President. The terms of the contract with the President were considered in advance by the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL".

In 2012 the President was also paid an one-off bonus in accordance with the *Regulations on the System of Payment and Incentives for Management Personnel of OAO "LUKOIL"*. The total amounts of the payments are given in the table below.

<b>Management bodies</b>	<b><i>Paid in 2012 - RUB, thousand</i></b>				
	<b><i>Remuneration</i></b>	<b><i>Wages</i></b>	<b><i>Bonuses</i></b>	<b><i>Other payments</i></b>	<b><i>Total</i></b>
Board of Directors	61,380	-	-	11,580	72,960
Management Committee *	38,881	538,030	552,712	28,655	1,158,278

\*Amounts paid to the Management Committee members include payments made to the President of OAO "LUKOIL"

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

The Board of Directors of the Company performed its activity in accordance with the authorities stipulated by the Company Charter and the Federal Law *On Joint Stock Companies*. The work of the Board of Directors was structured using the Work Plan of the Board of Directors for 2011–2012 approved by the Board of Directors on 19 July 2011 and the Work Plan of the Board of Directors for 2012–2013 approved by the Board of Directors on 24 July 2012.

The Board of Directors held seven formal meetings in 2012, and many decisions were also adopted through 19 absentee/distance votes.

### *Information on Participation in Board and Committee Meetings held in Person in 2012*

	Board of Directors		Strategy and Investment Committee		Audit Committee		HR & Compensation Committee	
	H	A	H	A	H	A	H	A
V.I. Grayfer	7 <sup>C</sup>	7						
V.Yu. Alekperov	7	7						
V.V. Blazheev	7	7			5 <sup>C**</sup>	4		
H.O. Gref *	3	3			3 <sup>C*</sup>	2		
I.S. Ivanov	7	7	4 <sup>C</sup>	4				
R.U. Maganov	7	6	4	2				
R. Matzke	7	7	4	4				
S.A. Mikhailov	7	7			5	5	3	3
M. Mobius	7	7	4	4			2 <sup>C**</sup>	2
G. Moscato	7	7	4	4			1 <sup>*</sup>	0
I. Pictet **	4	4			2 <sup>**</sup>	2		
A.N. Shokhin	7	6					3 <sup>C*</sup>	3

\* to 27.06.2012

\*\* from 27.06.2012

<sup>C</sup> Chairman

H Number of formal meetings held

A Actual number of formal meetings attended by the Director

### *General business guidelines of OAO “LUKOIL”*

The most important function of the Board of Directors is to determine the priority areas of the Company’s operations, perform strategic, medium-term and annual planning, and summarise operational performance. As part of this function, the Board of Directors took decisions on the following issues in the reporting year:

- On the preliminary results of LUKOIL Group operations in 2011 and the objectives for 2012 and the near term. On the priority areas of OAO “LUKOIL” operations in 2012;
- On the preliminary results of LUKOIL Group operations in H1 2012 and progress in the execution of the 2012 Budget and Investment Programme of OAO “LUKOIL”;
- On the main indicators of the Medium-Term Plan of the LUKOIL Group for 2013–2015.

The Board of Directors deemed the achievement by the Company and its subsidiaries of the key performance indicators of the Medium-Term Plan of the LUKOIL Group for 2012–2014 and the Budget and Investment Programme for 2012 the main objective at its first meeting in 2012. The Management Committee was instructed to concentrate its efforts on enhancing shareholder return in line with the *Strategic Development Programme of the LUKOIL Group for 2012-2021* approved by the Board of Directors and taking actions to improve the management system at the LUKOIL Group.

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

- Development and prospects of the European market of light petroleum products. Ensuring the shipping logistics of light petroleum products of the LUKOIL Group to European markets;
- On international hydrocarbon production projects;
- On further development of subsoil plots at the Yarega field in Komi Republic;
- On the Court of Arbitration of OAO “LUKOIL”.

To better acquaint the members of the Board of Directors with the regions where the Company does business, the Company is continuing the practice of offsite meetings of the Board of Directors. In 2012, a meeting was held in Barcelona, Spain, to consider development and prospects of the European market of light petroleum products and ways to ensure the logistics of

shipping light petroleum products to European markets. Among other things the Board approved infrastructure development, making it possible to ensure effective distribution and sale in Europe, Central Asia and the Far East. The unveiling ceremony of a new petroleum product terminal launched in the port of Barcelona was also scheduled to align it with the Board meeting. The project was implemented by a joint venture between the international oil trader LITASCO SA (with charter capital 100% - controlled by LUKOIL) and Meroil (Spain).

### *Corporate governance*

The Corporate Governance Code approved at the meeting of the Government of the Russian Federation on 28 November 2001 and recommended by the Federal Commission on the Securities Market 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.

Therefore, at its first meeting on 27 June 2012 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 approved the membership of the Board committees.

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

In 2012 the Annual General Shareholders Meeting was held on 27 June in Moscow.

Issues concerning the preparations for the Annual 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 3 February 2012:

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

The Board of Directors took decisions on issues concerning the preparations for the Annual General Shareholders Meeting (hereinafter the “Meeting”) on 27 April 2012. These issues included: determining the dates for compiling the list of parties entitled to take part in the Meeting, approval of the agenda of the Meeting, the text and form of the voting ballots, recommendations for the Meeting on taking decisions on the Meeting’s agenda items, and other organisational issues connected with the preparations for and holding of the Meeting.

At the meeting on 25 May 2012 the Board of Directors tentatively approved the Annual Report of OAO “LUKOIL” for 2011 for submission to the General Shareholders Meeting.

The Board of Directors of the Company approved the Corporate Governance Report of OAO “LUKOIL” for 2011 at this same meeting. As part of the performance of the Company’s obligations related to its listing on the London Stock Exchange, the Report was prepared for subsequent disclosure in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority.

The competence of the Board of Directors includes the formation of the Company’s collegial executive body (the Management Committee) and the early termination of the authorities of its members. In this regard, the Board of Directors established the 16-member Management Committee of OAO “LUKOIL” at the meeting on 24 July 2012, and determined the principal terms and conditions of the contracts to be concluded with them.

In accordance with the requirements of the Federal Law *On Joint Stock Companies*, on 24 July 2012 the Board of Directors established the maximum amount of the fees for the services of the Auditor of OAO “LUKOIL”.

According to the *Regulations on performance evaluation of the Board of Directors of Open Joint Stock Company “Oil company “LUKOIL”*, a survey was conducted of the members of the Board of Directors, who assessed the work of the Board of Directors and Board committees in 2011-2012. The Board of Directors summed up the results of the survey on 25 May 2012. An analysis of the performance evaluation scores shows that the Board of Directors gave an overall positive evaluation of its performance in 2011-2012.

The proactive approach of the members of the Company’s Board of Directors to the Board’s performance evaluation allowed the issues that require more attention from the Board of Directors to be identified. To improve efficiency, the Board of Directors needs to redouble its attention to such aspects as the Company’s investor relations and summarisation of risks which could have a significant impact on the Company’s activity.

For the continued development of corporate governance at the Company, the Board of Directors approved the new version of the *Regulations on performance evaluation of the Board of Directors of Open Joint Stock Company “Oil company “LUKOIL”* on 4 December 2012.

Based on the decision of the Board of Directors of 7 November 2012, OAO “LUKOIL” held an Extraordinary General Shareholders Meeting on 18 December 2012 at which the amount of interim dividends and the new version of the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”* were approved.

Internal control and internal audit are significant elements of the corporate governance system, which play a key role in ensuring the effective management of the Company. The results of internal control and audit activity are a source of objective information on the activity of the joint stock company for its board of directors and management bodies. Issues related to the improvement of the system of internal control and internal audit were front and centre for the Board of Directors of OAO “LUKOIL” in the reporting year.

On 25 May 2012 the Board of Directors heard the Report of the Vice-President for Internal Control and Audit of the Company on the functioning of the systems of internal control, internal audit and risk management at LUKOIL Group organisations and took a decision to continue to improve the system of internal control and internal audit with due account for the specifics of the conceptual corporate governance model adopted at the Company.

As part of this work and its duty to approve the Company’s internal documents, adoption of which has been assigned to its competence, the Board of Directors approved the following in 2012:

- the *Programme to Improve the Quality of Internal Audit at OAO “LUKOIL” during the period 2012-2016*, and amendments thereto;
- the *Regulations on Assessing Internal Audit at OAO “LUKOIL”*, and amendments thereto;
- Internal control procedures;
- the new version of the *Regulations on Internal Control and Internal Audit at OAO “LUKOIL”*;
- the new version of the *Regulations on the Organisation and Conduct of Control and Audit Reviews at OAO “LUKOIL”*.

The Board of Directors also approved amendments to several internal risk management documents:

- amendments to the *Risk Management Policy of OAO “LUKOIL”*;

- amendments to the *Regulations on the Risk Management Committee*.

In 2012 the Board of Directors of the Company took a decision on long-term incentives for employees based on the *Regulations on long-term incentives for employees of OAO "LUKOIL" and its subsidiaries in 2010–2012*, and on 4 December 2012 it approved the *Regulations on long-term incentives for employees of OAO "LUKOIL" and its subsidiaries in 2013–2017*.

The Company Charter and the Federal Law *On Joint Stock Companies* assign the preliminary approval of transactions to the competence of the Board of Directors of the Company. In the reporting period the Board of Directors approved interested-party transactions, a major transaction approved in accordance with point 9.7.17 of the Company Charter, and a transaction approved in accordance with point 9.7.18 of the Company Charter (approval of a transaction or several related transactions involving the acquisition, disposal or possible disposal of property, the value of which constitutes from 10 to 25 per cent of the book value of the Company's assets).

These transactions were approved by the Board of Directors through absentee vote.

## **OAo "LUKOIL": Priority areas of activity**

Pursuant to the *Strategic Development Programme of the LUKOIL Group for 2012–2021* and the medium-term plans for 2013–2015, the Company's activity in 2013 will be focussed on increasing the level of market capitalisation, strengthening its competitive positions on international and domestic industrial markets in terms of key performance indicators, expanding the Company's resource base, its commodity and regional diversification, intensifying investor relations, ensuring strict investment discipline, optimising working capital and improving the effectiveness of its use and the energy efficiency of activities.

The Board of Directors established the following as the priority areas of OAO "LUKOIL's" operations in 2013:

- stabilisation and growth of production volumes in traditional areas of presence;
- improving the development and involvement of inactive reserves, enhanced oil recovery;
- implementation of plans for exploration, prospecting, implementation and commissioning of new priority projects (Iraq, Western Africa, North Caspian, deposits of the Bolshekhetskaya depression);
- meeting of the construction schedule for field infrastructure development at the V. Filanovsky field;
- ensuring the start of oil production in the fourth quarter at the West Qurna-2 field in Iraq;
- implementation of the Programme to increase the level of utilisation of associated gas of LUKOIL Group companies in 2011-2013;
- implementation of the programme to upgrade the Group's refineries, including continued construction of a vacuum gas oil catalytic cracking unit in Nizhny Novgorod, a VGO hydrocracking unit in Volgograd, and a delayed coking unit in Perm;
- commissioning of the CCGT-235 MW Central Boiler in Astrakhan, and improving the efficiency of production and business activity of the enterprises of the Power Generation business sector.

Streamlining measures involving the disposal of non-core and inefficient assets were also planned for 2013.

## Dividends

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

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

<i>Year</i>	<i>Amount of dividends, RUB</i>	<i>Accrued, RUB, million</i>	<i>Paid*, RUB, million</i>	<i>Share of net profits of OAO “LUKOIL” used for dividend payments, %</i>
for 2007	42.00	35,724	35,633	55
for 2008	50.00	42,528	42,404	63
for 2009	52.00	44,229	44,157	98
for 2010	59.00	50,183	50,090	36
for 2011	75.00	63,792	63,709	26
for 2012	On 22 April 2013 the Board of Directors of OAO “LUKOIL” recommended that the Annual General Shareholders Meeting to be held on 27 June 2013 pay dividends based on the results of the 2012 financial year in the amount of RUB 50 per ordinary share per ordinary share (excluding the interim dividends paid based on the results of the corresponding reporting period of 2012 in the amount of RUB 40 per ordinary share)			

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

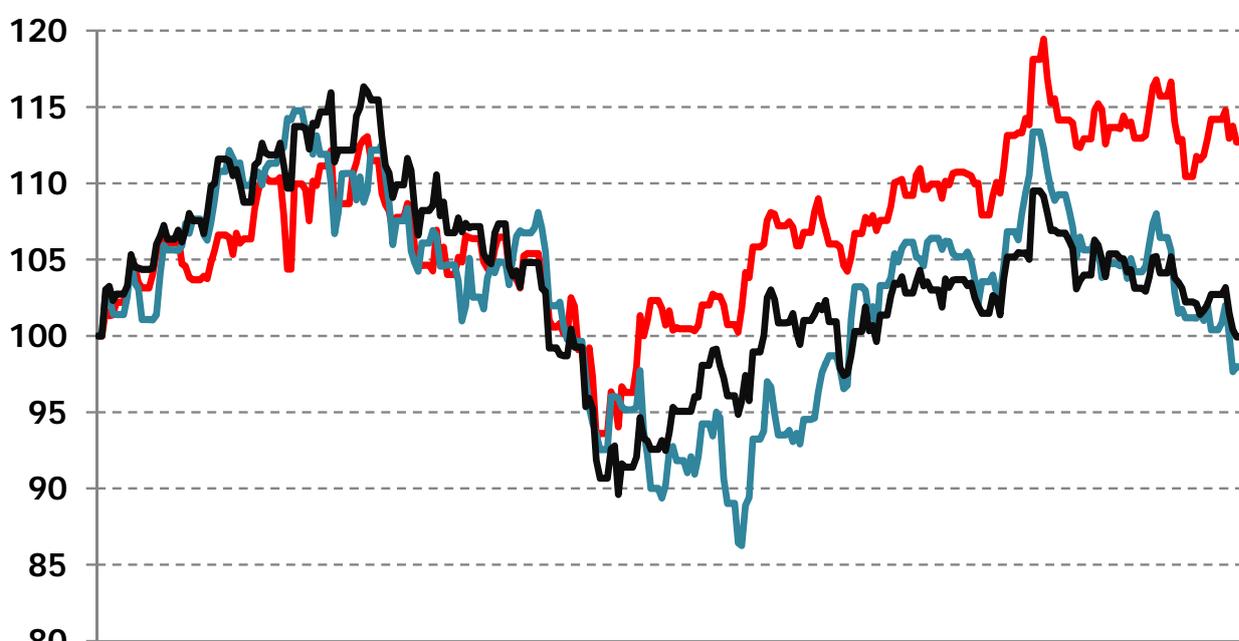
## Company Securities

A significant growth in the Company's shares was recorded based on the results for 2012: the price increased by 17.5% during the year. The Company's shares were among the growth leaders in the Russian oil & gas sector.

OAO "LUKOIL's" shares continued their strong upward trend in the first quarter of 2012. The share quotes reached the maximum level of H1 2012 in March, but then a downward trend in the price dynamics began and was predominant throughout Q2 2012. An upward trend prevailed again in Q3 and Q4 of the reporting year. Based on the results for the year, OAO "LUKOIL's" shares once again performed better than the Russian stock market as a whole, and the oil & gas sector in particular: the share price of OAO "LUKOIL" on the MICEX increased by 17.5%, against a 5.16% increase in the MICEX index and a 1.1% increase in the Bloomberg Oils index.

Based on MICEX trading results, the share price as at the end of 2012 equalled RUB 2,000.2 per share. The minimal value of one Company share in 2012 was RUB 1,590.8 (as at 17 May 2012), and the maximum value was RUB 2039.9 (as at 20 December 2012).

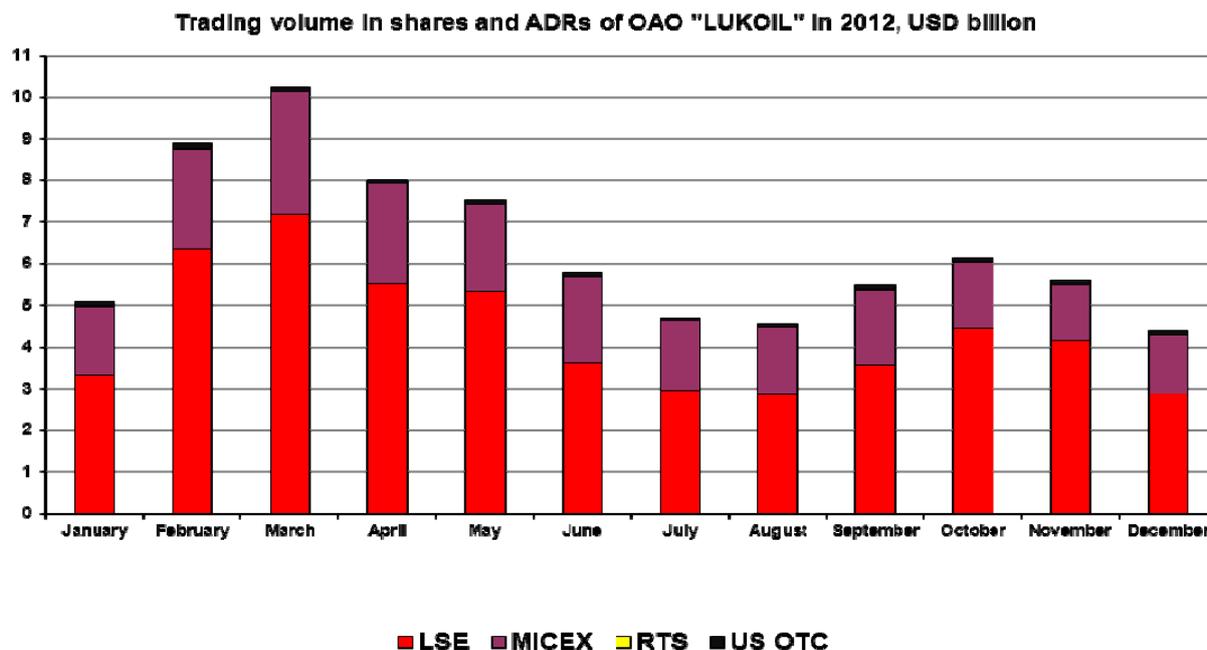
**Breakdown of the share price of OAO "LUKOIL" shares  
compared to the Bloomberg World O&G Index and the MICEX index in 2012, %**



The Company celebrated the 10-year anniversary of its listing on the London Stock Exchange in 2012. Since 2002 the depositary receipts of OAO "LUKOIL" have become one of the most liquid instruments on the London Stock Exchange among depositary receipts of Eastern European issuing companies (15.3% of overall average monthly trading volume in the

International Order Book system). The trading volume in ADRs in 2012 equalled more than USD 53 billion.

