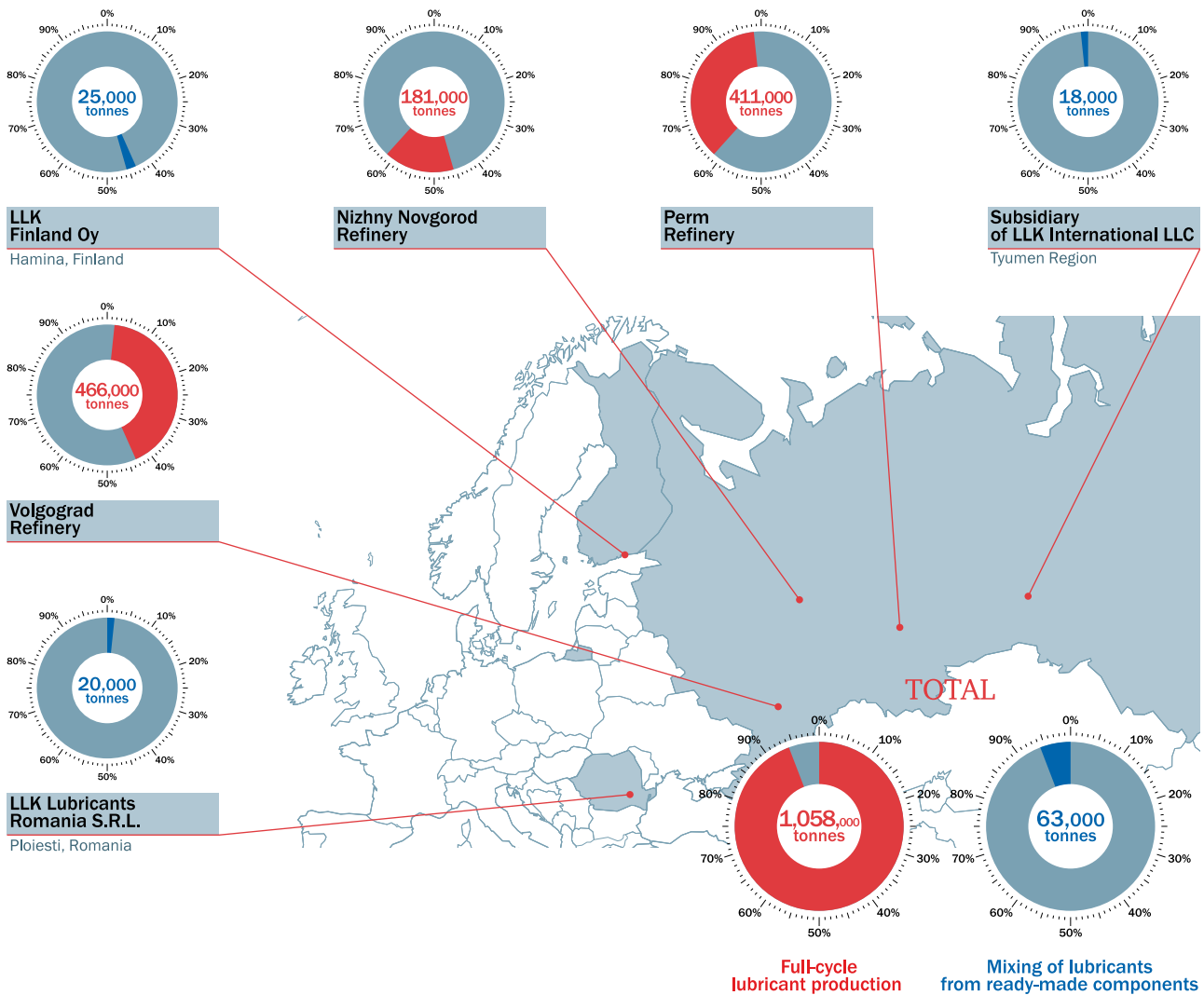


Production of Oils and Lubricants

Production and sale of oils and lubricants is an important part of LUKOIL'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 business geography.

