

**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, 2013**

## CONTENTS

1. Notice of the Annual General Shareholders Meeting of OAO “LUKOIL” .....	3
2. Agenda of the Annual General Shareholders Meeting of OAO “LUKOIL” .....	5
3. Draft decisions of the Annual General Shareholders Meeting of OAO «LUKOIL».....	6
4. Recommendations of the Board of Directors of OAO «LUKOIL» on the items on the agenda of the Annual General Shareholders Meeting of OAO «LUKOIL».....	8
5. Summary of 2012 performance results and main objectives for 2013.....	11
6. Information on candidates to the Board of Directors of OAO “LUKOIL” including information on presence of a written consent of candidates to the Board of Directors of OAO “LUKOIL” .....	14
7. Information on candidates to the Audit Commission of OAO “LUKOIL” including information on presence of a written consent of candidates to the Audit Commission of OAO “LUKOIL” .....	17
8. Opinion of the Audit Commission of OAO «LUKOIL» based on a review of the financial and business activity of OAO “LUKOIL” in 2012.....	18
9. Auditors’ Report on the financial statements of OAO “LUKOIL” for 2012.....	27
10. Summary review of the Independent Auditors’ Opinion performed by the Audit Committee of the Board of Directors of OAO «LUKOIL».....	31
11. OAO “LUKOIL” Balance Sheet as of 31 December 2012 and OAO “LUKOIL” Income Statement for the year ending 31 December 2012.....	32
12. Amendments and addenda to the Charter of Open Joint Stock Company “Oil company “LUKOIL” (with the table of amendments and addenda to the current version of the Charter of Open Joint Stock Company “Oil company “LUKOIL” ).....	34
13. Information on an interested-party transaction.....	40



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 2013** 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 2012 Annual Report of Open Joint Stock Company "Oil company "LUKOIL" and the annual financial statements, including the income statement of the Company, and also distribution of profits (including 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. 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 13 May 2013.

In order to take part in the meeting, you or your representative must bring with you your/his/her passport or other identification document; 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 (hereinafter also the "Registrar"). The deadline for receipt of ballots is 24 June 2013, 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 2013, in print media *Rossiyskaya Gazeta*.

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 the following addresses:

ulitsa Ivana Franko 8, Moscow, 121108 Russian Federation

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

Nab. Severnoi Dviny 30, Arkhangelsk, 163000

telephone: (8182) 65 7544

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

telephone: (8512) 52 1040, 52 1070

ulitsa Mira 19, office 39, Volgograd, 400131

telephone: (8442) 24 7274, 24 7279

ulitsa Leitenanta Yanalova 2, Kaliningrad, 236023

telephone: (4012) 60 5434, 60 5464

ulitsa Gorkogo 5, 5th floor, office 503, Kirov, 610017

telephone: (8332) 40 5631

ulitsa Lenina 113, office 205, Krasnoyarsk, 660017

telephone: (391) 274 6063, 221 7417, 274 6073

ulitsa Belinskogo 9/1, 5th floor, offices 10 & 11, Nizhni Novgorod, 603022

telephone: (831) 296 0661

ulitsa Svobody 1, office 117, Novorossiysk, Krasnodarsky Krai, 353900

telephone: (8617) 64 2900

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  
Belovodsky pereulok 6, St. Petersburg, 194044  
prospekt Bumazhnikov 2, Syktyvkar-26, Komi Republic, 167026  
ulitsa Mendeleevskaya 1, Tula, 300041  
ulitsa Karla Marxa 54, office 215, Chelyabinsk, 454084  
ulitsa Pobedy 28-a, Yaroslavl, Yaroslavl Oblast, 150040

telephone: (3919) 42 5025, 46 2817  
telephone: (495) 578 3680  
telephone: (846) 379 7218, 379 7219, 379 7220  
telephone: (4855) 29 6600  
telephone: (812) 541 8248  
telephone: (8212) 29 3180, 29 3181  
telephone: (4872) 70 0064, 30 7123  
telephone: (351) 266 4770  
telephone: (4852) 73 9745

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

telephone: (34667) 9 1114, 9 1052  
telephone: (34669) 2 2658

Additional office No.1 of FKB Petrocommerce in Kogalym, ulitsa Lenina 118, Urai,  
Tyumen Oblast, 628285

telephone: (34676) 2 0266

OAO Bank Petrocommerce, ulitsa Petrovka 24, building 1, Moscow, 127051  
Additional office of OAO Bank Petrocommerce ('Sretenka'), Sretensky bulvar 11,  
Moscow, 101000

telephone: (495) 411 6411, 8 (800) 200 6411  
telephone: (499) 973 7655

Additional office of OAO Bank Petrocommerce ('Pokrovka'), Pokrovsky bulvar 3,  
building 1, Moscow, 109028

telephone: (495) 221 3031

Additional office of OAO Bank Petrocommerce ('Prospekt Mira'), Prospekt Mira 180,  
Moscow, 129366

telephone: (495) 780 1913, 780 1905

Additional office of OAO Bank Petrocommerce ('Yakimanka'), ulitsa Malaya  
Yakimanka 4, Moscow, 109180

telephone: (499) 973 7721

ZAO Registrar INTRAKO, ulitsa Lenina 64, 2<sup>nd</sup> floor, Perm, 614990

telephone: (342) 233 0163, 233 0164

OAO FKB Petrocommerce, ulitsa Zakharova 11, Krasnodar, 350007

telephone: (861) 268 7508, ext. 2670, 2460

OAO FKB Petrocommerce, ulitsa Sergievskaya 9, Nizhni Novgorod, 603109

telephone: (831) 421 4853

OAO FKB Petrocommerce, prospekt Oktyabrya 25, Ufa, Republic of Bashkortostan  
450009

telephone: (347) 282 52 54, ext. 2010

Branch of OAO URALSIB, ulitsa Krasnoarmeiskaya 188, Rostov-on-Don, 344010

telephone: (863) 282 5020

OAO Uglemetbank, ulitsa Molodogvardeitsev 17B, Chelyabinsk, 454138

telephone: (351) 247 4999

**For the purpose of ensuring the timely payment of dividends and the payment of tax, we kindly ask you** to promptly inform OAO Registrar NIKoil of any changes in your data (change in residence, change in banking details, etc.) by completing the Securities Owners' Form and submitting it to the Registrar. Pursuant to point 5 of article 44 of the Federal Law *On Joint Stock Companies* neither the Company nor OAO Registrar NIKoil will be liable for the debt incurred, should you fail to provide information on such changes.

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 Annual General Shareholders Meeting of OAO "LUKOIL"**

Moscow, 27 June 2013

1. Approval of the 2012 Annual Report of Open Joint Stock Company "Oil company "LUKOIL" and the annual financial statements, including the income statement of the Company, and also distribution of profits (including 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. 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 2012 Annual Report of Open Joint Stock Company “Oil company “LUKOIL” and the annual financial statements, including the income statement of the Company, and also distribution of profits (including 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 Open Joint Stock Company “Oil company “LUKOIL” for 2012 and the annual financial statements, including the income statement of the Company, and the distribution of profits for the 2012 financial year as follows:

The net profit of OAO “LUKOIL” based on the results of the 2012 financial year was 217,807,128,000 roubles.

