

**Materials that are made available for those entitled to participate  
in the Annual General Shareholders Meeting of OAO LUKOIL  
to be held on June 27, 2012**

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OPEN JOINT STOCK COMPANY "OIL COMPANY "LUKOIL"

**NOTICE**  
**of the Annual General Shareholders Meeting**  
**of Open Joint Stock Company "Oil company "LUKOIL"**

**Dear Shareholder,**

Open Joint Stock Company "Oil company "LUKOIL" located at the address: Sretensky bulvar 11, Moscow, 101000, Russian Federation, hereby informs you that the Annual General Shareholders Meeting of OAO "LUKOIL" will take place on **27 June 2012** in the form of a meeting (joint attendance of shareholders to discuss agenda items and take decisions on issues put to a vote) with preliminary distribution (dispatch) of ballots before the conduct of the Meeting.

Place and time of the Meeting: OAO "LUKOIL", Sretensky bulvar 11, Moscow, in the Conference Hall (entrance from Kostyansky pereulok), at 11:00 a.m.

Registration of persons participating in the meeting begins at 9:30 a.m.

*Agenda of the Meeting:*

1. Approval of the 2011 Annual Report of OAO "LUKOIL" and the annual financial statements, including income statements (profit and loss accounts) of the Company, and also distribution of profits (including through the payment (declaration) of dividends) and losses based on the results of the financial year. Determination of the size, date, form and procedure of payment of dividends.
2. Election of the members of the Board of Directors of OAO "LUKOIL".
3. Election of the members of the Audit Commission of OAO "LUKOIL".
4. On the remuneration and reimbursement of expenses to members of the Board of Directors of OAO "LUKOIL".
5. On the remuneration of members of the Audit Commission of OAO "LUKOIL".
6. Approval of the Auditor of OAO "LUKOIL".
7. Approval of Amendments and addenda to the Charter of Open Joint Stock Company "Oil company "LUKOIL".
8. Approval of Amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"*.
9. Approval of Amendments to the *Regulations on the Board of Directors of OAO "LUKOIL"*
10. On the approval of an interested-party transaction.

The date of preparation of the list of persons entitled to take part in the Annual General Shareholders Meeting of OAO "LUKOIL" is 11 May 2012.

In order to take part in the meeting, you or your representative must bring with you your/his/her passport or other identification document and the Notice of the Annual General Shareholders Meeting of OAO "LUKOIL"; your representative must additionally have a power of attorney drawn up in accordance with the requirements of article 57 of the Federal Law *On Joint Stock Companies*.

In accordance with Articles 58 and 60 of the Federal Law *On Joint Stock Companies*, you can vote on the items of the Meeting agenda by completing the ballots and mailing them to the following address: OAO Registrar NIKoil, ulitsa Ivana Franko 8, Moscow, 121108 Russian Federation. The deadline for receipt of ballots is 24 June 2012, for determining a quorum of the Meeting and tallying votes.

Information on decisions taken and voting results at the Annual General Shareholders Meeting of OAO "LUKOIL" will be published not later than 12 July 2012, in print media *Rossiyskaya Gazeta* and *Izvestiya*.

The procedure for providing information (materials) to be provided to shareholders in preparation for the Annual General Shareholders Meeting of OAO "LUKOIL" is in line with the deadlines established by the Federal Law *On Joint Stock Companies*. In preparation for the Annual General Shareholders Meeting of OAO "LUKOIL", the persons entitled to take part in the Annual General Shareholders Meeting of OAO "LUKOIL" are granted the opportunity to examine the information in the premises of the executive body of OAO "LUKOIL", at the address: Sretensky bulvar 11, Moscow, 101000 Russian Federation, tel. (495) 983 2171, at the Company's website – [www.lukoil.ru](http://www.lukoil.ru), and also at other places – at OAO Registrar NIKoil, its branches, and at transfer agents of OAO Registrar NIKoil, at the following addresses:

**Head office of OAO Registrar NIKoil:**

ulitsa Ivana Franko 8, Moscow, 121108 Russian Federation

telephone: (495) 926 8173, 926 8160  
(800) 200 8160

**Branches of OAO Registrar NIKoil:**

Nab. Severnoi Dviny 30, Arkhangelsk, 163000

ulitsa Krasnaya Naberezhnaya 27 A, office 16, Astrakhan, 414040

telephone: (8182) 65 7544

telephone: (8512) 52 1040, 52 1070

ulitsa Mira 19, office 39, Volgograd, 400131  
ulitsa Lenina 6, Irkutsk, 664025  
ulitsa Leitenanta Yanalova 42B, Kaliningrad, 236023  
ulitsa Gorkogo 5, 5th floor, office 503, Kirov, 610017  
ulitsa Lenina 113, office 205, Krasnoyarsk, 660017  
ulitsa Belinskogo 9/1, 5th floor, offices 10 & 11, Nizhni Novgorod, 603022  
ulitsa Svobody 1, office 117, Novorossyisk, Krasnodarsky Krai, 353900  
Leninsky prospekt 16, Norilsk, Krasnoyarsky Krai, 663301  
OPS airport Sheremetievo-1, building 6, Khimki, Moscow Oblast, 141426  
ulitsa Novo-Sadovaya 3, Business Centre '7th Avenue', Samara, 443100  
prospekt Lenina 148, Rybinsk, Yaroslavl Oblast, 152903  
Izmailovskiy prospekt 4-A, St. Petersburg, 190005  
prospekt Bumazhnikov 2, Syktyvkar-26, Komi Republic, 167026  
ulitsa Sovetskaya 34, Tambov, 392002  
ulitsa Mendeleevskaya 1, Tula, 300041  
prospekt Pobedy 160, Chelyabinsk, 454084  
ulitsa Pobedy 28-a, Yaroslavl, Yaroslavl Oblast, 150040

telephone: (8442) 24 7274, 24 7279  
telephone: (3952) 34 2248  
telephone: (4012) 56 3400  
telephone: (8332) 40 5631  
telephone: (391) 274 6063, 221 7417, 274 6073  
telephone: (831) 296 0661  
telephone: (8617) 64 2900  
telephone: (3919) 42 5025, 46 2817  
telephone: (495) 578 3680  
telephone: (846) 379 7218, 379 7219, 379 7220  
telephone: (4855) 29 6600  
telephone: (812) 251 8138, 346 7408, 317 9445  
telephone: (8212) 29 3180, 29 3181  
telephone: (4752) 75 9410  
telephone: (4872) 70 0064, 30 7123  
telephone: (351) 791 5462  
telephone: (4852) 73 9745

**Transfer agents of OAO Registrator NIKoil:**

OAO Komi regional bank Ukhtabank, ulitsa Oktyabrskaya 14, Ukhta, Komi Republic, 169300  
FKB Petrocommerce, ulitsa Pribaltiyskaya 11A, Kogalym, Tyumen Oblast, 628486  
Additional office No.5 of FKB Petrocommerce in Kogalym, ulitsa Lenina 32, Langepas, Tyumen Oblast, 628672  
Additional office No.1 of FKB Petrocommerce in Kogalym, ulitsa Lenina 118, Urai, Tyumen Oblast, 628285  
OAO Bank Petrocommerce, ulitsa Petrovka 24, building 1, Moscow, 127051  
Additional office of OAO Bank Petrocommerce ('Sretenka'), Sretensky bulvar 11, Moscow, 101000  
Additional office of OAO Bank Petrocommerce ('Pokrovka'), Pokrovsky bulvar 3, building 1, Moscow, 109028  
Additional office of OAO Bank Petrocommerce ('Prospekt Mira'), Prospekt Mira 180, Moscow, 129366  
Additional office of OAO Bank Petrocommerce ('Yakimanka'), ulitsa Malaya Yakimanka 4, Moscow, 109180  
ZAO Registrator INTRAKO, ulitsa Lenina 64, 2<sup>nd</sup> floor, Perm, 614990  
OAO Tulainkom, ulitsa Kominterny 23, Tula, 300041  
OAO FKB Petrocommerce, ulitsa Zakharova 11, Krasnodar, 350007  
OAO FKB Petrocommerce, ulitsa Sergievskaya 9, Nizhni Novgorod, 603109  
OAO FKB Petrocommerce, prospekt Oktyabrya 25, Ufa, Republic of Bashkortostan 450009  
Branch of OAO URALSIB, ulitsa Krasnoarmeiskaya 188, Rostov-on-Don, 344010  
OAO Uglemetbank, ulitsa Molodogvardeitsev 17B, Chelyabinsk, 454138

telephone: (82147) 5 2326, 5 2155  
telephone: (34667) 9 1114, 9 1052  
telephone: (34669) 2 2658  
telephone: (34676) 2 0266  
telephone: (495) 411 6411, 8 (800) 200 6411  
telephone: (499) 973 7655  
telephone: (495) 221 3031  
telephone: (495) 780 1913, 780 1905  
telephone: (499) 973 7721  
telephone: (342) 233 0163, 233 0164  
telephone: (4872) 30 3727  
telephone: (861) 268 7508, ext. 2670, 2460  
telephone: (831) 421 4853  
telephone: (347) 282 52 54, ext. 2010  
telephone: (863) 282 5020  
telephone: (351) 247 4999

**For the purpose of ensuring the timely payment of dividends and the payment of tax, we ask you:**

- to indicate your banking details in the Securities Owners' Form;
- to promptly inform OAO Registrator NIKoil of any changes in the data of your form (change in residence, change in banking details, etc.);
- in the event of changes in your tax status (tax resident/non-resident of Russia), please notify OAO "LUKOIL" of this not later than 1 July 2012. For tax purposes, individuals who are actually in the Russian Federation for at least 183 calendar days over the course of 12 consecutive months are considered to be tax residents.

