

**Materials that are made available for those entitled to participate in
the Annual General Shareholders Meeting of OAO LUKOIL to be
held on June 24, 2010**

CONTENTS

| | |
|--|----|
| 1. Notice of the Annual General Shareholders Meeting of OAO LUKOIL | 3 |
| 2. Agenda of the Annual General Shareholders Meeting of OAO LUKOIL | 5 |
| 3. Recommendations of the Board of Directors of OAO LUKOIL on the items on the agenda of the Annual General Shareholders Meeting of OAO LUKOIL..... | 6 |
| 4. Draft decisions of the Annual General Shareholders Meeting of OAO LUKOIL..... | 9 |
| 5. Summary of 2009 performance results and main objectives for 2010..... | 11 |
| 6. Information on Candidates to the Board of Directors of OAO LUKOIL..... | 17 |
| 7. Information on Candidates to the Audit Commission of OAO LUKOIL..... | 20 |
| 8. Opinion of the Audit Commission based on a review of the financial and business activity of OAO LUKOIL in 2009..... | 21 |
| 9. Auditors' Report..... | 28 |
| 10. Summary review of the Independent Auditors' Opinion performed by the Audit Committee of the Board of Directors of OAO LUKOIL..... | 32 |
| 11. OAO LUKOIL Balance Sheet as of 31 December 2009 and OAO LUKOIL Income Statement for the year ending 31 December..... | 33 |
| 12. Amendments to the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL..... | 35 |
| 13. Information on interested-party transactions..... | 37 |
| 14. Excerpt from Minutes №1 of the Annual General Meeting of Shareholders OAO LUKOIL held on June 26, 2008 containing resolution on the item 4 (clause 2) of agenda (remuneration for newly elected members of the Board of Directors and the Audit Commission of OAO LUKOIL)..... | 39 |



OPEN JOINT STOCK COMPANY "OIL COMPANY "LUKOIL"

NOTICE
of the Annual General Shareholders Meeting
of Open Joint Stock Company "Oil company "LUKOIL"

Dear Shareholder,

Open Joint Stock Company "Oil company "LUKOIL" located at the address: Sretensky bulvar 11, Moscow, 101000, Russian Federation, hereby informs you that the Annual General Shareholders Meeting of OAO "LUKOIL" will take place on **24 June 2010** in the form of a meeting (joint attendance of shareholders to discuss agenda items and take decisions on issues put to a vote) with preliminary distribution (dispatch) of ballots before the conduct of the Meeting.

Place and time of the Meeting: OAO "LUKOIL", Sretensky bulvar 11, Moscow, in the Conference Hall (entrance from Kostyansky pereulok), at 11:00 a.m.

Registration of persons participating in the meeting begins at 9:30 a.m.

Agenda of the Meeting:

1. Approval of the 2009 Annual Report of OAO "LUKOIL" and the annual financial statements, including income statements (profit and loss accounts) of the Company, and also distribution of profits (including through the payment (declaration) of dividends) and losses of the Company on the basis of annual results. Determination of the size, date, form and procedure of payment of dividends.
2. Election of the members of the Board of Directors of OAO "LUKOIL".
3. Election of the members of the Audit Commission of OAO "LUKOIL".
4. On the remuneration and reimbursement of expenses to members of the Board of Directors of OAO "LUKOIL".
5. On the remuneration of members of the Audit Commission of OAO "LUKOIL".
6. Approval of the Auditor of OAO "LUKOIL".
7. Approval of amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"*.
8. On the approval of interested-party transactions.

The date of preparation of the list of persons entitled to take part in the Annual General Shareholders Meeting of OAO "LUKOIL" is 7 May 2010.

In order to take part in the meeting, you or your representative must bring with you your/his/her passport or other identification document and the notice of the Annual General Shareholders Meeting of OAO "LUKOIL"; your representative must additionally have a power of attorney drawn up in accordance with the requirements of article 57 of the Federal Law *On Joint Stock Companies*.

In accordance with Articles 58 and 60 of the Federal Law *On Joint Stock Companies*, you can vote on the items of the Meeting agenda by filling out the ballots and mailing them to the following address: OAO Registrar NIKoil, 3-ya ulitsa Yamskogo Polya 28, Moscow, 125993 Russian Federation. The deadline for acceptance of ballots is 21 June 2010, for determining a quorum of the Meeting and tallying votes.

Information on decisions taken and voting results at the Annual General Shareholders Meeting of OAO "LUKOIL" will be published not later than 18 July 2010, in printed media *Izvestiya* and *Rossiyskaya Gazeta*.

The procedure for providing information (materials) to be provided to shareholders in preparation for the Annual General Shareholders Meeting of OAO "LUKOIL" is in line with the deadlines established by the Federal Law *On Joint Stock Companies*. In preparation for the Annual General Shareholders Meeting of OAO "LUKOIL", the persons entitled to take part in the Annual General Shareholders Meeting of OAO "LUKOIL" are granted the opportunity to examine the information in the premises of the executive body of the Company, at the address: Sretensky bulvar 11, Moscow, 101000 Russian Federation, tel. (495) 627 4884, at the Company's website www.lukoil.ru, and also at other places – at OAO Registrar NIKoil, its branches, and at transfer agents of OAO Registrar NIKoil, at the following addresses:

Head office of OAO Registrar NIKoil:

3-ya ulitsa Yamskogo Polya 28, Moscow, 125993

telephone: (495) 755 9077, 933 6739

Branches of OAO Registrar NIKoil:

ulitsa Savushkina 6, building 6, 2nd floor, Astrakhan, 414056

telephone: (8512) 54 1040

ulitsa Sovetskaya 26A, Volgograd, 400000

telephone: (8442) 24 1274, 24 1279

ulitsa Leitenanta Yanalova 42B, 4th floor, Kaliningrad, 236023

telephone: (4012) 56 3400

prospekt Lenina 148, office 113, Rybinsk, Yaroslavl Oblast, 152903

telephone: (4855) 29 6600

ulitsa Beloostrovskaya 28, St. Petersburg, 197342

telephone: (812) 380 6601, 380 6602, 380 6603

Transfer agents of OAO Registrator NIKoil:

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|--|---|
| OAO Komi regional bank Ukhtabank, ulitsa Oktyabrskaya 14, Ukhta, Komi Republic, 169300 | telephone: (82147) 5 2592 |
| OAO FKB Petrocommerce, ulitsa Pribaltiyskaya 11a, Kogalym, Tyumen Oblast, 628486 | telephone: (34667) 9 1060 |
| OAO FKB Petrocommerce, ulitsa Lenina 32, Langepas, Tyumen Oblast, 628672 | telephone: (34669) 2 2658 |
| OAO FKB Petrocommerce, ulitsa Lenina 118, Urai, Tyumen Oblast, 628285 | telephone: (34676) 2 2881 |
| ZAO Registrator INTRAKO, ulitsa Lenina 64, 2 nd floor, Perm, 614990 | telephone: (342) 233 0163, 233 0164 |
| OAO Tulainkom, ulitsa Komintern 23, Tula, 300041 | telephone: (4872) 30 3727 |
| OAO FKB Petrocommerce, ulitsa Zakharova 11, Krasnodar, 350007 | telephone: (861) 268 7508, ext.2670, 2640 |
| OAO FKB Petrocommerce, ulitsa Sergievskaya 9, Nizhni Novgorod, 603109 | telephone: (831) 421 4853 |
| Branch of OAO BANK URALSIB, ulitsa Krasnoarmeiskaya 188, Rostov-on-Don, 344000 | telephone: (863) 282 5020 |
| OAO Ugletmetbank, ulitsa Molodogvardeitsev 17B, Chelyabinsk, 454138 | telephone: (351) 247 4970 |

In order to facilitate timely payment of dividends, please make sure your banking details are indicated in the shareholder questionnaire you complete.

Access to information (materials) provided to shareholders in preparation for the General Shareholders Meeting shall be also given to persons taking part in the Annual General Shareholders Meeting of OAO "LUKOIL" during the time the Meeting is held.

Board of Directors of OAO "LUKOIL"

Agenda
of the Annual General Shareholders Meeting of OAO "LUKOIL"

Moscow, 24 June 2010

1. Approval of the 2009 Annual Report of OAO "LUKOIL" and the annual financial statements, including income statements (profit and loss accounts) of the Company, and also distribution of profits (including through the payment (declaration) of dividends) and losses of the Company on the basis of annual results. Determination of the size, date, form and procedure of payment of dividends.
2. Election of the members of the Board of Directors of OAO "LUKOIL".
3. Election of the members of the Audit Commission of OAO "LUKOIL".
4. On the remuneration and reimbursement of expenses to members of the Board of Directors of OAO "LUKOIL".
5. On the remuneration of members of the Audit Commission of OAO "LUKOIL".
6. Approval of the Auditor of OAO "LUKOIL".
7. Approval of amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"*.
8. On the approval of interested-party transactions.

Recommendations of the Board of Directors of OAO "LUKOIL" on the items on the agenda of the Annual General Shareholders Meeting of OAO "LUKOIL"

To recommend that the Annual General Shareholders Meeting of OAO "LUKOIL" adopt the following decisions:

On item 1 on the agenda of the meeting:

To approve the Annual Report of OAO "LUKOIL" for 2009 and the annual financial statements, including income statements (profit and loss accounts) of the Company, and also the distribution of profits:

The net profit of OAO "LUKOIL" for distribution for 2009 was equal to 45,147,922,000 roubles.
To distribute 44,229,289,000 roubles to the payment of dividends for 2009.

The rest of the net profit shall be left undistributed.

To pay dividends for the 2009 financial year in the amount of 52 roubles per ordinary share. To set the term of payment of dividends as July through December 2010. Payment of dividends shall be made in cash from the account of OAO "LUKOIL".