The Company's depository receipts were also traded on the over-the-counter market in the USA and on the Frankfurt, Munich and Stuttgart exchanges. At year end 2012 the total number of the Company's depository receipts (ADRs) was equivalent to 538.9 million shares (63.36% of the Company's charter capital).



LUKOIL Group organisations did not issue and place debt securities in 2012. During the reporting year the Company performed the scheduled redemption of seven issues of exchange-traded bonds series BO-01, BO-02, BO-03, BO-04 and BO-05 (issued in August 2009), and series BO-06, BO-07 (issued in December 2009) worth a total of RUB 35 billion.

## Change in the share capital structure of OAO “LUKOIL” in 2012

<b>Key shareholders in OAO “LUKOIL”<sup>4</sup> (&gt; 1% ordinary registered shares)</b>				
	<b>Number of shares as at 1 Jan 2013</b>	<b>% of total number of shares as at 1 Jan 2013</b>	<b>Number of shares as at 1 Jan 2012</b>	<b>% of total number of shares as at 1 Jan 2012</b>
ING Bank (Eurasia) ZAO	660,806,057	77.69	645,877,294	75.94
ZAO Depositarno-kliringovaya Kompaniya [Depository Clearing Company]			72,002,391	8.47
NKO ZAO Natsionalny raschetny depositari [National Settlement Depository]	100,379,820	11.80	46,976,333	5.52
SDK Garant	33,631,918	3.95	33,427,724	3.93
OJSC BANK URALSIB	12,236,097	1.44	12,049,529	1.42
J.P. Morgan Bank International (LLC)	12,093,704	1.42	10,983,473	1.29

<sup>4</sup> Nominee shareholders

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

The management of OAO “LUKOIL” pays special attention to risk management issues, to provide a reasonable guarantee that goals will be achieved and the market status of OAO “LUKOIL” will be maintained. In this regard, OAO “LUKOIL” works constantly to identify, describe, assess and monitor events capable of having a negative impact on the Company’s operations, to develop measures to prevent their appearance or to mitigate as much as possible their negative impact in the event of the occurrence of these events.

The Company strives to actively develop risk management, and is currently focussing its attention on creating a system of enterprise risk management (ERM) based on global best practices. In 2011 the Company developed and adopted a risk management regulatory framework which establishes a standard procedure for organising the risk management process and methods for identifying, describing and assessing risks at all LUKOIL Group organisations. The Risk Committee, a specialised collegial body under the President of OAO “LUKOIL”, was formed and began its work in 2011. The Company continued its progressive work to develop an enterprise risk management system in 2012, and began using standard risk management principles at all LUKOIL Group organisations in accordance with the developed regulatory framework.

The corporate-wide risk register was formed in 2012, and work began on determining risk responses and developing measures to manage the identified risks.

Information on the key risks associated with the operations of OAO “LUKOIL” is given below. The realisation of any of the risks listed below could negatively impact the Company’s operations, and in the end could have a negative effect on the amount of cash flows and profit. OAO “LUKOIL” will make every effort to monitor and prevent these events from happening. Should they happen despite these efforts, the Company will take measures to ensure the quickest possible liquidation of the consequences with the least possible harm to the Company.

### **Macroeconomic risks**

A possible decrease in global prices for hydrocarbons, a reduction in the profit margin on petroleum products, exchange rate fluctuations, inflationary processes, or an increase in the tax burden could have a negative impact on the Company’s financial performance and its ability to implement planned capital expenditure programmes.

After the slowing of world economic growth rates in 2012, there is a high level of uncertainty regarding GDP growth expectations in 2013. The main risk factors in 2013 are the debt problems of certain EU members, the intensification of the budget crisis in the USA, and the slowing growth rates of developing economies. Should world economic growth rates fall, the growth rate of demand for the main energy resources will also decrease, and this could negatively impact the prices for hydrocarbons on world markets.

A significant increase in the supply of oil due to the development of oil shale reserves in the USA, oil sands in Canada, deposits on the deepwater shelf, and traditional fields in the Middle East could lead to a decrease in world oil prices. Inexpensive gas stock in the USA and the Middle East could also increase the pressure on world oil prices.

In the event of a serious fall in world oil prices, there is a very good possibility that the negative impact on the financial performance of Russian oil-producing organisations could be mitigated through a depreciation of the rouble and a reduction in the tax burden.

The Company uses a scenario approach to forecast economic indicators, making it possible to perform a comprehensive analysis of the impact of economic risks on the LUKOIL Group's operations. One scenario is established as the baseline scenario, and characterises what Company management sees as the most likely development of the economic situation. An optimistic and a stress scenario are also developed to assess the possible consequences for the Company of a change in economic parameters.

The baseline scenario anticipates a stabilisation of economic growth rates in developed countries after a slight slowing in 2012-2013, stable growth in the consumption of energy resources in developing countries, and moderate growth in oil prices over the medium term.

At the basis of the stress scenario lies a more conservative forecast of oil prices than in the baseline scenario, caused by low growth rates in energy consumption due to a significant slowing of world economic growth and more active development of non-traditional reserves (shale gas, oil shale, high viscosity oil, etc.).

The Company is making every effort to minimise the negative consequences of the realisation of economic risks. The assets and investment projects that are most sensitive to a change in economic parameters are identified through the use of the stress scenario. The required administrative decisions are made based on the results of this analysis, to optimise the Company's portfolio of investment projects.

## **Country risks**

OAO "LUKOIL" operates in a number of countries with a high level of political and economic risk, the realisation of which may complicate the Company's operations in a specific region substantially or even lead to their termination. In particular, the Company is performing a number of projects in countries with high political risks such as Iraq, Venezuela, Cote d'Ivoire, Ghana and Egypt. The Company's assets and personnel are exposed to the threat of terrorism in a number of countries.

The sources of political instability in the medium term include, *inter alia*, Iran, where the conflict with the West regarding its nuclear programme could escalate into an armed confrontation.

The Company applies heightened security requirements when implementing projects in countries with high political risks.

The Company is trying to diversify its operations and, together with operations in instable areas, is also implementing projects in European countries and the USA, where the country and political risks are assessed as minimal.

Most of the Company's assets are located in the Russian Federation, where political risk is assessed as moderate.

## **Industry risks**

### **Access risks to new sources of raw materials**

Competition with major Russian and transnational companies for access to new sources of raw materials may lead in future to a situation where the Company will be unable to obtain access

to new, more promising oil and gas fields. This risk could lead to a reduction in the proved reserves of OAO “LUKOIL” and, consequently, to a fall in the Company’s capitalisation.

This risk is taken into account when drafting our long-term development strategy, an important element of which is securing sustainable growth through the participation in strategic alliances, abandonment of low-profit projects and assets and expansion into new markets.

### **Logistics risks**

When transporting its products, OAO “LUKOIL” is largely dependent on the transportation facilities of state-owned monopolies – OAO AK Transneft, OAO AK Transnefteprodukt, and OAO Russian Railways, as well as OAO Gazprom – for transporting the Company’s natural gas production. A similar situation arises for the transit of oil, gas and petroleum products in states bordering Russia. The Company’s dependence on state-owned monopolies to transport its products may have very serious negative consequences. These may include:

- losses associated with breakdowns, leaks and other disruptions in the operation of the pipeline or rails systems;
- an unplanned increase in costs associated with the need to rapidly find alternative means of delivering hydrocarbons if access to the pipeline system is restricted, or in the worst case an inability to continue operations in certain regions;
- an unplanned increase in costs associated with a sharp increase in transportation tariffs.

The Company strives to reduce these risks by concluding long-term agreements with the operators of transport facilities, and by diversifying transportation routes, creating and developing its own infrastructure for the storage and transshipment of cargo, and other measures aimed at preventing interruptions in product deliveries.

### **Risks on the petroleum products market**

The state of the market environment and competition on the petroleum products market creates the following risks:

- risks of a decrease in sales volumes and partial idling of production capacities;
- risks of a decrease in oil refining margins;
- risks of a decrease in the retail margin;
- risks of an increase in requirements on product quality and the introduction of new quality standards.

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

The supply of hydrocarbon fuel to certain categories of consumers (agricultural producers, power-generation facilities and others) is a key issue for the state authorities in a number of countries where OAO “LUKOIL” operates. The Company has encountered in the past, and does not exclude the possibility in future of price regulation on the sales markets for motor fuels, which may lead to a noticeable reduction in the Company’s revenues on the motor fuels market.

OAO “LUKOIL” strives to work productively with the state authorities and makes every effort to inform the authorities of the consequences for the Company of specific government decisions.

Recently in economically developed countries there has been a tendency to tighten requirements on vehicle emissions. This leads, among other things, to stricter requirements on motor, marine and jet fuels. The Government of the Russian Federation is pursuing a consistent policy of tightening requirements on the main types of refined petroleum products of OAO

“LUKOIL”: automotive and aviation fuel, diesel and marine fuel, fuel for jet engines and furnace oil. The Company does not exclude the possibility that additional restrictions on the quality of its products will be introduced in future.

If restrictions on product quality are introduced, the products of the oil refining enterprises of the LUKOIL Group may not be allowed on the market, which will have an adverse effect on revenues and cash flow. The Company will be forced to begin the implementation of capital-intensive investment projects.

OAO “LUKOIL” pays a great deal of attention to upgrading its oil refining enterprises and improving the quality of its petroleum products. The Company constantly monitors changes in quality requirements on petroleum products in countries where the Company has a presence and in countries with a developed economy. In order to satisfy market demands, the Company proactively carries out investment projects aimed at improving the quality of its products.

### **Risks on the market for natural gas and associated petroleum gas**

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

The main risks for the Company in this segment are:

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

The Company will take all possible measures to reduce risks in this area; among other things, it seeks to build partnership relations with state-owned monopolies, conclude long-term contracts with consumers, and maintain an optimal share on sales markets.

### **Financial risks**

#### **Price risks**

Spikes and slumps in hydrocarbon prices may complicate the Company’s operations to a certain extent. OAO “LUKOIL” does not exclude the possibility that energy prices on commodity exchanges will become more volatile in the near term, due to the unstable balance of supply and demand on the global market, the complex political situation in the Middle East, the uncertain economic prospects of the eurozone countries, and the effect of other economic factors.

OAO “LUKOIL” constantly monitors the situation on the oil markets and petroleum product market to obtain a comprehensive picture of the state of the markets and ensure reliable data for forecasting market trends. Key means of reducing the level of short-term price risks are: management of the transaction table (including the re-orientation of the flow of sales of oil and petroleum products from areas of least effectiveness to areas of greater effectiveness), use of effective price formulations in sales contracts and the refusal, where possible, to use fixed prices in contracts.

## **Inflation risks**

The Company is subject to the risk of inflationary growth in its costs in both the short and medium term. This risk could have the greatest impact on capital costs, which may threaten the successful performance of a number of investment projects.

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

## **Interest-rate risks**

The Company is subject to significant risks in changes to interest rates, in both the short and long term, and is first and foremost sensitive to changes in the interest rates charged by European banks. Changes in interest rates may affect the cost of the Company's borrowings and the amount of the cash flows of OAO "LUKOIL".

With the aim of reducing the effect of this risk, the Company constantly monitors the state of the market and acts to improve its debt structure, and tracks its needs for additional financing and to refinance older debt.

## **Liquidity risks**

The Company's operations could be negatively affected by a number of risks that reduce the level of the Company's solvency.

The amount of the Company's cash flows is subject to the following risk factors:

- sharp fluctuations in prices for energy resources;
- change in demand for energy resources;
- the amount of taxes, duties and customs payments;
- the Company's credit rating;
- cost growth.

Another risk associated with a reduction in cash flows is the risk of restricted access to financing on the capital market.

These risks are capable of adversely affecting the Company's ability to ensure sufficient liquidity.

The LUKOIL Group manages liquidity on a centralised basis. The Group has implemented and efficiently operates the LUKOIL Group global liquidity management system, which includes an automated system for concentrating and reallocating cash, corporate dealing, and sliding cash flow forecasts. Liquidity indicators are constantly monitored.

OAO "LUKOIL" currently has investment ratings from all three international ratings agencies: S&P (BBB-; forecast - Positive); Moody's (Baa2; forecast - stable); Fitch (BBB-; forecast - stable). Regular work is performed on monitoring and ensuring that the Company's financial indicators meet the requirements of the ratings agencies. No change in the ratings is expected in the near term.

## **Currency risks**

As it operates in many countries, the Company is exposed to risks of unfavourable changes in currency rates in the short and medium term. The exchange rate of the Russian rouble to the US dollar has the greatest effect on operating performance, since the Company's export revenues are denominated in dollars, while the bulk of its costs are incurred in Russia in roubles. Work is

currently underway to create a system for managing financial risks, including hedging of currency risks. In addition, to reduce currency risks, loans are issued to Group organisations in local currencies as part of intragroup financing.

### **Credit risks**

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

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

Another group of credit risks includes risks associated with the operations of counterparty banks and a possible drop in their financial stability. To reduce these risks, the Company performs centralised treasury operations, constantly monitors the credit rating of its counterparty banks, and is oriented to work with first-tier banks that have a high credit rating.

### **Legal risks**

#### **Risks in the area of anti-monopoly regulation**

There is at present a risk of stricter anti-monopoly legislation and law-enforcement practice against oil companies. Specifically, draft laws *On Amending the Federal Law "On the Protection of Competition" and Certain Legislative Acts of the Russian Federation, On the Specifics of the Turnover of Oil and Petroleum Products in the Russian Federation, and On Market Price Formation for Oil and Petroleum Products in the Russian Federation* are undergoing coordination procedures (in ministries, agencies and the expert community).

These draft laws are aimed at definitively enshrining the position of the Federal Antimonopoly Service (FAS of Russia) and its regional bodies as the regulators of prices on the oil and petroleum product markets and restricting the independence of vertically-integrated oil companies as regards price formation. This may create conditions that level the competitive advantages of OAO "LUKOIL" on the petroleum product market.

The discussion draft law *On Market Price Formation on Oil and Petroleum Products in the Russian Federation* contains norms that introduce the state regulation of prices on oil and petroleum products in the Russian Federation, through an authorised Russian Government body that would set the values for the variables in the formulae for price formation set out in the draft law.

The Company has created a working group to work with the state authorities in the field of anti-monopoly regulation, with the aim of explaining in detail the position of OAO "LUKOIL" on this matter and the risks inherent in the changes proposed by the Government.

In its operations, OAO "LUKOIL" adheres to the principles of competitive relations with all market players, does not pursue a policy of limiting competition or monopolising markets, and does not have such an objective, in either the short or long term. Nonetheless, the we cannot exclude the risk of possible litigation and the imposition of penalties in the event contentious situations arise. To address this risk, the Company pays close attention to monitoring transfer prices to ensure they full match market levels.

## **Tax risks**

Changes in the Tax Code of the Russian Federation went into effect in 2012 designed to improve the principles of determining prices for tax purposes. The ambiguity and uncertainty of application of these provisions of the Russian Tax Code allow us to forecast the possible appearance of tax risks related to new rules for determining whether prices comply market levels.

The Company is working to conclude a Price Agreement with the Federal Tax Service of Russia in order to reduce the risk of disputes with the tax authorities regarding the methods used to determine market-level price compliance. Issues of methodology and tax administration of market prices are coordinated among Russian LUKOIL Group organisations. OAO “LUKOIL” has proposed amendments to the Russian Tax Code regarding the determination of prices for tax purposes, aimed at reducing the ambiguity of norms in certain provisions. These amendments have been examined and are supported by the members of the Subcommittee on Oil and Gas Industry Taxation of the Energy Policy Committee of the RUIE.

## **Risks in the area of currency regulation**

The Company is a participant in foreign trade, part of the assets and liabilities of OAO “LUKOIL” are denominated in foreign currency, and accordingly changes to currency regulations may lead to complications in a number of the Company’s export operations, which may have a negative impact on its current liquidity.

Despite the fact that in recent years government policy has been aimed at liberalising currency regulations, OAO “LUKOIL” does not exclude the possibility that legislation in the area of currency regulation may again be tightened.

The Company constantly monitors changes to the effective legislation of the Russian Federation, systematically analyses and evaluates legislative initiatives, and takes them into account in its operations, which allows us to minimise the risks associated with possible changes to legislation.

## **Risks in the area of customs regulation**

OAO “LUKOIL” does not exclude the risk that the rules of customs control will become more onerous and customs duties will increase. Specifically, the state authorities (Government of the Russian Federation, State Duma of the Russian Federation) are periodically asked to consider changing the procedure for calculating export duties on oil and petroleum products. In view of the currently unpredictable nature of such changes, they could have a negative effect on the Company’s financial performance. In addition, in connection with the changes made at the end of 2012 to the Law of the Russian Federation *On the Customs Tariff*, the rates for export customs duties on crude oil produced at the oilfields of the LUKOIL Group organisations may change, which would also negatively impact the Company’s financial performance.

Company specialists are part of working groups cooperating with the state authorities in the field of customs regulation, with the aim of explaining in detail the position of OAO “LUKOIL” on this matter and the risks inherent in the proposed legislative initiatives.

In addition, to reduce the effect of this risk, OAO “LUKOIL” devotes a great deal of effort to the development of oil refining and petrochemistry, with the aim of increasing the sale of petroleum products with high added value, both on the Russian and export markets.

## **Risks related to changes in Russian corporate and securities legislation**

Possible changes in the field of Russian legislation on corporations and on the securities market, including concerning the structure and authorities of management bodies, may require changes to the structure and management procedures of the Company, which may adversely affect the Company's decision-making processes and operating results.

The entry into force of the Federal Law *On the Centralised Depository*, and also the related amendment of other statutory and regulatory acts creates risks and uncertainty related to the practice of their application; specifically, the lack of a definition of the owner of a depository receipt for shares in Russian issuers may adversely affect the exercise of rights on shares represented by depository receipts, including the receipt of income and possibility of voting at the General Meeting of Shareholders. In turn, this could lead to a reduction in participation by shareholders and investors in the Company's depository programme, which would lead to a reduction in the liquidity of securities of the Company and a drop in its market capitalisation.

The Company constantly monitors legislative changes in this area. The Company also takes measures to obtain information on such changes at the stage of their preliminary discussion, so that Company representatives can participate in such discussions with the aim of explaining in detail the position of OAO "LUKOIL" on these matters and the risks and uncertainties inherent in new legislative initiatives.

## **Risks associated with the circulation of the Company's securities.**

The Company's securities circulate on regulated markets in Russia and abroad. Changes in requirements on issuers on the part of securities and exchange regulators, as well as changes in the listing structure may require that the Company change its corporate governance procedures and accept additional obligations in terms of information disclosure and relations with shareholders and investors. If the Company is unable to promptly ensure compliance with these requirements and performance of the required obligations, this could lead to the transfer of the Company's securities to lower listing segments, including delisting, which would have an adverse impact on the liquidity and value of these securities.

