TENTATIVELY APPROVED
by the Board of Directors of the Open Joint Stock Company
“Oil company “LUKOIL”
Minutes No. 10 of 25 May 2012

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

[stamp]

Annual Report
of Open Joint Stock Company
“Oil company “LUKOIL”
for 2011

President V.Yu. Alekperov ________________
(signature)

Vice-President, Chief Accountant L.N. Khoba ________________
(signature)
Contents

Forward-looking statements ...........................................................................................................................3
OAO “LUKOIL” – the corporate centre of the LUKOIL Group .................................................................4
EVENTS IN 2011 ...........................................................................................................................................8

1. Oil & Gas Exploration and Production .............................................................................................11
   Licensing ..................................................................................................................................................14
   Oil and Gas Reserves...............................................................................................................................14
   Geological Exploration ..........................................................................................................................17
   Oil Field Development and Production ...............................................................................................24
   Stabilizing production in Western Siberia. Urals experience ...............................................................26
   Gas field development and gas production .........................................................................................35

2. Oil Refining, Gas Processing and Petrochemicals ............................................................................39
   Oil Refining .......................................................................................................................................40
   Production of Lubricants .......................................................................................................................44
   Gas processing ....................................................................................................................................46
   Petrochemicals ...................................................................................................................................47

3. Power Generation ................................................................................................................................49

4. Sales and Marketing ............................................................................................................................52
   Crude oil sales ......................................................................................................................................52
   Gas Sales .............................................................................................................................................53
   Gas production and supply structure ....................................................................................................55
   Petroleum product marketing .............................................................................................................55

5. Technology and Innovation ..................................................................................................................60
   Exploration & production technologies ..............................................................................................60
   Refining Technologies ..........................................................................................................................64
   Information Technologies .....................................................................................................................64

6. Social Responsibility .............................................................................................................................66
   Environment Protection .........................................................................................................................66
   Health and safety .................................................................................................................................68
   Personnel and Social Programs ...........................................................................................................69
   Sponsorship and Charity .......................................................................................................................72

Information on the amount of each type of energy resource used by OAO “LUKOIL” in 2011 in physical
and monetary units .................................................................................................................................80
Board of Directors and Management Committee ...................................................................................81
Report of the Board of Directors of OAO “LUKOIL” on the development of OAO “LUKOIL” in priority
lines of business and the development prospects of OAO “LUKOIL” .....................................................97
Dividends ................................................................................................................................................105
Company Securities ...............................................................................................................................106
Description of the key risk factors associated with the operations of OAO “LUKOIL” .........................109
Information on compliance with the Corporate Governance Code .........................................................116
List of transactions carried out by OAO “LUKOIL” in 2011 that are recognised as major transactions in
accordance with the Federal Law On Joint Stock Companies, and other transactions covered by the
approval procedure for major transactions in accordance with the Charter of OAO “LUKOIL” ...............130
List of transactions recognised as interested-party transactions in accordance with the Federal Law On
Joint Stock Companies performed by OAO “LUKOIL” in 2011 .................................................................131
Forwa rd-looking statements

- Some of the statements made in this report are not statements of fact, but rather represent forward-looking statements. These statements include, specifically:
  - plans and forecasts relating to income, profits (losses), earnings (losses) per share, dividends, capital structure, other financial indicators and ratios;
  - the plans, goals and objectives of OAO “LUKOIL”, including those related to products and services;
  - future economic indicators;
  - the prerequisites on which the statements are based.

- Words such as “believes”, “expects”, “assumes”, “plans”, “intends”, “anticipates” and others are used in those cases when we are talking about forward-looking statements. However, the proposed options for solving the problems included in the statements are neither singular nor exclusive.

- Forward-looking statements inherently imply certain unavoidable risks and ambiguous issues, both general and specific. There is a risk that the plans, expectations, forecasts, and some of the forward-looking statements will not be realized. Due to a number of different factors, the actual results may differ materially from the plans, goals, expectations, assessments and intentions expressed in such statements.
OAO “LUKOIL” – the corporate centre of the LUKOIL Group

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

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

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

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

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

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

The following were included among the main assignments of the Board of Directors of OAO “LUKOIL” in the Exploration & Production business segment for 2011:

- ensuring full compensation of hydrocarbon production with growth in reserves and the maximum commitment of reserves to production;
- further development of the deposits discovered on the continental shelf of the Caspian Sea (Yuri Korchagin field, Vladimir Filanovsky field, Sarmatskoe field, etc.) and optimisation of investment costs on field infrastructure development at the Filanovsky field;
- full performance of contractual terms and obligations on development of the West Qurna-2 deposit in the Republic of Iraq; continued geological survey work on the deep-sea shelf of Western Africa (Côte d'Ivoire and Ghana).

The main tasks for the **Refining & Marketing business segment** in 2011 were:

- ensuring the regular, uninterrupted distribution of petroleum and gas products in the most cost-efficient way possible, operational management of petroleum product balances for rapid response to changes in the situation on the petroleum products market;

- continued modernisation of the Company’s oil refineries, to meet the requirements of technical regulations and improve product quality;

- further implementation of production development programmes and sales of products with improved performance characteristics under the EKTO brand;

- ensuring the strengthening of the Company’s positions in priority regions (Ukraine, Turkey, Serbia);

- Expansion onto new sales markets for petroleum products in Omsk, Tomsk and Novosibirsk oblasts and the Central Black Earth region.

Based on the underlying principles for performing commercial activity on the sale of oil from 1 January 2010, OAO “LUKOIL” has transitioned to business arrangements for the performance of production, sales and distribution activity under which OAO “LUKOIL” supplies purchased gas to the domestic market, and oil, petroleum products, petrochemical products and products of gas refining for export under commission contracts.

The net profit of OAO “LUKOIL” under Russian accounting standards in 2011 equaled RUB 242,637,070 thousand, compared to RUB 140,037,510 thousand in 2010, and sales revenue (less value-added tax and excises) in 2011 equaled RUB 35,106,995 thousand, compared to RUB 35,041,423 thousand in 2010.

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

As at 31 December 2011 more than 48,000 legal entities and individuals were registered as shareholders in the Company’s shareholders register.

The charter capital of OAO “LUKOIL” is RUB 21,264,081.375, and is divided into 850,563,255 registered ordinary shares with a par value of 2.5 kopecks per share, representing in aggregate 100 percent of the charter capital.
The shares of OAO “LUKOIL” are on the “A1” Quotation List (highest level) of the Russian MICEX stock exchange, and until December 2011 were on the “A” Quotation List (first level) of the RTS stock exchange. On 19 December 2011, the shares of OAO “LUKOIL” were excluded from the list of securities traded on the RTS stock exchange in connection with the merger of OAO RTS with ZAO MICEX. The depositary receipts issued on Company shares are traded on the stock exchanges in London, Frankfurt, Munich, Stuttgart and on the over-the-counter market in the USA.

As an issuer of highly liquid securities, OAO “LUKOIL” has demonstrated its investment appeal for Russian and foreign investors over the course of many years. In this regard, the quality of corporate governance is of great importance for the adoption of positive investment decisions, and for this reason the Company is constantly improving it in line with global best practice. In addition to a number of important documents in place at the Company regulating relations between Company management, shareholders and investors (such as the Shareholder Relations Policy of OAO “LUKOIL”, the Regulations on the Dividend Policy of OAO “LUKOIL”, etc.), in 2011 the Board of Directors of OAO “LUKOIL” approved the basic documents revised and developed to regulate internal control and internal audit at the Company. The system of internal audit and control in place at the Company contributes to the protection of the interests and rights of shareholders and the integrity of assets, and ensures that LUKOIL Group organisations comply with the method, procedures and rules for organising and conducting business.

To improve the performance of the risk management system, in 2011 the Board of Directors of OAO “LUKOIL” approved the Risk Management Policy of OAO “LUKOIL”. The goal of risk management at OAO “LUKOIL” is to provide a reasonable guarantee that the Company will achieve its set goals despite uncertainties and negative factors. The groups of the most material risks affecting the business of LUKOIL Group organisations have been determined.

As part of the performance of the Company’s obligations related to its listing on the London Stock Exchange, for the first time in 2011 the Board of Directors of OAO “LUKOIL” approved the Corporate Governance Report of OAO “LUKOIL” for 2010 for subsequent disclosure in accordance with the Information Disclosure and Transparency Rules of the UK Financial Services Authority (FSA). Among other things, the following information was presented in detail in the Report: a description of the work of the Board of Directors of OAO “LUKOIL”; organisation of the accounting process and the procedure for preparing consolidated financial
statements from the standpoint of the necessary control measures; a description of the system of internal control, internal audit and risk management; shareholder relations.

In 2011 OAO “LUKOIL” issued its fourth Report on Sustainable Development in the Russian Federation in 2009–2010. For the first time the Report included sections containing detailed information on corporate governance, the risk management system, diversification of energy resources, and research and development activity at the Company.

In December 2011 the Board of Directors approved the *Strategic Development Programme of the LUKOIL Group for 2012-2021*. The new programme is an adjusted version of the *Strategic Development Programme of the LUKOIL Group for 2010–2019*, adopted in 2009. The *Strategic Development Programme of the LUKOIL Group for 2012–2021* establishes new strategic goals, while maintaining the continuity of the Company’s strategic course.

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

A consortium of a LUKOIL Group company and the US company Vanco signs a concession agreement with Romania’s National Agency for Mineral Resources for exploration and production at two blocks in the Black Sea: Est Rapsodia and Trident. The LUKOIL Group share in the project is 80% and the remaining 20% is held by Vanco. The consortium won the rights at a tendering competition in summer 2010. The blocks are located at sea depths between 90 and 1,000 m. Total area of the blocks is 2,000 km².

ConocoPhillips is no longer an OAO “LUKOIL” shareholder, having sold its remaining holding in the Company in the open market. ConocoPhillips decided at the end of 2008 to sell its stake in OAO “LUKOIL” in order to raise cash to cover debts and for repurchase of its own shares. In August 2010 OAO “LUKOIL” bought about 8% of its own shares from ConocoPhillips as part of a program for raising investment attractiveness and market capitalization, spending $3.44 billion for the purpose. ConocoPhillips acquired 7.6% of OAO “LUKOIL” shares in 2004 as part of the last stage of Company privatization. In 2006 ConocoPhillips increased its stake in OAO “LUKOIL” share capital to a level of 20%.

OAO “LUKOIL” and Russian Technologies State Corporation sign a cooperation agreement, by which OAO “LUKOIL” will provide the organizations of the Corporation in defence sector and in other sectors of the economy with fuel resources. The parties also plan to work together to enhance level of LUKOIL technology base by applying new designs and products of Russian Technologies State Corporation, including applications for field construction and generation of electricity using associated gas.

MARCH

OAO “LUKOIL” and OAO “Gazprom” sign an agreement on deliveries of gas from LUKOIL fields in the Bolshekhetskaya Depression (Yamal-Nenets Autonomous District) and the Northern Caspian. Under the terms of the agreement OAO “LUKOIL” will supply natural gas from fields in the Bolshekhetskaya Depression to Gazprom’s gas transport system in the period from 2012 to 2016, using the Yamburgskaya compression station as an access point. Delivery volumes may vary depending on commissioning of fields in the Bolshekhetskaya Depression and on available capacity in the Gazprom transport system. According to the signed document, OAO “Gazprom” will do all in its power to accept gas from fields in the Northern Caspian after those fields are brought into operation by OAO “LUKOIL” and will supply matching volumes of gas to LUKOIL Group organizations under substitution agreements. Cooperation between OAO “LUKOIL” and OAO “Gazprom” is based on the general agreement on strategic partnership in 2005–2014, which was signed by the two companies in March 2005.

OAO “LUKOIL” reaches a long-term agreement with the petrochemical holding SIBUR on deliveries of associated gas. Under the terms of the agreement, OAO “LUKOIL” will deliver associated gas from the Company’s fields in Western Siberia to Nyagangazpererabotka, a processing enterprise owned by SIBUR. The purpose of the agreement is to achieve 95% use of associated gas extracted by LUKOIL Group companies.

OAO “LUKOIL” approves LUKOIL Group Organisations Energy Saving Program for 2011 and the period of 2011–2013. Key commitments of the Program include use of energy-efficient methods of enhanced oil recovery and measures to modernize pumping equipment, including large-scale use of inverter-fed motors for centrifugal and submersible pumps, as well as reconstruction of pumps used for maintenance of strata pressure. The Program also includes plans for implementation of new energy-efficient technologies and equipment, as well as power supply production facilities based on cogeneration units and other energy-saving technologies. It is planned to achieve savings of fuel and energy resources with value of $350 million in three years for investments of $200 million.
APRIL

LUKOIL Group completes acquisition of 11% in a joint venture for management of the ISAB oil refining complex, located in the town of Priolo (Sicily, Italy), from the company ERG. The transaction increases the Company’s stake in the JV from 49% to 60%. Price of the acquisition was $342 million. The ERG board of directors decided to sell 11% of the JV to OAO “LUKOIL” in January 2011 in partial exercise of a sell option held by ERG in accordance with the agreement on JV creation in 2008.

LUKOIL Group enters the Italian fuel retail market where it completed rebranding of 19 filling stations under sub-franchising agreements. In accordance with agreements, a LUKOIL Group organisation will supply fuel and lubricants to the stations, including products made at LUKOIL facilities. The sub-franchising agreements are for five years with an option to automatically extend for further three years.

A company within LUKOIL Group buys a 50% interest in the production sharing agreement for the Vietnam offshore block, Hanoi Trough-02, from the privately owned oil company Quad Energy S.A. The HT-02 block is located on the shelf of the South China Sea. Geological exploration work has been underway at the block since 2007 and has discovered a number of prospects.

The Company becomes the first oil company in the world to use aluminium casing and pump-compression pipes in well construction at a field with high sulphur and CO₂ gas presence. The technical solution was applied at the Bayandyskoye field in the Komi Republic, which has high level of these aggressive components.

MAY

LUKOIL Group produces a first batch of Euro-5 automotive gasoline. This has become possible by commissioning of a hydrofluoric alkylation unit as part of catalytic cracking complex at the Nizhny Novgorod Refinery. Euro-5 gasoline ensures so-called ‘clean exhaust’, reducing emission of sulphur oxides and the products of incomplete combustion of aromatics (including the most cancerogenic and mutagenic benzopyrene).

A LUKOIL Group organisation signs an agreement with the Italian company ERG Renew for creation of a parity-owned JV to work in the renewable energy sphere. Activities by the JV will focus initially on Bulgaria and Romania, and will then expand to Ukraine and Russia.

JUNE

OAO “LUKOIL” holds its Annual General Meeting of Shareholders. The Meeting approved the Annual Report for 2010 and accounts for the financial year. Shareholders approved payment of dividends from Company profit in 2010 in the amount of 59 roubles per ordinary share ($1.94 at the exchange rate on December 31, 2010).

JULY

A LUKOIL group organisation reaches a purchase agreement of a 49% interest in an exploration and development contract at the offshore deepwater block SL-5-11 in the territorial waters of Republic of Sierra Leone from the company Oranto Petroleum. The obligatory geological exploration program under the contract implies drilling of one prospecting well before 2013. Block SL-5-11 has an area of 4,000 km² and is located on the Atlantic shelf in the territorial waters of Sierra Leone. Water depth at the block varies from 100 to 3,300 m. 2D and 3D seismic works have already been carried out and have found a number of prospective structures with substantial amounts of crude oil, based on preliminary estimates.
AUGUST

A LUKOIL Group company signs a contract with Baker Hughes for production drilling and well launch at the Mishrif formation, part of the West Qurna-2 field in Iraq. The contract terms are for drilling and launch of 23 slanted production wells, which will ensure that commercial production of oil can begin at West-Qurna-2 as scheduled in conditions of the service contract for development of the field. The contract with Baker Hughes is on a turnkey basis, by which the contractor provides a full range of drilling and well-launch services and also supplies the equipment and materials needed for well construction.

OCTOBER

OAO “LUKOIL” begins construction of the first stage of a gas-processing plant, which will be the core facility of a gas-chemical complex to be built at the site of the Company subsidiary, Stavrolen. The principal input for the gas-chemical complex will be associated oil gas from fields, which is being developed by OAO “LUKOIL” in the Russian sector of the Caspian Sea.

NOVEMBER

OAO “LUKOIL” takes 5th place among energy companies in Europe, the Middle East and Africa and 10th place among global oil & gas leaders in the Platts Top 250 Global Energy Company Rankings for 2011. Companies were appraised by four main criteria: asset size, revenue, level of profit and return on capital. OAO “LUKOIL” ’s positions in the ranking in 2011 were unchanged from 2010.

DECEMBER

A LUKOIL Group company together with American Vanco and the Cote d’Ivoire state company PETROCI Holding made a discovery at the CI-401 block off the coast of Cote d’Ivoire. The Independance-1X exploration well, which has been drilled at block CI-401, reached the target depth and discovered high-quality sandstones containing light oil and gas condensate. Independance-1X was drilled at sea depth of 1,689 m at a distance of 93 km to the south-east of Abidjan. Independance-1X is the second exploration well drilled at Block CI-401, which covers an area of 619 km² with sea depths between 950 and 2,100 m.

A LUKOIL Group company begins supplies of electric power in Bulgaria at preferential tariff. Setting of the preferential tariff became possible after transfer of a LUKOIL power station in Bulgaria to cogeneration of heat and electricity (Bulgarian law is designed to encourage such combination). The tariff set for electricity from LUKOIL’s generating facility is twice higher than the average market level. The new arrangement is an important breakthrough in LUKOIL Group efforts to win market share for its power generating business in foreign countries that offers incentives for use of efficient electricity and heat generating technologies.

A LUKOIL Group company launches in pilot operation a photovoltaic generating facility in Bulgaria. The facility is located close to the city of Burgas on a site of more than 2.5 hectares and has installed capacity of 1.25 megawatts. The produced electricity will be sold in the open market at a preferential tariff. Pollutant and greenhouse gas emissions from the photovoltaic facility are 1,600 tonnes per year less than from a traditional heat power station with the same capacity.

OAO “LUKOIL” and Joint Stock Oil Company Bashneft sign an agreement for acquisition by LUKOIL of a 25.1% stake in OOO “Bashneft-Polyus”, which owns licenses for mineral resources use including the Roman Trebs and Anatoly Titov oil fields. Joint venture partner agreement is also signed. The acquisition was for a sum of $153 million. Recoverable oil reserves in industrial categories (C1+C2), located in the license area, amount to 140.1 million tonnes, as recorded in the Russian State Reserve Register.
1. Oil & Gas Exploration and Production

2012–2021 LUKOIL Group Strategy Program stipulates:

- At least 3.5% average annual growth of hydrocarbon production
- Substantial slowdown of production decline in Western Siberia
- Increase of the oil recovery factor in Russia
- More than 80% of all investments to be spent on Exploration and Production
- Substantial increase of international projects share in total Group production
- Substantial increase of gas share in total Group hydrocarbon production

E&P business segment indicators

<table>
<thead>
<tr>
<th>Indicator, $ million</th>
<th>2011</th>
<th>2010</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>44,858</td>
<td>36,523</td>
<td>22.8</td>
</tr>
<tr>
<td>EBITDA</td>
<td>12,125</td>
<td>10,848</td>
<td>11.8</td>
</tr>
<tr>
<td>Net income</td>
<td>6,665</td>
<td>6,139</td>
<td>8.6</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>6,629</td>
<td>4,908</td>
<td>35.1</td>
</tr>
</tbody>
</table>

The Exploration and Production business segment is the main creator of value for the Company, generating more than 64% of net income.

The main achievement in 2011 was stabilization of crude oil production in Western Siberia. Output in the region ceased to decline at the end of the first half of the year and remained steady throughout the second half.

Another important event was the start of development work at the R. Trebs and A. Titov oil fields in a joint project with Bashneft Oil Company. The 2,151 km² license area is located in Nanets Autonomous District and has recoverable oil reserves of 140.1 million tonnes in industrial categories (C1+C2) recorded in the Government reserve register. All crude oil exports from the fields will be carried out by LUKOIL Group. Associated gas from the Trebs and Titov fields can be sent to the energy center at the Yuzhno-Khylchuyuskooye field, where it will be turned into electricity to power field facilities.

Main achievements in the LUKOIL Group’s foreign projects during 2011 were associated with development of the West Qurna-2 field in Iraq. Several tendering competitions were held, the contract area was de-mined, and work started on construction of Pilot Camp (the shift camp for West Qurna-2). West Qurna-2 is one of the largest undeveloped fields in the world.

Another important step forward in LUKOIL’s foreign business in 2011 was the start of early-gas production at the Dzharkuduk-Yangi Kyzylcha field as part of the Gissar project in Uzbekistan. Additional exploration (seismic and exploration drilling) led to increase of reserves, discovery of several prospective structures, the discovery of two new fields (South-East Kyzylbairak and Shamoltegmas), preparation of two structures for drilling, and confirmation of sizeable industrial gas reserves at a previously little studied sector of the large-scale Adamtash field.

Price and tax environment

**Crude oil market**

Prices for crude oil were event-driven through most of 2011. The main factors with impact on oil prices were political instability in the Middle East, and debt problems in the USA and the eurozone. The wave of revolutions in Middle East countries, and particularly in Libya, during the first quarter of 2011
had major impact on world oil prices. The Brent price reached its highest point of the year ($126.7 per barrel) in April, after increasing by 35% from the start of January. However, the Middle East events were already priced in by crude oil markets at the start of the second quarter and further events in that region had almost no impact on global supply volumes.

Reduction of supply in the first quarter gave way to demand-side issues as the main driver for oil price levels in the rest of the year. Debt problems in the eurozone, which had already been apparent in previous years, came to a head in the second quarter of 2011. Countries with particularly severe debt problems were forced to consider budget cuts, which had negative impact on expectations for levels of crude oil demand on international markets. A similar situation came to pass in August in the USA, where record debt levels led to lowering of the country’s credit rating and fears of a second wave of the international financial crisis. These problems caused a sustained negative trend in world oil prices and by the end of the year the Brent price had fallen 16% from the April peak. However, the price at the end of 2011 was 14% higher than a year earlier ($106.5 compared with $93.7 per barrel) and the average price in 2011 was $111.3 per barrel or 40% more than in 2010.

The LUKOIL Group’s main operating areas, accounting for about 93% of oil production, are the Russian oil & gas provinces of Western Siberia, Southern and Central Russia, and Timan-Pechora. Prices for Russian Urals export blend therefore had direct impact on financial results. The Urals price rose by 39.4% compared with 2010 and averaged $109.09 during the reporting year. The average discount of Urals to Brent in 2011 was $2.2 per barrel compared with $1.2 in 2010.

For an objective assessment of the Company’s operating environment in 2011, it is important to take account of the tax burden on Russian oil exporters and changes in the burden compared with 2010. The main forms of taxation for oil companies in Russia including LUKOIL are mineral extraction tax (MET), excises and export duties. Applicable tax rates for oil companies in Russia are tied to world prices for crude oil and follow changes in world prices.

Growth of oil prices in 2011 caused the average MET rate (in dollar terms) to grow by 49.7% in comparison with 2010 to a level of $20.69 per barrel.

The Company pays export duty on crude oil exports from Russia which is calculated by using a progressive scale based on the Urals crude price. Crude oil export duty rose by 49,6% in 2011 and the average duty rate during the year was $55.8 per barrel. The Urals crude price net of tax for a Russian exporter (the international market price less export duty and MET) was $32.6 per barrel in 2011. The share of MET and export duty in the average annual price of crude oil was 70.1%.

Taxes in projects that are governed by production sharing agreements continue to be paid in accordance with the terms of those agreements.

![Revenue structure of a Russian crude oil exporter, $ per barrel](image-url)
**Gas market**

There was no clear trend in spot prices for gas in Europe during 2011. Prices saw volatility in the second half of the year as a result of abnormal weather, which affected levels of consumption in Europe. Gas prices fell by about 15% at various trading floors in Europe during 2011. However the average annual price in 2011 on various European markets was 30–50% higher than in 2010.

The opposite situation was observed in the USA, where prices for gas fell for most of the year. Supply in the USA continues to outrun demand due to excess production of shale gas, and the excess supply continued to have impact on gas prices in 2011, causing declines to a 10-year minimum. US spot prices fell by almost 30% in 2011, and the average annual price was 9% lower than in 2010.

Most of LUKOIL’s gas production is in Russia and most of the Company’s marketable gas output is sold to Gazprom and to other Russian consumers. The greater part of the Company’s Russian gas output is sold at the well and then transported through the Unified Gas Supply System, which is owned by Gazprom. The Company cannot export gas, due to Gazprom’s ownership of the Supply System and its monopoly on exports. The Company pays gas MET on its production of gas in Russia, and the rate of this tax increased by 61% during 2011 to a level of 237 roubles per thousand cubic meters.

Production of marketable gas in international projects was 4.8 billion cubic meters, of which more than 54% was produced at the Khauzak-Shady field in Uzbekistan. Gas from Khauzak-Shady is sold at an official price, fixed by agreements between Russia and Uzbekistan. A royalty is paid on production at a rate of 30% as part of the production sharing agreement (PSA). LUKOIL Group has a seven-year holiday from income tax, beginning from the start of production, at the end of which income tax will also be payable at the rate fixed in the PSA. The Uzbek Government share in profit production varies depending on the project’s internal rate of return for LUKOIL Group.

Natural gas produced as part of the Karachaganak project in Kazakhstan is supplied to the Orenburg Gas-processing Plant. Taxation in this project is specified by terms of the PSA.

Gas produced at the Shakh-Deniz field is supplied to the domestic market in Azerbaijan and also via the Southern Caucasus pipeline to Georgia and Turkey, where it is sold at market prices. Under terms of the PSA in Azerbaijan, a LUKOIL Group organisation is exempt from payment of taxes in cash on production and export of gas. The only significant tax paid by the Company is income tax at a fixed rate (the tax is withheld as a share of production).

**Inflation and exchange rates**

LUKOIL Group produces most of its hydrocarbons inside Russia, so the largest part of Company costs are in roubles, while a significant share of revenues is expressed in US dollars or is tied to dollar oil prices to a significant extent. So ruble inflation and fluctuation of the exchange rate can have substantial impact on Company results. Purchasing power of the US dollar in Russia, calculated from the $/ruble exchange rate and the Russian inflation rate, declined by 12% in 2011 compared with 2010.

This development was one of the main causes of growth in unit lifting costs in Russia last year: unit costs rose from $4.11 to $4.7 per boe, or by 14.4%. Average unit lifting costs for the Group increased by 14.3% from $4.12 to $4.71 per boe in 2011. Capital expenditures in the Exploration and Production segment rose by 35.1% to $6.6 billion.

**Acquisition of assets**

A LUKOIL Group organisation bought a 50% interest in a production sharing agreement at the offshore block, Hanoi Trough-02, in Vietnam from the privately owned oil company Quad Energy S.A. The HT-02 block is located on the shelf of the South China Sea. Geological exploration work has been underway at the block since 2007 and a number of prospects have been discovered.

A LUKOIL Group organisation reached a purchase agreement of a 49% interest in an exploration and development contract at the offshore deepwater block SL-5-11 in the territorial waters of the Republic of Sierra Leone from the company Oranto Petroleum. The obligatory geological exploration program under the contract implies drilling of one prospecting well before 2013. Block SL-5-11 has area of 4,000 km² and is located on the Atlantic shelf in the territorial waters of Sierra Leone. Sea depth at the block varies between 100 and 3,300 m. 2D and 3D seismic works have already been carried out and have
found a number of prospective structures with substantial crude oil resources, based on preliminary estimates.

OAO “LUKOIL” and Bashneft Oil Company signed an agreement for acquisition by the Company of a 25.1% stake in OOO “Bashneft-Polyus”, which owns licenses for mineral resources use including the Roman Trebs and Anatoly Titov oil fields. A joint-venture agreement was also signed. The acquisition was for a sum of $153 million. Bashneft-Polyus also signed an agreement to acquire 29 prospecting and exploration wells at the above-mentioned fields from OAO “LUKOIL” for $60 million. Bashneft and OAO “LUKOIL” thus finalized the creation of a joint venture for development of the Trebs and Titov oil fields and advanced to the active stage of project implementation. The 2,151 km² license area is located in Nenets Autonomous District and has 140.1 million tonnes of recoverable oil reserves in industrial categories (C1+C2), as recorded in the Russian State Reserve Register.

**Licensing**

The Company continued its work in 2011 to obtain new licenses for mineral use and to optimize its existing license portfolio in order to raise overall quality of the reserve base. LUKOIL obtained amendments and additions to conditions of its mineral use rights, extending the period of validity of its rights in some cases, as well as clarifying commitments of the Group companies to achieve specific output levels in accordance with project documentation.

**LUKOIL Group companies had 426 licenses on their balance sheets as of January 1, 2012, of which 338 were for exploration & production of hydrocarbons, 22 were for geological study, including prospecting and evaluation of mineral fields, and 66 were for geological study, exploration & production of raw hydrocarbons.**

The Company obtained 11 new licenses for use of mineral resources in 2011, of which five give rights for geological study, exploration & production of raw hydrocarbons, five are licenses for geological study of mineral areas in response to application by the mineral resources user, and one license is for geological study of a mineral area based on a Government contract.

During 2011 LUKOIL Group organisations took part in six auctions for mineral use rights, and won four of the auctions. Two auctions were declared invalid because only one bid was received, and the applications have been submitted to obtain licenses for geological study of the relevant mineral fields in return for a direct payment by the mineral user. The licenses will be obtained in 2012.

LUKOIL surrendered six licenses for use of mineral resources during 2011, of which two were surrendered due to ending of the permitted period for geological study, and four were surrendered when it was found that development of the relevant areas would be economically inefficient.

A total of 91 licenses for mineral use were reissued during the reporting period in connection with further restructuring of LUKOIL Group oil production subsidiaries.

Work continued in 2011 on amendments and additions to current license agreements concerning terms of mineral resource use at LUKOIL Group organisations’ license areas. A total of 34 amendments/additions were obtained, including 19 additions to licenses extending the period of their validity (13 of these licenses are for production and six are for study of mineral resources).

**Oil and Gas Reserves**

Reserve replacement is fundamental to long-term, sustainable development of the Company. LUKOIL Group carries out extensive geological exploration work in Russia and abroad in order to increase its reserves, and constantly monitors new projects and assets, which could represent acquisition targets.

**According to data audited by Miller and Lents (USA), the Company’s 3P reserves of hydrocarbons as of January 1, 2012 were 29.623 billion barrels of oil equivalent (boe), consisting of 23.602 billion barrels of oil and 36.125 trillion cubic feet of gas.**

The audit was carried out to the standards of the US Securities and Exchange Commission (SEC). The Company decided in 2009 to adopt SEC standards for measurement of reserves in order to ensure greater transparency and comparability of Group reserve figures with those of competitors.
In accordance with SEC requirements, proved reserves that are not in development can only be recognized if there is an approved development plan. The plan must call for reserve development to begin within five years, unless specific circumstances justify a longer period before the start of development. Audit was carried out as prescribed by SEC standards up to attainment of profit production thresholds.

The Company also completed an appraisal of contingent resources under PRMS. As of December 31, 2011 the Company had 3C contingent resources of 10.3 billion boe. The Company’s 25.1% interest in OOO “Bashneft-Polyus” was included in this figure for the first time (the OOO is a joint venture between OAO “LUKOIL” and Bashneft Oil Company for development of the R. Trebs and A. Titov fields).

It is expected that prospective volumes of oil & gas, which are classified as contingent, will be transferred to reserves as the time for their development approaches, as the Company’s associated gas utilization program moves forward, and as new technologies make production of hard-to-recover reserves commercially viable.

The greater part of the Group’s proved reserves of oil are in Western Siberia, the Timan-Pechora oil & gas province and the Urals region. The main part of proved gas reserves are in the Bolshekhetskaya Depression (Western Siberia), Uzbekistan and the Caspian region. 60% of Group’s proved reserves are in development (65% of oil reserves and 41% of gas reserves). This reserve structure reflects large potential of the Company to increase production in the medium term, particularly production of gas.

Most of the Group’s proved hydrocarbon reserves are conventional. Only about 4.3% of total reserves (3.8% of 3P reserves) consist of high-viscosity oil and 4.7% (6.0% of 3P reserves) are at offshore fields. This reserve structure enables the Company to control development costs in an efficient manner and to bring new fields into production rapidly.

Replacement of production by proved reserves exceeded 100% in 2011. Growth of proved hydrocarbon reserves in 2011 as a result of geological exploration work, production drilling and acquisitions was 619 million boe, of which growth due to geological exploration work and production drilling was 612 million boe, and 7 million boe were added as a result of acquisitions. So organic growth of reserves compensated 76.3% of hydrocarbon production (77.5% for oil and 70.4% for gas). Organic growth of proved oil reserves in Russia was 516 million barrels (99% of the total growth) and 4 million barrels at the international projects (1% of the total growth). Organic growth of proved gas reserves in Russia was 310 billion cubic feet (56% of the total gas growth) and 240 billion cubic feet at the international projects (44% of the total gas growth).

Proved reserves increased by 197 million boe due to revision of previous estimates.

There was substantial progress during 2011 in preparation for launch and development of a number of Group’s fields, enabling reclassification of 170 million boe of contingent resources as proved reserves. However, faster decline of production at the Yuzhno-Khylchuyuskoje field compared with earlier forecasts led to reduction of proved reserves by 147 million boe.

LUKOIL Group remains among Russian and international leaders by volumes of proved hydrocarbon reserves. The Group’s ratio of proved hydrocarbon reserves to production is 22 years (20 years for oil and 30 years for gas).
Oil & Gas Reserves of LUKOIL Group

January 1, 2012

<table>
<thead>
<tr>
<th></th>
<th>Oil, million barrels</th>
<th>Gas, billion cubic feet</th>
<th>Oil + gas*, million boe</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proved reserves</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed</td>
<td>8,772</td>
<td>9,478</td>
<td>10,352</td>
</tr>
<tr>
<td>Undeveloped</td>
<td>4,631</td>
<td>13,718</td>
<td>6,917</td>
</tr>
<tr>
<td><strong>Probable reserves</strong></td>
<td>6,669</td>
<td>10,476</td>
<td>8,415</td>
</tr>
<tr>
<td><strong>Possible reserves</strong></td>
<td>3,530</td>
<td>2,453</td>
<td>3,939</td>
</tr>
<tr>
<td><strong>Total 3P reserves</strong></td>
<td>23,602</td>
<td>36,125</td>
<td>29,623</td>
</tr>
</tbody>
</table>

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

3P Oil & Gas Reserves of LUKOIL Group by Region in 2011

<table>
<thead>
<tr>
<th>Region</th>
<th>Oil, barrels</th>
<th>Gas, billion cubic feet</th>
<th>Hydrocarbons, million boe</th>
<th>Share in hydrocarbon reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Siberia</td>
<td>13,283</td>
<td>4,917</td>
<td>14,103</td>
<td>47.6%</td>
</tr>
<tr>
<td>Urals</td>
<td>2,741</td>
<td>1,116</td>
<td>2,927</td>
<td>9.9%</td>
</tr>
<tr>
<td>Volga</td>
<td>296</td>
<td>299</td>
<td>346</td>
<td>1.2%</td>
</tr>
<tr>
<td>Northern Caspian</td>
<td>1,228</td>
<td>2,831</td>
<td>1,700</td>
<td>5.7%</td>
</tr>
<tr>
<td>Timan-Pechora</td>
<td>4,214</td>
<td>835</td>
<td>4,353</td>
<td>14.7%</td>
</tr>
<tr>
<td>Bolshekhetskaya Depression</td>
<td>754</td>
<td>19,196</td>
<td>3,953</td>
<td>13.3%</td>
</tr>
</tbody>
</table>
Geological Exploration

Geological exploration work by companies of LUKOIL Group in 12 countries around the world is focused on replacement of production with new commercial reserves of hydrocarbons, and preparation of reserves for rapid launch and expansion of production in promising regions, both in Russia and abroad. The Company uses the latest technologies in order to maximize efficiency of its geological exploration work.

Main prospecting projects 2011, carried out in fulfillment of earlier established tasks, were as follows:

- Further exploration work at the Tsentralno-Astrakhanskoye gas and condensate field
- Continuation of prospecting and exploration work in the offshore Caspian to assess oil & gas prospects in Neocomian sediments
- Continuation of prospecting work to study geological structure and oil & gas potential at the Denisovskaya Depression in the Komi Republic
- Prospecting work for study of oil & gas prospects on the West African deep-water shelf and in the Aral region

The largest part of geological exploration work to discover oil & gas was in districts of Western Siberia, the Timan-Pechora oil & gas province, Perm Territory, the Volga, Astrakhan Regions, the offshore Caspian and as part of foreign projects.

Geological exploration work in other regions was focused on preparation and reconnaissance of prospective new geological targets and additional exploration at fields, which were discovered earlier.

The Company carried out a substantial amount of 2D seismic work in 2011 to locate and detail geological structures and to prepare for drilling of prospecting and exploration wells, shooting a total of 6,061 km of 2D profiles. Volumes of 3D seismic were 4,312 km². Quality of our seismic work and speed of processing and interpretation have improved in recent years, particularly due to application of new computer technologies. High standards of the Group’s seismic work are demonstrated by success rates of about 70% in prospecting and exploration drilling.

LUKOIL completed 246.5 km of electrical exploration in 2011. Vertical seismic profiling, which enables detailing of geological structure around an existing well, was carried out at 15 wells. Total exploration drilling in 2011 amounted to 159,000 m, and efficiency was at a high level of 1,076 tonnes of conditional fuel per meter. A total of 48 prospecting and exploration wells were completed in 2011, of which 33 were productive.

Group companies discovered 6 fields in 2011 (Vostochno-Lambeishorskoye in the Komi Republic, Nikulinskoye in Perm Territory, Yuzhno-Eityanskoye in Western Siberia, Yuzhno-Stanovoye and Yurevskoye in Volgograd Region, and Independance in Côte d’Ivoire), as well as 20 new deposits at fields that are already in development.

Increase of proved reserves under SEC classification through geological exploration and additional information obtained in the course of production drilling amounted to 612 million boe. Organic growth of proved oil reserves was 516 million barrels (99% of the total growth) and 4 million barrels at the international projects (1%). Gas reserve growth in Russia amounted to 310 billion cubic feet (56% of the total gas growth) and 240 billion cubic feet at the international projects (44%). Spending by LUKOIL Group on geological exploration work in 2011 was $873 million including share in affiliates.
Russia

Total 121,000 meters of exploration drilling was carried out in Russia during 2011, 2D seismic exploration was 5,463 km and 3D seismic was 4,309 km². Spending on geological exploration in Russia was $366 million.

Western Siberia

Khanty-Mansiysk Autonomous District (Yugra)

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

Exploration drilling in the District totalled 42,700 meters in 2011 and 14 wells were completed, of which 12 were productive. The success rate of exploration drilling was 86%. The Company shot 907 km of 2D seismic and 1,936 km² of 3D seismic in the course of the year. Most of the work was in peripheral areas of large fields, and was aimed at detailing oil & gas contours and identifying oil saturation in strata prior to production drilling.

8 new deposits were identified at previously discovered fields in the region during 2011. Largest growth of oil reserves was at the Kogalimskoye field (+1.8 million tonnes) and Nong-Eganskoye field (+1.4 million tonnes), thanks to 3D work and exploration drilling. Proved hydrocarbon reserves of the Group in the Khanty-Mansiysk Autonomous District to SEC standards were 7.3 billion boe (3P reserves – 13.6 billion boe). Significant oil inflows were obtained at a number of fields.

A prospecting well at the Svobodnoye field obtained oil inflows of 857 barrels per day from the Vasyugan suite at a dynamic level of 1,846 m. Testing of an exploration well at the Tevlinskoye-Russinskoye field gave free flow of oil of 392 barrels per day from Jurassic sediments using a 6-mm choke.

An exploration well was drilled at the Vostochno-Perevalnoye field, located on the territory of the Nadezhdinsky license area, and oil inflow of 400 barrels per day was obtained from achimian sediments. The well has been brought into production.

A new oil field was discovered in 2011 by drilling of a prospecting well at the Yuzhno-Eityanskoye elevation. Cased-hole testing of the T1 Tyumen suite gave an oil inflow of 138 barrels per day.

Yamal-Nenets Autonomous District

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

Industrial inflows of gas and condensate have been obtained from testing of wells № 304 and 2022 at the Pyakyakhinskoye field.

Testing of well №304 discovered 5 new gas condensate deposits at the Pyakyakhinskoye field. The strongest flow of separation gas was at a level of 123,000 cubic meters per day, with 124 barrels of stable condensate per day using a 12-mm choke.

Testing of well №2022 at the Pyakyakhinskoye field gave a free flow of gas condensate. In the course of studies a flow of separation gas at a rate of 169,800 cubic meters per day was obtained using a 10.2-mm choke. Flow of stable condensate was 122 barrels per day.

