

ALWAYS MOVING FORWARD



ОАО ЛУКОЙЛ
ANNUAL
REPORT **2014**

LUKOIL is one of the largest oil & gas vertical integrated companies in the world accounting for over 2% of crude production and circa 1% of proved hydrocarbon reserves globally. LUKOIL enjoys a full production cycle to control the entire value chain from upstream to downstream. The Company boasts a well-diversified portfolio of assets with core operations focused on four federal districts in Russia while its international projects account for circa 10% of production and reserves.

Each and every day, the Company supplies its fuels, power and heat to millions of consumers in 34 countries thus improving livelihoods. LUKOIL employs over 110 thousand people who join their efforts and talents to secure the Company's market leadership.



RELIABILITY

Over 20 years of sustainable growth



EFFICIENCY

LUKOIL is one of the most efficient companies in the Russian oil & gas industry



VALUE

Strong financial position and sound bottom line translate into ever increasing shareholder returns with dividends per share likely to be as high as RUB 154 for the full year of 2014 (+40% y-o-y growth), which offers a dividend yield of 7.6%

MISSION

Our mission is to harness the power of natural resources for the human benefit by developing unique hydrocarbon fields in an efficient and responsible manner, ensuring business growth and contributing to the well-being of our staff within and the communities beyond.

CORPORATE VALUES

- 1. PERSONNEL.** Everything our Company does is done by and for the people.
- 2. ENVIRONMENT AND TECHNOLOGIES.** As one of the world's largest users of natural resources, LUKOIL strictly adheres to the highest international environmental standards and is proud of its well-planned environmental management system all across the hierarchy.
- 3. RESPONSIBILITY** for the human lives and natural resources entrusted with us in the regions where we operate.
- 4. OPENNESS AND PARTNERSHIP** in collaboration with communities and stakeholders.
- 5. INTEGRITY.** True to its mission, LUKOIL does business in a fair and honest way, with respect and decency.

OAO LUKOIL is the corporate center of LUKOIL Group (hereinafter also the «Group») which coordinates the operations of Group companies and promotes further development and globalization of the Group's business.

It focuses on coordination and management of subsidiaries in terms of organizational set-up, investments and financial operations. To this end, the corporate center aims to maximize the transparency of decision-making processes within the Group, to ensure shareholder protection and to enhance the investment appeal of OAO LUKOIL generally.

FORWARD-LOOKING STATEMENTS

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

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

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



**ABOUT
THE COMPANY
COPING WITH
CHALLENGES**

- 2 Letter to shareholders
- 4 LUKOIL on a global scale
- 5 Key highlights
- 6 Business model
- 8 Our history
- 10 Key events of 2014
- 12 Strategy and progress
- 13 Measuring success: key performance indicators (KPIs)
- 15 Risk management framework
- 17 Global oil & gas fundamentals



**UPSTREAM
ACHIEVING
STATED
OBJECTIVES**

- 18 Operating Results
- 22 Reserves
- 24 Exploration
- 27 Development and Production
- 29 High-Priority Projects
- 34 West Qurna-2
- 36 Technology



**DOWNSTREAM
ADDING VALUE**

- 42 Oil Refining
- 44 Production of Lubricants
- 45 Gas Processing
- 45 Petrochemicals
- 46 Power Generation
- 47 Oil & Gas Sales
- 51 Sales of Petroleum Products



54 Financial Performance



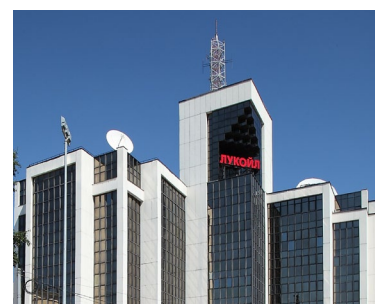
**CORPORATE
RESPONSIBILITY
RESPONSIBLE
USAGE OF
NATURAL AND
HUMAN CAPITAL**

- 60 Environmental protection
- 64 Fuel and energy consumption
- 65 Health and Safety
- 66 Personnel
- 69 Interaction with communities
- 71 Stakeholder relations



**CORPORATE
GOVERNANCE
HIGH
STANDARDS**

- 73 Management structure
- 73 General Shareholders Meeting
- 74 Board of Directors
- 82 Executive bodies
- 87 Top management remuneration system
- 88 Control bodies
- 89 Independent auditor
- 90 Business ethics
- 90 Information for shareholders and investors



APPENDICES

- 95 Risks
- 101 Consolidated Financial Statements
- 143 Analysis of Financial Position and Results of Operations
- 179 Corporate Governance Code Compliance Report
- 197 Major and related/interested party transactions
- 239 Information on transactions with OAO LUKOIL shares / ADRs performed by management bodies members
- 241 Reference information

About the Report

OAO LUKOIL's annual report presents key information on the Company's and Group's overall performance in 2014 by business area, as well as growth strategy and corporate governance. The report complies with the requirements of the Russian securities market regulations and recommendations of the Corporate Governance Code based on the Group's consolidated financial statements under US GAAP.

For more information on the Group's production assets and operating results for the past 5 years, please see our Fact Book.

Figures related to the Group's business activities are presented in our Analyst Databook.

Extended information on the Company's sustainable development in Russia can be found in our Sustainability Report.

To view these reports, please visit the Company's website at: http://www.lukoil.com/realms/investor/default_6_.html.

To order free printed versions of the reports, please fill in the relevant form on the Company's website.

FEEDBACK

You are welcome to send any comments and/or suggestions as regards the Group's reports to our e-mail: ir@lukoil.com. Feedback from the shareholders and other stakeholders helps us improve information transparency and enhance the reporting quality.

Contact information is presented at the end of the report.

COPING with challenges

DEAR FELLOW SHAREHOLDERS!