The net profit in the amount of 42,528,162,750 roubles based on the results of the 2012 financial year (excluding the net profit distributed as interim dividends of 34,022,530,200 roubles for the corresponding reporting period of 2012) be distributed for the payment of dividends.

The rest of the net profit shall be left undistributed.

To pay dividends on ordinary shares of OAO “LUKOIL” for the 2012 financial year in the amount of 50 roubles per ordinary share (excluding the interim dividends of 40 roubles per ordinary share paid for the corresponding reporting period of 2012). 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”, subsequent payments will be performed after information is provided to OAO Registrar 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 of dividends will be made through wire transfer to the shareholder’s 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 members of 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 4 February 2013 (Minutes No. 4):

1. ALEKPEROV, Vagit Yusufovich
2. BLAZHEEV, Victor Vladimirovich
3. GRAYFER, Valery Isaakovich
4. IVANOV, Igor Sergeevich
5. MAGANOV, Ravil Ulfatovich
6. MATZKE, Richard
7. MIKHAILOV, Sergei Anatolievich
8. MOBIUS, Mark
9. MOSCATO, Guglielmo Antonio Claudio
10. NIKOLAEV, Nikolai Mikhailovich
11. PICTET, Ivan
12. FEDUN, Leonid Arnoldovich

**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 4 February 2013 (Minutes No. 4):

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:** ‘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.8.

## **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 the income statement of the Company, and the distribution of profits for the 2012 financial year as follows:

The net profit of OAO "LUKOIL" based on the results of the 2012 financial year was 217,807,128,000 roubles.

The net profit in the amount of 42,528,162,750 roubles based on the results of the 2012 financial year (excluding the net profit distributed as interim dividends of 34,022,530,200 roubles for the corresponding reporting period of 2012) be distributed for the payment of dividends.

The rest of the net profit shall be left undistributed.

To pay dividends on ordinary shares of OAO "LUKOIL" for the 2012 financial year in the amount of 50 roubles per ordinary share (excluding the interim dividends of 40 roubles per ordinary share paid for the corresponding reporting period of 2012). 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", subsequent payments will be performed after information is provided to OAO Registrar 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 of dividends will be made through wire transfer to the shareholder's 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 persons entitled to receive dividends shall be compiled on the date of preparation of the list of persons entitled to participate in the Annual General Shareholders Meeting of OAO "LUKOIL", i.e. 13 May 2013.

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 10 April 2013) and the Audit Committee of the Board of Directors of OAO "LUKOIL" (Minutes No. 3 of 14 May 2013).

The 2012 Annual Report of Open Joint Stock Company "Oil company "LUKOIL" was tentatively approved by the Board of Directors of OAO "LUKOIL" (Minutes No. 11 of 24 May 2013).

### **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 4 February 2013 (Minutes No. 4).

**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 4 February 2013 (Minutes No. 4).

**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
– 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
– I. Pictet	– 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 V.V. Blazheev, for performance of the functions of Chairman of the Audit Committee – 550,000 roubles;
- to M. Mobius, 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 2013, 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 of the Board of Directors 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 14 February 2013).

**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 14 February 2013).

**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. 1 of 4 March 2013).

**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 an interested-party transaction.

**Open Joint Stock Company “Oil company “LUKOIL”**  
**Summary of 2012 performance results and main objectives for 2013**

LUKOIL achieved record-breaking financial results for a number of indicators in 2012, confirming the effectiveness of its work and stable financial position. The LUKOIL Group’s net profit exceeded USD 11 billion; net earnings per share increased by 8.8%, and equalled USD 14.47. Net profit per barrel of hydrocarbons produced reached USD 13.90, which is the best indicator in the Russian oil & gas industry. The Company’s net debt fell by 41.5% in 2012. The record-breaking financial indicators and successes in the implementation of the adopted strategy were manifest in the dynamic of growth if the Company’s share price, which had increased by 17.5% based on the results for the year.

We are creating long-term shareholder value in the Company, which involves both investing in the core business and returning remaining capital to shareholders. By focussing our attention on a growth in shareholder income, we not only increased dividends per share by 20.0%, but also paid interim dividends for the first time in Company history. The total dividends based on the results of the 2012 financial year will equal RUB 90 per ordinary share of the Company, including the dividend of RUB 50 per ordinary share recommended by the Board of Directors to the Annual General Shareholders Meeting and RUB 40 per ordinary share paid previously based on the results of the relevant reporting period of 2012 (interim dividend). Thus, dividend income for 2012 may equal 4.9%.

Recognising our responsibility for sustainable development in our areas of presence, we pay special attention to care for the environment, staff, consumers and investors, and cooperation with the state. As a global participant on world oil & gas markets, our Company is constantly improving in line with global best practices. For example, LUKOIL optimised its organisational structure in 2012, by eliminating ineffective elements and duplicate management functions. The Company once again improved its work productivity figures: net profit per employee increased by 14.1% in the reporting year, and equalled USD 98 thousand.

The reporting year showed our Company’s ability to implement strategic plans. We have already created a solid base for their implementation, which in the long run will ensure additional value for all Company shareholders.

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

The year 2012 was a hallmark year for the Company in the Exploration and Production business segment: for the first time in many years access was received to subsoil plots of federal significance in Western Siberia, including the Imilorskoye+Western Imilorskoye and Istochnoye fields, with recoverable C1 and C2 oil reserves of 193.7 million tonnes (1.4 billion bbl) according to the Russian classification.

Due to geological exploration work, development drilling and acquisitions, the growth in proved reserves in 2012 equalled 703 million barrels of oil equivalent. The lion’s share of growth was achieved through detailed field appraisal in the North Caspian and Komi Republic. Organic growth in reserves compensated for 82% of hydrocarbon production. Most organic growth in proved hydrocarbon reserves was received in Russia, in the amount of 613 million barrels of oil equivalent (92% of total growth).

### **Oil and gas production**

With the increasing inclusion of hard to recover reserves in production, the Company is focussing on maximising the value of projects and the effectiveness of capital expenditures, to create the basis for sustained growth in production. The successful use of the newest technologies and an increase in drilling in traditional regions allowed us to achieve a 0.5% increase in hydrocarbon production and to stabilise oil production. Oil production in Western Siberia increased by 0.2%.

The main increase in the Company’s hydrocarbon production over the next decade is expected in the Group’s prospective projects in Iraq, Central Asia, the Caspian, and Yamalo-Nenets Autonomous Okrug. We have already commenced development drilling and construction of an oil treatment plant at the gigantic West Qurna-2 field in Iraq.

Investment in high technology development methods such as lateral drilling of wells and hydraulic fracturing in 2012 made it possible for the Company to bring additional reserves into production in the North Caspian and Komi Republic. Compensation of production in 2012 with a growth in proved reserves

exceeded 100% in 2012. The increase in proved reserves due to geological exploration work, development drilling and acquisitions equalled 703 million barrels of oil equivalent.

The Company continued to implement a strategy to expand gas production. The LUKOIL Group's gas programme stipulates accelerated growth in gas production both in Russia and abroad, and bringing the share of gas up to a third of total hydrocarbon production. The planned level of production of gas was reached in 2012 at the Dzharkuduk field under the Southwest Gissar project in Uzbekistan (1.1 billion m<sup>3</sup>/year of natural gas). Total natural gas production increased by 10.8%, and equalled 15,605 million m<sup>3</sup>. The volume of natural gas production abroad increased by 31.7%, primarily due to the growth in production under the Gissar and Khauzak projects in Uzbekistan.