If the dividends transferred by OAO "LUKOIL" are returned due to incorrect banking details in the shareholder register of OAO "LUKOIL" or the death of a shareholder, repeat payment of dividends will be performed after information is provided to OAO Registrar NIKoil (hereinafter the "Registrar") on changes in payment and other details and the relevant amendments are made to the shareholder register of OAO "LUKOIL".

If dividends sent by postal money order are returned, repeat payment will be made through wire transfer to the shareholder's bank account after the latter provides the Registrar with information on its banking details and this information is entered into the shareholder register of OAO "LUKOIL".

The costs on the transfer of dividends, regardless of the means, will be paid by OAO "LUKOIL".

The list of parties entitled to receive dividends shall be compiled on the date of preparation of the list of parties entitled to participate in the Annual General Shareholders Meeting of OAO "LUKOIL", i.e. 7 May 2010.

The proposed decisions are based on the recommendations of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL" (Minutes No. 1 of 8 April 2010) and the Audit Committee of the Board of Directors of OAO "LUKOIL" (Minutes No.4 of 11 May 2010).

The 2009 Annual Report of OAO "LUKOIL" was tentatively approved by the Board of Directors 18 May 2010 (Minutes No.10).

On item 2 on the agenda of the meeting:

To elect the Board of Directors of OAO "LUKOIL", consisting of 11 members, from the list of candidates approved by the Board of Directors of OAO "LUKOIL" on 4 February 2010 (Minutes No. 3).

On item 3 on the agenda of the meeting:

To elect the Audit Commission of OAO "LUKOIL" from the list of candidates approved by the Board of Directors of OAO "LUKOIL" on 4 February 2010 (Minutes No. 3).

On item 4 on the agenda of the meeting:

1. To pay members of the Board of Directors remuneration for their performance of the duties of members of the Board of Directors, in the following amounts:
 - V.I. Grayfer – 4, 470,000 roubles
 - V.Yu. Alekperov – 4, 470,000 roubles
 - V.V. Blazheev – 4, 470,000 roubles
 - D.E. Walette – 4, 470,000 roubles
 - H.O. Gref – 4, 470,000 roubles
 - I.S. Ivanov – 4, 470,000 roubles
 - R.U. Maganov – 4, 470,000 roubles
 - R. H. Matzke – 4, 470,000 roubles
 - S.A. Mikhailov – 4, 470,000 roubles
 - N.A. Tsvetkov – 4, 470,000 roubles
 - A.N. Shokhin – 4, 470,000 roubles
2. In accordance with the decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 26 June 2008 (Minutes No. 1), to pay the members of the Board of Directors the following remuneration in addition to that for the performance of the duties of members of the Board of Directors:
 - to V.I. Grayfer, for performance of the functions of the Chairman of the Board of Directors – 1,040,000 roubles;
 - to I.S. Ivanov, for performance of the functions of Chairman of the Strategy and Investment Committee – 520,000 roubles;
 - to H.O. Gref, for performance of the functions of Chairman of the Audit Committee – 520,000 roubles;
 - to A.N. Shokhin, for performance of the functions of Chairman of the Human Resources and Compensation Committee – 520,000 roubles.
3. In addition to remuneration for performing their functions as members of the Board of Directors, to pay the members of the Board of Directors for their attendance at meetings of committees of the Board of Directors, and for their attendance at meetings of the Board of Directors or a committee of the Board of Directors, where attendance requires a transcontinental flight, in the amount established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 26 June 2008 (Minutes No. 1). The specific amount of remuneration due for payment shall be determined as at the date of the Annual General Shareholders Meeting of OAO “LUKOIL” on 24 June 2010, in accordance with the actual participation of members of the Board of Directors at meetings.
4. To reimburse members of the Board of Directors for expenses in relation to their performance of the functions of members of the Board of Directors, the types of which are established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 24 June 2004 (Minutes No. 1), in the amount of actually incurred documented expenses.
5. To deem it appropriate to establish additional remuneration for newly elected members of the Board of Directors for their participation in conferences and other events on written instructions of the Chairman of the Board of Directors, in an amount of 104,000 roubles, and to retain the amounts of remuneration for members of the Board of Directors of OAO “LUKOIL” established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 26 June 2008 (Minutes No. 1).

The proposed decisions are based on the recommendations of the HR and Compensation Committee of the Board of Directors of OAO “LUKOIL” (Minutes No. 1 of 10 February 2010) and of the Board of Directors of OAO “LUKOIL” (Minutes No. 7 of 20 April 2010).

On item 5 on the agenda of the meeting:

1. To pay remuneration to each of the members of the Audit Commission of OAO "LUKOIL" in the amount established by decision of the Annual General Shareholders Meeting of OAO "LUKOIL" of 26 June 2008 (Minutes No. 1) – 2,600,000 roubles.
2. To deem it appropriate to retain the amounts of remuneration for members of the Audit Commission of OAO "LUKOIL" established by decision of the Annual General Shareholders Meeting of OAO "LUKOIL" of 26 June 2008 (Minutes No. 1).

The proposed decision is based on the recommendations of the HR and Compensation Committee of the Board of Directors of OAO "LUKOIL" (Minutes No. 1 of 10 February 2010).

On item 6 on the agenda of the meeting:

To approve the independent auditor of OAO "LUKOIL" - Closed joint stock company KPMG.

The proposed decisions are based on the recommendations of the Audit Committee of the Board of Directors of OAO "LUKOIL" (Minutes No. 1 of 11 February 2010).

On item 7 on the agenda of the meeting:

To approve amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"*.

On item 8 on the agenda of the meeting:

To approve the interested-party transactions.

**DRAFT DECISIONS
OF THE ANNUAL GENERAL SHAREHOLDERS MEETING OF OAO "LUKOIL"**

Draft decision on item 1 on the agenda: ‘Approval of the 2009 Annual Report of OAO “LUKOIL” and the annual financial statements, including income statements (profit and loss accounts) of the Company, and also distribution of profits (including through the payment (declaration) of dividends) and losses of the Company on the basis of annual results. Determination of the size, date, form and procedure of payment of dividends’:

To approve the Annual Report of OAO “LUKOIL” for 2009 and the annual financial statements, including income statements (profit and loss accounts) of the Company, and also the distribution of profits:

The net profit of OAO “LUKOIL” for distribution for 2009 was equal to 45,147,922,000 roubles.
To distribute 44,229,289,000 roubles to the payment of dividends for 2009.

The rest of the net profit shall be left undistributed.

To pay dividends for the 2009 financial year in the amount of 52 roubles per ordinary share. To set the term of payment of dividends as July through December 2010. Payment of dividends shall be made in cash from the account of OAO "LUKOIL".

If the dividends transferred by OAO “LUKOIL” are returned due to incorrect banking details in the shareholder register of OAO “LUKOIL” or the death of a shareholder, repeat payment of dividends will be performed after information is provided to OAO Registrator NIKoil (hereinafter the “Registrar”) on changes in payment and other details and the relevant amendments are made to the shareholder register of OAO “LUKOIL”.

If dividends sent by postal money order are returned, repeat payment will be made through wire transfer to the shareholder’s bank account after the latter provides the Registrar with information on its banking details and this information is entered into the shareholder register of OAO “LUKOIL”.

The costs on the transfer of dividends, regardless of the means, will be paid by OAO “LUKOIL”.

Draft decision on item 2 on the agenda: ‘Election of the members of the Board of Directors of OAO “LUKOIL”’:

To elect the Board of Directors of OAO “LUKOIL”, consisting of 11 members, from the list of candidates approved by the Board of Directors of OAO “LUKOIL” on 4 February 2010 (Minutes No. 3).

1. ALEKPEROV, Vagit Yusufovich
2. BELIKOV, Igor Vyacheslavovich
3. BLAZHEEV, Victor Vladimirovich
4. WALLETTTE (Jr.), Donald Evert
5. GRAYFER, Valery Isaakovich
6. GREF, Herman Oskarovich
7. ESAULKOVA, Tatiana Stanislavovna
8. IVANOV, Igor Sergeevich
9. MAGANOV, Ravil Ulfatovich
10. MIKHAILOV, Sergei Anatolievich
11. MOBIUS, Mark
12. SHOKHIN, Alexander Nikolaevich

Draft decision on item 3 on the agenda: ‘Election of the members of the Audit Commission of OAO “LUKOIL”’:

To elect the Audit Commission of OAO “LUKOIL” from the list of candidates approved by the Board of Directors of OAO “LUKOIL” on 4 February 2010 (Minutes No. 3).

1. IVANOVA, Lyubov Gavrilovna
2. KONDRATIEV, Pavel Gennadievich
3. NIKITENKO, Vladimir Nikolaevich

Draft decision on item 4 on the agenda: ‘On the remuneration and reimbursement of expenses to members of the Board of Directors of OAO “LUKOIL”’:

1. To pay remuneration and reimburse expenses to members of the Board of Directors of OAO “LUKOIL” according to the appendix hereto.
2. To deem it appropriate to establish additional remuneration for newly elected members of the Board of Directors for their participation in conferences and other events on written instructions of the Chairman of the Board of Directors, in an amount of 104,000 roubles, and to retain the amounts of remuneration for members of the Board of Directors of OAO “LUKOIL” established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 26 June 2008 (Minutes No. 1).

Draft decision on item 5 on the agenda: ‘On the remuneration of members of the Audit Commission of OAO “LUKOIL”’:

1. To pay remuneration to each of the members of the Audit Commission of OAO “LUKOIL” in the amount established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 26 June 2008 (Minutes No. 1) – 2,600,000 roubles.
2. To deem it appropriate to retain the amounts of remuneration for members of the Audit Commission of OAO “LUKOIL” established by decision of the Annual General Shareholders Meeting of OAO “LUKOIL” of 26 June 2008 (Minutes No. 1).