The Company monitors changes to the listing rules of the stock exchanges and other requirements of stock exchanges and regulatory bodies to issuers whose securities are listed for circulation. Company representatives take part in working meetings and other events for issuers held by stock exchanges and other organisations providing consulting and educational services for issuers of securities circulating on regulated markets. The Company also strives to implement best global practices in the field of corporate governance and relations with shareholders and investors.

## **Geological risks**

### **Risks of exploratory drilling/discovery of new deposits**

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

The Company strives to use the entire range of leading-edge geological exploration methods in its operations. In addition, special attention is given to creating a portfolio of exploration projects that aims for the optimal distribution of investment resources in projects with the greatest potential and an acceptable risk level.

## **Risks associated with subsoil use and licensing**

Russia's current legislation on subsoil usage and licensing of mineral exploration and production activity, and its application in practice, create a number of risks for oil companies. Of these, the most significant for the Company are:

- the risk of a refusal to provide subsoil usage rights to the legal entity that discovers a deposit of federal significance or a deposit on a subsoil plot of federal significance;
- the risk of a refusal to accept application documents to participate in tenders/auctions from subsoil users that are LUKOIL Group organisations;
- the risk of an extended approval process for design and budgeting documentation for exploration work;
- the risk that conditions will arise that make it impossible or substantially more difficult to meet the terms of licensing agreements.

The Company constantly monitors changes to legislation and enforcement practices in the field of subsoil usage and licensing. In order to effectively manage licensing issues, the Company has developed and approved Regulations on Acquiring and Cancelling Subsoil Usage Rights, created standing working groups to rapidly prepare materials to participate in tenders for the acquisition of subsoil usage rights. In addition, the Company has the *Nedropolzovanie* [Subsoil Use] information system, which monitors subsoil use, creates reports and performs analysis. The Company strives to establish close informational links with the regulatory authorities in order to promptly inform them of possible problems associated with changes to legislation, and also to quickly obtain the information necessary to make timely decisions related to subsoil usage.

## **Environmental risks and industrial safety risks**

There is a risk of failure of technical devices at hazardous production facilities, which could lead to emergency situations, environmental harm, fires, and accidents.

In order to minimise the probability of this risk, the Company has created and operates an industrial safety system that pursues the following goals:

- use of corporate standards, including environmental safety standards;
- corporate oversight of the condition of equipment and devices;
- training and continuous professional development of core personnel;
- diagnostics (non-destructive testing) and monitoring of equipment operation;
- certification of the working conditions of work places;
- repair and timely replacement of equipment;
- formation of a reserve to keep personnel and resources in constant readiness to react to emergencies;
- other measures to reduce the industrial accident rate at LUKOIL Group organisations.

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

## **Construction risks**

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

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

## **Risk of a shortage of qualified staff**

Foreign companies are starting to turn their attention to the Russian labour market, due to the growing world shortage of specialists and universal aging of oil and gas industry workers. This increases the risk of greater demand and higher salaries for such specialists in Russia. Possible consequences may include higher salary costs or the need to modernise facilities with the aim of reducing the number of service personnel, which may adversely affect the Company's operating financial performance.

With the aim of reducing the adverse impact of this risk, OAO "LUKOIL" focuses attention on comprehensive development of the potential of its human resources. The Company has created and is constantly updating its candidates' pool of the most experienced and promising employees, and devotes significant attention to recruiting young specialists and graduates of leading universities.

## Information on compliance with the Corporate Governance Code

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

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
<b>General meeting of shareholders</b>			
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" Point 5.1 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
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 4.8 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
3.	Shareholders have the opportunity to study the information (materials) to be provided during the preparations for holding the general meeting of shareholders, using electronics means of communication, including over the Internet.	Compliance	Point 5.6 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	Points 2.7-2.9 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
5.	The charter or internal documents of the joint stock company* contains a requirement on the mandatory attendance at the general shareholders meeting of the General Director, members of the Management Committee, members of the Board of Directors, members of the Audit Commission, and the auditor of the company.	Partial compliance	In accordance with point 6.2 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i> , the Board of Directors sends an invitation to attend the general shareholders meeting to the President of the Company, members of the Board of Directors, the Management Committee and the Audit Commission of the Company and the Auditor of the Company. Pursuant to this point, the Board of Directors also sends invitations to candidates in cases where the general shareholders meeting will consider issues of the election of the President of the Company, members of the Board of Directors, and members of the Audit Commission, and also the issue of the approval of the Auditor of the Company.
6.	Mandatory attendance of candidates in cases where the general shareholders meeting will consider issues of the	Partial compliance	See note to item 5

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

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
	election of members of the Board of Directors, the General Director, members of the Management Committee, members of the Audit Commission, and also the issue of the approval of the Auditor of the Company.		
7.	The internal documents of the company contain the procedure for registering participants in the general shareholders meeting.	Compliance	Points 9.1-9.2 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 company contains the authorities of the Board of Directors regarding the annual approval of the financial business plan of the company.	Non-compliance	In accordance with point 10.6.3 of the Charter of OAO "LUKOIL", the development and approval of quarterly, annual and future plans, the budget and the investment programme are assigned to the authority of the Management Committee.
9.	The Board of Directors has approved a procedure for risk management at the company.	Compliance	<p>Point 3.1.10 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>.</p> <p>In accordance with this point, the competence of the Audit Committee includes an evaluation of the risk management system at the Company and the preparation of the relevant recommendations to the Company's Board of Directors.</p> <p>The Board of Directors of OAO "LUKOIL" approved the <i>Risk Management Policy of OAO "LUKOIL"</i> and the <i>Regulations on the Risk Management Committee</i>.</p> <p>The Risk Management Committee is a specialized collegial body under the President of OAO "LUKOIL", to address risks.</p> <p>The following documents that lay the foundation for the risk management system at the Company and other LUKOIL Group organizations were also approved by virtue of OAO LUKOIL" Executive Order:</p> <ul style="list-style-type: none"> <li>- <i>Procedure for Risk Identification, Assessment, Selection of Ways of Risk Response and Risk Monitoring;</i></li> <li>- <i>Methodology for Risk Identification, Description and Assessment of LUKOIL Group companies.</i></li> </ul>
10.	The charter of the company defines the rights of the Board of Directors to take a decision on suspending the authority of the General Director appointed by the general shareholders meeting.	Non-compliance	<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>

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
11.	The charter of the company defines the right of the Board of Directors to establish requirements on the qualifications and size of remuneration of the General Director, members of the Management Committee, and heads of the main structural units of the company.	Compliance	<p>In accordance with point 9.7.10 of the Charter of OAO "LUKOIL", the competence of the Board of Directors includes establishment of the terms and conditions of contracts concluded with the President and members of the Management Committee.</p> <p>The <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> (sections 2 and 3) stipulate that one of the purposes of the Committee is to develop and submit recommendations to the Board of Directors on the Company's policy and standards regarding the selection of candidates to management bodies. The Committee determines the criteria for selecting candidates to the Board of Directors, Management Committee, and for the position of President of the Company, makes a preliminary assessment of candidates for the management bodies, and makes the corresponding recommendations to the Board of Directors. The Committee also makes recommendations to the Board of Directors on the material terms and conditions of contracts with members of the Management Committee and the President of the Company.</p>
12.	The charter of the company defines the right of the Board of Directors to approve the terms and conditions of contracts with the General Director and members of the Management Committee.	Compliance	In accordance with point 9.7.10 of the Charter of OAO "LUKOIL", the competence of the Board of Directors includes establishment of the terms and conditions of contracts concluded with the President and members of the Management Committee.
13.	The charter or internal statutes of the company contain a requirement that when approving the terms of the contracts with the General Director (management organisation, manager) and the members of the Management Committee, the votes of members of the Board of Directors who hold such positions are not counted in the voting.	Compliance	Point 9.8.4 of the Charter of OAO "LUKOIL"
14.	The Board of Directors of the company includes at least three independent directors who meet the requirements of the Corporate Governance Code.	Compliance	<p>Point 9.2 of the Charter of OAO "LUKOIL" contains a provision that shareholders will seek to nominate and elect to the Board of Directors at least three independent directors.</p> <p>By decision of the annual General Shareholders Meeting of OAO "LUKOIL" of 27 June 2012 (Minutes No. 1), seven independent directors who meet the independence criteria as defined in point 2.2.2 of chapter 3 of the Code of Corporate Governance were elected to the Board of Directors of the Company.</p>
15.	No one on the Board of Directors of the company has been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or has been	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

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
	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.		against the state authorities, the interests of state service or service in local government, or has been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.
16.	No one on the Board of Directors of the company is a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with the company.	Partial compliance	Other than A.N. Shokhin, who is also a member of the Board of Directors of OAO TNK-BP Management, no one on the Board of Directors of OAO "LUKOIL" is the General Director (manager), member of management bodies, or employee of a legal entity that competes with OAO "LUKOIL". Certain members of the Board of Directors may have insignificant shareholdings (in percentage terms) in other oil companies (Russian and foreign), but these shareholdings are strictly for financial purposes, and due to their insignificant size do not provide the ability to affect the operations of these companies.
17.	The charter of the company contains a requirement that the Board of Directors be elected by cumulative voting.	Compliance	Point 9.2 of the Charter of OAO "LUKOIL"
18.	The company's internal documents specify the obligation of members of the Board of Directors to refrain from actions that will or potentially could lead to a conflict between their interests and the interests of the company, and the obligation, should such a conflict arise, to immediately disclose information on this conflict to the Board of Directors.	Compliance	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. Point 1.5 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i> stipulates that the Board of Directors of the Company is obligated not to divulge or use, including for personal benefit, confidential information on the Company and insider information. 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. In accordance with point 3.1.10 of the <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> , the Human Resources and Compensation Committee analyses the information provided by members of the Board of Directors regarding changes to personal data, which members of the Board of Directors are obligated to disclose by effective legislation, the Company Charter and the Code of Corporate Governance approved by the Government of the Russian Federation on 28

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
			November 2001: in respect of the presence/absence of interest in transactions to be performed by the Company, when the relevant decisions are being taken by the Board of Directors; the onset and termination of status as an affiliated person in respect of the Company; the appearance of circumstances hindering effective work as a member of the Board of Directors; loss of independent status of an independent director.
19.	The company's internal statutes obligate members of the Board of Directors to notify the Board of Directors in writing of their intention to complete a transaction with the securities of a company on whose board they serve, or the securities of the subsidiaries (associates) of such company, and also to disclose information on transactions they have performed with such securities.	Compliance	Point 3.9 of the <i>Regulations on Information Policy at OAO "LUKOIL"</i> . Point 1.5 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i> .
20.	The company's internal statutes contain a requirement that meetings of the Board of Directors be held at least once every six weeks.	Compliance	Point 2.1 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i> .
21.	During the year for which the company's annual report is being prepared, meetings of the Board of Directors are held with a frequency of at least once every six weeks.	Compliance	-
22.	The company's internal statutes specify the procedure for holding meetings of the Board of Directors.	Compliance	Section 3 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i>
23.	The company's internal statutes contain a provision mandating that the Board of Directors must approve company transactions involving 10 percent or more of the value of the company's assets, except for transactions carried out in the normal course of business.	Compliance	Point 9.7.18 of the Charter of OAO "LUKOIL".
24.	The company's internal statutes specify that members of the Board of Directors have the right to receive the information necessary to perform their functions from the executive bodies and heads of the company's main structural units, and also specify liability for the failure to provide such information.	Compliance	Point 5.2 of the <i>Regulations on Information Policy at OAO "LUKOIL"</i> .
25.	The Board of Directors has a strategic planning committee, or the functions of this committee are entrusted to another committee (except the audit committee or the human resources and compensation committee).	Compliance	<i>Regulations on the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"</i>
26.	The Board of Directors has a committee (the audit committee) that recommends the company's auditor to the Board of Directors and interacts with the auditor and the company's audit commission.	Compliance	<i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>
27.	The audit committee consists only of independent and non-executive directors.	Compliance	Pursuant to point 4.1 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i> , the Audit Committee of at least three members is elected from among the non-executive directors. In addition, at least one member of the committee must be an independent director, if any have been elected to the Board of Directors of OAO "LUKOIL".
28.	Management of the audit committee is entrusted to an independent director.	Compliance	Point 5.2 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
			The Audit Committee of the Board of Directors of OAO "LUKOIL" is chaired by an independent director.
29.	The company's internal statutes specify that all members of the audit committee have the right to access any documents and information of the company, provided they do not disclose confidential information.	Compliance	Point 14.1 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i>
30.	A committee of the Board of Directors has been created (human resources and compensation committee) whose functions are to determine criteria for the selection of candidates to the Board of Directors and the development of the company's compensation policy.	Compliance	<i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> .
31.	Management of the human resources and compensation committee is entrusted to an independent director.	Compliance	Point 5.2 of the <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> .  The Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL" is chaired by an independent director.
32.	The human resources and compensation committee does not contain company officers.	Compliance	Pursuant to point 4.1 of the <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> , the Human Resources and Compensation Committee of at least three members is elected from among the non-executive directors. In addition, at least one member of the committee must be an independent director, if any have been elected to the Board of Directors of OAO "LUKOIL".
33.	The Board of Directors has a risk committee, or the functions of this committee are entrusted to another committee (except the audit committee or the human resources and compensation committee).	Partial compliance	The function of evaluating the risk management system in place at the Company and preparing relevant recommendations for the Board of Directors is entrusted to the Audit Committee of the Board of Directors of OAO "LUKOIL" (point 3.1.10 of the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i> ).  The Company has also established a Risk Management Committee, a specialized collegial body under the President of OAO "LUKOIL", to address risks. The <i>Regulations on the Risk Management Committee</i> were approved by decision of the Board of Directors of OAO "LUKOIL".
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).	Non-compliance	There is no such committee of the Board of Directors.  The Company has established a Business Ethics Commission responsible for regulating corporate ethical relations and implementing the norms and rules of the <i>Code of Business Conduct and Ethics of OAO "LUKOIL"</i> approved by decision of the Board of Directors of OAO "LUKOIL".

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
35.	The corporate conflicts committee does not include company officers.	Non-compliance	See point 34.
36.	Management of the corporate conflicts committee is entrusted to an independent director.	Non-compliance	See point 34.
37.	The company has internal statutes approved by the Board of Directors that stipulate the procedure for the creation and operation of board committees.	Compliance	The <i>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"</i> , the <i>Regulations on the Audit Committee of the Board of Directors of OAO "LUKOIL"</i> , and the <i>Regulations on the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"</i> .
38.	The company's charter stipulates the procedure for determining quorum for meetings of the Board of Directors, such that the attendance of independent directors is mandatory for meetings of the Board of Directors.	Compliance	Point 9.10 of the Charter of OAO "LUKOIL"
<b>Executive bodies</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 statutes contain a provision mandating that the management committee must approve transactions on real estate or the receipt of a loan by the company, if the given transactions do not constitute major transactions or their performance is not part of the normal course of business of the company.	Compliance	Approval of transactions (or several related transactions) that involve the acquisition, disposal or the possibility of disposal of property the value of which is between 10 percent and 25 percent of the book value of the Company's assets, except transactions performed in the normal course of the Company's business, is assigned to the competence of the Board of Directors by point 9.7.18 of the Charter of OAO "LUKOIL". The Company has in place a Procedure for Approving Major Transactions by the Subsidiaries of OAO "LUKOIL", approved by decision of the Management Committee of OAO "LUKOIL" on 14 December 2004 (Minutes No. 36), with amendments made by decision of the Management Committee of OAO "LUKOIL" of 17 October 2005 (Minutes No. 30). In accordance with this document the Management Committee should approve transactions being carried out by subsidiaries, except for transactions in which the counterparty is OAO "LUKOIL" and/or a subsidiary of OAO "LUKOIL", the subject of which is the acquisition, disposal or the possibility of disposal of fixed assets and/or intangible assets, provision of loans, credits, guarantees and suretyships, targeted financing, and also the receipt of loans and credits, if such transactions meet specific criteria related to the size of transactions in monetary terms, and also (for transactions with fixed assets and intangible assets) the percentage share of

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
			the value of fixed assets and/or intangible assets in the book value of the assets of the subsidiary.
41.	The company's internal statutes specify the procedure for the coordination of operations that fall outside the normal course of business of the company.	Partial compliance	<p>The decision of the Board of Directors of 01 December 2011 (Minutes No.22) provided the Management Committee of OAO "LUKOIL" with the right to include optional projects in and make other revisions to the Investment Programme of the LUKOIL Group for 2012, in an amount not exceeding 10% of the investment expenses of the LUKOIL Group being approved hereby taking optional projects into account, provided that these revisions are in accord with the strategic goals and objectives of the Company and are supported by financing. Should such revisions exceed the level thus approved, they must be coordinated with the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL".</p> <p>The decision of the Board of Directors of 04 December 2012 (Minutes No.24) granted the Management Committee the right to revise the Investment Programme of the LUKOIL Group for 2013, in an amount not exceeding 10% of the investment expenses of the LUKOIL Group being approved thereby, provided that these revisions are in accord with the strategic goals and objectives of the Company and are supported by financing. Should such revisions exceed the level thus approved, they must be coordinated with the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL".</p>
42.	The executive bodies of the company do not include any person who is a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with the company.	Compliance	The executive bodies of OAO "LUKOIL" do not contain anyone who is a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with OAO "LUKOIL".
43.	The executive bodies of the company do not contain persons who have been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who have been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market. If the functions of the individual executive body are performed by a management organisation or a manager, the general director and members of the management committee of the management organisation or the manager meet the requirements made on general director or members of the management committee of the company.	Compliance	The Company has no information to the effect that any person on the Management Committee has been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who has been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.
44.	The company's charter or internal documents prohibit the management organisation (manager) from performing similar functions in a competing company, and also from	Non-compliance	The Charter and internal documents do not foresee the possibility of transferring functions to a management organisation

