

CRUDE OIL DELIVERIES

TOTAL CRUDE OIL SUPPLIES BY THE COMPANY IN 2010, INCLUDING DELIVERIES FOR REFINING AT THE COMPANY'S OWN REFINERIES AND AT THIRD-PARTY REFINERIES, WERE 114 MILLION TONNES. DELIVERIES OF OIL TO THE DOMESTIC MARKET WERE MORE EFFICIENT THAN MOST NON-CIS DELIVERY EXPORT ROUTES, SO THAT SUBSTANTIAL VOLUMES OF OIL WERE REALLOCATED FROM LESS EFFICIENT EXPORT ROUTES TO COMPANY REFINERIES OR TO THE DOMESTIC MARKET.

Refining at facilities inside Russia remains the most efficient use of crude oil produced by LUKOIL. **Crude oil deliveries to Group refineries in Russia** were 45.21 million tonnes in 2010, which is nearly 2% more than in 2009. In order to optimize transport costs the Company resumed the practice of crude oil substitution with other companies in deliveries to refineries. Starting in May 2010 LUKOIL-Western Siberia delivered 50,000 tonnes of oil per month to refineries at Ufa, which are owned by Bashneft, and Bashneft supplied an equivalent amount of oil to LUKOIL's Nizhny Novgorod Refinery. Total oil supplies using this arrangement were in excess of 500,000 tonnes.

Crude oil deliveries to the **Group's foreign refineries and to the ISAB and TRN complexes**¹ were 20.97 million tonnes in 2010, which is 15% more than in 2009. The increase was due to acquisition of a stake in TRN in September 2009. LUKOIL also delivered its oil to third-party refineries outside Russia in 2010, but the volume

of such deliveries was much reduced in comparison with 2009 (by 97% to 110,000 tonnes). This reduction was due to halting of deliveries to refineries in Belarus at the end of 2009, after refining in Belarus became less profitable. In the third quarter of 2010 the Company began refining of crude oil at a third party refinery in Kazakhstan.

Some 3.6 million tonnes of crude oil were sold on the **domestic market** in 2010, which is 22% more than in 2009. The increase was a result of reallocation of crude oil volumes which were previously refined at third party refineries in Russia and Belarus.

Crude oil exports from Russia by LUKOIL subsidiaries (including oil acquired from other producers) were 40.59 million tonnes in 2010 (815 th. barrels per day), which is 3.4% less than in 2009. Lower exports were the result of lower output and also termination of deliveries to Belarus refineries.

Most exports of crude oil in 2010 were via the Transneft pipeline system (deliveries via the system were 78% of exports during the year), but Transneft deliveries declined by 4.3% in the reporting year to 31.59 million tonnes. The volume of export deliveries by-passing the Transneft system in 2010 was 9 million tonnes, unchanged from 2009. These deliveries were valued on the basis of actual quality of the crude oil, at a premium to the Urals price. (There is no oil quality bank in the Transneft system, so crude oil of any quality supplied through this system

¹ Including deliveries of petroleum products to the ISAB and TRN complexes.

is sold at the price for Urals blend crude, making Urals blend the Company's main export commodity).

THE COMPANY EXPORTED 8.73 MILLION TONNES OF CRUDE OIL VIA ITS OWN TRANSPORT TERMINALS IN 2010. EXPORTS THROUGH THE VARANDEY TERMINAL IN 2010 WERE 7.5 MILLION TONNES, AND EXPORTS THROUGH THE PORT OF SVETLY WERE 1.2 MILLION TONNES.

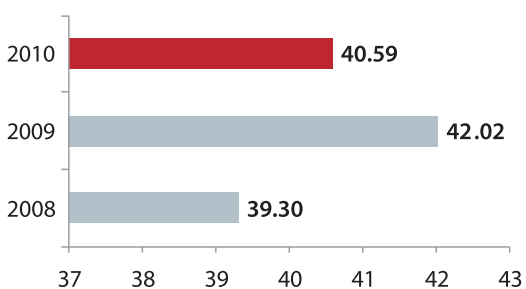
The Company managed export deliveries in 2010 in order to make them as efficient as possible. Black Sea export deliveries, which had been scheduled for shipment via the port of Yuzhny, were redirected to a more efficient route — via the port of Primorsk.

The situation on the freight market and low tariffs for demurrage made deliveries of oil by RITEK via the northern export route financially advantageous. A logistics system was designed and implemented on the route using LUKOIL's own infrastructure (direct transportation to Europe without trans-shipment onto Aframax-type tankers).

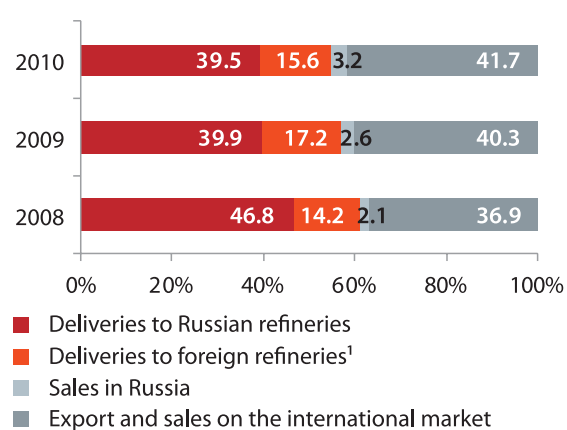
Sales of crude oil on the **international market** (exports and oil produced outside Russia) were 47.74 million tonnes in 2010, of which 3.18 million tonnes were sold in near-abroad countries and 44.56 million tonnes on other markets. Total sales of oil on Russian and international markets in 2010 were 51.38 million tonnes, which is 2.8% more than in 2009.



■ CRUDE OIL EXPORTS FROM RUSSIA, million tonnes



■ STRUCTURE OF CRUDE OIL DELIVERIES, %



¹ Including deliveries of petroleum products to the ISAB and TRN complexes