The past year's results once again highlighted both the strengths of the Group's business model and our ability to be successful even in the most challenging economic environment. We do our best to streamline our business structure and ensure its reliability. As shown in this report, our efforts made the Company even stronger, healthier and safer.

The past year was rich and successful for LUKOIL Group in terms of operating results. In addition, the entire value chain continued to prove the robustness of our vertically integrated business model. Hydrocarbon production grew 5.1%. Importantly, we had a growing crude production in Russia. Our Russian refineries raised throughput, too. Last year, filling stations in the Central Europe, specifically in Slovakia, Czech Republic and Hungary were disposed of. We optimized the distribution network in those regions where the Group has no operating refineries, which will drive margins up.

The Board of Directors is alert to the changing global environment and pays much attention to seeking an adequate response. Throughout 2014, the Company was specifically focused on its strategy, prudential project management and rigorous investment discipline. Our revenues rose by 1.9% to \$144.2 billion, while EBITDA amounted to \$16.0 billion.

\$ 144 BLN

REVENUE FOR 2014

\$ 16 BLN

EBITDA

7.6 %

DIVIDEND YIELD FOR 2014

ABOUT \$ 10 BLN

DIVIDENDS PAID FOR 5 YEARS

Ex aequo et bono, our shareholders should expect competitive returns from the Company. In 2014, the Company's financial health enables us to create and distribute value to our shareholders. The dividend yield may be as high as 7.6% in 2014. The Company distributed \$2.16 billion of dividends in 2014. Over the last 5 years, the Company paid dividends to shareholders around \$10 billion.

We realize that the Company should follow a disciplined approach to investments by rigorously observing limitations on capital expenditures (capex) and striking a balance between today's shareholder returns and tomorrow's capex requirements. This is the only approach to secure a sustainable growth path for the Company in the mid-term.

We reiterate our commitment to disciplined long-term investments with all our efforts aiming to enhance operational excellence and increase shareholder value. Reliability and skillful corporate governance underlie everything we do.

Power is the blood of present-day economy. The global power industry is facing rapid changes (e.g., shale revolution in USA). However, the long-term supply issue is far from being solved globally. More energy is required to meet the needs and aspirations of the growing population in the world. According to our report *Key Global Trends in Oil & Gas Markets to 2025*, we project demand for liquid hydrocarbons to grow at 1.2% CAGR up to 2025 and beyond.

That is why we keep on investing in the long term assuming the economic growth will go ahead and translate into returns on our investments. In 2014, the Group's capex stood at \$15.4 billion. In 2015, we will go on investing and launching new promising projects in the Exploration and Production segment (E&P) and increasing premium production in Downstream.

Importantly, the Company's commitment to the highest standards of social and environmental responsibility also results in LUKOIL's HSE leadership in the industry. In 2014, we continued improving our environmental performance and reducing environmental impact. As such, in 2014, associated petroleum gas (APG) utilization rate gained 4.9%, while in absolute terms APG flaring was down from 1.4 million m³ to 1.1 million m³ (-15.8%).

2014 saw a breakthrough in the E&P segment. We launched new projects, specifically the enormous West Qurna-2 in Iraq, the large-scale Imlorsko-Istochny license area in Western Siberia and the Timan-Pechora cluster of fields. These projects not only secure new oil & gas supply to consumers but also create a significant value to our shareholders and investors.

Despite all odds, we are committed to all of our key investment plans well into 2015:

- the North Caspian field development and related construction of a gas processing unit at the Stavrolen plant
- follow-on development of the Imlorskoye cluster in Western Siberia
- follow-on exploration and new field launches in Timan-Pechora
- production ramp-up at West Qurna-2 in Iraq
- gas projects in Uzbekistan.

The bulk of investments in the Refining, Marketing and Distribution segment covers 2014 and 2015. The Group is set to complete on time cracker construction in Burgas and Nizhny Novgorod, coking unit construction in Perm and upgrade of all its refineries in Russia.



Valery Grayfer

Chairman of the Board of Directors of OAO LUKOIL



Vagit Alekperov

President of OAO LUKOIL



We leverage our strengths in respect of these assets and lines of business such as staff experience cutting-edge technologies and opportunity to foster long-standing relations required to gain access to resources and implement challenging projects.

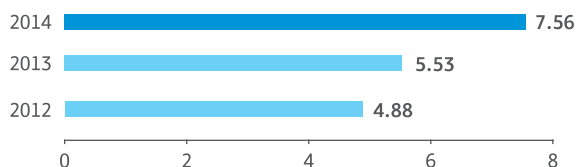
Year after year, OAO LUKOIL's talents prove to be focused on both ends and means. Their continued adherence to high ethical standards

of business conduct wherever LUKOIL Group operates and their efforts to protect human rights, communities and environment are inherent to OAO LUKOIL's success.

On behalf of all my colleagues at OAO LUKOIL, we thank our shareholders for their trust. Together we feel confident about the future.

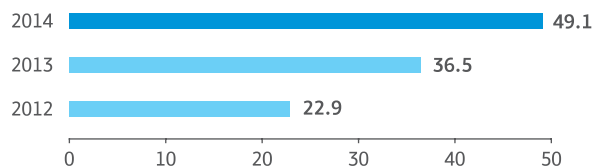
Dividend yield¹, %

↑ **7.56%**



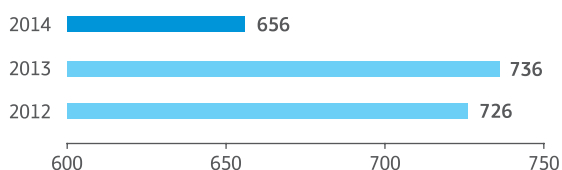
Dividend payout ratio², %

↑ **49.1%**



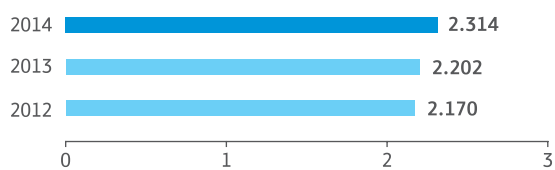
Air emissions, thousand tonnes

↓ **10.8%**



Production of marketable hydrocarbons, million boe per day

↑ **5.1%**



¹ Dividend yield is calculated based on the recommendation of the Board of Directors to pay dividends of RUB 154 per share for FY 2014 and the average market price of OAO LUKOIL's ordinary shares on the Moscow Exchange during 2014.