*For more detailed information on determining your tax status, please see the Company's official website, in the section "Investor and Shareholder Centre".*

Access to information (materials) provided to shareholders in preparation for the General Shareholders Meeting shall be also given to persons taking part in the Annual General Shareholders Meeting of OAO "LUKOIL" during the time the Meeting is held.

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

### *Agenda of the Meeting:*

1. Approval of the 2011 Annual Report of OAO “LUKOIL” and the annual financial statements, including income statements (profit and loss accounts) of the Company, and also distribution of profits (including through the payment (declaration) of dividends) and losses based on the results of the financial year. Determination of the size, date, form and procedure of payment of dividends.
2. Election of the members of the Board of Directors of OAO “LUKOIL”.
3. Election of the members of the Audit Commission of OAO “LUKOIL”.
4. On the remuneration and reimbursement of expenses to members of the Board of Directors of OAO “LUKOIL”.
5. On the remuneration of members of the Audit Commission of OAO “LUKOIL”.
6. Approval of the Auditor of OAO “LUKOIL”.
7. Approval of Amendments and addenda to the Charter of Open Joint Stock Company “Oil company “LUKOIL”.
8. Approval of Amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”*.
9. Approval of Amendments to the *Regulations on the Board of Directors of OAO “LUKOIL”*
10. On the approval of an interested-party transaction.

**DRAFT DECISIONS  
OF THE ANNUAL GENERAL SHAREHOLDERS MEETING OF OAO "LUKOIL"**

**Draft decision on item 1 on the agenda:** ‘Approval of the 2011 Annual Report of OAO “LUKOIL” and the annual financial statements, including income statements (profit and loss accounts) of the Company, and also distribution of profits (including through the payment (declaration) of dividends) and losses based on the results of the financial year. Determination of the size, date, form and procedure of payment of dividends.’:

To approve the Annual Report of OAO “LUKOIL” for 2011 and the annual financial statements, including the income statements (profit and loss accounts) of the Company, and the distribution of profits:

The net profit of OAO “LUKOIL” for distribution for 2011 was equal to 242,637,070,000 roubles.

To distribute 63,792,244,000 roubles to the payment of dividends for 2011.

The rest of the net profit shall be left undistributed.

To pay dividends for the 2011 financial year in the amount of 75 roubles per ordinary share. Payment of dividends to be made in cash from the account of OAO “LUKOIL”, with the term of dividend payment not exceeding 60 days from the date the payment decision is taken.

If the dividends transferred by OAO “LUKOIL” are returned due to incorrect banking details in the shareholder register of OAO “LUKOIL” or the death of a shareholder, repeat payment of dividends will be performed after information is provided to OAO Registrator NIKoil (hereinafter the “Registrar”) on changes in payment and other details and the relevant amendments are made to the shareholder register of OAO “LUKOIL”.

If dividends sent by postal money order are returned, repeat payment will be made through wire transfer to the shareholder bank account after the latter provides the Registrar with information on its banking details and this information is entered into the shareholder register of OAO “LUKOIL”.

The costs on the transfer of dividends, regardless of the means, will be paid by OAO “LUKOIL”.

**Draft decision on item 2 on the agenda:** ‘Election of the members of the Board of Directors of OAO “LUKOIL”’:

To elect the Board of Directors of OAO “LUKOIL”, consisting of 11 members, from the list of candidates approved by the Board of Directors of OAO “LUKOIL” on 3 February 2012 (Minutes No. 3).

1. ALEKPEROV, Vagit Yusufovich
2. BELIKOV, Igor Vyacheslavovich
3. BLAZHEEV, Victor Vladimirovich
4. GRAYFER, Valery Isaakovich
5. IVANOV, Igor Sergeevich
6. MAGANOV, Ravil Ulfatovich
7. MATZKE, Richard
8. MIKHAILOV, Sergei Anatolievich
9. MOBIUS, Mark
10. MOSCATO, Guglielmo Antonio Claudio
11. PICTET, Ivan
12. SHOKHIN, Alexander Nikolaevich

**Draft decision on item 3 on the agenda:** ‘Election of the members of the Audit Commission of OAO “LUKOIL”’:

To elect the Audit Commission of OAO “LUKOIL” from the list of candidates approved by the Board of Directors of OAO “LUKOIL” on 3 February 2012 (Minutes No. 3).

1. MAKSIMOV, Mikhail Borisovich
2. NIKITENKO, Vladimir Nikolaevich
3. SURKOV, Aleksandr Viktorovich

**Draft decision on item 4 on the agenda:** ‘On the remuneration and reimbursement of expenses to members of the Board of Directors of OAO “LUKOIL”’:

1. To pay remuneration and reimburse expenses to members of the Board of Directors of OAO “LUKOIL” pursuant to the Appendix to Ballot No.4
2. To deem 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).

**Draft decision on item 5 on the agenda:** ‘On the remuneration of members of the Audit Commission of OAO “LUKOIL”’:

1. To pay remuneration to each of the members of the Audit Commission of OAO “LUKOIL” in the amount established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 23 June 2011 (Minutes No. 1) – 2,730,000 roubles
2. To deem it appropriate to retain the amounts of remuneration for members of the Audit Commission of OAO “LUKOIL” established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 23 June 2011 (Minutes No. 1).

**Draft decision on item 6 on the agenda:** ‘Approval of the Auditor of OAO “LUKOIL”’:

To approve the independent auditor of OAO "LUKOIL" - Closed joint stock company KPMG.

**Draft decision on item 7 on the agenda:** ‘Approval of Amendments and addenda to the Charter of Open Joint Stock Company “Oil company “LUKOIL”’:

To approve Amendments and addenda to the Charter of Open Joint Stock Company “Oil company “LUKOIL”, pursuant to the Appendix to Ballot No.7.

**Draft decision on item 8 on the agenda:** ‘Approval of Amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”*’:

To approve amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”*, pursuant to the Appendix to Ballot No.8.

**Draft decision on item 9 on the agenda:** ‘Approval of Amendments to the *Regulations on the Board of Directors of OAO “LUKOIL”*’:

To approve amendments to the *Regulations on the Board of Directors of OAO “LUKOIL”*, pursuant to the Appendix to Ballot No.9.

**Draft decision on item 10 on the agenda:** ‘On the approval of an interested-party transaction’:

To approve an interested-party transaction - Policy (contract) on insuring the liability of directors, officers and corporations between OAO “LUKOIL” and OAO Kapital Strakhovanie, on the terms and conditions indicated in the Appendix to Ballot No.10.

## **Recommendations of the Board of Directors of OAO "LUKOIL" on the items on the agenda of the Annual General Shareholders Meeting of OAO "LUKOIL"**

To recommend that the Annual General Shareholders Meeting of OAO "LUKOIL" adopt the following decisions:

### **On item 1 on the agenda of the meeting:**

To approve the annual financial statements, including income statements (profit and loss accounts) of the Company, and also the distribution of profits:

The net profit of OAO "LUKOIL" for distribution for 2011 was equal to 242,637,070,000 roubles.

To distribute 63,792,244,000 roubles to the payment of dividends for 2011.

The rest of the net profit shall be left undistributed.

To pay dividends for the 2011 financial year in the amount of 75 roubles per ordinary share. Payment of dividends to be made in cash from the account of OAO "LUKOIL", with the term of dividend payment not exceeding 60 days from the date the payment decision is taken.

If the dividends transferred by OAO "LUKOIL" are returned due to incorrect banking details in the shareholder register of OAO "LUKOIL" or the death of a shareholder, repeat payment of dividends will be performed after information is provided to OAO Registrator NIKoil (hereinafter the "Registrar") on changes in payment and other details and the relevant amendments are made to the shareholder register of OAO "LUKOIL".

If dividends sent by postal money order are returned, repeat payment will be made through wire transfer to the shareholder bank account after the latter provides the Registrar with information on its banking details and this information is entered into the shareholder register of OAO "LUKOIL".

The costs on the transfer of dividends, regardless of the means, will be paid by OAO "LUKOIL".

The list of parties entitled to receive dividends shall be compiled on the date of preparation of the list of parties entitled to participate in the Annual General Shareholders Meeting of OAO "LUKOIL", i.e. 11 May 2012.

The proposed decisions are based on the recommendations of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL" (Minutes No. 1 of 12 April 2012) and the Audit Committee of the Board of Directors of OAO "LUKOIL" (Minutes № 5 of 14 May 2012).

The 2011 Annual Report of OAO "LUKOIL" was tentatively approved by the Board of Directors (Minutes № 10 of 25 May 2012).

### **On item 2 on the agenda of the meeting:**

To elect the Board of Directors of OAO "LUKOIL", consisting of 11 members, from the list of candidates approved by the Board of Directors of OAO "LUKOIL" on 3 February 2012 (Minutes No. 3).

### **On item 3 on the agenda of the meeting:**

To elect the Audit Commission from the list of candidates approved by the Board of Directors of OAO "LUKOIL" on 3 February 2012 (Minutes No. 3)

### **On item 4 on the agenda of the meeting:**

1. To pay members of the Board of Directors of OAO "LUKOIL" remuneration for their performance of the duties of members of the Board of Directors, in the following amounts:

- V.I. Grayfer – 4,700,000 roubles
- V.Yu. Alekperov – 4,700,000 roubles
- V.V. Blazheev – 4,700,000 roubles
- H.O. Gref – 4,700,000 roubles
- I.S. Ivanov – 4,700,000 roubles
- R.U. Maganov – 4,700,000 roubles
- R. Matzke – 4,700,000 roubles
- S.A. Mikhailov – 4,700,000 roubles
- M. Mobius – 4,700,000 roubles
- G. Moscato – 4,700,000 roubles
- A.N. Shokhin – 4,700,000 roubles

2. In accordance with the decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 23 June 2011 (Minutes No. 1), to pay the members of the Board of Directors the following remuneration in addition to that for the performance of the duties of members of the Board of Directors:
  - to V.I. Grayfer, for performance of the functions of the Chairman of the Board of Directors – 1,100,000 roubles;
  - to I.S. Ivanov, for performance of the functions of Chairman of the Strategy and Investment Committee – 550,000 roubles;
  - to H.O. Gref, for performance of the functions of Chairman of the Audit Committee – 550,000 roubles;
  - to A.N. Shokhin, for performance of the functions of Chairman of the Human Resources and Compensation Committee – 550,000 roubles.
3. In addition to remuneration for performing their functions as members of the Board of Directors, to pay the members of the Board of Directors of OAO “LUKOIL”:
  - 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 requires a transcontinental flight;
  - 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 shall be 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).