### **Oil refining**

The LUKOIL Group continued active work in 2012 to develop the oil refining segment by upgrading and expanding its refining capacity. This is also facilitated by the improvement of Russian legislation, giving incentives for the production of premium high-octane types of fuel.

The ongoing modernisation of the Perm and Ukhta oil refineries and the construction of a catalytic cracking unit at the Nizhny Novgorod oil refinery will enable the Group to significantly improve its financial results in the segment. In 2012 all of the Group's Russian oil refineries switched to the production of Euro-5 automobile petrol. The Company plans to reduce the volume of production of heavy petroleum products at Russian oil refineries over the next decade. The volume of refining of oil stock at the Group's refineries in 2012 increased by 5.1%, and equalled 1,128 thousand bbl/day.

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

In 2012 the Group's gas refineries processed 3,348 million m<sup>3</sup> of gas stock (+4.7% more than in 2011) and 815 thousand tonnes of liquid hydrocarbons (+9.8% more than the 2011 level). The increase in the volume of gas refining occurred due to increased demand.

Group refineries produced 2,652 million m<sup>3</sup> of lean gas, 978 thousand tonnes of liquefied gases, 696 thousand tonnes of NGL and 190 thousand tonnes of liquid hydrocarbons (stable natural gasoline, isopentane, propane-butane-pentane and hexane-heptane fractions).

Reconstruction of the raw materials compressor station and construction of the sulphur-removal unit have started at the Usinsk gas refinery. Reconstruction of the low-temperature condensation and distillation unit is planned at Permneftegazpererabotka.

### **Electrical power generation**

In 2012 the organisations of the Power Generation business sector generated a total of 15.4 billion kWh of electricity. The total output of heat in 2012 equalled 14.7 million Gcal, including 13.4 million Gcal in Russia. The total generation of heat and electricity was determined based on the working conditions on the electricity market.

The Group has started implementing alternative energy projects: in 2012 we purchased a wind-power station in Bulgaria with a capacity of 40 MW, which constitutes 10% of the Bulgarian wind-power market. The Company plans to build and operate solar-power and wind-power stations in other European and Asian countries.

### **Transportation**

The impact of the use of LUKOIL Group transportation and logistics facilities in 2012 to transport Russian oil and petroleum products for export compared to alternative supply routes in current market conditions is estimated at USD 650 million.

The construction of the Kharyaga-Yuzhnoe Khylychuyu oil gathering pipeline was completed in 2012. The commissioning of this pipeline will make it possible to reduce the payback period of costs on construction of the Varandei terminal, due to a significant increase in its load. In addition, the Company can reduce costs on transportation of oil along the Baltic pipeline system. The Kharyaga-Usa oil gathering pipeline and the Usa-Ukhta and Ukhta-Yaroslavl mainline oil pipelines, which are currently working at the limit of their throughput capacity, will also be relieved of part of their load.

As part of the expansion of its own transportation infrastructure, LUKOIL launched a new petroleum product terminal at the port in Barcelona in 2012. With the help of this terminal, the Company can perform the re-export and distribution in Spain of diesel and jet fuel, as well as biofuel. The tank farm turns the terminal into a major Mediterranean hub for transshipment of petroleum products, with a total capacity of one million m<sup>3</sup>.

### **Oil and gas shipments**

The total amount of oil sold by the Company in 2012, including shipments for refining at Company and third-party refineries, equalled 105 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 Company's oil refineries and for sale on the Russian domestic market. The most effective use of the oil produced by the Company remains its refining by Russian oil refineries. The volume of oil shipments to the Group's refineries in Russia in 2012 equalled 44.4 million tonnes.

The volume of sales of natural, associated petroleum and stripped dry gas by LUKOIL Group organisations equalled 19,934 million m<sup>3</sup>, or 10.5% more than in 2011.

### **Sale of petroleum products**

In 2012, 11.6 million tonnes of petroleum products were sold to wholesale consumers on the domestic market, or 5.6% more than in 2011.

Exports of petroleum products fell by 6.2% in 2012, to 22.5 million tonnes, with a simultaneous increase in shipments of medium distillates to the Russian domestic market. The structure of exports in the reporting year remained unchanged: the Company exports from Russia consisted primarily of diesel fuel, fuel oil and gasoil, which accounted in aggregate for around 89% of all exported petroleum products.

The volume of bunkering increased by 17% in 2012 year on year, and equalled around 2.5 million tonnes. The volume of into-plane fuelling increased by 16% in 2012 year on year, and equalled 1.3 million tonnes.

Retail sales of petroleum products and products of gas processing through the Company's owned and leased filling stations in 2012 equalled 15.9 million tonnes, or 1.1% more than in 2011.

### **Stock market**

A significant growth in the Company's share price was recorded based on the results for 2012: during the year the share price increased by 17.5%, and equalled RUB 2,000.20/share (based on trading results on MICEX). The Company's shares were among the growth leaders in the Russian oil & gas sector, but remained undervalued compared to their Russian and international counterparts. We have set ourselves the goal of realising this potential in the near future.

Global economic trends and risk perceptions fostered a conservative attitude among investors to the Russian stock market throughout 2012. However, the adoption of a new strategy for 2012-2021 on the repurchase of shares and transparency has provided considerable support to the Company's shares. Based on the results for the year, OAO "LUKOIL" shares once again outperformed the Russian stock market as a whole, and the oil & gas sector in particular. The largest investment houses have upgraded the shares of OAO "LUKOIL", thereby increasing the Company's average target price to USD 82/share. At the end of 2012 more than 87% of analysts had "buy" recommendations on OAO "LUKOIL" shares.

### **The Company's priority lines of business in 2013**

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

## **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. Since 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".

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

**Rector of the O.E. Kutafin Moscow State Law University (MSAL), Chairman 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 1999 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 Law University (MSAL).

### **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. Since 2011: President of the Russian International Affairs Council (RIAC).

### **Ravil Ulfatovich Maganov**

**Member of the Board of Directors of OAO "LUKOIL", Member of the Management Committee of OAO "LUKOIL", First Executive Vice-President of OAO "LUKOIL" (Exploration and Production), Member of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"**

**Born: 1954**

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

### **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]. 2001–01.2013: General Director of ZAO Gruppa Konsalting [Consulting Group]. Since 2004: Chairman of the Board of Directors of OOO Upravlyayushchaya Kompaniya Kapital Paeve Investitsionnye Fondy [Kapital Unit Investment Funds (Management Company)], of OAO Futbolny Klub Spartak-Moskva [Spartak-Moscow Football Club] and of OAO Kommerchesky Bank Petrocommerce [Petrocommerce Commercial Bank]. Since 2005: Member of the Board of Directors of ZAO IFD Kapital. 2008–2009: Chairman of the Board of Directors of ZAO Investitsionnaya Gruppa Kapital [Kapital Investment Group]. Since 2008: Member of the Board of Directors of OOO Upravlyayushchaya Kompaniya Kapital [Kapital Management Company], Chairman of the Board of Directors of ZAO Kapital Upravlenie aktivami [Kapital Asset Management]. Since 2010: Chairman of the Board of Directors of ZAO Gruppa Kapital Upravlenie aktivami [Kapital Group Asset Management], since 2011: Deputy General Director of OOO Upravlyayushchaya Kompaniya Kapital [Kapital Management Company].