Draft decision on item 6 on the agenda: ‘Approval of the Auditor of OAO “LUKOIL”’:

To approve the independent auditor of OAO "LUKOIL" - Closed joint stock company KPMG.

Draft decision on item 7 on the agenda: ‘Approval of amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”*’:

To approve amendments to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO “LUKOIL”*, pursuant to the Appendix to Ballot No.7.

Draft decision on item 8 on the agenda: ‘On the approval of interested-party transactions’:

To approve the following interested-party transactions, on the terms and conditions indicated in the Appendix to Ballot No.8:

1. Contract(s) of guarantee between OAO “LUKOIL” (Guarantor) and Sberbank of Russia OAO (Bank)
2. Policy (contract) on insuring the liability of directors, officers and corporations between OAO “LUKOIL” (Policyholder) and OAO Kapital Strakhovanie (Insurer).

Open joint stock company “Oil Company “LUKOIL”.
Summary of 2009 performance results and main objectives for 2010

We are pleased to announce that the LUKOIL Group has achieved positive performance results in 2009, a challenging and unpredictable year that began at the peak of the global economic crisis with a significant reduction in demand for oil and petroleum products. In this difficult time, the Company successfully demonstrated its ability to withstand hardships, react adroitly to unfavourable economic conditions, ensure stable and progressive development of its business, and increase its value growth potential. In view of the rapid downturn in the economic environment, during the reporting year we focussed on reducing capital expenditures, tightening financial discipline, and shoring up the Company’s financial position. Through it all, we continued to finance key development projects in full. As a consequence, the Group was able to achieve good results and lay the foundation for continued growth.

Net profit of the LUKOIL Group in the reporting year equalled USD 7.011 billion, with an 11.8% return on capital employed. Free cash flows reached USD 2.360 billion, a lofty indicator considering the crisis in the economy. It should be noted that the year-on-year decrease in OAO “LUKOIL’s” net profit for 2009 was much lower than the decrease in the price of oil in percentage terms. Although the average annual price for Urals oil in 2009 fell by 35.5%, the Company’s net profit dropped by only 23.3%. The oil refining margin in Russia and the world also fell more sharply than OAO “LUKOIL’s” refining results. This was achieved through the Company’s efforts to improve operating efficiency, cut costs in all areas of business and grow oil production and refining volumes.

The Company confirms its commitment to a long-term policy aimed at increasing shareholder return. For example, the amount of dividend payments for 2009 will not be lower than in 2008, despite the reduction in net profit: on 20 April 2010 the Board of Directors recommended that the General Shareholders’ Meeting approve dividends for 2009 in the amount of RUB 52 per share (USD 1.72 at the exchange rate on 31 December 2009), which corresponds to the level of the previous year. The share of dividend payments will exceed 20% of net profits (in 2008 – 15%), and dividend yield will equal 3.6%.

By year end, we had achieved a better balance of our sources of financing. Specifically, the Group placed an issue of Eurobonds worth USD 1.5 billion. The yield on the issue was set at the pre-crisis level, an unprecedented step for a private Russian company.

Geological exploration, oil and gas reserves.

The greater part of oil and gas exploration work was concentrated in the regions of Western Siberia, Perm krai and the Timan-Pechora oil and gas province. The largest exploration projects include follow-up exploration at the Central Astrakhan gas condensate deposit, study of the geologic structure and the oil and gas potential of the Denisovsky basin in Timan-Pechora, and study of the oil and gas potential of assets under the Riyadh project (Block A) in Saudi Arabia.

One new field was discovered in 2009 (Timerovo in Tatarstan), as well as 17 oil accumulations at previously discovered fields. The main growth in liquid hydrocarbon reserves through geological survey work was seen in Western Siberia.

The Company’s proven hydrocarbon reserves based on the international SEC classification equalled 17.504 billion barrels of oil equivalent (BOE) as at 1 January 2010, including 13.696 billion barrels of oil and 22.850 trillion cubic feet of gas. The Company has decided to switch to assessing reserves using SEC standards, to ensure greater transparency of data on reserves and the comparability with the data of competitors.

Pursuant to SEC requirements, there must be an approved development plan for reserves to be recognised as proven undeveloped reserves. The plan should stipulate a development start

date of these reserves within the next five years, unless specific circumstances justify a later development start date. In view of the changes in development plans and deadlines for commissioning of a number of fields, the Group has reclassified 1.8 billion BOE from proven reserves to low category reserves and equivalent resources (gas reserves were primarily reclassified, due to changes in the deadlines for commissioning of a number of Caspian projects). The Company believes that these reserves may be transferred back to proven reserves as the deadlines for their development approach.

The most important event of 2009 was the win by a consortium including the LUKOIL Group and Statoil (Norway) in the tender for the right to develop the Western Qurna-2 field in Iraq. Western Qurna-2 is currently one of the largest undeveloped fields in the world (with recoverable reserves of nearly 13 billion barrels). The effective term of the contract is 20 years, with the possibility for extension for another five years.

Oil and gas production.

The LUKOIL Group's production of marketable hydrocarbons increased by 0.8% in 2009, and equalled 807 million BOE. Average daily production equalled 2.212 million BOE/day.

The LUKOIL Group's oil production (with due account of its share in production performed by associates) equalled 97,615 thousand tonnes in 2009 (1,972 thousand bbl/day), which is 2.7% higher than in 2008. The main factors in the growth in production were the Yuzhno-Khylchuyu field, commissioned in mid-2008, and growth under international projects. The growth rate was negatively impacted by the decline in oil production at fields in Western Siberia. The decline was connected, first and foremost, with objective changes in the structure of recoverable reserves. The Company plans to mitigate the negative impact on the production process by using new enhanced oil recovery (EOR) technologies.

An offshore ice-resistant stationary platform with drilling facilities, housing and transportation infrastructure were built at the Korchagin field in 2009, and exploratory drilling was begun. The first oil was extracted at the field in the second quarter of 2010. This field is the first in a line of promising Caspian projects to be developed by the Company, and will guarantee long-term qualitative growth in production.

Commercial gas production in the reporting year (after own needs, injection into formation and transportation losses) equalled 14.898 billion m³ (1,441 million cubic feet/day). Average daily production of commercial gas fell by 12.5% compared to 2008, including by 16.9% in Russia, due to the limited acceptance of gas by Gazprom.

Eight new fields were brought into development in 2009. Maximum annual production of liquid hydrocarbons at the fields brought into production in 2009 will reach nearly one million tonnes/year.

The Nakhodkinskoye field of the Bolshekhetskaya depression accounted for most natural gas production in Russia (more than 90%). In 2009, 6 billion m³ of gas were produced here, which is almost a third less than in 2008, due to the curtailment of gas purchases by OAO Gazprom. Preliminary preparations for development continue at other fields of the Bolshekhetskaya depression. Pursuant to the approved investment programme, work on infrastructure development has begun at the Pyakyakhinsky field. One well has been put into operation, and production of natural gas for internal needs has started. Once planned production levels are reached at all fields of the Bolshekhetskaya depression, the Company's total production of natural gas in the region will equal 20 billion m³.

Most of the research and development work in this business segment was related to the design of efficient geological survey complexes, improvement of reserve estimation methods (work continued on creating a method for estimating hydrocarbon reserves in complex reservoirs), development and improvement of enhanced oil recovery methods and optimisation

of technical solutions for developing undrilled plots and occurrences. Close attention was paid to environmentally safe technologies for developing fields, especially offshore fields.

Oil refining.

The LUKOIL Group continued active work in 2009 to develop the oil refining segment by upgrading and expanding its refining capacity, and through participation in promising new projects.

The volume of the Company's oil refining operations, including processing at third-party refineries, increased by 7.6% year on year, to 66.48 million tonnes, 62.70 million tonnes of which were refined at the Group's refineries (with account of refining at the ISAB and TRN complexes) (11.4% more than in 2008).

The Company's main achievement in the refining sector was the conclusion of a transaction with TOTAL S.A. (France) on the acquisition of a 45% equity share in the TRN oil refinery (Netherlands) for around USD 700 million. The acquisition of the equity share in TRN fits in nicely with the Company's strategy to expand oil refining capacity in the immediate proximity of sales markets for finished products with high added value. TRN is located in the Vlissingen Oost port region in southwest Netherlands, in one of the largest world centres of trade in oil and petroleum products (Amsterdam-Rotterdam-Antwerp). The refinery is integrated with the nearby petrochemical production facilities, and connected by pipeline with one of the largest oil terminals in Europe (Maasvlakte Olie, Rotterdam), in which the refinery owns a 22% equity share. The refinery also owns its own port with several terminals for loading products onto sea and river vessels.

The Group's refineries performed active measures to cut costs and improve performance in 2009. During the reporting year 156 steps were taken to optimise production capacity and increase the workload of facilities, improve the energy efficiency and reliability of equipment, and increase the time between repairs, and optimise staffing numbers and rotation. These measures had an aggregate effect of around USD 88 million (net effect – USD 18 million), including optimisation of production capacity by USD 70 million. The most notable effect of these measures was seen at the Perm Refinery (USD 28 million).

Processing of raw materials at Group gas-refining companies.

In 2009 the Company's gas refineries processed 2,962 million m³ of raw gas and 718 thousand tonnes of natural gas liquids, or 9% and 17% less than in 2008, respectively. This drop was caused by a fall in demand for refining products, as well as repair of the associated gas compressor at the Korobkovsky Gas Processing Plant (the repair was completed in November 2009). Output of Company refineries included 2,346 million m³ of lean gas, 785 thousand tonnes of liquefied gases and 838 thousand tonnes of liquid hydrocarbons (stable natural gasoline, isopentane and hexane-heptane fractions, natural gas liquids).

Production of petrochemical products.

In 2009 the petrochemical plants of the LUKOIL Group manufactured 902 thousand tonnes of products, or 38% less than in 2008. This fall in production is the result of suspension of activities at OOO Karpatneftekhim for reconstruction in May 2008, and falling demand for petrochemical products.