² The payout ratio is calculated based on the recommendation of the Board of Directors to pay dividends of RUB 154 per share for FY 2014, the RUB/USD exchange rate at the end of the period, the total number of OAO LUKOIL's outstanding shares and net income in the period.

A WELL-DIVERSIFIED ASSET PORTFOLIO helps mitigate risks

4 CONTINENTS
 OVER 2% OF THE GLOBAL CRUDE OIL PRODUCTION
 ABOUT 1% OF THE WORLD'S PROVED OIL RESERVES



The map shows the Group's major production assets as at 31 December 2014.

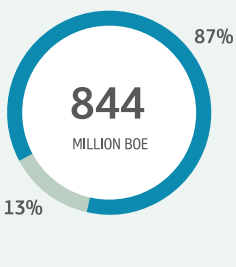
- | | | | | | | | | | |
|------------------|--|-------------|--|----------------|--|------------------|--|------------------|--|
| 1. Azerbaijan | | 8. Cyprus | | 15. Kazakhstan | | 22. Netherlands | | 28. Serbia | |
| 2. Belarus | | 9. Egypt | | 16. Latvia | | 23. Norway | | 29. Sierra Leone | |
| 3. Belgium | | 10. Finland | | 17. Lithuania | | 24. Poland | | 30. Spain | |
| 4. Bulgaria | | 11. Estonia | | 18. Luxembourg | | 25. Romania | | 31. Turkey | |
| 5. Cameroon | | 12. Georgia | | 19. Macedonia | | 26. Russia | | 32. Ukraine | |
| 6. Croatia | | 13. Italy | | 20. Moldova | | 27. Saudi Arabia | | 33. USA | |
| 7. Côte d'Ivoire | | 14. Iraq | | | | | | 34. Uzbekistan | |



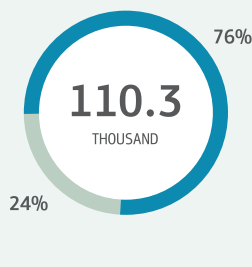
Proved hydrocarbon reserves as at 31 December 2014



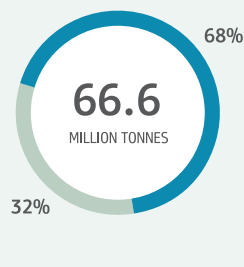
Production of marketable hydrocarbons



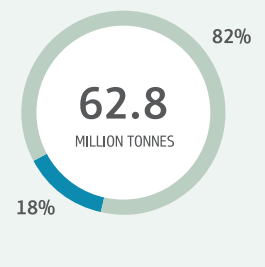
Headcount



Oil refining¹



Crude oil sales



¹ Own and affiliated refineries.

BOOSTING OPERATING PERFORMANCE in a challenging environment



Strong financials

The challenging market environment of 2H 2014 had an adverse effect on our financials. However, as oil prices recover, the Company expects to improve its performance.

| | | 2014 | 2013 | 2012 | Change 14/13, % |
|---------------------------|--------------------------------------|---------|---------|---------|--------------------|
| Revenue, \$ billion | Sales, \$ million | 144,167 | 141,452 | 139,171 | 1.9 ↑ |
| <p>↑ 1.9%</p> | EBITDA, \$ million | 15,982 | 16,668 | 18,915 | -4.1 ↓ |
| | Net income, \$ million | 4,746 | 7,832 | 11,004 | -39.4 ↓ |
| | Basic earnings per share, \$ million | 6.29 | 10.38 | 14.47 | -39.4 ↓ |
| Capex, \$ million | Capex, \$ million | 15,391 | 15,434 | 11,850 | -0.3 ↓ |
| Share price on MICEX, RUB | Share price on MICEX, RUB | 2,225 | 2,040 | 2,000 | 9.1 ↑ |
| Dividend per share, RUB | Dividend per share, RUB | 154 | 110 | 90 | 40.0 ↑ |

Strong operating performance

In 2014, the Company managed to improve its operating performance through successful commissioning of new major projects: West Qurna-2 field in Iraq, Imilorsko-Istochny license area in Western Siberia, and several fields in Timan-Pechora.

| | | 2014 | 2013 | 2012 | Change 14/13, % |
|---|---|--------|--------|--------|--------------------|
| Proved hydrocarbon reserves, billion boe | Proved hydrocarbon reserves, million boe | 17,585 | 17,401 | 17,296 | 1.1 ↑ |
| <p>↑ 1.1%</p> | Marketable hydrocarbon production, thousand boe/d | 2,314 | 2,202 | 2,170 | 5.1 ↑ |
| | Crude oil and petroleum product refining at own refineries, as well as ISAB and Zeeland, million tonnes | 66.6 | 66.3 | 66.1 | 0.4 ↑ |
| | Crude oil exports, million tonnes | 29.8 | 31.8 | 34.7 | -6.3 ↓ |
| Petroleum product exports, million tonnes | Petroleum product exports, million tonnes | 23.4 | 23.4 | 22.5 | -0.2 ↓ |
| Number of filling stations (own, leased and franchised) | Number of filling stations (own, leased and franchised) | 5,782 | 5,867 | 5,928 | -1.4 ↓ |