Timan-Pechora

Timan-Pechora (the Nenets Autonomous District and Komi Republic) is a promising region for oil production by the Company. The region is little studied, with high potential for new discoveries, and the Company carried out extensive geological exploration work there during 2011. Volumes of 2D and 3D
seismic work during 2011, for clarification of geological models, were 627 km and 1,108 km², respectively, and exploration drilling was 20,900 m.

Prospecting and exploration drilling in Komi Republic amounted to 17,000 m in 2011 and 3 wells were completed, all of which gave production. The drilling success rate was 100%.

The Vostochno-Lambeishorskoye field was discovered in the Komi Republic. Two wells that were drilled at the field confirmed the presence of industrial oil deposits in riphean limestones from the zadonsk era. Open-hole testing gave an inflow of pure light crude oil at a rate of 6,300 barrels per day. Recoverable C1+C2 reserves discovered at the field in the reporting year were 21.9 million tonnes, 3P reserves – 53 million barrels.

In the Nenets Autonomous District testing of an exploration well was completed at the Oshskoye field and free flowing oil was obtained at a rate of 1,057 barrels per day.

Geological exploration work and additional information obtained in the course of production drilling added 96 million barrels of proved reserves to international standards in Timan-Pechora during 2011.

Urals

The Urals is a traditional production region for the Group, and reserves in the region have been extensively explored. LUKOIL carried out 590 km of 2D seismic and 341 km² of 3D work in the region for geological purposes during 2011. Exploration drilling totalled 14,700 m. Exploration drilling to discover new fields and increase reserves was carried out mainly in the vicinity of sites with established commercial oil presence.

In Perm Territory construction of 5 wells was completed, all of them were productive. The success rate in exploration drilling was 100%. At the Yenapayevskaya and Zabrodovskaya areas two wells were completed and testing was begun. In tests all of the wells gave flows from productive strata at daily rates from 22 to 435 barrels. One new field was discovered in 2011 – the Nikulinskoye field, – where testing gave maximum oil flow of 400 barrels per day.

Volga (onshore)

The Volga is another traditional hydrocarbon production region for LUKOIL Group and its geology has been extensively studied. Exploration drilling in 2011 was 17,700 m. 2D seismic in Volgograd Region during 2011 amounted to 1,634 km, 3D – 225 km².

Drilling work was continued in Volgograd Region during 2011 at Avilovskaya well №10 and drilling of exploration well Avilovskaya №8 was begun. Well №44 at the Vysotskoye field was completed and cased-hole testing of Tula sediments gave inflows of gas at a maximum daily rate of 290,000 cubic meters. Construction of Levoberezhnaya well №6 was also completed and sampling of a Sennovian horizon gave sustained free flow of water-free oil & gas at a rate of 349 barrels per day, while testing of a Khovanian horizon gave an inflow of oil at a rate of 604 barrels per day. As a result the Yurievskoye field with C1+C2 reserves of 1 million tonnes was discovered.

Additional studies at the reopened Nizhnekorobkovskiy wells №23 and №27, which were drilled at the start of the 2000s at the Yuzhno-Stanovaya structure, led to discovery of the Yuzhno-Stanovoye field with C1+C2 recoverable reserves of 632,000 tonnes. Testing of Bobrikov and Yevlanovo-Livensk sediments gave pure oil inflows at rates of up to 250 barrels per day.

Construction work on Tsentralno-Astrakhanskaya well №3 continued at the Tsentralno-Astrakhanskoye field. Bottom-hole depth at the end of 2011 was 4,007 m. The well has been cased and is due to be developed in 2012. 3D seismic work at the field continued in 2011 when total 355 km² was carried out.
In Tatarstan oil inflow at a rate of 201 barrels per day was obtained from a well at the Olginskoye field, which is part of the Agryzsky license area. At the Ozerny license area in-hole testing of the Bobrikov horizon gave a viscous oil inflow of 57 barrels per day.

Northern Caspian

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

In the offshore Caspian two wells were completed and both were productive, so the success rate in prospecting and exploration drilling was 100%.

Rakishechnaya well № 8 was completed with bottom-hole at a depth of 1,650 m and industrial oil inflow was obtained from testing of the oil-saturated part of a Neocomian reservoir with maximum daily inflow rate of 2,969 barrels per day. An Aptian oil deposit was tested and hydrofracturing of strata was used to enhance flow rates for the first time in offshore work. Maximum daily flow rate before hydrofracturing was 28 barrels per day, and the rate increased to 282 barrels per day after the operation. Well №2 at the Sarmatskaya structure was completed with bottom-hole at 3,330 m. Drilling results confirmed productivity and discovered expansion of the gas contour. The production string was tested in three productive strata of the Titon tier. Joint testing of strata II and III gave daily gas inflows of 400,000 cubic meters per day and 618 barrels per day of condensate. Testing of stratum I gave a gas flow of 1,094,000 cubic meters per day and 209 barrels of condensate per day. An increase in C1 gas reserves on Sarmatskoye gas field was 55.6 billion cubic meters.

Kaliningrad Region

LUKOIL Group companies carried out geological exploration work in 2011 in Kaliningrad Region, both onshore and offshore (in the Baltic Sea). Total 3,300 m of drilling was carried out. Specialists also completed 442 km of 2D seismic work at all license areas in preparation for deep drilling.

Drilling of a prospecting well at the D-41 structure was suspended at bottom-hole depth of 1,350 m pending alterations to the project plan in order to reduce risks associated with large step-out in directional drilling.

International projects

LUKOIL Group’s strategic development program implies intensive development of international operations in the Exploration and Production segment. The main task of geological exploration by the Company outside Russia is to prepare the resource base for rapid launch of production. Exploration drilling in international projects with LUKOIL participation was 37,855 meters in 2011. 2D seismic work in international projects in 2011 totalled 598 km and 3D work was 3.98 km². Spending on geological exploration outside Russia was $507 million. LUKOIL Group was involved in geological exploration drilling in eleven countries outside Russia by the end of 2011: Kazakhstan, Saudi Arabia, Egypt, Uzbekistan, Romania, Vietnam, Colombia, Venezuela, Côte d’Ivoire, Ghana and Sierra Leone. A total of 11 wells were completed during 2011 as part of these projects, of which three were productive.

Drilling of a third exploration well was finished in 2011 at the Kungrad block (part of the Shege structure) in Uzbekistan. Well studies in open borehole using MDT instrument have obtained inflows of gas. Testing of well Shege-3 is scheduled for completion in 2012, after which a decision will be made on further work.

Drilling of wells Kuvachi-7 and Parsankul-9 was finished in 2011 at the Kandym block. Testing of Kuvachi-7 gave industrial inflows of gas and condensate at a daily rate of 165,000 cubic meters. Testing of Parsankul-9 will be carried out in 2012. Drilling of well Parsankul-10 has begun. A project for 2D and 3D seismic work has been prepared and a sub-contractor is being selected to carry it out.
During 2011 as part of the **South-West Gissar** project in **Uzbekistan** drilling and testing of well Shamoltegmas-4 were completed. Total 598 km of 2D work has been carried out ahead of schedule. Gas inflows of up to 198,000 cubic meters per day were obtained. Drilling work on prospecting well Shurdarye-2 began in December 2011 and will be completed in 2012, when well Navruz-1 will also be drilled. 3D seismic work will start in 2012 and recommendations will be prepared for appraisal drilling at the Shurdarye and Navruz structures.

Drilling of well Shagala-1 allowed to complete evaluation of eastern part of Aral prospects as part of the **Aral project in the Uzbek sector of the Aral Sea**. Testing gave no inflow of hydrocarbons. A program of further work was approved in August 2011, which includes the drilling of prospecting and appraisal wells. The first stage of the exploration period came to an end in April 2011 (the minimum work program has been carried in full and in due time). Preparations are being made for drilling in 2012 of an appraisal well at the West Aral field and of a prospecting well at the Umid structure. Passports have been prepared for the Umid and Ak-Tepe structures. In 2011 LUKOIL Group increased its share in the project to 26.6%.

3D seismic field work and interpretation of results began in 2011 as part of the **West Qurna-2** project in **Iraq** (contracted work volumes are 540 km²). A number of researches have been carried out as well as work for creation of a petro-physical field model. The reopening of well WQ-11 was carried out. Inflow of oil at a daily rate of 6,686 barrels was obtained. Scheduled tasks for 2012 include further reopening of wells, 3D seismic work completion, logging of previously drilled wells, preparation of a drilling pad and approach roads, and the start of drilling work on a prospecting well and the first production wells.

On the Western Africa shelf (projects in **Côte d’Ivoire and Republic of Ghana**) 5 exploration wells were drilled including 1 productive (Independance-1X) and 1 with non-industrial inflow (Buffalo-1X, CI-205 block).

Independance-1X well that was drilled at CI-401 block is 4,100 meters deep, while sea depth is 1,700 meters The well established excellent sandstone reservoirs was established in Turonian sediments (3,799 – 3,815 meters). Proved net pay is 53 meters. Analysis of the results shows that the well is the pioneering discoverer of oil deposits in Turonian sediments.

The exploration work plan for the **Riyadh (Block A)** project in **Saudi Arabia** implied drilling of five prospecting wells at the Tukhman and Mushaib fields and more than 1,500 km² of 3D seismic work. Studies were carried out in 2011 on economically viable technologies for extraction of difficult gas reserves in reservoirs with low permeability at the Tukhman field. Joint proposals with Saudi Aramco are being prepared for negotiations with the Saudi Arabian Government concerning changes in contract terms in order to continue economically viable work on the project. A decision on further work is expected during 2012.

As part of the **WEEM Extension** project in **Egypt** processing and interpretation of 3D seismic data from 2010 and previous years was completed. The resource base was clarified and passports were prepared for sidetracks drilling at wells WEEM-A2-ST2 and WEEME-A3. As a result of tendering process drilling work was postponed until 2012 due to lack of drilling capacities in 2011.

In February 2011 a LUKOIL Group organisation, Vanco International and the Romanian National Agency for Mineral Resources signed concession agreements for exploration and production at two blocks in the **Romanian sector of the Black Sea: Est Rapsodia and Trident**. The blocks are located at sea depths between 100 and 1,200 meters, and each block covers an area of 1,000 km². The agreements came into force in November 2011. The minimum program in the obligatory first stage of work at each block includes conduct of 1,000 km² of 3D seismic exploration, AVO-analysis, basin modelling and drilling of one well. Regional 2D seismic data from previous years totalling 13,000 km were acquired in 2011, as well as materials from six offshore wells in Romania and Ukraine, nine geological reports and a seismic-study data base for the north-western part of the Black Sea. It is planned to carry out 2,000 km² of 3D seismic exploration work in 2012.
In April 2011 the Group acquired a 50% interest in the production sharing agreement for the Vietnam offshore block, Hanoi Trough-02 (HT-02), from Quad Energy S.A. The HT-02 block covers an area of 1,185 km² and is located onshore and in coastal waters of the South China Sea, about 50 km away from the port of Haiphong and 1,500 km away from developed fields on the ocean shelf of South Vietnam. Water depth is up to 23 meters. Analysis of data from the block and from adjacent areas will be carried out in 2012, and recommendations will be prepared for further geological exploration. Depending on results, 3D or 2D seismic work may be carried out as well as drilling of a third well.

In July 2011 a LUKOIL Group organisation acquired a 49% interest in an exploration and development contract at the offshore deepwater Block SL-5-11 in territorial waters of the Republic of Sierra Leone from the company Oranto Petroleum. Block SL-5-11 covers an area of 4,022 km² and is located on the continental slope of the Atlantic Ocean at sea depths between 100 and 3,300 meters. 2D and 3D seismic studies have already been carried out before acquisition on an area of 1,500 km² and a number of prospective structures have been found, including the Leon and Savanna structures. The Block is part of the Sierra Leone – Liberia geological basin, where a number of large oil fields have been discovered in recent years. 2D electric exploration work is planned in 2012, as well as reprocessing of 3D seismic materials and preparations for prospecting drilling.

The Group has decided to abandon two projects in Kazakhstan: the Tyub-Karagan project (the second well Tyub-Karagan №2 was drilled in 2011 and did not discover industrial hydrocarbons deposits) and the Zhambai-Zaburunye (due to impossibility of finding a drilling sub-contractor capable of providing well-construction services in present conditions).
EXPLORATION DRILLING BY REGION (2011)

- Western Siberia: 23.9%
- Timano-Pechora: 37.0%
- Volga: 8.2%
- Urals: 5.7%
- Bolshekhetskaya Depression: 13.2%
- Other: 12.6%
- International projects: 9.4%

EXPLORATION DRILLING, thousand meters
- 2011: 159
- 2010: 119
- 2009: 80

HYDROCARBON RESERVE EXTENSIONS AND DISCOVERIES, million boe
- 2011: 612
- 2010: 625
- 2009: 617
**Oil Field Development and Production**

LUKOIL Group oil production by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Th. tonnes</th>
<th>Share in production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Siberia</td>
<td>49,102</td>
<td>54.0%</td>
</tr>
<tr>
<td>Timan-Pechora</td>
<td>17,547</td>
<td>19.3%</td>
</tr>
<tr>
<td>Volga</td>
<td>3,426</td>
<td>3.8%</td>
</tr>
<tr>
<td>Urals</td>
<td>12,937</td>
<td>14.2%</td>
</tr>
<tr>
<td>International projects</td>
<td>5,951</td>
<td>6.5%</td>
</tr>
<tr>
<td>Other</td>
<td>1,954</td>
<td>2.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90,917</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Crude oil production by LUKOIL Group in 2011 (including the share of production by equity affiliates) was 90,917 million tonnes (1,840 million barrels per day).

Lower oil output in 2011 reflects decline of production at fields in Western Siberia, where the Group produces 54% of its crude oil. The decline was due primarily to objective changes in the structure of recoverable reserves. However, improvement to systems for maintaining strata pressure, use of the latest enhanced recovery technologies and horizontal drilling enabled LUKOIL Group organisations to stabilize output levels in Western Siberia from the middle of the year (see ‘Stabilization of production in Western Siberia’).

Production levels were also negatively affected by results in Timan-Pechora where rates of output at wells declined due to high-water cut and shrinkage of recoverable reserves. Parameters of the geological model for the Yuzhno-Khylchuyuskoye field were revised in the reporting year, and this was reflected in the Group’s operating and financial results. Further measures have been designed and approved for stabilization of output levels at the Yuzhno-Khylchuyuskoye field and they will be implemented in 2012. They include drilling of side-tracks and use of 12 dual-injection systems.

OAO “LUKOIL” subsidiaries and equity affiliates produced hydrocarbons at 358 fields in Russia and at 34 fields in 4 foreign countries during 2011. Production of hydrocarbons was begun at three new fields in the Russian Federation and at one field in Uzbekistan. Production levels at 18 Group fields rose by more than 50,000 tonnes in comparison with 2010. The largest increases (more than 200,000 tonnes) were achieved at 4 fields, which together gave overall annual increment of oil output by 1 million tonnes.

The Group had 30,840 oil production wells as of January 1, 2012, of which 26,970 were actually in use, and the number of injection wells was 10,960, of which 8,750 were under pressure. The number of oil production wells was 1.6% higher in 2011 than in 2010, and injection wells number increased by 6.0%, raising the efficiency of production. The share of idle wells was almost unchanged from the end of 2010 at 12.5% of the total number. Average daily oil output at wells in projects with Group participation was 13.8 tonnes.

Volumes of production drilling were 2,953,000 m, which is 8% more than in 2010. The number of new production wells brought into operation was 1,006, of which 235 were horizontal. The Company plans to increase the number of horizontal wells in the medium term due to their high efficiency. Average daily flow from new wells in projects, in which the Group is a participant, was 32.4 tonnes, including 49.8 tonnes from horizontal wells.

The share of horizontal wells in the total number of new wells brought into operation in Russia increased from 11.5% in 2010 to 24.9% in 2011.

A program of industrial testing enabled a technology breakthrough in 2011, which raises the forecast for viable development of new reserves in 2012–2021 by 3.6 billion barrels of oil thanks to increase of oil recovery rates at fields in the Russian Federation.
LUKOIL made particularly rapid advances during 2011 in drilling of horizontal wells that uses multi-zonal hydrofracturing of strata. A total of 96 wells with multi-zonal hydrofracturing were brought into operation in 2011 and gave 637,000 tonnes of oil production. Average daily oil flow from the wells was **56.3 tonnes**. Application of this technique at the Urevskoye and Tevlinsko-Russkinskoye fields led to significant adjustment of field development plans, increasing the target recovery factor and thereby raising rates of return on these investment projects. In another technology advance is an expanded logging-while-drilling (LWD) complex for construction of horizontal wells on an industrial scale, enabling real-time drilling of horizontal boreholes in productive strata, which ensures maximum contact with the reservoir.

**Drilling of horizontal wells in the depression at wells in Western Siberia gave an increase of oil flow rates by 2–4 times compared with previously drilled wells using clay-polymer solutions, while reducing unit costs by 30%.**

The Company achieved some increase in the efficiency of sidetracks during the reporting year and drilling of sidetracks was increased. Consistently high efficiency was achieved by the use of scientifically prepared mini-projects with hydrodynamic modelling, as well as by more accurate forecasting of geological structure and the structure of reserves at areas where sidetracks were drilled. Sidetrack drilling is carried out mainly at wells, which have been taken out of operation, in order to extract residual oil reserves. Sidetracks were drilled at 241 wells in 2011 and gave average daily flow of 20.4 tonnes.

Efficiency of hydrofracturing operations at the Group’s wells in 2011 was comparable with the result in 2010. The level of oil flow increase from hydrofracturing was maintained thanks to efforts to improve work planning, selection of wells using full-time hydrodynamic models, and tighter control over the quality of materials and reagents used by service companies.

A total of 4,894 operations were carried out on productive strata in 2011 using physical, chemical, hydrodynamic and heat techniques (see ‘Exploration and Production Technologies’). Additional oil output in Russia thanks to application of such enhanced oil recovery techniques was 22.3 million tonnes, or 26% of total oil production by the Group in Russia.

**Russia**

Oil production by LUKOIL Group in Russia during 2011 was 84.966 million tonnes, of which 84.609 million tonnes were produced by Group subsidiaries.

Subsidiaries and equity affiliates of LUKOIL produced hydrocarbons at 358 fields in Russia in 2011. Production drilling in Russia grew by 9.1% to 2,493,000 m. The Group owned 28,930 production wells at the end of 2011, of which 25,240 were actually in use.

**Western Siberia**

Fields in Western Siberia accounted for 54% of LUKOIL Group’s oil production during the reporting year. Production in the region was somewhat lower than in 2010 at 49.1 million tonnes. Use of enhanced oil recovery methods and drilling of horizontal wells enabled LUKOIL to stabilize production rates in the region from the middle of 2011. The Company will continue to focus on stabilization of production levels in main operating areas, stepping up capital expenditures for development of new technologies and improvement of field efficiency.

Despite long periods of exploitation, some of the Company’s fields in Western Siberia are still achieving production increases. In particular, the Vostochno-Perevalnoye and Urevskoye fields showed strong oil production growth once again in 2011.

Oil production at the **Vostochno-Perevalnoye field**, commissioned in 2007, grew by 40% compared with 2010 to a level of 0.9 million tonnes. The growth was achieved by launch of new wells (39 wells with average daily oil flow rates of 36.6 tonnes) as well as operations at wells that were completed in the previous year (29 wells were brought into production in 2010 and gave average oil flow of 37 tonnes per day). The Company’s development program calls for launch of 46 new wells in 2012–2013, of which four will be horizontal. Water and gas treatment of strata is being used in test mode in
order to raise the oil recovery at the Vostochno-Perevalnoye field. Peak production should be attained in 2013.

Oil production at the Urevskoye field, which was brought into production in 1978, rose by 8.1% to 3.1 million tonnes in 2011. The increase was achieved thanks to production drilling: 90 new wells were launched with average daily output of 38 tonnes, including 35 horizontal wells with daily flow of 61 tonnes. A total of 11 sidetracks were drilled at the field in 2011 in order to maintain output levels at wells, and they gave average daily flow increases of 19.6 tonnes, producing 22,300 tonnes of additional oil in total. Work continued on a system for maintaining strata pressure, and 75 new injection wells were put under pressure in the reporting year.

The future drilling schedule for the Urevskoye field as of January 1, 2012, included 802 wells, of which 493 for production and 309 for injection. The Company’s development program foresees completion of 117 new wells at the field in the period from 2012 to 2017.

**Stabilizing production in Western Siberia. Urals experience.**

Western Siberia is one of LUKOIL Group’s key production regions. Crude oil production there in 2011 was 49.1 million tonnes or 54% of the total for the Group. However, most fields in the region have been in development for many years and their reserves are highly depleted. Output by LUKOIL Group in Western Siberia peaked in 2007 at a level of 59.9 million tonnes. Average annual decline of Group output in the region during 2008–2010 was 5.3%. In 2011 the Group succeeded in reducing the rate of production decline: levels of output were stable in the second half of the year.

This result was achieved through implementation of several carefully planned measures:

1. Major reinforcement of the system for maintenance of strata pressure. Average 450 injection wells have been brought into service each year, so that, while the number of production wells grew only insignificantly (by 4%) over five years, the number of injection wells rose by 20%. The ratio of production wells to injection wells was reduced, and this enabled lowering of production losses and optimization of reserve development.
2. The quantity of horizontal drilling work in Western Siberia was greatly increased in 2011, when 153 highly efficient horizontal wells were commissioned in comparison with 59 in 2010. 96 multi-zonal hydrofracturing operations were also carried out on strata during horizontal drilling during 2011. Average daily flow rates from the new wells were 56 tonnes.
3. The number of low-cost well improvement operations (reperforation, perforation of different intervals, optimization of well operating regimes) increased in 2011 compared with 2010.

4. Use of new drilling technologies in 2011 gave an increase of crude oil output from new wells, despite a decline in the number of new wells.
LUKOIL Group plans to maintain its focus on stable levels of production in Western Siberia, increasing investments to create and apply the latest technologies, and to improve efficiency in exploration and development of fields. The Strategic Development Programme of the LUKOIL Group for 2012-2021 foresees a continuation of stable output levels in Western Siberia in coming years, and growth of production from 2016 thanks to the launching of new fields.

LUKOIL Group has achieved steady growth of production over a number of years in the Urals, which are another traditional production region for the Company. Crude oil output in the Urals in 2011 was 12.9 million tonnes, representing 14.2% of total output by the Group.
51 new fields were brought into production in the Urals between 1995 and 2011, and a total of 133 fields were in operation as of January 1, 2012. There has been a steady increase of output levels from 9.3 million tonnes in 1995 to 12.9 million tonnes in 2011. These results were achieved thanks to:

- Annual launch of 2–3 new fields on average
- Increase of the share of crude oil produced at new fields, which were brought into production during the period (nearly 2 million tonnes in 2011)
- Implementation of efficient work on wells and formations (production drilling, drilling of sidetracks, hydrofracturing) as part of integrated programs for enhanced oil recovery, with coordination of decision-making for smaller and larger well groups.

This enabled major increases of crude oil output at a number of large fields in the region (Unvinskoye, Sibirskoye, Gagarinskoye, Kurbatovskoye, Garyushkinskoye).

**Timan-Pechora**

The Timan-Pechora oil province provided 19.3% of the Group’s production in 2011. Output by LUKOIL in the province declined by 17.1% to 17.5 million tonnes, due to lower production levels at the Yuzhno-Khylchuyuskoye field, but Timan-Pechora still has great potential. In 2011 The Company and Bashneft Oil Company set up a joint venture for development of the R. Trebs and A. Titov oil fields, which are located in the province. Timan-Pechora also has the largest share of LUKOIL’s heavy oil reserves, which are located at the Yaregskoye and Usinskoye fields.

The **Yaregskoye field** has proved reserves of 318 million barrels of high-viscosity oil under SEC classification (3P reserves – 540 million barrels). Production at the field mainly uses a shaft technique. Work began in test mode during 2011 to improve heat treatment applications by use of a new drilling rig which enables wells to be drilled to a length of 800 m (2.5-fold the length of traditional wells). Use of the new drilling rig, together with use of boring combines, will substantially reduce spending on preparation for development of slanted blocks and will raise productivity.

Five pairs of production and injection wells were drilled at the Lyaelskaya area of the Yaregskoye field in 2011 with horizontal completions and borehole length up to 1,100 m. The purpose of this test work is to obtain know-how in use of horizontal boreholes for injection and production purposes. The technology is similar to Steam Assisted Gravity Drainage (SAGD), which is being applied in production from oil sands in Canada, and the tests have confirmed its efficiency.
The Permian-Carbonaceous deposit at the Usinskoye field was brought into operation in 1977 and proved reserves in the deposit to SEC standards as of January 1, 2012 were 430 million barrels (3P reserves of the field – 680 million barrels). The deposit is characterized by highly varied structure of its carbonate reservoir, which contains high-viscosity oil, and thermal methods are being used to assist production. Most of the reserves at the deposit are being extracted by natural means. Extensive steam injection is being carried out at steam-heat impact zones in order to increase the recovery factor as well as steam-cycle treatment at various wells located over the entire extent of the deposit (combined with injection of chemical reagents in some cases). Additional oil production since thermal methods began to be used at the deposit is in excess of 6.1 million tonnes.

Extensive thermal treatment of strata via a system of horizontal wells is being used at a sector of the deposit for the first time. In 2012 tests are planned at the deposit using perpendicular gravitational drainage of strata.

Highest production growth rates in Timan-Pechora in 2011 were achieved at the Yuzhno-Yuryakhinskoye field, where the increase in output compared with 2010 was 214,400 tonnes (+233%). The production increase reflects well completions: six new wells were brought into production and gave average daily oil flows of 204.3 tonnes.

Five new wells are scheduled to enter production at the Yuzhno-Yuryakhinskoye field in 2012. The Company’s development program for Exploration and Production business segment foresees rapid development of the field and further increase of oil production rates there.

Urals

Production of oil by LUKOIL Group in the Urals region increased to 12.9 million tonnes in 2011, or by 3.5%, thanks to use of new technologies, such as sidetracks, radial drilling and acid hydrofracturing. The Urals accounted for 14.2% of total production by the Group during 2011, compared with a figure of 13.0% in 2010.

Production of oil at the Unvinskoye field, which has top priority for the Company in the region, grew by 9.8% in 2011 to 1.7 million tonnes, thanks mainly to extensive use of modern enhanced recovery technologies as well as production drilling. A total of 10 sidetracks were drilled, giving average daily oil flow of 22 tonnes, and 17 operations for hydrofracturing of strata gave average daily production increments of 14.3 tonnes. Radial drilling was used at six wells and gave average increments of 9.9 tonnes per day. Five new wells were completed and gave average oil flows of 33 tonnes per day, including one horizontal well with average daily flow of 60.5 tonnes. These actions raised overall oil flow rates at all operating production wells to a level of 17 tonnes per day, compared with 15 tonnes in 2010.

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

Volga

Crude oil production by LUKOIL in the Volga region increased by 9.2% in 2011 compared with 2010 to 3.4 million tonnes.

Growth of production in the region was driven mainly by development of the Yury Korchagin field, which was launched in 2010 and was the first launch in a series of new Company fields in the offshore Caspian, which will be the main source of oil production growth for the Group in the medium term.

Total output from the Yury Korchagin field increased in 2011 to a level of 338,100 tonnes thanks to further drilling work, which enabled completion of three new wells. The total length of horizontal sections at wells rose above 1,000 m in the reporting year. Average daily oil flow from new wells was 432 tonnes and total production from new wells during the reporting year was 215,400 tonnes.

The circulation system for drilling fluid was modernized as part of technical re-equipment of the Yury Korchagin offshore platform. This has enabled operations using drilling fluid with an inert base, so that extra-long horizontal boreholes can now be drilled to lengths in excess of 5 km.
Plans for 2012 include drilling and launch of one gas-suppression well and four production wells, with horizontal section length of up to 4,000 m. The project development plans call for drilling of 33 production wells in the period up to 2017. Peak oil production should be in excess of 2.4 million tonnes and peak gas production will be more than 1 billion cubic meters.

International projects

LUKOIL Group’s share of production in international projects was 5.951 million tonnes in 2011, which is 4.4% less than in 2010. The decrease was mainly due to the Kumkol and KarakudukMunai projects in Kazakhstan, South-West Gissar in Uzbekistan, Meleih in Egypt and Shakh-Deniz in Azerbaijan.

Production drilling in the Company’s international projects increased by 3.0% in 2011 compared with 2010 to 459,800 meters. The number of oil production wells rose by 9.6% to 1,905, of which 1,728 were actually in use. A total of 267 new production wells were commissioned as part of international projects, in which the Company is a participant.

The Group share of production in the Tengiz project in Kazakhstan was nearly unchanged at 1.292 million tonnes. An utilization rate of 99.2% was achieved for associated gas at Tengiz in the reporting year. A total of 25 well interventions were carried out in 2011 and gave 1.5 million tonnes additional output, which enabled existing plant capacities for preparation of oil & gas to be fully loaded. Pre-FEED work was completed in the project for optimization of the second-generation plant, which will make facilities more dependable and raise daily capacity to 41,800 tonnes, and also in the project for management of well-head pressure, which will extend the period of full load of existing oil & gas preparation facilities through construction of a system for pressure increase (a pumping station).

The Group’s share of crude oil and gas condensate production in the Karachaganak project in Kazakhstan was 1.5 million tonnes in 2011, almost unchanged from the previous year. Drilling of three new horizontal wells was completed during the year as part of the field investment program and one of the new wells was brought into production. A fourth stabilization and purification line was brought into operation at the Karachaganak Processing Complex. Stabilization capacity at the end of 2011 was 27,400 tonnes of stable condensate and oil per day, and a record level of gas injection to strata (25.4 million cubic meters per day) was achieved.

There was a decline of output in the Kumkol project in Kazakhstan by nearly 15% to 1.25 million tonnes (the Group share) as the field is in a late stage of production. A total of 66 new production wells were brought into operation and gave average daily flows of 22.9 tonnes. Work was carried out to improve the system for utilization of associated gas, and proprietary rights to the technology scheme used in development of the Vostochny Kumkol field were obtained.

Share of the Group in production from the KarakudukMunai project in Kazakhstan was 696 thousand tonnes in 2010, down by 3% from the previous year due to natural aging of the fields. Two new wells were brought into operation during 2011 and gave average daily flow of 26.9 tonnes. Seven sidetracks were drilled during the year.

Rapid development of the North Buzachi field in Kazakhstan was continued in 2011 and the LUKOIL Group share in output was almost unchanged at 493 thousand tonnes. A total of 153 new production wells (including 50 horizontal wells) were brought into operation and the average daily flow rate per well was 10.3 tonnes. Five pumping stations were completed and launched during the year. Three horizontal wells and eight horizontal sidetracks were drilled. Work on the program for utilization of associated gas is continuing.

Production as part of the Arman project in Kazakhstan was 19,100 tonnes in 2011, which is 9.1% less than in 2010. One well was completed for gas production in 2011 in order to supply fuel for power generation at the field, overcoming electricity shortages.
Oil production grew by 16.9% at the Alibekmola and Kozhasai fields (Kazakhoil Aktobe project in Kazakhstan) to reach 285,200 tonnes in 2011. A total of 20 new wells were commissioned and their average flow rate was 52.9 tonnes. The oil preparation and pumping unit at the Alibekmola field was upgraded during the year and a workover of the oil production zone at the Kozhasai field was carried out. Work continued on the project for utilization of associated oil gas.

There was a decline in production of gas condensate as part of the Shakh-Deniz project in Azerbaijan by 9.3% to 135,400 tonnes due to limited capacity of consumers in Azerbaijan and Turkey to take the gas. One new well was brought to operation in 2011 and gave an average daily flow of 1,200 tonnes. Gas was delivered through the South-Caucasus pipeline to Azerbaijan, Georgia and Turkey. Condensate was shipped via the Baku – Tbilisi – Ceyhan export pipeline. On October 25, 2011, a package of documents on further development of Stage 2 of the project was signed by representatives of the Azerbaijani state oil company, SOCAR, and the Turkish state oil & gas pipeline company, BOTAS, in the presence of the Turkish Prime Minister. The documents must also be ratified by the Turkish and Azerbaijani parliaments. An accord between Azerbaijan and its partners on a five-year extension of the production sharing agreement for Shakh-Deniz depends on final approval of Stage 2.

LUKOIL’s share of gas condensate production at the Khauzak-Shady area in Uzbekistan (developed as part of the Kandym – Khauzak – Shady project), which was commissioned in 2007, was 9,100 tonnes in 2011.

LUKOIL’s share of production at the South-West Gissar project in Uzbekistan, which was acquired in 2008, declined by 11.9% in 2011 compared with 2010 to a level of 77,400 tonnes, due to natural exhaustion of the oil fields which are being developed in the project.

The Group’s share in the Meleiha project in Egypt was 20.4% less in 2011 than in 2010 and amounted to 54,900 tonnes. This was due to reduction in LUKOIL’s share in the PSA due to growth of prices for hydrocarbons. A total of 24 new wells were brought into operation in 2011 and their average daily flow rate was 37.4 tonnes.

The Group share in production as part of the WEEM project was 136,800 tonnes (excluding WEEM ext.). A system for maintenance of strata pressure was launched in test mode in the course of the year.

Preparations were carried out in the reporting year for the launch of production in the West Qurna-2 project in Iraq. In 2009 a consortium of OAO “LUKOIL” and the Norwegian company Statoil won a tender for development rights at the West Qurna-2 field, which is among the largest in the Republic of Iraq.

The geological model of the field was brought up to date in 2011 to take account of new well-testing data, interpretation of fragments of geophysical studies and more accurate correlation of the geological section with sedimentation cycles. Drilling of 23 production wells is scheduled to begin in 2012 as part of the early oil development stage. Other plans for 2012 include construction of geological and hydrodynamic field models, completion of work to reopen old wells, core studies and 3D seismic work.

Oil production is scheduled to begin in 2013.
LUKOIL Group’s gas program is focused on accelerated growth of gas production both in Russia and abroad and increase in the share of gas to a third of total hydrocarbon production by the Group. The main aim of this strategy is to commercialize gas reserves and reduce the Company’s exposure to major price volatility on the international oil market.

Total gas production by LUKOIL Group in 2011 (including the share of production by equity affiliates) rose by 3.3% to 22.023 billion cubic meters. Output of marketable gas (net of own use, reinjection into reservoir formations and transport losses) rose by 0.4% to 18.621 billion cubic meters (300,000 boe per day), including increase of output by 1.2% in Russia and reduction of output by 1.9% in other countries. Company revenue from sales of natural gas was $327 million in 2011, which is 4.8% more than in 2010, due to increase of demand and of prices for hydrocarbons.

The main achievement in the Company’s gas business during 2011 was the launch of gas production at the Dzharkuduk field as part of the South-West Gissar project in Uzbekistan. Early gas was produced at the field towards the end of 2011 and attainment of large-scale production is scheduled in the first quarter of 2012. A complex gas preparation unit will be built at Dzharkuduk in 2013 when construction of the large Gumbulak and Adamtash fields will also be completed, with drilling of more than 40 production wells. An external power transmission line will also be provided, and other constructions will include a gas collection and preparation system, pipelines for marketable gas and condensate, a shift camp, a field base and various engineering infrastructure facilities.
The Group’s main gas field remains the Nakhodkinskoye field, where natural gas production rose by 1.6% in 2011 to 8.273 million cubic meters. All of this gas was sold to Gazprom. **Net income of LUKOIL Group from gas projects in Russia was $114 million in 2011.**

The Company had 404 gas production wells at the end of 2011, of which 296 were in use.

Output of natural gas increased by 1% in 2011 to a level of 14,082 million cubic meters, including 12,761 million cubic meters of marketable gas, production of which was almost unchanged from the previous year.

Production of associated gas grew by 7.4% to 7,941 million cubic meters, including 5,860 million cubic meters of marketable associated gas, production of which increased by 1.3%. Associated gas is used at Company fields, where it is injected in order to maintain strata pressure, for generation of electricity using gas-fired generating stations, and also for other production needs. Marketable associated gas is delivered to gas-processing plants and to local consumers.

The Company has been increasing the share of associated gas, which it puts to use, year by year and the share reached 79.3% in 2011 compared with 76.8% in 2010, 71.1% in 2009 and 70.4% in 2008. The increase has been made possible by development of systems for utilization of associated gas at LUKOIL’s fields, including construction of compressor stations and gas pipelines. The level of utilization of associated gas at main Group fields in Western Siberia is now above 95%.

The Company is pursuing construction of gas-fired power stations at fields as part of a small-scale generating program in order to further increase utilization of associated gas. This reduces gas flaring and gives cost savings on electricity, lowering oil lifting costs. LUKOIL is implementing a program for the years 2011–2013, which aims to increase rates of associated gas utilization by organizations in the Group. 52 facilities at 49 fields were built or upgraded in 2011 as part of the gas utilization program.

**Russia**

Production of marketable gas in Russia in 2011 was 13,795 million cubic meters, which is 1.2% more than in 2010. The Group had 297 gas production wells in Russia at the end of 2011, of which 215 were actually in use.

Most of the Company’s natural gas production in 2011 in Russia (more than 90%) came from the Nakhodkinskoye field in the Bolshekhetskaya Depression. Gas production there in 2011 was 8.3 billion cubic meters, representing a slight increase in comparison with 2010.

A second exploration well was drilled in 2011 at the Sarmatskoye field and discovered substantial gas reserves. The increase in recoverable gas reserves amounted to 56 billion cubic meters.

OAO “LUKOIL” has an agreement with OJSC Rosneft Oil Company by which the Group will accept volumes of gas up to 5.6 billion cubic meters per year starting in 2013 from the Vankor group of fields for input to the gas transport system in the Bolshekhetskaya Depression, adjacent to the Khalmerpayutinskoye field, for delivery to the Gazprom gas transport system at the Yamburgskaya gas compression station. Construction of a pipeline system from the Khalmerpayutinskoye field to the Pyakyakhinskoye field, and from Pyakyakhinskoye to the Nakhodkinskoye field is scheduled for completion in 2013. Tenders have been carried out for purchases of pipes and valve systems, and subcontractors for construction of the pipeline system have been selected.

Rosneft’s commitments under the agreement are to accept 3 million tonnes per year of stable oil and condensate mixture into its Vankor–Purpe pipeline for delivery to the Transneft trunk pipeline system. However, LUKOIL has decided not to use the Vankor route for transport of liquid hydrocarbons, but to use Transneft’s Zapolyarye–Purpe trunk pipeline instead, so construction of the Pyakyakhinskoye field and the start of production there will be coordinated with the scheduled date for opening of that pipeline, which will pass across the field.

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

---

1 The share of produced gas in total gas extracted from strata. Remaining gas is flared off.
OAO “LUKOIL” reached agreement with OAO “Gazprom” in the reporting year on deliveries of 8.35–12.11 billion cubic meters of gas from fields in the Bolshekhetskaya Depression during 2012–2016 at prices set by the Federal Tariff Service less 15% for use by industry in Yamal-Nenets Autonomous District. The agreement also states that Gazprom will make every effort to accept all of LUKOIL Group’s gas output from fields in the Northern Caspian into its gas transport system after LUKOIL Group begins production in that region and will deliver equivalent amounts to LUKOIL Group organisations.

International projects

Production of marketable gas as part of international projects decreased by 1.9% in 2011 to 4,826 million cubic meters. The share of natural gas was 86%, almost unchanged from the previous year. The Group had 107 gas production wells in international projects at the end of 2011, of which 81 were actually in use.

Early gas was produced at the end of 2011 at the Dzharkuduk field as part of the South-West Gissar project in Uzbekistan, and full-scale production should be achieved in the first quarter of 2012. A complex gas preparation unit will be built at Dzharkuduk in 2013 when construction of the large Gumbulak and Adamtash fields will also be completed, with drilling of more than 40 production wells. An external power transmission line will also be provided, and other construction work will include a gas collection and preparation system, pipelines for marketable gas and condensate, a shift settlement, a field base and various engineering infrastructure facilities.

Most of marketable gas production outside Russia (54%) was at the Khauzak-Shady area, which was brought into production at the end of 2007 and is being developed as part of the Kandym – Khauzak – Shady project in Uzbekistan. Production of marketable gas at the Khauzak-Shady area was 2.63 billion cubic meters in 2011, which is almost unchanged from 2010.

The Shady area (western part) of the Dengizskulsky field was brought into operation in November 2011. The total daily increment in field output was more than 5 million cubic meters. A contract has been signed for the design of project documents and delivery of equipment for the Khauzak booster compressor station.

A contract was signed in August 2011 for preparation of a pre-project study and general documentation for construction of a gas-processing complex at the Kandym group of fields. The Korean company Hyundai Engineering was selected as sub-contractor for the work on the basis of a tendering competition. Standard load of this unique gas-processing plant will be 8 billion cubic meters of gas per year, and the first set of facilities are scheduled for launch on August 1, 2016. The contract has been approved by the Government of Uzbekistan.

The Group share of marketable gas in the Tengiz project in 2011 was 560 million cubic meters. Completion of a special program has raised the utilization rate for associated gas to more than 99%.