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
	having a property relationship with the company, other than providing services as a management organisation (manager).		(manager).
45.	The company's internal statutes specify that the executive bodies must refrain from actions that will or potentially could lead to a conflict between their interests and the interests of the company, and the obligation, in the event of the appearance of such conflict, to inform the Board of Directors of this.	Compliance	Pursuant to point 11.1 of the Charter of OAO "LUKOIL", in exercising their rights and performing their duties, Company officials shall act in the interests of the Company, and exercise their rights and perform their duties in respect of the Company reasonably and in good faith.
46.	The company's charter or internal documents contain criteria for selecting the management organisation (manager).	Non-compliance	See point 44.
47.	The executive bodies provide monthly reports on their work to the board of directors	Non-compliance	In accordance with article 69 of the Federal Law <i>On Joint Stock Companies</i> , the executive bodies of a joint stock company are subordinate to the Board of Directors, and thus the right of members of the Board of Directors to receive information on the work of the executive bodies is an inalienable right and requires no special stipulation.
48.	The contracts concluded by the company with the general director (management company, manager) and the members of management establish liability for violation of the provisions on use of confidential and official information.	Compliance	<p>In accordance with the contracts concluded with the members of the Management Committee of OAO "LUKOIL", the members of the Management Committee are obligated to keep the work of the Management Committee confidential, not to divulge information that becomes known to them in connection with the performance of their duties as a member of the Management Committee, and to disclose information in accordance with the procedure established at the Company.</p> <p>These contracts also stipulate that members of the Management Committee are liable for losses caused to the Company as a result of their culpable actions (inaction) as members of the collective executive body of the Company.</p> <p>In accordance with the contract with the President of OAO "LUKOIL", the President is obligated to ensure the integrity of information that constitutes a state or commercial secret and other secrets protected by law.</p> <p>Point 11.2 of the Charter stipulates that officials of the Company are liable to the Company for losses caused to the Company by their culpable actions (inaction), unless other grounds and amounts of liability are established by federal laws.</p>

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
<b>Company secretary</b>			
49.	The company has a designated official (i.e. the company secretary) who is responsible for ensuring the company's bodies and officials comply with procedural requirements guaranteeing the observance of the rights and legal interests of company shareholders.	Compliance	By decision of the Board of Directors of OAO "LUKOIL" the duties of the corporate secretary were assigned to the Secretary of the Board of Directors.
50.	The company has a procedure in its charter or internal documents for appointing (electing) the company secretary and defining his/her responsibilities	Compliance	See point 49. The procedure for appointing the Secretary of the Board of Directors is established in point 2.1 of the <i>Regulations on the Board of Directors of OAO "LUKOIL"</i> .
51.	The company charter contains requirements on the candidates for the post of company secretary	Non-compliance	See point 49.
<b>Material corporate actions</b>			
52.	The company charter or internal documents contain requirements on approving major transactions prior to their conclusion.	Partial compliance	<p>Pursuant to point 9.7.17 of the Charter of OAO "LUKOIL", the competence of the Board of Directors includes approval of major transactions involving assets with a value of 25 to 50 percent of the book value of the Company's assets according to its financial statements as of the latest reporting date with the exception of transactions entered into during the usual course of the Company's business, transactions related to placement of the Company's ordinary shares by way of subscription (sale), transactions related to placement of issuable securities convertible into the Company's ordinary shares and transactions that the Company must enter into under federal laws and/or other legal acts of the Russian Federation, and settlements under which are performed in prices determined pursuant to the procedure established by the Government of the Russian Federation, or in prices and tariffs established by a federal executive body authorized by the Government of the Russian Federation.</p> <p>Pursuant to point 3.1.8 of the <i>Regulations on the Strategy and Investment Committee of the Open Joint Stock Company "Oil company "LUKOIL"</i>, it is the competence of the Strategy and Investment Committee to prepare recommendations to the Company's Board of Directors on major transactions, the subject of which is the property, the value of which amounts to 25-50 percent of the book value of the Company's assets at the date of the decision to perform such.</p> <p>Approval of major transactions with a value of over 50 percent of the book value of the Company's assets falls within</p>

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
			<p>the competence of the General Shareholders Meeting of OAO "LUKOIL" pursuant to point 8.2.16 of the Charter of OAO "LUKOIL".</p> <p>In the reporting year OAO "LUKOIL" performed one transaction that is recognised as a major transaction in accordance with the Federal Law <i>On Joint Stock Companies</i>. This transaction is further described in the Annual Report. The transaction received the prior approval of the Board of Directors, and information on the relevant Board decision was disclosed by OAO "LUKOIL" in the form of an announcement of a material event.</p>
53.	Mandatory hiring of an independent appraiser to assess the market value of property that is the subject of a major transaction.	Compliance	Point 5.2.2 of the <i>Regulations on the Organisation of Valuations in the Interests of the LUKOIL Group</i> , approved by decision of the Management Committee of OAO "LUKOIL" of 23 June 2008 (Minutes No. 19).
54.	The company charter prohibits any actions during the acquisition of major shareholdings in the company (takeover) that are aimed at protecting the interests of the executive bodies (members thereof) and the members of the Board of Directors or worsening the position of shareholders compared to the current situation (specifically, until the end of the scheduled period for the acquisition of shares the Board of Directors is prohibited from passing a decision on the issue of additional shares, on the issue of securities convertible into shares, or securities conferring the right to purchase shares of the company, even if the right to adopt such a decision is granted thereto by the charter).	Compliance	For the purposes of complying with the requirements of article 84.6 of the Federal Law <i>On Joint Stock Companies</i> , point 9.7 of the Charter of OAO "LUKOIL" stipulates 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.	Partial compliance	This requirement is established by point 5.2.3 of the <i>Regulations on the Organisation of Valuations in the Interests of the LUKOIL Group</i> , approved by decision of the Management Committee of OAO "LUKOIL" of 23 June 2008 (Minutes No. 19).
56.	The company charter does not release the buyer from the obligation to propose that shareholders sell their ordinary shares in the company (issuable securities convertible into ordinary shares) during a takeover	Compliance	Point 5.7 of the Charter of OAO "LUKOIL".
57.	The company charter or internal statutes contain requirements on the mandatory hiring of an independent appraiser to determine the share conversion ratio during reorganisation	Compliance	Point 5.2.4 of the <i>Regulations on the Organisation of Valuations in the Interests of the LUKOIL Group</i> , approved by decision of the Management Committee of OAO "LUKOIL" of 23 June 2008 (Minutes No. 19).
<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 of OAO "LUKOIL"</i>
59.	The company's internal documents contain requirements on	Compliance	Point 3.11 of the <i>Regulations on</i>

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
	disclosing information on the purposes of share offerings, on the parties that plan to purchase the offered shares (including major shareholdings), and whether the company's top officials will participate in the purchase of the offered shares in the company.		<i>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 agenda of the general shareholders meeting.	Compliance	Point 5.7 of the <i>Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"</i>
61.	The company has an Internet website and regularly discloses information on the company on this website.	Compliance	The Company has websites in Russian and English ( <a href="http://www.lukoil.ru">www.lukoil.ru</a> and <a href="http://www.lukoil.com">www.lukoil.com</a> , respectively); procedures for maintaining these sites are governed by the <i>Regulations for the Maintenance of the OAO "LUKOIL" Internet Portals and Websites of LUKOIL Group Organisations.</i>
62.	The company's internal statutes contain requirements on the disclosure of information on transactions with parties designated by the charter as senior officials of the company and on transactions with organisations in which senior company officials own directly or indirectly an equity shareholding of 20 or more percent, or over which they can exert significant influence by other means	Compliance	<i>Regulations on the activity of the structural divisions of OAO "LUKOIL" and the LUKOIL Group companies on ensuring the performance of obligations associated with the listing of the securities of OAO "LUKOIL" on the London Stock Exchange, 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 particular threshold or are concluded outside the normal course of business, must be disclosed if this information could have a material effect on the exchange price of the securities. Information on operations with related parties is also regularly disclosed in the notes to the US GAAP financial statements of the LUKOIL Group.
63.	The company's internal statutes contain requirements on disclosing information on all transactions that could have an effect on the market value of the company's shares.	Compliance	Point 4.1 of the <i>Regulations on the activity of the structural divisions of OAO "LUKOIL" and the LUKOIL Group companies to ensure the performance of obligations associated with the listing of OAO "LUKOIL" securities on the London Stock Exchange.</i>
64.	The company has an internal document approved by the board of directors on the use of material information on the company's operations, the shares and other securities of the company, and transactions therewith, where such information is not publicly available and its disclosure may have a material effect on the market value of the company's shares.	Compliance	Section 7 of the <i>Regulations on Information Policy of OAO "LUKOIL".</i>
<b><i>Control over the enterprise's financing and business activity</i></b>			
65.	The board of directors has approved internal procedures for monitoring the company's financial and business activity.	Compliance	<i>Regulations on Internal Control and Internal Audit at OAO "LUKOIL", Internal control procedures</i>
66.	The company has a special division responsible for ensuring compliance with internal control procedures (the control and audit service).	Compliance	There is a Control And Internal Audit Service in place at OAO "LUKOIL" that is subordinate to the Vice-President for

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
			Control and Internal Audit.
67.	The company's internal statutes contain requirements that the board of directors determine the structure and composition of the company's control and audit service.	Non-compliance	The authorities of the Audit Committee of the Board of Directors of OAO "LUKOIL" include evaluation of the efficiency of internal control procedures at the Company and preparation of proposals for their improvement, and also analysis of the effectiveness of the control and internal audit unit, in order to report to the Company's Board of Directors on the financial and business operations of the Company.
68.	The control and audit service does not contain persons who have been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who have been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.	Compliance	The Company has no information to the effect that any person who is an employee of the Control And Internal Audit Service 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	Non-compliance	The Control And Internal Audit Service is currently headed by the Vice-President for Control and Internal Audit, who is a member of the Management Committee of OAO "LUKOIL".
70.	The company's internal statutes specify a deadline for submitting documents and materials to the control and audit service to assess financial and business operations, and also the liability of company officials and employees for the late submission of such documents and materials	Partial compliance	Documents and materials are provided to the Control And Internal Audit Service pursuant to the overall document flow procedure established by section 3 of the <i>Instructions on Document Support for the Management Activity of OAO "LUKOIL"</i> , which among other things stipulates deadlines and monitoring of the execution of documents.
71.	The company's internal statutes obligate the control and audit service to report to the audit committee regarding any violations discovered, and in the absence of such committee, to the board of directors of the company	Compliance	Point 3.5.5.2 of the <i>Regulations on Internal Control and Internal Audit at OAO "LUKOIL"</i>
72.	The company charter requires that the control and audit service perform a preliminary assessment of the advisability of performing operations that are not stipulated by the company's financial and business plan (unusual operations)	Non-compliance	The right to make revisions to the LUKOIL Group 2013 Investment Programme has been granted to the Management Committee of OAO "LUKOIL" provided specific restrictions established by decision of the Board of Directors of OAO "LUKOIL" are met. (see also point 41 above)
73.	The company's internal statutes contain a procedure for agreeing unusual operations with the board of directors	Partial compliance	See point 41 above
74.	The board of directors has approved an internal statute that determines the procedure for the audit commission to conduct audits of the company's financial and operating activities.	Compliance	<i>Regulations on the Audit Commission of OAO "LUKOIL"</i> , approved by the General Shareholders Meeting of OAO "LUKOIL".
75.	The audit committee evaluates the audit opinion before it is submitted to the shareholders at the general shareholders	Compliance	Point 3.1.7 of the <i>Regulations on the Audit Committee of the Board of</i>

№	Provision of the Corporate Governance Code	Compliance/ non-compliance	Note
	meeting.		<i>Directors of OAO "LUKOIL".</i>
<b><i>Dividends</i></b>			
76.	The board of directors has approved an internal statute that it uses when making recommendations on the amount of dividends (Regulations on Dividend Policy).	Compliance	<i>Regulations on the Dividend Policy of OAO "LUKOIL".</i>
77.	The Regulations on Dividend Policy contain a procedure for determining the minimum share of the company's net profit to be used to pay dividends, and the conditions under which dividends are not paid or are not paid in full on preferred shares, the amount of dividends on which was determined by the company charter.	Compliance	Point 3.2 of the <i>Regulations on the Dividend Policy of OAO "LUKOIL"</i> .  The charter capital of OAO "LUKOIL" consists solely of ordinary shares.
78.	Information on the company's dividend policy and the amendments thereto are published in the periodical stipulated by the company charter for publishing notices on the holding of general meetings of shareholders, and this information is placed on the company's website.	Compliance	<i>The Regulations on the Dividend Policy</i> were approved by the Board of Directors of OAO "LUKOIL" on 29 August 2003 (Minutes No. 37).  After approval of this document, information on it was published in the newspaper <i>Vedomosti</i> and other mass media. <i>The Regulations on the Dividend Policy of OAO "LUKOIL"</i> are published on the Company's website.

## List of transactions carried out by OAO “LUKOIL” in 2012 that are recognised as major transactions in accordance with the Federal Law *On Joint Stock Companies*

### *Major transaction approved by the Board of Directors of OAO “LUKOIL” and concluded in 2012*

1. Number of the transaction approved by the Board of Directors of OAO “LUKOIL”	1
2.1. Price (amount in USD)	The approximate amount of the transaction including interest accruals will equal USD 16,404,945,021.45 (the loan amount will approximately equal USD 5,069,513,294.64, and the interest amount will equal USD11,335,431,726.81).
2.2. Price (amount in RUB)	The approximate amount of the transaction including interest accruals will equal RUB 511,288,000,000 (the loan amount will approximately equal RUB 158,000,000,000, and the interest amount will equal RUB 353,288,000,000).
3. Names of parties	OAO “LUKOIL” (Lender) OOO Naryanmarnftegaz (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Agreement (hereinafter the “Agreement”)
6. Subject of the transaction	<p>Under the Agreement, the Parties agree that as of 01.11.2012 there is a borrowing debt of the Borrower to the Lender under Loan Agreements No.0510225 of 29.03.2005, No.0610114 of 03.03.2006, No.0611220 of 18.12.2006, No.0710517 of 02.07.2007, No. 0710780 of 21.09.2007, No. 0810501 of 27.06.2008 and No. 1210496 of 20.08.2012 (hereinafter the “Loan Agreements”) indicated in Appendix No.1 to the Agreement.</p> <p>In order to ensure debt servicing optimisation with respect to both the principal amount and the interest accrued under the Loan Agreements, the Parties have agreed as follows:</p> <p>The Parties confirm that the principal amount of debt under the Loan Agreements indicated in Appendix No.1 to the Agreement constitute a special-purpose loan granted to the Borrower on the principles of repayment, maturity and interest payment. The repayment procedure for the said loan and other rules governing relations between the Parties from 01.11.2012 are established by the terms of the Agreement replacing the relevant terms of the Loan Agreements.</p> <p>The Parties have agreed to terminate the Loan Agreements and confirm that they have no claims towards each other.</p> <p>Under the Agreement, the Lender provides the Borrower with a special-purpose loan in an amount of RUB 158,000,000,000, including the principal amount of debt, 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.</p>
7. Other material terms of the transaction	<p>The loan is being granted to finance the Borrower’s investment programme.</p> <p>The loan may not be used by the Borrower for purposes other than those indicated in the Agreement. The loan is provided for a term up to 31 December 2038 inclusive, with an early repayment option. The Borrower will pay the Lender interest at a rate to be determined and calculated by the Lender 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), with subsequent amendments and addenda, for loans with maturity in excess of 9 years (hereinafter the “Marketing Policy”). The Borrower will be provided with written notification of changes to interest rates for the next interest period.</p>

Interest will accrue on a monthly basis on the actual debt owed by the Borrower.  
 Payment of the interest accrued shall be performed by the Borrower on a quarterly basis from the date the loan is granted to the date of maturity within five business days after the end of the quarter.  
 The Agreement enters into force from the time of its signing by the authorized representatives of the Parties and loses its force after the Parties have performed their obligations.  
 Should the deadlines for the loan repayment be missed and/or interest payment defaulted, the Lender shall be entitled to charge a penalty on the Borrower in an amount of 0.3 per cent of the amount of the obligations defaulted by the Borrower, for each day overdue.

**The Charter of Open Joint Stock Company “Oil company “LUKOIL” does not prescribe approval of other transactions covered by the approval procedure for major transactions.**

**List of transactions carried out by OAO “LUKOIL” in 2012 that are recognised as interested-party transactions in accordance with the Federal Law *On Joint Stock Companies***

*Interested-party transaction of OAO “LUKOIL” approved by the Annual General Shareholders Meeting of OAO “LUKOIL” of 27 June 2012 and concluded in 2012*

1. Number of the transaction approved by the Annual General Shareholders Meeting of OAO “LUKOIL”	1
2. Price	Up to RUB 217,000 – premium for coverage A; up to RUB 13,733,000 – premium for coverage B.
3. Names of parties	OAO Kapital Insurance (Insurer) OAO “LUKOIL” (Policyholder)
4. Names of beneficiaries	Under coverage A – the President, members of the Board of Directors, members of the Management Committee of OAO “LUKOIL”, pursuant to the list given in the appendix to the policy, and also any individual who occupied the aforementioned positions at OAO “LUKOIL” in the past or will occupy them in the future. Under coverage B – OAO “LUKOIL”.
5. Name of transaction	Policy (contract) on insuring the liability of directors, officers and corporations.
6. Subject of the transaction	The Insurer undertakes, for the payment stipulated in the policy (insurance premium) and when the event stipulated in the policy occurs (an insured event), to cover the damage caused by this event (to pay insurance compensation) to the Policyholder (the Insured) within the limits of the insurance coverage (the liability limit) set by the policy. Coverage A “Insurance of Directors and Officers” insures the losses of each and every Director and Officer of OAO “LUKOIL” arising from claims initially filed against these persons during the insurance period (effective term of the policy) or the discovery period (a 30-day period beginning on the expiration of the insurance period, if the Contract is not renewed), for any real or alleged improper actions during their performance of the relevant functions as Directors and Officers of OAO “LUKOIL”.