Corporate Responsibility

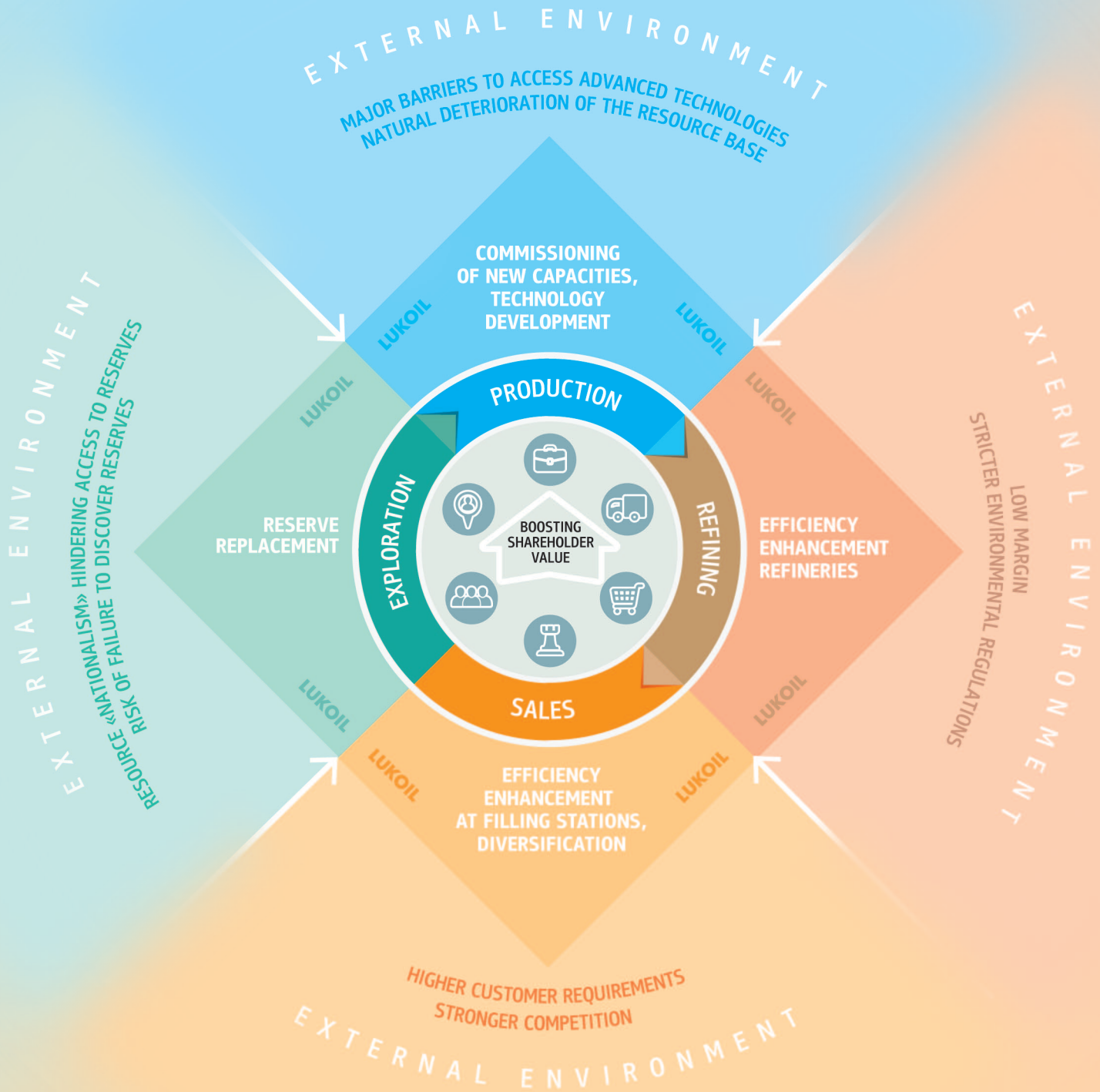
Despite the deteriorating macro environment in the reporting year, we continued our environmental and social investments, thus improving our corporate responsibility profile.

| | | 2014 | 2013 | 2012 | Change 14/13, % |
|---------------------|-----------------------------|-------|-------|-------|--------------------|
| Number of accidents | Contaminated land, ha | 215 | 243 | 328 | -11.5 ↓ |
| | APG utilization, % | 90.1 | 88.0 | 87.6 | |
| | Number of accidents | 11 | 28 | 30 | |
| | Average headcount, thousand | 110.3 | 109.6 | 112.0 | 0.6 ↑ |