The Group share of marketable gas production in 2011 at the Shahk-Deniz project in Azerbaijan, which was brought into production in December 2006, was 513 million cubic meters in the reporting year, which is 5.9% less than in 2010. The reduction was due to limitation of volumes taken by Azerbaijan and Turkey.
MARKETABLE GAS PRODUCTION, million cubic meters

- 2011: 18.62
- 2010: 18.55
- 2009: 14.90

GAS PRODUCTION WELLS, wells

- 2011: 404
- 2010: 397
- 2009: 394

GAS PRODUCTION WELLS IN USE, wells

- 2011: 208
- 2010: 298
- 2009: 274
2. Oil Refining, Gas Processing and Petrochemicals

*The Strategic Development Programme of the LUKOIL Group for 2012-2021 envisages:*

- Significant increase of light products yield at Russian refineries
- Increase in gasoline production at Russian refineries by 50%
- Increase in average daily sales at Russian filling stations by 27%
- Installation of new secondary refining units at Russian refineries
- Bringing foreign refineries in line with the world standards

The Company achieved impressive results in the Refining & Marketing business segment in 2011: segment net income rose by 11% to $3.687 billion. The increase in net profit was achieved through ongoing optimization and instalement of new conversion capacities, primarily in Russia, as well as favourable market conditions in Russia.

LUKOIL Group pursued work in 2011 to develop its oil refining business through modernization and expansion of refining capacities.

**Main indicators for LUKOIL’s Refining & Marketing business segment**

<table>
<thead>
<tr>
<th>Indicator, $ million</th>
<th>2011</th>
<th>2010</th>
<th>Growth, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>128,549</td>
<td>100,246</td>
<td>28.2</td>
</tr>
<tr>
<td>EBITDA</td>
<td>5,795</td>
<td>5,124</td>
<td>13.1</td>
</tr>
<tr>
<td>Net income</td>
<td>3,687</td>
<td>3,330</td>
<td>10.7</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>1,354</td>
<td>1,320</td>
<td>2.6</td>
</tr>
</tbody>
</table>

**Price and tax environment**

Growth of the world economy led to gradual recovery in demand for petroleum products during 2011, and there was substantial price growth on both domestic and export markets. The external price environment had a great influence on LUKOIL’s revenue growth since the Company sold 81% of its petroleum products outside Russia. Average prices for fuel oil in Europe rose by 38% (FOB Rotterdam), and prices for high-octane gasoline were 34% higher. The domestic market for petroleum products also saw price growth: heating fuel oil rose by 30% and prices for AI-95 gasoline rose by 21%.

Volume of refining in 2011, including processing at third-party refineries, totalled 65.2 million tonnes, of which 64.9 million tonnes are attributed to the Group’s own refineries (including the Group’s share of refining at the ISAB and Zeeland complexes).

There was a significant increase of high-octane automotive gasoline consumption in Russia in 2011 due to increasing number of automobiles. The Government took a number of measures to address fuel shortages, including introduction of the ‘60-66’ system, which unifies export duties for light and dark oil products at 66% of the duty level for crude oil while keeping a higher rate of 90% for exports of gasoline. The new system encourages deeper refining of crude oil, which the Group has been working on for a number of years and will continue this work in the future. The Company is planning to reduce output of dark petroleum products at its Russian refineries by more than 2.5 times in the next decade. Implementation of modernization projects should boost output of automotive gasoline at Russian refineries by almost 1.5 times by 2021.
LUKOIL Group includes five oil refineries outside Russia and this fact lowers domestic risks of a particular region as well as allows for global optimization of commodities flow.

**Oil Refining**

LUKOIL Group Refineries

<table>
<thead>
<tr>
<th>Refinery</th>
<th>Nelson Index</th>
<th>Annual capacity, million tonnes per year</th>
<th>Throughput in 2011, million tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perm Refinery</td>
<td>7.9</td>
<td>13.0</td>
<td>12.68</td>
</tr>
<tr>
<td>Volgograd Refinery</td>
<td>5.4</td>
<td>11.0</td>
<td>10.88</td>
</tr>
<tr>
<td>Ukhta Refinery</td>
<td>3.2</td>
<td>3.9</td>
<td>4.50</td>
</tr>
<tr>
<td>Nizhny Novgorod Refinery</td>
<td>6.3</td>
<td>17.0</td>
<td>17.06</td>
</tr>
<tr>
<td>Mini-refineries in Uray and Kogalym</td>
<td>-</td>
<td>0.4</td>
<td>0.16</td>
</tr>
<tr>
<td><strong>Total, Russian refineries</strong></td>
<td><strong>6.3</strong></td>
<td><strong>45.3</strong></td>
<td><strong>45.28</strong></td>
</tr>
<tr>
<td>Odessa Refinery (Ukraine)</td>
<td>3.9</td>
<td>2.8</td>
<td>0.00</td>
</tr>
<tr>
<td>Refinery at Ploiesti (Romania)</td>
<td>10.0</td>
<td>2.4</td>
<td>2.38</td>
</tr>
<tr>
<td>Refinery at Burgas (Bulgaria)*</td>
<td>8.9</td>
<td>9.8</td>
<td>5.81</td>
</tr>
<tr>
<td>ISAB Complex**</td>
<td>9.3</td>
<td>9.6</td>
<td>6.95</td>
</tr>
<tr>
<td>Zeeland Refinery***</td>
<td>8.4</td>
<td>3.6</td>
<td>4.51</td>
</tr>
<tr>
<td><strong>Total, foreign refineries</strong></td>
<td><strong>8.6</strong></td>
<td><strong>28.2</strong></td>
<td><strong>19.65</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7.2</strong></td>
<td><strong>73.5</strong></td>
<td><strong>64.93</strong></td>
</tr>
</tbody>
</table>

* Including refining of 0.74 million tones of fuel oil in 2011  
** Capacity and refining volumes at ISAB (for oil and fuel oil) are shown as the LUKOIL Group company’s share (60%).  
*** Capacity and refining volumes at Zeeland (for oil) are shown as the LUKOIL Group company’s share (45%). Besides 2.17 million tonnes of vacuum gasoil was processed at Zeeland in 2011.

LUKOIL Group continued rapid development of its oil refining business in 2011 through modernization and expansion of refining capacities.

The Group raised operating efficiency of its refineries in 2011 through measures to optimize production capacities, increase capacity load of refining units, raise energy efficiency and reliability of equipment (increasing the operation period between overhauls), as well as to optimize personnel numbers. Financial impact from these measures was about $68.3 million.

**Russian refineries**

Crude oil throughput at refineries in Russia owned by LUKOIL Group was 45.3 million tonnes in 2011, which is 0.1% more than in 2010.

The share of high-octane gasoline in total output of gasoline at Group refineries in Russia (not including mini-refineries) rose up to 96.2% in 2011 (from 91.5% in 2010). Light-product yield was 52.0% (48.5% in 2010).

Scheduled work continued in 2011 at all of the Group’s Russian refineries to re-equip and automate production processes, improve energy efficiency, and enhance industrial and environmental security. Capital expenditures at Group’s refineries in Russia were $586 million in the reporting year (against $542 million in 2010).

A hydrogen fluoride alkylation unit was brought into operation in the first quarter of 2011 at the Nizhny Novgorod Refinery (OOO “LUKOIL-Nizhegorodnefteorgsintez”). The catalytic cracking complex for vacuum gasoil, construction of which was completed at the end of 2010, reached planned capacity levels in 2011. Increase of gasoline output compared with 2010 was 1.1 million tonnes.
The strategic development program for the Nizhny Novgorod Refinery, which was approved in 2011, calls for construction of a second catalytic cracking complex by 2015 using existing project documentation. Installation of the second complex will help to avoid repetition of the gasoline shortages, like at the start of 2011, and will ensure that sufficient supplies of high-quality automotive gasoline are available for the domestic market in the near future. Engineering studies and equipment orders for the project are already being carried out. The development program also includes installation of the second isomerisation unit, which will increase production of high-quality gasoline from low-octane fractions of straight-run gasoline. Construction of a facility for hydrocracking of residues is planned in the long term, and will substantially increase light product yield, as well as minimize production of fuel oil and lower sulphur content in fuel oil to 1%.

A new delayed coking unit with one million tonnes per year capacity was brought into operation in December 2011 at the Volgograd Refinery (OOO “LUKOIL- Volgogradneftepererabotka”). Its launch will terminate the fuel oil production in 2012.

Construction and assembly works of a new diesel fuel hydrotreatment facility with 3 million tonnes capacity continued in 2011. Project completion will make all diesel fuel output from the Volgograd Refinery compliant with Euro-5 environmental standards. Commissioning of the unit is scheduled in the third quarter of 2012.

A new primary refining unit with 6 million tonnes capacity is being installed. It will replace two old units and its launch will reduce energy consumption in crude refining and raise the quality of product fractionation. Launch of the unit is scheduled in 2015.

Future plans include construction by 2016 of a deep refining complex for vacuum gasoil, which will increase production of diesel fuel compliant with Euro-5 standards, as well as high-quality lubricants. The deep refining complex will consist of a vacuum gasoil hydrocracking unit with 3.5 million tonnes capacity, as well as hydrogen and sulphur units.

The delayed coking unit at the Perm Refinery (OOO “LUKOIL- Permnefteorgsintez”) was brought back into operation following reconstruction and replacement of the coke chambers. Technical furnaces at the Refinery are also being replaced in order to raise operating efficiency and reduce atmospheric emissions.

Work on construction of a deep refining complex at the Perm refinery was in progress in 2011, including a delayed coking unit with 2.1 million tonnes annual capacity, a diesel hydrotreatment unit, a hydrogen unit and a sour water stripping unit. Project implementation will terminate fuel oil production and increase light product yield while complying with current and planned requirements for industrial safety and protection of the environment. Launch of the complex is scheduled in 2015.

Work continued at the Ukhta Refinery (OOO “LUKOIL-UNP”) in 2011 on technical re-equipping of the vacuum block at the atmospheric-vacuum distillation units and modernization of the reaction block of the GDS-850 hydrodewaxing unit. The purpose of re-equipment of the vacuum block is to achieve deeper refining of crude oil by processing all fuel oil outputs. The extra vacuum capacities also make it possible to refine more oil from the Yaregskoye field as production levels there increase. Modernization of the reaction block of the hydrodewaxer will enable production of Euro-5 diesel fuel.

Foreign refineries

Refinery throughputs in 2011 at LUKOIL Group’s international refineries, including the Group’s share of refining at the ISAB and Zeeland complexes, were 19.6 million tonnes, which is 6.3% less than in 2010. The decrease was due to stoppage of the Odessa Refinery at the end of 2010.

Light product yield (not including ISAB and Zeeland) was 67.8% (66.0% in 2010). Irretrievable losses at foreign refineries amounted to 0.7% in 2011.

Capital expenditures for modernization of the Group’s foreign refineries were $197 million in 2011 ($160 million in 2010).

The Odessa Refinery (PAO “LUKOIL-ODESSKI NPZ”) (Ukraine) was closed down in the fourth quarter of 2010 due to the unfavourable market environment in Ukraine and switching of the Odessa–Brody pipeline from reverse mode, which made pipeline oil deliveries impossible. Sea deliveries would increase costs significantly. There was no improvement of the economic situation, which could
justify resumption of refining operations in 2011. Possible reopening of the Refinery in 2012 is now under consideration.

At the Burgas Refinery (LUKOIL Neftochim Bourgas AD) (Bulgaria) a project for optimization of boiler fuel loading arrangements at the Rosenets oil terminal was completed in 2011, and work on reservoir facilities was also completed. Management systems for primary refining capacities and for catalytic cracking were upgraded.

Design work as well as equipment procurement on a processing complex for heavy residues is continuing and is due for completion in 2015. The goals of the project are to increase oil conversion at the Refinery, to end production of high-sulphur heating oils, and to raise output of diesel fuels that comply with Euro-5 standards. The central part of the new complex will be a tar hydrocracker with 2.5 million tonnes capacity.

At the Ploiesti Refinery (Petrotel-LUKOIL SA) (Romania) most work was completed in 2011 on a project for launch of propylene production with sulphur content below 5 ppm, which will influence propylene prices.

A Group company’s interest in the ISAB Refining Complex (Sicily, Italy) was increased from 49% to 60% in 2011. Value of the transaction was $342 million. The Group share in refining at ISAB was 6.95 million tonnes.

The TRN Refinery (Total Raffinaderij Nederland N.V.) in the Netherlands changed its name in 2011 to the Zeeland Refinery N.V. Total 4.51 million tonnes of oil (the Group share) was refined there in 2011.
Production of Lubricants

Lubricant production at LUKOIL Group refineries

<table>
<thead>
<tr>
<th>Refinery/Location</th>
<th>Lubricant Type</th>
<th>Production Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nizhny Novgorod Refinery</td>
<td>full-cycle lubricant production</td>
<td>233,000 tonnes</td>
</tr>
<tr>
<td>Perm Refinery</td>
<td>full-cycle lubricant production</td>
<td>417,000 tonnes</td>
</tr>
<tr>
<td>Volgograd Refinery</td>
<td>full-cycle lubricant production</td>
<td>501,000 tonnes</td>
</tr>
<tr>
<td><strong>TOTAL, full-cycle lubricant production</strong></td>
<td></td>
<td><strong>1,151,000 tonnes</strong></td>
</tr>
<tr>
<td>LLK Lubricants Romania S.R.L.</td>
<td>mixing of lubricants from ready-made components</td>
<td>15,000 tonnes</td>
</tr>
<tr>
<td>LLK Finland Oy</td>
<td>mixing of lubricants from ready-made components</td>
<td>28,000 tonnes</td>
</tr>
<tr>
<td>Tyumen branch of LLK-International</td>
<td>mixing of lubricants from ready-made components</td>
<td>29,000 tonnes</td>
</tr>
<tr>
<td>LLK EURASIA</td>
<td>mixing of lubricants from ready-made components</td>
<td>15,000 tonnes</td>
</tr>
<tr>
<td><strong>TOTAL, mixing of lubricants from ready-made components</strong></td>
<td></td>
<td><strong>87,000 tonnes</strong></td>
</tr>
</tbody>
</table>

Production and sale of lubricants is an important part of LUKOIL Group’s business. The Group is constantly improving the quality of products and expanding their range, as well as raising efficiency of the sales system and diversifying the geography of this business segment.

LUKOIL Group is the leader on the Russian lubricants market, accounting for about 44% of domestic production. Lubricants are produced at Group refineries in Perm, Volgograd and Nizhny Novgorod. The Company also mixes lubricants from ready-made components (both produced by the Company and bought from third parties) at facilities in Russia, Finland, Romania and Turkey.

Lubricant production including mixing from ready-made components at Group refineries totalled 1.238 million tonnes in 2011. Branded lubricant production was 316,000 tonnes in 2011, which is a 13% increase to 2010 figure.

The number of different oils & lubricants and other vehicle chemicals made at LUKOIL Group’s Russian refineries increased from 230 to 261 in 2011 compared with 2010. Outputs include
motor and transmission oils for all types of transport, lubricants for industrial equipment, and base oils (used as inputs for production of ready-to-use oils, lubricants and additives).

The Group continued its efforts in 2011 to improve efficiency in sales of lubricants, including further development of an import substitution program. The program includes regular supplies of lubricants to the Russian coal mining company, OJSC Kuzbassrazrezugol, and LLK-International has reached a long-term agreement for 2012, by which it will remain the sole supplier to this customer. A pilot project has been launched at Taldinsky Coal Mine for use of a mobile oil-changing complex. Availability of such mobile complexes expands LUKOIL’s opportunities for signing long-term contracts with leading mining companies in Russia. Lubricant deliveries to enterprises that are part of the ferrous metallurgy holding, OJSC Metallocinvest, continued in 2011 and a five-year strategic partnership and cooperation agreement has been signed with another Russian steelmaker, CherMK OJSC Severstal. A tendering competition carried out in December 2011 by CJSC Severstal Resource selected the LUKOIL Group company, LLK-International, as sole supplier to a number of Severstal Resource enterprises, and the non-ferrous metals giant, GMK Norilsk Nickel, held a competition, as a result of which LUKOIL won the right to supply 450 tonnes of lubricants, which is twice as much as the previous supply order placed by Norilsk.

LLK-NAFTAN, the joint venture of a LUKOIL Group company and the Naftan refinery (Belarus), met 46% of LUKOIL’s requirements for additives used in lubricant production in 2011. The JV has increased output by more than seven times, from 3,000 to 23,000 tonnes, since its creation in 2006.

LUKOIL Group carries out sales of lubricants in more than 40 countries worldwide and its sales geography is constantly expanding. In 2011 the Company began lubricant sales in Afghanistan, Mongolia and China.

In a major breakthrough for LUKOIL’s lubricant business the Company obtained its first-ever contracts in 2011 for lubricant supplies to newly-built ships, winning a tender for first-filling of 71 vessels. MAN limitations on maximum size of engines suitable for LUKOIL lubricants were lifted. Approvals were obtained from Japanese marine engine manufacturers, Daihatsu and Yanmar, and also from the biggest South Korean shipbuilder, Hyundai Heavy Industries. LUKOIL began supplying lubricants to the global shipping companies, Sovcomflot, Maersk, Happag Lloyd and ZIM. The Company’s ship lubricants were available in 550 ports in more than 62 countries worldwide by the end of 2011 and the share of LLK Marine on the global market reached 2%.

The Company prioritizes customer relations in its lubricant business. LUKOIL Group was among the first companies in the industry to offer comprehensive service with full product support, from placement of client orders to delivery of the product, as well as analysis of used lubricants and recommendations for their further application.

LUKOIL Group continued scheduled work on development of new high-efficiency lubricants during 2011. A total of 38 new products were developed during the year and 48 official approvals were obtained from manufacturers of machines and equipment. As of today LUKOIL lubricants have more than 350 valid official approvals from original equipment manufacturers (OEMs). LUKOIL LUX 5W-40 synthetic is the first oil from a Russian producer to win a license from the American Petroleum Institute (API) in the highest certification category (‘SN’).

Launch of a new range of lubricants, LUKOIL GENESIS, on the Russian market is planned in 2012. The lubricants will meet the latest criteria of international vehicle manufacturers, including those in respect of fuel economy and environmental characteristics. New, up-do-date lubricants for heavy diesel engines, AVANGARD Professional 10W-30, will also be presented, as well as a series of synthetic products for automatic transmissions.

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

High performance qualities of LUKOIL lubricants have been acknowledged by major automotive manufacturers in Russia and abroad. Company motor oils have passed tests at western certification centers on engines made by DaimlerChrysler, BMW, Volkswagen, MAN, Porsche, Volvo, Renault trucks
and Cummins, and have been approved for use in these engines. A total of 38 new lubricant products were brought into production in 2011 and 48 manufacturer approvals were obtained.

**Gas processing**

Gas-processing plants of LUKOIL Group

<table>
<thead>
<tr>
<th>Gas-processing plant</th>
<th>Location</th>
<th>Capacity</th>
<th>Processing in 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Gas</td>
<td>Liquid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>processing, million cubic meters per year</td>
<td>hydrocarbon, th. tonnes per year</td>
</tr>
<tr>
<td>Lokosovsky Gas-processing Plant (OOO “LUKOIL-Zapadnaya Sibir”)</td>
<td>Langepas (Western Siberia)</td>
<td>2,140</td>
<td>–</td>
</tr>
<tr>
<td>Permeftegazpererabotka (OOO “LUKOIL-PNGP”)</td>
<td>Perm</td>
<td>560</td>
<td>1,000</td>
</tr>
</tbody>
</table>
Gas-processing plants of LUKOIL Group process associated gas from fields in Russia into marketable gas (fed into the Gazprom gas pipeline system) and liquid hydrocarbons.

In 2011 the Group’s gas-processing plants processed 3,199 million cubic meters of gas feedstock (+1.0% to 2010 level) and 743,000 tonnes of liquid hydrocarbons (-2.2% to 2010). The increase in gas processing was due to higher demand for products.

Group plants produced 2,523 million cubic meters of stripped gas, 1.518 million tonnes of liquefied gas including natural gas liquids and 194,000 tonnes of liquid hydrocarbons (stable gas naphtha, isopentane and hexane-heptane fractions, and natural gas liquids).

Expansion of capacities to 1,460 thousand tonnes for gas and to 1,700 thousand tonnes for natural gas liquids is planned for OOO “LUKOIL-Permneftegazpererabotka”. The new production line will enable LUKOIL to meet its targets for utilization of associated oil gas in Perm Territory and also to raise the quality of outputs by separate processing of wet gas from OOO “LUKOIL-Permnefteorgsintez” and of associated oil gas.

**Petrochemicals**

LUKOIL Group Petrochemical Plants

<table>
<thead>
<tr>
<th>Plant Location</th>
<th>Production profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrochemical plants</td>
<td></td>
</tr>
<tr>
<td>OOO “Stavrolen” Budennovsk (Stavropol Region, Russia)</td>
<td>Polyethylene and other products</td>
</tr>
<tr>
<td>OOO “Saratovorgsintez” Saratov (Russia)</td>
<td>Acrylonitrile and other organic synthesis products</td>
</tr>
<tr>
<td>OOO “Karpatneftekhim” Kalush (Ukraine)</td>
<td>Polyethylene, polyvinyl chloride and other products</td>
</tr>
<tr>
<td>Refineries with petrochemical units</td>
<td></td>
</tr>
<tr>
<td>LUKOIL Neftokhim Burgas AD</td>
<td>Polymers</td>
</tr>
</tbody>
</table>

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

In accordance with its development strategy in the petrochemicals sector, LUKOIL Group is steadily increasing production of chemicals with high value added (polymers, monomers and organic synthesis products) and reducing production of chemicals with low value added (secondary pyrolysis products and fuel fractions).
LUKOIL Group petrochemical plants including LUKOIL Neftokhim Burgas AD produced 1.466 million tonnes of petrochemicals in 2011, which is 41.5% more than in 2010. The increase was due to launch of production at OOO “Karpatneftekhim” in September 2010.

The price environment on the petrochemical market was unfavourable in 2011. Sales prices in Russia for polyethylene rose by 3.8%, for polypropylene fell by 9.5%, and for benzol fell by 5.8%. Prices for the same outputs also declined in Europe, by 3.1% for polyethylene, 17.2% for polypropylene and 6.7% for benzol.

LUKOIL Group implemented various measures in 2011 for modernization of existing production and installation of new facilities as part of its strategy for development of the petrochemical sector. Capital expenditures in the sector were $89 million in 2011, which is 17% more than in 2010.

A unit for production of polyvinyl chloride (PVC) suspension was built and brought into operation during 2011 at OOO “Karpatneftekhim”. Equipment assembly began as part of the construction of PVC production unit, which should be commissioned in 2012.

Work was completed in the reporting year at OOO “Saratovorgsintez” for expansion of sodium cyanide production to a level of 18,000 tonnes per year.

A particularly large project scheduled for coming years is the creation of an industrial complex at OOO “Stavrolen” for processing of Northern Caspian gas. Inputs will come from fields under LUKOIL Group development in the Caspian region. The purpose of the project is to achieve more value-added by deeper refining of ethane and natural gas liquids. The complex will also process ethylene into polyethylene, polypropylene and other chemical products. A first production line is scheduled to open in 2015 with capacity of 2 billion cubic meters of gas and modernization of existing ethylene and polyethylene units will be completed at the same time.

Pre-project studies and preparatory work for construction of the complex were carried out in 2011. They included synchronization of schedules and stages of construction with the time-frame for development of fields in the Northern Caspian, preparation of project documentation for the gas processing unit with initial processing capacity of 2 billion cubic meters, and positive outcomes of official studies by Government. The Russian Government also approved the passport for a regional investment project, which will enable release of budget financing for construction of external infrastructure facilities, including rail links and high-tension power transmission lines.
### 3. Power Generation

LUKOIL Group's new business sector, Power Generation, was created in 2008 as part of the Group’s Strategic Development Program, and the sector has a special role to play in the Group’s updated Strategy for 2012–2021. Power Generation will be an important factor for growth of cash flow and shareholder value in the long term.

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Capacity</th>
<th>Output in 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Installed electric generating capacity, megawatts</td>
<td>Installed heat capacity, Gcals/hour</td>
</tr>
<tr>
<td>OOO “Volgogradenergo”</td>
<td>Volgograd</td>
<td>1,153</td>
<td>4,862</td>
</tr>
<tr>
<td>OOO “Rostovenergo”</td>
<td>Rostov-on-Don</td>
<td>592</td>
<td>2,790</td>
</tr>
<tr>
<td>OOO “Kubanenergo”</td>
<td>Krasnodar</td>
<td>744</td>
<td>781</td>
</tr>
<tr>
<td>OOO “Astrakanenergo”</td>
<td>Astrakhan</td>
<td>490</td>
<td>1,899</td>
</tr>
<tr>
<td>S.C. «LUKOIL ENERGY&amp;GAS ROMANIA»</td>
<td>Ploiesti, Romania</td>
<td>61</td>
<td>452</td>
</tr>
<tr>
<td>LUKOIL Energy &amp; Gas Bulgaria</td>
<td>Burgas, Bulgaria</td>
<td>257</td>
<td>1,548</td>
</tr>
<tr>
<td>LUKOIL Energy &amp; Gas Ukraine</td>
<td>Odessa, Ukraine</td>
<td>18</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3,524</strong></td>
<td><strong>12,382</strong></td>
</tr>
</tbody>
</table>
Structure of LUKOIL’s Power Generation business

<table>
<thead>
<tr>
<th>Generation</th>
<th>Transport</th>
<th>Marketing</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>LUKOIL-Astrakhanenergo</td>
<td>LUKOIL-Electric Networks</td>
<td>TD-Energoservice</td>
<td>LUKOIL-Energo Engineering</td>
</tr>
<tr>
<td>LUKOIL-Volgogradenergo</td>
<td>LUKOIL-Rostovenergo</td>
<td>Astrakhan Energy Supply Company</td>
<td>LUKOIL-TsUR</td>
</tr>
<tr>
<td>LUKOIL-Kubanenergo</td>
<td>LUKOIL-Ecoenergo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LUKOIL-Stavropolenergo</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Structural transformations**

From January 1, 2011 hydroelectric stations owned by OOO “LUKOIL-Rostovenergo” and OOO “LUKOIL-Kubanenergo” were transferred to the new company, OOO “LUKOIL-Ecoenergo”.

In August 2011 Dagestanenergo was sold by LUKOIL Group as part of final procedures for sale of power assets in the Republic of Dagestan.

**Electricity and heat generation**

Companies in LUKOIL Group’s Power Generation sector generated about 12.6 billion kWh of power in 2011. Total supplies of heat were 15.2 million Gcal, including 13.8 million Gcal. Levels of production were dictated by conditions on the market for electricity and heat energy.

Work continued in 2011 under the Capacity Provision Agreement, to which LUKOIL Group subscribed when it acquired assets during reorganization of RAO UES (the former Russian power sector monopoly). Combined-cycle facilities in Astrakhan Region (110-megawatt capacity) were brought into operation, and launch of a 410-megawatt combined-cycle generator is scheduled for 2012 in Krasnodar. These two facilities, with combined capacity in excess of 500 megawatts are only the first stage of LUKOIL’s ongoing work for modernization of Russian energy facilities and capacity increase in energy-deficient regions. Other projects in the Southern Federal District in fulfilment of the Capacity Provision Agreement are now being developed, and LUKOIL is committed to building 900 megawatts of generating capacity in total.

Liberalization of the wholesale market for electrical energy and capacity entered its concluding stage in 2010 and these markets were fully liberalized in 2011. However, government regulation continues to have significant impact on the power generating sector. Amounts of electrical and heat energy, which the Government requires to be sold at regulated tariffs remains substantial (up to 35% of outputs by some generators). In 2011 electricity and capacity was sold at regulated tariffs to households and other consumers with equivalent status.

**Small-scale generating**
OAO “LUKOIL” is rapidly developing its own electricity generating facilities at oil & gas fields, enabling the Group to substantially reduce electricity purchases and increase the rate of associated gas use by using it to generate electricity at gas-fired facilities. The Group has total small-generating capacity of 549 MW. Electricity generation at company facilities in this sector were 2,201 GWh in 2011, representing 17.3% of total consumption of electricity in production operations.

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

Energy-saving technologies

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

An energy-saving Program for LUKOIL Group organizations was approved for 2011 and for the period of 2012-2013. The Program is prepared on the basis of proposals by LUKOIL Group organizations with the objective of limiting and reducing energy consumption in hydrocarbon production and refining, petroleum product marketing, petrochemicals, power generation and transportation. Energy savings of $35 million were achieved in 2011 thanks to the Program.

In 2011 LUKOIL Group developed an energy efficiency policy, which coordinates actions in this sphere throughout the Group. The policy defines progressive solutions and indicators for equipment quality, application of which will be compulsory in planned future projects. All investment projects and programs were subjected to expert analysis to ensure their compliance with criteria of energy efficiency and use of the latest energy saving solutions.

Rational use of electricity substantially reduces Group spending on energy resources. An automated information and measurement system for industrial metering of electricity use has been installed and is operational at all Company subsidiaries. The system enables reduction of spending on electrical energy by most advantageous use of tariffs that are differentiated according to the time of day, by greater accuracy of metering, and by enabling purchase of electrical energy and capacity on the wholesale market.

During 2011 LUKOIL addressed issues connected with installation of an energy management system and certification to the ISO 50001 international standard ‘Energy Management Systems – Requirements and Guidance’. Risks, viability and cost of the system were assessed, a provisional schedule and road map for implementation were prepared, and pilot projects were selected.

Renewable energy

LUKOIL specialists appreciate the huge potential of resource and energy savings, which is offered by alternative sources of energy. Priority types of alternative renewable energy include hydro, wind, solar and geothermal energy. LUKOIL is developing alternative energy in partnership with international companies, which are already engaged in this sphere. In 2011 LUKOIL rapidly developed cooperation in the field of renewables with the Italian company, ERG Renew, which has extensive experience in construction and operation of renewable energy facilities. A working group of LUKOIL Group and ERG Renew is designing a number of wind-energy projects in Bulgaria, Romania, Ukraine and Russia. First priority has been given to renewable-energy power stations in countries where the Company has strong operating presence and where there is administrative and economic support for renewable energy at government level. This particularly concerns projects for wind power stations in Bulgaria and Romania.

In Uzbekistan the Company is working on a project for construction of a solar power station with 100 megawatt capacity in association with the Uzbek Government and the Asian Development Bank.

At the end of 2011 a 1.25 megawatt photovoltaic (solar) generating facility was brought into use at a fuel-fired power station belonging to LUKOIL in Bulgaria. Estimated annual production of electricity is
about 1,500 megawatt-hours. Operation of the solar power facility will substantially reduce environmental impacts.

4. Sales and Marketing

Strategy:
- Logistics optimization: reduction of transportation expenses
- Prompt management of trade flows
- Increase of trading operations efficiency
- Increase of retail sales of petroleum products and related goods and services
- Retail network optimization

Crude oil sales

Total volume of crude oil sales by the Group in 2011, including deliveries for refining at the Company’s own refineries and at third-party refineries, was 110 million tonnes. Deliveries of oil to the domestic market were more efficient than most non-CIS delivery export routes, therefore substantial volumes of oil were reallocated from less efficient export routes to Group refineries or to the domestic market. Refining at facilities inside Russian Federation remains the most efficient use of crude oil produced by LUKOIL. Crude oil deliveries to Group refineries in Russia in 2011 were 45.3 million tonnes in 2011, which is almost the same as in 2010.

Crude oil volumes of 259,000 tonnes were also purchased from third parties with delivery to the Nizhny Novgorod and Ukhta Refineries, enabling reallocation of the Group’s own oil to the most profitable export routes.

The Company resumed the practice of crude oil substitution arrangements in deliveries for refining at third-party refineries. These third-party refineries were: the Ufa group of refineries, the Krasnodar, Khabarovsk, Ilsky, Mary and Antipinsky refineries, the Slavyansky Bitumen Plant and the Afipsky Refinery. Total of 1.43 million tonnes of the Company’s oil were supplied via these arrangements, and an equivalent quantity of oil belonging to counter parties was delivered to the Nizhny Novgorod and Ukhta refineries. Substitution arrangements give additional economic benefits through optimization of transport costs.

Deliveries of LUKOIL Group feedstock to the Group’s foreign refineries and to the ISAB and Zeeland complexes were 19.6 million tonnes in 2011, which is 6.3% less than in 2010, mainly due to operation suspension at the Odessa Refinery at the end of 2010. Deliveries of oil for refining at third-party refineries outside Russia totalled 0.27 million tonnes, which is many times more than in 2010 thanks to resumption of deliveries to refineries in Belarus and growth of deliveries to refineries in Kazakhstan.

Crude oil sales on the domestic market totalled 4.5 million tonnes in 2011, exceeding the figure in 2010 by 22.8%. Domestic crude sales contracts are arranged to ensure guaranteed take-up of crude oil on the domestic market using formulas that offer a premium to the export alternative.

Crude oil exports from Russia by LUKOIL subsidiaries (including oil acquired from other producers) were 34.7 million tonnes in 2011 (696.8 thousand barrels per day), which is 14.5% less than in 2010. Lower exports were the result of lower output of crude oil.

Most of the Company’s exports of crude oil go via the Transneft pipeline system (deliveries via the system accounted for 84.7% of exports), but Transneft deliveries declined by 6.9% in 2011 to 29.4
The Group exported 5.1 million tonnes of crude oil via its own transport terminals in 2011. Exports through the Varandey terminal accounted for 4 million tonnes, and exports through the port of Svetly – 1.1 million tonnes.

In 2011 OAO “LUKOIL” set up a joint venture for development of the R. Trebs and A. Titov oil fields, signing an agreement for acquisition by LUKOIL of a 25.1% stake in Bashneft-Polyus which owns the license for mineral resource use. An agreement on the joint venture was also signed, according to which oil from the Trebs and Titov fields will be transported via the Varandey Terminal.

Work was carried out in 2011 to optimize export routes. Deliveries of oil via the port of Novorossiysk were substantially reduced due to low efficiency (until November 2011) and excess volumes were allocated to the most efficient export routes (Belarus and Kazakhstan) and to third-party refineries in Russia.

Sales of crude oil on the international market (including exports) were 43.8 million tonnes in 2011, of which 6.2 million tonnes were sold in the CIS countries and 37.6 million tonnes on other markets. Total sales of oil on Russian and international markets in 2011 were 48.3 million tonnes, which is 6.1% less than in 2010.

**Gas Sales**

The gas segment is a new and rapidly developing business segment for LUKOIL Group. Expansion in gas segment is one of the Group’s strategic goals, and it is aimed at commercialization of gas reserves and boosting the Company’s value.

Sales of natural, associated and stripped dry gas by the Group’s Russian organizations totalled 13.846 billion cubic meters in 2011, which is 2% less than in 2010. In particular, 9.780 billion cubic meters of gas were sold to Gazprom (including nearly 8.3 billion cubic meters of natural gas from the Company’s Nakhodkinskoye field) and 4.066 billion cubic meters of gas were sold to other consumers (including deliveries to the Company’s own gas-processing plants).

OAO “LUKOIL” reached agreement with Gazprom in the reporting year on deliveries of 8.35–12.11 billion cubic meters of gas from fields in the Bolshekhetskaya Depression during 2012–2016 at a price equal to the minimum stipulated by the Federal Tariff Service for industrial users in the Yamal-Nenets Autonomous District minus 15%. The agreement also states that Gazprom will make every effort to accept all off the Group’s gas output from fields in the Northern Caspian into its gas transport system after LUKOIL Group begins production in that region and will deliver equivalent amounts to LUKOIL Group organizations.
Thanks to intensive work by Company specialists, amendments have been made to the principles by which gas transportation tariffs via the Gazprom pipeline system are calculated for external producers. The amendments enable efficient transportation of gas over large distances.

Average-weighted price of gas sales in the reporting year rose by 5% in comparison with 2010 to 1,290 roubles per thousand cubic meters (1,159 roubles in sales to Gazprom and 1,703 roubles in sales to end-users). The increase was due to growth in the share of more efficient sales to end-users and of prices for end-users.
Gas production and supply structure

Petroleum product marketing

LUKOIL Group retail network (number of filling stations)

<table>
<thead>
<tr>
<th></th>
<th>LUKOIL RETAIL NETWORK (NUMBER OF FILLING STATIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>587</td>
</tr>
<tr>
<td>EUROPE</td>
<td>2,359</td>
</tr>
<tr>
<td>BALTIC COUNTRIES</td>
<td>216</td>
</tr>
<tr>
<td>RUSSIA</td>
<td>2,336</td>
</tr>
<tr>
<td>CIS</td>
<td>496</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5,994</td>
</tr>
</tbody>
</table>
LUKOIL sold 11.0 million tonnes of petroleum products to wholesale customers on the domestic market in 2011, representing an increase of 0.4% compared with 2010.

Export of petroleum products declined by 6.9% in 2011 to 24.0 million tonnes as deliveries of medium distillates to the domestic Russian Federation market were increased. The structure of exports remained unchanged in the reporting year: Company exports were dominated by diesel fuel, fuel oil and gasoil, which together accounted for 89% of total export volumes. The Company’s petroleum product export structure mainly corresponds to the structure of product exports from Russia as a whole.

Railway remained the chief means of transport for Group exports of petroleum products (about 79% of the total). Products were carried by railway to the Vysotsk terminal, via which 9.9 million tonnes of products were dispatched in 2011 (including 0.5 million tonnes of vacuum gasoil, 2.0 million tonnes of diesel fuel and 6.4 million tonnes of fuel oil).

Exports of petroleum products were also carried out by sea transport, and by pipeline (12% and 9% of export volumes respectively).

Work continued in 2011 to raise the efficiency of petroleum product sales by improvement of logistics arrangements. Deliveries of low-density polyethylene and polypropylene were redirected from export routes to the domestic market, and from less profitable to more profitable export routes (from China to Ukraine, Azerbaijan and Kyrgyzstan). Mutual deliveries of petrochemicals were made in 2011 under agreements between LUKOIL and Sibur Holding, which gave additional economic benefits due to optimization of delivery routes.

LUKOIL Group is rapidly developing its international petroleum product trading business, increasing both scale and international diversification. The Group’s objective is to achieve maximum efficiency in resource placement, including direct sales to end-users by-passing third-party traders, deliveries of third-party’s resources and efficient provision of the Company’s own networks.

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

***Structure of petroleum product exports, %***

<table>
<thead>
<tr>
<th>Year</th>
<th>Straight-run gasoline</th>
<th>Diesel fuel</th>
<th>Vacuum gasoil</th>
<th>Fuel oil</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>0.9</td>
<td>30.7</td>
<td>17.8</td>
<td>40.9</td>
<td>9.6</td>
</tr>
<tr>
<td>2010</td>
<td>2.5</td>
<td>29.8</td>
<td>25.1</td>
<td>36.6</td>
<td>6.0</td>
</tr>
<tr>
<td>2009</td>
<td>3.5</td>
<td>33.5</td>
<td>21.4</td>
<td>34.5</td>
<td>7.1</td>
</tr>
</tbody>
</table>
Petroleum product retail

LUKOIL Group’s retail network operated in 26 countries at the start of 2012, including Russia, CIS and European countries (Azerbaijan, Belarus, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Finland, Georgia, Hungary, Italy, Latvia, Lithuania, Luxembourg, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Turkey and Ukraine) as well as the USA. The network included 183 storage facilities with total reservoir capacity of 2.7 million cubic meters and 5,994 filling stations (including franchises).

Retail sales of petroleum products through owned and leased filling stations increased by 6% in the reporting year compared with 2010 to a level of 15.25 million tonnes. In 2011 average daily sales per filling station (owned and leased) rose from 8.1 (in 2010) to 8.8 tonnes.

Increase of retail sales mainly reflected a trend on the Russian market, where sales volumes were 15.4% higher than in 2010. There was a scheduled reduction in sales of Class-2 fuel in Russia during 2011 due to the Government’s Technical Regulations and lack of technical capacity to produce fuel up to the standards; therefore there was a major shortage of high-quality fuel on the Russian market. Demand for LUKOIL fuels at Russian filling stations was higher than earlier predictions based on natural growth of annual consumption and seasonal demand increases. However, sales on the international market declined in 2011, mainly due to restructuring of the Company’s retail network in the USA.

The Company continued optimization of its retail network in 2011 in order to reduce costs and increase efficiency. In Europe and CIS countries 78 filling stations were optimized (21 were leased, 6 were closed down, and 51 were put under dealer management). In Russia the changes affected 102 filling stations (27 were leased, 9 were closed down, 18 were sold, and 48 were put under dealer management) and 9 storage facilities (1 was leased, 4 were sold, 2 were temporarily closed, and 2 were closed permanently). At the same time, construction and acquisition of highly-efficient stations continued, and upgrading was carried out at existing stations. In Europe and the CIS 10 filling stations were built, 8 were acquired and 80 were upgraded (including installation of gas modules and rebranding actions). In Russia 34 filling stations were built and brought into operation, 35 were upgraded and 35 were acquired.
Investments for development of the retail business totalled $339 million in 2011.