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

The proposed decisions are based on the recommendations of the Human Resources and Compensation Committee of the Board of Directors of OAO “LUKOIL” (Minutes No. 1 of 17 February 2012).

**On item 5 on the agenda of the meeting:**

1. To pay remuneration to each of the members of the Audit Commission of OAO "LUKOIL" in the amount established by decision of the Annual General Shareholders Meeting of OAO "LUKOIL" of 23 June 2011 (Minutes No. 1) – 2,730,000 roubles.
2. To deem it appropriate to retain the amounts of remuneration for members of the Audit Commission of OAO "LUKOIL" established by decision of the Annual General Shareholders Meeting of OAO "LUKOIL" of 23 June 2011 (Minutes No. 1).

The proposed decisions are based on the recommendations of the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL" (Minutes No. 1 of 17 February 2012).

**On item 6 on the agenda of the meeting:**

To approve the independent auditor of OAO "LUKOIL" - Closed joint stock company KPMG.

The proposed decision is based on the recommendations of the Audit Committee of the Board of Directors of OAO "LUKOIL" (Minutes No. 3 of 24 February 2012).

**On item 7 on the agenda of the meeting:**

To approve Amendments and addenda to the Charter of Open Joint Stock Company "Oil company "LUKOIL".

**On item 8 on the agenda of the meeting:**

To approve Amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"*.

**On item 9 on the agenda of the meeting:**

To approve Amendments to the *Regulations on the Board of Directors of OAO "LUKOIL"*.

**On item 10 on the agenda of the meeting:**

To approve an interested-party transaction

## **Open Joint Stock Company “Oil company “LUKOIL” Summary of 2011 performance results and main objectives for 2012**

The anniversary year of 2011 was a notable one for OAO “LUKOIL” (hereinafter the “Company”). The Company entered its third decade of development. In September 2011 LUKOIL produced its 1.5 billionth tonne of oil from the time of the Company’s foundation twenty years ago. For us, this is not merely a number. It represents the colossal labours of several generations of oilmen.

In 2011 we were able to produce record financial results in the number of respects. The net profit of the LUKOIL Group (hereinafter also the “Group”) reached USD 10.357 billion; net earnings per share rose by 21.4% and reached USD 13.30. In 2011 we achieved record figures for free cash flow – USD 7.240 billion. Return on invested capital was 14%. The Company’s net debt in 2011 contracted by 28%, or by USD 2.5 billion. The Company has the most stable financial position among its competitors in the Russian oil-and-gas industry.

One of our key objectives is to increase shareholder income. In 2011 the Company once again increased the amount of dividends paid, by 13%. The Board of Directors of OAO “LUKOIL” passed a decision to recommend to the Annual General Shareholders Meeting of the Company (hereinafter the “Meeting”) that it pay annual dividends for 2011 in the amount of 75 roubles per ordinary share. Thus, if the Meeting passes a decision on this amount of dividend, in 2012 the Company will increase the amount of dividends paid by 27% compared to 2011.

Last year was a time for us to reconsider the vector of the Company’s movement and define the directions for development going forward. Many of the fields of OAO “LUKOIL” are in the final stage of production. As a result, for the first time in the past 10 years of the Group’s operations, hydrocarbon production was down, by 4.4%.

In response, in 2011 we developed a new strategic programme for 2012–2021. Under this program, the Company’s chief objective for this period is to achieve stable growth in production. Average annual growth in hydrocarbon production over 10 years is expected to be at least 3.5%. The main increase in production is expected in the Group’s prospective projects in Iraq, Central Asia, the Caspian, and Yamalo-Nenets Autonomous Okrug. Production will also continue to grow in traditional regions through greater involvement of reserves in development.

The new program sets as its main goal a qualitative increase in shareholder income. One might say that the upcoming decade will be notable for the substantial redistribution of the value created by the Company in favour of shareholders. During the current decade shareholder income will increase manyfold.

In order to achieve the figures defined in the program, we need to make fundamental improvements to work efficiency. The problem lies not only in external factors – aging of oilfields, lack of major new deposits, legislative barriers to obtain licenses. These are all elements of an extensive path of development – movement outward. We will be working actively in this direction as well – making acquisitions, entering into new projects, working together with the state to remove restrictions on the development of major deposits and the continental shelf. However, the resources for this development can also be exhausted, like natural resources.

We have reached a critically important moment: the Company must concentrate its efforts on the intensive form of development. First and foremost, this means more active use of new technologies. Throughout its history, OAO “LUKOIL” has expended significant funds to develop its technological base and has achieved great successes in this area.

The technological level that the Group has reached allows it to work under the most severe conditions – above the Arctic Circle, and at enormous ocean depths. We have independently carried out maritime projects in the Baltic, in the Barents Sea, in the Caspian, in Ghana, and Cote d’Ivoire. Today, due to legislative restrictions, the LUKOIL Group is unable to apply its unique

capabilities, its technological and financial potential in the Russian Federation. Nonetheless, we hope that in the near future LUKOIL, as the Russian national private company, will achieve equal rights with state-owned companies in the development of oil-and-gas resources within the country, including its continental shelf.

However, the intensive path of development means more than using technology. Approaches to managing business processes, work with contractors and suppliers, to energy efficiency and saving on consumables, to reducing production and non-production costs – all of this requires continuous optimisation.

As for investing activity, the programme foresees the greatest expenses for the next three to five years. These are necessary to bring the Company's largest prospective projects under development. Specifically, we are beginning to implement projects in Iraq (Western Qurna-2), in the Caspian (the Filanovsky field), in Western Siberia (the Pyakyakhinskoe field), in Uzbekistan (the Kandymsk group of deposits) and in a number of other regions. In this way, we will lay the foundation for sustainable growth in production in the coming decade.

### **Geological exploration and oil and gas reserves**

The Exploration & Development business segment has achieved substantial progress in preparing a number of the Company's new fields for the start of development, which made it possible to move 170 million BOE from contingent resources to proved reserves. Production in 2011 was compensated by growth in proven reserves equal to more than 100% of production. In terms of proved reserves, LUKOIL continues to be one of the leaders among Russian and international companies.

Production of hydrocarbons in 2011 was 781 million BOE, which is 4.4% less than a year earlier. Stabilisation of the Group's production is planned as early as 2012, including in the main region of our operations – Western Siberia, and by 2013 hydrocarbon production will resume its growth. Today, OAO "LUKOIL" has everything necessary to do so – a number of large prospective projects, unique experience of working in different climatic zones, and exact geological-hydrodynamic models of virtually all our deposits.

During the reporting year, OAO "LUKOIL" and OAO ANK Bashneft created a joint venture to develop the Trebs and Titov fields in Timan-Pechora, which will fit harmoniously into the infrastructure built by the Company in the region. This synergy will give us and our partners the ability to efficiently develop these major oil fields.

### **Oil and gas production**

The stabilisation of oil production in Western Siberia was an important event in 2011. Starting from the end of the first half-year 2011, oil production in the region halted its downward trend and remained at a stable level the entire second half of the year.

A significant event was the implementation of the project to develop the Trebs and Titov deposits in conjunction with OAO AK Bashneft. The license block with an area of 2,151 km<sup>2</sup> is located in the Nenets Autonomous Okrug. The total recoverable reserves of oil in industrial categories (C1+C2) located within the license block and accounted on the state balance are equal to 140.1 million tonnes. OAO "LUKOIL" will sell 100% of the marketable oil for export. Within the framework of this project, there is the opportunity to send the associated petroleum gas to the energy centre of the Yuzhno-Khylchuyu field, from which the facilities will be supplied with electrical power.

Among the Group's foreign projects, the most significant events of 2011 were related to the development of the Western Qurna-2 fields in Iraq, which is one of the world's largest undeveloped fields. Within the framework of the project, a whole range of tenders have been organised, the contract block has been cleared of mines, and the Pilot Camp shift camp has been built.

Another important event abroad was the start of production of early gas at the Jarkuduk-Yangi Kyzylcha deposit as part of the Gissar project. Additional exploration was performed (seismic surveying and exploratory drilling), during which an increase in reserves was secured, several prospective structures were identified, and two new deposits were discovered (the Yugo-Vostochny Kyzylbayrak and Shamoltegmasy), two structures were prepared for drilling and a high economic gas-bearing content was confirmed in the previously little-studied section of the major Adamtash deposit.

### **Oil refining**

The LUKOIL Group continued active work in 2011 to develop the oil refining segment by upgrading and expanding its refining capacity.

The volume of oil stock refined at the Group's refineries, taking into account processing at external refineries, was 65.2 million tonnes in 2011; of this the Group's refineries (taking into account the share in refining at the ISAB and Zeeland complexes) refined 64.9 million tonnes.

There was a significant increase in the consumption of high-octane gasoline in Russia in 2011, due to the increase in the number of automobiles. In order to fight a fuel shortage, the Government took a number of measures, including the introduction of the 60-66 system, which unified the rates of duties on light and dark petroleum products at the level of 66% of the duty on oil, while retaining the higher level of duties on the export of gasoline – 90% of the duty on oil. Such a system provides incentives for deeper oil refining, and the Group has been engaged in this for many years and will continue in future. During the decade the Group plans to reduce the volume of production of dark petroleum products at Russian refineries by more than 60%. By 2021 the implementation of upgrade projects will make it possible to increase the output of gasoline at Russian refineries by almost 50%.