Focusing on COMPETITIVE ADVANTAGES

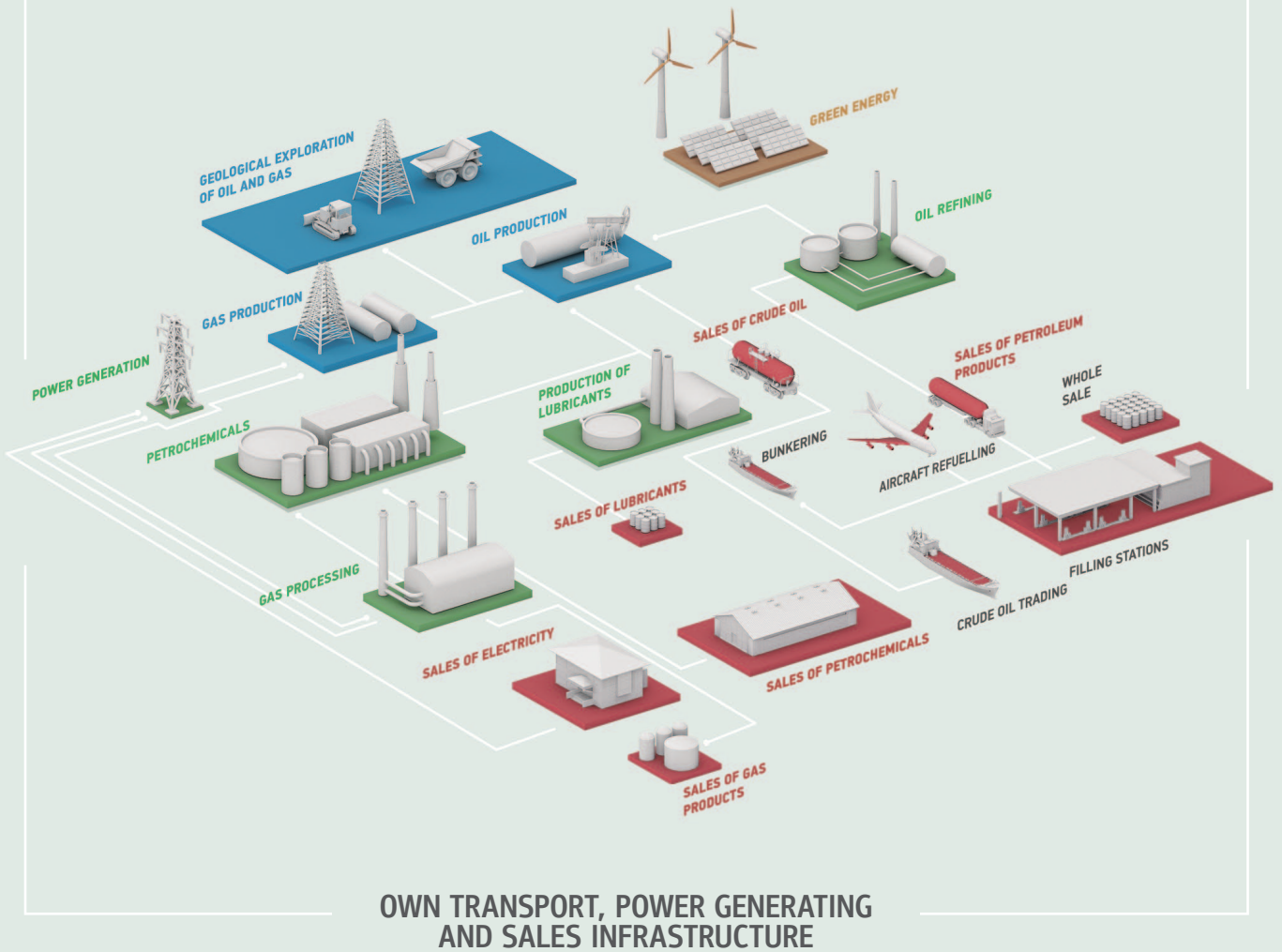
The Company's vertical integration ensures efficient operation of all our segments and helps deliver our strategic goals for the benefit of all stakeholders. The full production cycle, from geological exploration to

satisfaction of the needs of most demanding customers, helps LUKOIL Group to mitigate risks, cut inter-segment costs and reduce the dependence on external business environment.



HIGH RESILIENCE to external shocks due to vertical integration

GLOBAL SCALE



559 AUDITED FIELDS

27.8 BILLION BOE OF 3P RESERVES

2.3 MILLION BOE OF DAILY MARKETABLE HYDROCARBONS PRODUCTION

- 6 refineries, 2 mini-refineries, 1 oil refining complex (66.6 million tonnes of oil refined in 2014)
- 4 gas processing plants (GPPs) (3.4 billion m³ of gas processed in 2014)
- 3 petrochemical plants (0.7 million tonnes of products manufactured in 2014)
- 6 generating companies (17.1 billion kilowatt-hours of energy generated in 2014)

- 4 transshipment terminals (6.7 million tonnes of crude oil exported in 2014)
- About 5.8 thousand filling stations (the daily average sales per station amounted to 9.5 tonnes in 2014)



LUKOIL – always moving forward

L ANGPAS

- 1962** Discovery of Lokosovskoye field
- 1985** Foundation of the town of Langepas
- 1987** Establishment of Langepasneftegaz Production Association

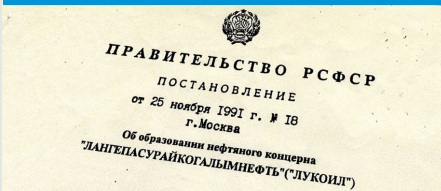
U RAY

- 1960** Discovery of Shaimskoye field, the first field in Western Siberia
- 1965** Foundation of the town of Uray
- 1987** Establishment of Urayneftegaz Production Association

K OIL
OGALYM

- 1971** Discovery of Vatyeganskoye and Tevlinsko-Russkinskoye oil fields
- 1985** Foundation of the town of Kogalym
- 1988** Establishment of Kogalymneftegaz Production Association

1991 >



- Establishment of Langepasuraykogalymneft, a petroleum corporation comprising three oil producers and two refineries (Perm and Volgograd refineries)

1993 >



- Incorporation of OAO LUKOIL (Open Joint-Stock Company), capital registration
- First stock issue
- Start of extensive refinery upgrades

1994 >



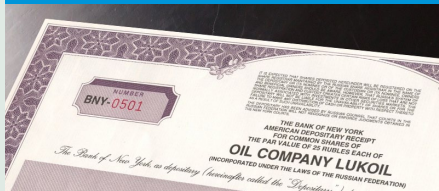
- Start of stock trading in the secondary market
- First international project (Azerbaijan)

1995 >



- Conversion to a single share
- First Russian company to have ARCO as a strategic partner

1996 >



- First Russian oil & gas company to issue ADR

1997 >



- West Qurna-2 project in Iraq¹
- First audit of reserves by Miller and Lents

1998 >



- Acquisition of a refinery in Ploiești (Romania)
- First financial statements in accordance with US GAAP

1999 >



- Acquisition of Ukhta and Odessa refineries, Saratovorgsintez and Stavrolen petrochemical facilities, and a refinery in Burgas (Bulgaria)
- Commissioning of a lubricant plant in the Tyumen Region

2000 >



- Discovery of a new oil & gas province at the Caspian Sea
- Inclusion in the top 500 companies worldwide, according to Fortune Global 500

¹ Freed in 2002, signing new contract in 2010.