The Company continued to implement its program for development of a marketing and sales network for liquefied and compressed gas in 2011. Total Group sales of these products were 891,000 tonnes (of which 489,000 tonnes via the retail network), which is 6.5% more than in 2010.

The Company continued to develop its system for non-cash payment by customers at its filling stations in 2011, using the LICARD fuel card system. A total of 2,796 filling stations in Russia (including franchises) were capable of accepting the cards for payment at the start of 2012. There were 771 stations using the cards outside Russia. Total volume of fuel sales using LICARD was 4.3 million tonnes in 2011 with total value of $4.9 billion, including about 3.9 million tonnes sold in Russia.

LUKOIL has been implementing a customer incentive scheme since the middle of 2010, and 2.5 million customers in Russian Federation had been brought into the scheme as of January 1, 2012. Total fuel sales using incentive cards were about 2 million tonnes in 2011.

**Russia**

As of January 1, 2012 LUKOIL Group’s retail network in Russia consisted of 2,336 filling stations (including franchises) and 109 storage facilities with reservoir capacity of 1.12 million cubic meters. The filling stations and storage facilities are operated by 7 petroleum product supply organizations, which do business in 62 of Russia’s administrative regions.

Volume of retail sales of petroleum products on the domestic market in 2011 was 8.3 million tonnes, which is 18.3% more than in 2010. Average daily sales per filling station in Russia rose from 10.2 to 11.7 tonnes, which is 14.7% more than in 2010.

Investments in development of the Group’s Russian retail business were $216 million in 2011.

The Group carried out various actions in 2011 to lower expenses and raise efficiency of its Russian marketing network. These included the sale of 19 filling stations and 1 storage facility, lease-out of 33 filling stations, closure of 7 stations and transfer of 81 to dealer management, while 2 storage facilities suspended operations, 2 were closed and 2 were leased out. The Group built 34 new filling stations, upgraded 35 existing stations and acquired 35 stations.

The Company continued to develop production and sales of its new-generation EKTO fuel brands in 2011 in order to maximize profitability. Total sales of EKTO fuels (gasoline and diesel) in 2011 through the Company’s retail network in Russia were 2.8 million tonnes, which is 5% more than in 2010. The share of EKTO products in overall retail sales of motor fuel in 2011 was about 34%.

Since the first quarter of 2011 production of high-octane gasoline (92/95) at Company’s refineries has been in compliance with the Class-4 (Euro-4) requirements of the Russian Technical Regulations.

Development of retail sales of non-fuel products and services is an important part of the Group’s Refining & Marketing Strategy and work in this direction was continued in 2011. Revenue from sales of non-fuel products and services through the Group’s retail network amounted to $193 million in 2011, which is 32.2% more than in 2010 (45% of this revenue was from sales of food products, 23% represented packaged goods, and 32% was from sales of accessories and services). The revenue increase reflects improvement in service quality at filling stations and optimization of the range of goods and services. Development of non-fuel business is an important factor for positioning of LUKOIL Group as a customer-oriented company with international standards of service.

**International**

LUKOIL Group’s retail network in the CIS (outside Russia), Europe, and the USA consists of 3,658 filling stations (including franchises) and 74 storage facilities with reservoir capacity of 1.6 million cubic meters.
Investments in development of international retail network were $123 million in 2011.

Retail sales of petroleum products on international markets in the reporting year were 6.9 million tonnes, which is 5.0% less than in 2010. The decline was mainly due to restructuring of the retail network in the USA. Average daily sales per filling station in Europe were 6.8 tonnes compared with 6.5 tonnes in 2010. Withdrawal of inefficient stations gave an increase in sales volume per filling station comparing with 2010, despite reduction of demand in some countries.

The Group brought 18 filling stations into operation in Europe and the CIS during 2011, of which 10 were newly built and 8 were acquired, and 80 stations were upgraded.

Work continued to promote the Group’s EKTO fuel brand on foreign markets in 2011 (in Lithuania, Latvia, Estonia, Ukraine, Romania, Turkey, Moldova, Bulgaria, Macedonia and Croatia). The geography of EKTO sales is expanding year by year, and will be extended to Azerbaijan and Montenegro in 2012. Total sales of EKTO fuel (diesel and gasoline) outside Russia in 2011 were 723,000 tonnes, via more than 1,200 filling stations.

A loyalty program was implemented in 2011 for customers using the LUKOIL-brand filling station network in Turkey. A total of 432 stations have joined the program and more than 400,000 loyalty cards have been issued. A loyalty program was also launched in Romania, where 30 filling stations in Bucharest have joined the pilot program.

Abroad, as well as in Russia, the Group is working hard to increase profitability of its filling stations, particularly through development of retail sales of non-fuel products and services. Revenue from sales of non-fuel products and services at filling stations in Europe and the CIS was $507 million in 2011, which is 10.2% higher than in 2010. The Company plans to further increase non-fuel revenues from filling stations abroad through marketing, optimization of the product range, improvement of fast-food services at filling stations, new service additions, work with suppliers, use of best trading practices, and better standards of customer service.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>7</th>
<th>7,2</th>
<th>7,4</th>
<th>7,6</th>
<th>7,8</th>
<th>8</th>
<th>8,2</th>
<th>8,4</th>
<th>8,6</th>
<th>8,8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td>7.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8.8</td>
<td></td>
</tr>
</tbody>
</table>
5. Technology and Innovation

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

Total Research and Development financing increased in 2011 and accounted for more than $140 million (comparing with more than $120 million in 2010). Organizational transformation of LUKOIL’s scientific project capacities was completed in 2011. Four regional institutes were made part of OOO “LUKOIL-Engineering”, which established five branches in different regions where it has activities. The institutes, which represent the core of LUKOIL’s scientific project capacity, carried out R&D work, project studies and other work with total value of $310 million in 2011.

A LUKOIL working group was set up in 2011 to consider issues associated with participation in the Skolkovo innovation project. Work was carried out during the year on selection of scientific and technology projects, which have been recommended for implementation as part of joint work with the Skolkovo innovation center. Joint scientific research work between OAO “RITEK” (LUKOIL subsidiary) and the Skolkovo center is scheduled in 2012–2014.

The Group continued to work closely in 2011 with the Russian Corporation of Nanotechnologies (RUSNANO) on commercialization of nanotechnologies and their application in the oil & gas industry. RITEK carried out joint work with RUSNANO during the accounting year on innovative developments for extraction of difficult reserves in Bazhenov formations.

Exploration & production technologies

LUKOIL Group fully recognizes the vital role of technology in supporting competitiveness of the Exploration & Production business segment. Most R&D work in the segment in 2011 was focused on development of geological and geophysical study techniques, improvement of reserve assessment methods (work continued on a methodology to assess hydrocarbon reserves in reservoirs with complex structure), as well as design and improvement of methods for increasing oil recovery and optimizing technological solutions used for development of new areas and deposits. The Company is particularly keen to develop technologies that ensure environmental safety during field development, most notably in development of offshore fields.

A program of industrial testing enabled a technology breakthrough in 2011, which raises the forecast for viable development of new reserves in 2012–2021 by 3.6 billion barrels of oil thanks to increase of oil recovery rates at fields in Russia.

New drilling technologies

LUKOIL Group made particularly rapid advances during 2011 in drilling of horizontal wells that use multi-zonal hydrofracturing of strata. A total of 96 wells with multi-zonal hydrofracturing were brought into operation in 2011 and gave 637,000 tonnes of oil. Average daily oil flow from the wells was 56.3 tonnes. Application of this technique at the Urevskoye and Tevlinso-Russkinskoye fields led to significant adjustment of field development plans, increasing the target recovery factor and thereby raising rates of return in these investment projects.

In another technology advance an expanded logging-while-drilling (LWD) complex was used for construction of horizontal wells on an industrial scale, enabling real-time drilling of horizontal boreholes in productive strata, thereby ensuring maximum contact with the reservoir.

Drilling of horizontal wells in the depression at wells in Western Siberia gave an increase of oil flow rates by 2–4 times compared with previously drilled wells using clay-polymer solutions, while reducing unit costs by 30%.
Successful work in drilling and invariant well completion led to significant adjustment of production drilling programs for the medium term, when the Company plans to make greater use of complex completion. This work has also had favourable impact on the economics of investment projects.

**Enhanced oil recovery techniques**

One key outcome of the Company’s technology drive is ever greater application of methods for intensification of oil production and of enhanced oil recovery (EOR) techniques. These methods offer significant increase of recoverable reserves and oil production, enabling commercial development of high-viscosity oil, oil in low permeability reservoirs, and hard-to-recover reserves at late stages of field development. In recent years the share of oil produced at LUKOIL Group fields using various technologies that act on oil strata has been over 20% of total oil production. The Company applies physical, chemical, hydrodynamic and heat methods to stimulate extraction.

The Group carried out 4,894 EOR operations in 2011, which is roughly equal to the number in 2010. Additional production obtained as a result of EOR techniques was 22.3 million tonnes, or 26% of total oil production by the Company in Russia. Most of the additional production volume (almost 14.5 million tonnes) was obtained using physical methods, primarily hydrofracturing.

The Group carried out 681 hydrofracturing operations at fields in 2011, achieving average additional oil flows of 10.8 tonnes per day. The effectiveness of hydrofracturing operations in 2011 was comparable with results in 2010. Maintenance of levels of additional output from hydrofracturing was achieved through improvement of project planning, selection of wells using permanently acting hydrodynamic models, and tighter quality control over the materials and reagents, which were used by service companies.

Use of other EOR methods (hydrodynamic, heat, chemical methods and oil production intensification) gave 8 million tonnes of production. The Company continued to make extensive use of the latest chemical technologies in 2011 (there were 1,417 operations using chemical technologies in 2011 compared with 1,351 in 2010).

Drilling of sidetracks at existing wells has also proved a highly-efficient form of EOR. The Company continued drilling of sidetracks in 2011 (241 sidetracks drilled in comparison with 224 in 2010), giving an average daily flow increase of 20.4 tonnes. Consistently high efficiency was achieved through science-based mini-projects with use of hydrodynamic modelling, as well as greater accuracy in forecasting of the geological structure of reserves at locations where sidetracks were drilled. Sidetracks are mainly used to extract residual oil reserves at wells, which have been taken out of operation.

**Production of high-viscosity oil**

LUKOIL is rapidly developing and applying new technologies for production of high-viscosity oils. Experience of work with high-viscosity oil extraction in Russia is concentrated in the Komi Republic, where LUKOIL is developing the Yaregskoye and Usinskoye fields. Thermal methods are used at both fields to increase oil recovery and annual production is over 3 million tonnes.

The Permocarbon deposit at the Usinskoye field is being developed using steam-heating and cyclic-steam stimulation across extended areas. There has been successful work in recent years to improve efficiency of thermal applications at vertical wells (development of combined cyclic-steam stimulation (CSS) is being continued and trials have begun to increase oil flow through simultaneous injection of heat carriers and composites for oil displacement). New thermal technologies are being introduced: steam-heat stimulation of rock formations in horizontal well systems; technology for perpendicular thermo-gravitational deposit draining; CSS technologies for horizontal wells, vertical wells with radial channels, and for an entire productive interval; and technologies for oil recovery by steam. Additional oil production at the deposit obtained by use of thermal methods has been in excess of 6.1 million tonnes since the start of their application.
The Company applied thermal action on strata via a horizontal-well system for the first time in 2011 (in test mode). Experimental work with perpendicular thermo-gravitational strata draining is planned for 2012.

The Yaregskoye field is being developed using a thermal mine-shaft technology (production at the field mainly uses a mining technique). Work began in test mode during 2011 to improve heat treatment applications by use of a new drilling rig which enables underground boreholes to be drilled to a length of 800 m (more than double the length of traditional underground boreholes). Use of the new drilling rig, together with use of boring combines, will substantially reduce spending on preparation for development of slanted blocks and will raise productivity.

Five pairs of production and injection wells were drilled at the Lyaelskaya area of the Yaregskoye field in 2011 with horizontal completions and borehole length up to 1,100 m. The purpose of this test work is to obtain know-how in use of horizontal boreholes for injection and production purposes. The technology is similar to Steam Assisted Gravity Drainage (SAGD), which is being applied for oil sands in Canada, and the tests have confirmed its efficiency.

Geological and hydrodynamic models

Oil & gas production subsidiaries of LUKOIL Group produced hydrocarbons at 358 fields in the Russian Federation during 2011. Geological and hydrodynamic modelling is used for monitoring of development processes, choice of technologies, and for measuring efficiency during production of reserves. Use of geological and hydrodynamic models enables optimal technological solutions to be put into effect during field development, and helps to select the most appropriate solutions for the specific geological structure and composition of available reserves. Modelling leads to improvement of oil recovery rates and reduces expenditures on field development. Models are widely used by the Company when drilling over fields and applying EOR methods, and are designed to cover all fields in Western Siberia, Timan-Pechora and Kaliningrad Region. Although reserves in traditional production regions have been in development for long periods of time, use of modelling has enabled the Company to keep output levels steady and in some cases to increase output. This result reflects improved quality of the models and ever greater use of such models during production drilling, as well as continued work to improve the techniques of well completion, and of primary and secondary drilling into productive strata.

![Structure of EOR techniques used by LUKOIL Group in 2011](image)
ADDITIONAL PRODUCTION FROM EOR IN RUSSIA, million tonnes

- 2011: 22.3
- 2010: 22.2
- 2009: 23.0

USE OF CHEMICAL METHODS, wells

- 2011: 1,417
- 2010: 1,391
- 2009: 1,387

NUMBER OF GEOLOGICAL-HYDRODYNAMIC FIELD MODELS

- 2011: 440
- 2010: 355
- 2009: 320

Effect from EOR in Russia (2011)
### Refining Technologies

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

LUKOIL is currently working on construction of new equipment and modernization of all its refineries. Re-equipment of the vacuum block on atmospheric distillation unit at the Ukhta Refinery was continued in 2011, as was modernization of the reactor block on the GDS-850 hydrodewaxer. A hydrogen fluoride alkylation unit was brought into operation in the first quarter of 2011 at the Nizhny Novgorod Refinery, scheduled production levels were achieved by the complex for catalytic cracking of vacuum gasoil, construction of which was completed at the end of 2010. At the Volgograd Refinery a new delayed coking unit with one million tonnes annual capacity was brought into operation in December 2011.

The Strategic Development Programme of the LUKOIL Group for 2012-2021 with regard to refineries includes construction of a number of facilities and units, which will result in substantial increase of light product yield and volumes of high-quality gasoline and diesel outputs. There will also be a significant reduction of negative environmental impacts.

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

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

Much was done in the reporting year to optimize production processes and improve the quality of lubricant outputs. Achievements included reduction of energy consumption and improvement of the quality of base oils. The Company developed 38 new lubricant types during the year. A new lubricant product line under the name LUKOIL GENESIS will be marketed in Russia during 2012, and will meet the highest standards of international vehicle producers including those for fuel economy and environmental aspects.

### Information Technologies

LUKOIL Group applies latest information technologies to optimize its business processes in a variety of spheres. LUKOIL continues to develop and install automated systems for management of
IT technologies can be of great value for enhancing the efficiency of both industrial operations and business management. LUKOIL Group has expanded functionality of all software programs and applied them at an ever increasing number of Group organizations. Consecutive creation and development of the Integrated Management System with SAP architecture had enabled installation of 24 modules at nearly 112 Group organizations by the end of 2011.

There was further progress in adoption of the Global Integrated Management System, which will enable a single standard and proper organization of information flows between LUKOIL organizations: local rules for asset portfolios and/or projects and business processes were designed, using base documents of the new corporate management system. A process management model for the Group was designed, enabling harmonious interaction between business processes.
6. Social Responsibility

Environment Protection

A functional development program for environmental protection was prepared in 2011 as part of LUKOIL Group strategy for 2012–2021. The following strategic guidelines for achievement of environmental security were defined:

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

LUKOIL is guided in its work by the highest standards of care for the environment and industrial safety. Acknowledgement of responsibility to society for rational use of natural resources and preservation of the environment in a favourable state are among key considerations for LUKOIL in implementation of its industrial projects.

Scheduled work was carried out in 2011 at Group organizations to ensure industrial and environmental safety and for the prevention and resolution of emergency situations.


More than $700 million were spent on environmental measures in the reporting year. A significant share of this money was used to comply with the Government requirement that utilization of associated gas must reach a level of 95% in 2012.

Environmental measures by the Company in 2011 enabled a reduction of most environmental impact indicators (including relative indicators), with the exception of atmospheric emissions. Growth of emissions was due to increased operation of small-scale generating facilities at Company production sites and resulting growth in fuel consumption, as well as increased flaring of associated gas by a number of Company organizations. The Company is now intensifying its efforts to raise levels of associated gas utilization in order to comply with Russian Government requirements for 95% of such gas to be utilized and thereby to avoid liability to above-standard environmental payments from 2012 onwards. All Group companies should be compliant with the required utilization rate by 2015.

Discharge of waste water was more than halved in 2011 thanks to actions to improve efficiency of purification equipment. Reduction of water use by 6% was mainly achieved as a result of technical and organizational measures for rational use of water by companies in the Power Generation business sector, which is the largest user of water in the Group.
The environmental and economic measures introduced by the Kyoto Protocol are an important incentive for investments to reduce greenhouse gas emissions. By the start of 2012 LUKOIL Group’s portfolio of projects for reduction of greenhouse gas emissions included 14 projects for implementation in Russia, total impact of which in 2008–2012 should be equal to about 33 million tonnes of CO₂-equivalent. At present four projects are closest to completion: these projects have completed all the necessary design stages, secured support from Sberbank of Russia, and been approved by decrees of the Russian Ministry for Economic Development as projects for joint implementation in accordance with Article 6 of the Kyoto Protocol. A sale of emissions quotas has already been transacted for projects developed by OAO “RITEK”.

LUKOIL Group organizations pursued the goals of environmental security in 2011 through actions for rational use of water resources and prevention of water pollution, reduction of atmospheric emissions, recycling of accrued waste that contains crude oil, and non-polluting, sustainable use of land. Specific steps carried out in the reporting year were as follows:

- diagnostics and major repairs of pipelines;
- modernization and construction of facilities, which increase the rate of utilization of associated gas;
- acquisition of equipment for resolving crude oil and petroleum product leakages;
- recultivation of disturbed land and land polluted by crude oil;
- various works for monitoring of environmental components;
- construction of new and reconstruction of existing networks for water supply and water discharge;
- installation of chlorination units for decontamination of industrial and river water;
- replacement of equipment and optimization of technologies for reducing pollutant emissions;
- construction of a complex for processing of waste that contains crude oil.

A supervisory audit of LUKOIL Group’s health, safety and environment (HSE) management system was carried out in 2011. Auditors of the international certification company, Bureau Veritas, visited 21 Group organizations. Two substantial compliance failures were detected at ZAO “LUKOIL-AIK” (rectified in the course of the audit) as well as 17 minor failures requiring corrective and preventative measures.

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

A Program for health and safety, improvement of working conditions, and prevention and resolution of emergency situations at organizations in LUKOIL Group for 2011–2015 was designed and approved in the reporting year. The Program involves 67 Company organizations and spending on measures as part of the Program in 2011 was nearly $300 million.

Accident and injury rates improved in 2011 compared with 2010. There were 19 accidents at LUKOIL Group organizations during the year compared with 43 in 2010. The number of people who suffered injuries as a result of accidents declined from 49 to 25, and there were no fatalities (compared with 2 fatalities in 2010).

However, one serious accident did occur in 2011, involving an explosion and subsequent fire at the pyrolysis gas separation and benzol production section of OOO “Stavrolen”. As a result, nine employees and contractors received injuries of varying severity. Fire services attached to the Russian Ministry for Emergency Situations attended the incident and were assisted by other accident and rescue services.

Scheduled preventive measures ensured that there were no incidents during 2011, which could be classed as emergencies. Safety drills and training sessions are held regularly at sea and river terminals, and at production, refining and storage sites, to ensure that the Group’s special teams and equipments remain in a high state of readiness to deal with any oil or petroleum product leakages. A total of 90 drills and training sessions were held in 2011 for dealing with emergency oil and product leakages.

An international emergency training event, ‘Caspian 2011’, was held during September 2011 in the Caspian Sea with participation by rescue services from Kazakhstan and Azerbaijan (observers from...
Turkmenistan also took part for the first time). Aircraft, special sea craft and coastal detachments were active in the manoeuvres. Levels of preparedness of the participants, coordination between the various rescue services (including those from other countries), and work by the rescue coordination center and by the emergency service section of LUKOIL-Nizhnevolzhskneft were highly commended by the Russian Ministry for Emergency Situations.

Number of accidents

Number of people injured in accidents

Personnel and Social Programs

The Company’s success is completely dependent on the people who work for it. LUKOIL therefore does everything within its power to create and maintain a team of professionals who are capable of achieving all the ambitious tasks, which the Company sets itself. LUKOIL’s social policy is designed to help its employees to work efficiently and realize their potential in the confidence that they enjoy comprehensive social protection. The Company takes issues of staff motivation very seriously and try to ensure that each employee takes a personal interest in achievement of the best possible results by the Company.

LUKOIL aspires to a system of human resource management that matches the best global standards. During the reporting year Company experts carried out an analysis of how best-practice systems for management of resources, assets and business processes have been constructed at the world’s leading energy companies. Unified models have been designed for management of core business at the Group companies, eliminating inefficient links and duplication of management functions. Optimization of organizational structures at LUKOIL companies is being implemented in accordance with the new models and constructs, and this work is scheduled for completion by the end of 2012.

The Company makes full use of social partnerships in the labour sphere, expanding cooperation with trade unions, government bodies and local communities. Since 2008 LUKOIL has been the official representative of the Russian Union of Industrialists and Entrepreneurs in the Tripartite Commission for Regulation of Social and Labour Relations, which is the most senior social partnership organization acting under the Labour Code of the Russian Federation. In 2011 the Company took part in 10 sessions of the Commission, at which 79 issues were considered.
Approaches used for improving operational and financial efficiency within LUKOIL Group include reorganization of structural sub-divisions and transfer of non-core sub-divisions from the Group to external providers. As a result the overall number of employees at LUKOIL organizations decreased by 7.5% in 2011 in comparison with 2010, maintaining the trend towards higher productivity and per-unit efficiency indicators at the Company: revenue per employee grew by 37.6% in the reporting year, and net profit rose by 24.3%.

Much attention was paid in the reporting year to development of the system of staff appraisal. Appraisals of the work of more than 1,800 staff at the Company’s central office were carried out and the results were used to prepare personal development plans and in calculation of annual bonuses for 2010. A pilot project was also carried out to assess candidates for LUKOIL’s executive reserve (to fill senior executive posts at the Company) in accordance with an approved model of corporate competences.

The Company fully understands the importance of a well-designed system of salaries and remuneration for supporting motivation among its employees and ensuring their commitment to growth of the Company’s shareholder value. Wage levels in the industry are constantly monitored, which enables timely decisions on adjustment of wages in order to make them competitive and to encourage highly qualified specialists to seek employment at the Company. As a result Company payroll has expanded by 5% in the last five year despite a substantial reduction in employee numbers (by more than 20%).

In addition to material incentives, LUKOIL Group provides encouragement to personnel through marks of merit for outstanding achievements at work. Special events were held at all Group companies in 2011 at which workers and groups of workers received national awards, sectoral marks of distinction and LUKOIL awards. There were 38 winners of national awards among LUKOIL employees in 2011, while sectoral distinctions were earned by 754 workers and the Company’s own awards were conferred on 2,017 employees and 20 groups of employees. 30 LUKOIL Group employees were winners of prizes awarded by the Russian Union of Oil & Gas Workers in 2011.

An efficient system of social guarantees helps to attract highly-qualified specialists to the Company, reduce employee turnover rates and strengthen corporate spirit, and is therefore of fundamental importance for LUKOIL operations. The Company offers a broad range of programs and opportunities to its employees as part of the social package. These include:

- leisure and recreation provisions for employees and their families, organization of sport and fitness events
- health care and medical treatment for Company employees, including voluntary health insurance
- help to employees in acquiring housing
- social support to women and families with children
- social support to young specialists
- non-state pension provision for employees, which has operated since 2004 on the principle of shared funding of non-state pensions by employee and employer. By the end of 2011 more than 38,000 employees of LUKOIL Group organizations in Russia had entered the shared funding system, and the sum of their contributions during the year was over $12.5 million. The Company’s total contributions under non-state pension provision programs in Russia and abroad for the reporting period were $37 million.

Total spending by LUKOIL Group companies in 2011 for implementation of social programs for employees, their families and pensioners was $286 million, and spending on infrastructure for provision of social services totalled $83 million.

LUKOIL gives priority to work with young specialists as part of the Group’s comprehensive target program for cooperation with young people and young specialists in the period from 2008 to 2017. Committees of young specialists operate at the LUKOIL Group companies, and their functions include support to young specialists in adjustment to new working conditions, support for getting and improvement of skills by young employees, and work to encourage commitment to corporate values and corporate culture. The Company held a sixth competition in 2011 to find the Best Young Specialist of the
Year, as a result of which the title was awarded to 68 of the Company’s young specialists. LUKOIL personnel also took an active part in the TEK-2010 annual competition to find the best R&D project by a young engineer to address technical challenges in the fuel & energy industry: 27 employees of LUKOIL Group companies were prize winners in the competition.

Further trainings were organized and held as part of the Young Specialist’s School in 2011. Such trainings are an integral part of the system for enhancing the knowledge and skills of new recruits to the Company, reducing the amount of time needed for their adaptation to the corporate environment and raising their professional efficiency.

The tradition to share work experience at the Company for students of leading Russian higher education was continued (66 students benefited from a period of work experience at the Company in 2011). Work also continued on joint schemes with specialized oil & gas institutes around the country, including the ‘Step into the Future’ program for selection of best students.

The second Forum for young workers of LUKOIL Group companies was held in Western Siberia during the reporting year and was dedicated to the 20th anniversary of the Group. A tele-bridge enabled young specialists from Timan-Pechora, Moscow, Perm, Nizhny Novgorod, Western Siberia, as well as regions of Southern and Eastern Europe to participate in the Forum.

The Company’s work with personnel is focused on skill levels. The Group has a system of continuous training, which is designed to ensure that LUKOIL personnel acquire the knowledge and skills, which they require in their jobs. The Company uses the whole spectrum of modern training aids: workshops, seminars away from the work place, special training programs, work placements abroad, trainings, courses for improvement of qualifications, professional training days, distance learning, MBA programs, etc.

The Corporate Study Centre which was opened in 2011 in the city of Astrakhan trains workers for operations on offshore oil & gas platforms and at river and sea terminals, as well as teaching employees how to deal with emergency situations and ensuring that they are familiar with industrial and fire safety drills. An agreement has also been signed with the Makarov State Maritime Academy for training, retraining and raising the qualifications of workers in offshore projects.

Another group of 15 LUKOIL employees undertook an internship in ConocoPhillips in 2011.
Social and charity programs are an integral part of the Company’s corporate strategy and help to ensure constructive partnership with the state, business and society. Corporate programs have a targeted character and are based on professional experience and human potential in regions where the Company operates. At the same time, the Company has come to understand the danger of creating social dependence through charity actions. Therefore, together with its traditional charity actions, the Company makes increasing use of strategic support programs and social investments, which combine solutions to social problems with the strategic interests of the Company. This approach is based on joint work between business and the non-profit and government sectors to address urgent social and economic problems in local communities.

Total spending by the Company on charity and social programs was about $99 million in 2011.

Company policy in this field has two principal components:
- social investments
- sponsorship and traditional charity programs

Social investment programs

Support for children’s homes and schools

Helping children is a Company priority, and underlies all of the social programs: charitable programs, sponsorship, sports development programs for children and young people, and cultural programs. Social investments in human capital are particularly valuable in today’s environment and LUKOIL strives to achieve a balanced approach, providing support both to children, who by virtue of their family circumstances or health find themselves in a worse situation than their peers, and to children with favourable family backgrounds by helping them to develop their natural abilities and talents.
The Company, its subsidiaries and the LUKOIL Charity Fund provide help to children in 70 Russian children’s homes and boarding schools, ensuring that they remain in good health and obtain an education, which will enable them to acquire a profession and find their place in life.

Every year the LUKOIL Charity Fund organizes summer vacations by the Black Sea for children from sponsored children’s homes in Kirov, Kstovo, Ishim, Nizhny Novgorod, Leningrad Region, Perm Territory, Astrakhan and Volgograd Regions, as well as organizing educational trips around Russia.

The Charity Fund has also been providing special LUKOIL grants since 2006 to students who continue their studies in higher education or technical institutes after leaving children’s homes. Such grants were paid to 45 young people in 2011.

Since 2008 Charity Fund “LUKOIL” and LUKOIL Group organizations in Astrakhan Region have been working on a project, by which children from care homes and disadvantaged families are trained for work in managerial and technical capacities at LUKOIL. The project is motivated by a severe deficit of technical specialists, needed for a new large-scale project, which LUKOIL is implementing in the region. The young people from children’s homes and disadvantaged families have been given the opportunity to train at technical and higher-education colleges for a career with LUKOIL: 20 such students have already been placed at Astrakhan Polytechnic College and the Volga-Caspian Fishery and Industry Complex. The Fund is covering costs of their tuition and living expenses, and they will be given employment at Group organizations in the region after completion of their studies.

In Nizhny Novgorod Region the Company provides assistance to the Kstovo Oil Industry College, where students also include children who were formerly at LUKOIL care homes, thus the Company participates in their social adaptation. The students regularly visit LUKOIL’s Nizhny Novgorod Refinery to learn about its operations and to acquire practical knowledge and skills.

In 2011 the LUKOIL Charity Fund and the Nizhny Novgorod Museum of Art joined forces to implement a successful art and education project under the title, ‘New talents discovered’, which was designed to help gifted young people of between 13 and 16 years of age at children’s homes to make the best of their talents. The teenagers mastered basic skills in drawing, painting and composition, and were taught the fundamentals of fine art and the history of art. The climax of the project for its participants was a culminating exhibition of children’s drawing held at the Nizhny Novgorod Museum of Art in October 2011 and attended by the President of OAO “LUKOIL”, Vagit Alekperov, and the Governor of Nizhny Novgorod Region, Valery Shantsev. The best and most impressive of the children’s drawings were used to create the new corporate calendar of OOO “LUKOIL-Volganefteprodukt”.

The Group gives special attention to children with special medical needs. One project, which LUKOIL has maintained over a number of years, is called ‘An illustrated book for every little blind child’ and is part of a larger program, ‘Illustrated Books for Blind Children’. In 2011 publications were supplied to specialized children’s institutions in Kazan as part of this project.

**Education programs**

Concern for the young generation and training of qualified, young specialists for the Russian oil industry are important aspects of Company’s activity. The Company provides support to a number of higher education institutes, which prepare specialists for a career in oil & gas, including the Gubkin Russian State Oil & Gas University, Perm National Research Polytechnic University, Ukhta State Technical University, Tyumen State Oil & Gas University, Ufa State Oil and Technical University, Volgograd State University, Volgograd State Technical University, Astrakhan State Technical University, the Mendeleyev Chemical Technologies Institute, and the Plekhanov Mining Institute in Saint Petersburg.

As well as providing assistance to institutes with oil & gas specializations, the Company also supports the Higher School of Economics (National Research University), the Financial University (attached to the Russian Federal Government), the Volzhsky branch of the Moscow Energy Institute, Rostov State Railway University, Moscow State Social Humanitarian Institute, as well as secondary
education institutions, including the Kstovo State Technical College, Budennovsk Regional Polytechnic College, Stavropol College of Geological Exploration, and Moscow School Gymnasium № 45.

Several oil & gas institutes in the CIS countries also benefit from Company support, including the State Oil Academy of Azerbaijan.

Grant programs

Since 2000 the Company has paid grants to particularly talented students at oil industry and technical institutes in Russia. In 2011 monthly corporate grants of 2,500 and 3,000 roubles were paid to about 200 students in various Russian cities. Total grant payments in the period from 2007 to 2011 were nearly $700 thousand, of which more than $170,000 were paid in 2011.

Teaching staff: the key to survival of scientific potential

About 90 talented young teachers at leading Russian oil & gas institutes receive grants as part of LUKOIL’s program for support to young teachers. Total grant payments in the period from 2007 to 2011 were in excess of $1.2 million, including $250,000 in 2011.

Provision of teaching resources

Assistance to higher education institutes for improvement of their equipment and resource base is of crucial importance, ensuring that high standards of education are achieved. The Company helps oil & gas institutes in Russia to acquire scientific equipment for their laboratories. Substantial sums were allocated in 2008–2011 for new equipment and repairs to buildings at Tyumen State Oil & Gas University, Ukhta State Technical University, Ufa State Oil and Technical University, Perm State Technical University and the Gubkin State Oil & Gas University.

• Support for medical institutions

LUKOIL provides assistance to a number of major specialized medical research centers: the Center for Haematology Research (part of the Russian Academy of Medical Science), the Russian Cardiovascular Scientific and Production Complex, and the A.V. Vishnevsky Institute of Surgery.

The Company also supports development of the system of medical services in regions where it has operations. In 2008–2011 the Company helped to purchase expensive equipment for the Limanskaya Central District Hospital in Astrakhan Region, the Astrakhan Children’s Clinical Hospital №1, Bolshemurashkinskaya Central District Hospital in Nizhny Novgorod Region, Natal Clinic № 4 in Moscow and the Kstovo Central District Hospital.

• Social project competitions

Social project competitions, which are held annually by LUKOIL subsidiaries in association with the LUKOIL Charity Fund, offer a particularly efficient way of implementing programs of social importance. Holding of the competitions in regions of Company presence has become an integral part of LUKOIL’s system of corporate responsibility. Success of the social project competitions has proved that distribution of charity funds on a competitive basis is one of the most effective means of social investment. The system is founded on competitiveness, transparency and openness, and the intention is to support the projects and initiatives of local communities to solve the most pressing problems which their regions face, while at the same time maximizing the impact of charity assistance provided by LUKOIL.
In this respect the main task of social project competitions is to encourage more people to be socially active and to learn the necessary skills to solve their own problems and the problems of their community.

Social project competitions have been held in regions of LUKOIL presence since 2002, when the first competition was organized in Perm Territory. Geography of the events has greatly expanded in recent years: they are now held in 10 of Russia’s administrative regions.

A total of $2.5 million were set aside by the Company for social project competitions in 2011, which is almost double the amount spent five years ago.

The social project competitions have several nominations, which are the same in every region where they are held: “ecology”, “charity”, “culture and art”, “physical exercise, sport and tourism” and “Where I live”. But other nominations may be added to suit the specific needs of a particular territory, or to serve Government priorities in the social sphere. For example, a “family-values” nomination was added in 2008, which had been officially declared “Year of the Family” by the Russian Government and, similarly, a special nomination was created in 2009, which was the ‘Year of Youth’ in Russia. Celebration of the 65th anniversary of victory in the Great Patriotic War justified a nomination to support projects on the theme of that commemoration and in 2011 a special nomination dedicated to LUKOIL’s 20th anniversary was added.

Social project competitions have proved their worth in recent years as a unique vehicle for nurturing social initiative. Independent experts agree that the competition mechanism enables funds to be allocated more efficiently. Most importantly, the system has a strong motivational element, encouraging ‘grassroots’ initiative by the people and organizations, who receive funding. The mechanism enables project participants to develop their potential, set themselves goals and organize their progress towards achievement of those goals, helped by the informational and financial resources provided by LUKOIL.

**Sponsorship and charity programs**

- **Preserving cultural and historical heritage**
  
  **Support for museums and the arts**

  Supporting culture is a traditional sphere of sponsorship and charity for Russian companies. Partnership with cultural institutions involves sponsorship (financing of productions, concerts, exhibitions, etc.), but also has a pure charity element. The Company’s priority is to support classical art in all its varieties.

  LUKOIL provides support to a number of leading museums in Russia, including the State Tretyakov Gallery, the Museums of the Moscow Kremlin, the Pushkin Museum of Fine Art, the Russian Museum, and the V.M. and A.M. Vasnetsov Art Museum in the town of Vyatka.

  In 2011 the Company was among partners of the Tretyakov Gallery exhibition, ‘What is Truth? The 180th Anniversary of the Birth of Nikolai Ge’.

  A touring exhibition, ‘The Kremlin from the Moscow Principality to the last Coronation’ was organized in 2011 in Kazan as part of the joint culture and education project with the Museums of the Moscow Kremlin, which began in 2004. Continuing the tradition of previous years, lecture-and-visit activities as well as a children’s drawing competition were provided by staff of the Museums for young people at children’s homes in Tatarstan. Similar touring exhibitions have already been held in Perm, Nizhny Novgorod and Volgograd in the years since the project began.

  The Company also supported the exhibition ‘Poiret, King of Fashion’, which was held at the Museums of the Moscow Kremlin in 2011.

  Funding was provided to the Pushkin Museum of Fine Arts for creation of a multimedia site devoted to the Museum’s collection of antiquities and for publication of the album, ‘Masterpieces of the Antiquities Collection at the Pushkin Museum of Fine Arts’.
The Russian Museum received assistance for organization of an exhibition devoted to the 150th anniversary of Konstantin Korovin.

The V.M. and A.M. Vasnetsov Regional Museum of Fine Art received support from LUKOIL for acquisition and installation of computer and multimedia equipment, as well as multimedia software to create a museum internet class for children and teenagers.

The Company has a long-running association with the Tchaikovsky Symphony Orchestra, conducted by Vladimir Fedoseyev. Concerts were organized in Brussels, Geneva, Zagreb, Nizhny Novgorod and Kstovo in 2011 as part of celebrations of LUKOIL’s 20th anniversary.

The Company has provided support over many years to the Perm State Theatre of Opera and Ballet, the Kaliningrad Regional Philharmonia (and its program, ‘Bring the family to the concert hall’), as well as the Urals Academic Philharmonic Orchestra.

LUKOIL is the official partner of the Spasskaya Bashnya festival of military bands, which is held annually on Red Square in Moscow.

Other events supported by the Company in 2011 included the ‘Great Caucasus’ festival of art from the Caucasus (held in Perm Territory), the 2nd ‘Golden Harp’ international musical charity project, the ‘Crescendo’ music festival, and the 2nd M. Magomaev Vocalists Competition, as well as activities by the Russian Synod Choir. In Astrakhan the Company gave its support to a concert by the pianist Denis Matsuev, who was given an enthusiastic welcome by the local audience.

Support for religious confessions

Participation of the Company and its subsidiaries in the revival of Russia’s religious traditions and spiritual culture is an integral part of LUKOIL’s charity activity. The Company is particularly keen to support those religious institutions, which are most active in the service of society.

The Company supports the program for reconstruction and restoration of the Optyna Pustyn monastery, and has provided funds to help equip auditoria at the Cyril and Methodius Graduate and Doctoral Centre, as well as for the Church of the Resurrection at Kadashy.

Company subsidiaries also play an active part in the revival and development of centres of church and spiritual life in Russia and abroad.

Program for revival of traditional arts and crafts

OOO “LUKOIL-Perm” has carried out a number of programs in recent years to support traditional crafts in the region around Perm in the northern Urals (the Kama river region).

Perm Territory is now almost unique in Russia for the amount and the variety of traditional handicrafts, which are practised there and which have their roots in past centuries.

The best examples of this work are displayed annually at an interregional exhibition-fair of traditional crafts and applied-decorative art under the general sponsorship of OOO “LUKOIL-PERM”.

The Govorlivskoye Gulbische festival, which was held in 2011 using a social competition grant from LUKOIL-Perm gave a new impulse to the development of traditional handicrafts and revival of ethnic culture. The grant money was used to set up an experimental craft centre where young people are taught the skills of processing sylvinite, a natural material that is found in Perm Region. Funds provided to the winner of another social projects competition have been used to create a unique museum, the Tatar Hut, which has become a major attraction for visitors and tourists. Master classes are held at the museum, where people can learn how to make traditional items, and a unique collection of ancient embroidered cloths has been put on display.
Organizational and financial assistance is also provided to a regional honey festival, the ‘Selenite Casket’ children’s festival of traditional handicrafts, as well as to the ‘Yelovskaya Rybka’ fishing and sport festival and the ‘Khlebny Spas’ harvest festival.

- **Targeted assistance**

  **Help for war veterans, the disabled, and disadvantaged groups**

  Oil workers and other veterans of the Great Patriotic War, as well as veterans of the labour front, have a special place in LUKOIL’s social programs. Every year they receive special payments and gifts from the Company to coincide with Victory Day. The Company also provides assistance to families of members of the armed forces, who have perished in more recent armed conflicts.

  LUKOIL provides financial assistance to people with disabilities, including support to help them to earn a living independently and thus to feel a part of society.

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

  Operations by OAO “LUKOIL” in Siberia and the Far North of Russia can have significant impact on the living conditions of small indigenous peoples, creating various social and economic problems. Areas that are being developed for extraction of oil & gas are also areas where these peoples carry out economic activities (reindeer herding, fishing and hunting), that are essential to their survival. Resulting changes in the traditional way of life of these peoples can give rise to social and economic problems. LUKOIL’s objective is to resolve these issues by moving gradually away from charity provision to the indigenous inhabitants of these regions and towards an economic partnership with them.