### **Mark Mobius\***

**Executive Chairman, Templeton Emerging Markets Group; Chairman of the Human Resources and Compensation Committee of OAO "LUKOIL", 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",**

**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: Board member of Trevi S.p.A., Board Member of Canadian Oil Co (Canoel), Chairman and CEO of Gas Mediterraneo & Petrolio.

### **Nikolai Mikhailovich Nikolaev**

**General Director of OAO RITEK**

**Born: 1954**

Graduated from the I.M. Gubkin Moscow Institute of the Petrochemical and Gas Industry in 1982. Tyumen Industrial Institute in 1994 and the I.M. Gubkin Russian State University of Oil and Gas in 2000. Candidate of Technical Sciences (PhD). Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of an order and six medals. 1996-1997: General Director of AOOT LUKOIL-Langepasneftegaz. 1997-2001: General Director of TPP Langepasneftegaz of OOO LUKOIL-Zapadnaya Sibir [Western Siberia]. 2001-2009: General Director of OOO LUKOIL-Nizhnevolzhskneft. 03.2009-01.2010: General Director of OOO LUKOIL-Volgogradneftegaz. Since 01.2010: General Director of OAO RITEK.

### **Ivan Pictet\***

**Member of the UN Investments Committee of the UN Joint Staff Pension Fund Board, Member of the Audit Committee of the Board of Directors of OAO "LUKOIL"**

**Born: 1944**

Master in Economics from the School of Business Administration at the University of St. Gallen (1970). He serves as a member of the UN Investments Committee of the UN Joint Staff Pension Fund Board since 2005. He serves as a member of the International Advisory Board of Blackstone Group International Limited since 1995, AEA European Advisory Board since 2010, AEA Investors LP Global Advisory Board (NY, USA) since 2011 and as a member of the Board of Directors of Symbiotics since 2011. Mr. Pictet was appointed Chairman of the Board of PSA International SA in 2012. Former Senior Managing Partner of Pictet & Cie.

### **Leonid Arnoldovich Fedun**

**Member of the Management Committee of OAO "LUKOIL", Vice-President for Strategic Development of OAO "LUKOIL"**

**Born: 1956**

Graduated from the M.I. Nedelin Higher Military Command School in Rostov in 1977 and the Graduate School of Privatization and Entrepreneurship in 1993. Candidate of Philosophical Sciences (PhD). Recipient of an order and seven medals. 1993–1994: General Director of AO LUKoil-Consulting. 1994 – January 2012: Vice-President, Head of the Main Division of Strategic Development and Investment Analysis. Since February 2012: Vice-President for Strategic Development of OAO "LUKOIL".

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

*\* 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.*

*\*\* 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.*

**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-URTs Perm [LUKOIL’s Perm Regional Accounting Centre]. Since 2010: General Director of OOO LUKOIL-URTs Perm [LUKOIL’s Perm Regional Accounting Centre].

**Vladimir Nikolaevich Nikitenko** was born on 23 April 1958. Graduated from Saratov Economics Institute in 1982 with a degree in “Finance and credit”. Employed since 1977. 1996-1998: Chairman of the Board of OAO Bank Kaspiisky. 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-URTs Volgograd [LUKOIL’s Volgograd Regional Accounting Centre]. Since 2011: General Director of OOO LUKOIL-URTs 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 2012**

**Moscow**

**17 April 2013**

**I. 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 ZAO KPMG, a review was performed of the Company’s financial and business activity in 2012.

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

In accordance with the Audit Programme (Minutes No. 3 of the meeting of the Audit Commission of 15 March 2012), a review was performed of the financial and business activity of the Company, including of:

1. The reliability of the data presented in the Annual Report and annual financial statements of the Company for 2012, and the timeliness of preparation and submission of the financial statements to interested parties.
2. The existence of an effective control environment and in-place internal control tools;
3. The compliance of the procedure for keeping accounts of business operations with the regulatory legal acts of the Russian Federation and the Company’s accounting policy;
4. The Company’s actual control over ensuring the integrity of assets and timeliness of settlements;
5. The identification of indicia that the Company’s financial and business activity are not in compliance with effective legislation.

The review was conducted through an examination and analysis on a test basis of accounting documents, financial statements and other documentation of the financial and business activity of the Company, specifically:

- foundation and registration documents;
- the Accounting Policy for financial and tax accounting, and taxation of the consolidated group of taxpayers for 2012;
- orders, directives and other in-house regulatory documents;

- materials of the annual stocktake of assets and financial liabilities;
- financial and tax accounting ledgers;
- financial statements of OAO “LUKOIL” for 2012;
- acts of reconciliation of settlements with counterparties and the tax authorities;
- the quarterly report of the issuer for 2012.

In addition, the main indicators characterising the financial and business activity and the financial position of the Company in 2012 were assessed.

The following was established based on the results of the audit review:

## **II. Analysis**

### **1. Brief description of the Company’s operations**

OAO “LUKOIL” is the leading vertically-integrated oil company in Russia. The Company’s subsidiaries perform exploration, production and sale of oil and gas; the manufacture and sale of petroleum products; and the generation, transmission and sale of heat and electricity.

The Company is a commercial organisation with an independent balance sheet. The Company is responsible for overall management of the production, business, financing and investing activity of subsidiaries and associates.

In accordance with the Charter of OAO “LUKOIL” and the main principles of commercial operations on the sale of oil (Minutes No. 33 of the meeting the Management Committee of 2 December 2009), from 1 January 2010 the Company moved to a business arrangement for performing production and marketing operations. In accordance with these principles the Company performs:

- deliveries of purchased gas to the domestic market;
- under commission contracts – deliveries of oil, petroleum products, petrochemical products and gas-refining products for export.

The Company’s main lines of business in 2012 also included:

- granting of usage rights to intangible assets: trademarks, patents, technical specifications, etc.;
- provision of integrated services to subsidiaries under holding-company agreements, etc.

## **2. Main indicators characterising the financial and business operations of the Company for the reporting period compared to the same period of the previous year**

Analysis of the figures for revenues from sales and the cost of sales for 2012 compared to 2011 show that the growth in the cost of sales (33%) was higher than the growth in revenues from sales (14%).

At the same time:

- revenues from core activities rose by 32% to RUB 19,268,631 thousand, whereas the cost of sales rose by 33%;

- revenues from intermediary activity grew 0.1%, to RUB 14,918,205 thousand;

- revenues from other activities grew 1%, to RUB 5,719,940 thousand.

Gross profit for the period under review was RUB 21,656,416 thousand, which is 1% higher than in 2011.

Selling expenses in 2012 equalled RUB 870,807 thousand, or 28% higher than the figure for the previous year. Selling expenses as a proportion of revenues from sales were 2.2%, compared to 1.9% in 2011.

Administrative expenses in the reporting year rose by RUB 1,607,953 thousand, or 11%, compared to the previous period, to RUB 16,282,487 thousand. Administrative expenses as a proportion of sales revenues were 41%, compared to 42% in 2011.