2001

- Acquisition of production assets in Bolshekhetskaya depression and Timan-Pechora
- Acquisition of Nizhny Novgorod refinery

2002

- Start of construction of a terminal in Vyotsk
- First Russian company with a complete secondary listing on the London Stock Exchange

2004

- Completion of privatization: strategic partnership with ConocoPhillips
- Gas projects in Uzbekistan

2006

- Discovery of Filanovsky field at the Caspian Sea
- Acquisition of sales assets in Russia and Europe
- Upgrade of Nizhny Novgorod refinery: launch of Euro-3 compliant gasoline production

2007

- Upgrade of Perm and Lokosovsky GPPs, as well as Volgograd, Romania and Ukhta refineries
- Expansion of marketing assets in Russia

2008

- Establishment of crude oil transportation to the Arctic by sea: commissioning of Varandei terminal
- Acquisition of YuGK TKG-8 generating assets

2008-2009

- Expansion of international refining operations: acquisition of shares in ISAB refining facility (Italy) and Zeeland refinery (Netherlands)
- Winning the tender to develop West Qurna-2 field

2010

- Launch of production at Korchagin field
- Buyback of shares for a total of over \$3.4 billion

2011

- Launch of Euro-5 compliant gasoline production at Nizhny Novgorod refinery
- Development of renewable power generation: establishment of a joint venture with ERG Renew (Italy)

2013

- Acquisition of production assets in Samara and Perm
- Upgrade of Volgograd and Burgas refineries, as well as Stavrolen and Saratovorgsintez petrochemical facilities

2014

- Launch of commercial production at West Qurna-2 field
- Start of production drilling at Imilorsko-Istochny licence area ahead of schedule
- Launch of diamond mining at Grib field

- Upstream
- Refining
- Midstream
- Power Generation
- Marketing
- Diamonds production
- Corporate Governance

For more information on our history, please see the Company's website at <http://www.lukoil.com>

A year of steady DEVELOPMENT



| UPSTREAM | | |
|--|---|--|
| <p>++++ FEB PRODUCTION DRILLING AT IMILORSKO-ISTOCHNY LICENSE AREA STARTED AHEAD OF SCHEDULE</p> | <p>++++ MAR COMMERCIAL PRODUCTION LAUNCHED AT WEST QURNA-2 (IRAQ) INITIATING RECOVERY OF INVESTMENT</p> <p>++++ JUL</p> | <p>++++ JUN DIAMOND PRODUCTION STARTED AT ONE OF THE WORLD'S LARGEST FIELDS</p> |
| <p>In February, LUKOIL Group started production drilling at the Imilorsko-Istochny license area more than half a year ahead of schedule.</p> | <ul style="list-style-type: none"> In March, in the course of the first stage of the West Qurna-2 field development LUKOIL reached a production level of 120 thousand barrels per day. In July, a tanker arrived at the port of Basra (southern Iraq) to load the first batch of crude oil to reimburse the expenses incurred by the Company. | <p>In June, we commissioned a mining and processing facility at Grib diamond field. The peak production is planned at 4.5 million carats per year.</p> |
| <p>Strategic impact: early launch of a priority project by the Group reduces the payback period, which is critical in the context of volatile prices.</p> | <p>Strategic impact: development of the field and launch of commercial production within a short period of time proved the Company's ability to manage complex large-scale projects and strengthened its position as a global energy company.</p> | <p>Strategic impact: LUKOIL Group's business diversification helps mitigate risks in the highly volatile price environment.</p> |
| <p> High Priority Projects, p. 30</p> | <p> West Qurna-2, p. 34</p> | |



| DOWNSTREAM | | |
|--|--|--|
| <p>++++ JAN SECOND CATALYTIC CRACKING FACILITY TO BE CONSTRUCTED AT NIZHNY NOVGOROD REFINERY</p> | <p>++++ FEB GAS PROCESSING AND POWER GENERATION DEVELOPMENT</p> <p>++++ JUN</p> | <p>++++ JUL MARKETING ASSETS OPTIMIZATION</p> <p>++++ AUG</p> |
| <p>In January, the Nizhny Novgorod refinery received column equipment, namely a main fractionator, absorbers and a stripping column, for the construction of its second catalytic cracking facility.</p> | <ul style="list-style-type: none"> In February, we completed all major construction works on the foundation of Stavrolen's gas processing unit GPU-1, an integral part of the gas chemical facility (GCF), to utilize APG from the Caspian fields as the primary feedstock. Main generating equipment at the combined-cycle gas turbine CCGT-135, designed to meet the GCF's power needs, was assembled. In June, the Perm GPP commissioned a booster compressor station to transport dry stripped gas to the power park now under construction at the Perm refinery. | <ul style="list-style-type: none"> In July, LUKOIL and Austria-based AMIC Energy Management GmbH (AMIC) came to an agreement for the former to sell a 100% interest in LUKOIL-Ukraine CFI, which owns around 240 filling stations and 6 petroleum tank farms in Ukraine. In August, LUKOIL signed contracts with MOL Plc. and Norm Benzinkút Kft on the sale of the Group's 138 filling stations in the Czech Republic, Slovakia and Hungary. The deal was closed in december. |
| <p>Strategic impact: the new catalytic cracking facility will increase annual output of premium Euro-5 compliant gasoline by over 1 million tonnes.</p> | <p>Strategic impact: development of LUKOIL's own power generation and gas processing facilities will enhance the Group's efficiency through the reduction of expenses and wider use of APG as the primary feedstock.</p> | <p>Strategic impact: sales assets optimization is focused on boosting petroleum product marketing efficiency and developing the most profitable facilities.</p> |
| <p> Oil Refining, p. 42</p> | <p> Power Generation, p. 46</p> | |