	Coverage B “Insurance of Corporate Liability” insures the losses of OAO “LUKOIL” arising from claims on compensation of losses on securities of OAO “LUKOIL” initially filed against OAO “LUKOIL” and/or claims initially filed against the Directors or Officers, where OAO “LUKOIL” is obligated and may compensate the Director or Officer for expenses incurred thereby as a result of the compensation of losses under the claims filed.
7. Grounds for status as an interested party	The persons performing the functions of the President, members of the Board of Directors and Management Committee of OAO “LUKOIL” are simultaneously beneficiaries under the transaction.
8. Other material terms of the transaction	The policy is effective from 19 July 2012 through 18 July 2013. The premium under coverage A applies in equal measure to each of the Directors and Officers indicated in the list given in the appendix to the policy. The liability limit is at least USD 50,000,000 (total aggregate limit for coverage A and B, including legal defence costs). The insurance premium will be paid in roubles in accordance with the terms and conditions of the policy

***Interested-party transactions of OAO “LUKOIL” approved by the Board of Directors of OAO “LUKOIL” and concluded in 2012***

1. Number of the transaction approved by the Board of Directors	1
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO “LUKOIL” (Company) International Association of Trade Union Organisations of OAO “LUKOIL” (Association)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Gratuitous Use Contract No. 0310992 of 27 July 2003 (hereinafter the “Contract”)*.
6. Subject of the transaction	Pursuant to the Contract, the Company provides property on its balance sheet for the gratuitous use of the Association. According to the Supplemental Agreement, the Company will also provide office equipment (printer, CPU, monitor) for the gratuitous use of the Association from 1 October 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 its signing, and extends to the legal relations between the Parties arising from 1 October 2011.
1. Number of the transaction approved by the Board of Directors	2

2.1. Price (amount in USD)	USD 123,689.83 per month, plus VAT of USD 21,309.06 per month
2.2. Price (amount in RUB)	RUB3,885,097.50 per month, plus VAT of RUB 699,317.55 per month
3. Names of parties	OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0910352 dated 1 June 09 on non-residential premises (hereinafter the "Agreement").*
6. Subject of the transaction	In accordance with the Agreement, the Lessor transfers to the Lessee for temporary use the non-residential premises with a total area of 3,031 m <sup>2</sup> , located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow (hereinafter the "Building"). In accordance with the Supplemental Agreement: - on 9 January 2012 the Lessee will return, and the Lessor will accept under a transfer and acceptance act, non-residential premises with a total area of 127.4 m <sup>2</sup> , namely: rooms No. 92, 93, 94, 97 and 99, located (according to the BTI passport) in Premises No. I on the 3 <sup>rd</sup> floor of the Building; - the total area of all premises leased from 10 January 2012 will be 2,903.6 m <sup>2</sup> ; - from 10 January 2012 the amount of the lease payment for the use of the premises with a total area of 154.5 m <sup>2</sup> , located in the basement of the Building, will equal 13,500 roubles per m <sup>2</sup> of total area per year, plus VAT of 2,430 roubles, and for the use of the premises with a total area of 2,749.1 m <sup>2</sup> , located on the 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> floors, will equal 16,200 roubles per m <sup>2</sup> of total area per year, plus VAT of 2,916 roubles; - from 10 January 2012 the total lease payment under the Agreement will be RUB3,885,097.50 per month, plus VAT of RUB 699,317.55 per month.
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.
8. Other material terms of the transaction	The Supplemental Agreement will enter into force from the date of its signing.
1. Number of the transaction approved by the Board of Directors	3
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO RITEK (Company) Open Joint Stock Company "Oil company "LUKOIL" (OAO "LUKOIL")
4. Names of beneficiaries	-
5. Name of transaction	Agreement on the performance of joint work, containing information constituting a state secret (hereinafter the "Agreement").
6. Subject of the transaction	The Agreement determines the obligations of the Parties related to the drafting of documents of the Company in the field of protecting state secrets.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.  Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.

8. Other material terms of the transaction	The Agreement enters into force from the date of its signing, and remains in effect until its termination by agreement of the Parties. Each Party has the right to unilaterally repudiate the Agreement with 30 days' advance notice to the other Party.
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 RUB)	No financial terms stipulated.
3. Names of parties	OOO TsentrKaspneftegaz (Company) Open Joint Stock Company "Oil company "LUKOIL" (OAO "LUKOIL")
4. Names of beneficiaries	
5. Name of transaction	Agreement on the performance of joint work, containing information constituting a state secret (hereinafter the "Agreement").
6. Subject of the transaction	The Agreement determines the obligations of the Parties related to the drafting of documents of the Company in the field of protecting state secrets.
7. Grounds for status as an interested party	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO TsentrKaspneftegaz
8. Other material terms of the transaction	The Agreement enters into force from the date of its signing, and remains in effect until its termination by agreement of the Parties. Each Party has the right to unilaterally repudiate the Agreement with 30 days' advance notice to the other Party.
1. Number of the transaction approved by the Board of Directors	5
2.1. Price (amount in USD)	USD 50.98 per month, plus VAT of USD 9.18 per month
2.2. Price (amount in RUB)	RUB1,609.32 per month, plus VAT of RUB 289.68 per month
3. Names of parties	OAO Bank Petrocommerce (Bank) OAO "LUKOIL" (Company)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental agreement to Contract No. 0910479 dated 1 July 2009 on provision of premises for the installation of an automated teller machine (hereinafter, the "Contract")*.
6. Subject of the transaction	Under the Contract, the Company undertakes for a fee to provide the Bank with premises at its Offices located at the addresses: 3 ul. Bolshaya Ordynka, Room No. 18 (entrance hall) and 5 pereulok Ulansky, building 1 (entryway) for the installation of automated teller machines belonging to the Bank, to provide cash withdrawal services using international banking cards.  In accordance with the Supplemental Agreement, point 3.1 of the Contract is set out in a new version, stipulating that from 1 January 2012 the Bank will pay the Organisation RUB 536.44 per month, plus VAT of RUB 96.56, for each of the premises provided.

7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	6
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO Naryanmarneftegaz (Enterprise) Open Joint Stock Company "Oil company "LUKOIL" (OAO "LUKOIL")
4. Names of beneficiaries	-
5. Name of transaction	Agreement on the performance of joint work, containing information constituting a state secret (hereinafter the "Agreement").
6. Subject of the transaction	The Agreement determines the obligations of the Parties related to the drafting of documents of the Company in the field of protecting state secrets.
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 enters into force from the date of its signing, and remains in effect until its termination by agreement of the Parties. Each party has the right to unilaterally repudiate the Agreement with 30 days' advance notice to the other party.
1. Number of the transaction approved by the Board of Directors	7
2.1. Price (amount in USD)	USD 12, 543,827.51
2.2. Price (amount in RUB)	RUB 398,517,400
3. Names of parties	OAO "LUKOIL" (Lender) Limited-Liability Company National Oil Consortium (NOC) (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 1010608 of 12 October 2010 (hereinafter the "Agreement")*.
6. Subject of the transaction	In accordance with the Agreement, the Lender will provide the Borrower with a special-purpose loan in an amount of up to RUB 156,705,000 on the conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement, clause 1.1 of the Agreement is set out in a new version, stipulating an increase in the amount of the loan from RUB 156,705,000 to RUB 398,517,400.

7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of NOC.
8. Other material terms of the transaction	All other terms of the Agreement remain unchanged.
1. Number of the transaction approved by the Board of Directors	8
2.1. Price (amount in USD)	USD 2, 460.74 per month, plus VAT of USD 442.93.
2.2. Price (amount in RUB)	RUB 78,866.67 per month, plus VAT of RUB 14,196.00.
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 dated 14 February 2007 on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 56 m <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: 11 Sretensky bulvar, Moscow.  In accordance with the Supplemental Agreement:  - from 1 March 2012 the lease payment will be increased from RUB 70,933.33 per month (plus VAT of RUB 12,768) to RUB 78,866.67 per month (plus VAT of RUB 14,196.00).  - terms have been added to the Agreement stipulating that the Lessee must read the Regulations <i>On the Access Control and Internal Security Policy at the Administrative Buildings of OAO "LUKOIL"</i> , approved by Order of OAO "LUKOIL" No. 185 dated 9 November 2007 (hereinafter the "Regulations"), that the employees and visitors of the Lessee must comply with the requirements of the Regulations, and that the Lessee will have to pay the Lessor fines in the amount of RUB 100,000 for a violation by its employees and visitors of the requirements of the Regulations.
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 NO NPF LUKOIL-GARANT. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of NO NPF LUKOIL-GARANT.
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	9
2.1. Price (amount in USD)	USD 9,505.70 per month, plus VAT of USD 1,711.03.
2.2. Price (amount in RUB)	RUB 300,000 per month, plus VAT of RUB 54,000.

3. Names of parties	<p>OAo Bank Petrocommerce (Lessee)          OAo "LUKOIL" (Lessor)</p>
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0510041 dated 12 January 2005 on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	<p>In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 180.0 m<sup>2</sup>, located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow.</p> <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> <li>- from 1 April 2012 the lease payment will increase from RUB 270,000 per month (plus VAT of RUB 48,600) to RUB 300,000 per month (plus VAT of RUB 54,000);</li> <li>- terms have been added to the Agreement stipulating that the Lessee must read the Regulations <i>On the Access Control and Internal Security Policy at the Administrative Buildings of OAo "LUKOIL"</i>, approved by Order of OAo "LUKOIL" No. 185 dated 9 November 2007 (hereinafter the "Regulations"), that the employees and visitors of the Lessee must comply with the requirements of the Regulations, and that the Lessee will have to pay the Lessor fines in the amount of RUB 100,000 for a violation by its employees and visitors of the requirements of the Regulations.</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>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>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>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAo "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAo Bank Petrocommerce.</p>
8. Other material terms of the transaction	The Supplemental Agreement will enter into force from the date of its signing.
1. Number of the transaction approved by the Board of Directors	10
2.1. Price (amount in USD)	USD 116,669,642.86
2.2. Price (amount in RUB)	RUB 3,756,762,500
3. Names of parties	<p>OAo RITEK (Borrower)          OAo "LUKOIL" (Lender)</p>
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lender will provide the Borrower with a special-purpose loan in the amount of RUB3,756,762,500 on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo RITEK.

	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	<p>The loan is provided for a term up to 31 December 2020, with an early repayment option. The loan will be repaid by the Borrower pursuant to Appendix No. 1 to the Agreement.</p> <p>The Borrower will pay the Lender interest at a rate to be determined in accordance with the Marketing Policy for determining interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group (hereinafter the Marketing Policy), approved by decision of the Management Committee of OAO "LUKOIL" dated 30 August 2006 (Minutes No. 26), as amended, for loans with a term of 7 to 9 years. The Borrower will be notified by the Lender in writing of a change in the interest rate for the next interest period.</p> <p>The Borrower will pay accrued interest on a quarterly basis, starting from the date when the loan is issued and up to the end date of the term of the loan, within 5 business days after the end of the quarter.</p> <p>The Agreement will enter into force from the time when the funds are transferred to the Borrower, and will cease to have effect after the performance by the Parties of their obligations.</p>
1. Number of the transaction approved by the Board of Directors	11
2.1. Price (amount in USD)	USD8,830.41 per month, plus VAT of USD 1,589.47
2.2. Price (amount in RUB)	RUB 279,835.83 per month plus VAT of RUB 50,370.45
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 dated 1 November 2004 on non-residential premises (hereinafter the "Agreement")*.
6. Subject of the transaction	<p>In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 91.3 m<sup>2</sup>, located at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. Pursuant to Supplemental Agreement No. 04114500002 dated 1 May 2005, the Lessee was also provided premises for temporary use in the aforementioned building with a total area of 107.4 m<sup>2</sup>. The total area of the leased premises equals 198.7 m<sup>2</sup>.</p> <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> <li>- from 1 February 2012 the lease payment will increase from 251,686.67 roubles per month (plus VAT of 45,303.60 roubles) to 279,835.83 roubles per month (plus VAT of 50,370.45 roubles);</li> <li>- terms have been added to the Agreement stipulating that the Lessee must read the Regulations <i>On the Access Control and Internal Security Policy at the Administrative Buildings of OAO "LUKOIL"</i>, approved by Order of OAO "LUKOIL" No. 185 dated 9 November 2007 (hereinafter the "Regulations"), that the employees and visitors of the Lessee must comply with the requirements of the Regulations, and that the Lessee will have to pay the Lessor fines in the amount of 100,000 roubles for a violation by its employees and visitors of the requirements of the Regulations.</li> </ul>
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 OAO Naryanmarneftegaz.

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 February 2012.
1. Number of the transaction approved by the Board of Directors	12
2.1. Price (amount in USD)	-
2.2. Price (amount in RUB)	-
3. Names of parties	Open Joint Stock Company Rossiyskaya Innovatsionnaya Toplivno-Energeticheskaya Kompaniya [Russian Innovation Fuel and Power Company] (RITEK), Limited Liability Company Motors LTD (Motors LTD), Open Joint Stock Company "Oil company "LUKOIL" (LUKOIL), Limited Liability Company RITEK-Innovatsionno-Tekhnologicheskyy Tsentr [RITEK Innovation-Technology Centre] (the Company)
4. Names of beneficiaries	-
5. Name of transaction	Financing agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Parties determine the procedure and terms for the financing of the Company's activity, the procedure and terms for the provision of financing to the Company by the Participants and the repayment by the Company of the funds received from the Participants. The Participants are RITEK, as well as Motors LTD from the Date of entry into force, i.e. the date on which the 50% share in the charter capital of the Company being acquired by Motors LTD passes to the ownership of Motors LTD. The financing required by the Company to carry out its business activity will be provided by the Participants proportional to the sizes of their participatory interests, through the provision of loans pursuant to the procedure and on the terms and conditions defined in accordance with the Agreement (Participants' Loans), unless the Unanimous Decision of the Participants defines that any part of such financing will be provided in the form of contributions to charter capital or to the assets of the Company, or in any other lawful form. The Participants' Loans will be provided to finance the current and/or capital expenditures and expenses of the Company stipulated in the corresponding annual working programme and budget, unless another targeted purpose is determined by decision of the Participants. The Participants' Loans may be provided to the Company either directly by a Participant or by a Designated Lender defined for this purpose. The Designated Lender on the party of RITEK is LUKOIL.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.  Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Parties have agreed on the volume and structure of obligations of the Company that arose before the Date of entry into force, the costs and expenses on the performance of which will be financed by the Participants pursuant to the general procedure, proportional to their Shares. The Parties agree that: - not later than the Date of entry into force, Motors LTD will enter into a Participants' Loan Agreement, in accordance with which it will provide the Company with a Participants' Loan in an amount equal to RUB 88,565,328.75 (the "Initial Loan of Motors LTD"), which will be used by the Company to repay the Company's accounts payable to RITEK under contracts No.

	<p>19-03 and No. 20-03, arising before the Date of entry into force, and to partially repay the Company's loans received from LUKOIL under contracts No. 0610825 and No. 0710039;</p> <p>- not later than 3 (Three) business days from the Date of entry into force Motors LTD will provide a loan in the amount of RUB 88,565,328.75 under the Initial Loan, which will be used by the Company to repay the Company's accounts receivable to RITEK under contracts No. 19-03 and No. 20-03 arising before the Date of entry into force and (using the amount remaining) to repay the Company's loan received from LUKOIL under contract No. 0710039 of 26 January 2007. Until Motors LTD provides the full amount of the Initial Loan of Motors LTD, no obligations will arise for RITEK to provide financing to the Company.</p> <p>- not later than 30 Business Days from the later of the following dates: the Date of entry into force or the date of approval of the loan in accordance with the requirements of the Federal Law <i>On Joint Stock Companies</i>, RITEK and LUKOIL undertake to ensure the amendment of the loan agreements under which loans were provided to the Company before the Date of entry into force, in order to bring them into accord with the terms and conditions of the Participants' Loan Agreements defined by the Agreement, or to conclude a new Participants' Loan Agreement for the purposes of refinancing the Company's debt to LUKOIL remaining after the repayment.</p> <p>The Participants' Loans are provided by each of the Participants or by its Designated Lender in accordance with the contract to be concluded by the Company as the borrower and the corresponding Participant or its Designated Lender as the Lender, in essence in accordance with the form provided in the appendix (the "Participants' Loan Agreement"). The terms and conditions of the Agreement apply to all the Participants' Loans and will be considered to have been included in each Participants' Loan Agreement unless otherwise is explicitly determined by the Unanimous Decision of the Participants.</p> <p>The Parties proceed on the assumption that the terms and conditions of the Participants' Loan Agreements should be identical. Any amendments to any of the Participants' Loan Agreements may be made only by Unanimous Decision.</p> <p>In the absence of a Unanimous Decision stipulating otherwise, each Participants' Loan Agreement is concluded for the entire term of financing of the Company as agreed by the Participants unanimously.</p> <p>The Participants' Loans are provided to create a source of financing of the Company's costs stipulated in the corresponding approved Annual Budget.</p> <p>The Agreement enters into force, after it is signed by all Participants, on the Date of Entry into Force, but not earlier than the approval of the Agreement in accordance with the requirements of the Federal Law <i>On Joint Stock Companies</i>.</p>
1. Number of the transaction approved by the Board of Directors	13
2.1. Price (amount in USD)	The approximate amount of the annual commission fee is USD 1,757.75, plus VAT of USD 316.40 The approximate amount of the Agent's annual reimbursable expenses is USD 1,086,928.73, plus VAT of USD 195,589.65.
2.2. Price (amount in RUB)	The approximate amount of the annual commission fee is RUB 55,000, plus VAT of RUB 9,900. The approximate amount of the Agent's annual reimbursable expenses is RUB 34,010,000, plus VAT of RUB 6,120,000.
3. Names of parties	ZAO R-Vnedrenie (Principal) OAO "LUKOIL" (Agent)
4. Names of beneficiaries	-
5. Name of transaction	Agency agreement (hereinafter, the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Agent undertakes to perform legal and other actions for a fee, on the instructions of

	the Principal, in its own name but at the expense of the Principal, to ensure organisation of transportation of the Principal's oil to the domestic market of the Russian Federation, beyond the customs territory of the Russian Federation, and organisation of the Principal's oil storage and compounding in the OAO AK Transneft oil trunk pipeline system.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously a member of ZAO R-Vnedrenie, and his daughter, Elena Valerievna Panakova, is a Board member of ZAO R-Vnedrenie
8. Other material terms of the transaction	<p>The Principal undertakes to cover the Agent's expenses within the deadlines and in accordance with the procedure stipulated by the Agreement.</p> <p>The Principal undertakes to pay the Agent the agency fee of RUB 0.50 for each tonne of oil delivered to oil custody transfer, plus VAT of 18%, for ensuring transportation of oil to the domestic market of the Russian Federation.</p> <p>The Principal undertakes to pay the Agent the agency fee of RUB 11.20 for each tonne of oil delivered to oil custody transfer, plus VAT of 18%, for ensuring transportation beyond the customs territory of the Russian Federation.</p> <p>The Principal undertakes to pay the Agent the agency fee of RUB 1.30 for each tonne of oil transferred for storage, plus VAT of 18%, for ensuring storage of the Principal's oil in the OAO AK Transneft oil trunk pipeline system.</p> <p>The Principal undertakes to pay the Agent the agency fee of RUB 1.50 for each tonne of high-paraffine crude oil actually transferred for transportation, plus VAT of 18%, for ensuring compounding of the Principal's oil in the OAO AK Transneft oil trunk pipeline system.</p> <p>The Agreement enters into force from the time of its signing and remains in force till 31.12.2012, and as regards mutual settlements – until they have been completed in full.</p> <p>The Agreement shall be automatically extended for each subsequent calendar year unless one of the Parties has announced its termination by sending a written notice to this effect to the other Party two months prior to the expiration of the effective term.</p>
1. Number of the transaction approved by the Board of Directors	14
2.1. Price (amount in USD)	USD 148,858.75
2.2. Price (amount in RUB)	RUB 4,500,000
3. Names of parties	OAO "LUKOIL" (Company) Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Union)
4. Names of beneficiaries	-
5. Name of transaction	Donation Contract (hereinafter the "Contract").
6. Subject of the transaction	The Company will provide the Union with charitable assistance in the form of a donation of monetary funds in the amount of RUB 4,500,000. The Union undertakes to use the funds received for the performance of charter activities

	in 2012.
7. Grounds for status as an interested party	<p>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 Bureau of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.</p> <p>Alexander Nikolaevich Shokhin, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the President of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs, and a member of the Bureau of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.</p> <p>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.</p>
8. Other material terms of the transaction	The date of transfer of funds is the day when they are debited from the Company's settlement account.
1. Number of the transaction approved by the Board of Directors	15
2.1. Price (amount in USD)	From 01 February 2012 the lease payment equals USD 2,962.95 per month, plus VAT of USD 533.33.
2.2. Price (amount in RUB)	From 01 February 2012 the lease payment equals RUB 89,570 per month, plus VAT of RUB 16,122.60
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	<p>In accordance with the Agreement and the Supplemental Agreement thereto, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 63.6 m<sup>2</sup>, located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow.</p> <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> <li>- from 1 February 2012 the lease payment shall be increased from RUB 80,560 per month (plus VAT of RUB 14,500) to RUB 89,570 per month (plus VAT of RUB 16,122.60).</li> <li>- conditions are added to the Agreement stipulating that the Lessee must study the Regulations on the pass-control and internal regimes in the administrative buildings of OAO "LUKOIL", approved by OAO "LUKOIL" order No. 185 of 9 November 2007 (hereinafter the Regulations), on compliance with the Regulations by employees and visitors of the Lessee, and also the payment by the Lessee to the Lessor of penalties in the amount of RUB 100,000 for the violation by employees and visitors of the Lessee of the requirements of the Regulations.</li> </ul>
7. Grounds for status as an interested party	Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of the Independent non-profit organisation LUKOIL Athletic Club.