Thanks to consistent work to increase operating efficiency (aimed at optimising production capacity and increasing the capacity utilisation of facilities, improving the efficiency of energy consumption and the reliability of equipment and increasing the time between repairs) and optimising staffing numbers, an additional economic benefit was obtained in 2011 in the amount of USD 68.3 million.

### **Processing of raw materials at Group gas-refining companies**

In 2011 LUKOIL Group gas refineries processed 3.199 billion m<sup>3</sup> of raw materials (1.0% more than in 2010) and 743 thousand tonnes of liquid hydrocarbons (2.2% lower than the 2010 level). The increase in the volume of gas refining occurred due to increased demand.

Group refineries produced 2.523 billion m<sup>3</sup> of lean gas, 1.518 million tonnes of liquefied gases, including BFLH, and 194 thousand tonnes of liquid hydrocarbons (stable natural gasoline, isopentane and hexane-heptane fractions, broad fraction of light hydrocarbons).

### **Production of petrochemical products**

In 2011 the petrochemical plants of the LUKOIL Group, including the petrochemical products of Neftokhim Burgas, manufactured 1.466 million tonnes of products, or 41.5% more than in 2010. The growth in production was due to the launch of OOO Karpatneftekhim in September 2010.

As part of the strategy to develop the LUKOIL Group's petrochemical sector, measures were taken in 2011 to modernise existing facilities and create new facilities. The Group's capital spending in the petrochemical sector was USD 89 million, which is 17% higher than in 2010.

In 2011, a unit to produce polyvinylchloride (PVC) suspension was constructed and commissioned at OOO Karpatneftekhim, and installation began of equipment as part of the construction of a unit to produce PVC products. This is scheduled for commissioning in 2012.

The project to expand the production of sodium cyanide at OOO Saratovorgsintez to 18 thousand tonnes per year was completed in the reporting year.

### **Electrical power generation**

In 2011 the Power Generation business sector generated a total of nearly 12.6 billion kWh of electricity. The total output of heat equaled 15.2 million Gcal, including 13.8 million Gcal in Russia. The total generation of heat and electricity was determined based on the working conditions on the electricity market.

Work continued under the capacity supply agreement (CSA) concluded during the restructuring of RAO UES of Russia. In particular, a 110 MW combined-cycle gas turbine (CCGT) was commissioned in Astrakhan. A 410 MW CCGT is scheduled for commissioning in Krasnodar in 2012. These two CCGTs, with a combined capacity of more than 500 MW, are just the first stage in the implementation of the Company's undertaking to modernise the Russian power generation industry and to boost capacity in energy-deficient regions. The Company is currently developing other projects, which will also be implemented under the CSA in the Southern Federal District. The total obligations on construction of energy capacity under the CSA should equal around 900 MW.

### **Oil and gas shipments**

The total amount of oil sold by the LUKOIL Group in 2011, including shipments for refining at Company and third-party refineries, equaled 110 million tonnes. However, due to the increased efficiency of oil shipments to the domestic market compared to most shipping routes outside the former Soviet Union, large volumes of oil were reoriented from ineffective export routes to the Group's oil refineries and for sale on the domestic market of Russia.

4.5 million tonnes of oil were sold on the domestic market in 2011, or 22.8% more than in 2010. This ensures the guaranteed sale of oil on the domestic market using formulae with a bonus compared to the export alternative.

Oil exports from Russia by the subsidiaries of OAO "LUKOIL" (including oil purchased from outside producers) equaled 34.7 million tonnes in 2011 (696.8 thousand barrels/day), which is 14.5% lower than in 2010. The reduction in the volume of exports was due to a decrease in the volume of oil production.

In 2011 the volume of sales of natural, associated petroleum and stripped dry gas by Russian Group organisations equaled 13.846 billion m<sup>3</sup>, or 2% less than in 2010. This includes the 9.780 billion m<sup>3</sup> of gas that the Group sold to OAO Gazprom and its affiliates (including nearly 8.3 billion m<sup>3</sup> of natural gas from the Company's Nakhodka deposit) and the 4.066 billion m<sup>3</sup> of gas sold to other consumers (including shipments to the Company's refineries).

### **Retail sales of petroleum products**

As at 1 January 2012 the LUKOIL Group's distribution network covered 26 countries and included 183 tank farms with a total storage capacity of 2.7 million m<sup>3</sup> and 5,994 filling stations (including filling stations working under franchising agreements).

Retail sales of petroleum products through the company's owned and leased filling stations in 2011 equaled 15.25 million tonnes, or 6% more than in 2010. Average daily sales per filling station (owned and leased) increased during the reporting year to 8.8 tonnes/day (8.1 tonnes/day in 2010).

This growth in retail sales was achieved through increased sales on the Russian market (+15.4% compared to the 2010 figure). Due to the restriction of output of class 2 fuels planned in the technical regulations, and the technical inability of half of the petroleum product manufacturing companies in the Russian Federation to produce fuel of the required quality, the retail market in the Russian Federation experienced an extreme shortage of quality fuel. Retail

demand for the petroleum products of the LUKOIL Group greatly exceeded the forecast expectations calculated with due account for natural growth in annual consumption and the seasonal increase in demand. At the same time, the volume of sales on the international market fell in 2011, mainly due to the restructuring of the retail network in the USA.

The Company continued measures to streamline the distribution network in the reporting year, to cut costs and improve performance. Streamlining affected 78 filling stations in Europe and the CIS (21 filling stations were leased out, six were liquidated, and 51 were handed over for management by dealers). In Russia streamlining affected 102 filling stations (27 filling stations were leased out, nine were liquidated, 18 were sold, and 48 were handed over for management by dealers) and nine tank farms (one was leased out, four were sold, two were mothballed and two were liquidated). At the same time, construction and acquisition of high-yield stations and upgrading of existing stations continued. Specifically, 10 new filling stations were built in Europe and the CIS, eight were acquired and 80 were updated (including through the installation of gas skids and through rebranding). In Russia, 34 new filling stations were built and commissioned, 35 existing stations were upgraded, and 35 were acquired during the reporting year.

### **Stock market**

The share price of OAO “LUKOIL” went through considerable fluctuations in 2011, mirroring the situation on the Russian and international stock markets: the maximum price in the reporting year was RUB 2,090 per share, and the minimum price was RUB 1,500 per share. Over the course of the year OAO “LUKOIL” shares remained one of the most liquid securities on the Russian stock market, and were used in the calculation of all major fund indexes. The main trading floors in Russia for the Company’s shares remained ZAO Moscow Interbank Currency Exchange (hereinafter “MICEX”) and OAO RTS Exchange (hereinafter “RTS”).

A rapid growth in the share price of OAO “LUKOIL” was seen in the first half year, mainly owing to the growth in prices for hydrocarbons caused by limited supply on the market due to the unstable political situation in the Middle East and Northern Africa. The price began to fall in the second quarter of the reporting year, as a result of the latest round of the debt crisis in the southern periphery of the European Union, which put pressure on all global markets. High market volatility continued until November 2011, due to the uncertainty surrounding the further actions of the governments of developed countries to resolve the current problem of growing debts. The anxiety of market participants regarding the state of the economic systems in the USA, Europe and Japan had a negative effect on all leading global indexes. As a result, by late October the markets had fallen to their lowest point since the start of the year, after which the situation stabilised to a certain extent.

During 2011 the share price of OAO “LUKOIL” fell by 2.4% (based on trading results on MICEX), and equaled RUB 1,701.00 (USD 53.10) per share at the end of the reporting period. It should be noted here, however, that overall the MICEX index fell by 16.9%. Therefore, the Company’s shares performed much better than the Russian stock market as a whole. OAO “LUKOIL’s” capitalisation as at 31 December 2011 equaled USD 44.9 billion.

A growth in the volume of trading in OAO “LUKOIL” shares compared to 2010 was seen on Russian stock exchanges in 2011, as was a growth in the volume of trading in depositary receipts for Company shares on the London Stock Exchange. Based on exchange data, in quantitative terms the growth in the volume of trading in OAO “LUKOIL” shares in aggregate for MICEX and RTS equaled 22.7%, up to 746 million trades, and in monetary terms 25.3%, up to USD 43.5 billion. Depositary receipts were traded on the over-the-counter market in the USA, and on the stock exchanges in London, Frankfurt, Munich and Stuttgart. At year end 2011 the total number of depositary receipts (ADRs) issued for ordinary shares equaled the equivalent of 548.33 million shares (64.47% of the Company’s charter capital). The volume of trading in ADRs on the main foreign trading floor (the London Stock Exchange) in 2011 increased by

58.74%, and equaled USD 79.6 billion. Based on the results for 2011, the ADRs issued on OAO “LUKOIL” shares were the second most traded ADRs of foreign companies listed on the London Stock Exchange in the IOB system (15.1% of aggregate monthly trading in this system).

OAO “LUKOIL” shares are an underlying asset for derivatives on the futures exchange. For example, futures and option contracts on the delivery of OAO “LUKOIL” shares are some of the main instruments on the forward section of the RTS stock market.

Unlike 2010, the LUKOIL Group did not issue and place bonds in 2011. This facilitated a noticeable reduction in the Company’s debt burden throughout 2011.

In the reporting year LUKOIL did its utmost to maintain its shareholder value. Despite a fall in operating results, record levels of net profit and free cash flow were achieved. This enabled the Company to maintain its investment appeal in spite of the instability of the global financial system.

### **Optimisation of corporate structure**

There has been an ongoing restructuring programme at OAO “LUKOIL” since 2002. Its main goal is a growth in shareholder value, including through increased transparency and effective management processes, consolidation of core subsidiaries and divestment of non-core and ineffective assets outside the Group.