| CORPORATE RESPONSIBILITY | | |
|--|--|---|
| <p>++++ JUN MITIGATING ADVERSE ENVIRONMENTAL IMPACT</p> <p>++++ DEC</p> | <p>++++ MAY OPEN DIALOGUE WITH COMMUNITIES AND GOVERNMENT</p> <p>++++ OCT</p> | <p>++++ AUG OPENING OF THE FIRST PRIVATELY-FUNDED STADIUM IN RUSSIA</p> |
| <ul style="list-style-type: none"> In June, LUKOIL received the highest international public award, Environmental Tree, for its significant contribution to the reduction of negative environmental impact of its fuel and energy facilities. In December, the Company won Green Ray, the national award in the area of environmental protection, in the Eco-Friendly Business category. | <ul style="list-style-type: none"> In May, LUKOIL and the Russian Ministry for Economic Development signed a cooperation agreement on international trade. In October, LUKOIL held the first conference on corporate social responsibility that took place in St Petersburg. This was the first conference in a series of events to be held in the regions where the Group operates. The Company entered into several cooperation agreements with authorities in the regions where it operates. | <p>In August, Moscow saw the opening of the Otkritie Arena stadium, with the first football match by Spartak Moscow held in September. In 2018, the stadium will host World Cup football matches.</p> |
| | <p> Interaction with communities, p. 71</p> | |



EXPLORATION ASSETS EXPANDED IN WEST AFRICA

In June, LUKOIL entered into an agreement with UK-based Bowleven Plc for the acquisition of a 37.5% interest in the shallow offshore Etinde project in Cameroon, which is based on a production sharing agreement (PSA).

Strategic impact: asset diversification in a promising West African region improves the chances for new discoveries.

CONSTRUCTION AT FILANOVSKY FIELD PERFORMED ON TRACK

In June, LUKOIL began transporting the topside of the central processing platform designed for the processing and platform-to-shore transportation of crude oil and APG. In 2H 2014, construction of the topsides and catwalk bridges for all platforms entered its final phase.

Strategic impact: Accomplishing planned works in time leads to successful launch of the field.

SALE OF INTEREST IN NOC

In December, OAO LUKOIL sold its 20% interest in Limited Liability Company National Oil Consortium (NOC) to Rosneft.

Strategic impact: sale of the Company's interest in NOC will help it optimize investments, allocating most capital to the development of assets at the production stage.

High Priority Projects, p. 32

LUBRICANT MANUFACTURING JOINT VENTURE OPENED IN VOLGOGRAD

In September, LLC-International and Russian Railways (RZD) launched INTESMO, a joint venture manufacturing lubricants with an annual capacity of 30 thousand tonnes, at the Volgograd refinery.

Strategic impact: development of the high-margin lubricant business is intended to build up the Group's competitive advantages in the industry and promote import substitution.

Oil Refining, p. 44

INVESTING IN REFINING CAPACITIES MODERNIZATION



ADVANCED TECHNOLOGIES IN KNOWLEDGE MANAGEMENT

LUKOIL won MAKE Award Russia 2014, the corporate knowledge management award, for its effective system of expertise development and management designed to transform it into efficient technical and business solutions and thus boost the Group's capitalization.

KEEPING our promises

The Company adopts best corporate governance practices to ensure the highest performance possible while adhering to a conservative financial policy. Boosting shareholder value and returns is LUKOIL's top priority.

| STRATEGIC OBJECTIVE | | 2014 RESULTS | 2015 PRIORITIES | RISKS |
|---|---|--|--|---|
| 1. Strengthening of our position in the industry | Financial efficiency | In 2014, the Company's financial and economic performance was materially affected by the slump in hydrocarbon prices. As a result, we focused on controlling the internal factors, i.e. operating expenses (Opex) optimization and cost management. | Based on the anti-crisis plan prepared and approved by the Board of Directors, in 2015 the Group plans to optimize production costs, as well as general, administrative and other expenses, to improve the financial and economic profile of the Company in the unfavorable environment. | Macroeconomic risks , including lower demand for and uncontrollably higher supply of hydrocarbons and petroleum products, FX fluctuations and inflation, deterioration of the tax regime, and political instability in the countries of operation. |
| | Operating efficiency by segment | New upstream projects successfully launched and the continued refinery upgrades in 2014 boosted the Company's operating efficiency across the business and enhanced its competitive advantages. | In 2015, we plan to bring on-line new major projects in both upstream and downstream segments to strengthen our operating performance. | Risks associated with gaining access to new hydrocarbon sources. |
| 2. Strong financial position | Minimal cost of capital employed against a reasonable risk exposure | Notwithstanding major investments and the unfavorable economic environment, in 2014 LUKOIL Group met its obligations in full. The Company's low leverage helped to raise additional financing on favorable terms to develop high-priority projects. | By maintaining stringent financial discipline in 2015, we will ensure stability in the volatile macro environment. | Macroeconomic factors , including a rapid deterioration of investment climate and capital outflow, giving rise to the interest rate risk . |
| 3. Well-balanced allocation of cash flows | Higher shareholder payments | LUKOIL has been systematically increasing the dividend payout ratio. The share of dividends in the net income rose from 18% in 2010 to 49% in 2014. | In 2015, the Company plans to pay dividends at a level comparable with the leading oil & gas companies. | Macroeconomic risks , including hydrocarbon price decline, FX fluctuations and inflation, may have an adverse effect on the Company's financial performance. |
| 4. High level of corporate responsibility | Mitigating environmental impact | In 2014, the Group continued to invest in environmental initiatives, construction of gas processing facilities, and replacement of obsolete equipment, thus increasing APG utilization and waste recycling and reducing air emissions and waste water discharge. | In 2015, LUKOIL will proceed with its environmental initiatives: construction of gas processing and own power generation facilities, as well as pipeline replacement. | Environmental risks , including leaks and spillages of crude and petroleum products. |
| | Industrial safety, workplace injuries | The Group significantly reduced the number of accidents by aligning its health and safety practices with the highest standards. | The Group will make further investments in industrial safety, working conditions improvement and management system automation to minimize workplace injuries. | Industrial safety risks , including emergencies at the Company's production facilities, accidents and occupational diseases. |

 Key performance indicators, p. 13
Risks, p. 95

Measuring success: key performance indicators

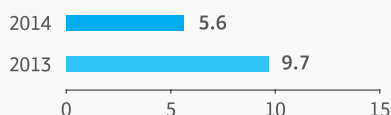
KPIs are an integral part of the Group's effective motivation and incentive system for staff.

