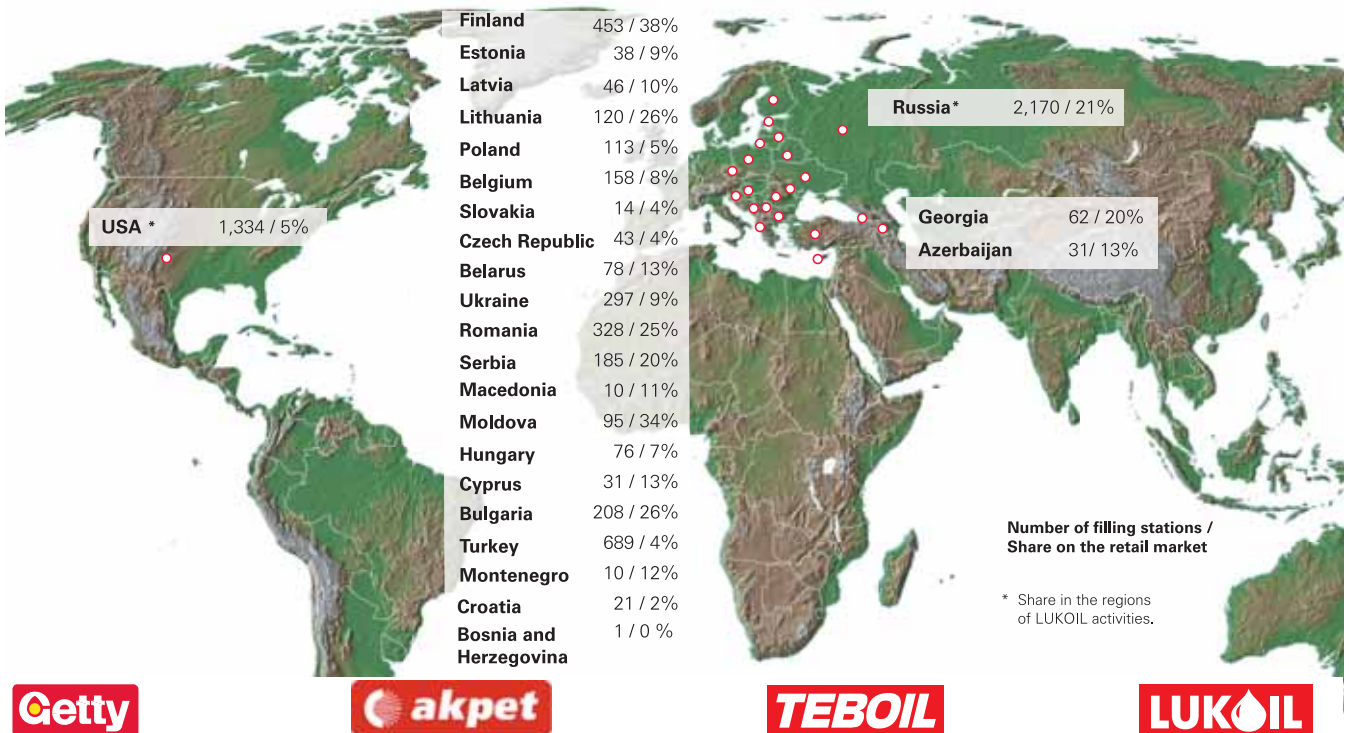




CRUDE OIL AND PETROLEUM PRODUCT MARKETING

LUKOIL retail network



The marketing segment is crucially important to LUKOIL, because it provides guaranteed outlets for Company products. The key objective in this segment is to create additional value by selling to the final consumer at the maximum market price and ensuring reliable cash flows by reducing price volatility. LUKOIL sells crude oil, petroleum products, gas processing products and petrochemicals wholesale, and also carries out retail sales of petroleum products and petrochemicals.

LUKOIL sells most of its crude oil on the international market and much smaller volumes on the domestic market. About 65% of petroleum products are also marketed abroad.

At the end of 2009 the Company's marketing network covered 26 countries, including Russia, near-abroad and European countries (Azerbaijan, Belarus, Georgia, Moldova, Ukraine, Bulgaria, Hungary, Finland, Estonia, Latvia, Lithuania, Poland, Serbia, Montenegro, Romania, Macedonia, Cyprus, Turkey, Belgium, Luxembourg, Czech Republic, Slovakia, Croatia and Bosnia and Herzegovina), as well as the USA. The network includes 199 tank farms and 6,620 filling stations (including franchises). LUKOIL Group filling stations operate under the following

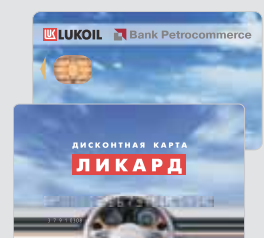
brands: LUKOIL, Teboil, Getty and Akpet.

The Company continued optimization of its filling station network in 2009, upgrading or disposing of stations and tank farms with low-efficiency: The retail network in the USA shed nearly 200 low-efficiency stations. The Group also disposed of 7 low-efficiency filling stations in Europe, as well as 26 filling stations and 13 tank farm facilities in Russia. At the same time, construction of highly-efficient stations continued (35 filling stations were built in Europe, and 40 filling stations in Russia), and upgrading was carried out at existing stations. As a result of this strategy average fuel sales per filling station have increased by 11.4% in the last five years.