Thus, taking into account the changes in gross profits, selling and administrative expenses, earnings on sales equalled RUB 4,503,122 thousand, which is 25% higher than in 2011. The sales margin decreased from 17% to 11%;

The bulk of the Company's income consisted of income from participation in other organisations. Compared to the previous year, such income rose by 9% to RUB 265,160,347 thousand.

Interest receivable rose by 38%, while interest payable also rose by 20%.

Other income decreased by 72% to RUB 6,166,736 thousand. Other expenses more than doubled, to RUB 78,034,697 thousand.

The financial and business activity of the Company in 2012 is characterised by the following indicators:

- profits from sales were RUB 4,503,122 thousand (-25%),
- profits before taxes were RUB 218,699,713 thousand (-13%),
- net profits were RUB 217,807,128 thousand (-10%).

Basic earning per share for 2012 equalled RUB 256.07, which is RUB 29 or 10% lower than basic earnings per share for 2011.

### **3. Characteristics and reasons for the change in the structure of the Company's financial statements as at 31 December 2012.**

In accordance with the Methodology for the performance of test audits, approved by Order No. 192 of OAO "LUKOIL" of 26 September 2012, the materiality level was assessed and procedures were selected for the audit review.

Based on an analysis of changes in the structure of the Balance Sheet and Income Statement, the following indicators as at 31 December 2012 were selected:

Lines of the Balance Sheet;

- 1170 Long-term financial investments;
- 1230 Accounts receivable;
- 1240 Current financial investments (other than cash equivalents);
- 1510 Current borrowings;
- 1520 Accounts payable.

Lines of the Income Statement:

- 2310 Income from equity in other organisations;
- 2350 Other expenses.

Based on the audit procedures performed, the Audit Commission believes it can confirm the reliability of the selected lines of the Balance Sheet and Income Statement.

### **4. Review of the integrity and efficiency of use of assets, and of the justification for the prices of alienated assets**

During the period under review, requirements on the registration and agreement of transactions with assets were met, which attests to the absence of risks associated with the failure to meet established requirements when selling items of fixed assets.

No cases were identified of fixed assets, equipment for installation, or unpromising facilities (completed items of construction and design and survey work) in long-term storage that are not expected to be of further use.

No instances were identified of production inventories in long-term storage that are not expected to be of further use. Provisions for the impairment of inventories were not created.

### **5. Main indicators of the financial position of the Company's operations**

Analysis of the financial position of the Company shows that the current liquidity ratio does not correspond to the normative figure, which is grounds for declaring the structure of the Company's balance sheet to be unsatisfactory. There is no real possibility for the Company to restore its solvency within six months.

The liquidity indicator was calculated using the data of the unconsolidated financial statements of OAO “LUKOIL” and thus does not fully reflect its financial position. The fact that OAO “LUKOIL” is the corporate treasury centre for the LUKOIL Group and is the main source of borrowings for the entire LUKOIL Group may have a negative effect on the indicators of liquidity and financial stability of OAO “LUKOIL”.

Analysis of changes to the indicators of the Balance Sheet shows that the balance-sheet total as at 31 December 2012 (RUB 1,188,846,824 thousand) did not change materially as compared to the figure as at 1 January 2012 (RUB 1,182,371,977 thousand) – an increase of 0.5%. However, there were material changes in the structure of the balance sheet.

The main changes over the period under review occurred in the following sections:

- the value of non-current assets increased by RUB 193,120,662 thousand (40%) due to the growth in long-term financial investments;
- the amount of current assets decreased by RUB 186,645,815 thousand (27%) due to the reduction in short-term financial investments;
- the amount of equity and reserves increased due to retained earnings by RUB 120,090,553 thousand (19%);
- the amount of non-current and current liabilities fell due to the repayment of borrowings by RUB 7,663,600 thousand (75%) and RUB 105,952,102 thousand (19%), respectively.

The main changes to the lines of the Income Statement compared to 2011 are:

- Revenue from sales increased by RUB 4,799,781 thousand (14%);
- Cost of sales increased by RUB 4,499,859 thousand (33%);
- Sales income decreased by 25%, RUB 1,498,498 thousand. The decrease in sales income was due to an increase in selling expenses by RUB 190,467 thousand (28%) and in administrative expenses by RUB 1,607,953 thousand (11%);
- Interest receivable increased by 38%, as did interest payable (by 20%). Income from participation in other organisations increased by 9%, and other expenses increased by more than twofold. Other income decreased by 72%.
- Pre-tax profit was RUB 217,807,128 thousand, or 10% less than in 2011.

## **6. Assessment of the provisions of the Company’s accounting policies and the accounting treatment of business transactions based on the regulatory legal documents of the Russian Federation.**

The Company keeps accounts pursuant to the *Accounting Policy of OAO “LUKOIL” for 2012*, approved by Order No. 273 of 30 December 2011, as amended by Order No. 214 of 31 October 2012. The Accounting Policy was drafted in accordance with Federal Law No. 129-FZ of 21 November 2011 *On Accounting*, the

accounting regulations and other regulatory documents governing accounting issues in effect in 2012.

The tax accounting policy for 2012 was drafted in accordance with the RF Tax Code and approved by Order No. 245 of 30 November 2011, as amended by Order No. 49 of 23 March 2012. Income and expenses are recognised on an accruals basis for the purpose of accrual of income tax.

Due to the entry into force of Federal Law No. 321-FZ of 16 November 2011 *On Introducing Amendments to Parts One and Two of the RF Tax Code in Connection with the Creation of a Consolidated Group of Taxpayers*, an Accounting Policy for taxation of a consolidated group of taxpayers in 2012 was approved by Order of OAO “LUKOIL” No. 271 of 30 December 2011.

The performance of Instructions of First Vice-President S.P. Kukura No. SK-10u of 2 July 2012 *On Measures Aimed at the Timely VAT Recovery* was monitored.

The procedure for organising archive records management is governed by in-house regulatory documents.

Inventory sheets confirming the submission of financial and tax accounting documents for 2012 for centralised storage have been provided to the Audit Commission.

## **7. Assessment of the existence of an effective control environment and in-place internal control tools at the Company.**

Based on the test results (proceeding from the procedures stipulated by Tests No. 1, 2), it was established that in general the Company has an effective control environment and effective in-place internal control tools aimed at ensuring the compliance of organisational processes and operations of OAO “LUKOIL” with effective legislation, in-house regulatory documents, adopted corporate principles, standards and rules.

Before preparing the annual financial statements, a stocktake of the Company’s assets and financial liabilities was performed based on Order of OAO “LUKOIL” No. 198 of 28 September 2012 *On a Stocktake of the Assets and Liabilities of OAO “LUKOIL” for Preparation of the Annual Financial Statements for 2012* (as amended) and Order of OAO “LUKOIL” No. 174 of 27 August 2012 *On Adherence to Cash Discipline at OAO “LUKOIL”*.

The procedure for performing the stocktake of assets and financial liabilities was determined by the *Methodological Guidelines on Stocktakes of Assets and Financial Liabilities*, approved by RF Ministry of Finance Order No. 49 of 13 June 1995 (as amended by Order of the RF Ministry of Finance No. 142n of 8 November 2010), and by an in-house document of OAO “LUKOIL”, the *Methodological Recommendations on the Stocktake of Assets and Financial Liabilities at OAO “LUKOIL”*, approved by Order No. 180 of 31 August 2012.