As part of the strategy to develop the LUKOIL Group's petrochemical sector, measures were taken in 2009 to modernise existing facilities and create new facilities. The Company's capital expenditures in the petrochemical sector totalled USD 113 million.

In May 2008 operations at the Karpatneftekhim plant were suspended in order to carry out large-scale reconstruction. In particular, in 2009 work was completed at the plant to build a unit to produce chlorine and caustic soda by membrane electrolysis, with an annual capacity of 182 thousand tonnes of gaseous chlorine and 200 thousand tonnes of caustic soda. The

implementation of this project will allow the plant to begin the production of caustic soda that meets world quality standards and also fully supply internal needs for chlorine. The commissioning of the unit is planned for mid-2010. Construction continues on a unit to produce PVC suspension with a capacity of 300 thousand tonnes per year. The integration of this unit with the PVC unit will allow for a significant increase in overall production efficiency. The commissioning of the unit is planned for the end of 2010.

OOO Saratovorgsintez performed scheduled repair work in the reporting year. The sodium cyanide unit, created in 2008, was brought up to its designed capacity (15 thousand tonnes/year), achieving savings of raw materials and energy.

With the aim of increasing the output and volume of processing of gas stock from 200 thousand to 400 thousand tonnes per year, the liquefied hydrocarbon gas storage facility at OOO Stavrolen was rebuilt in 2009. The commissioning of the unit is planned for 2010. In the fourth quarter of 2009 designed capacity was achieved in the production of polypropylene (360 tonnes/day) and new high-index grades with high added value began to be produced. A new polyethylene compounding line was put into operation in the reporting year. In addition, energy savings were achieved in the production of polyethylene and polypropylene, as was a reduction in natural gas use in the production of olefins.

Power generation.

A new business sector was created in 2008, as part of the Strategic Development Program for 2008–2017: Power Generation. The new business segment received special attention in the Company's updated strategy for 2010-2019. In the long-term perspective, the Power Generation sector will become an important factor in increasing the Company's cash flow and shareholder value.

The new sector brings together all areas of the energy business, starting with generation and ending with the transportation and distribution of heat and electrical power. This is required to provide reliable supplies to meet the Company's own needs for heat and electricity, as well as those of external consumers. Besides OAO YuGK TGK-8, acquired in 2008, and the company's power stations at fields in Russia, the Power Generation business sector also includes enterprises generating electrical and heat energy in Bulgaria, Romania and Ukraine.

The organisations in the Power Generation business sector produced a total of 14.7 billion kWh of electrical power in 2009. Total output of heat energy was 16.9 million Gcal.

The drop in the output of heat energy was due to a reduction in demand, as well as a delay in the start of the heating season due to warm weather in the Southern Federal District.

Oil and gas shipments.

Total oil shipments by the Company in 2009 reached 116.5 million tonnes, which is 15% higher than the 2008 level. In the reporting year, the volume of oil exports from Russia grew substantially (by 7%) thanks to supplies of oil from the Yuzhno-Khylchuyu field via the Varandei terminal. At the same time, the volume of oil refining within the country remained high (facilities were operating at 100% capacity).

A total of 3.0 million tonnes of oil were sold in Russia in 2009, which is 42% higher than in 2008. Substitution arrangements were implemented for the delivery of LUKOIL Group resources to the Yaroslavl and Ryazan refineries, which made it possible to save logistics costs compared to the alternative of exporting through the Primorsk port. A total of 606 thousand tonnes of oil was purchased in Russia during the reporting year, compared with 236 thousand tonnes in 2008.

Oil exports from Russia by OAO "LUKOIL" subsidiaries (taking into account oil purchased from third-party producers) were 42.02 million tonnes, or 6.9% higher than in 2008, as a result of substantial deliveries through the Varandei terminal. Of this amount, 33.66 million

tonnes were exported to countries outside the former Soviet Union, and 8.36 million tonnes to other countries of the former Soviet Union. In 2009 the Company managed export deliveries efficiently, selecting the most profitable routes.

In 2009 sales of natural gas, associated petroleum gas, lean gas and dry gas by Russian Group companies were 10.947 billion m³, which is 15.6% less than in 2008. Of this, the Group sold 7.584 billion m³ to OAO Gazprom (including almost 6 billion m³ of natural gas from the Company's Nakhodkinskoye field) and 3.363 billion m³ to other consumers. The reduction in the volume of gas sales was caused by a drop in global demand for gas and the corresponding restrictions on the ability of OAO Gazprom to accept gas (supplies to other consumers dropped by only 2.5%).

Retail sale of oil products.

At the end of 2009, the LUKOIL Group retail network covered 26 countries and included 199 tank-farm facilities, with a total reservoir capacity of 3.13 million m³, and 6,620 filling stations (including those operating as franchises).

The Company's retail sales of oil products remained virtually unchanged in the reporting year: company-owned filling stations sold 14.08 million tonnes of oil products, 0.6% less than in 2008. Group average sales per filling station (company-owned and leased) equalled 7.8 tonnes per day, compared to 7.3 tonnes per day in 2008. The increase in average daily sales was due to the optimisation of the Group's retail network and a reduction in the number of low-performing filling stations (specifically in the USA).

The growth in retail sales was mainly achieved by increasing sales on the Russian market, as well as improvements to the operating efficiency of the business segment. Retail sales on the foreign market fell by 4.1% as a result of a drop in solvent demand and lower volumes of carriage. In accordance with the new development strategy, the Company plans to focus on optimising the existing retail network, while lessening its activity on the asset acquisition market. In the reporting year, the Company acquired 21 filling stations in Russia and 12 filling stations abroad.

Stock market.

2009 was a year of growth in the market capitalisation of OAO "LUKOIL" after a significant drop the year before, caused by the global financial crisis. At the end of the year, the market capitalisation of OAO "LUKOIL" was USD 47.8 billion, compared to USD 27.2 billion at the end of 2008. However, during the reporting year there was high volatility in the Company's share price, which followed global and Russian trends.

Over the reporting period, the price of OAO "LUKOIL" shares rose by 75.6% (based on results on the RTS stock exchange), equalling USD 56.20 per share at the end of 2009. The growth in the Company's share price in 2009 lagged somewhat behind the Russian stock market as a whole (the RTS index rose by 128.6%, while the MICEX index rose by 121%). Thus, the current undervalued state of the shares creates potential for their substantial growth in the future.

Despite the difficult situation on the stock market and the economy as a whole, OAO "LUKOIL" shares were one of the most liquid securities of any Russian issuer in 2009, both in Russia and abroad. OAO "LUKOIL" shares accounted for 6.5% and 5.3% of the total volume of trading on the major MICEX and RTS stock exchanges, respectively.

The programme of American depository receipts for Company shares continued in the reporting year; these were traded on the over-the-counter market in the USA, and on the London, Frankfurt, Munich, Stuttgart and other exchanges. At year end 2009 the total number of ADRs issued for ordinary shares was equivalent to 581 million shares (68.3% of the Company's charter capital). ADRs issued for OAO "LUKOIL" shares held second place in 2009 in the volume of

trading among the ADRs of foreign companies listed on the London Stock exchange in the IOB system (18.7% of the total monthly volume of trading in the system).

LUKOIL Group organisations issued Eurobonds in the fall of 2009. The first tranche (for USD 900 million maturing in 2014) was offered at 6.375%; the second (for USD 600 million maturing in 2019) was offered at 7.250%. The bonds maturing in 2014 were offered at a price equal to 99.474% of their nominal value, as a result of which their return to maturity will be 6.500%, while the bonds maturing in 2019 were issued at a price equal to 99.127% of their nominal value, as a result of which their return to maturity will be 7.375%. This issue of Eurobonds was the first by a Russian private company since the middle of 2008, and demand for these bonds significantly exceeded supply. During 2009 OAO “LUKOIL” made 10 issues of exchange-traded bonds totalling RUB 50 billion, with a maturity of 1–3 years.

LUKOIL exerted maximum effort during the reporting year to maintain and grow shareholder value. Operating indicators were improved, efficient new assets were acquired, and a strict policy of restraining capital expenditures and growing free cash flows was followed. This allowed the Company to maintain its investment appeal despite the instability of the global financial system. In 2009 LUKOIL developed and approved a ten-year strategic development programme, which emphasised growth in free cash flows and shareholder return. Achieving the goals set in this programme will underpin future growth in share price and resolve the Company’s current undervaluation.

Optimisation of corporate structure.

During the reporting year, the Group consolidated a 100% interest in OAO RITEK (about 25% of the shares were bought out during the year). RITEK produces oil in European Russia and Western Siberia, and is also actively engaged in research and innovation.

In order to optimise the organisational structure of LUKOIL-Western Siberia as part of efforts to divest non-core assets from the Group, 10 service enterprises were disposed of, which made it possible to reduce costs and staff numbers.

Substantial restructuring was also performed in the Power Generation business sector. Interests in OAO YuGK TGK-8 were increased to 100% (from 95.53% at the start of the year) by buying out the shares of minority shareholders, and YuGK TGK-8 was transformed from an open joint stock company (OAO) into a limited liability company (OOO). In addition, interests that had been held by other Group organisations were consolidated at the parent company OAO “LUKOIL”.

Main objectives of the Company for 2010. The Company will make every effort in 2010 to ensure stable and successful operations under market conditions, with the aim of increasing its share capitalisation.

The Company’s main objectives for 2010 are:

- to maintain the proper balance between business growth and high financial efficiency
- to implement high-return projects in the Exploration and Production business segment
- to strengthen the Company’s financial position and ensure positive cash flow despite the instability of the global economy
- to increase shareholder return.