Work continued in 2011 to dispose of non-core, unused and ineffective assets. A total of 950 assets worth almost USD 290 million were divested. The most significant transactions involved the sale of 100% equity shares in the charter capitals of Global-Fleet LLC, LANKOR LLC, and Kiinteistosakeyhtio Oy Bulevardi 26. The revenue received was used, *inter alia*, to finance the Company’s main line of business. Plans for 2012–2013 include the disposal outside the LUKOIL Group of more than 4,000 non-core, unused and ineffective assets.

As part of the execution of the Company’s field development agreements on the Trebs and Titov deposits, measures for the acquisition by OAO “LUKOIL” of a 25.1% equity share in the charter capital of OOO “Bashneft-Polyus” from OAO ANK Bashneft have been completed, and an agreement has been concluded between OOO LUKOIL-Komi and OOO “Bashneft-Polyus” on the sale and purchase of 20 wells located at these deposits.

In April 2011 the Group acquired 11% of shares in the JV for management of the ISAB oil refinery in Italy, increasing its ownership share from 49% to 60%. Under this transaction, the company ERG partially exercised its option to sell its share in the JV created in 2008.

In the reporting year the number of LUKOIL Group organisations and organisations in which they participate was reduced by 25, and equaled 337 organisations (subsidiaries and associates, as determined in accordance with the US GAAP). During the elapsed period, 16 companies joined and 41 left the Group.

The Company will make every effort in 2012 to improve performance in all of the Group’s lines of business, thereby increasing the income of Company shareholders.

### **The Company’s main objectives for 2012 are:**

- To maintain the balance between the Company’s business growth rates and high cost effectiveness
- To implement high-yield projects in the Exploration & Production business segment
- To strengthen its financial position and secure positive cash flows despite the instability of the global economy
- To increase shareholder income.

**Board of Directors of OAO “LUKOIL”**

## INFORMATION ON CANDIDATES TO THE 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. 1992-12 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.

### **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 RF 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".

### **Igor Vyacheslavovich Belikov\***

**Director of the Russian Institute of Directors**

**Born: 1956**

Graduated from Voronezh State University in 1980. Completed a post-graduate program at the African Studies Institute under the USSR Academy of Science in 1986, Candidate of Historical Sciences (PhD). Diploma in Banking and Insurance from the Institute of Professional Skills Improvement and New Qualifications at Academy of Finance under the Government of the Russian Federation. Since 2002: Director of the Russian Institute of Directors.

### **Victor Vladimirovich Blazheev\***

**Rector of the O.E. Kutafin Moscow State Academy of Law, Member of the Audit Committee of the Board of Directors of OAO "LUKOIL"**

**Born: 1961**

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

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\* Qualifying as an independent candidate to the Board of Directors of OAO "LUKOIL" in accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002, and the UK Corporate Governance Code developed by the Financial Reporting Council (FRC) of the United Kingdom of Great Britain and Northern Ireland.

**Igor Sergeevich Ivanov\***

**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. Associate member of the Russian Academy of Sciences. Doctor of History. Professor. Recipient of Russian and foreign orders and medals. 1993-1998: First Deputy Minister of Foreign Affairs of the Russian Federation. 1998-2004: Minister of Foreign Affairs of the Russian Federation. 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.

**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" (Oil and Gas Exploration and Production), Member of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"**

**Born: 1954**

Graduated from the I.M. Gubkin Moscow Institute of the Oil and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of 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".

**Richard Matzke \*\***

**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.

**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]. 2001–2011: General Director of OOO Menedzhment-Konsalting [Management Consulting limited liability company]. Since 2005: Member of the Board of Directors of ZAO IFD Kapital. Since 2008: Chairman of the Board of Directors of ZAO Kapital Upravlenie aktivami [Kapital Asset

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\*\* Qualifying as an independent candidate to the Board of Directors of OAO "LUKOIL" in accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002

Management]. 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].

**Mark Mobius\***

**Executive Chairman, Templeton Emerging Markets Group; Member of the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL Born: 1936**

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

**Guglielmo Antonio Claudio Moscato\***

**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”**

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

**Ivan Pictet\***

**Born: 1944**

Master in Economics from the School of Business Administration at the University of St. Gallen (1970). Member of the UN Investments Committee of the UN Joint Staff Pension Fund Board (NY, USA). Board member of Blackstone Group International Limited, AEA European Advisory Board, AEA Investors LP Global Advisory Board (NY, USA), Symbiotics. Former Senior Managing Partner of Pictet & Cie.

**Alexander Nikolaevich Shokhin**

**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”**

**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. 2002–2006: Chairman of the Supervisory Board of Renaissance Capital Group. Since 2005: President of the Russian Union of Industrialists and Entrepreneurs. 2005–2009: member of the Public Chamber of the Russian Federation. 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; Lawmaking; High Technology and Innovation; Transport and Communications; Small and Medium-Sized Businesses.

*The candidates have given their written consent to be elected to the Board of Directors of OAO "LUKOIL".*

**INFORMATION ON CANDIDATES**  
**FOR THE AUDIT COMMISSION OF OAO "LUKOIL"**

**Mikhail Borisovich Maksimov** was born on 26 October 1956. Graduated from Moscow Finance Institute in 1979 with a degree in "Finance and credit". 1979 – 1991: service in the USSR armed forces. 2006 – 2008: Manager of the GAAP Methodology Project Office of the Accounting Department of OAO "LUKOIL". 2008 – 2009: Senior Manager of the Division of International Accounting Methodology of the Accounting Department of OAO "LUKOIL". 2009: Head of the Project Office for the Reform and Development of Accounting Processes of the Accounting Department of OAO "LUKOIL". 2009 - 2010: Head of the Project Office for the Reform and Development of Accounting Processes of the Division of International Accounting Methodology of the Accounting Department of OAO "LUKOIL". 2009 - 2010: General Director (job combination) of OOO LUKOIL-URT's Perm [LUKOIL's Perm Regional Accounting Centre]. Since 2010: General Director of OOO LUKOIL-URT's Perm [LUKOIL's Perm Regional Accounting Centre].

**Vladimir Nikolaevich Nikitenko** was born on 23 April 1958. Graduated from the Saratov Economics Institute in 1982 with a degree in "Finance and credit". Employed since 1977. 1996-1998: Chairman of the Board of OAO Bank Kaspiysky. Since 1998: President of OAO Petrocommerce Bank.

**Aleksandr Viktorovich Surkov** was born on 12 August 1969. Graduated from Ufa Oil Institute in 1993 with a degree in "Enterprise economics and management". Employed since 1987. 2005 - 2008: Deputy Head of the Division of Automation Methodology for Financial and Tax Accounting, Accounting Department of OAO "LUKOIL"». 2008 – 2009: Head of Tax Accounting and Reporting of the Accounting Department of OAO "LUKOIL". 2009 – 2011: Head of the Division of Automation, Period Closing and Preparation of Financial Statements at the Accounting Department of OAO "LUKOIL". 2011: General Director (job combination) of OOO LUKOIL-URT's Volgograd [LUKOIL's Volgograd Regional Accounting Centre]. Since 2011: General Director of OOO LUKOIL-URT's Volgograd [LUKOIL's Volgograd Regional Accounting Centre].

*All the candidates have given their written consent to be elected to the Audit Commission of OAO "LUKOIL".*

**Opinion  
of the Audit Commission  
based on a review of the financial and business activity  
of OAO “LUKOIL” in 2011**

**Moscow**

**20 April 2012**

**1. Introduction**

In accordance with the legislation of the Russian Federation, the Charter of OAO “LUKOIL” (hereinafter also the “Company”), the *Regulations on the Audit Commission of OAO “LUKOIL”*, and on the basis of the audit opinion of the ZAO KPMG, the Audit Commission performed a review of the Company’s financial and business activity in 2011.

No requests for extraordinary reviews and audits were received during the year by the Audit Commission from shareholders or the Board of Directors.

In accordance with the Work Plan (Appendix to Minutes No.2 of the Audit Commission meeting of 29 July 2011), the Audit Commission performed a review of:

1. Compliance with the procedure for keeping accounts of business operations with the accounting policy of OAO “LUKOIL” and the regulatory legal acts of the Russian Federation;
2. Compliance with the procedure for performing stocktakes of assets and financial liabilities and documenting their results for the preparation of annual financial statements;
3. Timeliness of preparation and provision of financial statements to interested users;
4. Reliability of the data contained in the annual financial statements and Annual Report of OAO “LUKOIL” for 2011.

In addition, the main indicators characterising the financial and business activity of OAO “LUKOIL” in 2011 were assessed.

## 2. Analysis

During the review it was established that:

1. OAO “LUKOIL” (the “Company”) keeps its accounts on the basis of the *Accounting Policy for 2011* approved by OAO “LUKOIL” Order No. 237 of 31 December 2010 (with the wording of 26 December 2011, No. 257) and prepared in accordance with Federal Law No. 129-FZ *On Accounting*, the accounting regulations and other regulatory acts governing accounting issues, and the Tax Accounting Policy (OAO “LUKOIL” Order No. 238 of 31 December 2010) prepared in accordance with the requirements of tax legislation.

2. For the purposes of ensuring the reliability of the data in the accounting and reporting before the preparation of the annual financial statements, a stocktake of the Company’s assets and liabilities was performed on the basis of OAO “LUKOIL” Order No. 191 of 26 September 2011 *On stocktakes of assets and liabilities of OAO “LUKOIL” for the preparation of 2011 financial statements* (with amendments and addenda introduced OAO “LUKOIL” Order No. 235 of 01 December 2011) and Order No. 49 of 21 March 2011 *On exercising cash discipline at OAO “LUKOIL”* (with amendments and addenda introduced by OAO “LUKOIL” Order No. 154 of 05 August 2011).