  The Company develops and implements special programs for work with the owners of kinship lands. In Khanty-Mansiysk Autonomous District (Yugra) OOO “LUKOIL-Zapadnaya Sibir” makes agreements for socio-economic development of districts and locations inhabited by small indigenous people in order to preserve and develop the traditional way of life of the Khanti, Mansi, Nenets and Selkup peoples. Issues in the relationship between the Company and indigenous peoples are resolved at meetings between LUKOIL managers and representatives of the Assembly of small indigenous peoples of the North, heads of administrative districts, and the local inhabitants themselves. LUKOIL works actively with the social organizations ‘Save Yugra’ and ‘Yamal for our Children’. In Yugra The Company has industrial activities at 34 traditional resource areas, on which 164 families depend for their livelihood. The Company provides material assistance to each family in the form of petrol, construction materials, boats and boat engines, as well as snowmobiles. Financing is made available for construction and repairs to villages, and apartments are provided for local people in nearby towns.

  Members of the young generation of indigenous peoples also benefit from the Company’s attention. LUKOIL has begun work on the Kar Tokhi children’s camp for local ethnic groups, where children can learn the basics of hunting, reindeer herding and fishing, train in traditional handicrafts and learn how to handle a snowmobile.

  The Company view preservation of the lifestyle, language and culture of indigenous peoples as an important goal. They therefore work with local administrations, helping to finance the construction of educational facilities, maintenance of places of worship, and holding of national festivals.

  The Company is also carrying out social and charity projects in the Nenets Autonomous District for the purpose of improving the living standards of the indigenous Nenets and Komi peoples. An agreement between the Administration of Nenets Autonomous District and OAO “LUKOIL” ensures that local people are in regular receipt of social assistance. In 2011 such assistance included support to seven groups of families and also to the Yasavey Association of the Nenets People.

  Since 2008 OOO “LUKOIL-Komi” together with the Administration of Nenets Autonomous District and the Yasavey non-government organization have been implementing the ‘Red Tent’ project, which provides health checks for the indigenous population and subsequent courses of treatment, when necessary, at the hospital in Naryan-Mar. There is particular need for dental services, so the medical team
includes a mobile stomatology unit. Red Tent also provides training in first aid and use of mini-
drugstores.

**Blood donation actions**

OAO “LUKOIL” holds voluntary blood donation actions for employees at the Company’s central
office and also at subsidiaries in Perm Territory and Astrakhan Region.

Such actions were first held in 2010 when 380 employees at the central office and a number of
subsidiaries took part, collecting about 170 liters of blood.

In 2011 a blood donation event at the central office, held to coincide with Blood Donor’s Day, collected about 160 liters of blood.

The Company views blood donation as a valuable form of corporate voluntary action, which both
helps society and helps to strengthen corporate culture by bringing members of staff together and forging
links between them. Such events are also a way of developing a sense of corporate responsibility, which
is something that the Company views as highly important.

**Sport projects**

Support for Russian sport has been a key aspect of LUKOIL’s social policy over many years. The
Company’s key priorities at the present time in the sphere of sport and fitness are:

- encouraging health and fitness among Company employees and their families, developing
  mass sport
- supporting professional sports teams in Russia, national sporting federations and the Russian
  Olympic movement
- helping to develop children’s sport in Russia

The health and fitness of Company employees is of much concern to the Company, which therefore organizes competitions in various summer and winter sports in all regions of Russia where it has operations.

The international “Spartakiada” sports competitions organized by LUKOIL are of particularly
importance for developing and achieving broad involvement in physical culture and sport.

The 5th Spartakiada, dedicated to the 20th anniversary of the Company’s creation, was held in
summer 2011 in Perm, and included competitions in mini-football, volleyball, shooting, weight-lifting,
arm-wrestling, track and field athletics, swimming, chess, tug-of-war, and table tennis. The home team
from Perm won the competition for the 5th consecutive year.

OAO “LUKOIL” provides support to a number of leading Russian sports teams to encourage the
development of professional sport in Russia. Professional teams that benefit from Company sponsorship
include the Moscow Spartak football club, the Caspian Dawn handball club in Astrakhan, the Volgograd
Spartak water polo club, the Moscow Dinamo hockey club, and the Torpedo hockey club in Nizhny
Novgorod. The Company is the official partner of the VTB League, which brings together the strongest
basketball teams of Eastern Europe.

For many years the Company has been the general sponsor of the national ski-racing team and
partner of the Russian Ski-Racing Federation. LUKOIL assists both in training of the national team and
development of amateur ski sport in Russia.

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

In addition to its support for sports teams, LUKOIL also views sport as a way of testing the
Company’s own products to the limits. The successes and victories of LUKOIL Racing Team, which is
the strongest car racing team in Russia, continue to prove the efficiency of the Company’s fuels and
lubricants at both circuit and rally competitions in prestigious Russian and international racing series. The
Company does more than providing support to a single team: in 2011 LUKOIL became the official fuel supplier for the Silk Road rally, which is now the part of the world-famous Dakar rally series.

LUKOIL also plays a major role in development of sport among children and young people. The Company has provided support since 2001 for one of the biggest children’s sport organizations in Russia, the Children’s Football League. About 3,000 teams and more than 5,000 young football players from all parts of Russia take part in League competitions each year. Since 2002 the Children’s Football League has held an annual tournament under the title of the ‘LUKOIL International Children’s League of Champions’.

Tournament matches in 2011 were dedicated to the 20th anniversary of LUKOIL: qualifying rounds were held in seven cities in Russia and three foreign cities, with a final in Moscow and a super-final in the Turkish city of Alania.

In 2011, as part of its 20th anniversary celebrations, the Company organized competitions in football, skiing, artistic gymnastics, paintball, bowling, volleyball and handball for children, students and Company employees in Kaliningrad, Astrakhan, Volgograd, Rostov, Moscow, Tyumen, and Krasnodar regions. The competitions were also dedicated to people who have made major contributions to past development of the Russian oil industry: N.K. Baibakov, S.A. Povkh, V.Yu. Filanovsky-Zenikov, V.G. Schmidt, Yu.S. Korchagin and V.P. Sukharev. With the slogan ‘Win with us!’, these competitions were a logical continuation of sports actions by the Company in previous years: ‘Live with sport!’, ‘Believe in yourself!’ and the LUKOIL President’s Cup.

**LUKOIL museums**

LUKOIL’s network of corporate museums was created in 2005 and now consists of more than 20 museums at Group organizations in various regions of Russia, as well as in Ukraine, Bulgaria and Romania.

More than 20 touring exhibitions were held in 2011 including ‘LUKOIL’s Offshore Projects’, ‘140 years since the birth of I.M. Gubkin’, ‘Petroleum Products Business’, ‘Power Generation’, ‘Social Project Competitions’ and ‘LUKOIL for Children’. The exhibitions were displayed at the Company’s central office and at other venues, including the Russian Federation Ministry of Energy, the Russian Federation Ministry of Natural Resources and Ecology, the State Maritime Academy, and the Crocus Expo international exhibition center.

An exhibition dedicated to the Company’s 20th anniversary was displayed at the Kremlin Palace, the Pillar Hall at the House of the Unions, and also in Switzerland, Belgium, Holland and Qatar.

The LUKOIL Museum also played an important role in the organization of an exhibition in 2011 to mark the 100th anniversary of the birth of the N.K. Baibakov, held at the Central Museum of the Modern History of Russia, as well as contributing to themed sections at the exhibitions ‘The Space Age’ and ‘P.A Stolypin. A Life for his Country’.


The LUKOIL Museum holds regular sessions with students of the Gubkin Oil & Gas State University to study the history of the Russian oil industry.
Information on the amount of each type of energy resource used by OAO “LUKOIL” in 2011 in physical and monetary units

<table>
<thead>
<tr>
<th>Energy Type</th>
<th>Amount</th>
<th>Unit</th>
<th>Value</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thermal energy</td>
<td>11,330.9</td>
<td>Gcal</td>
<td>14,009,849</td>
<td>RUB</td>
</tr>
<tr>
<td>Electricity</td>
<td>17,141.54</td>
<td>Th. kWh</td>
<td>69,940,877</td>
<td>RUB</td>
</tr>
<tr>
<td>Water</td>
<td>268,110</td>
<td>m³</td>
<td>2,602,650</td>
<td>RUB</td>
</tr>
</tbody>
</table>
Board of Directors and Management Committee

Board of Directors of OAO "LUKOIL"

Valery Isaakovich Grayfer
Chairman of the Board of Directors of OAO “LUKOIL”
Chairman of the Board of Directors of OAO RITEK
Born: 1929


Elected to the LUKOIL Board of Directors since 1996.

Vagit Yusufovich Alekperov
President of OAO “LUKOIL”
Member of the Board of Directors of OAO "LUKOIL"
Chairman of the Management Committee of OAO “LUKOIL”
Born: 1950


Elected to the LUKOIL Board of Directors since 1993.

Igor Vyacheslavovich Belikov
Independent member of the Board of Directors of OAO "LUKOIL" (to 06.2011)*
Director of the Russian Institute of Directors

* In accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002
Member of the Human Resources and Compensation Committee of the Board of Directors of OAO “LUKOIL” (to 06.2011)

**Born: 1956**

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


Elected to the LUKOIL Board of Directors from 2008 to 2009 and from 2010 to 06.2011.

**Victor Vladimirovich Blazheev**

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

Rector of the O.E. Kutafin Moscow State Academy of Law

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

**Born: 1961**

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

Elected to the LUKOIL Board of Directors since 2009.

---

* In accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002
Donald Evert Wallette, Jr.
Independent member of the Board of Directors of OAO "LUKOIL" (to 06.2011) *

President of Asia Pacific Region, ConocoPhillips
Member of the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL” (to 06.2011)

Born: 1958

Elected to the LUKOIL Board of Directors from 2007 to 06.2011.

Herman Oskarovich Gref
Independent member of the Board of Directors of OAO "LUKOIL"*
President, Chairman of the Executive Board of the Savings Bank of the Russian Federation (SBERBANK)
Chairman of the Audit Committee of the Board of Directors of OAO “LUKOIL”

Born: 1964

Elected to the LUKOIL Board of Directors since 2009.

Igor Sergeevich Ivanov
Independent member of the Board of Directors of OAO "LUKOIL"*
President of the Russian International Affairs Council (RIAC)
Chairman of the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”

Born: 1945

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

Elected to the LUKOIL Board of Directors since 2009.

Ravil Ulfatovich Maganov

Member of the Board of Directors of OAO "LUKOIL"

Member of the Management Committee of OAO "LUKOIL"

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

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

Born: 1954


Elected to the LUKOIL Board of Directors since 1993.

Richard Matzke

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

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

Born: 1937

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

* In accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002
Association (IDA) and PricewaterhouseCoopers. Since 2010: Board member of Eurasia Drilling Company.

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

Sergei Anatolievich Mikhailov

Member of the Board of Directors of OAO "LUKOIL"

General Director of ZAO Gruppa Konsalting [Consulting Group]

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

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

Born: 1957


Elected to the LUKOIL Board of Directors since 2003.

Mark Mobius

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

Executive Chairman, Templeton Emerging Markets Group
Member of the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”

Born: 1936

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

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

Guglielmo Antonio Claudio Moscato

Independent member of the Board of Directors of OAO "LUKOIL"*
Chairman and CEO of Gas Mediterrraneo & Petrolio
Member of the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”
Member of the HR and Compensation Committee of the Board of Directors of OAO “LUKOIL”

Born: 1936

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

Elected to the LUKOIL Board of Directors since 2011.

Alexander Nikolaevich Shokhin

Independent member of the Board of Directors of OAO "LUKOIL"*
President of the Russian Union of Industrialists and Entrepreneurs
President of the National Research University – Higher School of Economics, Chairman of the Department for Theory and Practice of Interaction between Business and Government Chairman of the Human Resources and Compensation Committee of OAO “LUKOIL”

Born: 1951


* In accordance with the Corporate Governance Code recommended for application by FCSM Resolution No. 421/r of 04 April 2002
Member of the RF Presidential Commission for Federal Pool of High Potential Managers; Member of the Council on Competitiveness and Entrepreneurship under the Chairman of the Government of the Russian Federation, Member of the Government Commissions: on Administrative Reform; Lawmaking; High Technology and Innovation; Transport and Communications; Small and Medium-Sized Businesses.

Elected to the LUKOIL Board of Directors since 2005.
Management Committee of OAO "LUKOIL"

Vagit Yusufovich Alekperov

President of OAO “LUKOIL”

Member of the Board of Directors of OAO "LUKOIL"

Chairman of the Management Committee of OAO “LUKOIL”

Born: 1950


Anatoly Alexandrovich Barkov

Member of the Management Committee of OAO "LUKOIL"

Vice-President, General Affairs, Corporate Security and Communications of OAO “LUKOIL”

Born: 1948


Vadim Nikolaevich Vorobyov

Member of the Management Committee of OAO "LUKOIL"

Vice-President for Coordination of Petroleum Product Marketing and Distribution of OAO “LUKOIL”

Born 1961

Sergei Petrovich Kukura
Member of the Management Committee of OAO "LUKOIL"
First Vice-President of OAO “LUKOIL” (Economics and Finance)
Born: 1953


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


Sergei Nikolaevich Malyukov
Member of the Management Committee of OAO "LUKOIL"
Vice-President for Control and Internal Audit of OAO “LUKOIL”
Born: 1954

Ivan Alexeevich Maslyaev

Member of the Management Committee of OAO "LUKOIL"

Vice-President, General Counsel of OAO “LUKOIL”

Born: 1958


Alexander Kuzmich Matytsyn

Member of the Management Committee of OAO "LUKOIL"

Vice-President of Finance of OAO “LUKOIL”

Born: 1961

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

Anatoly Alexeevich Moskalenko

Member of the Management Committee of OAO "LUKOIL"

Vice-President for Human Resources Management and Corporate Structure Development of OAO “LUKOIL”

Born: 1959

Vladimir Vitalievich Mulyak  
Member of the Management Committee of OAO "LUKOIL"  
Vice-President for Technologies, and Oil and Gas Field Development of OAO "LUKOIL"  
**Born:** 1955  

Vladimir Ivanovich Nekrasov  
Member of the Management Committee of OAO "LUKOIL"  
First Vice-President of OAO “LUKOIL” (Refining, Marketing and Distribution)  
**Born:** 1957  

Valery Sergeevich Subbotin  
Member of the Management Committee of OAO "LUKOIL"  
Vice-President for Sales and Supplies of OAO "LUKOIL"  
**Born:** 1974  

Gennady Stanislavovich Fedotov  
Member of the Management Committee of OAO "LUKOIL"  
Vice-President for Economics and Planning of OAO "LUKOIL"
Leonid Arnoldovich Fedun
Member of the Management Committee of OAO "LUKOIL"
Vice-President for Strategic Development of OAO "LUKOIL"
Born: 1956

Evgeny Leonidovich Khavkin
Member of the Management Committee of OAO "LUKOIL"
Vice-President, Chief of Staff of OAO “LUKOIL”
Born: 1964

Lyubov Nikolaevna Khoba
Member of the Management Committee of OAO "LUKOIL"
Vice-President, Chief Accountant of OAO “LUKOIL”
Born: 1957

Born 1970
Committees of the Board of Directors

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

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

From 23 June 2011 the Committee consists of Igor Ivanov (Chairman), Ravil Maganov, Richard Matzke, Mark Mobius and Guglielmo Moscato.

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

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

From 23 June 2011 the Committee consists of Herman Gref (Chairman), Victor Blazheev and Sergei Mikhailov.

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

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

From 23 June 2011 the Committee consists of Alexander Shokhin (Chairman), Sergei Mikhailov and Guglielmo Moscato.

Shares of members of the Board of Directors and Management Committee in the Company’s Charter Capital as at 31 December 2011

<table>
<thead>
<tr>
<th>Members of the Board of Directors and Management Committee</th>
<th>Share in charter capital, %*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Directors</strong></td>
<td></td>
</tr>
<tr>
<td>V.Yu. Alekperov</td>
<td>1.88</td>
</tr>
<tr>
<td>V.V. Blazheev</td>
<td>-</td>
</tr>
<tr>
<td>V.I. Grayfer</td>
<td>0.007</td>
</tr>
<tr>
<td>H.O. Gref</td>
<td>-</td>
</tr>
<tr>
<td>I.S. Ivanov</td>
<td>-</td>
</tr>
<tr>
<td>R. Matzke</td>
<td>-</td>
</tr>
<tr>
<td>R.U. Maganov</td>
<td>0.37</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>0.06</td>
</tr>
<tr>
<td>M. Mobius</td>
<td>-</td>
</tr>
<tr>
<td>G. Moscato</td>
<td>-</td>
</tr>
<tr>
<td>A.N. Shokhin</td>
<td>-</td>
</tr>
<tr>
<td><strong>Management Committee</strong></td>
<td></td>
</tr>
<tr>
<td>V.Yu. Alekperov</td>
<td>1.88</td>
</tr>
</tbody>
</table>
A.A. Barkov 0.07
V.N. Vorobyov 0.006
S.P. Kukura 0.39
R.U. Maganov 0.37
S.N. Malyukov 0.001
I.A. Maslyaev 0.02
A.K. Matytsyn 0.30
A.A. Moskalenko 0.01
V.V. Mulyak 0.01
V.I. Nekrasov 0.04
V.S. Subbotin 0.005
G.S. Fedotov 0.002
L.A. Fedun 1.17
E.L. Khavkin 0.01
L.N. Khoba 0.34

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

**Information on transactions with OAO “LUKOIL” shares performed by Board and Management Committee members during 2011**

<table>
<thead>
<tr>
<th>Full Name of the Board / Management Committee member</th>
<th>Type of transaction</th>
<th>Number of shares</th>
<th>Date of transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>34,537</td>
<td>30.05.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>17,114</td>
<td>08.06.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>32,253</td>
<td>16.06.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>5,400</td>
<td>22.09.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>5,779</td>
<td>23.09.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>6,500</td>
<td>28.09.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>6,230</td>
<td>03.10.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>6,330</td>
<td>04.10.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>6,450</td>
<td>05.10.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>5,548</td>
<td>19.10.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>6,211</td>
<td>14.12.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>3,100</td>
<td>15.12.2011</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>purchase</td>
<td>15,600</td>
<td>31.12.2011</td>
</tr>
<tr>
<td>G.S. Fedotov</td>
<td>purchase</td>
<td>5,000</td>
<td>15.07.2011</td>
</tr>
<tr>
<td>V.Yu. Alekperov</td>
<td>purchase</td>
<td>30,000</td>
<td>12.10.2011</td>
</tr>
</tbody>
</table>
Information on funds paid to Board and Management Committee members in 2011

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

The Annual General Shareholders Meeting held on 23 June 2011 passed a decision to pay members of the Board of Directors of OAO "LUKOIL" elected in 2010 remuneration in the amounts established by the decision of the Annual General Shareholders Meeting of 26 June 2008 (Minutes No.1), with due regard to the additional remuneration in the amount established by decision of the Annual General Shareholders Meeting of 24 June 2010 (Minutes No.1).

Each of the members of the Board of Directors was paid remuneration of 4,470,000 roubles for performing their duties as Board members.

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

- to the Chairman of the Board of Directors for performing the functions of Chairman – 1,040,000 roubles;
- to each of the chairs of the committees of the Board of Directors – 520,000 roubles for performing the functions of Committee chair.

In addition, the members of the Board of Directors were paid for their attendance at meetings of committees of the Board of Directors, and for their attendance at meetings of the Board of Directors or a committee of the Board of Directors, where attendance required a transcontinental flight, in the amount established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 26 June 2008 (Minutes No. 1), and also for their participation in conferences and other events on written instructions from the Chairman of the Board of Directors, in the amount established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 24 June 2010 (Minutes No. 1). The specific amount of remuneration due for payment was determined as at the date of the Annual General Shareholders Meeting of OAO “LUKOIL” on 23 June 2011, in accordance with the actual participation of members of the Board of Directors at meetings and conferences (other events).

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

When making payments to Board members, an application from Board member Mark Mobius was taken into account on a waiver of the remuneration due thereto in accordance with the decision of the annual General Meeting of Shareholders of 23 June 2011.

In 2011 the members of the Management Committee were paid:
- remuneration in accordance with the contract with the member of the Management Committee\(^2\);
- a basic annual salary (the monthly payments for the position during the year, pursuant to employment contracts);
- annual performance bonuses for the previous year in accordance with the *Regulations on the System of Payment and Incentives for Management Personnel of OAO “LUKOIL”*;
- annual long-term bonus payments in accordance with the *Regulations on long-term incentives for employees of OAO “LUKOIL” and its subsidiaries*;
- additional social benefits.

### Amounts paid to Board and Management Committee members in 2011

<table>
<thead>
<tr>
<th>Management bodies</th>
<th>RUB, thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Remuneration</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>50,316</td>
</tr>
<tr>
<td>Management Committee</td>
<td>32,916</td>
</tr>
</tbody>
</table>

\(^2\) In accordance with the terms of contracts concluded with members of the Management Committee, they are paid remuneration in the amount of one monthly salary for primary employment provided the corporate-wide key performance indicators for the reporting period are achieved.
Report of the Board of Directors of OAO “LUKOIL” on the development of OAO “LUKOIL” in priority lines of business and the development prospects of OAO “LUKOIL”

The work of the Board of Directors in 2011 was structured using the Work Plan of the Board of Directors for 2010–2011 approved by the Board of Directors on 20 July 2010 and the Work Plan of the Board of Directors for 2011–2012 approved by the Board of Directors on 19 July 2011.

The Board of Directors held eight formal meetings in 2011, and decisions were also adopted through 16 absentee/distance votes.

Information on Participation in Board Meetings held in Person

<table>
<thead>
<tr>
<th>Date of the meeting, No. of the minutes</th>
<th>January 13, 2011 No.1</th>
<th>April 26, 2011 No. 7</th>
<th>May 20, 2011 No. 9</th>
<th>June 23, 2011 No.12</th>
<th>July 19, 2011 No. 13</th>
<th>August 31, 2011 No. 16</th>
<th>October 27, 2011 No. 19</th>
<th>December 01, 2011 No. 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Member</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V.I. Grayfer</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>–</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>(Chairman of the Board)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>V.Yu. Alekperov</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>I.V. Belikov</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>V.V. Blazheev</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>D. Wallette*</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>H.O. Gref</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>–</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>I.S. Ivanov</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>R.U. Maganov</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>R. Matzke**</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>S.A. Mikhailov</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>M. Mobius</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>G. Moscato**</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>A.N. Shokhin</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

* member of LUKOIL Board until June 23, 2011
** member of LUKOIL Board since June 23, 2011

General business guidelines of OAO “LUKOIL”

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

- On the preliminary results of LUKOIL Group operations in 2010 and the objectives for 2011 and the near term. On the priority areas of OAO “LUKOIL” operations in 2011;
- On the preliminary results of LUKOIL Group operations in H1 2011 and progress in the execution of the 2011 Budget and Investment Programme of OAO “LUKOIL”;
- On the main indicators of the Medium-Term Plan of the LUKOIL Group for 2012–2014.

The Board of Directors deemed the achievement by the Company and its subsidiaries of the key performance indicators of the Medium-Term Plan of the LUKOIL Group for 2011–2013 and the Budget and Investment Programme for 2011 the main objective at its first meeting in 2011. The Management Committee was instructed to concentrate its efforts on maintaining an optimal balance between the growth rates and development of the Company’s business and ensuring its effective performance based on strict fiscal discipline, improved energy efficiency and productivity, and streamlining of controlled expenses.

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

- On progress in the development of deposits in the Northern Caspian;
- Progress report on the Company’s gas projects;
- On reforming the accounting system at LUKOIL Group organisations.

To better acquaint the members of the Board of Directors with the regions where the Company does business, the Company is continuing the practice of offsite meetings of the Board of Directors. In 2011, a meeting was held in Astrakhan devoted to the development of deposits in the Northern Caspian. Among other things, Progress Report on the development of the fields of the Northern Caspian was considered at this meeting, and a decision was taken to make the continued development of the Caspian Sea projects a priority area for an increase in oil and gas production in the near and medium term.

During the consideration of the Progress report on the Company’s gas projects, the Management Committee was instructed to continue work to boost the production of natural gas and to improve the utilisation rate of associated petroleum gas in accordance with the programme
documents approved at the Company, with due regard to the existing macroeconomic environment.

With innovation policy becoming one of the key elements of the Company’s development and maintaining its competitive positions, the Board of Directors has placed special emphasis on the development of modern technology and innovations, as well as the burgeoning potential of the Company’s research and development complex, based on domestic and global best practice. In this context, the issues “Benchmarking of the Company’s activities: research & development” and “On the use of new technologies and innovation for oil and gas exploration and production” were reviewed. In particular, when drafting the Industry development programmes and medium-term plans in 2011, it was recommended that the experience of leading global companies in research and technology be used.

At the meeting on 31 August 2011, the Board of Directors considered the issue “On reforming the accounting system at LUKOIL Group organisations”, and the Management Committee of OAO “LUKOIL” was instructed to continue to reform the accounting system at LUKOIL Group organisations to achieve the expected cost efficiency through a reduction in support costs on the accounting function.

Since the approval of bond issues has been assigned to the competence of the Board of Directors, on 7 September 2011 a decision was taken to approve the Reports on the results of the issue of series 05 to 15 bonds.

The Company Charter and the Federal Law On Joint Stock Companies have assigned the preliminary approval of certain transactions to the competence of the Board of Directors of the Company. During the reporting period the Board of Directors approved interested-party transactions and a major transaction approved pursuant to point 9.7.17 of the Company Charter.

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

**Strategic development**

Issues related to the Company’s strategic development were the focus of the Board of Directors’ attention in the reporting year. In December 2011, the Board of Directors approved the Strategic Development Programme of the LUKOIL Group for 2012-2021. The corporate strategy is updated at least once every three years. The new programme is an adjusted version of Strategic Development Programme of the LUKOIL Group for 2010-2019, adopted in 2009. The Strategic Development Programme of the LUKOIL Group for 2012-2021 establishes new strategic goals, while maintaining the continuity of the Company’s strategic course.
The Programme was drafted based on the industry business segment development programmes approved by the Strategy and Investments Committee of the Board of Directors of OAO “LUKOIL”.

The priority goals and objectives of the LUKOIL Group stipulated by the Programme include:

- improving investment appeal and increasing the share of net profit paid out in dividends;
- ensuring full compensation of hydrocarbon production with growth in reserves;
- cumulative production of hydrocarbons over 10 years (2012–2021) of around 10 billion BOE, with average annual growth in hydrocarbon production of at least 3.5%;
- increase in the share of the Upstream business segment’s foreign projects in free cash flow;
- capital expenditures of more than USD 150 billion;
- increase in the oil recovery factor to 40%;
- increase in the quality and depth of oil refining, increase in the output of light petroleum products by 2021 to 72%;
- growth in average daily sales at Group filling stations in Russia by 27%.

The Board of Directors established the following, *inter alia*, as the priority areas of OAO “LUKOIL’s” operations in 2012:

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

The plans of the Exploration & Production business segment for 2012 stipulate the stabilisation and maintenance of production volumes in traditional areas of presence, to be achieved through a significant number of production drilling and enhanced oil recovery measures. The implementation and commissioning of new priority projects in Russia were planned (North
Work continues on the implementation of foreign projects in Iraq, Western Africa and Uzbekistan. The implementation of innovative research and technical developments for the development of deposits planned for the upcoming period will make it possible to cut costs and improve performance.

The Company’s activity in the Refining & Marketing business segment in 2012 will focus on the implementation of modernisation programmes at the Company’s oil refineries, aimed at the development of secondary processes and the depth of oil refining. The commissioning of a diesel hydrotreatment unit is planned at the Volgograd Oil Refinery, which will make it possible to transition fully to the production of diesel fuel with a sulphur content of 50 and 10 ppm. Plans include continued work on hydrocracking of vacuum gas oil in Volgograd, the commencement of construction of a new delayed coking unit in Perm, the second catalytic cracking complex and heavy still bottoms hydrocracking complex in Nizhny Novgorod, which will make it possible to increase the production of light petroleum products that meet high European standards in future.

Work continues in the Petrochemicals business sector on the implementation of the project to create a gas chemical complex (GCC) in Budennovsk. The use of associated petroleum gas (APG) from the deposits in the North Caspian will contribute to the achievement of the government mandate on the maximum possible utilisation of APG.

Streamlining measures involving the disposal of non-core and inefficient assets were planned for 2012.

The development plans of the Power Generation business sector stipulate the further implementation of projects under concluded capacity supply agreements. Supporting generation is being developed to improve the reliability of energy supply to LUKOIL Group organisations, and reduce the cost of energy resources through the use of internal fuel resources.

**Corporate governance**

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

In this area during the reporting year, at its first meeting on 23 June 2011 the newly elected Board of Directors, in accordance with the *Regulations on the Board of Directors of OAO “LUKOIL”*, elected V.I. Grayfer as Chairman of the Board of Directors, and on the
recommendation of the Chairman of the Board of Directors appointed E.L. Khavkin as Secretary of the Board of Directors. It also approved the membership of the Board committees.

The Company’s corporate governance system is focused on maintaining a balance of interests between the Board of Directors, management and shareholders. One of the main tasks of corporate governance is to ensure the interests of the shareholders of OAO “LUKOIL”. On 27 October 2011 the Board of Directors heard a report on the actions being taken by the Company to increase shareholder return. The Board of Directors noted that in the medium term the growth in shareholder return will be achieved through the implementation of high-impact projects in Uzbekistan, Iraq and on the shelf of the Caspian Sea, as well as through other high-impact projects.

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

In 2011 the annual General Shareholders Meeting was held on 23 June in Moscow.

Issues concerning the preparations for the General Shareholders Meeting of OAO “LUKOIL” were decided by the Board of Directors of the Company in strict compliance with the requirements of the Federal Law On Joint Stock Companies and the Company Charter. Decisions were taken through absentee voting on 4 February 2011 to determine the list of candidates for voting in the elections to the Board of Directors of the Company, the list of candidates for voting in the elections to the Audit Commission of the Company, and the list of candidates for voting in the elections for the position of Company President. The lists of candidates were compiled based on the proposals of shareholders holding at least two percent of voting shares in OAO “LUKOIL”.

Issues concerning the preparations for the annual General Shareholders Meeting were decided by the Board of Directors on 26 April 2011. These issues included: the approval of the agenda of the Annual General Meeting, determination of the dates for compiling the list of persons entitled to take part in the Meeting, approval of the text and form of the voting ballots, recommendations to the General Shareholders Meeting of the Company on taking decisions on the agenda items of the meeting, and other organisational issues connected with the preparation and holding of the meeting.
At the meeting on 20 May 2011, the Board of Directors tentatively approved the Annual Report of OAO “LUKOIL” for 2010, for its submission to the annual General Shareholders Meeting.

At this same meeting, the Board of Directors of the Company approved the Corporate Governance Report of OAO “LUKOIL” for 2010, which was prepared for the first time to meet the Company’s obligations related to the listing of its securities on the London Stock Exchange.

The competence of the Board of Directors includes the formation of the Company’s collective executive body (the Management Committee) and the early termination of the authorities of its members. In this regard, the Board of Directors approved the membership of the Management Committee of OAO “LUKOIL” on 19 July 2011, consisting of 16 members, and determined the principal terms and conditions of the contracts to be concluded with them.

On 23 June 2011 the Board of Directors established the principal terms of the contract with the President of OAO “LUKOIL”.

In accordance with the requirements of the Federal Law On Joint Stock Companies, on 19 July 2011 the Board of Directors established the maximum amount of the fees for the services of the Auditor of OAO “LUKOIL”.

The competence of the Board of Directors also includes the approval of the Company’s internal documents. In the reporting year, it approved the following documents, among others, under this function:

- the Regulations on Internal Control and Internal Audit at OAO “LUKOIL”;
- the Regulations on the organisation and conduct of control and audit reviews at OAO “LUKOIL”.

OAO “LUKOIL” continues to develop its corporate-wide risk management system, and is currently concentrating its efforts on developing a uniform risk management methodology and regulatory framework at the Company. The Board of Directors considered a number of issues related to the risk management system during the reporting year: it took note of the information on the risk management system in place at the Company, and took a decision on improving the Company’s risk management system, which led to the approval by the Board of Directors of the following internal risk management documents:

- Risk Management Policy of OAO “LUKOIL”;
- Regulations on the Risk Management Committee;

These documents determine the main goals, objectives and principles of risk management at the Company and other LUKOIL Group organisations, and the goals, functions, membership
and work procedure of the Risk Management Committee, a collegial body set up under the aegis of the President of OAO “LUKOIL” to address risks. The implementation of these documents will make it possible to form a corporate-wide risk register and to improve the effectiveness of the LUKOIL Group’s risk management in future.

In addition, amendments and addenda to the *Regulations on long-term incentives for employees of OAO “LUKOIL” and its subsidiaries in 2010–2012* were approved (16 December 2011), as were amendments and addenda to the *Regulations on the System of Payment and Incentives for Management Personnel of OAO “LUKOIL”* (3 February 2011).

At the meeting on 20 May 2011, the Board of Directors approved the report on the work of the Board of Directors in 2010–2011 and considered the results of the performance evaluation survey of the members of the Board of Directors.

The proactive approach of the members of the Company’s Board of Directors to the Board’s performance evaluation allowed the issues that require more attention from the Board of Directors to be identified. To improve its efficiency, more attention must be paid to such aspects as the development of the Company’s strategic and medium-term plans, control over their implementation, the risks which could have a material impact on the Company’s activity, as well as the criticality level of approaches and assessments of members of the Board of Directors to the decisions being made.

The Board of Directors summed up the results of the survey at the meeting on 20 May 2011. An analysis of the performance evaluation scores shows that the Board of Directors gave an overall positive evaluation of its performance in 2010–2011.
Dividends

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of dividends, RUB</th>
<th>Accrued, RUB, million</th>
<th>Paid*, RUB, million</th>
<th>Share of net profits of OAO “LUKOIL” used for dividend payments, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>for 2006</td>
<td>38.00</td>
<td>32,321</td>
<td>32,252</td>
<td>59</td>
</tr>
<tr>
<td>for 2007</td>
<td>42.00</td>
<td>35,724</td>
<td>35,633</td>
<td>55</td>
</tr>
<tr>
<td>for 2008</td>
<td>50.00</td>
<td>42,528</td>
<td>42,404</td>
<td>63</td>
</tr>
<tr>
<td>for 2009</td>
<td>52.00</td>
<td>44,229</td>
<td>44,157</td>
<td>98</td>
</tr>
<tr>
<td>for 2010</td>
<td>59.00</td>
<td>50,183</td>
<td>50,090</td>
<td>36</td>
</tr>
<tr>
<td>for 2011</td>
<td>On 27 April 2012 the Board of Directors of OAO “LUKOIL” recommended that the Annual General Shareholders Meeting to be held on 27 June 2012 pay dividends based on the results of the 2011 financial year in the amount of RUB 75 per ordinary share.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

The market for OAO “LUKOIL’s” shares continued to be in a state of consolidation in 2011. After the significant fluctuations in the quotations of the Company’s shares caused by the global financial crisis (a 53.31% decrease in 2008, followed by 75.6% growth in 2009), the change in the value of OAO “LUKOIL” shares in 2011 was characterised by greater stability and resistance to outside factors. In 2011 the Company’s shares remained one of the most liquid securities on the Russian stock market, and were used in the calculation of all major fund indexes in the Russian Federation.

The main trading platform in Russia in the past year was the MICEX Stock Exchange. The RTS Stock Exchange, where OAO “LUKOIL” securities were traded, ceased to exist on 19 December 2011, when it was incorporated into MICEX. In terms of share trading on this exchange (main trading regime) OAO “LUKOIL” shares ranked third, behind only OAO Sberbank and OAO Gazprom. OAO “LUKOIL” shares accounted for 6.49% of the total volume of trading in the stock section of the MICEX Stock Exchange in 2011.

At the start of 2011, OAO “LUKOIL” shares showed a moderate upward trend. In March–April the share reached its highest price since August 2008. In the second half of 2011, under the influence of external factors, a moderate downward trend prevailed on the market for OAO “LUKOIL” shares. For the year, the price of the Company’s shares on MICEX denominated in roubles fell by 2.35% since the start of the year. The price of ADRs on the London Stock Exchange, denominated in US dollars, fell by 6.28%.

Based on the results of MICEX trading, the share price at the end of 2011 was RUB 1,701 per share. The lowest price for one Company share in 2011 was RUB 1,500 (on 26 September 2011), while the maximum was RUB 2,090 (on 9 March 2011). The largest price fluctuation in a single day was 9.9% (22 September 2011).

The trend in the market value of Company shares in 2011 differed from the Russian stock market as a whole in its greater stability: the price of OAO “LUKOIL” shares on MICEX decreased by 2.35%, against a 16.93% drop in the MICEX index.

OAO “LUKOIL” share price and the MICEX index in 2011, %

![Chart showing the share price and MICEX index for OAO “LUKOIL” in 2011. The chart displays monthly data from January to December, with a comparison between OAO “LUKOIL” share price and the MICEX index. The chart indicates a generally declining trend for both measures throughout the year, with specific data points for each month.]
The volume of trading in OAO “LUKOIL” shares increased on Russian exchanges in the reporting year versus 2010, as did the volume of trading in depositary receipts for the Company shares on the London Stock Exchange.

On the Russian stock exchange, the volume of trading in the Company’s shares rose in quantitative terms by 22.71% over the year, and by 25.34% in monetary terms. Exchange trading in Company shares in 2011 on the MICEX and RTS exchanges totalled 745,602,489 shares, to a total of RUB 1,274.7 billion.

Depositary receipts for OAO “LUKOIL” shares were traded on the over-the-counter market in the USA and on the London, Frankfurt, Munich, Stuttgart and other exchanges. At year end 2011 the total number of depositary receipts (ADRs) issued for ordinary shares was the equivalent of 548.32 million shares (64.46% of the Company’s charter capital). The volume of trading in ADRs on the main foreign trading platform – the London Stock Exchange – increased by 58.74% in 2011 and reached USD 79.6 billion. In 2011, ADRs issued for OAO “LUKOIL” shares were the second-most traded ADRs of foreign companies listed on the London Stock Exchange in the International Order Book system (15.1% of aggregate average monthly trading in this system).

LUKOIL Group organisations did not issue and place any debt securities during 2011. In December 2011 the Company carried out the scheduled redemption of a bond loan of 8 billion roubles issued in December 2006 (series 03).

### Volumes of trading in OAO “LUKOIL” shares and ADRs in 2011, million USD

![Graph showing volumes of trading in OAO “LUKOIL” shares and ADRs in 2011, million USD](image)
## Change in the share capital structure of OAO “LUKOIL” in 2011

### Key shareholders in OAO “LUKOIL” (> 1% ordinary registered shares)

<table>
<thead>
<tr>
<th>Key Shareholder</th>
<th>Number of shares as at 1 Jan 2011</th>
<th>% of total number of shares as at 1 Jan 2011</th>
<th>Number of shares as at 1 Jan 2012</th>
<th>% of total number of shares as at 1 Jan 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>ING Bank (Eurasia) ZAO</td>
<td>645,159,254</td>
<td>75.85</td>
<td>645,877,294</td>
<td>75.94</td>
</tr>
<tr>
<td>ZAO Depositarno-kliringovaya Kompaniya [Depository Clearing Company]</td>
<td>69,483,048</td>
<td>8.17</td>
<td>72,002,391</td>
<td>8.47</td>
</tr>
<tr>
<td>NKO ZAO Natsionalny raschetny depository [National Settlement Depository]</td>
<td>52,526,643</td>
<td>6.18</td>
<td>46,976,333</td>
<td>5.52</td>
</tr>
<tr>
<td>SDK Garant</td>
<td>33,411,404</td>
<td>3.93</td>
<td>33,427,724</td>
<td>3.93</td>
</tr>
<tr>
<td>OJSC BANK URALSIB</td>
<td>12,065,926</td>
<td>1.42</td>
<td>12,049,529</td>
<td>1.42</td>
</tr>
<tr>
<td>J.P. Morgan Bank International (LLC)</td>
<td>7,778,301</td>
<td>0.91</td>
<td>10,983,473</td>
<td>1.29</td>
</tr>
</tbody>
</table>

3 Nominee shareholders
Description of the key risk factors associated with the operations of OAO “LUKOIL”

The successful achievement of the goals set by OAO “LUKOIL” is exposed to risks due to a number of factors, both internal and external to the Company. The management of OAO “LUKOIL” pays a great deal of attention to addressing risks in order to ensure reasonable guarantees that established goals will be met and the market status of OAO “LUKOIL” will be maintained. In this regard, OAO “LUKOIL” continuously identifies and monitors events that could have a negative impact on the Company’s operations, and develops measures to prevent their occurrence or to reduce as much as possible the negative impact should they occur.