Board of Directors of OAO “LUKOIL”

INFORMATION ON CANDIDATES TO THE BOARD OF DIRECTORS OF OAO "LUKOIL"

Valery Isaakovich Grayfer

Chairman of the Board of Directors of OAO "LUKOIL", Chairman of the Board of Directors of OAO RITEK

Born: 1929

Graduated from the I.M. Gubkin Moscow Oil Institute in 1952. Candidate of Technical Sciences (PhD). Recipient of six orders, four medals, and a Certificate of Honour of the Supreme Soviet of the Tatar ASSR. Awarded a Certificate of Honour of the Russian Federation President in 2009. 1985: USSR Deputy Minister of Oil and Gas in charge of the Chief Tyumen Production Division for the oil and gas industry. 1992-2009: General Director of OAO RITEK. Since 2010: Chairman of the Board of Directors of OAO RITEK. Since 2000: Chairman of the Board of Directors of OAO "LUKOIL". Professor of the I.M. Gubkin Russian State Oil and Gas University, Lenin Prize winner and the Government of the Russian Federation Prize winner.

Vagit Yusufovich Alekperov

President of OAO "LUKOIL", Member of the Board of Directors of OAO "LUKOIL", Chairman of the Management Committee of OAO "LUKOIL"

Born: 1950

Graduated from the M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Recipient of four orders and eight medals. Two times winner of the RF Government Prize. Employed since 1968; worked at oil fields in Azerbaijan and Western Siberia. 1987-1990: General Director of the Production Association Kogalymneftegaz of Glavtyumenneftegaz of the Ministry of the Oil Industry of the USSR. 1990–1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas. 1992-1993: President of the Oil Concern Langepasuraikogalymneft. 1993–2000: Chairman of the Board of Directors of OAO "LUKOIL". Since 1993: President of OAO "LUKOIL".

Igor Vyacheslavovich Belikov

Director of the Russian Institute of Directors

Born: 1956

Graduated from Voronezh State University in 1980. Completed a post-graduate program at the African Studies Institute under the USSR Academy of Science in 1986, Candidate of Historical Sciences (PhD). 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. Since 2001: Director of the Russian Institute of Directors.

Victor Vladimirovich Blazhev

Independent member of the Board of Directors of OAO "LUKOIL", Rector of the 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 he has been engaged in educational (as a lecturer) and administrative activities occupying various positions at Moscow State Academy of Law. 1999-2001: Dean of the full-time day department of Moscow State Academy of Law. 2001-2002: Vice-Rector of Moscow State Academy of Law in charge of academic agenda. 2002 –2007: First Vice-Rector of Moscow State Academy of Law in charge of academic agenda. Since 2007: Rector of the Kutafin Moscow State Academy of Law.

Donald Evert Walette, Jr.

Independent member of the Board of Directors of OAO "LUKOIL", President of ConocoPhillips Russia/Caspian Region, Member of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"

Born: 1958

Graduated from University of Southern California in 1981, BA in Chemical Engineering. 2002-2005: Manager, production assurance and optimization, ConocoPhillips. 2005-2006: Vice-President, Shtokman Project. Since December 2006: President of ConocoPhillips Russia/Caspian Region.

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

Graduated from Omsk State University in 1990, completed a post-graduate program at St. Petersburg State University in 1993. 1998 – 2000: First Deputy Minister of the Ministry of Property Relations of the Russian Federation. 2000 – 2007: Minister of Economic Development and Trade of the Russian Federation. Since 2007: President, Chairman of the Executive Board of the Savings Bank of the Russian Federation (SBERBANK).

Tatiana Stanislavovna Esaulkova

Born: 1973

Graduated from the Ordzhonikidze State Academy of Management (Moscow). Since 2002: General Director of OOO SDK GARANT.

Igor Sergeevich Ivanov

Independent member of the Board of Directors of OAO "LUKOIL", Professor of the Moscow State Institute of International Relations, Chairman of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"

Born: 1945

Graduated from the Maurice Thorez Moscow State Institute of Foreign Languages in 1969. Doctor of History. Professor. Recipient of Russian and foreign orders and medals. 1993-1998: First Deputy Minister of Foreign Affairs of the Russian Federation. 1998-2004: Minister of Foreign Affairs of the Russian Federation. March 2004 – July 2007: Secretary of the Security Council of the Russian Federation.

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" (Oil and Gas Exploration and Production), Member of the Strategy and Investment Committee of the Board of Directors of OAO "LUKOIL"

Born: 1954

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

Sergei Anatolievich Mikhailov

Independent member of the Board of Directors of OAO "LUKOIL", General Director of OOO Menedzhment-Konsalting, Member of the Audit Committee of the Board of Directors of OAO "LUKOIL", Member of the Human Resources and Compensation Committee of the Board of Directors of OAO "LUKOIL"

Born: 1957

Graduated from the F.E. Dzerzhinsky Military Academy in 1979, Moscow Aviation Institute (Refresher Training Course) in 1981, the Plekhanov Russian Economics Academy in 1998. Candidate of Technical Sciences (PhD), Doctor of Economics, professor. Recipient of four medals. 1974–1992: service in the armed forces. 1992-1996: head of department, Deputy Chairman of the Russian Federal Property Fund. 1996–1997: head of the department of restructuring and investment of the Ministry of Industry of the Russian Federation. 1997-2003: General Director of ZAO Upravlyayushchaya Kompaniya Menedzhment-Tsentr [asset management company]. Since 2001: General Director of OOO Menedzhment-Konsalting [Management Consulting limited liability company]. Since 2005: Member of the Board of Directors of ZAO IFD Kapital, OAO Editorial Board of *Izvestia*. Since 2008: Chairman of the Board of Directors of ZAO Investitsionnaya Gruppy Kapital [Capital Investment Group], Member of the Board of Directors of OOO Upravlyayushchaya Kompaniya Kapital [Kapital Management Company, a limited liability company].

Mark Mobius

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, Templeton Asset Management Ltd. Joined Franklin Templeton Investments in 1987.

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 State University – Higher School of Economics, Chairman of the Human Resources and Compensation Committee of OAO "LUKOIL"

Born: 1951

Graduated from the Economics Department of the Lomonosov Moscow State University in 1974. Doctor of Economics, professor. Recipient of an order and a medal. Employed since 1969. 1991–1994: Deputy Chairman of the Government of the Russian Federation, Minister of Economy of the Russian Federation, Minister of Labor and Employment of the Russian Federation. 1994–2002: Deputy of the State Duma (Parliament) of the Russian Federation of three convocations. 1996–1997: First Deputy Chairman of the State Duma of the Russian Federation, 1997 – 1998: Chairman of 'Our Home is Russia' Duma faction. 1998: Deputy Chairman of the Government of the Russian Federation. 2002–2005: Chairman of the Supervisory Board of Renaissance Capital Group. Since 2005: President of the Russian Union of Industrialists and Entrepreneurs. Member of the RF Public Chamber, Member of the Presidential Council for the Implementation of Priority National Projects and Demographic Policy, Member of the Business Competition and Enterprisership Board under the Chairman of the Government of the Russian Federation, Member of the Governmental Commissions: for administrative reform, legislature and investment projects of national importance.

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

**INFORMATION ON CANDIDATES
FOR THE AUDIT COMMISSION OF OAO “LUKOIL”**

Lyubov Gavrilovna Ivanova was born on 10 June 1961. Graduated from the Ukhta Industrial Institute in 2005 with a degree in “Accounting, business review and analysis”. Employed since 1978. Since 2004: Chief Accountant of OOO LUKOIL-Komi.

Pavel Gennadievich Kondratiev was born on 8 July 1963. Graduated from the Kuibyshev Planning Institute in 1986 with a degree in “Accounting and business analysis”. Employed since 1986. 1997-2002: Chief Accountant of OAO Nizhegorodnefteorgsintez. 2002-2008: Chief Accountant of OAO LUKOIL-Nizhegorodnefteorgsintez. Since 2008: Chief Accountant of OOO LUKOIL-Nizhegorodnefteorgsintez.

Vladimir Nikolaevich Nikitenko was born on 23 April 1958. Graduated from the Saratov Economics Institute in 1982 with a degree in “Finance and credit”. Employed since 1977. 1996-1998: Chairman of the Board of OAO Bank Kaspiisky. Since 1998: President of OAO Petrocommerce Bank.

All the candidates have given their written consent to be elected to the Audit Commission of OAO “LUKOIL”.

**Opinion
of the Audit Commission
based on a review of the financial and business activity
of OAO “LUKOIL” in 2009**

Moscow

28 April 2010

In accordance with the legislation of the Russian Federation, the Charter of OAO “LUKOIL” (hereinafter also the “Company”), the *Regulations on the Audit Commission*, and on the basis of the audit opinion of the Audit Firm ZAO KPMG, the Audit Commission performed a review of the Company’s financial and business activity in 2009.

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

In accordance with the Work Plan (Appendix No. 1 to the Minutes of the Audit Commission meeting of 3 July 2009), the Audit Commission performed a review of:

1. Compliance of the procedure for keeping accounts of business operations with the accounting policy of OAO “LUKOIL” and the regulatory legal acts of the Russian Federation;

2. Compliance with the procedure for performing stocktakes of assets and financial liabilities and documenting their results for the preparation of annual financial statements;

3. Compliance with the *OAO “LUKOIL” Regulations for the calculation and payment of dividends, the assessment and payment of taxes on income in the form of dividends to shareholders of OAO “LUKOIL”, and the calculation and payment of funds to parties claiming the receipt of dividends as an inheritance;*

4. Timeliness of preparation and provision of financial statements to interested users;

5. Reliability of the data contained in the annual financial statements and Annual Report of OAO “LUKOIL” for 2009.

In addition, the main indicators characterising the financial and business activity of OAO “LUKOIL” in 2009 were assessed.