8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing, and extends to the legal relations between the Parties arising from 1 February 2012.
1. Number of the transaction approved by the Board of Directors	16
2.1. Price (amount in USD)	The approximate value of the transaction is up to USD 103,671,269.79, including loan interest.
2.2. Price (amount in RUB)	The approximate value of the transaction is up to RUB 3,078,000,000, including loan interest.
3. Names of parties	Limited Liability Company Bashneft-Polyus/ OOO Bashneft-Polyus (Borrower) Open Joint Stock Company "Oil company "LUKOIL" (Lender)
4. Names of beneficiaries	-
5. Name of transaction	Loan agreement (hereinafter the "Agreement")
6. Subject of the transaction	The Lender will provide monetary funds to the Borrower in an amount of up to RUB 2,850,000,000, pursuant to the terms of the Agreement and in accordance with the conditions and rules established by the Contract on the terms for financing by the Participants of the operations of the Limited Liability Company Bashneft-Polyus No. 1111116 dated 27 December 2011 (hereinafter the "Contract"), concluded between the Borrower, the Lender and OAO Joint Stock Oil Company Bashneft (which is the second participant in Limited Liability Company Bashneft-Polyus), on conditions of repayment, interest payment, maturity and targeted use. The Borrower undertakes to use the monetary funds received for their targeted purpose, and to repay the amount of the loan received to the Lender and to pay the interest accrued thereon by the dates and according to the procedure established by the Agreement and Contract.
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 Bashneft-Polyus.
8. Other material terms of the transaction	The Parties recognise the terms and provisions of the Contract as part of the Agreement, and they are considered to have been included therein. Interest will be accrued on the amount of the loan provided under the Agreement at a rate of 8.00 per cent per annum. The entire amount of the loan provided by the Lender to the Borrower under the Agreement, and the entire amount of interest accrued thereon, should be repaid in full by the Borrower to the Lender no later than 31 December 2012. The Agreement will enter into force on its signing by both Parties, and will remain in force until the Parties have performed their obligations in full.
1. Number of the transaction approved by the Board of Directors	17
2.1. Price (amount in USD)	The approximate amount of the commission fees is USD 11,855,135.49
2.2. Price (amount in RUB)	The approximate amount of the commission fees is RUB 354,350,000
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-

5. Name of transaction	Commission contract (hereinafter the “Contract”)
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes, for a fee, to perform a transaction involving the sale of oil (hereinafter the “commodity”) on the foreign market in its own name, but on the instructions and at the expense of the Principal.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK.  Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Commission Agent is obligated to conclude contracts with foreign legal entities (hereinafter the “Buyer”) in its own name, and to ensure the conditions necessary for their execution. The commission fee is RUB 220 per net tonne of oil sold to the Buyer, plus VAT in the amount of 18% of the commission fee. The Contract will enter into force from the date of its signing, and will remain in effect until 31 March 2013, and as regards mutual settlements – until they have been completed in full.

1. Number of the transaction approved by the Board of Directors	18
2.1. Price (amount in USD)	The approximate amount of the commission fees is USD 1,432,920.71
2.2. Price (amount in RUB)	The approximate amount of the commission fees is RUB 42,830,000
3. Names of parties	OAO RITEK (Commission Agent) OAO “LUKOIL” (Sub-commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Sub-commission contract (hereinafter the “Contract”)
6. Subject of the transaction	In accordance with the Contract, the Sub-commission Agent undertakes, for a fee, to perform a transaction involving the sale of oil (hereinafter the “commodity”) on the foreign market in its own name, but on the instructions and at the expense of the Commission Agent acting under the Commission contract with OAO UralOil.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK.  Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Sub-commission Agent is obligated to conclude contracts with foreign legal entities (hereinafter the “Buyer”) in its own name, and to ensure the conditions necessary for their execution, including settlement of all disputes arising during the execution of the contract. The commission fee is RUB 220 per net tonne of oil sold to the Buyer, plus VAT in the amount of 18% of the commission fee. The

	Contract will enter into force from the date of its signing, and will remain in effect until 31 March 2013, and as regards mutual settlements – until they have been completed in full.
1. Number of the transaction approved by the Board of Directors	19
2.1. Price (amount in USD)	The approximate amount of the commission fees is USD 1,321,512.21
2.2. Price (amount in RUB)	The approximate amount of the commission fees is RUB 39,500,000
3. Names of parties	<p>OAo RITEK (Principal)</p> <p>OAo “LUKOIL” (Commission Agent)</p>
4. Names of beneficiaries	-
5. Name of transaction	Commission contract (hereinafter the “Contract”)
6. Subject of the transaction	In accordance with the Contract, the Commission Agent undertakes, for a fee, to perform a transaction involving the sale of oil (hereinafter the “commodity”) of the Principal on the foreign market – to the Republic of Belarus - in its own name, but on the instructions, in the interest and at the expense of the Principal.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAo “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAo RITEK.</p> <p>Vladimir Vitalievich Mulyak, a member of the Management Committee of OAo “LUKOIL”, is simultaneously a member of the Board of Directors of OAo RITEK.</p>
8. Other material terms of the transaction	<p>The Commission Agent is obligated to conclude contracts with foreign legal entities (hereinafter the “Buyer”) in its own name, and to ensure the conditions necessary for their execution.</p> <p>The commission fee is RUB 220 per net tonne of oil sold to the Buyer, plus VAT in the amount of 18% of the commission fee. The Contract will enter into force from the date of its signing, and will remain in effect until 31 March 2013, and as regards mutual settlements – until they have been completed in full.</p>
1. Number of the transaction approved by the Board of Directors	20
2.1. Price (amount in USD)	-
2.2. Price (amount in RUB)	-
3. Names of parties	<p>OAo “LUKOIL”, OAo RITEK, OOO LUKOIL-Komi, OOO NMNG-MNA, OOO LUKOIL-KMN, OAo Ural-Oil, OOO LUKOIL-Volgograd, OOO LUKOIL-Nizhnevolzhskneft, OOO LUKOIL-RESURS, OOO LUKOIL-Volgogradneftepererabotka, OOO LUKOIL-Permnefteorgsintez, , OOO LUKOIL-Nizhegorodnefteorgsintez, OOO LUKOIL-UNP, OOO Stavrolen, OOO Saratovorgsintez, OOO LUKOIL-KGPZ, OOO LUKOIL-PNGP, OOO LUKOIL-SeveroZapadnefteprodukt, OOO LUKOIL-Volganefteprodukt, OOO LUKOIL-Uralnefteprodukt, OOO LUKOIL-Nizhnevolzhsknefteprodukt, OOO LUKOIL-Permnefteprodukt, OOO LUKOIL-Yugnefteprodukt, OOO LUKOIL-Tsentrnefteprodukt, OOO LUKOIL-Neftekhim, OOO LUKOIL-BUNKER, OOO LLK-International, OOO LUKOIL-Rezervnefteprodukt, OOO LUKOIL-AERO, OOO LUKOIL-Trans, OOO SK PECHORA, OOO LUKOIL-KNT, OAo Varandevsky terminal, OAo RPK-Vysotsk LUKOIL-II, OOO TD Energoservice, OOO LUKOIL-ENERGOSETI, OOO LUKOIL-Engineering, OOO LUKOIL- Nizhegorodniinefteproekt, OOO LUKOIL Trading House, OOO LUKOIL-INFORM, ZAO R-Vnedrenie,</p> <p>jointly called “Participants”, “Parties” and separately called “the Participant” or the “Party”.</p>

	OAO "LUKOIL" is also called "the Participant in Charge".
4. Names of beneficiaries	-
5. Name of transaction	Agreement on creating a Consolidated Taxpayer Group (hereinafter the "Agreement")
6. Subject of the transaction	Under the Agreement, the Participants are united on a voluntary basis without establishing a legal entity for the purposes of calculation and payment of the corporate profits tax with due regard to the combined financial result of the Participants' business performance. For the said purpose, the Participants shall establish a Consolidated Taxpayer Group (hereinafter the "CTG") in accordance with the procedure and on the terms prescribed by the Tax Code of the Russian Federation and this Agreement, for an indefinite term, and shall designate OAO "LUKOIL" the CTG's Participant in Charge (hereinafter the "Participant in Charge").
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.  Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	An organization where OAO "LUKOIL" holds a direct and/or indirect interest of at least 90% of its charter (share) capital may be a CTG Participant. The Participant in Charge is entitled to pay corporate profits tax (advance payments) for the CTG from its own funds and demand that Participants cover the expenses incurred thereby, and is obligated to reimburse the Participant the funds charged on the Participant by a tax authority as payment of the corporate profits tax (advance payments) in arrears, and also penalties and fines, except when the tax in arrears, penalties and fines are imposed on the Participant for the non-performance or undue performance by the aforementioned Participant of obligations stipulated by the Tax Code of the Russian Federation and this Agreement. Participants are entitled to seek from the Participant in Charge redress of funds charged on the Participant by a tax authority for the non-performance or undue performance by the Participant in Charge of the obligation pay the corporate profits tax (advance payments, penalties and fines).  The Participants shall, in accordance with the procedure and on the terms stipulated by the Agreement, transfer to the Participant in Charge the funds required for payment of the corporate profits tax (advance payments) for the CTG.  The amount to be transferred by each Participant to the Participant in Charge for payment of the corporate profits tax (advance payments) for the CTG or as a reimbursement of expenses incurred by the Participant in Charge through payment of the corporate profits tax (advance payments) for the CTG from its own funds shall be determined by the Participant in Charge in accordance with the procedure established by the Agreement. The Participant in Charge shall duly notify each Participant of the said amounts and the deadlines when the Participant concerned has to pay these amounts.
1. Number of the transaction approved by the Board of Directors	21
2.1. Price (amount in USD)	The cost of the services to be provided equals USD 509.68, plus VAT of USD 91.74
2.2. Price (amount in RUB)	The cost of the services to be provided equals RUB 15,000, plus VAT of RUB 2,700

3. Names of parties	OAO "LUKOIL" (Client) Federal State Autonomous Educational Institution of Higher Professional Education 'National Research University – Higher School of Economics' (Educational Service Provider)
4. Names of beneficiaries	-
5. Name of transaction	Agreement on the provision of fee-based educational services (hereinafter the "Agreement")
6. Subject of the transaction	The Educational Service Provider undertakes to provide fee-based educational services to the Client by organizing and holding a seminar on "Rotational team method as a specific form of work process" of 16 study hours. The Client shall authorize and the Educational Service Provider shall enroll Lead Specialist N.N. Fedyunin for this course as a Course Participant.
7. Grounds for status as an interested party	Alexander Nikolaevich Shokhin, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the President and a member of the Supervisory Board of the Federal State Autonomous Educational Institution of Higher Professional Education 'National Research University – Higher School of Economics'  Herman Oskarovich Gref, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of the Federal State Autonomous Educational Institution of Higher Professional Education 'National Research University – Higher School of Economics'
8. Other material terms of the transaction	At the end of the seminar, the Educational Service Provider undertakes to issue a Seminar Participation Certificate to the Course Participant. The seminar will be held from 19 to 20 April 2012. The date of payment shall be the day when the funds are debited from the Client's settlement account. The Agreement will enter into force on its signing by both Parties, and will remain in force until the Parties have performed their obligations in full.
1. Number of the transaction approved by the Board of Directors	22
2.1. Price (amount in USD)	USD 3,431,002.54, plus VAT of USD 617,580.46
2.2. Price (amount in RUB)	RUB 101,694,915.25, plus VAT of RUB 18,305,084.75
3. Names of parties	OAO Futbolny Klub Spartak-Moskva [Spartak Moscow Football Club] (the Club) OAO "LUKOIL" (Sponsor)
4. Names of beneficiaries	-
5. Name of transaction	Sponsorship Agreement (hereinafter the "Agreement").
6. Subject of the transaction	Under the Agreement, the Sponsor provides sponsorship assistance to the Club aimed at preparing the Club's professional sportsmen for national competitions (the Russian Championship, the Russia Cup) and international competitions in accordance with the official match schedule, on terms of distribution of the Sponsor's advertising in accordance with 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 Futbolny Klub Spartak-Moskva, and his brother, Andrei Arnoldovich Fedun, is a member of the Board of Directors of OAO Futbolny Klub 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 Futbolny Klub Spartak-Moskva.

	<p>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Futbolny Klub 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 Futbolny Klub Spartak-Moskva</p>
8. Other material terms of the transaction	<p>The Club is obligated to assign the Sponsor the status of a General Sponsor of OAO Futbolny Klub Spartak-Moskva [Spartak Moscow Football Club] and submit draft layouts and samples of advertising materials to the Sponsor for approval, which materials are stipulated by the Agreement. Distribution and placement of the said advertizing materials is only admissible after their approval by the Sponsor in writing.</p> <p>At the Sponsor's request, the Club will provide photographic and video materials confirming the Club's performance of its obligations under the Agreement.</p> <p>The Agreement will enter into force from the date of its signing, and will remain in force till 31.12.2012, and with regard to settlements, until the Parties have discharged their obligations in full.</p> <p>Payment will be performed by advance wire-transfer by the Sponsor of funds to the Club's settlement account.</p>
1. Number of the transaction approved by the Board of Directors	23
2.1. Price (amount in USD)	USD 202,429.15
2.2. Price (amount in RUB)	RUB 6,000,000
3. Names of parties	OAO "LUKOIL" (Company) International Association of Trade-Union Organisations of OAO "LUKOIL" (IATUO)
4. Names of beneficiaries	-
5. Name of transaction	Donation Contract (hereinafter the "Contract")
6. Subject of the transaction	In accordance with the Contract, the Company shall transfer a contribution of RUB 6,000,000 to IATUO for the purposes of promoting physical fitness and popular sports pursuant to Appendix No.1 ( <i>IATUO of OAO "LUKOIL" Action Plan for organizing large-scale sports and fitness activities</i> ) and Appendix No.2 ( <i>2012 Sports Budget</i> ), being an integral part of the Contract.
7. Grounds for status as an interested party	<p>Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL".</p>
8. Other material terms of the transaction	The day when the monetary funds are debited from the Company's settlement account will be the date of performance of the Company's payment obligations. IATUO undertakes to provide the Company with a report on the use of transferred funds by 30 June 2013. If the funds are used for a purpose other than their designated purpose, IATUO undertakes to return the amount received
1. Number of the transaction approved by the Board of Directors	24
2.1. Price (amount in USD)	From 1 April 2012 – USD 134,928.29 per month, plus VAT of USD 24,287.09 per month. From 9 April 2012 – USD 139,332.15 per month, plus VAT of USD 25,079.89 per month.

	From 1 June 2012 – USD 145,094.86 per month, plus VAT of USD 26,117.08 per month.
2.2. Price (amount in RUB)	From 1 April 2012 – RUB 3,979,035.50 per month, plus VAT of RUB 716,226.30 per month. From 9 April 2012 – RUB 4,108,905 per month, plus VAT of RUB 739,605.90 per month. From 1 June 2012 – RUB 4,278,847.50 per month, plus VAT of RUB 770,192.55 per month.
3. Names of parties	OOO LUKOIL Trading House (Lessee) OAO “LUKOIL” (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0910352 of 1 June 2009 on non-residential premises (hereinafter the “Agreement”).*
6. Subject of the transaction	<p>In accordance with the Agreement, the Lessor transfers to the Lessee for temporary use the non-residential premises with a total area of 2,903.6 m<sup>2</sup>, located in the building at the address: 3 Pokrovsky bulvar, building 1, Moscow (hereinafter the “Building”).</p> <p>In accordance with the Supplemental Agreement:</p> <p><b>1.</b> On 1 April 2012 the Lessor will provide the Lessee with non-residential premises with a total area of 83.5 m<sup>2</sup>, specifically: room No. 20, located (pursuant to the passport of the Bureau of Technical Inventory) in Premises No. I of the basement of the Building. From 1 April 2012 the total area of all leased premises will be 2,987.1 m<sup>2</sup>. From 1 April 2012 the size of the lease payment for the use of the premises with a total area of 238.0 m<sup>2</sup> located in the basement of the Building will be RUB 13,500 per square meter of total area per year, plus VAT of RUB 2,430, and for the use of premises with a total area of 2,749.1 m<sup>2</sup> located on the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> floors, the lease payment will be RUB 16,200 per square meter of total area per year, plus VAT of RUB 2,916. From 1 April 2012, the total lease payment under the Agreement will be RUB 3,979,035.00 per month, plus VAT of RUB 716,226.30 per month.</p> <p><b>2.</b> On 9 April 2012 the Lessor will provide the Lessee with non-residential premises with a total area of 96.2 m<sup>2</sup>, specifically: room No. 156, located (pursuant to the passport of the Bureau of Technical Inventory) in Premises No. I on the 3<sup>rd</sup> floor of the Building. From 9 April 2012 the total area of all leased premises will be 3,083.3 m<sup>2</sup>. From 9 April 2012 the size of the lease payment for the use of the premises with a total area of 238.0 m<sup>2</sup> located in the basement of the Building will be RUB 13,500 per square meter of total area per year, plus VAT of RUB 2,430, and for the use of premises with a total area of 2,845.3 m<sup>2</sup> located on the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> floors, the lease payment will be RUB 16,200 per square meter of total area per year, plus VAT of RUB 2,916. From 9 April 2012, the total lease payment under the Agreement will be RUB 4,108,905.00 per month, plus VAT of RUB 739,602.90 per month.</p> <p><b>3.</b> From 1 June 2012 the size of the lease payment for the use of the premises with a total area of 238.0 m<sup>2</sup> located in the basement of the Building will be RUB 13,700 per square meter of total area per year, plus VAT of RUB 2,466, and for the use of premises with a total area of 2,845.3 m<sup>2</sup> located on the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> floors, the lease payment will be RUB 16,900 per square meter of total area per year, plus VAT of RUB 3,042. From 1 June 2012, the total lease payment under the Agreement will be RUB 4,278,847.50 per month, plus VAT of RUB 770,192.55 per month.</p>
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.