The Company seeks to actively develop its risk management function, and is currently concentrating its efforts on creating an enterprise risk management (ERM) system that complies with global best practice. In 2011 the Company adopted the Risk Management Policy of OAO “LUKOIL” and created a Risk Management Committee. The OAO “LUKOIL” Risk Management Policy defines the main goals, objectives, and principles of risk management at the Company and sets out a uniform approach to risk management at LUKOIL Group organisations. The Risk Management Committee is a collegial body under the aegis of the President of OAO “LUKOIL”. Its main goal is to improve the risk management system and enhance the effectiveness of the risk management process. Also, the Procedure for Risk Identification, Assessment, Selection of Ways of Risk Response and Risk Monitoring, and the Methodology for Risk Identification, Description and Assessment of LUKOIL Group companies were developed by the end of 2011 and implemented in 2012. These documents establish a procedure for organising risk management and a method for identifying, describing and assessing risks that are uniform for all LUKOIL Group organisations. The implementation of these documents will make it possible to create a corporate register of risks on unified methodological and organisational principles.

Information on the key operating risks of OAO “LUKOIL” is presented below. The realisation of any of these risks may negatively impact the Company’s operations and in the final analysis may have a negative effect on the size of cash flows and profits. OAO “LUKOIL” will take all possible measures to monitor and prevent the occurrence of these events, and should they occur, will take measures to rapidly eliminate their after-effects and minimise damage to the Company.

Strategic risks

Macroeconomic risks

A possible slowdown in global economic growth rates and a reduction in global demand for hydrocarbons, the possible negative trends in increasing inflation rates in the USA, Europe and Asia, as well as the associated monetary policy of these states, and the negative trends in exchange rates could have a negative impact on the financial performance and share price of the Company.

With the aim of reducing the Company’s economic risks, when planning operations several scenarios for the development of the economic situation are considered (an optimistic, a base case and a conservative scenario). This makes it possible to take balanced decisions on distributing capital and creating a portfolio of investment projects, and to develop measures to react in a timely and efficient manner to the circumstances as they actually take shape.
Country risks

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

In order to minimize the effect of risks to the business of OAO “LUKOIL” in countries with high political risks, the Company strives to diversify its operations, and in parallel with its operations in unstable regions is acquiring assets in countries where the regional and political risks are minimal.

Industry risks

*Risks of access to new sources of raw materials*

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

This risk is taken into account when developing the Company’s development strategy, an important element of which is to ensure sustainable development through participation in strategic alliances, rejection of unprofitable projects and assets, and the entry onto new markets.

*Logistics risks*

When transporting its products, OAO “LUKOIL” is largely dependent on the transportation facilities of state-owned monopolies: OAO AK Transneft, OAO AK Transnefteprodukt, and OAO Russian Railways, as well as OAO Gazprom for transporting the Company’s natural gas production. The Company’s dependence on state-owned monopolies to transport its products may lead to significant negative consequences. These may include:

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

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

*Risks on the petroleum products market*

Greater competition on the petroleum products market and a worsening of the market environment may lead to the following risks:

- risks of a decrease in sales volumes and partial idling of production capacities;
- risks of a decrease in oil refining margins;
- risks of a decrease in the retail margin.

These risks could result in revenue gaps or higher costs for the Company, which could eventually have a negative impact on cash flows and enterprise value in this business segment.
The Company monitors these risks and seeks to mitigate them in a timely manner. Risk mitigation efforts include: rapid reorientation of commodity flows to those markets that bring in the highest revenues, ongoing modernisation of oil refining facilities with the aim of increasing the output of high-value-added products, and other measures that raise the efficiency of capital allocation in the oil refining and petrochemicals sector.

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

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

The main risks for the Company in this segment are:

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

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

**Financial risks**

**Price risks**

Spikes and slumps in hydrocarbon prices may complicate the Company’s operations to a certain extent. OAO “LUKOIL” expects energy prices on commodity exchanges to remain highly volatile in the near term, due to the unstable balance of supply and demand on the global market, as well as the effect of other economic factors.

OAO “LUKOIL” constantly monitors the state of the oil and petroleum product markets. Key means of reducing the level of short-term price risks are: management of the transaction table (including the re-orientation of the flow of sales of oil and petroleum products from areas of least effectiveness to areas of greater effectiveness), use of effective price formulas in contracts and the refusal to use fixed prices in contracts.

**Inflation risks**

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

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

**Interest-rate risks**

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

111
With the aim of reducing the effect of this risk, the Company constantly monitors the state of the market and acts to improve its debt structure, and tracks its needs for additional financing and debt refinancing.

**Liquidity risks**

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

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

- sharp fluctuations in prices for energy resources;
- change in demand for energy resources;
- increase in the amount of taxes, duties and customs payments payable;
- lowering of the Company’s credit ratings;
- cost growth.

Another liquidity risk is the risk of restricted access to financing on international currency and capital markets.

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

**Currency risks**

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

Work is currently underway to create a system for managing financial risks, including hedging of currency risks.

**Credit risks**

The Company’s most significant credit risk group includes first and foremost the risks that counterparties will fail to meet their obligation to pay for products shipped to them.

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

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

Risks in the area of anti-monopoly regulation

At present there is a risk of stricter anti-monopoly legislation and law-enforcement practice against oil companies. Specifically, the Russian Government is currently considering two draft Federal Laws: *On the Circulation of Oil and Petroleum Products in the Russian Federation* and *On Market Price Formation for Oil and Petroleum Products in the Russian Federation*, the provisions of which are aimed at developing the norms of the Federal Law *On the Protection of Competition* as applicable to the oil sector, and which stipulate a number of substantial restrictions for major vertically-integrated companies working on the Russian market. The passage of these laws in their current form could substantially complicate the operations of OAO “LUKOIL” in selling petroleum products on the Russian market.

The Company has created and operates a Working Group for relations with the anti-monopoly authorities with the aim of reducing risks of violations of anti-monopoly legislation and ensuring a unified policy for LUKOIL Group organisations in the field of anti-monopoly legislation.

In its operations, OAO “LUKOIL” adheres to the principles of competitive behaviour on the market and maintenance of lawful business practices, does not pursue any policies aimed at limiting competition or monopolising commodity markets, and has no such objectives in either the short or long term. Nonetheless, we cannot exclude the risk of anti-monopoly investigations conducted in respect of the Company and other LUKOIL Group organisations and the imposition of penalties for violations of anti-monopoly legislation. To mitigate this risk, the Company pays close attention to monitoring transfer prices to ensure they fully match market levels.

Tax risks

OAO “LUKOIL” does not exclude the possibility that tax legislation and tax enforcement will be made stricter. If tax regulations become more stringent, a number of the Company’s export operations may be made more difficult, which could have a negative impact on its current liquidity.

Risks in the area of currency regulation

OAO “LUKOIL” does not rule out the possibility that legislation on currency regulation will be made stricter. If currency regulations become more stringent, a number of the Company’s export operations may be made more difficult, which could have a negative impact on its current liquidity.

Despite the fact that at present this risk is assessed as insignificant, the Company monitors the situation regularly in order to be able to develop measures in a timely manner in the even there is an increase in the level of this risk.

Risks in the area of customs regulation

OAO “LUKOIL” does not exclude the risk that the rules of customs control will become more onerous and customs duties will increase. Specifically, the state authorities (Government of the Russian Federation, State Duma of the Russian Federation) periodically are asked to consider changing the procedure for calculating export duties on oil and petroleum products. Such changes could have a negative effect on the Company’s future financial performance.
Company specialists are part of working groups to work with the state authorities in the field of customs regulation, with the aim of explaining in detail the position of OAO “LUKOIL” on this matter and the risks inherent in the proposed legislative initiatives.

**Geological risks**

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

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

**Risks associated with subsoil use and licensing**

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

- the risk of a refusal to provide subsoil usage rights to the legal entity that discovers the mineral deposit on a subsoil plot of federal significance or a deposit on a subsoil plot of federal significance on the continental shelf of the Russian Federation;
- the risk of a refusal to accept application documents to participate in tenders/auctions from subsoil users that are LUKOIL Group organisations;
- the risk of an extended approval process for design and budgeting documentation for exploration work.

The Company constantly monitors changes to legislation and enforcement practices in the field of subsoil usage and licensing. In addition, the Company strives to establish close informational links with the regulatory authorities in order to promptly inform them of possible problems associated with changes to legislation, and also to quickly obtain information necessary to promptly make decisions related to subsoil usage.

**Environmental risks and industrial safety risks**

There is a risk of failure of technical devices at hazardous production facilities, which could lead to emergency situations, suspension of technological processes, the release of dangerous products, fires, and accidents.

In order to minimise the probability of this risk arising, the Company has created and operates an industrial safety system, under which the following tasks are performed:

- corporate oversight of the condition of equipment and devices;
- monitoring of the operation of dynamic equipment;
- certification of the working conditions of work places;
- formation of a personnel and equipment reserve to handle emergency situations;
- other measures to reduce the industrial accident rate at LUKOIL Group organisations.

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

Construction risks

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

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

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

<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
</table>
| 1. | Notification of shareholders of general meetings of shareholders at least 30 days before the date of the meeting, regardless of the items on the agenda, unless the law stipulates a longer term. | Compliance | Point 8.7 of the Charter of OAO “LUKOIL”  
Point 5.1 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL” |
| 2. | Shareholders have the opportunity to study the list of parties entitled to participate in the general meeting, starting from the date of the notification of the general Shareholders meeting up to the closing of the meeting (if held in the form of joint attendance) or to the deadline for receipt of voting ballots (if held through absentee voting). | Compliance | Point 4.4 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL” |
| 3. | Shareholders have the opportunity to study the information (materials) to be provided during the preparations for holding the general meeting of shareholders, using electronics means of communication, including over the Internet. | Compliance | Point 5.5 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL” |
| 4. | Shareholders have the opportunity to submit an item to the agenda of the general Shareholders meeting or demand the convocation of a general shareholders meeting without submitting a statement from the shareholder registry, if their rights to shares are accounted for in a shareholder registry system, or if rights to shares are accounted on a deposit account, then a statement from the deposit account is sufficient to exercise the given rights. | Compliance | Point 3.3 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL” |
| 5. | The charter or internal documents of the joint stock company* contains a requirement on the mandatory attendance at the general shareholders meeting of the General Director, members of the Management Committee, members of the Board of Directors, members of the Audit Commission, and the auditor of the company. | Partial compliance | In accordance with point 6.2 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”, the Board of Directors sends an invitation to attend the general shareholders meeting to the President of the Company, members of the Board of Directors, the Management Committee and the Audit Commission of the Company and the Auditor of the Company. Pursuant to this point, the Board of Directors also sends invitations to candidates in cases where the general shareholders meeting will consider issues of the election of the President of the Company, members of the Board of Directors, and members of the Audit Commission, and also the issue of the approval of the Auditor of the Company. |
| 6. | Mandatory attendance of candidates in cases where the | Partial | See note to item 5 |

* For the purposes of this table, hereinafter ‘the company’
<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>The internal documents of the company contain the procedure for registering participants in the general shareholders meeting.</td>
<td>Compliance</td>
<td>Point 10.1 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”</td>
</tr>
</tbody>
</table>

**Board of Directors**

| 8. | The charter of the company contains the authorities of the Board of Directors regarding the annual approval of the financial business plan of the company. | Non-compliance | In accordance with point 10.6.3 of the Charter of OAO “LUKOIL”, the development and approval of quarterly, annual and future plans, the budget and the investment programme are assigned to the authority of the Management Committee. |
| 9. | The Board of Directors has approved a procedure for risk management at the company. | Compliance | Point 3.1.10 of the Regulations on the Audit Committee of the Board of Directors of OAO “LUKOIL”.  
In accordance with this point, the competence of the Audit Committee includes an evaluation of the risk management system at the Company and the preparation of the relevant recommendations to the Company’s Board of Directors.  
The Board of Directors of OAO “LUKOIL” approved the Risk Management Policy of OAO “LUKOIL” and the Regulations on the Risk Management Committee.  
The Risk Management Committee is a collegial body under the President of OAO "LUKOIL", to address risks.  
The following documents that lay the foundation for the risk management system at the Company and other LUKOIL Group organizations were also approved by virtue of OAO LUKOIL” Executive Order:  
- Procedure for Risk Identification, Assessment, Selection of Ways of Risk Response and Risk Monitoring;  
- Methodology for Risk Identification, Description and Assessment of LUKOIL Group companies. |
<p>| 10. | The charter of the company defines the rights of the Board of Directors to take a decision on suspending the authority of the General Director appointed by the general shareholders meeting. | Non-compliance | The Charter of OAO “LUKOIL” assigns the appointment of the President and the early termination of the authorities of the President to the competence of the general shareholders meeting. The President is appointed by the general shareholders meeting for a term of five years. |</p>
<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>The charter of the company defines the right of the Board of Directors to establish requirements on the qualifications and size of remuneration of the General Director, members of the Management Committee, and heads of the main structural units of the company.</td>
<td>Compliance</td>
<td>In accordance with point 9.7.10 of the Charter of OAO “LUKOIL”, the competence of the Board of Directors includes establishment of the terms and conditions of contracts concluded with the President and members of the Management Committee.</td>
</tr>
</tbody>
</table>

The Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO “LUKOIL” (sections 2 and 3) stipulate that one of the purposes of the Committee is to develop and submit recommendations to the Board of Directors on the Company’s policy and standards regarding the selection of candidates to management bodies. The Committee determines the criteria for selecting candidates to the Board of Directors, Management Committee, and for the position of President of the Company, makes a preliminary assessment of candidates for the management bodies, and makes the corresponding recommendations to the Board of Directors. The Committee also makes recommendations to the Board of Directors on the material terms and conditions of contracts with members of the Management Committee and the President of the Company. |

| 12 | The charter of the company defines the right of the Board of Directors to approve the terms and conditions of contracts with the General Director and members of the Management Committee.                                                                                                           | Compliance                  | In accordance with point 9.7.10 of the Charter of OAO “LUKOIL”, the competence of the Board of Directors includes establishment of the terms and conditions of contracts concluded with the President and members of the Management Committee.   |

| 13 | The charter or internal statutes of the company contain a requirement that when approving the terms of the contracts with the General Director (management organisation, manager) and the members of the Management Committee, the votes of members of the Board of Directors who hold such positions are not counted in the voting. | Compliance                  | Point 9.8.4 of the Charter of OAO “LUKOIL”                                                                                         |

| 14 | The Board of Directors of the company includes at least three independent directors who meet the requirements of the Corporate Governance Code.                                                                                                          | Compliance                  | Point 9.2 of the Charter of OAO “LUKOIL” contains a provision that shareholders will seek to nominate and elect to the Board of Directors at least three independent directors. By decision of the annual General Shareholders Meeting of OAO “LUKOIL” of 23 June 2011 (Minutes No. 1), seven independent directors who meet the independence criteria as defined in point 2.2.2 of chapter 3 of the Code of Corporate Governance were elected to the Board of Directors of the Company. |

| 15 | No one on the Board of Directors of the company has been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or has been                                                                 | Compliance                  | The Company has no information to the effect that any person on the Board of Directors has been found guilty of crimes in the area of business activity or crimes |

118
<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.</td>
<td></td>
<td>against the state authorities, the interests of state service or service in local government, or has been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.</td>
<td></td>
</tr>
<tr>
<td>16. No one on the Board of Directors of the company is a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with the company.</td>
<td>Partial compliance</td>
<td>Other than A.N. Shokhin, who is also a member of the Board of Directors of OAO TNK-BP Management, no one on the Board of Directors of OAO “LUKOIL” is the General Director (manager), member of management bodies, or employee of a legal entity that competes with OAO “LUKOIL”. Certain members of the Board of Directors may have insignificant shareholdings (in percentage terms) in other oil companies (Russian and foreign), but these shareholdings are strictly for financial purposes, and due to their insignificant size do not provide the ability to affect the operations of these companies.</td>
<td></td>
</tr>
<tr>
<td>17. The charter of the company contains a requirement that the Board of Directors be elected by cumulative voting.</td>
<td>Compliance</td>
<td>Point 9.2 of the Charter of OAO “LUKOIL”</td>
<td></td>
</tr>
<tr>
<td>18. The company’s internal documents specify the obligation of members of the Board of Directors to refrain from actions that will or potentially could lead to a conflict between their interests and the interests of the company, and the obligation, should such a conflict arise, to immediately disclose information on this conflict to the Board of Directors.</td>
<td>Compliance</td>
<td>Point 1.2 of the Regulations on the Board of Directors of OAO “LUKOIL” indicates that the Board of Directors performs the overall management of the operations of the Company in the interests of the Company, its shareholders and investors. Point 1.5 of the Regulations on the Board of Directors of OAO “LUKOIL” stipulates that the Board of Directors of the Company is obligated not to divulge or use, including for personal benefit, confidential information on the Company and insider information. Pursuant to point 11.1 of the Charter of OAO “LUKOIL”, in exercising their rights and performing their duties, Company officials shall act in the interests of the Company, and exercise their rights and perform their duties in respect of the Company reasonably and in good faith. In accordance with point 3.1.10 of the Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO “LUKOIL”, the Human Resources and Compensation Committee analyses the information provided by members of the Board of Directors regarding changes to personal data, which members of the Board of Directors are obligated to disclose by effective legislation, the Company Charter and the Code of Corporate Governance approved by the Government of the Russian Federation on 28</td>
<td></td>
</tr>
</tbody>
</table>


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

During the reporting year, the Audit Committee of the Board of Directors of
<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>The company’s internal statutes specify that all members of the audit committee have the right to access any documents and information of the company, provided they do not disclose confidential information.</td>
<td>Compliance</td>
<td>OAO “LUKOIL” was chaired by an independent director.</td>
</tr>
<tr>
<td>30</td>
<td>A committee of the Board of Directors has been created (human resources and compensation committee) whose functions are to determine criteria for the selection of candidates to the Board of Directors and the development of the company’s compensation policy.</td>
<td>Compliance</td>
<td>Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO “LUKOIL”.</td>
</tr>
<tr>
<td>31</td>
<td>Management of the human resources and compensation committee is entrusted to an independent director.</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>The human resources and compensation committee does not contain company officers.</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>The Board of Directors has a risk committee, or the functions of this committee are entrusted to another committee (except the audit committee or the human resources and compensation committee).</td>
<td>Partial compliance</td>
<td>The function of evaluating the risk management system in place at the Company and preparing relevant recommendations for the Board of Directors is entrusted to the Audit Committee of the Board of Directors of OAO “LUKOIL” (point 3.1.10 of the Regulations on the Audit Committee of the Board of Directors of OAO “LUKOIL”). The Company has also established a Risk Management Committee, a collegial body under the President of OAO &quot;LUKOIL&quot;, to address risks. The Regulations on the Risk Management Committee were approved by decision of the Board of Directors of OAO &quot;LUKOIL&quot;.</td>
</tr>
<tr>
<td>34</td>
<td>The Board of Directors has a corporate conflicts committee, or the functions of this committee are entrusted to another committee (except the audit committee or the human resources and compensation committee).</td>
<td>Non-compliance</td>
<td>There is no such committee of the Board of Directors. The Company has established a Business Ethics Commission responsible for regulating corporate ethical relations and implementing the norms and rules of the Code of Business Conduct and Ethics of OAO “LUKOIL” approved by decision of the Board of Directors of OAO &quot;LUKOIL&quot;.</td>
</tr>
<tr>
<td>№</td>
<td>Provision of the Corporate Governance Code</td>
<td>Compliance/ non-compliance</td>
<td>Note</td>
</tr>
<tr>
<td>----</td>
<td>-------------------------------------------</td>
<td>-----------------------------</td>
<td>------</td>
</tr>
<tr>
<td>35</td>
<td>The corporate conflicts committee does not include company officers.</td>
<td>Non-compliance</td>
<td>See point 34.</td>
</tr>
<tr>
<td>36</td>
<td>Management of the corporate conflicts committee is entrusted to an independent director.</td>
<td>Non-compliance</td>
<td>See point 34.</td>
</tr>
<tr>
<td>37</td>
<td>The company has internal statutes approved by the Board of Directors that stipulate the procedure for the creation and operation of board committees.</td>
<td>Compliance</td>
<td>The Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO “LUKOIL”, the Regulations on the Audit Committee of the Board of Directors of OAO “LUKOIL”, and the Regulations on the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”.</td>
</tr>
<tr>
<td>38</td>
<td>The company’s charter stipulates the procedure for determining quorum for meetings of the Board of Directors, such that the attendance of independent directors is mandatory for meetings of the Board of Directors.</td>
<td>Compliance</td>
<td>Point 9.10 of the Charter of OAO “LUKOIL”</td>
</tr>
</tbody>
</table>

**Executive bodies**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>39</td>
<td>The company has a collective executive body (management committee).</td>
<td>Compliance</td>
<td>Point 10.4 of the Charter of OAO “LUKOIL” Regulations on the Management Committee of OAO “LUKOIL”</td>
</tr>
<tr>
<td>40</td>
<td>The company’s charter or internal statutes contain a provision mandating that the management committee must approve transactions on real estate or the receipt of a loan by the company, if the given transactions do not constitute major transactions or their performance is not part of the normal course of business of the company.</td>
<td>Compliance</td>
<td>Approval of transactions (or several related transactions) that involve the acquisition, disposal or the possibility of disposal of property the value of which is between 10 percent and 25 percent of the book value of the Company’s assets, except transactions performed in the normal course of the Company’s business, is assigned to the competence of the Board of Directors by point 9.7.18 of the Charter of OAO “LUKOIL”. The Company has in place a Procedure for Approving Major Transactions by the Subsidiaries of OAO “LUKOIL”, approved by decision of the Management Committee of OAO “LUKOIL” on 14 December 2004 (Minutes No. 36), with amendments made by decision of the Management Committee of OAO “LUKOIL” of 17 October 2005 (Minutes No. 30). In accordance with this document the Management Committee should approve transactions being carried out by subsidiaries, except for transactions in which the counterparty is OAO “LUKOIL” and/or a subsidiary of OAO “LUKOIL”, the subject of which is the acquisition, disposal or the possibility of disposal of fixed assets and/or intangible assets, provision of loans, credits, guarantees and suretyships, targeted financing, and also the receipt of loans and credits, if such transactions meet specific criteria related to the size of transactions in monetary terms, and also (for transactions with fixed assets and intangible assets) the percentage share of the value of fixed assets and/or intangible assets</td>
</tr>
<tr>
<td>№</td>
<td>Provision of the Corporate Governance Code</td>
<td>Compliance/ non-compliance</td>
<td>Note</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>41</td>
<td>The company’s internal statutes specify the procedure for the coordination of operations that fall outside the normal course of business of the company.</td>
<td>Partial compliance</td>
<td>The decision of the Board of Directors of 30 November 2010 (Minutes No.24) granted the Management Committee the right to revise the Investment Programme of the LUKOIL Group for 2011, in an amount not exceeding 10% of the investment expenses of the LUKOIL Group being approved thereby, provided that these revisions are in accord with the strategic goals and objectives of the Company and are supported by financing. Should such revisions exceed the level thus approved, they must be coordinated with the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”. The decision of the Board of Directors of 01 December 2011 (Minutes No.22) provided the Management Committee of OAO “LUKOIL” with the right to include optional projects in and make other revisions to the Investment Programme of the LUKOIL Group for 2012, in an amount not exceeding 10% of the investment expenses of the LUKOIL Group being approved hereby taking optional projects into account, provided that these revisions are in accord with the strategic goals and objectives of the Company and are supported by financing. Should such revisions exceed the level thus approved, they must be coordinated with the Strategy and Investment Committee of the Board of Directors of OAO “LUKOIL”.</td>
</tr>
<tr>
<td>42</td>
<td>The executive bodies of the company do not include any person who is a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with the company.</td>
<td>Compliance</td>
<td>The executive bodies of OAO “LUKOIL” do not contain anyone who is a participant, General Director (manager), member of management bodies, or employee of a legal entity that competes with OAO “LUKOIL”.</td>
</tr>
<tr>
<td>43</td>
<td>The executive bodies of the company do not contain persons who have been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who have been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market. If the functions of the individual executive body are performed by a management organisation or a manager, the general director and members of the management committee of the management organisation or the manager meet the requirements made on general director or members of the management committee of the company.</td>
<td>Compliance</td>
<td>The Company has no information to the effect that any person on the Management Committee has been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who has been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.</td>
</tr>
<tr>
<td>44</td>
<td>The company’s charter or internal documents prohibit the management organisation (manager) from performing similar functions in a competing company, and also from having a property relationship with the company, other than assets in the book value of the assets of the subsidiary.</td>
<td>Non-compliance</td>
<td>The Charter and internal documents do not foresee the possibility of transferring functions to a management organisation (manager).</td>
</tr>
<tr>
<td>№</td>
<td>Provision of the Corporate Governance Code</td>
<td>Compliance/ non-compliance</td>
<td>Note</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------</td>
<td>---------------------------</td>
<td>------</td>
</tr>
<tr>
<td>45</td>
<td>The company’s internal statutes specify that the executive bodies must refrain from actions that will or potentially could lead to a conflict between their interests and the interests of the company, and the obligation, in the event of the appearance of such conflict, to inform the Board of Directors of this.</td>
<td>Compliance</td>
<td>Pursuant to point 11.1 of the Charter of OAO “LUKOIL”, in exercising their rights and performing their duties, Company officials shall act in the interests of the Company, and exercise their rights and perform their duties in respect of the Company reasonably and in good faith.</td>
</tr>
<tr>
<td>46</td>
<td>The company’s charter or internal documents contain criteria for selecting the management organisation (manager).</td>
<td>Non-compliance</td>
<td>See point 44.</td>
</tr>
<tr>
<td>47</td>
<td>The executive bodies provide monthly reports on their work to the board of directors</td>
<td>Non-compliance</td>
<td>In accordance with article 69 of the Federal Law On Joint Stock Companies, the executive bodies of a joint stock company are subordinate to the Board of Directors, and thus the right of members of the Board of Directors to receive information on the work of the executive bodies is an inalienable right and requires no special stipulation.</td>
</tr>
<tr>
<td>48</td>
<td>The contracts concluded by the company with the general director (management company, manager) and the members of management establish liability for violation of the provisions on use of confidential and official information.</td>
<td>Compliance</td>
<td>In accordance with the contracts concluded with the members of the Management Committee of OAO “LUKOIL”, the members of the Management Committee are obligated to keep the work of the Management Committee confidential and not to disclose information that becomes known to them in connection with the performance of their duties as a member of the Management Committee. These contracts also stipulate that members of the Management Committee are liable for losses caused to the Company as a result of their culpable actions (inaction) as members of the collective executive body of the Company. In accordance with the contract with the President of OAO “LUKOIL”, the President is obligated to ensure the integrity of information that constitutes a state or commercial secret and other secrets protected by law. Point 11.2 of the Charter stipulates that officials of the Company are liable to the Company for losses caused to the Company by their culpable actions (inaction), unless other grounds and amounts of liability are established by federal laws.</td>
</tr>
</tbody>
</table>

**Company secretary**

<p>| 49 | The company has a designated official (i.e. the company secretary) who is responsible for ensuring the company’s bodies and officials comply with procedural requirements guaranteeing the observance of the rights and legal interests of company shareholders. | Compliance | By decision of the Board of Directors of OAO “LUKOIL” of 29 August 2003 (Minutes No. 37), the duties of the corporate secretary were assigned to the Secretary of the Board of Directors - |</p>
<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>The company has a procedure in its charter or internal documents for appointing (electing) the company secretary and defining his/her responsibilities</td>
<td>Compliance</td>
<td>See point 49. The procedure for appointing the Secretary of the Board of Directors is established in point 2.1 of the <em>Regulations on the Board of Directors of OAO “LUKOIL”</em>.</td>
</tr>
<tr>
<td>51</td>
<td>The company charter contains requirements on the candidates for the post of company secretary</td>
<td>Non-compliance</td>
<td>See point 49.</td>
</tr>
</tbody>
</table>

**Material corporate actions**

52. The company charter or internal documents contain requirements on approving major transactions prior to their conclusion. Partial compliance Pursuant to point 9.7.17 of the Charter of OAO “LUKOIL”, the competence of the Board of Directors includes approval of major transactions involving assets with a value of 25 to 50 percent of the book value of the Company’s assets according to its financial statements as of the latest reporting date with the exception of transactions entered into during the usual course of the Company’s business, transactions related to placement of the Company’s ordinary shares by way of subscription (sale), transactions related to placement of issuable securities convertible into the Company’s ordinary shares and transactions that the Company must enter into under federal laws and/or other legal acts of the Russian Federation, and settlements under which are performed in prices determined pursuant to the procedure established by the Government of the Russian Federation, or in prices and tariffs established by a federal executive body authorized by the Government of the Russian Federation. Approval of major transactions with a value of over 50 percent of the book value of the Company’s assets falls within the competence of the General Shareholders Meeting of OAO “LUKOIL” pursuant to point 8.2.16 of the Charter of OAO “LUKOIL”.

In the reporting year OAO “LUKOIL” performed one transaction that is recognised as a major transaction in accordance with the Federal Law On Joint Stock Companies. This transaction is further described in the Annual Report. The transaction received the prior approval of the Board of Directors, and information on the relevant Board decision was disclosed by OAO “LUKOIL” in the form of a price sensitive announcement (disclosure of information that may have a significant effect on the price of shares of a joint stock company).
<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>53</td>
<td>Mandatory hiring of an independent appraiser to assess the market value of property that is the subject of a major transaction.</td>
<td>Compliance</td>
<td>Point 5.2.2 of the Regulations on the Organisation of Valuations in the Interests of the LUKOIL Group, approved by decision of the Management Committee of OAO “LUKOIL” of 23 June 2008 (Minutes No. 19).</td>
</tr>
<tr>
<td>54</td>
<td>The company charter prohibits any actions during the acquisition of major shareholdings in the company (takeover) that are aimed at protecting the interests of the executive bodies (members thereof) and the members of the Board of Directors or worsening the position of shareholders compared to the current situation (specifically, until the end of the scheduled period for the acquisition of shares the Board of Directors is prohibited from passing a decision on the issue of additional shares, on the issue of securities convertible into shares, or securities conferring the right to purchase shares of the company, even if the right to adopt such a decision is granted thereto by the charter).</td>
<td>Compliance</td>
<td>For the purposes of complying with the requirements of article 84.6 of the Federal Law On Joint Stock Companies, point 9.7 of the Charter of OAO “LUKOIL” was amended to stipulate a restriction of the competence of the Board of Directors of OAO “LUKOIL” in cases where decisions on issues listed in this point can only be taken by the general meeting of shareholders in accordance with effective legislation.</td>
</tr>
<tr>
<td>55</td>
<td>The company charter contains requirements on mandatory hiring of an independent appraiser to assess the current market value of shares and possible changes in their market value as a result of a takeover.</td>
<td>Partial compliance</td>
<td>This requirement is established by point 5.2.3 of the Regulations on the Organisation of Valuations in the Interests of the LUKOIL Group, approved by decision of the Management Committee of OAO “LUKOIL” of 23 June 2008 (Minutes No. 19).</td>
</tr>
<tr>
<td>56</td>
<td>The company charter does not release the buyer from the obligation to propose that shareholders sell their ordinary shares in the company (issuable securities convertible into ordinary shares) during a takeover</td>
<td>Compliance</td>
<td>Point 5.7 of the Charter of OAO “LUKOIL”.</td>
</tr>
<tr>
<td>57</td>
<td>The company charter or internal statutes contain requirements on the mandatory hiring of an independent appraiser to determine the share conversion ratio during reorganisation</td>
<td>Compliance</td>
<td>Point 5.2.4 of the Regulations on the Organisation of Valuations in the Interests of the LUKOIL Group, approved by decision of the Management Committee of OAO “LUKOIL” of 23 June 2008 (Minutes No. 19).</td>
</tr>
</tbody>
</table>

**Disclosure of information**

<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>58</td>
<td>An internal document has been approved by the board of directors that determines the company’s rules and approaches to the disclosure of information (Regulations on Information Policy).</td>
<td>Compliance</td>
<td>Regulations on Information Policy of OAO “LUKOIL”</td>
</tr>
<tr>
<td>59</td>
<td>The company’s internal documents contain requirements on disclosing information on the purposes of share offerings, on the parties that plan to purchase the offered shares (including major shareholdings), and whether the company’s top officials will participate in the purchase of the offered shares in the company.</td>
<td>Compliance</td>
<td>Point 3.11 of the Regulations on Information Policy of OAO “LUKOIL”.</td>
</tr>
<tr>
<td>60</td>
<td>The company’s internal documents contain a list of information, documents and materials which should be provided to shareholders for resolution of the issues on the agenda of the general shareholders meeting.</td>
<td>Compliance</td>
<td>Point 5.6 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”</td>
</tr>
<tr>
<td>61</td>
<td>The company has an Internet website and regularly discloses information on the company on this website.</td>
<td>Compliance</td>
<td>The Company has websites in Russian and English (<a href="http://www.lukoil.ru">www.lukoil.ru</a> and <a href="http://www.lukoil.com">www.lukoil.com</a>, respectively); procedures for maintaining these sites are governed by the Regulations for the Maintenance of the OAO “LUKOIL” Internet Portals and Websites of LUKOIL Group Organisations.</td>
</tr>
<tr>
<td>№</td>
<td>Provision of the Corporate Governance Code</td>
<td>Compliance/ non-compliance</td>
<td>Note</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------------</td>
<td>-----------------------------</td>
<td>------</td>
</tr>
<tr>
<td>62</td>
<td>The company’s internal statutes contain requirements on the disclosure of information on transactions with parties designated by the charter as senior officials of the company and on transactions with organisations in which senior company officials own directly or indirectly an equity shareholding of 20 or more percent, or over which they can exert significant influence by other means</td>
<td>Compliance</td>
<td>Regulations on the activity of the structural divisions of OAO “LUKOIL” and the LUKOIL Group companies on ensuring the performance of obligations associated with the listing of the securities of OAO “LUKOIL” on the London Stock Exchange, point 4.1, Appendix No. 2. Information on one-time transactions or a series of transactions with related parties, if the amount of such transactions exceeds a particular threshold or are concluded outside the normal course of business, must be disclosed if this information could have a material effect on the exchange price of the securities. Information on operations with related parties is also regularly disclosed in the notes to the US GAAP financial statements of the LUKOIL Group.</td>
</tr>
<tr>
<td>63</td>
<td>The company’s internal statutes contain requirements on disclosing information on all transactions that could have an effect on the market value of the company’s shares.</td>
<td>Compliance</td>
<td>Point 4.1 of the Regulations on the activity of the structural divisions of OAO “LUKOIL” and the LUKOIL Group companies to ensure the performance of obligations associated with the listing of OAO “LUKOIL” securities on the London Stock Exchange.</td>
</tr>
<tr>
<td>64</td>
<td>The company has an internal document approved by the board of directors on the use of material information on the company’s operations, the shares and other securities of the company, and transactions therewith, where such information is not publicly available and its disclosure may have a material effect on the market value of the company’s shares.</td>
<td>Compliance</td>
<td>Section 7 of the Regulations on Information Policy of OAO “LUKOIL”.</td>
</tr>
</tbody>
</table>

**Control over the enterprise’s financing and business activity**

<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
</table>
| 65 | The board of directors has approved internal procedures for monitoring the company’s financial and business activity. | Compliance | Regulations on Internal Control and Internal Audit at OAO “LUKOIL”;
Regulations on the organisation and conduct of control and audit reviews at OAO “LUKOIL”. |
| 66 | The company has a special division responsible for ensuring compliance with internal control procedures (the control and audit service). | Compliance | In the reporting year this function was performed by the Main Division of Control, Internal Audit and Risk Management, acting on the basis of the Regulations on the Main Division of Control, Internal Audit and Risk Management. |
| 67 | The company’s internal statutes contain requirements that the board of directors determine the structure and composition of the company’s control and audit service. | Non-compliance | The Main Division of Control, Internal Audit and Risk Management that in the reporting year was performing control and audit service functions was subordinate to the Company President. In this regard, the authorities of the Audit Committee of the Board of Directors of OAO “LUKOIL” include study of the |

* As of the date this Annual Report is approved, in connection with changes in the structure of OAO “LUKOIL” control and internal audit functions were distributed among structural units reporting to the Vice-President for Control and Internal Audit.
<table>
<thead>
<tr>
<th>№</th>
<th>Provision of the Corporate Governance Code</th>
<th>Compliance/ non-compliance</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>68.</td>
<td>The control and audit service does not contain persons who have been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who have been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.</td>
<td>Compliance</td>
<td>The Company has no information to the effect that any person who in the reporting year was an employee of the Main Division of Control, Internal Audit and Risk Management has been found guilty of crimes in the area of business activity or crimes against the state authorities, the interests of state service or service in local government, or who has been subjected to administrative penalties for offences in the area of business activity or in the area of finance, taxes and duties, or the securities market.</td>
</tr>
<tr>
<td>69.</td>
<td>The control and audit service does not contain persons who are members of the company’s executive bodies or persons who are participants, the general director (manager), members of the management bodies or employees of a legal entity that competes with the company</td>
<td>Non-compliance</td>
<td>In the reporting year, the Head of the Main Division of Control, Internal Audit and Risk Management was a member of the Management Committee of OAO “LUKOIL” from 19.07.2011.</td>
</tr>
<tr>
<td>70.</td>
<td>The company’s internal statutes specify a deadline for submitting documents and materials to the control and audit service to assess financial and business operations, and also the liability of company officials and employees for the late submission of such documents and materials</td>
<td>Partial compliance</td>
<td>Documents and materials are provided to the control and internal audit service pursuant to the overall document flow procedure established by section 3 of the Instructions on Document Support for the Management Activity of OAO “LUKOIL”, which among other things stipulates deadlines and monitoring of the execution of documents.</td>
</tr>
<tr>
<td>71.</td>
<td>The company’s internal statutes oblige the control and audit service to report to the audit committee regarding any violations discovered, and in the absence of such committee, to the board of directors of the company</td>
<td>Compliance</td>
<td>Point 3.5.4.4 of the Regulations on Internal Control and Internal Audit at OAO “LUKOIL”</td>
</tr>
<tr>
<td>72.</td>
<td>The company charter requires that the control and audit service perform a preliminary assessment of the advisability of performing operations that are not stipulated by the company’s financial and business plan (unusual operations)</td>
<td>Non-compliance</td>
<td>The right to make revisions to the LUKOIL Group 2011 Investment Programme has been granted to the Management Committee of OAO “LUKOIL” provided specific parameters established by decision of the Board of Directors of OAO “LUKOIL” are met. (see also point 41 above)</td>
</tr>
<tr>
<td>73.</td>
<td>The company’s internal statutes contain a procedure for agreeing unusual operations with the board of directors</td>
<td>Partial compliance</td>
<td>See point 41 above</td>
</tr>
<tr>
<td>74.</td>
<td>The board of directors has approved an internal statute that determines the procedure for the audit commission to conduct audits of the company’s financial and operating activities.</td>
<td>Compliance</td>
<td>Regulations on the Audit Commission of OAO “LUKOIL”; approved by the General Shareholders Meeting of OAO “LUKOIL”.</td>
</tr>
<tr>
<td>75.</td>
<td>The audit committee evaluates the audit opinion before it is submitted to the shareholders at the general shareholders meeting.</td>
<td>Compliance</td>
<td>Point 3.1.7 of the Regulations on the Audit Committee of the Board of Directors of OAO “LUKOIL”.</td>
</tr>
<tr>
<td>№</td>
<td>Provision of the Corporate Governance Code</td>
<td>Compliance/ non-compliance</td>
<td>Note</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------</td>
<td>-----------------------------</td>
<td>------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Complaince</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Compliance</td>
<td></td>
</tr>
</tbody>
</table>

### Dividends

76. The board of directors has approved an internal statute that it uses when making recommendations on the amount of dividends (Regulations on Dividend Policy).

77. The Regulations on Dividend Policy contain a procedure for determining the minimum share of the company’s net profit to be used to pay dividends, and the conditions under which dividends are not paid or are not paid in full on preferred shares, the amount of dividends on which was determined by the company charter.

78. Information on the company’s dividend policy and the amendments thereto are published in the periodical stipulated by the company charter for publishing notices on the holding of general meetings of shareholders, and this information is placed on the company’s website.

---

After approval of this document, information on it was published in the newspaper *Vedomosti* and other mass media.