During the review it was established that:

1. OAO “LUKOIL” (the “Company”) keeps its accounts on the basis of the *Regulations on the Accounting Policy for 2009*, approved by OAO “LUKOIL” Order No. 232 of 31 December 2008 and prepared in accordance with Federal Law No. 129-FZ *On Accounting*, the accounting regulations and other regulatory acts governing accounting issues, and the Tax Accounting Policy (OAO “LUKOIL” order No. 233 of 31 December 2008) prepared in accordance with the requirements of tax legislation.

2. For the purposes of ensuring the reliability of the data in the accounting and reporting before the preparation of the annual financial statements, a stocktake of the Company’s assets and liabilities was performed on the basis of OAO “LUKOIL” order No. 190 of 25 September 2009.

The stocktake of the assets and financial liabilities was performed at the Company by the established deadlines and in accordance with the requirements of the *Methodological Recommendations on Stocktakes of Assets and Financial Liabilities* approved by RF Ministry of Finance Order No. 49 of 13 June 1995, and the *Methodological Recommendations on Stocktakes of Assets and Financial Liabilities of OAO “LUKOIL”*, approved by Order No. 167/1 of 13 September 2006, as amended by Order No. 217 of 29 October 2009.

The performance of the stocktake was documented and the results were presented in the accounts using the unified forms approved by Resolution No. 88 of the RF State Statistics Committee of 18 August 1998 and the forms approved by order No. 167/1.

The stocktake of assets was performed by working commissions at facilities that are subordinate to the Company’s accountable officers, with the preparation of inventory sheets. All inventory sheets are signed by members of the stocktake commissions and the accountable officers.

The stocktake of all types of settlements, financial investments, provisions, etc. was performed on the basis of source and supporting documents, with the preparation of Stocktake Reports.

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

The results of the stocktake of assets and financial liabilities were documented in minutes of the working stocktake commissions, which were sent to the Company's Main Stocktake Commission.

The results of the stocktake were recorded in the minutes of the Main Stocktake Commission and approved by OAO "LUKOIL" Order No. 270 of 31 December 2009.

3. The Company's structural divisions comply with the procedure established by the *Regulations for interactions in the calculation and payment of dividends, the assessment and payment of taxes on income in the form of dividends, and the remittance of funds to parties claiming the receipt of dividends as an inheritance.*

Annual dividends for 2008 were paid by the Company during the established period from July to December 2009 to individuals and legal entities registered in the Company's shareholder register as at 8 May 2009. In the reporting period annual dividends for 2008 were accrued in the amount of RUB 42,528,163 thousand.

Over the period July to December 2009 dividends were paid by bank transfer in the amount of RUB 37,172,004 thousand, and by postal transfer in the amount of RUB 100,544 thousand; the return of dividends was RUB 75,808 thousand, and the balance of unpaid dividends for 2008 as at 31 December 2009 was RUB 124,094 thousand. Taxes on the income of Company shareholders in the form of dividends for 2008 were paid to the budget in the amount of RUB 5,207,328 thousand.

As at 31 December 2009, the Company had debt on the payment of dividends in the amount of RUB 391,802 thousand, including dividends for 2002–2005 totalling RUB 154,015 thousand and for 2006–2007 in the amount of RUB 113,693 thousand. This debt was formed in connection with the return of funds due to the fact that certain parties (legal entities and individuals) registered as OAO "LUKOIL" shareholders

have not informed the registrar of changes to their particulars (address, banking and mailing details).

The results of the stocktake of settlements with founders on the payment of income as at 1 October 2009 were recorded in a Stocktake Report and the minutes of a meeting of the stocktake commission, which support the balance of accounts payable on dividends.

4. The Audit Commission confirms that the financial statements were prepared by the deadlines set by the Company's document-flow regulations and were provided on time to interested users.

5. The data contained in the forms of the annual financial statements correspond to the data presented in the accounting registers. The Company's financial statements include data on assets, liabilities, income and expenses provided by trustees. The explanatory note contains information that must be disclosed in accordance with the requirements of accounting regulations.

The reliability of the financial statements for 2009 was confirmed by an auditor's report issued by audit firm ZAO KPMG.

The Company's financial and business operations in 2009 are characterised by the following indicators:

Sales revenue for 2009 equalled RUB 536,708,067 thousand, which is RUB 87,271,508 thousand, or 14%, lower than the 2008 level. The main factors behind the change in revenue growth year on year are:

- a fall in the volume of sales by 13.7 million tonnes, or 14.8%, compared to 2008 (including the transition of LUKOIL-Komi from oil purchase and sale agreements to commission arrangements in the amount of 2.68 million tonnes);
- an increase in selling prices led to a revenue growth of 0.8%.

During the reporting period the **production cost** of goods, products, work and services sold equalled RUB 429,194,256 thousand, which is RUB 82,834,347 thousand,

or 16.2%, less than in 2008. The main reasons for the fall in total production cost is the fall in the volume of oil sales and the change in the price of oil.

The Company's **selling expenses** were RUB 49,899,368 thousand, an increase of RUB 1,831,130 thousand, or 3.8%, over 2008. The growth in selling expenses was connected with an increase in expenses on pipeline transport, which make up 91% of selling expenses. The share of selling expenses in sales revenue increased from 8 to 9%.

Management expenses increased by RUB 961,639 thousand, or 8.2%, year on year in 2009, and equalled RUB 12,706,698 thousand. The increase in management expenses was connected with a growth in expenses on the services of third-party organisations.

Taking into account the changes in gross profit, selling and management expenses, the amount of profit on sales fell by RUB 7,229,930 thousand roubles, or 13.9%, and equalled RUB 44,907,745 thousand. However, the profit margin on sales remained at the previous level of 8.4%.

The positive difference between interest received on loans to subsidiaries and interest paid equalled RUB 4,871,115 thousand.

The Company's interest expenses paid in 2009 equalled RUB 32,886,068 thousand, compared with RUB 4,520,565 thousand in 2008 (including on bank credits and loans from subsidiaries in the amount of RUB 29,088,974 thousand).

Income received from participation in other organisations equalled RUB 12,613,614 thousand in 2009, which is RUB 1,052,836 thousand more than in 2008.

Other income in 2009 equalled RUB 6,554,294 thousand, which is RUB 7,262,913 thousand less than in 2008. **Other expenses**, on the other hand, increased by RUB 4,009,243 thousand, and equalled RUB 14,984,322 thousand.

Considerable changes were seen in the following items included in **other income and expenses**:

- **Exchange differences** – in 2009 there was an expense of RUB 9,717,281 thousand, as foreign-exchange losses exceeded foreign-exchange gains, while in 2008 there was a net income from exchange differences of RUB 7,880,622 thousand;
- Income from the purchase and sale of foreign currency in 2009 equalled RUB 3,157,756 thousand, compared to RUB 685,619 thousand in 2008;

- The difference in the market value estimate of financial investments – the income received in 2009 due to the revaluation of the shares in OAO RITEK and OAO YuGK TKG-8 – equalled RUB 2,224,688 thousand, while in 2008 there was a revaluation expense of RUB 7,714,521 thousand;
- Income on the impairment provisions for financial investments decreased in 2009 by RUB 3,250,522 thousand year on year, and equalled RUB 1,067,148 thousand;
- Expenses related to banking services equalled RUB 2,139,926 thousand in 2009, compared to RUB 53,874 in 2008.

As a result, profit before taxes fell by 38.9% in 2009 compared to 2008, and equalled RUB 53,962,446 thousand (against RUB 88,314,695 thousand).

Corporate profits tax fell by 57% (from RUB 22,781 million in 2008 to RUB 9,884 million in 2009). This was due to a reduction in the tax rate from 24% to 20% from 1 January 2009 (a reduction of RUB 1,972.2 million) and a reduction in the tax base (as a result of a fall in sales revenue and an increase in other expenses).

The reduction in the tax burden had a positive effect on the amount of **net profit** of the reporting year, which only fell by 32.82% year on year and equalled RUB 45,147,922 thousand.

The increase in the Company's net assets compared to the previous period equalled 8%, with their total amount reaching RUB 330,801,217 thousand.

Annual Report of OAO “LUKOIL”

The OAO “LUKOIL” Annual Report contains reliable information on the Company's operations, as well as its priority areas of activity and growth prospects.

The OAO “LUKOIL” Annual Report was signed by Acting President of OAO “LUKOIL” R.U. Maganov and Chief Accountant I.A. Kozyrev.

The OAO “LUKOIL” Annual Report was prepared in accordance with the requirements of RF FCSM Resolution No. 17/ps of 31 May 2002 (point 3.6).

Conclusions

OAO “LUKOIL” keeps accounts based on the Accounting Policy for 2009, approved by Order of OAO “LUKOIL” No. 232 of 31 December 2008 and drafted in accordance with Federal Law No. 129-FZ *On Accounting*, the accounting regulations and other regulatory acts governing accounting issues, and the Tax Accounting Policy (order of OAO “LUKOIL” No. 233 of 31 December 2008) drafted in accordance with the requirements of tax legislation.

The Audit Commission did not disclose any instances of violations of the accounting and reporting procedure established by the legislative acts of the Russian Federation and the Company’s accounting and reporting policy that would be capable of materially affecting the reliability of the financial statements of OAO “LUKOIL”.

The Audit Commission confirms the reliability of the data contained in the Annual Report of OAO “LUKOIL” and the annual financial statements for 2009.

Chairman of the Audit
Commission

V.N. Nikitenko

Members of the Audit Commission:

P.G. Kondratiev

L.G. Ivanova

To the shareholders of
the Open Joint Stock Company
“Oil Company “LUKOIL”

Auditors’ report
on the financial statements of
the Open Joint Stock Company
“Oil Company “LUKOIL”
for the 2009 reporting year

Set out below is an unofficial translation of the auditors’ report on the statutory financial statements of the Open Joint Stock Company “Oil Company “LUKOIL” as at and for the year ended 31 December 2009. The statutory financial statements to which the auditors’ report relates have been prepared in accordance with the accounting and reporting regulations of the Russian Federation. Russian accounting and reporting regulations differ from accounting frameworks in other jurisdictions. Consequently, the accompanying statutory financial statements are not intended to present the financial position, financial performance and cash flows of the Open Joint Stock Company “Oil Company “LUKOIL” in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation.