8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing and extends to the legal relations between the Parties arising from 1 April 2012.
1. Number of the transaction approved by the Board of Directors	25
2.1. Price (amount in USD)	The amount of the overdraft is USD 50,830,227.04
2.2. Price (amount in RUB)	The amount of overdraft is RUB 1,500,000,000
3. Names of parties	OAo Bank Petrocommerce (Lender) OAo "LUKOIL" (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Overdraft agreement to Corporate Resident Bank Account Agreement No. 0410828 of 1 June 2004 (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Bank opens a settlement account in Russian currency (the Account) and provides settlement and cash services on the terms and pursuant to the procedure stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Agreement. In accordance with the Agreement, the Lender agrees to credit the Borrower's account within the limits of the Current Limit of the overdraft established by the Lender by paying the Borrower's payment documents in the absence or insufficiency of funds on the Borrower's Account, and the Borrower undertakes to repay the Loans received and pay interest on them, and also other payments to the Lender in the amount, following the procedure, and on the terms stipulated by 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. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAo "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAo Bank Petrocommerce. Leonid Arnoldovich Fedun, a member of the Management Committee of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.
8. Other material terms of the transaction	For the use of the loan provided under the Agreement, the Borrower will pay the Lender interest at the refinancing rate (discount rate) established by the Bank of Russia for the duration of the effective term of the Agreement. The loans are provided by the Lender to the Borrower provided that there is no overdue debt on the loan and/or interest under the Agreement and/or other loan agreements concluded with the Lender. The Contract enters into force from the time of its signing and is valid until 27 May 2013 (inclusive). The end of the effective term of the Agreement will not entail the termination of the obligations of the Parties thereunder.
1. Number of the transaction approved by the Board of Directors	26
2.1. Price (amount in USD)	The lease payment equals USD 1,632.16 per month, plus VAT of USD 293.79.
2.2. Price (amount in RUB)	The lease payment equals RUB 48,165 per month, plus VAT of RUB 8,669.70.
3. Names of parties	OAo "LUKOIL" (Lessor) Non-Profit Organisation LUKOIL Charitable Fund (Lessee)

4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0710169 of 16 March 2007 on non-residential premises (hereinafter the "Agreement").*
6. Subject of the transaction	Pursuant to the Agreement, the Lessor provides to the Lessee for temporary use non-residential premises (rooms No. 16 and No. 17) with a total area of 34.2 m <sup>2</sup> , located in premises No. I on the 4 <sup>th</sup> floor of building C at the address: 11 Sretensky bulvar, Moscow. In accordance with the Supplemental Agreement, from 1 June 2012 the lease payment will be increased from RUB 46,170 per month (plus VAT of RUB 8,310.60) to RUB 48,165 per month (plus VAT of RUB 8,669.70).
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperov, a member of the Foundation Board. Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Foundation Board. Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Foundation Board. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Foundation Board. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Foundation Board.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing.
1. Number of the transaction approved by the Board of Directors	27
2.1. Price (amount in USD)	From 1 May 2012 – USD 137,173.44 per month, plus VAT of USD 24,691.22 per month. From 1 June 2012 – USD 142,849.52 per month, plus VAT of USD 25,712.91 per month.
2.2. Price (amount in RUB)	From 1 May 2012 – RUB 4,152,240 per month, plus VAT of RUB 747,403.20 per month. From 1 June 2012 – RUB 4,324,055 per month, plus VAT of RUB 778,329.90 per month.
3. Names of parties	OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0910352 of 1 June 2009 on non-residential premises (hereinafter the "Agreement").*
6. Subject of the transaction	In accordance with the Agreement, the Lessor transfers to the Lessee for temporary use the non-residential premises with a total area of 3,083.3 m <sup>2</sup> , located in the building at the address: 3 Pokrovsky bulvar, building 1, Moscow (hereinafter the "Building"). In accordance with the Supplemental Agreement: 1. On 1 May 2012 the Lessor will provide the Lessee with non-residential premises with a total area of 32.1 m <sup>2</sup> , specifically: room No. 129, located (pursuant to the passport of the Bureau of Technical Inventory) in Premises No. I on the 3 <sup>rd</sup> floor of the Building. From 1 May 2012 the total area of all leased premises will be 3,115.4 m <sup>2</sup> . From 1 May 2012 the size of the lease payment for the use of the premises with a total area of 238 m <sup>2</sup> located in the basement of the Building will be RUB 13,500 per square meter of total area per year, plus VAT of RUB 2,430, and for the use of premises with a total area of 2,877.4 m <sup>2</sup> located on the 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> floors, the lease payment will be RUB 16,200 per square meter of total area per year, plus VAT of RUB 2,916. From 1 May 2012, the total lease payment under the Agreement will be RUB 4,152,240 per month, plus VAT of RUB 747,403.20

	<p>per month.</p> <p>2. From 1 June 2012 the size of the lease payment for the use of the premises with a total area of 238 m<sup>2</sup> located in the basement of the Building will be RUB 13,700 per square meter of total area per year, plus VAT of RUB 2,466, and for the use of premises with a total area of 2,877.4 m<sup>2</sup> located on the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> floors, the lease payment will be RUB 16,900 per square meter of total area per year, plus VAT of RUB 3,042.</p> <p>From 1 June 2012, the total lease payment under the Agreement will be RUB 4,324,055 per month, plus VAT of RUB 778,329.90 per month.</p>
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing and extends to the legal relations between the Parties arising from 1 May 2012.
1. Number of the transaction approved by the Board of Directors	28
2.1. Price (amount in USD)	The approximate amount of commission fee is USD 1,186,943.62.
2.2. Price (amount in RUB)	The approximate amount of commission fee is RUB 36,000,000.
3. Names of parties	OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent)
4. Names of beneficiaries	-
5. Name of transaction	Commission Agreement (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions on the sale on the external market of the Principal's oil, in its own name and at the expenses of the Principal, on terms of FOB Kamenny (Obskaya guba) and/or FOB Murmansk.
7. Grounds for status as an interested party	<p>Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.</p> <p>Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK.</p>
8. Other material terms of the transaction	<p>The Commission Agent undertakes in its own name to conclude a contract with a foreign legal entity (hereinafter the "Buyer") and ensure the conditions for its execution, including resolution of all disputes arising during the execution of the contract.</p> <p>The amount of the commission fee is RUB 180 for each net tonne of oil sold to the Buyer, plus VAT at the rate of 18% of the amount of the commission fee.</p> <p>The Contract enters into force from the time of its signing and will remain in force until 30 June 2013, and as regards mutual settlements – until they have been completed in full.</p>
1. Number of the transaction approved by the Board of Directors	29
2.1. Price (amount in USD)	USD 223,072,020.39
2.2. Price (amount in RUB)	RUB 7,000,000,000

3. Names of parties	OAO "LUKOIL" (Borrower) OOO LUKOIL Trading House (Lender)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 05109676 of 29 September 2005 (hereinafter the "Agreement").*
6. Subject of the transaction	Pursuant to the Agreement and the Supplemental Agreements thereto, the Lender will provide the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments), the total amount of debt on which may not exceed RUB 5,000,000,000 at any time of and on the terms set forth in 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 loan amount under the Agreement shall increase by RUB 2,000,000,000. – point 1.1 of the Agreement is set out in a new version, stipulating the increase in the amount of the loan to RUB 7,000,000,000.
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.
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 10 May 2012, and is an integral part of the Agreement.
1. Number of the transaction approved by the Board of Directors	30
2.1. Price (amount in USD)	The lease payment equals USD 721.52 per month, plus VAT of USD 129.87.
2.2. Price (amount in RUB)	The lease payment is RUB 23,237.50 per month, plus VAT of RUB 4,182.75.
3. Names of parties	OAO "LUKOIL" (Lessor) OAO Spartak Stadium (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0810612 on non-residential premises of 14 July 2008 (hereinafter the "Agreement").*
6. Subject of the transaction	In accordance with the Agreement, the Lessor undertakes to provide to the Lessee for temporary use the non-residential premises with a total area of 16.9 m <sup>2</sup> , specifically room No. 77, located in Premises No. VIII in the basement of the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. In accordance with the Supplemental Agreement, from 1 July 2012 the lease payment will be increased from RUB 13,500 per m <sup>2</sup> of total floor space per year (plus VAT of RUB 2,430) to RUB 16,500 per m <sup>2</sup> of total floor space per year (plus VAT of RUB 2,970.00). From 1 July 2012, the total payment due per month will be RUB 23,237.50, plus VAT of RUB 4,182.75.
7. Grounds for status as an interested party	Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the brother of Andrei Arnoldovich Fedun, the General Director of OAO Spartak Stadium. .
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing and extends to the relations between the parties arising from 1 July 2012.

1. Number of the transaction approved by the Board of Directors	31
2.1. Price (amount in USD)	The lease payment equals USD 1,191.79 per month, plus VAT of USD 214.52.
2.2. Price (amount in RUB)	The lease payment equals RUB 38,383.33 per month, plus VAT of RUB 6,909 roubles.
3. Names of parties	OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Lease Agreement on non-residential premises (hereinafter the "Agreement").
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides to the Lessee for temporary use non-residential premises with a total area of 23.5 m <sup>2</sup> , specifically: room No. 72, located (pursuant to the passport of the Bureau of Technical Inventory) in Premises No. I on the 4 <sup>th</sup> floor of the building at the address: 3 Pokrovsky bulvar 3, bldg. 1, Moscow.
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.
8. Other material terms of the transaction	The Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 25 June 2012. The Agreement will remain in effect until 31 July 2012 inclusive, and as concerns settlements the Agreement will remain in effect until they are completed in full.
1. Number of the transaction approved by the Board of Directors	32
2.1. Price (amount in USD)	USD 20,000,000
2.2. Price (amount in RUB)	RUB 644,130,000
3. Names of parties	OAO "LUKOIL" (Guarantor) OOO LUKOIL Trading House (Debtor)
4. Names of beneficiaries	-
5. Name of transaction	Indemnity contract (hereinafter the "Contract").
6. Subject of the transaction	The Parties have concluded the Contract in connection with the Contract of Guarantee between the Guarantor and Closed Joint-Stock Company Royal Bank of Scotland (Bank) (hereinafter the "Contract of Guarantee"), concluded as security for the performance of the Debtor's obligations to the Bank in an amount not to exceed USD 20,000,000, pursuant to the General Terms on the issue of guarantees, documentary and standby letters of credit by the Bank, as well as interest, penalties, late payment interest and fines and other guaranteed payments. The Parties have reached an agreement to consider the amount paid by the Guarantor to the Bank in performance of the obligations under the Contract of Guarantee to be the amount subject to repayment by the Debtor to the Guarantor, with payment of interest for its use on the terms, by the deadlines and according to the procedure determined by the Contract.
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.

8. Other material terms of the transaction	<p>The Debtor undertakes to pay the Guarantor an amount in roubles at the exchange rate of the Central Bank of the Russian Federation on the date of performance of the services on the provision of the guarantee equal to USD 2,000, as well as VAT in an amount equal to USD 360, within 180 calendar days after the signing of the Contract of Guarantee as remuneration of the Guarantor for the provision of the guarantee.</p> <p>The Debtor will pay interest to the Guarantor on the amount of the funds transferred by the Guarantor to the Bank in performance of the obligations under the Contract of Guarantee in an amount to be determined in accordance with the Marketing Policy on establishing interest rates on loans between OAO "LUKOIL" and the Russian organisations of the LUKOIL Group.</p> <p>This Contract will enter into force from the day of its signing, and will remain in force until the Parties have completely discharged the obligations they have accepted.</p>
1. Number of the transaction approved by the Board of Directors	33
2.1. Price (amount in USD)	USD 20,000,000
2.2. Price (amount in RUB)	RUB 644,130,000
3. Names of parties	Closed Joint-Stock Company Royal Bank of Scotland (Bank) OAO "LUKOIL" (Guarantor)
4. Names of beneficiaries	OOO LUKOIL Trading House (Company)
5. Name of transaction	Contract of Guarantee (hereinafter the "Contract")
6. Subject of the transaction	<p>Pursuant to the Contract, the Guarantor assumes the obligation to be liable to the Bank for the full and due performance by the Company of its obligations under all concluded Contracts on the issue of payment obligations (hereinafter the "Secured Contracts").</p> <p>The Guarantor agrees to bear joint and several liability with the Company on the payment in full of all monetary amounts due and payable by the Company under each Secured Contract, including but not limited to all amounts to be repaid by the Company in accordance with any Secured Contract (including the aggregate amount of all opened documentary lines of credit and/or issued guarantees), as well as accrued interest, all mandatory payments, all commission fees, documented expenses and all fines stipulated by any Secured Contract (hereinafter the "Secured Obligations").</p> <p>The total amount under the Secured Contracts will not exceed USD 20,000,000.</p> <p>In case of the non-performance of the Secured Obligations by the Company, the Guarantor will irrevocably and unconditionally assume the obligation, at the first written request, to perform the following within 5 (five) business days after the date of receipt of the corresponding request of the Bank:</p> <ul style="list-style-type: none"> <li>- to perform the Secured Obligations (in full or to the extent requested by the Bank), and;</li> <li>- to reimburse the Bank for any documented losses, costs and expenses incurred thereby as a result of the non-performance of the Secured Obligations by the Company.</li> </ul>
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.
8. Other material terms of the transaction	<p>The Guarantor's obligations under the Contract will remain in effect until the earlier of the following dates:</p> <ul style="list-style-type: none"> <li>- the date of full and due performance of the Secured Obligations by the Company under the relevant Secured Contract;</li> <li>- the date of full and due performance of the Guarantor's obligations under the Contract;</li> <li>- four years after the date of conclusion of the Contract.</li> </ul>
1. Number of the transaction approved by the Board of Directors	34

2.1. Price (amount in USD)	The lease payment equals USD 8,854.73 per month, plus VAT of USD 1,593.85.
2.2. Price (amount in RUB)	The lease payment equals RUB 285,180 per month, plus VAT of RUB 51,332.40.
3. Names of parties	OAo Bank Petrocommerce (Lessee) OAo "LUKOIL" (Lessor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Lease Agreement No. 0910680 of 1 October 2009 on non-residential premises (hereinafter the "Agreement").*
6. Subject of the transaction	In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 174.6 m <sup>2</sup> , located in the building at the address: 11 Sretensky bulvar, Moscow. In accordance with the Supplemental Agreement, from 1 October 2012 the lease payment will increase from RUB 235,710.00 a month, plus VAT of RUB 42,427.80, to RUB 285,180.00 a month, plus VAT of RUB 51,332.40.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAo "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAo Bank Petrocommerce. Leonid Arnoldovich Fedun, a member of the Management Committee of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of signing. All other terms of the Agreement remain unchanged.
1. Number of the transaction approved by the Board of Directors	35
2.1. Price (amount in USD)	The approximate fees for the services USD 135,972.22, plus VAT of USD 22,530.56.
2.2. Price (amount in RUB)	The approximate fees for the services are RUB 4,405,500, plus VAT of RUB 729,990.
3. Names of parties	OAo RITEK (Client) OAo "LUKOIL" (Contractor)
4. Names of beneficiaries	-
5. Name of transaction	Service contract (hereinafter the "Contract").
6. Subject of the transaction	Pursuant to the Contract, the Contractor undertakes to provide real-time well construction monitoring services according to the procedure and on the terms stipulated by the Contract (hereinafter the "services"), and the Client undertakes to provide the Contractor with all information and documents required to provide the indicated services in a timely manner, to accept the services rendered, and to pay the Contractor for the indicated services.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo RITEK.
8. Other material terms of the transaction	In 2012 the services under the Contract will be provided on wells on which construction was performed during the period from 1

	<p>January 2012 and on which construction had not been completed as at the contract date, as well as on wells on which construction was started after the indicated period.</p> <p>The parties establish that the Contractor's fees for the services stipulated by the Contract are RUB 16,500 per day of monitoring of one well, plus VAT (18%) in the amount of 2,970 roubles. The service fees under the Contract are specified in the Service Completion Report, based on the actual number of days of monitoring of one well.</p> <p>The Contract enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 1 January 2012. The Contract will remain in effect until it is terminated in accordance with effective legislation or the terms of the Contract.</p>
1. Number of the transaction approved by the Board of Directors	36
2.1. Price (amount in USD)	USD 2,505,412.93
2.2. Price (amount in RUB)	RUB 81,000,000
3. Names of parties	<p>OAo "LUKOIL" (Company)</p> <p>Non-Profit Charity Organisation Russian Olympians Foundation (Foundation)</p>
4. Names of beneficiaries	-
5. Name of transaction	Donation contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Company will make a gratuitous charitable contribution of RUB 81,000,000 to the Foundation, and the Foundation undertakes to use the funds received to support and develop the Russian Olympic movement and for other activity of the Foundation.
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAo "LUKOIL", is simultaneously a member of the Foundation's Board of Trustees and a founder (participant) of the Foundation.
8. Other material terms of the transaction	<p>The Company has the right to request a report from the Foundation on the use of the funds.</p> <p>The Company also has the right to terminate the Contract early and to demand the return of the funds if they are being used by the Foundation for goals other than those stipulated in the Contract.</p> <p>The Contract will remain in effect until the performance by the Parties of their obligations in full.</p>
1. Number of the transaction approved by the Board of Directors	37
2.1. Price (amount in USD)	The amount of the licence fees are USD 30,336.37, plus VAT of USD 5,460.55
2.2. Price (amount in RUB)	The amount of the licence fees are RUB 965,000, plus VAT of RUB 173,700
3. Names of parties	<p>OAo RITEK (Licensee)</p> <p>OAo "LUKOIL" (Licensor)</p>
4. Names of beneficiaries	-
5. Name of transaction	Licence agreement (hereinafter the "Agreement")
6. Subject of the transaction	In accordance with the Agreement the Licensor, which holds exclusive rights to the following intellectual property: "Corporate Methodological Guidelines on Performance and Interpretation of Pressure Transient Testing of the Conditions of Terrigenous and Carbonate Formations of the Deposits of the LUKOIL Group" (hereinafter the "Corporate Methodological Guidelines"), provides the Licensee with the right to use the Corporate Methodological Guidelines, and the Licensee will pay remuneration for the provision of

	this right according to the procedure and on the terms stipulated by the Agreement.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Licensee is granted the right to use the Corporate Methodological Guidelines on the territory of the Russian Federation from the date indicated in the Act on granting the right, for the entire effective term of the Agreement. The Agreement was concluded for a term of five years, and will enter into force from the date of its signing by the Parties and remain in force until the Parties perform the obligations they have assumed in full.
1. Number of the transaction approved by the Board of Directors	38
2.1. Price (amount in USD)	USD 62,754.94
2.2. Price (amount in RUB)	RUB 2,000,000
3. Names of parties	OAO "LUKOIL" (Company) Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Union)
4. Names of beneficiaries	-
5. Name of transaction	Donation contract (hereinafter the "Contract").
6. Subject of the transaction	In accordance with the Contract, the Company will make a monetary contribution to the Union in the amount of RUB 2,000,000, to finance the work the Union's Tax Policy Committee to bring in experts to participate in legislative drafting activity aimed at improving tax and other legislation.
7. Grounds for status as an interested party	Vagit Yusufovich Alekperov, President of OAO "LUKOIL", a member of the Board of Directors of OAO "LUKOIL" and Chairman of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Management Bureau of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.  Alexander Nikolaevich Shokhin, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the President of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs and a member of the Management Bureau of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.  Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.
8. Other material terms of the transaction	The date of transfer of funds is the day when they are debited from the Company's settlement account.
1. Number of the transaction approved by the Board of Directors	39
2.1. Price (amount in USD)	-
2.2. Price (amount in RUB)	-
3. Names of parties	OAO Bank Petrocommerce (Bank) OAO "LUKOIL" (Client)