The stocktake of assets was performed by working commissions at facilities subordinate to the Company's accountable officers, with the preparation of inventory sheets. All inventory sheets were signed by the members of the stocktake commissions and the accountable officers. The stocktake of all settlements, undocumented financial investments, provisions, estimated liabilities etc. was performed based on source and supporting documents, with the drafting of stocktake reports.

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

The results of the stocktake of assets and financial liabilities were documented in Minutes of the working stocktake commissions, and were sent to the Company's main stocktake commission.

The results of the stocktake were documented in the Minutes of the meeting of the main stocktake commission of 16 January 2013, and approved by Order of OAO "LUKOIL" No. 7 of 16 January 2013.

## **8. Information on the creation and use of estimated liabilities and provisions, including doubtful debt provisions.**

The creation and use of estimated liabilities and provisions are governed by in-house regulatory documents.

The Company created doubtful debt provisions and provisions for impairment of financial investments in 2012. Provisions for the impairment of tangible assets were not created, because there were no grounds to do so.

The Company compiles and presents information on estimated liabilities in accordance with accounting legislation. The Company's estimated liabilities consist of liabilities on upcoming expenses on the payment of employee leave and annual bonus payments.

## **9. Sources of financing of the Company's operations**

The structure of the Company's financing changed insignificantly in 2012 compared to 2011. The share of equity increased by 9.8%, and accordingly the share of borrowings decreased. The increase in own funds was the result of a 19.8% increase in retained earnings. The decrease in borrowings was due mainly to a reduction in borrowings raised (by 27%).

## **10. The composition of the Annual Report of OAO "LUKOIL"**

The Annual Report of OAO "LUKOIL" submitted for the approval of the general shareholders' meeting of OAO "LUKOIL" includes:

- the company's industry standing;

- the company's main lines of business;
- information on the amount of each type of energy resource used by the company in the reporting year, in physical and monetary units;
- development prospects;
- a description of the main risk factors associated with operations;
- a list of major transactions performed in the reporting year, as well as other transactions covered by the approval procedure for major transactions in accordance with the Charter of OAO "LUKOIL", with an indication of the management body of the company responsible for taking the decision on their approval;
- a list of interested-party transactions performed in the reporting year, with an indication of the interested party (parties) and the management body of the company responsible for taking the decision on their approval;
- the members of the Board of Directors;
- information on the person holding the position (performing the duties) of the chief executive officer of the company, and the members of the collegial executive body of the company;
- information on compliance with the recommendations of the Code of Corporate Conduct, or, in the case of non-compliance, an explanation of the reasons why the company did not comply with these recommendations;
- other information stipulated by the charter of OAO "LUKOIL" or another internal Company document.

### **11. Information on the audits of the Company performed by the tax and other supervisory bodies and the external auditor.**

A field tax audit of OAO "LUKOIL" for 2008-2009 was performed during the period from 31 March 2011 to 23 March 2012, based on the results of which Decision No. 52-17-18/1441 of 28 June 2012 was taken on the refusal to prosecute for the commission of a tax violation, and payment of arrears in the amount of RUB 1,424 thousand, without the accrual of late payment interest.

No additional taxes, fines and late payment interest were charged based on the results of the desk tax audits of OAO "LUKOIL" performed in 2012.

### **III. Conclusions.**

The accounting methods were determined by the accounting policy of OAO "LUKOIL" for 2012, approved by Order No. 273 of 30 December 2011 (as amended by Order No. 214 of 31 October 2012), prepared in accordance with Federal Law No. 129-FZ of 21 November 2011 *On Accounting*, the accounting regulations and other regulatory documents governing accounting issues.

The Audit Commission did not disclose any instances of violations of the accounting procedures established by the legislative acts of the Russian Federation and the Company's accounting policy, or the provision of financial statements that would be capable of having a material effect on the reliability of the financial statements of OAO "LUKOIL".

The financial statements were prepared by the deadlines set by the Company's document management regulations, and were provided to interested users in a timely fashion.

The Company's financial statements consist of:

- the Balance Sheet (form 0710001);
- the Income Statement (form 0710002);
- the attachments to the balance sheet and income statement: the Statement of Changes in Equity (form 0710003), the Cash Flow Statement (form 0710004), and the Notes to the balance sheet and income statement in text and table form.

The Annual Report of OAO "LUKOIL" contains information on the Company's activity, set forth in section 10 "Conclusions".

The Annual Report of OAO "LUKOIL" was prepared in accordance with the requirements of FFMS Order No. 11-46/pz-n of 4 October 2011 (point 8.2).

The Audit Commission confirms the reliability of the data contained in the Annual Report of OAO "LUKOIL" and the annual financial statements for 2012.

Date of drafting of the Opinion

17 April 2013.

Chairman of the Audit  
Commission

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

Members of the Audit Commission:

\_\_\_\_\_ A.V. Surkov

\_\_\_\_\_ M.B. Maksimov



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 2012

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 2012. 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.



ОАО "ЛУКОЙЛ"

Auditors' Report

on the financial statements for the 2012 reporting year

## Information on the audit firm

Name of the audit firm:	Closed Joint Stock Company KPMG.
Location (legal address):	18/1 Olimpiyskiy 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.  Entered in the Unified State Register of Legal Entities on 13 August 2002 by Moscow Interregional Tax Inspectorate No. 39 of the Ministry of 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 the audited company:	Open Joint Stock Company "Oil company "LUKOIL".
Location (legal address):	11, Sretenskiy bulvar, Moscow, 101000.
Postal address:	11, Sretenskiy bulvar, Moscow, 101000.
State registration:	The Moscow Registration Chamber. Certificate No. 024020 of 22 April 1993.  Included in the Unified State Register of Legal Entities on 17 July 2002 by the Moscow Department of the Ministry of Taxes and Duties of the Russian Federation, Registration No. 1027700035769, Certificate series 77 No. 007892347.



ОАО "ЛУКОЙЛ"

Auditors' Report

on the financial statements for the 2012 reporting year

## 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 2012 reporting year.

The financial statements, set on 64 pages, comprise:

- the balance sheet as at 31 December 2012;
- the statement of financial performance for 2012;
- the appendices to the balance sheet and statement of financial performance, including:
  - the statement of changes in equity for 2012;
  - the cash flow statement for 2012;
  - the notes to the balance sheet and statement of financial performance.

### *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 plan and perform 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.



ОАО "ЛУКОЙЛ"  
Auditors' Report  
on the financial statements for the 2012 reporting year

*Opinion*

In our opinion, the accompanying financial statements present reliably, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and cash flows for the 2012 reporting year in accordance with the requirements of Russian reporting legislation.

General Director of CJSC KPMG

L.V. Klimanova

11 March 2013

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

MINUTES No. 2

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

8 April 2013

Moscow

**E X C E R P T**

CHAIRMAN: V.V. Blazheev

PRESENT:

Committee member S.A. Mikhailov

The meeting is being held by two Committee members in person. Committee member Mr. Ivan Pictet is participating via a conference call. The meeting is quorate.

**I. Examination of the Independent Auditors' opinion for subsequent submission to shareholders as material for the Annual General Shareholders Meeting.**

**(L.N Khoba, A.I. Oussov, I. Pictet, V.V. Blazheev)**

Having considered the report of the Company's independent Auditor, ZAO KPMG, on the financial statements of OAO "LUKOIL" for 2012,

***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 2012 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 2012 and include the Independent Auditors' Opinion examined 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: Decision passed unanimously.