Information on the audit firm

| | |
|---|--|
| <i>Name of the audit firm:</i> | Closed Joint Stock Company KPMG. |
| <i>Location (legal address):</i> | 18/1, Olympiysky prospect, Room 3035, Moscow 129110. |
| <i>Postal address:</i> | 10, Presnenskaya Naberezhnaya, Block C, floor 31, Moscow 123317. |
| <i>State registration:</i> | Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585. Included in the Unified State Register of Legal Entities on 13 August 2002 by Moscow's Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432. |
| <i>Self-regulating auditors' organisation membership:</i> | Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804. |

Information on the audited company

| | |
|----------------------------------|---|
| <i>Name of audited company:</i> | Open Joint Stock Company "Oil Company "LUKOIL". |
| <i>Location (legal address):</i> | 11, Sretensky boulevard, Moscow, 101000. |
| <i>Postal address:</i> | 11, Sretensky boulevard, Moscow, 101000. |
| <i>State registration:</i> | Registered by Moscow Registration Chamber on 22 April 1993, Registration No. 024020. Registered in the Unified State Register of Legal Entities on 17 July 2002 by Administration of the Ministry of the Russian Federation for Taxes and Levies in Moscow, Registration No. 1027700035769, Certificate series 77 No. 007892347. |

Auditors’ report

To the shareholders of the Open Joint Stock Company “Oil Company “LUKOIL”

We have audited the accompanying financial statements of the Open Joint Stock Company “Oil Company “LUKOIL” (hereinafter the “Company”) for the 2009 reporting year.

The financial statements, set on 65 pages, comprise:

- the balance sheet as at 31 December 2009;
- the income statement for 2009;
- appendices to the balance sheet and income statement including:
 - statement of changes in equity for 2009;
 - cash flow statement for 2009;
 - attachments to the balance sheet;
- explanatory notes to the financial statements.

The Executive Body of the Company is responsible for the preparation and presentation of the financial statements. The term “financial statements” refers to financial statements as defined in the Federal Law *On Accounting*. Our responsibility is to express an opinion on the reliability of the financial statements in all material respects based on our audit.

We conducted our audit in accordance with the Federal Law *On Auditing*, the Federal Standards on Auditing, internal KPMG auditing methodology, the rules and standards adopted by the Chamber of Auditors of Russia.

The audit was planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. The audit was performed on a sample basis and included examination, on a test basis, of evidence supporting the amounts presented in the financial statements and the information disclosed therein on the financial performance of the Company. The audit also included an assessment of the Company’s compliance with the accounting principles and rules in the preparation of the financial statements and a review of key estimates made by management, as well as an evaluation of the presentation of the financial statements. We believe that the audit performed provides a sufficient basis for our opinion on the reliability of the financial statements.

In our opinion, the accompanying financial statements present reliably, in all material respects, the financial position of the Company as at 31 December 2009 and its financial performance for the period from 1 January to 31 December 2009 inclusive in accordance with the requirements of the reporting legislation of the Russian Federation.

19 March 2010
Kirill Altukhov

Director of CJSC KPMG,
(power of attorney dated 29 August 2007 No. 14/07)

Tatiana Titova

In charge of the audit,
auditor's qualification certificate for general audit No
K019317, valid for an indefinite period

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

MINUTES No. 3
OF THE MEETING OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

06 April 2010

Moscow

EXCERPT

CHAIRMAN: H.O. Gref
PRESENT:
Committee members V.V. Blazheev, S.A. Mikhailov
...

**I. Examination of the Independent Auditors' opinion before submitting it to shareholders at
the Annual General Shareholders Meeting of the Company**

(I.A. Kozyrev, S.A. Mikhailov, H.O. Gref)

Having considered the report of the Company's independent Auditor, ZAO KPMG, on the financial statements of OAO "LUKOIL" for the period from 1 January to 31 December 2009, it has been

RESOLVED:

Based on the result of the analysis and the discussion of issues of material importance to the preparation of complete and reliable financial statements, and also in light of the fact that the audit of the financial statements of OAO "LUKOIL" for the period from 1 January to 31 December 2009 resulted in an unqualified audit opinion, to propose to the Board of Directors that it recommend to the annual General Shareholders Meeting of the Company that the meeting approve the audited financial statements of the Company for 2009 and include the Summary review of the Independent Auditors' Opinion performed by the Audit Committee of the Board of Directors of OAO "LUKOIL" in the list of materials to be provided to shareholders when preparing for the General Shareholders Meeting.

Voting results: Decision passed unanimously.

Chairman

H.O. Gref

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

BALANCE SHEET

as at 31 December 2009

million roubles

| | Opening balance | Closing balance |
|---|-----------------|-----------------|
| <i>Non-current assets</i> | | |
| Intangible assets | 110 | 119 |
| Fixed assets | 3,239 | 2,984 |
| Construction in progress | 726 | 1,925 |
| Income-bearing investments in tangible assets | 28 | 1 |
| Financial investments | 497,149 | 693,032 |
| Deferred tax assets | 497 | 709 |
| Other non-current assets | 254 | 359 |
| <u>Non-current assets, total</u> | <u>502,003</u> | <u>699,129</u> |
| <i>Current assets</i> | | |
| Inventories | 55 | 67 |
| VAT on purchased assets | 963 | 2,526 |
| Accounts receivable | 90,639 | 140,202 |
| Financial investments | 47,463 | 45,784 |
| Cash | 17,436 | 15,346 |
| <u>Current assets, total</u> | <u>156,556</u> | <u>203,925</u> |
| ASSETS | TOTAL | 658,559 |
| <i>Equity and reserves</i> | | |
| Charter capital | 21 | 21 |
| Additional paid-in capital | 12,625 | 12,625 |
| Reserve capital | 3 | 3 |
| Retained earnings | 315,532 | 318,152 |
| <u>Equity and reserves, total</u> | <u>328,181</u> | <u>330,801</u> |
| <i>Non-current liabilities</i> | | |
| Loans and borrowings | 25,262 | 86,172 |
| Deferred tax liabilities | 972 | 115 |
| Other non-current liabilities | 207 | 206 |
| <u>Non-current liabilities, total</u> | <u>26,441</u> | <u>86,493</u> |
| <i>Current liabilities</i> | | |
| Loans and borrowings | 262,167 | 389,319 |
| Accounts payable | 39,781 | 94,420 |
| Provisions for future expenses | 1,989 | 2,021 |
| <u>Current liabilities, total</u> | <u>303,937</u> | <u>485,760</u> |
| LIABILITIES AND EQUITY | TOTAL | 658,559 |

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

INCOME STATEMENT

for the year ended 31 December

million roubles

| | 2008 | 2009 |
|--|----------------|----------------|
| Net sales revenues | 623,980 | 536,708 |
| Cost of goods sold | (512,029) | (429,194) |
| Gross profit | 111,951 | 107,514 |
| Selling expenses | (48,068) | (49,899) |
| Administrative expenses | (11,745) | (12,707) |
| Sales income | 52,138 | 44,908 |
| Interest receivable | 26,294 | 37,757 |
| Interest payable | (4,520) | (32,886) |
| Income from equity participation in other organisations | 11,561 | 12,614 |
| Result of non-sales income and expenses | 2,842 | (8,430) |
| Profits before tax | 88,315 | 53,963 |
| Deferred corporate profits tax | 2,430 | 1,069 |
| Current corporate profits tax and other mandatory payments | (23,553) | (9,884) |
| Net profit | 67,192 | 45,148 |

A M E N D M E N T S

to the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"*

1. Point 9.3 shall be revised to read as follows:

“9.3. Based on the voting results, the Counting Commission prepares a protocol of voting results. The protocol of voting results shall be prepared not later than three business days after the closure of the Meeting or the deadline for the receipt of ballots when the Shareholder Meeting is held in the form of absentee voting.”.

2. The first paragraph of point 11.11 shall be revised to read as follows:

“11.11. The minutes of the Meeting shall be compiled in two copies not later than three business days after the closure of the Meeting. Both copies shall be signed by the Chairman of the Meeting and the Secretary of the Meeting.”.

**Table of amendments to the current version
of the *Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO "LUKOIL"***

| № | Current version of the Regulations | Proposed amendments and addenda to the Regulations | Comments |
|----|---|--|--|
| 1. | Point 9.3: “9.3. Based on the voting results, the Counting Commission prepares a protocol of voting results. The protocol of voting results shall be prepared not later than 15 days after the closure of the Meeting or the deadline for the receipt of ballots when the Shareholder Meeting is held in the form of absentee voting.” | Point 9.3: “9.3. Based on the voting results, the Counting Commission prepares a protocol of voting results. The protocol of voting results shall be prepared not later than 15 <u>three business</u> days after the closure of the Meeting or the deadline for the receipt of ballots when the Shareholder Meeting is held in the form of absentee voting.” | This amendment is being made in connection with the entry into force of Federal Law No. 352-FZ of 27 December 2009, which introduced amendments, <i>inter alia</i> , to point 1 of clause 62 of the Federal Law <i>On Joint Stock Companies</i> stipulating a reduction in the period for the vote tallying commission to draft the report on the results of voting from 15 days to three business days after the closure of a meeting or the final date for acceptance of voting ballots, if voting in a shareholders’ meeting is held through absentee voting. |
| 2. | The first paragraph of point 11.11: “11.11 The minutes of the Meeting shall be compiled in two copies not later than 15 days after the closure of the Meeting. Both copies shall be signed by the Chairman of the Meeting and the Secretary of the Meeting.” | The first paragraph of point 11.11: “11.11. The minutes of the Meeting shall be compiled in two copies not later than 15 <u>three business</u> days after the closure of the Meeting. Both copies shall be signed by the Chairman of the Meeting and the Secretary of the Meeting.” | This amendment is being made in connection with the entry into force of Federal Law No. 352-FZ of 27 December 2009, which introduced amendments, <i>inter alia</i> , to point 1 of clause 63 of the Federal Law <i>On Joint Stock Companies</i> stipulating a reduction in the period for the compilation of the minutes of the General Shareholders Meeting from 15 days to three business days after the closure of a shareholders’ meeting. |

Deleted provisions are shown in the table as strikethrough text, and new provisions are shown as underlined text.