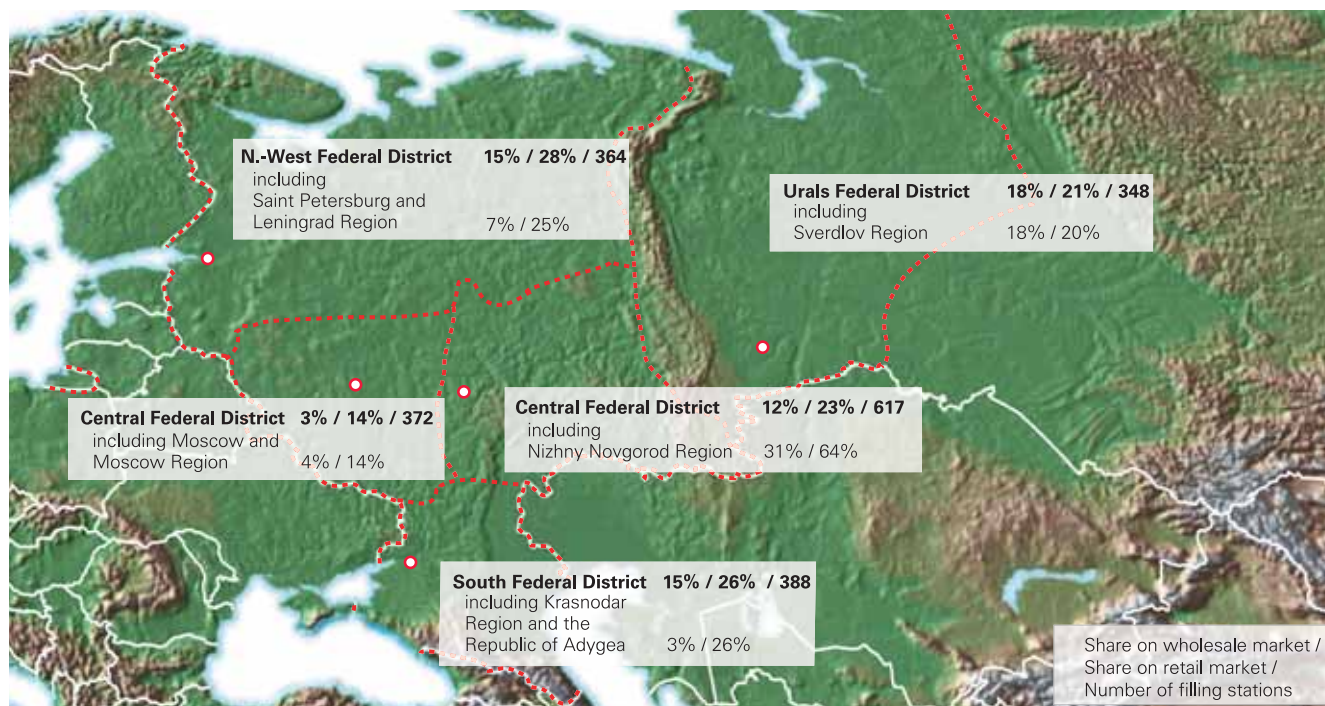
In 2009 the Company launched Russia's first dual-use (water – shore) filling station in St. Petersburg. The station can serve both vehicles (up to 500 refuellings per day), and small boats during the navigation period on the River Neva (up to 60 refuellings per day). The station was built to meet strict environmental standards applicable to ordinary filling stations and to sea terminals for petroleum product transshipment.

LICard is a system of non-cash payment for fuel and other products and services at LUKOIL filling stations. The system was originally designed to serve LUKOIL fuel cards, used by legal entities. It was later extended to personal bonus and discount cards, cards of international payment systems and fuel cards issued by other companies.

As of January 1, 2010, LICard was in operation at 2,814 filling stations, of which 1,886 belong to LUKOIL Group. The number of LICard fuel cards in circulation amounted to 2.72 mln. A total of 3.2 mln tons of petroleum products were sold using the cards in 2009 (8% more than in 2008).



LUKOIL Group's position on the Russian petroleum product market



International trade is another distinct business within LUKOIL. It enables the Company to sell its own products efficiently and to obtain extra profit from sales of third-party production.

LITASCO (LUKOIL International Trading and Supply Company) has been the sole agent for the Company's international trading operations since 2000, carrying out all LUKOIL Group deliveries and trading operations outside Russia. Transfer of all export operations to a single Company simplified export arrangements, optimized export flows and assured transparency of LUKOIL's oil and petroleum product exports. LITASCO is consistently

increasing margins on trade operations by optimizing management of LUKOIL's delivery channels and by increasing the volume of trade with third parties.

LITASCO has offices in 9 countries and its main trading offices are in Switzerland, the USA, Germany, the Netherlands, Sweden, UAE and Singapore. Expansion by LITASCO to new markets in Central America, China, and the Middle East has helped to make LUKOIL into one of the leading oil companies in the world.

Main routes of LUKOIL international oil and petroleum product trade