**Chairman**

**V.V. Blazheev**

*I hereby certify that this is a true and accurate excerpt from Minutes No.2*

Secretary of the Board of Directors

E.L. Khavkin

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

**BALANCE SHEET**

as at 31 December 2012

million roubles

	As at 31.12.2012	As at 31.12.2011	As at 31.12.2010
<b><i>Non-current assets</i></b>			
Intangible assets	308	283	233
R&D	90	56	18
Intangible development assets	-	-	-
Tangible development assets	-	-	-
Property, plant and equipment	7,532	6,846	6,100
Income-bearing investments in tangible assets	-	-	-
Financial investments	661,015	470,960	482,730
Deferred tax assets	397	355	534
Other non-current assets	5,206	2,927	1,272
<b><u>Non-current assets, total</u></b>	<b><u>674,548</u></b>	<b><u>481,427</u></b>	<b><u>490,887</u></b>
<b><i>Current assets</i></b>			
Inventories	34	38	36
VAT on purchased assets	30	31	62
Accounts receivable	151,411	143,180	125,448
Financial investments (other than cash equivalents)	347,274	518,611	358,759
Cash and cash equivalents	15,550	39,085	14,105
<b><u>Current assets, total</u></b>	<b><u>514,299</u></b>	<b><u>700,945</u></b>	<b><u>498,410</u></b>
<b>ASSETS</b>	<b>TOTAL</b>	<b><u>1,188,847</u></b>	<b><u>1,182,372</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	726,646	606,556	413,960
<b><u>Equity and reserves, total</u></b>	<b><u>739,295</u></b>	<b><u>619,205</u></b>	<b><u>426,609</u></b>
<b><i>Non-current liabilities</i></b>			
Loans and borrowings	2,384	10,053	47,044
Deferred tax liabilities	140	127	101
Other non-current liabilities	-	7	7
<b><u>Non-current liabilities, total</u></b>	<b><u>2,524</u></b>	<b><u>10,187</u></b>	<b><u>47,152</u></b>
<b><i>Current liabilities</i></b>			
Loans and borrowings	311,052	420,041	404,047
Accounts payable	134,203	131,663	109,409
Estimated liabilities	1,773	1,276	2,080
<b><u>Current liabilities, total</u></b>	<b><u>447,028</u></b>	<b><u>552,980</u></b>	<b><u>515,536</u></b>
<b>LIABILITIES AND EQUITY</b>	<b>TOTAL</b>	<b><u>1,188,847</u></b>	<b><u>1,182,372</u></b>

**INCOME STATEMENT**  
for the year ended 31 December

million roubles

	2012	2011
<b>Net sales revenues</b>	<b>39,907</b>	<b>35,107</b>
Cost of goods sold	(18,250)	(13,751)
<b>Gross profit</b>	<b>21,657</b>	<b>21,356</b>
Export customs duties	-	-
Selling expenses	(871)	(680)
Administrative expenses	(16,283)	(14,674)
<b>Profit from sales</b>	<b>4,503</b>	<b>6,002</b>
Income from equity in other organisations	265,160	242,543
Interest receivable	41,331	29,917
Interest payable	(20,427)	(17,042)
Result of other income and expenses	(71,868)	(10,289)
<b>Profit before taxes</b>	<b>218,699</b>	<b>251,131</b>
Deferred income tax	29	(206)
Current income tax and other mandatory payments	(384)	(8,288)
Redistribution of income tax inside the consolidated group of taxpayers	(537)	-
<b>Net profit</b>	<b>217,807</b>	<b>242,637</b>
Result of revaluation of non-current assets not included in net profit	-	-
Result of other transactions not included in net profit of the period	-	-
<b>Cumulative financial result of the period</b>	<b>217,807</b>	<b>242,637</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. Sub-point 3.2.7 of point 3.2 shall be revised to read as follows:

«3.2.7. Organisation and performance of actions on preparation for mobilization, registration for military service and reservation of individuals eligible for military call-up in the Russian Federation, civil defence, prevention and liquidation of emergencies, and the protection of information constituting a state or trade secret in accordance with the laws and regulatory acts of the Russian Federation as well as performance of work related to the use of information constituting a state secret and provision of services on the protection of a state secret;».

2. Sub-point 3.2.12 of point 3.2 shall be revised to read as follows:

«3.2.12. Environmental protection, occupational and industrial safety in accordance with with Russian legislation, international standard ISO 14001 and standard OHSAS 18001.».

3. Sub-point 8.2.11 of point 8.2 shall be revised to read as follows:

«8.2.11. approval of annual reports, annual financial statements, including income statements of the Company, distribution of profits (including through the payment (declaration) of dividends), with the exception of profit distributed as dividends based on the results for the first quarter, half year, and first nine months of the financial year) and losses based on the results of the financial year;».

4. The second paragraph of point 8.4 shall be revised to read as follows:

«The annual Shareholders Meeting shall settle issues of the election of the Board of Directors and the Audit Commission of the Company, approval of the Auditor of the Company, approval of the annual report and annual financial statements, including income statements of the Company, distribution of profits (including through the payment (declaration) of dividends) and losses based on the results of the financial year. In addition, the annual Shareholders Meeting may decide on other issues within its jurisdiction in accordance with effective legislation.».

5. The fourth paragraph of point 8.7 shall be revised to read as follows:

«The information (materials) to be provided to persons entitled to participate in the annual Shareholders Meeting includes the annual report, including the report of the Board of Directors; the annual financial statements; the opinions of the Auditor and the Internal Audit Commission on the results of the audit of the annual financial statements; information on candidates for election to the Board of Directors, the Audit Commission and the single-person executive body of the Company; the draft amendments and addenda to the Company Charter

or the draft new version of the Company Charter; drafts of internal documents of the Company or amendments and addenda to such documents; draft decisions of the Shareholders Meeting of the Company; and other information and materials established by effective legislation, internal documents of the Company and decisions of the Board of Directors of the Company.».

6. Sub-point 10.3.9 of point 10.3 shall be revised to read as follows:

«10.3.9. Organisation of the financial and tax accounting and reporting of the Company and document flow in the Company;».

7. Point 14.1 will be revised to read as follows:

«14.1. The Company shall perform financial, tax and other types of accounting and provide financial, tax and other reports according to the procedure established by effective legislation.».

8. The second paragraph of point 14.2 shall be revised to read as follows:

«The Vice-President, Chief Accountant of the Company will be responsible for keeping financial and tax accounts.».

9. Point 14.4 will be revised to read as follows:

«14.4. The Company's Audit Commission shall confirm the reliability of information contained in the annual report and annual financial statements of the Company.».