Information on interested-party transactions

In accordance with article 83 of the Federal Law *On Joint Stock Companies*, interested-party transactions must be approved by the board of directors or the general shareholders meeting of the company prior to their conclusion.

Point 4 of article 83 of the Federal Law *On Joint Stock Companies* stipulates that if the subject of a transaction or several interrelated transactions is an asset, the value of which according to the company's accounting data (the asking price of an asset being acquired) is two percent or more of the book value of the company's assets according to its financial statements as at the latest reporting date, the transaction must be approved by the general shareholders meeting. Transactions must also be submitted for the approval of the general shareholders meeting if all members of the board of directors qualify as interested parties. In accordance with point 3 of article 49 of the Federal Law *On Joint Stock Companies*, the decision to approve interested-party transactions shall only be taken by the general shareholders meeting on the recommendation of the board of directors of the company.

Pursuant to the balance sheet of OAO "LUKOIL" (hereinafter also the "Company") duly approved according to the statutory procedure, on the latest reporting date (as at 31 December 2009) the value of the assets of OAO "LUKOIL" were RUB 903,053,738 thousand. Two percent of this amount equals RUB 18,061,074,760, 10 percent equals RUB 90,305,373,800, and 25 percent equals RUB 225,763,434,500.

Two interested-party transactions are being submitted for the consideration of the Annual General Shareholders Meeting of OAO "LUKOIL".

The first transaction is a Contract (contracts) of guarantee between OAO "LUKOIL" (the Guarantor) and Sberbank of Russia OAO (the Bank), the purpose of which is to ensure the performance of obligations by LUKOIL Finance Limited (the Borrower) – a subsidiary of OAO "LUKOIL" – to the Bank on a loan (loans) used to finance the Borrower's charter activity. The main line of business of LUKOIL Finance Limited is to provide short- and long-term financing to LUKOIL Group organisations. The person interested in the conclusion of the transaction – H.O. Gref, a member of the Board of Directors of OAO "LUKOIL" and simultaneously the President, Chairman of the Management Board, and member of the Supervisory Board of Sberbank of Russia OAO – does not stand to gain a direct material benefit. He is formally considered an interested party due to the fact that he participates in the management bodies of the Company and of Sberbank of Russia OAO. The subject of this transaction is the Company's assumption of the obligation to answer to the Bank for the full and due performance by the Borrower of all of its obligations under the loan agreement or agreements concluded between the Borrower and the Bank, with an effective term of no more than 10 (ten) years from the time of conclusion, in accordance with which the Bank provides the Borrower with a loan totalling not more than RUB 150 billion (or the equivalent in USD) at an interest rate not to exceed 12.45% per annum in roubles or 8.01% in US dollars. The Guarantor will be jointly and severally liable with the Borrower to the Bank for the payment in full of all monetary funds due and payable by the Borrower under the loan agreement(s) to be concluded with the Bank, including the principal of the loan, interest on the loan, and all other amounts to be repaid by the Borrower under the loan agreement(s). The anticipated sum of accrued interest on the loan (loans) to the end of the effective term of the loan agreement (loan agreements),

based on potential rates not exceeding 12.45% per annum on roubles and 8.01% on US dollars is up to RUB 150,000,000,000.

Since the value of the assets (cash) that are the subject of the transaction exceeds two percent of the book value of the Company's assets according to the data of its financial statements as at 31 December 2009, this transaction has been submitted for the approval of the Annual General Shareholders Meeting of OAO "LUKOIL".

The second transaction is an Insurance Policy (contract) for the liability of directors, officers and corporations between OAO Kapital Strakhovanie (the Insurer) and OAO "LUKOIL" (the Policyholder). This transaction has been submitted for the approval of the shareholders' meeting based on point 3 of article 83 of the Federal Law *On Joint Stock Companies*, since all the members of the Board of Directors of OAO "LUKOIL" qualify as parties interested in the conclusion of the transaction. The basis for recognising the members of the Board of Directors as interested parties is the fact that they are the beneficiaries in the transaction, since they would receive the appropriate indemnification should an insured event occur. The size of the transaction does not exceed two percent of the book value of the assets of OAO "LUKOIL" according to the data of its financial statements as at 31 December 2009, but is being sent for the approval of the General Shareholders Meeting of the Company based on point 3 of article 83 of the Federal Law *On Joint Stock Companies*, since all the members of the Board of Directors of OAO "LUKOIL" qualify as parties interested in the conclusion of the transaction.

In accordance with the terms of the Insurance Policy (contract) on the liability of directors, officers and corporations, the liability of the members of the Board of Directors and other officers of the Company, i.e. the President and members of the Management Committee is insured (under coverage A), and the liability of the Company itself is insured (under coverage B) for the period 2010–2011. The aggregate limit of liability under coverage A and B, including legal defence costs, is at least USD 50,000,000. The insurance premium for coverage A is up to RUB 305,000, and for coverage B – up to RUB 39,345,000. Under this contract, OAO "LUKOIL" (the Policyholder) undertakes to pay the insurance premium by the date established in the contract and to comply with the contractual terms, and OAO Kapital Strakhovanie (the Insurer) undertakes to pay insurance claims in accordance with the contractual terms on the occurrence of an insured event.

Professional liability insurance is a generally accepted practice throughout the world. The Corporate Governance Code, recommended for use by Directive No. 421/r of the Federal Commission on the Securities Market of 4 April 2002, also recommends that joint stock companies obtain this type of insurance using internal funds, so that any losses caused to third parties by the culpable actions of the members of the Board of Directors can be compensated using the funds of the insurance company.

The terms of the Insurance Policy (contract) on the liability of directors, officials and corporations submitted for approval are unchanged compared to the Insurance Policy (contract) on the liability of directors, officers and corporations approved by decision of the Annual General Shareholders Meeting of OAO "LUKOIL" on 25 June 2009 (Minutes No. 1), the term of which expires on 18 July 2010.

MINUTES No. 1
of the Annual General Meeting of Shareholders
of Open Joint Stock Company “Oil company “LUKOIL”

Full trade name of the company: *Open Joint Stock Company “Oil company “LUKOIL”*

Location of the company: *Sretensky bulvar 11, Moscow 101000 Russian Federation*

Type of the General Meeting: *annual*

Form of the General Meeting: *a meeting (joint attendance of shareholders to discuss agenda items and take decisions on issues put to a vote) with preliminary distribution (dispatch) of ballots before the conduct of the Meeting*

Date of the General Meeting: *26 June 2008*

Place of the General Meeting: *OAO “LUKOIL”, Sretensky bulvar 11, Moscow*

Date of preparation of the Minutes: *8 July 2008*

Item 4 of the agenda. On the remuneration and reimbursement of expenses to members of the Board of Directors and Audit Commission of OAO “LUKOIL”.

The wording of resolution on Item 4 on the agenda, point 2, put to a vote (Ballot No.4):

‘To establish remuneration for newly elected members of the Board of Directors and the Audit Commission of OAO “LUKOIL” according to the Appendix hereto.’

Voting results on Item 4 on the Agenda, point 2:

| | |
|--|--|
| 1. Number of votes held by parties included on the list of parties with the right to participate in the general meeting on this issue: | 850,563,255 |
| 2. Number of votes held by parties taking part in the general meeting on this issue: | 784,452,790 (92.23 %), A quorum is present |
| “For” | 761,753,074 (97.11%) |
| “Against” | 21,237,024 |
| “Abstained” | 111,831 |
| Number of votes on this issue that were not counted in connection with the declaration that the ballot is invalid for this item: | 1,034,028 |

Decision taken on Item 4 on the agenda, point 2:

To establish remuneration for newly elected members of the Board of Directors and the Audit Commission of OAO “LUKOIL” according to the Appendix hereto.

Chairman of the Meeting V.I. Grayfer

Secretary of the Meeting S.N. Malyukov

I hereby certify that this is a true and accurate excerpt from Minutes No.1

Secretary of the Board of Directors

E.L. Khavkin

Appendix to decision on point 4 (Item 2) on the agenda of the Annual General Meeting of Shareholders of Open Joint Stock Company "Oil company "LUKOIL" of 26 June 2008 (Minutes No.1)

1. To establish the following amounts of remuneration for newly elected members of the Board of Directors of OAO "LUKOIL":
 - for performance of the duties of a member of the Board of Directors – 4,470,000 roubles;
 - for performance by a member of the Board of Directors of the functions of the Chairman of the Board of Directors – 1,040,000 roubles;
 - for performance by a member of the Board of Directors of the functions of the Chairman of a committee of the Board of Directors – 520,000 roubles;
 - for attendance in person at a meeting of a committee of the Board of Directors by a member of the Board of Directors who is a member of the committee – 104,000 roubles;
 - for attendance in person at a meeting of the Board of Directors or a committee of the Board of Directors which involves a transcontinental flight (a flight from one continent to another that lasts more than eight hours) – 260,000 roubles. If a member of the Board of Directors takes a transcontinental flight to attend the meetings of both a committee (committees) of the Board of Directors and of the Board of Directors itself, only a single amount of remuneration for the transcontinental flight will be paid.

2. To establish remuneration for newly elected members of the Audit Commission of OAO "LUKOIL" in the amount of 2,600,000 roubles.