LUBRICANT PRODUCTION AT LUKOIL GROUP REFINERIES





LUKOIL is the leader on the Russian oils and lubricants market, accounting for about 44% of domestic production. Oils and 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 and Romania.

Group refineries produced 1.06 million tonnes of oils and lubricants in 2009, and mixing of oils and lubricants was 63,000 tonnes. Output of packaged oils was 205,000 tonnes (231,000 tonnes in 2008).

LUKOIL produces about 190 brands of oils and lubricants to the latest international standards. They include motor and transmission oils for all types of transport, base oils (used as inputs for production of ready-to-use oils, lubricants and additives), and lubricants for industrial equipment. In addition to oils and lubricants the Group also makes over 20 brands of other oil-based products as well as over 10 brands of coolants.

The Group worked hard in 2009 to improve efficiency in sales of oils and lubricants, including further development of an import substitution program, which helped to increase sales of industrial lubricants by 26% compared with 2008. The Company launched production of various vehicle-care products in the reporting year, including coolants, anti-freeze, and screen wash. Preparations were made in 2009 for restructuring of the dealer network, and unified systems of credit, price formation and motivation were introduced for dealers in 2010.

The Company started to make 43 new products in the course of the year and obtained 25 approvals from vehicle and machine-building companies.

LUKOIL MOTOR OILS

LUKOIL motor oils match 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. In 2009 a total of 25 product approvals were obtained from vehicle and machine builders.

LLK-Naftan, the joint venture between LUKOIL and the Naftan refinery (Belarus), met 34% of LUKOIL's requirements for additives used in lubricant production in 2009, and the share will increase to 80% in the medium term. The JV has increased output almost by 7 times, from 3,000 to 20,000 tonnes, since its creation in 2006.

The Company carries out sales of oils and lubricants in more than 40 countries worldwide and sales geography is constantly expanding. In 2009 LUKOIL began lubricant sales on the following new markets: Lebanon, Algeria, Israel, India, Vietnam, Turkmenistan, Taiwan, Pakistan, Iraq and Jordan.

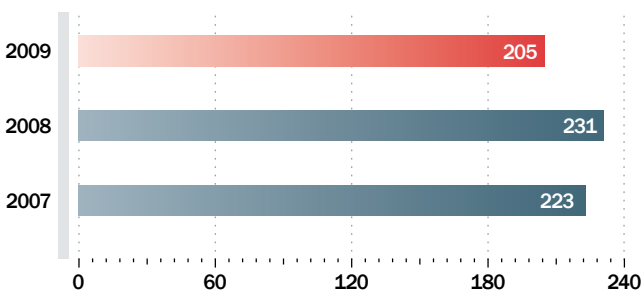
The Company rapidly expanded lubricant sales in Turkey in 2009, where agreements were signed for lubricant deliveries to over 500 service centers of leading international car makers, such as Mercedes, Ford, Mitsubishi, Renault, Man, Toyota, Opel, Iveco, Skoda and others.

Constant expansion of the product range and improvement in the quality of Company oils and lubricants supports growth of sales volumes. Sales of LUKOIL branded lubricants were over 190,000 tonnes in 2009, which is 6% more than in 2008. Main markets for branded lubricants were Russia, Kazakhstan and Finland. The biggest increase compared with 2008 was in sales of packaged lubricants in Belarus (by 12%, including 39% increase in sales of branded lubricants).

In an important breakthrough, LUKOIL began sale of its own lubricants for ship engines in 2009. In June and August the Group obtained approvals for use of its new generation of lubricants, LUKOIL NAVIGO, in the most up-to-date maritime engines (including those of MAN, B&W and Wartsila). By the end of 2009 the Group's ship lubricants were available for sale in 122 ports in 24 countries in Europe, America, Asia and the Middle East.

The Company has done much work to develop customer relations in its lubricant business. LUKOIL 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 and, ultimately, disposal of used lubricants. Thanks to this policy the Company now sells more than 80% of its lubricant output directly to end-users.

PRODUCTION OF PACKAGED OILS, THOUSAND TONNES



OILS AND LUBRICANTS PRODUCTION AT COMPANY REFINERIES, THOUSAND TONNES