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

№	Current version of the Charter	Proposed version of the Charter	Comments
1.	Sub-point 3.2.7 «3.2.7. Organisation and performance of actions on preparation for mobilization, civil defense, registration and reservation of individuals eligible for military call-up in the Russian Federation, and the protection of information constituting a state or trade secret in accordance with the laws and regulatory acts of the Russian Federation;».	Sub-point 3.2.7 «3.2.7. Organisation and performance of actions on preparation for mobilization, <del>civil defense</del> , registration <b><u>for military service</u></b> and reservation of individuals eligible for military call-up in the Russian Federation, <b><u>civil defence, prevention and liquidation of emergencies</u></b> , and the protection of information constituting a state or trade secret in accordance with the laws and regulatory acts of the Russian Federation <b><u>as well as performance of work related to the use of information constituting a state secret and provision of services on the protection of a state secret;».</u></b>	This amendment is being made to clarify the types of activities performed by OAO “LUKOIL”.
2.	Sub-point 3.2.12: «3.2.12. Environmental protection, occupational and industrial safety in accordance with international standard ISO 14001 and standard OHSAS 18001.».	Sub-point 3.2.12: «3.2.12. Environmental protection, occupational and industrial safety in accordance with with <b><u>Russian legislation</u></b> , international standard ISO 14001 and standard OHSAS 18001.».	This amendment is being made to correct the type of activity performed by OAO “LUKOIL”.
3.	Sub-point 8.2.11: «8.2.11. approval of annual reports, annual financial statements, including income statements (profit and loss accounts) of the Company, distribution of profits (including through the payment (declaration) of dividends) and losses based on the results of the financial year;».	Sub-point 8.2.11: «8.2.11. approval of annual reports, annual financial statements, including income statements ( <del>profit and loss accounts</del> ) of the Company, distribution of profits (including through the payment (declaration) of dividends), <b><u>with the exception of profit distributed as dividends based on the results for the first quarter, half year, and first nine months of the financial year</u></b> and losses based on the results of the financial year;».	These amendments and addenda are being made in connection with the entry into force from 01.01.2013 of Federal Law of 06.12.2011 No. 402-FZ <i>On Accounting</i> , specifying the way the annual financial statements and the income statements (profit and loss accounts) are named in Russian (for reference, please see articles 13 and 14 (1) of the Federal Law <i>On Accounting</i> ), and to bring the wording of sub-point 8.2.11 of

			the Charter of OAO "LUKOIL" into line with the wording of article 48 (1) (11) 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").
4.	<p>The second paragraph of point 8.4:</p> <p>« The annual Shareholders Meeting shall settle issues of the election of the Board of Directors and the Audit Commission of the Company, approval of the Auditor of the Company, approval of the annual report and annual financial statements, including income statements (profit and loss accounts) of the Company, distribution of profits (including through the payment (declaration) of dividends) and losses based on the results of the financial year. In addition, the annual Shareholders Meeting may decide on other issues within its jurisdiction in accordance with effective legislation.».</p>	<p>The second paragraph of point 8.4:</p> <p>«The annual Shareholders Meeting shall settle issues of the election of the Board of Directors and the Audit Commission of the Company, approval of the Auditor of the Company, approval of the annual report and annual financial statements, including income statements (<del>profit and loss accounts</del>) of the Company, distribution of profits (including through the payment (declaration) of dividends) and losses based on the results of the financial year. In addition, the annual Shareholders Meeting may decide on other issues within its jurisdiction in accordance with effective legislation.».</p>	<p>These amendment and addendum are being made in connection with the entry into force from 01.01.2013 of the Federal Law <i>On Accounting</i>, specifying the way the annual financial statements and the income statements (profit and loss accounts) are named in Russian (for reference, please see articles 13 and 14 (1) of the Federal Law <i>On Accounting</i>).</p>
5.	<p>The fourth paragraph of point 8.7:</p> <p>«The information (materials) to be provided to persons entitled to participate in the annual Shareholders Meeting includes the annual report, including the report of the Board of Directors; the annual financial statements; the opinions of the Auditor and the Internal Audit Commission on the results of the audit of the annual financial statements; information on candidates for election to the Board of Directors, the Audit Commission and the single-person executive body of the Company; the draft amendments and addenda to the Company Charter or the draft new version of</p>	<p>The fourth paragraph of point 8.7:</p> <p>«The information (materials) to be provided to persons entitled to participate in the annual Shareholders Meeting includes the annual report, including the report of the Board of Directors; the annual financial statements; the opinions of the Auditor and the Internal Audit Commission on the results of the audit of the annual financial statements; information on candidates for election to the Board of Directors, the Audit Commission and the single-person executive body of the Company; the draft amendments and addenda to the Company Charter or the draft new version of the Company Charter; drafts of internal documents of the</p>	<p>This addendum is being made in connection with the entry into force from 01.01.2013 of the Federal Law <i>On Accounting</i>, specifying the way the annual financial statements are named in Russian (for reference, please see articles 13 and 14 (1) of the Federal Law <i>On Accounting</i>).</p>

	the Company Charter; drafts of internal documents of the Company or amendments and addenda to such documents; draft decisions of the Shareholders Meeting of the Company; and other information and materials established by effective legislation, internal documents of the Company and decisions of the Board of Directors of the Company.».	Company or amendments and addenda to such documents; draft decisions of the Shareholders Meeting of the Company; and other information and materials established by effective legislation, internal documents of the Company and decisions of the Board of Directors of the Company.».	
6.	Sub-point 10.3.9: «10.3.9. Organization of the accounting, reporting and document flow in the Company;».	Sub-point 10.3.9: «10.3.9. Organisation of the financial <b>and tax</b> accounting and reporting of the Company and document flow in the Company;».	This addendum is being made to clarify the competence of the President of the Company in line with article 313 of the Tax Code of the Russian Federation.
7.	Point 14.1: «14.1. The Company shall perform financial, tax and other types of accounting and provide financial, tax and other reports according to the procedure established by effective legislation.».	Point 14.1: «14.1. The Company shall perform financial, tax and other types of accounting and provide financial, tax and other reports according to the procedure established by effective legislation.».	This addendum is being made in connection with the entry into force from 01.01.2013 of the Federal Law <i>On Accounting</i> , specifying the way the annual financial statements are named in Russian (for reference, please see article 13 of the Federal Law <i>On Accounting</i> ).
8.	The second paragraph of point 14.2: «The Chief Accountant of the Company shall exercise control over the accuracy of recording on accounts and in tax ledgers of all business operations and the timely submission of financial statements and tax reports.».	The second paragraph of point 14.2: «The Vice-President-Chief Accountant of the Company <del>shall exercise control over the accuracy of recording on accounts and in tax ledgers of all business operations and the timely submission of financial statements and tax reports.</del> will be responsible for keeping financial and tax accounts.”.	This amendment is being made to bring the wording of the second paragraph of point 14.2 of the Charter of OAO “LUKOIL” into line with the wording of article 7 (3) of the Federal Law <i>On Accounting</i> determining the functions of the Chief Accountant of a business entity and article 313 of the Tax Code of the Russian Federation, as well as to specify the officer responsible for

			keeping financial accounts at OAO "LUKOIL".
9.	Point 14.4: «14.4. The Company's Audit Commission shall confirm the reliability of information contained in the annual report and annual financial statements of the Company.».	Point 14.4: «14.4. The Company's Audit Commission shall confirm the reliability of information contained in the annual report and annual financial statements of the Company.».	This addendum is being made in connection with the entry into force from 01.01.2013 of the Federal Law <i>On Accounting</i> , specifying the way the annual financial statements are named in Russian (for reference, please see articles 13 and 14 (1) of the Federal Law <i>On Accounting</i> ).

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 2013-2014. 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 75,000,000. The insurance premium for coverage A is up to RUB 220,500, and for coverage B – up to RUB 13,954,500.

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.