The stocktake of the assets and financial liabilities was performed at the Company by the established deadlines and in accordance with the requirements of the *Methodological Recommendations on Stocktakes of Assets and Financial Liabilities* approved by RF Ministry of Finance Order No. 49 of 13 June 1995, and the *Methodological Recommendations on Stocktakes of Assets and Financial Liabilities of OAO “LUKOIL”*, approved by OAO “LUKOIL” Order No. 167/1 of 13 September 2006, as amended by Order No. 209 of 29 November 2010.

The performance of the stocktake was documented and the results were presented in the accounts using the unified forms approved by Resolution No. 88 of the RF State

Statistics Committee of 18 August 1998 and the forms approved by order No. 167/1 of 13 September 2006.

The stocktake of assets was performed by working commissions at facilities that are subordinate to the Company's accountable officers, with the preparation of inventory sheets. All inventory sheets are signed by members of the stocktake commissions and the accountable officers.

The stocktake of all types of settlements, financial investments, provisions, etc. was performed on the basis of source and supporting documents, with the preparation of Stocktake Reports.

All Reports on the stocktake of assets and liabilities were signed by the members of the working audit commissions.

The results of the stocktake of assets and financial liabilities were documented in minutes of the working stocktake commissions, which were sent to the Company's Main Stocktake Commission.

The results of the stocktake were recorded in the minutes of the Main Stocktake Commission and approved by OAO "LUKOIL" Order No. 5 of 16 January 2012.

3. The procedure for organising archival activity is governed by in-house regulatory documents.

Accounting and financial source documents are stored in the premises of the central storage facility, and on the expiration of their storage term are to be destroyed following the established procedure. All accounting source documents received at the central storage facility are shelved in chronological order.

The Audit Commission is provided with lists confirming that financial and tax accounting documents for the year 2011 have been submitted to the central storage facility.

4. The Audit Commission confirms that the financial statements were prepared by the deadlines set by the Company's document-flow regulations and were provided on time to interested users.

5. The data contained in the forms of the annual financial statements correspond to the data presented in the accounting registers. The Company's financial statements include data on assets, liabilities, income and expenses provided by trustees. The

explanatory note contains information that must be disclosed in accordance with the requirements of accounting regulations.

The reliability of the financial statements for 2011 was confirmed by an auditor's report issued by audit firm ZAO KPMG.

**6. The Company's financial and business operations in 2011 are characterised by the following indicators:**

Analysis of the figures for revenues from sales and the cost of sales for 2011–2010 shows that the growth in the cost of sales (1.2 %) outstripped the growth in revenues from sales (0.2%).

Revenues from core activities rose by 3% compared to 2010, equalling RUB 14,545,290 thousand, whereas the cost of sales rose by 1.3%.

Revenues from sales in other activities rose by 13.8% compared to 2010, while the cost of sales fell by 54.9%.

Gross profits for 2011 equalled RUB 21,356,494 thousand, which is 0.5% lower than in 2010.

Selling expenses in 2011 equalled RUB 680,340 thousand, which was 4.8% higher than the figure for the previous year. The proportion of selling expenses in revenues from sales remained at the 2010 level, specifically 1.9%.

Administrative expenses increased by RUB 922,800 thousand in the reporting year vs. the previous year, or by 6.7%, and equalled RUB 14,674,534 thousand.

With due account of the changes in gross profit, selling and administrative expenses, sales income equalled RUB 6,001,620 thousand, 15% less than in 2010. Profitability of sales decreased from 20.1% to 17.1%.

The greatest share of income was received as dividends from subsidiaries. Thus, income received from equity participation in other organisations equalled RUB 242,542,787 thousand in 2011, which is RUB 109,087,474 thousand, or 81.7%, more than in 2010.

In addition, a substantial source of the Company's income is financing activity, as a result of which the positive difference between the interest received from subsidiaries

on loans provided and on deposits, and the interest paid on loans, borrowings and bonds was RUB 12,874,954 thousand, which is 18.7% higher than the previous year.

The Company's interest expenses in 2011 were RUB 17,041,908 thousand, compared to RUB 22,833,804 thousand in 2010, i.e. the percentage drop in interest expenses was 25.4 %.

Other income rose in 2011 compared to the previous year, by more than 500%, equalling RUB 21,960,710 thousand. Other expenses also increased, more than doubling to RUB 32,248,753 thousand.

The overall loss on other income and expenses in the reporting year was RUB 10,288,043 thousand. The main reasons for the changes arose in the following items:

- Profit in the amount by which foreign-exchange gains exceeded foreign-exchange losses, due to the increase in the dollar exchange rate in 2011 in the amount of RUB 18,832,643 thousand, and also income from the sale–purchase of foreign currencies of RUB 3,027,737 thousand.
- Losses from the accrual of impairment provisions on financial investments were equal to RUB 29,284,172 thousand.

As a result, profit before tax increased by 76.3% in 2011 compared to 2010, and equalled RUB 251,131,318 thousand.

Following the significant increase in the tax base, profits tax more than tripled in 2011 compared to the previous reporting period and was equal to RUB 8,288,053 thousand.

Compared to 2010, net profits rose by RUB 102,599,560 thousand, or more than 70%, and were equal to RUB 242,637,070 thousand.

The increase in the Company's net assets compared to the previous period equalled 45.1%, with their total amount reaching RUB 619,204,589 thousand.

### **3. Conclusions**

ОАО “ЛУКОЙЛ” (the “Company”) keeps its accounts on the basis of the *Accounting Policy for 2011* approved by ОАО “ЛУКОЙЛ” Order No. 237 of 31 December 2010 (with the wording of 26 December 2011, No. 257) and prepared in accordance with Federal Law No. 129-FZ *On Accounting*, the accounting regulations and

other regulatory acts governing accounting issues, and the Tax Accounting Policy (OAO “LUKOIL” Order No. 238 of 31 December 2010) prepared in accordance with the requirements of tax legislation.

The Audit Commission did not identify any instances of violations of the accounting and reporting procedure established by the legislative acts of the Russian Federation and the Company’s accounting and reporting policy that would be capable of materially affecting the reliability of the financial statements of OAO “LUKOIL”.

The financial statements were prepared by the established deadlines and were provided on time to interested users.

The reliability of the financial statements of OAO “LUKOIL” for 2011 was confirmed by an auditor’s report issued by ZAO KPMG.

### **Annual Report of OAO “LUKOIL”**

The OAO “LUKOIL” Annual Report contains reliable information on the Company’s operations, its priority areas of activity and growth prospects.

The OAO “LUKOIL” Annual Report was signed by President of OAO “LUKOIL” V.Yu. Alekperov and Vice-President, Chief Accountant L.N. Khoba.

The OAO “LUKOIL” Annual Report was prepared in accordance with the requirements of RF FCSM Resolution No. 17/ps of 31 May 2002 (point 3.6).

The Audit Commission confirms the reliability of the data contained in the Annual Report of OAO “LUKOIL” and the annual financial statements for 2011.

Chairman of the Audit  
Commission

\_\_\_\_\_ V.N. Nikitenko

Members of the Audit Commission:

\_\_\_\_\_ M.M. Shendrik

\_\_\_\_\_ P.G. Kondratiev

To the shareholders of  
the Open Joint Stock Company  
**“Oil Company “LUKOIL”**

**Auditors’ report**  
on the financial statements of  
the Open Joint Stock Company  
“Oil Company “LUKOIL”  
for the 2011 reporting year

Set out below is an unofficial translation of the auditors’ report on the statutory financial statements of the Open Joint Stock Company “Oil Company “LUKOIL” as at and for the year ended 31 December 2011. The statutory financial statements to which the auditors’ report relates have been prepared in accordance with the accounting and reporting regulations of the Russian Federation. Russian accounting and reporting regulations differ from accounting frameworks in other jurisdictions. Consequently, the accompanying statutory financial statements are not intended to present the financial position, financial performance and cash flows of the Open Joint Stock Company “Oil Company “LUKOIL” in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation.

## **Information on the audit firm**

Name of the audit firm:	Closed Joint Stock Company KPMG.
Location (legal address):	18/1, Olympiysky prospect, Room 3035, Moscow 129110.
Postal address:	10, Presnenskaya Naberezhnaya, Block C, floor 31, Moscow 123317.
State registration:	Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585. Included in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.
Membership in a self-regulating auditors' organisation	Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

## **Information on the audited company**

Name of audited company:	Open Joint Stock Company "Oil Company "LUKOIL".
Location (legal address):	11, Sretensky boulevard, Moscow, 101000.
Postal address:	11, Sretensky boulevard, Moscow, 101000.
State registration:	Registered by Moscow Registration Chamber on 22 April 1993, Registration No. 024020. Registered in the Unified State Register of Legal Entities on 17 July 2002 by Administration of the Ministry of the Russian Federation for Taxes and Levies in Moscow, Registration No. 1027700035769, Certificate series 77 No. 007892347.

# Auditors' report

To the shareholders of the Open Joint Stock Company "Oil Company "LUKOIL"

We have audited the accompanying financial statements of the Open Joint Stock Company "Oil Company "LUKOIL" (hereinafter the "Company") for the 2011 reporting year.

The financial statements, set on 60 pages, comprise:

- the balance sheet as at 31 December 2011;
- the income statement for 2011;
- the appendices to the balance sheet and the income statement including:
  - the statement of changes in equity for 2011;
  - the cash flow statement for 2011;
  - the notes to the balance sheet and income statement;
- the explanatory notes to the financial statements.

## *Management's Responsibility for the Financial Statements*

Management of the Company is responsible for the preparation and reliability of the financial statements in accordance with the requirements of the Russian reporting legislation and for the system of internal control necessary for the preparation of the financial statements which are free from material misstatements, whether due to fraud or error.

## *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements in all material respects based on our audit. We conducted our audit in accordance with the Federal Standards on Auditing. These standards require that we comply with relevant ethical requirements and planning and performing the audit in order to obtain sufficient assurance as to whether the financial statements are free from material misstatements.