The Regulations on the Dividend Policy of OAO “LUKOIL” are published on the Company’s website.
List of transactions carried out by OAO “LUKOIL” in 2011 that are recognised as major transactions in accordance with the Federal Law *On Joint Stock Companies*, and other transactions covered by the approval procedure for major transactions in accordance with the Charter of OAO “LUKOIL”

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>The amount of the loan to be up to USD 15,000,000,000.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>The amount of the loan to be up to RUB 445,026,000,000.</td>
</tr>
<tr>
<td>3. Names of parties</td>
<td>OAO “LUKOIL” (Lender)</td>
</tr>
<tr>
<td></td>
<td>LUKINTER FINANCE B.V. (Borrower)</td>
</tr>
<tr>
<td>4. Names of beneficiaries</td>
<td>-</td>
</tr>
<tr>
<td>5. Name of transaction</td>
<td>Supplemental agreement to Loan Agreement No. 0810474 of 18 June 2008 (hereinafter the “Agreement”).</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>Pursuant to the Agreement and the Supplemental Agreements thereto, the Lender will provide the Borrower with a revolving special-purpose loan for a term up to 30 December 2011 to finance the Borrower’s operations in accordance with its Charter (either in a lump sum or in instalments), the total amount of debt on which may not exceed USD 8,000,000,000 (eight billion) at any time, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.</td>
</tr>
<tr>
<td></td>
<td>In accordance with the Supplemental agreement, point 1.1 of the Agreement is set out in a new version, stipulating the increase in the amount of the loan to USD 15,000,000,000.</td>
</tr>
<tr>
<td>7. Other material terms of the transaction</td>
<td>The Supplemental Agreement enters into force from the time of its signing, and constitutes an integral part of the Agreement.</td>
</tr>
<tr>
<td></td>
<td>The other terms of the Agreement remain unchanged.</td>
</tr>
</tbody>
</table>

During the first six months of 2011 OAO "LUKOIL" did not enter into any transactions that, subject to the version of the Charter of Open Joint Stock Company “Oil company “LUKOIL” in effect to 23 June 2011, were covered by the approval procedure for major transactions. The new version of the Charter of Open Joint Stock Company “Oil company “LUKOIL” approved on 23 June 2011 does not prescribe approval of other transactions covered by the approval procedure for major transactions.
List of transactions recognised as interested-party transactions in accordance with the Federal Law *On Joint Stock Companies* performed by OAO “LUKOIL” in 2011

*Interested-party transaction of OAO “LUKOIL” approved by the annual General Shareholders Meeting of OAO “LUKOIL” of 23 June 2011 and concluded in 2011*

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Annual General Shareholders Meeting</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Price</td>
<td>up to RUB 305,000 – premium for coverage A; up to RUB 19,520,000 – premium for coverage B.</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO Kapital Insurance (Insurer)  
OAO “LUKOIL” (Policyholder) |
| 4. Names of beneficiaries | Under coverage A – the President, members of the Board of Directors, members of the Management Committee of OAO “LUKOIL”, pursuant to the list given in the appendix to the policy, and also any individual who occupied the aforementioned positions at OAO “LUKOIL” in the past or will occupy them in the future.  
Under coverage B – OAO “LUKOIL”. |
| 5. Name of transaction | Policy (contract) on insuring the liability of directors, officers and corporations. |
| 6. Subject of the transaction | The Insurer undertakes, for the payment stipulated in the policy (insurance premium) and when the event stipulated in the policy occurs (an insured event), to cover the damage caused by this event (to pay insurance compensation) to the Policyholder (the Insured) within the limits of the insurance coverage (the liability limit) set by the policy.  
Coverage A “Insurance of Directors and Officers” insures the losses of each and every Director and Officer of OAO “LUKOIL” arising from claims initially filed against these persons during the insurance period (effective term of the policy) or the discovery period (a 30-day period beginning on the expiration of the insurance period, if the Contract is not renewed), for any real or alleged improper actions during their performance of the relevant functions as Directors and Officers of OAO “LUKOIL”.  
Coverage B “Insurance of Corporate Liability” insures the losses of OAO “LUKOIL” arising from claims on compensation of losses on securities of OAO “LUKOIL” initially filed against OAO “LUKOIL” and/or claims initially filed against the Directors or Officers, where OAO “LUKOIL” is obligated and may compensate the Director or Officer for expenses incurred thereby as a result of the compensation of losses under the claims filed. |
| 7. Grounds for status as an interested party | The persons performing the functions of the President, members of the Board of Directors and Management Committee of OAO “LUKOIL” are simultaneously beneficiaries under the transaction. |
| 8. Other material terms of the transaction | The policy is effective from 19 July 2011 through 18 July 2012.  
The premium under coverage A applies in equal measure to each of the Directors and Officers indicated in the list given in the appendix to the policy.  
The liability limit is at least USD 50,000,000 (total aggregate limit for coverage A and B, including legal defence costs).  
The insurance premium will be paid in roubles in accordance with the terms and conditions of the policy |
## Interested-party transactions of OAO “LUKOIL” approved by the Board of Directors of OAO “LUKOIL” and concluded in 2011

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 2,551.69, plus VAT of USD 459.30.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 80,000, plus VAT of RUB 14,400.</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO Bank Petrocommerce (Licensee)  
OAO “LUKOIL” (Licensor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Licensing agreement on the provision of a non-exclusive license to use the trademarks of OAO “LUKOIL” (hereinafter the “Agreement”). |
| 6. Subject of the transaction | For a consideration and for the effective term of the Agreement, the Licensor provides the Licensee with a non-exclusive license to the use in the Russian Federation of trademarks that are the property of the Licensor pursuant to certificates No. 141747 and No. 141748, with priority from 20 July 1995. |
| 7. Grounds for status as an interested party | Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.  
Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce.  
Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.  
Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. |
| 8. Other material terms of the transaction | The Licensee has the right to employ the Licensor’s trademarks only in conjunction with its trademarks and only in the manufacture/provision of the following goods/services:  
- for the issue of the co-branded card Lukoil-Petrocommerce MasterCard;  
- in advertising materials and on informational documentation associated with the issue of the co-branded card Lukoil-Petrocommerce MasterCard;  

The Licensee has the right to use the trademark only in an integrated combination with the trademark “LUKOIL”.  
The amount of the license fee is RUB 80,000, plus 18% VAT of RUB 14,400.  
The Agreement will enter into force from the date it is registered with the Federal Service for Intellectual Property, Patents and Trademarks. |

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>The amount of the fee is USD 3,578.19, plus VAT of USD 644.08.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>The amount of the fee is RUB 108,600, plus VAT of RUB 19,548.</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO Naryanmarneftegaz (Licensee)  
OAO “LUKOIL” (Licensor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Licence agreement (hereinafter, the “Agreement”). |
6. Subject of the transaction

7. Grounds for status as an interested party
Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OOO Naryanmarmelegaz.

8. Other material terms of the transaction
The Licensee is granted the right to use the Methods from the date indicated in the Act on granting the right, for the entire effective term of the exclusive right on the territory of the Russian Federation.

<table>
<thead>
<tr>
<th>Number of the transaction approved by the Board of Directors</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 49.42, plus VAT of USD 8.90.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 1,500 per month, plus VAT of RUB 270.</td>
</tr>
<tr>
<td>3. Names of parties</td>
<td>OAO Bank Petrocommerce (Bank)</td>
</tr>
<tr>
<td></td>
<td>OAO “LUKOIL” (Company)</td>
</tr>
<tr>
<td>4. Names of beneficiaries</td>
<td>-</td>
</tr>
<tr>
<td>5. Name of transaction</td>
<td>Supplemental Agreement to Contract No. 0910479 dated 1 July 2009 on provision of premises for the installation of an automated teller machine (hereinafter, the “Contract”)*.</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>According to the Contract, the Company undertakes for a fee to provide the Bank with premises at its office located at the address: 3 ul. Bolshaya Ordynka, Room No. 18 for the installation of an automated teller machine belonging to the Bank, to provide cash withdrawal services using international banking cards.</td>
</tr>
<tr>
<td></td>
<td>According to the Supplemental agreement to the Contract, the Company will also provide the Bank with part of its premises located at the address: 5 Ulansky per., bldg. 1, Room No. C (vestibule), Moscow, with a total area of one square metre, located (pursuant to the documents of the Bureau of Technical Inventory) on the 1st floor, for the installation of another automated teller machine.</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</td>
</tr>
<tr>
<td></td>
<td>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce.</td>
</tr>
<tr>
<td></td>
<td>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.</td>
</tr>
<tr>
<td></td>
<td>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</td>
</tr>
<tr>
<td>1. Number of the transaction approved by the Board of Directors</td>
<td>5</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 3,337.14 per month, plus VAT of USD 420.68.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 70,933.33 per month, plus VAT of RUB 12,768.</td>
</tr>
<tr>
<td>3. Names of parties</td>
<td>OAO “LUKOIL” (Lessor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Lessee)</td>
</tr>
<tr>
<td>4. Names of beneficiaries</td>
<td>-</td>
</tr>
<tr>
<td>5. Name of transaction</td>
<td>Supplemental Agreement to Lease Agreement No. 0710122 of 14 February 2007 on non-residential premises (hereinafter the “Agreement”).*</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>Pursuant to the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 56 m², namely rooms No. 1, 2 and 3, located (according to the passport of the Bureau of Technical Inventory) in Premises No. I on the 5th floor of Building A at the address: 11 Sretensky bulvar, Moscow. Pursuant to the Supplemental Agreement to the Agreement, from 1 March 2011 the lease payment for use of the non-residential premises will increase from RUB 65,254.23 per month, plus VAT of RUB 11,745.76, to RUB 70,933.33 per month, plus VAT of RUB 12,768.</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT.</td>
</tr>
</tbody>
</table>

---

8. Other material terms of the transaction

The Supplemental agreement enters into force from the time of its signing, and extends to the legal relations between the parties arising from 15 December 2010.
Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Fund Board of NO NPF LUKOIL-GARANT.

8. Other material terms of the transaction

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>The lease payment equals USD 9,044.74, plus VAT of USD 1,628.05.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>The lease payment is RUB 270,000 per month, plus VAT of RUB 48,600.</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO Bank Petrocommerce (Lessee)  
OAO “LUKOIL” (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0510041 of 12 January 2005 on non-residential premises (hereinafter the “Agreement”). |
| 6. Subject of the transaction | In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 180.0 m², located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow.  
In accordance with the Supplemental Agreement to the Agreement, from 1 April 2011 the lease payment will increase from RUB 260,593.20 per month (plus VAT of RUB 46,906.78) to RUB 270,000.00 per month (plus VAT of RUB 48,600.00). |
| 7. Grounds for status as an interested party | Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.  
Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce.  
Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.  
Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. |
| 8. Other material terms of the transaction | All other terms of the Agreement remain unchanged.  
The Supplemental Agreement enters into force from the date of signing. |

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>The lease payment is USD 8,487.22 per month, plus VAT of USD 1,527.69.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>The lease payment is RUB 251,686.67 per month, plus VAT of RUB 45,303.60.</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OOO Naryanmarneftegaz (Lessee)  
OAO “LUKOIL” (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental agreement to Agreement No. 0411450 of 1 November 2004 on the lease of non-residential premises (hereinafter the “Agreement”). |
| 6. Subject of the transaction | In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 91.3 m², located at the address: Pokrovsky bulvar 3, bldg. 1, Moscow. The Lessor has title to the building. In accordance with Supplemental Agreement No. 04114500002 of 1 May 2005, the Lessee will provide premises in the given building with a total area of |
| 7. Grounds for status as an interested party | Vladimir Vitalievič Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OOO Naryanmarmeftegaz. |
| 8. Other material terms of the transaction | No other material terms stipulated. |
| 1. Number of the transaction approved by the Board of Directors | 8 |
| 2.1. Price (amount in USD) | USD 136,705.39 |
| 2.2. Price (amount in RUB) | RUB 4,000,000 |
| 3. Names of parties | OAO “LUKOIL” (Company) 
Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Union) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Donation Contract (hereinafter the “Contract”). |
| 6. Subject of the transaction | The Company will provide the Union with charitable assistance in the form of a donation of monetary funds in the amount of RUB 4,000,000. The Union undertakes to use the funds received for the performance of charter activities in 2011. |
| 7. Grounds for status as an interested party | Alexander Nikolaevič Shokhin, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously the President of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs. 
Leonid Arnoldovič Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Executive Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs. |
| 8. Other material terms of the transaction | The date of transfer of funds is the day when they are debited from the Company’s settlement account. |
| 1. Number of the transaction approved by the Board of Directors | 9 |
| 2.1. Price (amount in USD) | The approximate amount of commission fee is USD 1,910,150.89. |
| 2.2. Price (amount in RUB) | The approximate amount of commission fee is RUB 55,700,000. |
| 3. Names of parties | OAO RITEK (Commission Agent) 
OAO “LUKOIL” (Sub-Commission Agent). |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Sub-commission contract (hereinafter the “Contract”). |
| 6. Subject of the transaction | In accordance with the Contract, the Sub-commission Agent undertakes to perform a transaction involving the sale of oil on the foreign market in its own name, but on the instructions and using the funds of the Commission Agent, acting under a commission contract concluded with OOO UralOil. |
7. Grounds for status as an interested party
Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.

Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.

8. Other material terms of the transaction
The Agreement enters into force from the time of its signing, and will remain in force until 31 March 2012, and as regards mutual settlements – until they have been completed in full. The amount of the commission fee is RUB 220 for each net tonne of oil sold, plus VAT on the commission fee at the rate stipulated by the legislation of the Russian Federation.

| 1. Number of the transaction approved by the Board of Directors | 10 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO “LUKOIL” (Guarantor, Assignor) |
| | LUKOIL Americas Corporation (assignee) |
| | LUKOIL NORTH AMERICA LLC (debtor under tranche B/C) |
| | Citibank, N.A. (issuing bank, creditor under tranche C and administrative agent) |
| 4. Names of beneficiaries | |
| 5. Name of transaction | General Agreement (hereinafter the Agreement) |
| 6. Subject of the transaction | In accordance with the Agreement, Citibank, N.A. provided the conditions precedent are met, agrees that the obligations of Getty Petroleum Marketing Inc. under the loan agreement dated 1 September 2009 concluded between Citibank, N.A., LUKOIL NORTH AMERICA LLC and Getty Petroleum Marketing Inc. (hereinafter the Loan Agreement), as regards tranche A in the amount of USD 40,000,000 will be transferred to LUKOIL Americas Corporation and as a result of this the size of the obligations of OAO “LUKOIL” under the surety of 1 September 2009 guaranteeing the discharge of obligations by Getty Petroleum Marketing Inc. as a debtor under tranche A and LUKOIL NORTH AMERICA LLC as a debtor under tranches B/C under the Loan Agreement will be reduced from USD120,000,000 to USD 80,000,000. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of LUKOIL Americas Corporation. |
| 8. Other material terms of the transaction | Citibank, N.A. waives its rights arising in connection with the surety of OAO “LUKOIL” as regards tranche A, and also the rights that may arise in connection with the non-performance of obligations stipulated by the Agreement directly as a result of the sale of Getty Petroleum Marketing Inc. |

<p>| 1. Number of the transaction approved by the Board of Directors | 11 |
| 2.1. Price (amount in USD) | USD14,542,192 |
| 2.2. Price (amount in RUB) | RUB 420,851,036.48 |
| 3. Names of parties | OAO “LUKOIL” (Assignor) |</p>
<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 23,000,000</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 665,620,000</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO “LUKOIL” (Assignor)  
LUKOIL Americas Corporation (Assignee) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agreement on the transfer and acceptance of obligations (on letters of credit for the payment of excisable goods) (hereinafter the Agreement). |
| 6. Subject of the transaction | In accordance with the Agreement, the Assignor transfers to the Assignee all of the Assignor’s obligations under the Surety issued by the Assignor on 1 September 2009 in favour of Citibank, N.A. for Getty Petroleum Marketing Inc. (hereinafter the Surety), as regards security of the obligations under letter of credit No. 63651823 in the amount of USD 200,000, under letter of credit No. 63652035 in the amount of USD 12,342,192, and letter of credit No. 63652137 in the amount of USD 2,000,000, opened at the request of Getty Petroleum Marketing Inc. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of LUKOIL Americas Corporation. |
| 8. Other material terms of the transaction | The amount of the commission is approximately up to 1% of the amount of the debt being transferred.  
This Contract is governed and construed in accordance with the laws of the state of New York. |

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 103,000,000</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 2,980,820,000</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO “LUKOIL” (Guarantor)  
LUKOIL Americas Corporation (Guarantor)  
Citibank, N.A. (Bank) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agreement No. 1 on introducing amendments to the Guarantee (hereinafter “Agreement No. 1”)

| 6. Subject of the transaction | In accordance with Guarantee No. 0910582 dated 1 September 2009, the Guarantor guarantees the performance of the obligations of Getty Petroleum Marketing Inc. and LUKOIL NORTH AMERICA LLC to the Bank to a total amount of no more than USD 120,000,000. Pursuant to Agreement No. 1:  
- the total amount of guaranteed obligations will be reduced to USD 103,000,000;  
- the reference of “USD 120,000,000” in the last sentence of Section 2.01 of the Guarantee will be deleted and replaced with a reference to “USD 103,000,000”. All other provisions of the Guarantee will remain in force in full measure.

| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of LUKOIL Americas Corporation.

| 8. Other material terms of the transaction | The supplemental agreement will enter into force from the date of performance of the conditions precedent indicated in Section 2 of Agreement No. 1.

| 1. Number of the transaction approved by the Board of Directors | 14

| 2.1. Price (amount in USD) | USD 80,000,000

| 2.2. Price (amount in RUB) | RUB 2,315,200,000

| 3. Names of parties | OAO “LUKOIL” (Guarantor)  
LUKOIL Americas Corporation (Guarantor)  
Citibank, N.A. (Bank)

| 4. Names of beneficiaries | -

| 5. Name of transaction | Agreement No. 2 on introducing amendments to the Guarantee (hereinafter “Agreement No. 2”)

| 6. Subject of the transaction | In accordance with Guarantee No. 0910582 dated 1 September 2009 (as amended by Agreement No. 1), the Guarantor guarantees the performance of the obligations of Getty Petroleum Marketing Inc. and LUKOIL NORTH AMERICA LLC to the Bank to a total amount of no more than USD 103,000,000. Pursuant to Agreement No. 2:  
- the total amount of guaranteed obligations will be reduced to USD 80,000,000;  
- the reference of “USD 103,000,000” in the last sentence of Section 2.01 of the Guarantee (as amended by Agreement No. 1) will be deleted and replaced with a reference to “USD 80,000,000”. All other provisions of the Guarantee will remain in force in full measure.

| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of LUKOIL Americas Corporation.

<p>| 8. Other material terms of the transaction | The supplemental agreement will enter into force from the date of performance of the conditions precedent indicated in Section 2 of Agreement No. 2. |</p>
<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>No financial terms stipulated.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>No financial terms stipulated.</td>
</tr>
<tr>
<td>3. Names of parties</td>
<td>OAO “LUKOIL” (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)</td>
</tr>
<tr>
<td>4. Names of beneficiaries</td>
<td>Individuals appointed by the Depositor (Participants).</td>
</tr>
<tr>
<td>5. Name of transaction</td>
<td>Supplemental Agreement to Pension Agreement No. 0810115 of 27 February 2008 (in favour of employees, lifetime pension) (hereinafter the “Agreement”).</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>Pursuant to the Agreement, the Fund assumes the obligation to provide non-state pension coverage to the Participants designated by the Depositor under pension option No. 16 “With fixed pension contributions to be made to the personal pension accounts of the Participants. Payment of lifetime pensions”. The Supplemental Agreement amends the provision on the effective term of the Agreement stipulated by clause 7.1: the effective term of the Agreement is established as 20 years from the date of its conclusion, and as regards the Parties’ performance of the obligations on non-state pension coverage of the Participants for whom pension contributions were made by the Depositor during the effective term of the Agreement – until they are performed in full by the Parties. If neither Party has sent the other Party a written notice on its refusal to extend the Agreement at least one month before the expiration of the effective term of the Agreement, the Agreement will be automatically extended for the same term and on the same conditions.</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Alexander Kuzmich Matysyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matysyn, a member of the Fund Board of NO NPF LUKOIL-GARANT.</td>
</tr>
<tr>
<td>8. Other material terms of the transaction</td>
<td>The Supplemental Agreement enters into force from the date of its signing, and extends to the legal relations between the Parties arising from 27 February 2008.</td>
</tr>
</tbody>
</table>
refusal to extend the Agreement at least one month before the expiration of the effective term of the Agreement, the Agreement will be automatically extended for the same term and on the same conditions.

| 7. Grounds for status as an interested party | Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Fund Board of NO NPF LUKOIL-GARANT. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the date of its signing, and extends to the legal relations between the Parties arising from 27 February 2008. |

| 1. Number of the transaction approved by the Board of Directors | 17 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO “LUKOIL” (Depositor) Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund) |
| 4. Names of beneficiaries | Individuals appointed by the Depositor (Participants). |
| 5. Name of transaction | Supplemental agreement to Pension Agreement No. 0810117 of 27 February 2008 (in favour of former employees, fixed term pension) (hereinafter the “Agreement”). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Fund assumes the obligation to provide non-state pension coverage to the Participants designated by the Depositor under pension option No. 17 “With fixed pension contributions to be made to the personal pension accounts of the Participants. Payment of pensions until the funds on the personal pension account of a Participant are exhausted over a period established by the contract (at least five years)”. The Supplemental Agreement amends the provision on the effective term of the Agreement stipulated by clause 7.1: the effective term of the Agreement is established as 20 years from the date of its conclusion, and as regards the Parties’ performance of the obligations on non-state pension coverage of the Participants for whom pension contributions were made by the Depositor during the effective term of the Agreement – until they are performed in full by the Parties. If neither Party has sent the other Party a written notice on its refusal to extend the Agreement at least one month before the expiration of the effective term of the Agreement, the Agreement will be automatically extended for the same term and on the same conditions. |
| 7. Grounds for status as an interested party | Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Fund Board of NO NPF LUKOIL-GARANT. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Fund Board of NO NPF LUKOIL-GARANT. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the date of its signing, and extends to the legal relations between the Parties arising from 27 February 2008. |

<p>| 1. Number of the transaction approved by the Board of Directors | 18 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |</p>
<table>
<thead>
<tr>
<th>2.2. Price (amount in RUB)</th>
<th>No financial terms stipulated.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Names of parties</td>
<td>OAO “LUKOIL” (Depositor)</td>
</tr>
<tr>
<td></td>
<td>Non-Profit Organisation LUKOIL-GARANT Non-State Pension Fund (Fund)</td>
</tr>
<tr>
<td>4. Names of beneficiaries</td>
<td>Individuals appointed by the Depositor (Participants).</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>Pursuant to the Contract, the Fund undertakes the obligations on non-state pension coverage is provided to the individuals designated by the Depositor (the “Participants”) according to the procedure and on the terms and conditions set forth by the legislation of the Russian Federation on non-state pension coverage and the Pension Rules of the Fund. In accordance with the Supplemental Agreement, the provision on the effective term of the Contract stipulated by point 7.1 is amended: the effective term of the Contract is established as 20 years from the time of its conclusion, and as regards the performance by the Parties of their obligations to provide non-state pension coverage to the Participants, pension premiums for which were contributed by the Depositor during the effective term of the Contract – until they have been discharged in full by the Parties. If neither Party has sent the other Party a written notice declining to extend the Contract at least one month before the term of the Contract expires, the Contract will be automatically extended for the same term and on the same conditions.</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Fund Board of NONPF LUKOIL-GARANT. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Fund Board of NONPF LUKOIL-GARANT.</td>
</tr>
<tr>
<td>8. Other material terms of the transaction</td>
<td>The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 14 August 2000.</td>
</tr>
</tbody>
</table>

<p>| 1. Number of the transaction approved by the Board of Directors | 19 |
| 2.1. Price (amount in USD) | USD 157,793.23 per month, plus VAT of USD 28,402.78 |
| 2.2. Price (amount in RUB) | RUB 4,448,191.24 per month, plus VAT of RUB 800,674.43 |
| 3. Names of parties       | OOO LUKOIL Trading House (Lessee) |
|                           | OAO “LUKOIL” (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction    | Supplemental Agreement to Lease Agreement No. 0910352 of 1 June 2009 on non-residential premises (hereinafter the “Agreement”). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Lessor provides for the temporary use of the Lessee non-residential premises with a total area of 2,808.3 m², in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow 101000 (hereinafter the “building”). In accordance with the Supplemental Agreement: - on 1 March 2011 the Lessor will provide the non-residential premises with a total area of 26.5 m² to the Lessee for temporary use, specifically room 159 in premises No. 1 on the second floor of the building; - the total area of all premises from 1 March 2011 will be 2,994.1 m². - from 1 March 2011 the lease payment for all premises leased under the Agreement will increase from RUB4,408,328.94 per month (plus VAT of RUB 793,499.21) to RUB 4,448,191.24 per month (plus VAT of RUB800,674.43). |</p>
<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 598,380.85</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 17,000,000</td>
</tr>
<tr>
<td>3. Names of parties</td>
<td>OAO “LUKOIL” (Company)</td>
</tr>
<tr>
<td></td>
<td>International Association of Trade-Union Organisations of OAO “LUKOIL” (Association)</td>
</tr>
<tr>
<td>4. Names of beneficiaries</td>
<td>-</td>
</tr>
<tr>
<td>5. Name of transaction</td>
<td>Donation Contract (hereinafter, the “Contract”)</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>The Company shall provide the Association with a donation in an amount of RUB17,000,000 in order to organize and conduct the V Spartakiad (sports competition) of LUKOIL Group employees, from 29.06.2011 to 02.07.2011.</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Sergei Petrovich Kukura, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.</td>
</tr>
<tr>
<td></td>
<td>Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.</td>
</tr>
<tr>
<td></td>
<td>Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.</td>
</tr>
<tr>
<td>8. Other material terms of the transaction</td>
<td>The date of wire-transfer shall be the date when the funds are debited from the Company’s settlement account. The Association undertakes to provide the Company, by 30 August 2011, with a report on the use of the funds provided, and return the funds received should the Association fail to use the said funds for the purposes stipulated.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>21</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 1,309.57 plus VAT of USD 235.70</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 36,825, plus VAT of RUB 6,628</td>
</tr>
<tr>
<td>3. Names of parties</td>
<td>OOO LUKOIL Trading House (Buyer)</td>
</tr>
<tr>
<td></td>
<td>OAO “LUKOIL” (Seller)</td>
</tr>
<tr>
<td>4. Names of beneficiaries</td>
<td>-</td>
</tr>
<tr>
<td>5. Name of transaction</td>
<td>Sale-purchase contract (hereinafter the “Contract”)</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>In accordance with the Contract, the Seller undertakes to transfer, and the Buyer undertakes to accept and pay for the following goods pursuant to the procedure and by the dates established by the Contract: an album of the collection “Special corporate uniforms of OAO “LUKOIL””, executed in the form of a print publication, and an electronic catalogue of personal protection equipment recorded</td>
</tr>
</tbody>
</table>
1. Number of the transaction approved by the Board of Directors | 22
2.1. Price (amount in USD) | The fees will be USD 4,262,877.44
2.2. Price (amount in RUB) | The fees will be RUB 120,000,000
3. Names of parties | OAO Futbolny Klub Spartak-Moskva [Spartak Moscow Football Club] (the Club) OAO “LUKOIL” (Sponsor)
4. Names of beneficiaries | -
5. Name of transaction | Sponsorship Agreement (hereinafter the “Agreement”).
6. Subject of the transaction | Under the Agreement, the Sponsor provides sponsorship assistance to the Club aimed at preparing the Club’s professional sportsmen for national competitions (the Russian Championship, the Russia Cup) and international competitions in accordance with the official match schedule, on terms of distribution of the Sponsor’s advertising in accordance with the Agreement.
7. Grounds for status as an interested party | Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Futbolny Klub Spartak-Moskva, and his brother, Andrei Arnoldovich Fedun, is a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.
Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.
Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.
8. Other material terms of the transaction | At the Sponsor’s request, the Club will provide photographic and video materials confirming the Club’s performance of its obligations under the Contract.
| 3. Names of parties | OAO Bank Petrocommerce (Lender)  
|                     | OAO “LUKOIL” (Borrower) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Overdraft agreement to Bank Account Agreement with a Resident Legal Entity No. 0410828 of 1 June 2004 (hereinafter the “Agreement”). |
| 6. Subject of the transaction | In accordance with the Agreement, the Bank opens a settlement account in the Russian national currency (the Account) and provides settlement and cash services on the terms and pursuant to the procedure stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Agreement.  
|                     | Pursuant to the Overdraft agreement, the Creditor undertakes to credit the Borrower’s Account up to the Current overdraft limit established by the Creditor through the execution of payment documents of the Borrower in the absence of funds or insufficient funds on the Borrower’s Account, and the Borrower undertakes to return the Overdrafts received, to pay interest for the use of the Overdrafts, and to make any other payments to the Creditor in the amount, according to the procedure and on the terms stipulated by the Overdraft agreement. |
| 7. Grounds for status as an interested party | Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.  
|                     | Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce.  
|                     | Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.  
|                     | Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. |
| 8. Other material terms of the transaction | The Borrower will pay the Creditor interest for the use of an Overdraft provided under the Overdraft agreement in the amount of the refinancing interest rate (the bank rate) established by the Bank of Russia for the entire effective term of the Overdraft agreement.  
|                     | The Overdrafts will be provided by the Creditor to the Borrower, provided there is no overdue debt on an overdraft and/or interest under the Overdraft agreement and/or other loan agreements concluded with the Creditor.  
|                     | The Overdraft agreement will enter into force from the date of signing. |

| 1. Number of the transaction approved by the Board of Directors | 24 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO Bank Petrocommerce (Bank)  
|                     | OAO “LUKOIL” (Company) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Bank Account Agreement with a Resident Legal Entity No. 0410828 of 1 June 2004 (hereinafter the “Agreement”). |
| 6. Subject of the transaction | In accordance with the Agreement, the Bank opens a settlement account in the Russian national currency (the Account) and provides settlement and cash services on the terms and pursuant to the procedure stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Agreement.  
|                     | The interaction between the Company and the Bank during the performance by the Bank of payments from/deposits to the Account are regulated by the Supplemental Agreement. |
The Company agrees to the debiting of cash from the Company’s Account to the accounts of System Participants (legal entities that are Company subsidiaries or associate companies, which have concluded the appropriate agreements with the Bank) in the amounts necessary to execute payment documents, but not exceeding the payment limits established for the System Participants, and gives the Bank the right to draft payment orders on behalf of the Company for the transfer of cash from the Company’s Account to the accounts of System Participants in accordance with the provisions of the Supplemental agreement.

7. Grounds for status as an interested party

Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce.
Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.
Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.

8. Other material terms of the transaction

All other terms of the Agreement remain unchanged. The Supplemental Agreement enters into force from the date of signing.

| 1. Number of the transaction approved by the Board of Directors | 25 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OOO LUKOIL Trading House (Participant) |
| | OAO “LUKOIL” (Company) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agreement |
| 6. Subject of the transaction | The Agreement establishes the legal status of the payments to be remitted by the Parties to one another under the existing reciprocal loan agreements No. 0510976 dated 29 September 2005 and No. 0610933 dated 25 October 2006. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 8. Other material terms of the transaction | The effect of this Agreement only covers the transfer or repayment of principal debt under loan agreements, and does not cover and is not grounds for a transfer of accrued loan interest. This Agreement enters into effect from the date its signing by the Parties, and will lose effect after the performance of all obligations of the Parties under the loan agreements and this Agreement. The availability of duly signed loan agreements is a mandatory condition for the entry into effect of this Agreement. |

<p>| 1. Number of the transaction approved by the Board of Directors | 26 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO RITEK (Participant) |
| | OAO “LUKOIL” (Company) |</p>
<table>
<thead>
<tr>
<th>4. Names of beneficiaries</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Name of transaction</td>
<td>Agreement</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>This Agreement establishes the legal status of the payments to be remitted by the Parties to one another under the existing reciprocal loan agreements No. 0810843 dated 13 October 2008 and No. 0910123 dated 23 March 2009.</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.</td>
</tr>
<tr>
<td>8. Other material terms of the transaction</td>
<td>The effect of the Agreement only covers the transfer or repayment of principal debt under loan agreements, and does not cover and is not grounds for a transfer of accrued loan interest. This Agreement enters into effect from the date its signing by the Parties, and will lose effect after the performance of all obligations of the Parties under the loan agreements and this Agreement. The availability of duly signed loan agreements is a mandatory condition for the entry into effect of this Agreement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>27</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>No financial terms stipulated.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>No financial terms stipulated.</td>
</tr>
</tbody>
</table>
| 3. Names of parties                                              | OAO RITEK  
|                                                                 | OAO “LUKOIL” |
| 4. Names of beneficiaries                                        | - |
| 5. Name of transaction                                           | Agreement |
| 6. Subject of the transaction                                    | The Parties agreed to reflect in the Agreement the interest rate actually applied to the relations between the Parties during the period from 13 October 2008 and 31 December 2010 based on Loan Agreement No. 0810844 dated 13 October 2008. |
| 7. Grounds for status as an interested party                      | Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK. Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction                       | The amount of the interest rate for the entire effective period of the Loan Agreement stipulated in Appendix No. 1 to the Agreement equals 7.00%. This Agreement will enter into force from the time of its signing by the Parties. The effect of the Agreement will cover the relations between the Parties arising from the time of conclusion of the Loan Agreement. |
| 1. Number of the transaction approved by the Board of Directors | 28 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO RITEK  
OAD “LUKOIL” |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agreement |
| 6. Subject of the transaction | The Parties agreed to reflect in the Agreement the interest rate actually applied to the relations between the Parties during the period from 13 October 2008 and 31 December 2010 based on Loan Agreement No. 0810843 dated 13 October 2008. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.  
Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | The amounts of interest rates and effective periods of each of them in relation to the Loan Agreement are given in Appendix No. 1 to the Agreement. This Agreement will enter into force from the time of its signing by the Parties. The effect of the Agreement will cover the relations between the Parties arising from the time of conclusion of the Loan Agreement. |

| 1. Number of the transaction approved by the Board of Directors | 29 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO Bank Petrocommerce (Bank)  
OAD “LUKOIL” (Client) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental agreement to Bank Account Agreement with a resident legal entity No. 0410828 of 1 June 2004 (hereinafter the “Agreement”). |
| 6. Subject of the transaction | In accordance with the Agreement, the Bank opens a settlement account in the currency of the Russian Federation (the Account) and provides settlement and cash services on the terms and pursuant to the procedure stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Agreement.  
Pursuant to the Supplemental Agreement, the Client engages the Bank and the Bank assumes the obligation to debit monetary funds from the Client’s settlement account paid without an bill of acceptance from the Client on the payment requests of Moscow State Unitary Enterprise Mosvodokanal – Department Mosovodosbyt (hereinafter the “Creditor”). |
| 7. Grounds for status as an interested party | Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.  
Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce. |
Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.

8. Other material terms of the transaction

The conclusion of Agreement No. 223177/1110076 dated 2 February 2011 between the Client and the Creditor on the supply of water and acceptance of waste water to the municipal sewer (hereinafter the “Agreement dated 2 February 2011”) is grounds for the conclusion of the Supplemental Agreement. The Supplemental Agreement enters into force from the time of its signing, and shall remain in force until the termination of the Agreement dated 2 February 2011.

All other terms of the Agreement remain unchanged.

| 1. Number of the transaction approved by the Board of Directors | 30 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OOO LUKOIL Trading House (Licensee) |
| | OAO “LUKOIL” (Licensio) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental agreement to Licensing Agreement No. 1010483 of 19 August 2010 (hereinafter the “Agreement”).* |
| 6. Subject of the transaction | In accordance with the Agreement, the Licensor grants the Licensee the right to use proprietary assets – the technical standards “Work clothes with the OAO “LUKOIL” logo” (hereinafter, the “Technical Standards”). In accordance with the Supplemental Agreement: - point 2.3 of the Agreement is set out in a new version, pursuant to which the Licensee has the right to reproduce the Technical Standards without limitation as to the number of copies, and to provide copies of the Technical Standards to contractors to participate in tender procedures and sew work clothes; - point 4.4 of the Agreement adds the obligations of the Licensee to keep a Register of holders of the Technical Standards. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 19.08.10. |

| 1. Number of the transaction approved by the Board of Directors | 31 |
| 2.1. Price (amount in USD) | USD 213,068.18. |
| 2.2. Price (amount in RUB) | RUB 6,000,000. |
| 3. Names of parties | OAO “LUKOIL” (Company) |
| | International Association of Trade-Union Organisations of OAO “LUKOIL” (IATUO) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Donation agreement (hereinafter the “Agreement”). |
6. Subject of the transaction | Transfer by the Company of a contribution of RUB 6,000,000 to IATUO for the purposes of promoting physical fitness and popular sports.  

7. Grounds for status as an interested party | Sergei Petrovich Kukura, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.  
Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.  
Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.  

8. Other material terms of the transaction | The day when the monetary funds are debited from the Company’s settlement account will be the date of performance of the Company’s payment obligations. IATUO undertakes to provide the Company with a report on the use of transferred funds by 30 June 2012. If the funds are used for a purpose other than their designated purpose, IATUO undertakes to return the amount received.  

---  

1. Number of the transaction approved by the Board of Directors | 32  
2.1. Price (amount in USD) | The approximate amount of commission fee is USD 1,278,409.09.  
2.2. Price (amount in RUB) | The approximate amount of commission fee is RUB 36,000,000.  
3. Names of parties | OAO RITEK (Principal)  
OAO “LUKOIL” (Commission Agent)  
4. Names of beneficiaries | -  
5. Name of transaction | Commission contract (hereinafter the “Contract”)  
6. Subject of the transaction | In accordance with the Contract, the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions on the sale on the external market of the Principal's oil (hereinafter the “goods”), in its own name and at the expenses of the Principal, on terms of FOB Kamenny (Obskaya guba) and/or FOB Murmansk.  
7. Grounds for status as an interested party | Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK, and is also the father of Elena Valerievna Panakova, a member of the Management Committee of OAO RITEK.  
Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.  
8. Other material terms of the transaction | The Contract enters into force from the time of its signing and will remain in force until 30 June 2012, and as regards mutual settlements – until they have been completed in full. The amount of the commission fee is RUB 180 for each net tonne of oil sold to buyers, plus VAT at the rate of 18% of the amount of the commission fee.  

---  

1. Number of the transaction approved by the Board of Directors | 33  
2.1. Price (amount in USD) | The lease payment is USD 2,234.02 per month, plus VAT of USD 402.12.  
2.2. Price (amount in RUB) | The lease payment is RUB 62,910 per month, plus VAT of RUB 11,323.80.  

3. Names of parties
OOO NGK Razvitie Regionov (Lessee)

4. Names of beneficiaries

5. Name of transaction
Supplemental Agreement to Lease Agreement No. 0810660 on non-residential premises of 1 August 2008 (the “Agreement”)

6. Subject of the transaction
Pursuant to the Agreement, the Lessor leases for the temporary use of the Lessee non-residential premises with a total area of 46.6 m², namely rooms No. 5, 6 and 7, located (according to the passport of the Bureau of Technical Inventory) in Premises No. I on the 1st floor of the building at the address: 3 Pokrovsky bulvar, building 1, Moscow.

In accordance with the Supplemental Agreement, from 01.08.11 the lease payment will be decreased from RUB 70,097.47 per month (plus VAT of RUB 12,617.54) to RUB 62,910 per month (plus VAT of RUB 11,323.80).

7. Grounds for status as an interested party
Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OOO NGK Razvitie Regionov

8. Other material terms of the transaction
The Supplemental Agreement enters into force from the date of signing.
All other terms of the Agreement remain unchanged.

1. Number of the transaction approved by the Board of Directors
34

2.1. Price (amount in USD)
USD 143,157.64 per month, plus VAT of USD 25,768.38.

2.2. Price (amount in RUB)
RUB 4,057,087.50 per month, plus VAT of RUB 730,275.75.

3. Names of parties
OOO LUKOIL Trading House (Lessee)
OAO “LUKOIL” (Lessor)

4. Names of beneficiaries

5. Name of transaction
Supplemental Agreement to Lease Agreement No. 0910352 of 1 June 2009 on non-residential premises (hereinafter the “Agreement”)

6. Subject of the transaction
In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 2,994.1 m², located in the building at the address: Pokrovsky bulvar 3, building 1, Moscow (hereinafter the “Building”).