4. Names of beneficiaries	-
5. Name of transaction	Contract on the foreign-currency bank account of a resident legal entity/sole proprietor (the "Contract").
6. Subject of the transaction	In accordance with the Contract the Bank opens for the Client a current account in Kazakhstan tenge 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.
7. Grounds for status as an interested party	Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce
8. Other material terms of the transaction	The Bank will open the account for the Client after the Client submits documents pursuant to the list determined by the Bank in accordance with the effective legislation of the Russian Federation and the regulatory acts of the Bank of Russia. The Contract is being concluded for an unlimited term and enters into force from the day it is signed by both Parties.
1. Number of the transaction approved by the Board of Directors	40
2.1. Price (amount in USD)	The approximate amount of interest for the period from 26.12.2012 to 25.12.2013 will equal USD 5,508,749.19.
2.2. Price (amount in RUB)	The approximate amount of interest for the period from 26.12.2012 to 25.12.2013 will equal RUB 170,000,000
3. Names of parties	OAO "LUKOIL" (Lender) OOO Tsentrikasneftegaz (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	Under the Agreement, the Lender provides the Borrower with a special-purpose loan worth a total of no more than RUB 2,010,729,000, and the Borrower undertakes to repay the funds received and pay interest thereon by the dates and pursuant to the procedure established by the Agreement. In accordance with the Supplemental Agreement, point 3.1 of the Agreement is set out in a new version, stipulating the extension of the term of the loan to 25 December 2013 inclusive, with the right of early repayment.
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 Tsentrikasneftegaz.
8. Other material terms of the transaction	The Supplemental Agreement to the Agreement is being concluded with the aim of further financing of the operations of the Borrower on developing the hydrocarbon resources of the Tsentralnoe deposit.
1. Number of the transaction approved by the Board of Directors	41
2.1. Price (amount in USD)	The approximate amount of interest for the period from 26.12.2012 to 25.12.2013 will equal USD 5,281,918.34.

2.2. Price (amount in RUB)	The approximate amount of interest for the period from 26.12.2012 to 25.12.2013 will equal RUB 163,000,000
3. Names of parties	OAO "LUKOIL" (Lender) OOO TsentrKaspneftegaz (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0710253 of 9 April 2007 (hereinafter the "Agreement")*
6. Subject of the transaction	Under the Agreement, the Lender provides the Borrower with a special-purpose loan worth a total of no more than RUB 1,920,000,000, and the Borrower undertakes to repay the funds received and pay interest thereon by the dates and pursuant to the procedure established by the Agreement. In accordance with the Supplemental Agreement, point 4.1 of the Agreement is set out in a new version, stipulating the extension of the term of the loan to 25 December 2013 inclusive, with the right of early repayment.
7. Grounds for status as an interested party	Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OOO TsentrKaspneftegaz.
8. Other material terms of the transaction	The other terms of the Agreement remain unchanged.
1. Number of the transaction approved by the Board of Directors	42
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO "LUKOIL" ("LUKOIL") International Association of Trade-Union Organisations of OAO "LUKOIL" (IATUO) The Russian Oil, Gas and Construction Workers' Union (ROGWU) IndustriALL Global Union (IndustriALL)
4. Names of beneficiaries	-
5. Name of transaction	Agreement
6. Subject of the transaction	Exchange of information between LUKOIL and IndustriALL with the participation of IATUO and ROGWU, ensuring observation of the principles of the UN Global Initiative and also the key principles on labour and the environment enshrined in the UN and ILO conventions.
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 agreement extends to all areas of operations and organisations directly controlled by LUKOIL.

1. Number of the transaction approved by the Board of Directors	43
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO "LUKOIL" (Company) International Association of Trade Union Organisations of OAO "LUKOIL" (Association)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Gratuitous Use Contract No. 0310992 of 27.07.2003 (hereinafter the "Contract")*.
6. Subject of the transaction	Pursuant to the Contract, the Company property on its balance sheet for the gratuitous use of the Association. According to the Supplemental Agreement, the Company will also provide office equipment (laptop, CPUs, monitor, etc.) for the gratuitous use of the Association from 1 November 2012.
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	Execution of the Agreement between the Employer and the Trade Union Association of Open Joint-Stock Company "Oil company "LUKOIL"
1. Number of the transaction approved by the Board of Directors	44
2.1. Price (amount in USD)	The approximate amount of the annual agency fee will equal USD 60.19, plus VAT of USD 10.93. The approximate amount of the Agent's reimbursable expenses for the year will equal USD 601,872.78, plus VAT of USD 107,691.31.
2.2. Price (amount in RUB)	The approximate amount of the annual agency fee will equal RUB 1,864, plus VAT of RUB 335.52. The approximate amount of the Agent's reimbursable expenses for the year will equal RUB 18,640,000, plus VAT of RUB 3,335,200.
3. Names of parties	OAO "LUKOIL" (Agent) OAO RITEK (Principal)
4. Names of beneficiaries	-
5. Name of transaction	Agency agreement (hereinafter, the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, at the request of the Principal the Agent undertakes to conclude a contract with ZAO KPMG in its own name but at the expense of the Principal, on the performance of an audit of the Principal's financial statements for 2012 in accordance with Russian Accounting Standards
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.

8. Other material terms of the transaction	<p>The Agent undertakes to provide the Principal with a report on the exercise of the agency authority within 5 business days from the Agent's latest payment to ZAO KPMG for the audit of the Principal's financial statements.</p> <p>The Principal undertakes to reimburse the Agent for all expenses incurred thereby in connection with the exercise of the agency authority, including VAT (18%), and pay the Agent's fee no later than 10 business days from the date the Agent's report is approved.</p> <p>The Agent's fee shall be set at 0.01% of the amount of the Agent's expenses incurred under the contract with ZAO KPMG, plus VAT of 18%.</p> <p>The Agreement enters into force from the date it is signed by authorized representatives of the Parties and shall remain in effect until the Parties perform their obligations in full.</p>
1. Number of the transaction approved by the Board of Directors	45
2.1. Price (amount in USD)	The approximate amount of the annual agency fee will equal USD 15.66, plus VAT of USD 2.82. The approximate amount of the Agent's reimbursable expenses for the year will equal USD 156,603.16, plus VAT of USD 28,188.57.
2.2. Price (amount in RUB)	The approximate amount of the annual agency fee will equal RUB 485, plus VAT of RUB 87.3. The approximate amount of the Agent's reimbursable expenses for the year will equal RUB 4,850,000, plus VAT of RUB 873,000.
3. Names of parties	<p>OAO "LUKOIL" (Agent)</p> <p>OOO LUKOIL Trading House (Principal)</p>
4. Names of beneficiaries	-
5. Name of transaction	Agency agreement (hereinafter, the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, at the request of the Principal the Agent undertakes to conclude a contract with ZAO KPMG in its own name but at the expense of the Principal, on the performance of an audit of the Principal's financial statements for 2012 in accordance with Russian Accounting Standards
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.
8. Other material terms of the transaction	<p>The Agent undertakes to provide the Principal with a report on the exercise of the agency authority within 5 business days from the Agent's latest payment to ZAO KPMG for the audit of the Principal's financial statements.</p> <p>The Principal undertakes to reimburse the Agent for all expenses incurred thereby in connection with the exercise of the agency authority, including VAT (18%), and pay the Agent's fee no later than 10 business days from the date the Agent's report is approved.</p> <p>The Agent's fee shall be set at 0.01% of the amount of the Agent's expenses incurred under the contract with ZAO KPMG, plus VAT of 18%.</p> <p>The Agreement enters into force from the date it is signed by authorized representatives of the Parties and shall remain in effect until the Parties perform their obligations in full.</p>
1. Number of the transaction approved by the Board of Directors	46
2.1. Price (amount in USD)	The approximate amount will equal USD1,969,648.05 (including VAT of 18%).
2.2. Price (amount in RUB)	The approximate amount will equal RUB 61,000,000 (including VAT of 18%).
3. Names of parties	<p>OAO RITEK (Supplier)</p> <p>OAO "LUKOIL" (Buyer)</p>

4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Supply Contract No. 1111021 of 05.12.2011 (hereinafter the "Contract").*
6. Subject of the transaction	<p>Pursuant to the Contract, the Supplier undertakes to deliver to the Buyer, from 01.01.2012 to 31.03.2013, and the Buyer undertakes to accept and pay the Supplier for the petroleum associated gas and/or natural gas (hereinafter 'gas'). Gas deliveries shall be performed in the following amounts: the total of 29, 410 million m3 in 2012, and 3,000 million m3 in the first quarter of 2013.</p> <p>According to the Supplemental Agreement,</p> <ul style="list-style-type: none"> <li>- the term of the Contract is extended till 31.12.2013;</li> <li>- a new paragraph is added to point 2.1 of the Contract establishing the following volumes of gas from 01.01.2013 to 31.12.2013: total in 2013 - 18.060 million m3 of gas, including 4.621 million m3 in Q1 2013; 4.521 million m3 in Q2 2013; 4.425 million m3 in Q3 2013, and 4.493 million m3 in Q4 2013.</li> </ul>
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing. All other terms of the Contract remain unchanged.
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 RUB)	No financial terms stipulated.
3. Names of parties	OAO "LUKOIL" (Lender) OOO LUKOIL Trading House (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0610933 of 25.10.2006 (hereinafter the "Agreement").*
6. Subject of the transaction	<p>In accordance with the Agreement and supplemental agreements thereto, 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 5,000,000,000 at any time during the effective term of the Agreement, and the Borrower undertakes to repay the funds received on time and in full and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.</p> <p>In accordance with the Supplemental Agreement, amendments are being introduced to the Agreement stipulating an option of returning the tranche or its part by either the Borrower itself with a notice sent to the Lender, or by request from the Lender by automatically withdrawing the funds from the Borrower's account, with the Borrower's express consent, of which fact the Borrower will be notified not later than the date of withdrawal of the funds from the latter's account.</p>
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing, extends to the relations between the parties arising from 22.10.2012 and is an integral part of the Agreement.

1. Number of the transaction approved by the Board of Directors	48
2.1. Price (amount in USD)	No financial terms stipulated.
2.2. Price (amount in RUB)	No financial terms stipulated.
3. Names of parties	OAO "LUKOIL" (Borrower) OOO LUKOIL Trading House (Lender)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0510976 of 29.09.2005 (hereinafter the "Agreement").*
6. Subject of the transaction	In accordance with the Agreement and supplemental agreements thereto, 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 7,000,000,000 at any time during the effective term of the Agreement, and the Borrower undertakes to repay the funds received on time and in full and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.  In accordance with the Supplemental Agreement, amendments are being introduced to the Agreement stipulating an option of returning the tranche or its part by either the Borrower itself with a notice sent to the Lender, or by request from the Lender by automatically withdrawing the funds from the Borrower's account, with the Borrower's express consent, of which fact the Borrower will be notified not later than the date of withdrawal of the funds from the latter's account.
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing, extends to the relations between the parties arising from 22.10.2012 and is an integral part of the Agreement.
1. Number of the transaction approved by the Board of Directors	49
2.1. Price (amount in USD)	The license fee will equal USD 30,654.38, plus VAT of USD 5,517.79.
2.2. Price (amount in RUB)	The license fee will equal RUB 965,000, plus VAT of RUB 173,700
3. Names of parties	OAO RITEK (Licensee) OAO "LUKOIL" (Licensor)
4. Names of beneficiaries	-
5. Name of transaction	Licensing agreement (hereinafter, the "Agreement").
6. Subject of the transaction	Pursuant to the Agreement, the Licensor having an exclusive right to the results of intellectual activity 'Methodological Guidelines on the acceptance, analysis and classification of results obtained by using the field tracer research method at LUKOIL Group organisations' (hereinafter, Methodological Guidelines) will provide the Licensee with the right to use the Methodological Guidelines and the Licensee will pay a fee for the rights granted in the procedure and on the terms stipulated in the Agreement.

7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Licensee is granted the right to use the Methodological Guidelines from the date indicated in the Act on the provision of rights through the entire term of the Agreement on the territory of the Russian Federation. The Agreement enters into force from the time of its signing for the term of five years and shall remain in effect until the Parties perform their obligations in full.
1. Number of the transaction approved by the Board of Directors	50
2.1. Price (amount in USD)	USD 95,207,870.52
2.2. Price (amount in RUB)	RUB 3,000,000,000
3. Names of parties	OAO RITEK (Lender) OAO "LUKOIL" (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0610673 of 21.07.2006*
6. Subject of the transaction	The Parties stipulate transfer of all rights and obligations of OAO UralOil under Loan Agreement No. 0610673 of 21.07.2006 (hereinafter the "Agreement") between OAO UralOil and OAO "LUKOIL", under which the Borrower is granted with a special-purpose loan for an amount not exceeding RUB 3,000,000,000, to OAO RITEK as a result of reorganization of OAO UralOil through merger with OAO RITEK. In connection with this, the name of OAO UralOil is replaced with OAO RITEK throughout the text of the Agreement, and article 14 of the Agreement 'Addresses and other details of the Parties' is reworded.
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing by authorised representatives of the Parties and extends to the relations between the parties arising from 01.11.2012.
1. Number of the transaction approved by the Board of Directors	51
2.1. Price (amount in USD)	Monthly lease payment shall be USD 7,213.99, plus VAT of USD 1,298.52
2.2. Price (amount in RUB)	Monthly lease payment shall be RUB 227,313, plus VAT of RUB 40,916.34
3. Names of parties	OAO "LUKOIL" (Lessor) OOO LUKOIL Trading House (Lessee)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Property Lease Agreement No. 1110996 of 30.11.2011 (hereinafter the "Agreement").*

6. Subject of the transaction	<p>Pursuant to the Agreement, the Lessor provides, for a fee, for the temporary use by the Lessee of the property (furniture) listed in Appendix No.1 to the Agreement. The total lease payment including VAT shall RUB 272,686.20 per month.</p> <p>In accordance with the Supplemental Agreement, point 3.1 of the Agreement shall be revised to reduce the total lease payment to RUB 268,229.34 per month including VAT (RUB 227,313, plus VAT of RUB 40,916.34).</p>
7. Grounds for status as an interested party	Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the date of its signing, extends to the relations between the Parties arising from 01.11.2012
1. Number of the transaction approved by the Board of Directors	52
2.1. Price (amount in USD)	The approximate fees for the services will equal USD 139,812.76, plus VAT of USD 23,166.93
2.2. Price (amount in RUB)	The approximate fees for the services will equal RUB 4,405,500, plus VAT of RUB 729,990
3. Names of parties	OAO RITEK (Client) OAO "LUKOIL" (Contractor)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Service contract No.1210628 of 18.09.2012 (hereinafter the "Contract")*
6. Subject of the transaction	<p>Pursuant to the Contract, the Contractor undertakes to provide real-time well construction monitoring services according to the procedure and on the terms stipulated by the Contract (hereinafter the "services"), and the Client undertakes to provide the Contractor with all information and documents required to provide the indicated services in a timely manner, to accept the services rendered, and to pay the Contractor for the indicated services.</p> <p>In accordance with the Supplemental Agreement, the Contractor undertakes to provide real-time well construction monitoring services at Rechnoe field.</p>
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK.
8. Other material terms of the transaction	<p>The services are provided by the Contractor at the wells being constructed by the Client as part of the Rechnoe field investment project, the investment project's classification code is U016A0703A.</p> <p>The Contract enters into force from the time of its signing and will remain in effect until it expires.</p>
1. Number of the transaction approved by the Board of Directors	53
2.1. Price (amount in USD)	USD 579,523,502.89
2.2. Price (amount in RUB)	RUB 18,000,000,000
3. Names of parties	OAO RITEK (Lender)

	ОАО "ЛУКОЙЛ" (Borrower)
4. Names of beneficiaries	-
5. Name of transaction	Supplemental Agreement to Loan Agreement No. 0810843 of 13.10.2008 (hereinafter, the "Agreement")*
6. Subject of the transaction	<p>Pursuant to the Agreement, the Lender will provide the Borrower with a special-purpose loan of up to RUB 15,000,000,000 on the terms stipulated by the Agreement, and the Borrower undertakes to repay the funds received and pay interest thereon in accordance with the deadlines and the procedure indicated in the Agreement.</p> <p>In accordance with the Supplemental Agreement:</p> <ul style="list-style-type: none"> <li>- the loan amount under the Agreement is being increased by RUB 3,000,000,000;</li> <li>- Point 1.1 of the Agreement shall be reworded to stipulate an increase in the loan amount up to RUB 18,000,000,000.</li> </ul>
7. Grounds for status as an interested party	Valery Isaakovich Grayfer, the Chairman of the Board of Directors of ОАО "ЛУКОЙЛ", is simultaneously the Chairman of the Board of Directors of ОАО RITEK.
8. Other material terms of the transaction	The Supplemental Agreement enters into force from the time of its signing by authorised representatives of the Parties, and extends to the legal relations between the Parties arising from 01.12.2012.