The audit included performing procedures to obtain audit evidence confirming the amounts and disclosures in the financial statements. The selection of the procedures is a matter of our judgment, which is based on the assessment of risk of material misstatement, whether due to fraud or error. In the process of risk assessment we considered the system of internal control relevant to the preparation and reliability of the financial statements in order to select appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of internal control.

The audit also included an assessment of the appropriateness of the Company's accounting policy and the reasonableness of the estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the reliability of the financial statements.

## *Opinion*

In our opinion, the accompanying financial statements present reliably, in all material respects, the financial position of the Company as at 31 December 2011 and its financial performance and cash flows for the 2011 reporting year in accordance with the requirements of the Russian reporting legislation.

Director of CJSC KPMG,  
(power of attorney dated 1 October 2010 No. 24/10)

Altukhov K.V.

11 March 2012

**Summary review  
of the Independent Auditors' Opinion  
performed by the Audit Committee of the Board of Directors of OAO "LUKOIL"**

MINUTES No. 4

OF THE MEETING OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS

10 April 2012

Moscow

**E X C E R P T**

CHAIRMAN: H.O. Gref

PRESENT:

Committee member S.A. Mikhailov

The Committee meeting is being conducted with the attendance in person of two members of the Committee.  
The meeting is quorate.

**I. Examination of the Independent Auditors' opinion on the financial statements  
of OAO "LUKOIL" for the period from 1 January to 31 December 2011,  
before submitting it to shareholders  
at the Annual General Shareholders Meeting of the Company**

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**(V.A. Verkhov, S.V. Mikhailov, H.O. Gref)**

Having considered the report of the Company's independent Auditor, ZAO KPMG, on the financial statements of OAO "LUKOIL" for the period from 1 January to 31 December 2011,

*THE COMMITTEE HAS RESOLVED:*

Based on the result of the analysis and the discussion of issues of material importance to the preparation of complete and reliable financial statements, and also in light of the fact that the audit of the financial statements of OAO "LUKOIL" for the period from 1 January to 31 December 2011 resulted in an unqualified audit opinion, to propose to the Board of Directors that it recommend to the annual General Shareholders Meeting of the Company that the Meeting approve the audited financial statements of the Company for 2011 and include the Summary review of the Independent Auditors' Opinion performed by the Audit Committee of the Board of Directors of OAO "LUKOIL" in the list of materials to be provided to shareholders when preparing for the General Shareholders Meeting.

Voting results:

IN FAVOR voted the following Committee members:

H.O. Gref, S.A. Mikhailov

Decision passed unanimously.

**Chairman**

**H.O. Gref**

*I hereby certify that this is a true and accurate excerpt from Minutes No.4*

Secretary of the Board of Directors

E.L. Khavkin

OAO "LUKOIL" (not including subsidiaries and equity affiliates)

**BALANCE SHEET**

as at 31 December 2011

million roubles

	As at 31.12.2011	As at 31.12.2010	As at 31.12.2009
<b><i>Non-current assets</i></b>			
Intangible assets	283	233	158
R&D	56	18	29
Fixed assets	6,846	6,100	4,868
Income-bearing investments in tangible assets	-	-	1
Financial investments	470,960	482,730	693,032
Deferred tax assets	355	534	709
Other non-current assets	2,927	1,272	853
<b><u>Non-current assets, total</u></b>	<b><u>481,427</u></b>	<b><u>490,887</u></b>	<b><u>699,650</u></b>
<b><i>Current assets</i></b>			
Inventories	38	36	50
VAT on purchased assets	31	62	2,526
Accounts receivable	143,180	125,448	139,698
Financial investments (less cash equivalents)	518,611	358,759	45,784
Cash and cash equivalents	39,085	14,105	15,346
<b><u>Current assets, total</u></b>	<b><u>700,945</u></b>	<b><u>498,410</u></b>	<b><u>203,404</u></b>
<b>ASSETS</b>	<b>TOTAL</b>	<b><u>1,182,372</u></b>	<b><u>989,297</u></b>
<b><i>Equity and reserves</i></b>			
Charter capital	21	21	21
Additional paid-in capital, including revaluation of non-current assets	12,625	12,625	12,625
Reserve capital	3	3	3
Retained earnings	606,556	413,960	318,152
<b><u>Equity and reserves, total</u></b>	<b><u>619,205</u></b>	<b><u>426,609</u></b>	<b><u>330,801</u></b>
<b><i>Non-current liabilities</i></b>			
Loans and borrowings	10,053	47,044	86,172
Deferred tax liabilities	127	101	115
Other non-current liabilities	7	7	206
<b><u>Non-current liabilities, total</u></b>	<b><u>10,187</u></b>	<b><u>47,152</u></b>	<b><u>86,493</u></b>
<b><i>Current liabilities</i></b>			
Loans and borrowings	420,041	404,047	389,319
Accounts payable	131,663	109,409	94,420
Provisions for future expenses	1,276	2,080	2,021
<b><u>Current liabilities, total</u></b>	<b><u>552,980</u></b>	<b><u>515,536</u></b>	<b><u>485,760</u></b>
<b>LIABILITIES AND EQUITY</b>	<b>TOTAL</b>	<b><u>1,182,372</u></b>	<b><u>989,297</u></b>

OAO "LUKOIL" (not including subsidiaries and equity affiliates)

## INCOME STATEMENT

for the year ended 31 December

million roubles

	2011	2010
<b>Net sales revenues</b>	<b>35,107</b>	<b>35,042</b>
Cost of goods sold	(13,751)	(13,583)
<b>Gross profit</b>	<b>21,356</b>	<b>21,459</b>
Selling expenses	(680)	(649)
Administrative expenses	(14,674)	(13,752)
<b>Sales income</b>	<b>6,002</b>	<b>7,058</b>
Income from equity participation in other organisations	242,543	133,455
Interest receivable	29,917	33,681
Interest payable	(17,042)	(22,834)
Result of non-sales income and expenses	(10,289)	(8,947)
<b>Profits before tax</b>	<b>251,131</b>	<b>142,413</b>
Deferred corporate profits tax	(206)	(161)
Current corporate profits tax and other mandatory payments	(8,288)	(2,214)
<b>Net profit</b>	<b>242,637</b>	<b>140,038</b>
Revaluation of non-current assets not included in net profit	-	-
Other operations not included in net profit	-	-
<b>Cumulative financial result for the period</b>	<b>242,637</b>	<b>140,038</b>

**A M E N D M E N T S   A N D   A D D E N D A**  
**to the Charter of Open Joint Stock Company**  
**“Oil company “LUKOIL”**

1. Subpoint 8.2.10.1 shall be added to Article 8. Shareholders Meeting to read as follows:

«8.2.10.1. payment (declaration) of dividends based on the results of the first three, six and nine months of the financial year;».

2. The first paragraph of point 8.7 shall be revised to read as follows:

«8.7. The notice of any Shareholders Meeting shall be published in the newspaper *Rossiyskaya Gazeta*, at least 30 days prior to the date when it is to be held, unless an earlier deadline is stipulated by law, and may also be published in any regional print media.».

3. The second paragraph of point 13.5 shall be revised to read as follows:

«The term of dividend payments shall not exceed 60 days from the date the decision on their payment was passed.».

4. Point 13.6 shall be revised to read as follows:

«13.6. A list of persons entitled to receive dividends shall be compiled as at the date of compilation of the list of persons entitled to participate in the Shareholders Meeting at which the decision on payment of dividends is taken.».

**Table of amendments and addenda  
to the Charter of Open Joint Stock Company “Oil company “LUKOIL**

№	Current version of the Charter	Proposed amendments to the Charter	Comments
1.	Does not exist in the current version.	Sub-point 8.2.10.1: <b><u>«8.2.10.1. payment (declaration) of dividends based on the results of the first three, six and nine months of the financial year;».</u></b>	This amendment is being made to clarify the competence of the General Shareholders Meeting of OAO “LUKOIL” (hereinafter also referred to as the Company) pursuant to article 48 (1) (10.1) of Federal Law No. 208-FZ of 26 December 1995 <i>On Joint Stock Companies</i> , with subsequent amendments and addenda (hereinafter the “JSC Law”), and in connection with the possible practice of interim dividend payments to increase market value of securities and encouraging additional investments.
2.	The first paragraph of point 8.7: «8.7. The notice of any Shareholders Meeting shall be published in the newspapers <i>Rossiyskaya Gazeta</i> or <i>Izvestiya</i> , at least 30 days prior to the date when it is to be held, unless an earlier deadline is stipulated by law, and may also be published in any regional print media.».	The first paragraph of point 8.7: «8.7. The notice of any Shareholders Meeting shall be published in the newspapers <i>Rossiyskaya Gazeta</i> or <del><i>Izvestiya</i></del> , at least 30 days prior to the date when it is to be held, unless an earlier deadline is stipulated by law, and may also be published in any regional print media.».	This amendment is being made to reduce the Company’s financial costs of publishing the AGM Notice and voting results.
3.	The second paragraph of point 13.5: «The term of annual dividend payments shall not exceed 60 days from the date the decision on their payment was passed.».	The second paragraph of point 13.5: «The term of <del>annual</del> dividend payments shall not exceed 60 days from the date the decision on their payment was passed.».	This amendment is being made to bring the wording of the second paragraph of point 13.5 of the Charter in compliance with the first paragraph of article 42 (4) of the JSC Law, and also in connection with the relevant addendum to the Charter (sub-point 8.2.10.1).