In accordance with the Supplemental Agreement:
- on 31 May 2011 the Lessee will return and the Lessor will accept under a protocol of transfer the non-residential premises with a total area of 93.1 m², specifically room No. 70 located (according to the passport of the Bureau of Technical Inventory) in Premises No. I on the third floor of the Building;
- on 1 June 2011 the Lessor will provide for the temporary use of the Lessee non-residential premises with a total area of 130 m², namely rooms No. 99, 101 and 104, located (according to the passport of the Bureau of Technical Inventory) in Premises No. I on the 3rd floor of the Building;
- from 1 June 2011 the size of the rental payment for the use of the premises with a total area of 154.5 m² located in the basement of the building will be RUB 13,500 per square meter of area per year, plus VAT of RUB 2,430;
- from 1 June 2011 the size of the rental payment for the use of the premises with a total area of 2,876.5 m² located on the first, second and third floor of the building will be RUB 16,200 per square meter of area per year, plus VAT of RUB 2,916;
- from 1 June 2010 the total lease payment under the Agreement will equal RUB 4,057,087.50 per month, plus VAT of RUB 730,275.75.
<table>
<thead>
<tr>
<th>7. Grounds for status as an interested party</th>
<th>Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Other material terms of the transaction</td>
<td>The Supplemental Agreement enters into force from the time of its signing and extends to the legal relations between the parties existing from 31 May 2011.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. <strong>Number of the transaction approved by the Board of Directors</strong></th>
<th>35</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. <strong>Price (amount in USD)</strong></td>
<td>No financial terms stipulated.</td>
</tr>
<tr>
<td>2.2. <strong>Price (amount in RUB)</strong></td>
<td>No financial terms stipulated.</td>
</tr>
<tr>
<td>3. <strong>Names of parties</strong></td>
<td>OOO LUKOIL Trading House OAO “LUKOIL”</td>
</tr>
<tr>
<td>4. <strong>Names of beneficiaries</strong></td>
<td>-</td>
</tr>
<tr>
<td>5. <strong>Name of transaction</strong></td>
<td>Agreement</td>
</tr>
<tr>
<td>6. <strong>Subject of the transaction</strong></td>
<td>The Parties agreed to reflect in the Agreement the interest rate actually applied to the relations between the Parties during the period from 01 January 2006 and 31 December 2010 based on Loan Agreement No. No.0510976/LE-1142/05 of 29 September 2005.</td>
</tr>
<tr>
<td>7. <strong>Grounds for status as an interested party</strong></td>
<td>Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.</td>
</tr>
<tr>
<td>8. <strong>Other material terms of the transaction</strong></td>
<td>The amounts of interest rates and effective periods of each of them in relation to the Loan Agreement are given in Appendix No. 1 to the Agreement. This Agreement will enter into force from the time of its signing by the Parties. The effect of the Agreement will cover the relations between the Parties arising from the time of conclusion of the Loan Agreement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. <strong>Number of the transaction approved by the Board of Directors</strong></th>
<th>36</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. <strong>Price (amount in USD)</strong></td>
<td>The lease payment equals USD 1,623.42 per month, plus VAT of USD 292.24.</td>
</tr>
<tr>
<td>2.2. <strong>Price (amount in RUB)</strong></td>
<td>The lease payment equals RUB 46,170 per month, plus VAT of RUB 8,310.6.</td>
</tr>
<tr>
<td>3. <strong>Names of parties</strong></td>
<td>OAO “LUKOIL” (Lessor) Non-Profit Organisation LUKOIL Charitable Fund (Lessee)</td>
</tr>
<tr>
<td>4. <strong>Names of beneficiaries</strong></td>
<td>-</td>
</tr>
<tr>
<td>5. <strong>Name of transaction</strong></td>
<td>Supplemental Agreement to Lease Agreement No. 0710169 of 16 March 2007 on non-residential premises (hereinafter the “Agreement”)*.</td>
</tr>
<tr>
<td>6. <strong>Subject of the transaction</strong></td>
<td>Pursuant to the Agreement, the Lessor provides to the Lessee for temporary use non-residential premises (rooms No. 16 and No. 17) with a total area of 34.2 m², located in premises No. I on the 4th floor of building C at the address: 11 Sretensky bulvar, Moscow. In accordance with the Supplemental Agreement, from 1 June 2011 the lease payment will be decreased from RUB 51,444.92 per month (plus VAT of RUB 9,260.09) to RUB 46,170 per month (plus VAT of RUB 8,310.6).</td>
</tr>
</tbody>
</table>
7. Grounds for status as an interested party

Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO “LUKOIL”, is the brother of Nelli Yusufovna Alekperov, a member of the Foundation Board.
Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Foundation Board.
Anatoly Alexeyevich Moskalenko, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Foundation Board.
Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Foundation Board.
Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Foundation Board.

8. Other material terms of the transaction

The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 01.06.11.

| 1. Number of the transaction approved by the Board of Directors | 37 |
| 2.1. Price (amount in USD) | The lease payment is USD 667.57 per month, plus VAT of USD 121.96. |
| 2.2. Price (amount in RUB) | The lease payment is RUB 19,012.50 per month, plus VAT of RUB 3,422.25. |
| 3. Names of parties | OAO “LUKOIL” (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0810612 on non-residential premises of 14 July 2008 (hereinafter the “Agreement”).* |
| 6. Subject of the transaction | In accordance with the Agreement, the Lessor undertakes to provide to the Lessee for temporary use the non-residential premises with a total area of 16.9 m2, specifically room No. 77, located in Premises No. VIII in the basement of the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. In accordance with the Supplemental Agreement, from 1 July 2011 the lease payment will be reduced from RUB 13,728.81 per m2 of total area per year (plus VAT of RUB 2,471.19) to RUB 13,500.00 per m2 of total area per year (plus VAT of RUB 2,430.00). From 1 July 2011, the total payment due per month will be RUB 19,012.50, plus VAT of RUB 3,422.25. |
| 7. Grounds for status as an interested party | Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the brother of Andrei Arnoldovich Fedun, the General Director of OAO Spartak Stadium. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the date of its signing and extends to the relations between the parties arising from 1 July 2011. |

| 1. Number of the transaction approved by the Board of Directors | 38 |
| 2.1. Price (amount in USD) | The lease payment is USD 8,400.21 per month, plus VAT of USD 1,512.04. |
| 2.2. Price (amount in RUB) | The lease payment is RUB 235,710 per month, plus VAT of RUB 42,427.80. |
| 3. Names of parties | OAO Bank Petrocommerce (Lessee) |

OAO “LUKOIL” (Lessor) |
<table>
<thead>
<tr>
<th>4. Names of beneficiaries</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Name of transaction</td>
<td>Supplemental Agreement to Lease Agreement No. 0910680 on non-residential premises of 1 October 2009 (hereinafter the “Agreement”).*</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>In accordance with the Agreement, the Lessor provides for temporary use the non-residential premises with a total area of 174.6 m², located in the building at the address: 11 Sretensky bulvar, Moscow. Pursuant to the Supplemental Agreement, from 1 October 2011 the amount of the lease payment will decrease from RUB 262,639.87 per month, plus VAT of RUB 47,275.18, to RUB 235,710 per month, plus VAT of RUB 42,427.80.</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommeric. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommeric. Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommeric. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommeric.</td>
</tr>
<tr>
<td>8. Other material terms of the transaction</td>
<td>The Supplemental Agreement enters into force from the date of signing.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>39</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 871,434.39</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 24,280,079.30</td>
</tr>
<tr>
<td>3. Names of parties</td>
<td>OAO “LUKOIL” (Holder of rights)</td>
</tr>
<tr>
<td></td>
<td>UAB LUKOIL BALTIIJA (User of rights)</td>
</tr>
<tr>
<td>4. Names of beneficiaries</td>
<td></td>
</tr>
<tr>
<td>5. Name of transaction</td>
<td>Addendum to the Commercial Concession (Franchising) Contract No. 1010248 dated 4 May 2010 (hereinafter the “Contract”).</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>Pursuant to the Contract, the Holder of rights provides to the User of rights, on the terms and conditions set forth by the Contract and for consideration, the right to use a set of exclusive rights in the business activity of the User of rights. In accordance with the Addenda to the Contract: - the Parties agree to a revised list of facilities at which the set of exclusive rights of the Holder of rights can be used (hereinafter the “revised list of facilities”) as at 1 January 2011; - the amount of the consideration due and payable for 2011 by the User of rights to the Holder of rights under the Contract, calculated using the formula given in clause 7.1 of the Contract based on the revised list of facilities, equals USD 851,200; - the amount of additional consideration for 2011 under the concluded commercial sub-concession contracts, calculated in accordance with clause 7.2 of the Contract based on the revised list of facilities pursuant to the commercial sub-concession contracts provided by the User of rights according to sub-clause 2.1.10 of the Contract and approved by the User of rights, equals USD 20,234.39.</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Supervisory Board of UAB LUKOIL BALTIIJA.</td>
</tr>
<tr>
<td>8. Other material terms of the transaction</td>
<td>Other terms of the Agreement remain unchanged.</td>
</tr>
<tr>
<td>1. Number of the transaction approved by the Board of Directors</td>
<td>40</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>----</td>
</tr>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>The approximate amount of the transaction is EUR 25,000,000.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>The approximate amount of the transaction is RUB 1,000,000,000.</td>
</tr>
</tbody>
</table>
| 3. Names of parties                                           | OAO “LUKOIL” (Seller)  
UAB LUKOIL BALTIJA (Buyer) |
| 4. Names of beneficiaries                                     | - |
| 5. Name of transaction                                        | Supply contract (hereinafter the “Contract”). |
| 6. Subject of the transaction                                 | Under the Contract, the Seller supplies the Buyer with up to 40,000 metric tonnes of liquefied petroleum gases (a mixture of propane and commercial butane) on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract. |
| 7. Grounds for status as an interested party                   | Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Supervisory Board of UAB LUKOIL BALTIJA. |
| 8. Other material terms of the transaction                    | Terms of delivery – CPT Gudogay station (export).  
Period of delivery – from the date of signing of the Contract to 31 December 2012 inclusive, based on the supply amounts agreed upon by the Parties on a monthly basis.  
Payment shall be made by the Buyer through a direct bank transfer within 30 calendar days after the date of delivery.  
The Contract enters into force from the time of its signing, and will remain in effect until the Parties perform their obligations under the Contract in full. |

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>41</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>The approximate amount of the commission fee is USD 26.33. The approximate amount of the Agent’s reimbursable expenses equals USD 223,127.49.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>The approximate amount of agency fee is RUB 739.61. The approximate amount of the Agent’s reimbursable expenses equals RUB 6,216,822.75.</td>
</tr>
</tbody>
</table>
| 3. Names of parties                                           | OAO “LUKOIL” (Agent)  
OOO LUKOIL-Volgograd (Principal) |
| 4. Names of beneficiaries                                     | - |
| 5. Name of transaction                                        | Agency Contract (hereinafter the “Contract”). |
| 6. Subject of the transaction                                 | Under the Contract the Agent undertakes, for a fee and in its own name, but at the expense of the Principal, to conclude contracts on the provision of legal and advisory services with international legal firm Akin Gump Strauss Hauer & Feld LLP (Head Office and/or Moscow representative office) (hereinafter the “Consultant”), and the Principal undertakes to pay an agency fee to the Agent for the provision of the services and to reimburse the expenses incurred by the Agent. |
| 7. Grounds for status as an interested party                   | Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK, the management company in OOO LUKOIL-Volgograd.  
Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK, the management company in OOO LUKOIL-Volgograd. |
| 8. Other material terms of the transaction                    | The Agent’s fee is established in the amount of 0.01% of the amount of reimbursable costs expressed in roubles (without VAT), plus |
1. Number of the transaction approved by the Board of Directors | 42

2.1. Price (amount in USD) | USD 148,154.72.

2.2. Price (amount in RUB) | RUB 4,175,000.

3. Names of parties | OAO “LUKOIL” (Company)
                      | Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Union)

4. Names of beneficiaries | -

5. Name of transaction | Supplemental Agreement to Donation Agreement No. 1110146 of 18 March 2011 (hereinafter the “Agreement”)*.

6. Subject of the transaction | In accordance with the Agreement the Company will provide the Union with charitable assistance in the form of donations of funds in the amount of RUB 4,000,000. The Union undertakes to use the funds received for the performance of charter activities in 2011. In accordance with the Supplemental Agreement, point 3.1 of the Agreement is set out in a new version, stipulating an increase in the amount of the donation from RUB 4,000,000 to RUB 4,175,000.

7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President of OAO “LUKOIL”, a member of the Board of Directors of OAO “LUKOIL” and Chairman of the Management Committee of OAO “LUKOIL”, is simultaneously a member Management Bureau of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.

                      | Alexander Nikolaevich Shokhin, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously the President of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs and a member Management Bureau of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.

                      | Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs.

8. Other material terms of the transaction | All other terms of the Agreement remain unchanged.

---

1. Number of the transaction approved by the Board of Directors | 43

2.1. Price (amount in USD) | No financial terms stipulated.

2.2. Price (amount in RUB) | No financial terms stipulated.

3. Names of parties | OAO “LUKOIL” (Company)
                      | International Association of Trade-Union Organisations of OAO “LUKOIL” (Association)

4. Names of beneficiaries | -

5. Name of transaction | Supplemental Agreement to Gratuitous Use Contract No. 0310992 of 27 July 2003 (hereinafter, the “Contract”)*.

6. Subject of the transaction | Pursuant to the Contract, the Company provides property on the Company’s balance sheet for the gratuitous use of the Association. According to the Supplemental Agreement, from 1 August 2011 the Company will also transfer assets (a dresser, plasma panel, portable document camera, and switch) for the gratuitous use of the Association.

7. Grounds for status as an interested party | Sergei Petrovich Kukura, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.

---
Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.

Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.

8. Other material terms of the transaction
The Supplemental Agreement enters into force from the date of signing.

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>44</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 2,940,108.89</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 81,000,000.</td>
</tr>
</tbody>
</table>
| 3. Names of parties                                          | OAO “LUKOIL” (Company)  
Non-Profit Charity Organisation Russian Olympian Support Fund (the Fund) |
| 4. Names of beneficiaries                                   | - |
| 5. Name of transaction                                       | Donation Contract (hereinafter the “Contract”). |
| 6. Subject of the transaction                                | In accordance with the Contract, the Company will make a charitable contribution of RUB 81,000,000 to the Fund on a gratuitous basis, and the Fund undertakes to use the funds received to finance events organised to achieve goals stipulated by the Fund’s charter. |
| 7. Grounds for status as an interested party                 | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Trustees of the Fund and a founder (participant) of the Fund. |
| 8. Other material terms of the transaction                   | The Company has the right to request a report from the Fund on the use of the funds. The Company also has the right to terminate the Contract early and demand the return of the funds if they are not being used by the Fund for the goals stipulated in the Contract. The Contract will remain in effect until the performance by the Parties of their obligations in full. |

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>45</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 703.00 per metric tonne</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 20,699.98 per metric tonne</td>
</tr>
</tbody>
</table>
| 3. Names of parties                                          | OAO “LUKOIL” (Seller)  
UAB LUKOIL BALTIJA (Buyer) |
| 4. Names of beneficiaries                                   | - |
| 5. Name of transaction                                       | Supplemental Agreement to Supply Contract No. 1010076 of 02 March 2010 (hereinafter the “Contract”). |
| 6. Subject of the transaction                                | Pursuant to the Contract, the Seller will deliver bitumens in the amount of 50,000 tonnes, on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract. According to the Supplemental Agreement, point 1.1 of Section 1 of Appendix No. 1 to the Contract (section ‘Price’) shall be amended to increase the price per metric tonne of the commodity produced by OOO LUKOIL-Nizhegorodnfteorgsintez (stock for producing Grade A roofing bitumens) from USD 650.50 to USD 703.00. |
7. Grounds for status as an interested party

Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Supervisory Board of UAB LUKOIL BALTIJA

8. Other material terms of the transaction

All other terms of the Contract remain unchanged. The Supplemental Agreement enters into force from the date of signing.

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>46</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 47,545,949.76</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 1,400,000,000</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO “LUKOIL” (Company)  
Non-Profit Organisation LUKOIL Charitable Fund (Fund) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Donation Agreement No. 0910107 of 16 March 2009 (hereinafter the “Agreement”) |
| 6. Subject of the transaction | Pursuant to the Agreement, the Company shall make donations to the Fund, and the Fund shall accept the donations and use it for the purposes stipulated by the Fund Charter, effective legislation, and the Agreement. In accordance with the Supplemental Agreement:  
– The Parties agree to increase the donation amounts under the Agreement by RUB 700,000,000. The total amount under the Agreement will be RUB 1,400,000,000;  
Point 3.2 of the Agreement shall be revised to stipulate that if upon the expiration of the effective term of the Agreement neither Party has given written notification of its termination, then the effective term of the Agreement is to be considered extended for four years. |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO “LUKOIL”, is the brother of Nelli Yusufovna Alekperov, a member of the Fund Board.  
Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Fund Board.  
Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Fund Board.  
Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Fund Board.  
Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Fund Board. |
| 8. Other material terms of the transaction | All other terms of the Agreement remain unchanged, with the amount, form, timeline and purpose of charity to be determined based on letters from the Fund. |

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>47</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 100,000,000</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 2,870,320,000</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO “LUKOIL” (Lender)  
LUKOIL Americas Corporation (Borrower) |
4. Names of beneficiaries -
5. Name of transaction Loan Agreement (hereinafter the “Agreement”).
6. Subject of the transaction In accordance with the Agreement, the Lender provides the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments (tranches)), the total amount of debt on which may not exceed USD 100,000,000 (one hundred million) at any time during the effective term of the Agreement, and the Borrower undertakes to repay the funds received on time and in full and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement.
7. Grounds for status as an interested party Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of LUKOIL Americas Corporation.
8. Other material terms of the transaction The Borrower shall pay the Lender interest at a rate to be determined for each interest period as LIBOR+1%.

In the event of late loan repayment and/or interest payment, the Lender shall be entitled to a penalty to be paid by the Borrower based on the annual rate of LIBOR+3% of the Borrower’s outstanding obligations for each day due.

The loan and any tranches may not be used by the Borrower for any other purposes than stipulated in the Agreement.
The loan and any tranches are provided on a revolving basis with a term of up to 31 December 2011 inclusive, the total amount of debt on which may not exceed USD 100,000,000 (one hundred million) at any time during the effective term of the Agreement. If, on 30 December of the current year, neither of the Parties states otherwise in writing, the loan maturity shall be extended to 31 December of the following year.
The Agreement shall enter into force from the time the funds are transferred to the Borrower, and shall cease to have effect after the performance by the Parties of their obligations.
7. Grounds for status as an interested party

Herman Oskarovich Gref, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously the CEO, Chairman of the Management Board, a member of the Supervisory Board of Sberbank of Russia.

8. Other material terms of the transaction

A transaction will be deemed to have been concluded from the time when one Party receives a message in the Trading System from the other Party stating the latter’s agreement with all the proposed material terms of the transaction, or at the time when the Client receives the Bank’s acceptance of all the material terms of the transaction indicated in the Client’s request.

If foreign currency (with the exception of the currencies of the member states of the CIS) is not received in the agreed upon account of the counterparty by the agreed value date, the culpable Party will pay a penalty of 0.05% of the amount of the obligations under the cash conversion transaction for each day of delay, unless the Parties have reached a separate agreement on a different amount of fines.

If rouble funds or funds in a currency of a member state of the CIS are received late in the agreed upon account, the culpable Party will pay the other Party a penalty in the amount of double the accounting rate of the Bank of Russia or the Central/National Bank of the relevant member state of the CIS in effect on the payment deadline under the transaction (value date) based on the amount of the principal, unless the Parties have reached a separate agreement on a different amount of fines.

The Agreement enters into force from the time of its signing by the Parties, and is valid for an unlimited term.

1. Number of the transaction approved by the Board of Directors

49

2.1. Price (amount in USD)

The approximate amount of the annual agency fee is USD 482.62. The approximate amount of the Agent’s annual reimbursable expenses is USD 408,997.96.

2.2. Price (amount in RUB)

The approximate amount of the annual agency fee is RUB 14,160. The approximate amount of the Agent’s annual reimbursable expenses is RUB 12,000,000.

3. Names of parties

OAO “LUKOIL” (Agent)

OOO LUKOIL-Volgograd (Principal)

4. Names of beneficiaries

- 

5. Name of transaction

Agency agreement (hereinafter the “Agreement”).

6. Subject of the transaction

Under the Agreement, the Agent undertakes to perform, on its own behalf, but at the expense of the Principal, legal and other actions under Legal Services (Legal Assistance) Contract No. 1110612 dated 7 July 2011 (hereinafter the “Contract”) concluded between the Agent and the Moscow law office Basov and Partners (hereinafter the “Law Office”), the terms of which are known to the Principal, including to organise legal support and protection of the Principal in court on issues and disputes related to the Principal’s share in ZAO NK Volganeft, and the Principal undertakes to remunerate the Agent for the services provided.

The Agent will execute the Contract in the interests of the Principal based on a separate Schedule to the Contract signed by the Agent and the Law Office.

7. Grounds for status as an interested party

Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK, the management company in OOO LUKOIL-Volgograd.

Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK, the management company in OOO LUKOIL-Volgograd.

8. Other material terms of the transaction

The Agent undertakes to make the terms of the Schedule to the Contract concluded with the Law Office known to the Principal. The Agent’s monthly remuneration is established in the amount of RUB 1,000, plus VAT in the amount of RUB 180, and the reimbursement of the expenses incurred.
The Agreement covers the legal relations of the Parties arising from 7 July 2001, and will remain in effect until the Parties have performed their obligations in full.

| 1. Number of the transaction approved by the Board of Directors | 50 |
| 2.1. Price (amount in USD) | - |
| 2.2. Price (amount in RUB) | - |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Junin-6 Project Implementation Agreement (hereinafter the “Agreement”) |
| 6. Subject of the transaction | The subject of the Agreement is a determination of the mutual rights, obligations and liability of the Consortium Member acting as Project Leader (Gazprom Neft), which has been entrusted on the basis and within the framework of the Agreement, as well as by decision of the Board of Directors of NOC, to act from the contract date on behalf and at the expense of NOC during the implementation of the project on geological exploration for heavy and extra-heavy crude and other subsoil resources at the Junin-6 Block of the oil belt along the Orinoco River (Venezuela); production of this oil; production of associated gas; collection, initial transport and storage of the oil (hereinafter the “Project”), in relation to the other Consortium Members as part of activity under the Project, as well as the rights, obligations and liability of the Project Leader to perform activity under the Project on behalf of NOC. |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO “LUKOIL”; is simultaneously a member of the Board of Directors of NOC. |
| 8. Other material terms of the transaction | Based on the Agreement, the Project Leader will act on behalf of NOC in relations with the competent authorities of Venezuela, state oil company Petroleos de Venezuela, S.A., the joint venture PETROMIRANDA and its management bodies, and other parties on issues concerning Project implementation. On behalf of NOC it will also hold negotiations, participate in the adoption of decisions under the Project, and perform transactions on management and Project implementation issues based on the documented authorities of NOC and within the Expense Budget for the Project. For the performance of obligations under the Agreement, NOC will be obligated to fully compensate the Project Leader on a quarterly basis for all documented costs actually incurred in accordance with the approved Annual Work Programme and the Expense Budget for the Project, and to cover the tax liabilities and overhead expenses incurred under the approved Expense Budget for the Project. The settlement procedure between NOC and the Project Leader will be determined in the agreement on settlements to be concluded between them. |

| 1. Number of the transaction approved by the Board of Directors | 51 |
| 2.1. Price (amount in USD) | - |
| 2.2. Price (amount in RUB) | - |
3. Names of parties
- Open Joint Stock Company “Oil company “LUKOIL” (LUKOIL)
- Limited-Liability Company National Oil Consortium (NOC)
- Open Joint Stock Company Gazprom Neft (Gazprom Neft)
- Open Joint Stock Company Oil Company Rosneft (Rosneft)
- Open Joint Stock Company Surgutneftegaz (Surgutneftegaz)
- Open Joint Stock Company TNK-BP Holding (TNK-BP)

LUKOIL, Gazprom Neft, Rosneft, Surgutneftegaz and TNK-BP are referred to jointly as the “Consortium Members”

4. Names of beneficiaries
- 

5. Name of transaction
- Supplemental Agreement No. 1 Junin-6 Project Implementation Agreement (hereinafter the “Agreement”)

6. Subject of the transaction
- The subject of the Agreement is a determination of the mutual rights, obligations and liability of the Consortium Member acting as Project Leader (Gazprom Neft), which has been entrusted on the basis and within the framework of the Agreement, as well as by decision of the Board of Directors of NOC, to act from the contract date on behalf and at the expense of NOC during the implementation of the project on geological exploration for heavy and extra-heavy crude and other subsoil resources at the Junin-6 Block of the oil belt along the Orinoco River (Venezuela); production of this oil; production of associated gas; collection, initial transport and storage of the oil (hereinafter the “Project”), in relation to the other Consortium Members as part of activity under the Project, as well as the rights, obligations and liability of the Project Leader to perform activity under the Project on behalf of NOC.

In accordance with Supplemental Agreement No. 1 to the Agreement:
- article 13.3 of the Agreement will be set forth in a new version, stipulating a determination of the amount of remuneration for the Project Leader in each calendar year upon the approval of the Expense Budget for the Project, not to exceed 5% of the annual budget of operating and overhead expenses of the Project Leader included in the relevant Expense Budget for the Project;
- article 17.1 of the Agreement will be set forth in a new version, stipulating the entry of the Agreement into force from the time of its signing, and its effect for the Parties from 1 September 2010.

7. Grounds for status as an interested party
- Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of NOC.

8. Other material terms of the transaction
- Supplemental Agreement No. 1 will apply to the relations between the Parties arising from 1 September 2010.
<table>
<thead>
<tr>
<th>5. Name of transaction</th>
<th>Supplemental Agreement No. 2 to Junin-6 Project Implementation Agreement (hereinafter the “Agreement”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Subject of the transaction</td>
<td>The subject of the Agreement is a determination of the mutual rights, obligations and liability of the Consortium Member acting as Project Leader (Gazprom Neft), which has been entrusted on the basis and within the framework of the Agreement, as well as by decision of the Board of Directors of NOC, to act from the contract date on behalf and at the expense of NOC during the implementation of the project on geological exploration for heavy and extra-heavy crude and other subsoil resources at the Junin-6 Block of the oil belt along the Orinoco River (Venezuela); production of this oil; production of associated gas; collection, initial transport and storage of the oil (hereinafter the “Project”), in relation to the other Consortium Members as part of activity under the Project, as well as the rights, obligations and liability of the Project Leader to perform activity under the Project on behalf of NOC. In accordance with Supplemental Agreement No. 2 to the Agreement: - amendments will be made to the articles of the Agreement regulating the procedure for forming the Operating Committee under the Board of Directors of NOC to handle day-to-day operating issues under the Project, appointment and replacement of the members of the Operating Committee, adoption of decisions by the Operating Committee, and the procedure for appointment and termination of the authority of the Project Director, and the procedure for replacing the Project Leader or refusal of its services.</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of NOC.</td>
</tr>
<tr>
<td>8. Other material terms of the transaction</td>
<td>Supplemental Agreement No. 2 will apply to the relations between the Parties arising from 1 September 2010.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>53</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 5,948.69, plus VAT of USD 1,070.76</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 191,666.68, plus VAT of RUB 34,500</td>
</tr>
<tr>
<td>3. Names of parties</td>
<td>OOO LUKOIL Trading House (Licensee)</td>
</tr>
<tr>
<td></td>
<td>OAO “LUKOIL” (Licenser)</td>
</tr>
<tr>
<td>4. Names of beneficiaries</td>
<td>-</td>
</tr>
<tr>
<td>5. Name of transaction</td>
<td>Licensing agreement (hereinafter, the “Agreement”).</td>
</tr>
<tr>
<td>6. Subject of the transaction</td>
<td>In accordance with the Agreement, the Licenser grants the Licensee the right to use proprietary assets – the technical standards “Work clothes with the OAO “LUKOIL” logo” (hereinafter, the “Technical Standards”).</td>
</tr>
<tr>
<td>7. Grounds for status as an interested party</td>
<td>Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House.</td>
</tr>
<tr>
<td>8. Other material terms of the transaction</td>
<td>The Licensee is granted the right to use the Technical Standards for a period of five years from the date indicated in the Act on granting the right on the territory of the Russian Federation. The Agreement will enter into force from the day of its signing, and will remain in force until the Parties have completely discharged the obligations they have accepted.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>54</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>No financial terms stipulated.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>No financial terms stipulated.</td>
</tr>
</tbody>
</table>
3. Names of parties
   OAO Bank Petrocommerce (Bank)
   OAO “LUKOIL” (Company)

4. Names of beneficiaries
   -

5. Name of transaction
   Supplemental Agreement to Corporate Resident Bank Account Agreement No. 0410828 of 1 June 2004 (hereinafter the “Agreement”).

6. Subject of the transaction
   In accordance with the Agreement, the Bank opens a settlement account in Russian currency (the Account) and provides settlement and cash services on the terms and pursuant to the procedure stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Agreement.
   The Supplemental Agreement regulates the relations between the Company and the Bank when the Bank makes payments to/from the Company’s account.
   The Company agrees to the withdrawal of funds from the Company’s Account to the accounts of the Participants in the system (legal entities that are subsidiaries and associates of the Company, which have entered into the relevant agreements with the Bank) in the amounts necessary to pay for payment documents not exceeding the payment limits established for system Participants, and confers on the Bank the right to draw up payment orders on behalf of the Company for the remittance of funds in accordance with the terms of the Supplemental Agreement from the Company’s accounts to the accounts of Participants in the system.

7. Grounds for status as an interested party
   Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
   Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce.
   Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.
   Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.

8. Other material terms of the transaction
   All other terms of the Agreement remain unchanged.
   The Supplemental Agreement enters into force from the date of signing.

1. Number of the transaction approved by the Board of Directors
   55

2.1. Price (amount in USD)
   The interest for the year will be approximately USD 690,395.83

2.2. Price (amount in RUB)
   The interest for the year will be approximately RUB 22,500,000

3. Names of parties
   OAO Bank Petrocommerce (Bank)
   OAO “LUKOIL” (Company)

4. Names of beneficiaries
   -

5. Name of transaction
   Supplemental Agreement to Corporate Resident Bank Account Agreement No. 0410828 of 1 June 2004 (hereinafter the “Agreement”).

6. Subject of the transaction
   In accordance with the Agreement, the Bank opens a settlement account in Russian currency (the Account) and provides settlement and cash services on the terms and pursuant to the procedure stipulated by the effective legislation of the Russian Federation, the regulatory acts of the Bank of Russia, and the Agreement.
   In accordance with the Supplemental Agreement the Bank will accrue interest on the balance of funds on the Account at the start of the banking day, not exceeding RUB 1,500,000,000, at a rate of 1.5% for each day, starting from the day following the day the Supplemental Agreement enters into force and to the day the Supplemental Agreement is cancelled, inclusive.

7. Grounds for status as an interested party
   Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.
Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce.

Leonid Arnoldovich Fedun, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.

Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.

The interest rate may be changed unilaterally by the Bank, with notification to the Company not less than five business days before the date the changes come into effect.

If the balance of funds on the Account at the start of the banking day exceeds RUB 1,500,000,000, interest will accrue on an amount equal to RUB 1,500,000,000.

### 1. Number of the transaction approved by the Board of Directors

<table>
<thead>
<tr>
<th>2.1. Price (amount in USD)</th>
<th>USD 477,307.35</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 15,001,770</td>
</tr>
</tbody>
</table>

### 3. Names of parties

- OAO RITEK (Debtor)
- OAO “LUKOIL” (Guarantor)

### 4. Names of beneficiaries

- 

### 5. Name of transaction

Indemnification contract (hereinafter the “Contract”).

### 6. Subject of the transaction

Pursuant to the Contract, the Parties have agreed to consider the amount (not to exceed 15,000,000 roubles) paid by the Guarantor to the Ministry of Education and Science of the Russian Federation (Client) in performance of its obligations under the Contract of Guarantee between the Client and the Guarantor, concluded as security on the performance of the Debtor’s obligations to the Client under a State Contract on the performance of design and development work (hereinafter the “Contract of Guarantee”), as the amount to be returned by the Debtor to the Guarantor with the payment of interest for its use on the terms, by the deadline and according to the procedure determined by the Contract.

### 7. Grounds for status as an interested party

Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK.

Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.

### 8. Other material terms of the transaction

The Debtor undertakes to pay the Guarantor 1,500 roubles, plus VAT of 270 roubles, within 180 calendar days after the signing of the Contract of Guarantee as remuneration of the Guarantor for the provision of the guarantee. The date of signing of the Contract of Guarantee will be considered the date of provision of the guarantee.

The Debtor will pay interest on the amount of the funds transferred by the Guarantor to the Client in performance of the obligations under the Contract of Guarantee, in an amount to be determined in accordance with the Marketing Policy for determining interest rates on loans between OAO “LUKOIL” and the Russian organisations of the LUKOIL Group, approved by decision of the Management Committee of OAO “LUKOIL” on 21 December 2009 (minutes No. 36), as amended.

This Contract will enter into force from the day of its signing, and will remain in force until the Parties have completely discharged the obligations they have accepted.
1. Number of the transaction approved by the Board of Directors | 57

2.1. Price (amount in USD) | No financial terms stipulated.
2.2. Price (amount in RUB) | No financial terms stipulated.

3. Names of parties | OAO “LUKOIL” (Company)
International Association of Trade Union Organisations of OAO “LUKOIL” (Association)

4. Names of beneficiaries | -


6. Subject of the transaction | Pursuant to the Contract, the Company provides property on its balance sheet for the gratuitous use of the Association. According to the Supplemental Agreement, the Company will also provide office equipment (printer, CPU, monitor) for the gratuitous use of the Association from 1 October 2011.

7. Grounds for status as an interested party | Sergei Petrovich Kukura, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.
Anatoly Alexandrovich Barkov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.
Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO “LUKOIL”.

8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 1 October 2011.

---

1. Number of the transaction approved by the Board of Directors | 58

2.1. Price (amount in USD) | The approximate amount of the commission fee is USD 4,541.03. The approximate amount of the Agent’s reimbursable expenses is USD 735,647.09.
2.2. Price (amount in RUB) | The approximate amount of the commission fee is RUB 140,000. The approximate amount of the Agent’s reimbursable expenses is RUR 22,680,000.

3. Names of parties | OAO “LUKOIL” (Agent)
OAO RITEK (Principal)

4. Names of beneficiaries | -

5. Name of transaction | Supplemental Agreement to Agency agreement No. 1010762 of 1 November 2010 (hereinafter, the “Agreement”).

6. Subject of the transaction | Pursuant to the Agreement, the Agent undertakes to perform legal and other actions for a fee, on the instructions of the Principal, in its own name but at the expense of the Principal, to organize the transportation of oil on river boats in the amount announced by the Principal and agreed upon by the Parties in writing. The oil will be transported from the dock of the Levoberezhny Oil and Gas Production and Processing Site (OGPPS) of TPP Volgogradneftegaz, belonging to the Principal, to dock No. 5 of the Tatyanka oil-loading terminal, belonging to OOO LUKOIL-Volgogradneftepererabotka.
Pursuant to the Supplemental Agreement, the wording of point 8.2 of Section 8 of the Agreement shall be revised to extend the term of transportation under the Agreement to 31 December 2012.

7. Grounds for status as an interested party

Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK.

Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.

8. Other material terms of the transaction

All other terms under the Agreement remain unchanged.

The Supplemental Agreement enters into force from the time of its signing.

| 1. Number of the transaction approved by the Board of Directors | 59 |
| 2.1. Price (amount in USD) | Annual lease payment shall be USD 90,920.66, plus VAT of USD 16,365.72 |
| 2.2. Price (amount in RUB) | Annual lease payment shall be RUB 2,773,080, plus VAT of RUB 499,154.40 |
| 3. Names of parties | OOO LUKOIL Trading House (Lessee)  
OAO “LUKOIL” (Lessor) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Property Lease Agreement (hereinafter the “Agreement”). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Lessor provides, for a fee, for the temporary use by the Lessee of the property (furniture) listed in Appendix No.1 to the Agreement. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO “LUKOIL”, is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 8. Other material terms of the transaction | Monthly lease payment shall be RUB 231,090, plus VAT of RUB 41,596.20.  
The term of the Agreement is one year from the moment the property is transferred under the acceptance act. If, one month before the Agreement expires, none of the Parties notifies the other in writing of its decision not to extend the term of the Agreement, the Agreement shall be deemed extended for the same term and on the same conditions. |

| 1. Number of the transaction approved by the Board of Directors | 60 |
| 2.1. Price (amount in USD) | The approximate amount will be USD 3,261,578.60 |
| 2.2. Price (amount in RUB) | The approximate amount will be RUB 100,000,000 |
| 3. Names of parties | OAO “LUKOIL” (Buyer)  
OAO RITEK (Supplier) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supply contract (hereinafter the “Contract”). |
| 6. Subject of the transaction | Pursuant to the Contract, the Supplier undertakes to deliver to the Buyer, from 01.01.2012 to 31.03.2013, and the Buyer undertakes to |
accept and pay the Supplier for the petroleum associated gas and/or natural gas (hereinafter ‘gas’). Gas deliveries shall be performed in the following amounts: the total of 29,410 million m³ in 2012, and 3,000 million m³ in the first quarter of 2013.

7. Grounds for status as an interested party
Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK.

Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.

8. Other material terms of the transaction
The Contract enters into force from the date of its signing and shall remain in force to 31 March 2013 and until settlements have been performed in full.

1. Number of the transaction approved by the Board of Directors
61

2.1. Price (amount in USD)
USD 484,047.12

2.2. Price (amount in RUB)
RUB 15,000,000

3. Names of parties
Ministry of Education and Science of the Russian Federation (Client)
OAO “LUKOIL” (Guarantor)

4. Names of beneficiaries
OAO RITEK

5. Name of transaction
Contract of Guarantee (hereinafter the “Contract”)

6. Subject of the transaction
Pursuant to the Contract, the Guarantor undertakes to be answerable to the Client for the undue performance by OAO RITEK (hereinafter the “Contractor”) of its obligations under a State Contract on the performance of design and development work (hereinafter the “State Contract”), with the price of the work established in the amount of RUB130,000,000, for the period from the date of conclusion of the State Contract to 22 November 2013 inclusive.

The Guarantor will bear joint and several liability with the Contractor to the Client in the event of the non-performance or undue performance by the Contractor of the obligations it accepted under the State Contract. The amount of the Guarantor’s liability under the Contract is limited to the principal amount of RUB 15,000,000.

7. Grounds for status as an interested party
Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK.

Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK.

8. Other material terms of the transaction
The Guarantee will be terminated:
- if the obligations of the Contractor under the State Contract have been amended after the signing of the Contract (by supplemental agreements to the State Contract), and these changes lead to an increase in liability or other adverse consequences for the Guarantor without the subsequent written consent of the latter;
- if the Client refuses to accept the execution of the State Contract proposed by the Contractor or Guarantor, if the Guarantor can prove that this execution was appropriate;
- if the debt under the State Contract has been transferred from the Contractor to another party with the consent of the Client, if the Guarantor did not agree to be answerable to the Client for this other party.
This Contract will enter into force from the time of its signing, and will remain in effect until 30 September 2013 inclusive.

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>62</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>The approximate amount of the annual commission fee is USD 60.79, plus VAT of USD 10.94. The approximate amount of the Agent’s annual reimbursable expenses is USD 607,979.73, plus VAT of USD 109,436.35.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>The approximate amount of the annual commission fee is RUB 1,902.00, plus VAT of RUB 345.6. The approximate amount of the Agent’s annual reimbursable expenses is RUB 19,200,000, plus VAT of RUB 3,456,000.</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO “LUKOIL” (Agent)  
OAO RITEK (Principal) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agency agreement (hereinafter, the “Agreement”). |
| 6. Subject of the transaction | Pursuant to the Agreement, at the request of the Principal the Agent undertakes to conclude a contract with ZAO KPMG in its own name but at the expense of the Principal, on the performance of an audit of the Principal’s financial statements for 2011 in accordance with Russian Accounting Standards |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, the Chairman of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO RITEK.  
Vladimir Vitalievich Mulyak, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | The Agent undertakes to provide the Principal with a report on the exercise of the agency authority within 15 business days from the Agent’s latest payment to ZAO KPMG for the audit of the Principal’s financial statements.  
The Principal undertakes to reimburse the Agent for all expenses incurred thereby in connection with the exercise of the agency authority, including VAT (18%), no later than 15 business days from the date the Agent’s report is approved.  
The Agent’s fee shall be set at 0.01% of the amount of the Agent’s expenses incurred under the contract with ZAO KPMG, plus VAT of 18%.  
The Agreement enters into force from the date it is signed by authorized representatives of the Parties and shall remain in effect until the Parties perform their obligations in full. |

<table>
<thead>
<tr>
<th>1. Number of the transaction approved by the Board of Directors</th>
<th>63</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Price (amount in USD)</td>
<td>USD 620 per metric tonne.</td>
</tr>
<tr>
<td>2.2. Price (amount in RUB)</td>
<td>RUB 19,127 per metric tonne.</td>
</tr>
</tbody>
</table>
| 3. Names of parties | OAO “LUKOIL” (Seller)  
UAB LUKOIL BALTIJA (Buyer) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Supply Contract No. 1010076 of 02 March 2010 (hereinafter the “Contract”).* |
| 6. Subject of the transaction | Pursuant to the Contract, the Seller will deliver bitumens in the amount of up to 50,000 tonnes, on the terms and conditions stipulated by the Contract, and the Buyer undertakes to pay for the goods received by the dates and according to the procedure indicated in the Contract. |
According to the Supplemental Agreement, point 1.1 of section 1 of Appendix No.1 to the Contract (section “Price”) shall be revised to reduce the price per metric tonne of the goods produced by OOO LUKOIL-Nizhegorodnefteorgsintez (stock for producing grade A roof bitumens) from USD 703 to USD 620 per metric tonne.

<table>
<thead>
<tr>
<th>7. Grounds for status as an interested party</th>
<th>Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Supervisory Board of UAB LUKOIL BALTIJA.</th>
</tr>
</thead>
</table>
| 8. Other material terms of the transaction | All other terms of the Contract remain unchanged.  
The Supplemental Agreement enters into force from the time of its signing. |