4.	<p>Point 13.6:  «13.6. A list of persons entitled to receive dividends shall be compiled as at the date of compilation of the list of persons entitled to participate in the Shareholders Meeting at which the decision on payment of dividends is taken. In order to prepare the list of persons entitled to receive dividends, nominal shareholders shall provide information on the persons on whose behalf they hold shares.».</p>	<p>Point 13.6:  «13.6. A list of persons entitled to receive dividends shall be compiled as at the date of compilation of the list of persons entitled to participate in the Shareholders Meeting at which the decision on payment of dividends is taken. <del>In order to prepare the list of persons entitled to receive dividends, nominal shareholders shall provide information on the persons on whose behalf they hold shares.».</del></p>	<p>This amendment is being made in connection with the entry in force from 01.07.2012 of Federal Law No. 415-FZ of 07.12.2011 “On introducing amendments to certain legal acts of the Russian Federation in connection with the enactment of the Federal Law <i>On the Central Depository</i>”, amending article 42 of the JSC Law by deleting the second sentence from the second paragraph of point 4 of this article, which sentence envisaged that each nominee holder of shares should provide information about the beneficiaries in whose interests they hold the shares.</p>
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Deleted provisions are shown in the table as strikethrough text, and new provisions are shown as bold underlined text.

**A m e n d m e n t s**

**to the *Regulations On The Procedure For Preparing And Holding The General Shareholders Meeting Of OAO “LUKOIL”***

1. The first paragraph of point 5.1 shall be revised to read as follows:

«5.1. The notice of any Shareholders Meeting shall be published in the newspaper *Rossiyskaya Gazeta*, at least 30 days prior to the date when it is to be held, unless an earlier deadline is stipulated by law, and may also be published in any regional print media.».

2. The third paragraph of point 11.12 shall be revised to read as follows:

«If necessary, a copy of the minutes of the Meeting and/or an excerpt from the minutes of the Meeting shall be issued and signed by the Secretary of the Board of Directors (or in his/her absence – by the Deputy Chief of Staff of OAO “LUKOIL”) and certified by the round seal of the Company, intended for use in the activity of the Board of Directors. The excerpt shall indicate:

The date and number of the minutes;

The agenda item for which the excerpt was requested;

The fact of the existence of a quorum on the given agenda item and the results of voting thereon;

The resolutions adopted on the given agenda item.».

**Table of amendments to the current version  
of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”  
(hereinafter the “Regulations”)**

No.	Current version of the Regulations	Proposed amendments to the Regulations	Comments
1.	<p>The first paragraph of point 5.1 «5.1. The notice on the holding of a Shareholders Meeting shall be published at least 30 days prior to the date when it is to be held, unless an earlier deadline is stipulated by law, in the newspapers <i>Rossiyskaya gazeta</i> and <i>Izvestiya</i>. In addition, the notice may also be published in regional publications.»</p>	<p>The first paragraph of point 5.1 «5.1. The notice of any Shareholders Meeting shall be published in the newspapers <i>Rossiyskaya Gazeta</i> <del>or <i>Izvestiya</i></del>, at least 30 days prior to the date when it is to be held, unless an earlier deadline is stipulated by law, and may also be published in any regional print media.».</p>	<p>This amendment is being made to reduce the Company’s financial costs of publishing the AGM Notice and voting results.</p>
	<p>The third paragraph of point 11.12  «If necessary, a copy of the minutes of the Meeting and/or an excerpt from the minutes of the Meeting shall be issued by the Office of the Board of Directors, signed by the Secretary of the Board of Directors – Head of the Office (his/her deputy) and certified by the round seal of the Company, intended for use in the activity of the Board of Directors. The excerpt shall indicate:</p> <ul style="list-style-type: none"> <li>• The date and number of the minutes;</li> <li>• The agenda item for which the excerpt was requested;</li> <li>• The fact of the existence of a quorum on the given agenda item and the results of voting thereon;</li> <li>• The resolutions adopted on the given agenda item.».</li> </ul>	<p>The third paragraph of point 11.12:  «If necessary, a copy of the minutes of the Meeting and/or an excerpt from the minutes of the Meeting shall be issued <del>by the Office of the Board of Directors,</del> <b>and</b> signed by the Secretary of the Board of Directors – <del>Head of the Office</del> <b>(or in his/her absence - by the Deputy <u>Chief of Staff of OAO “LUKOIL”</u>)</b> and certified by the round seal of the Company, intended for use in the activity of the Board of Directors. The excerpt shall indicate:</p> <ul style="list-style-type: none"> <li>• The date and number of the minutes;</li> <li>• The agenda item for which the excerpt was requested;</li> <li>• The fact of the existence of a quorum on the given agenda item and the results of voting thereon;</li> <li>• The resolutions adopted on the given agenda item.».</li> </ul>	<p>This amendment is being made in connection with changes in the structure and staff list of OAO “LUKOIL” as of 10 February 2012.</p>

Deleted provisions are shown in the table as strikethrough text, and new provisions are shown as bold underlined text.

**A m e n d m e n t s**  
**to the *Regulations On The Board of Directors Of OAO “LUKOIL”***

1. The second paragraph of point 2.6 shall be revised to read as follows:  
«The Secretary of the Board of Directors shall be responsible for organizational support for the Board of Directors.».
  
2. Point 3.10 shall be revised to read as follows  
«3.10. In the event of a tie vote, the Chairman of the Board of Directors shall have a casting vote.».
  
3. The first sentence of sub-point 3.11.4 shall be revised to read as follows:  
«All materials required for absentee voting shall be forwarded in accordance with the procedure set out in point 2.10 of these Regulations. ».
  
4. The first sentence of point 3.16 shall be revised to read as follows:  
«Excerpts from the minutes of Board meetings shall be issued and signed by the Secretary of the Board of Directors (or in his/her absence – by the Deputy Chief of Staff of OAO “LUKOIL”), and certified by the Company seal used to certify Board documents.».

**Table of amendments to the current version  
of the Regulations on the Board of Directors of OAO “LUKOIL”  
(hereinafter the “Regulations”)**

No.	Current version of the Regulations	Proposed amendments to the Regulations	Comments
5.	The second paragraph of point 2.6: «The Office of the Board of Directors, headed by the Secretary, shall be responsible for organizational support for the Board of Directors.».	The second paragraph of point 2.6: «The <del>Secretary Office</del> of the Board of Directors, <del>headed by the</del> , shall be responsible for organizational support for the Board of Directors.».	This amendment is being made in connection with changes in the structure of OAO “LUKOIL” as of 10 February 2012.
6.	Point 3.10: «3.10. In the event of a tie vote, the member presiding at the Board meeting shall have a casting vote.».	Point 3.10: «3.10. In the event of a tie vote, <del>the member presiding at the Board meeting</del> <u>the Chairman</u> of the Board of Directors shall have a casting vote.».	This amendment is being made bring the norm of point 3.10 of the Regulations in compliance with sub-point 9.8.1 of point 9.8 of the Charter of OAO "LUKOIL".
7.	The first sentence of sub-point 3.11.4: «3.11.4. All materials required for absentee voting shall be forwarded in accordance with the procedure set out in point 2.10 of these Regulations.».	The first sentence of sub-point 3.11.4: «3.11.4. «All materials required for absentee voting shall be forwarded in accordance with the procedure set out in <u>point 2.10</u> of these Regulations.».	This amendment is being made to correct a clerical mistake ( <i>in the Russian wording only</i> )
8.	The first sentence of point 3.16: «Excerpts from the minutes of Board meetings shall be issued and signed by the Secretary of the Board of Directors (or in his absence by the Deputy Head of the Office the Board of Directors), and certified by the Company seal used to certify Board documents.».	The first sentence of point 3.16: «Excerpts from the minutes of Board meetings shall be issued and signed by the Secretary of the Board of Directors ( <del>or in his/her absence by the Deputy Head of the Office the Board of Directors</del> <u>Chief of Staff of OAO “LUKOIL”</u> ), and certified by the Company seal used to certify Board documents.».	This amendment is being made in connection with changes in the structure and staff list of OAO “LUKOIL” as of 10 February 2012.

Deleted provisions are shown in the table as strikethrough text, and new provisions are shown as bold underlined text.

## **Information on an interested-party transaction**

In accordance with article 83 of the Federal Law *On Joint Stock Companies*, interested-party transactions must be approved by the Board of Directors or General Shareholders Meeting of the company prior to their conclusion.

One interested-party transaction is being submitted for the consideration of the Annual General Shareholders Meeting of OAO “LUKOIL” - Policy (contract) on insuring the liability of directors, officers and corporations between OAO Kapital Strakhovanie (Insurer) and OAO “LUKOIL” (Policyholder). This transaction is being submitted for the approval of the General Shareholders Meeting of the Company based on point 3 of article 83 of the Federal Law *On Joint Stock Companies*, since all the members of the Board of Directors of OAO “LUKOIL” qualify as parties interested in the conclusion of the transaction. Under this transaction, all members of the Board of Directors of the Company are considered interested parties to this transaction as beneficiaries under the transaction, as they will be entitled to a compensation should an insured event occur. The President of the Company and the members of the Management Committee are also deemed interested parties. Under the Policy (contract) on insuring the liability of directors, officers and corporations, insured is the liability of Board members and other officials of the Company, i.e. the President and the members of the Management Committee (Coverage A), and the liability of the Company itself (Coverage B) for 2012-2013. Under the indicated contract OAO “LUKOIL” (Policyholder) undertakes to pay the insurance premium by the indicated date and to comply with the terms of the contract, and OAO Kapital Strakhovanie (Insurer) undertakes to pay insurance compensation in accordance with the contractual terms in the event of the occurrence of an insured event. The aggregate limit of liability under coverage A and B, including legal defence costs, is at least USD 50,000,000. The insurance premium for coverage A is up to RUB 217,000, and for coverage B – up to RUB 13,733,000.

Professional liability insurance is a generally accepted practice throughout the world. The Corporate Governance Code recommended for application by the Federal Commission on Security Markets by Resolution No. 421/r of 04 April 2002 also recommends that joint stock companies obtain this type of insurance using internal funds, so that any losses caused to third parties by the culpable actions of the members of the Board of Directors can be compensated using the funds of the insurance company.