RELEVANCE 2014 RESULTS

1. STRENGTHENING OF OUR POSITION IN THE INDUSTRY

FINANCIAL EFFICIENCY

Net income per barrel of production, \$/boe



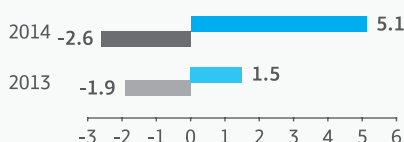
Indicator of the Company's ability to generate income per unit of production.

In 2014, the figure went down, with higher hydrocarbon production and lower net income caused by more than two-fold slump in oil prices.

OPERATING EFFICIENCY

E&P segment

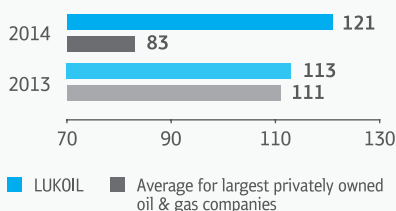
Average daily hydrocarbon production growth rate, %



Indicator evaluating the effectiveness of the Company's E&P segment strategy.

Having launched a number of major projects, LUKOIL Group's hydrocarbon production increased both in Russia (by 0.9%) and overseas (by 43.9%). In 2014, LUKOIL's total hydrocarbon production growth rate was 5.1%, the highest figure among the world's largest private oil and gas companies. In addition, we are actively developing several promising projects to be launched in the years to come.

Reserve replacement, %

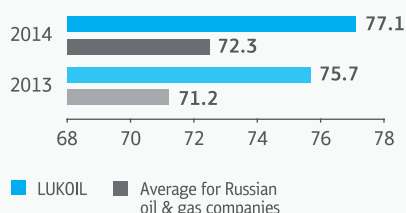


Indicator showing reserve replacement through the discovery and acquisition of new fields and re-estimation of reserves.

Successful exploration and a number of discoveries, along with a re-estimation of reserves of international projects in the course of their development, resulted in reserve replacement ratio of 121%.

Refining, Marketing and Distribution segment

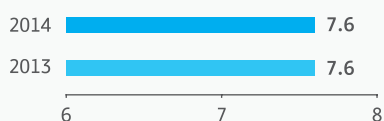
Refining depth in Russia, %



Indicator of the raw materials utilization efficiency and refinery equipment performance, reflecting the share of end products less fuel oil and irrecoverable losses in the refining process.

By upgrading its refinery facilities, the Group seeks to increase the production of high value-added products and enhance the segment's performance. In 2014, refining depth at LUKOIL's facilities amounted to 77.1%, compared to the average of 72.3% in Russia.

Nelson complexity index



Indicator of the refinery equipment performance, describing a measure of the secondary conversion capacity of a refinery relative to the primary distillation capacity; the higher the index, the more advanced the refinery and the higher the quality of its output.

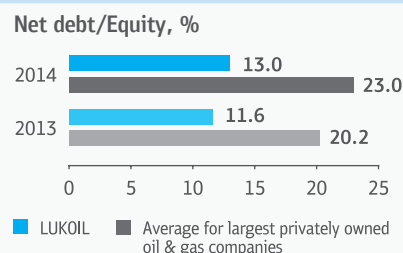
By upgrading its refinery facilities, LUKOIL Group is gradually increasing its Nelson complexity index: over the past five years it grew by 40 bps. In 2014, with LUKOIL actively upgrading its production facilities to be launched in 2015–2016, the index was flat.



2. STRONG FINANCIAL POSITION

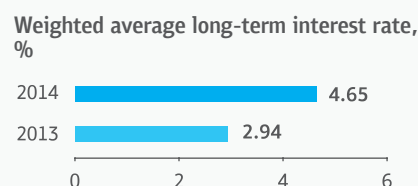
Minimal cost of capital employed against a reasonable risk exposure

Notwithstanding major investments and the unfavorable economic environment, in 2014 LUKOIL Group met its obligations in full. The Company's low leverage helped to raise additional financing on favorable terms to develop high-priority projects.



Measure of the Company's financial independence, showing the share of funds invested by external lenders.

With its strong financial position and debt servicing capacity, in 2014 the Company increased its leverage to finance high-priority projects, driving net debt to equity ratio to 13.0%, up 1.4 p.p. y-o-y.



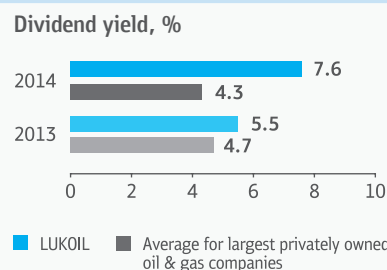
Measure of the cost of debt.

Strong financial discipline and low leverage allowed us to increase our debt portfolio (up \$2.7 billion in 2014) on the best terms available in the market, with the weighted average long-term interest rate remaining low at 4.65%.

3. WELL-BALANCED ALLOCATION OF CASH FLOWS

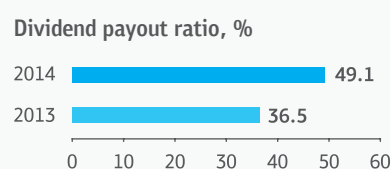
Higher shareholder payments

LUKOIL has been systematically increasing the dividend payout ratio. The share of dividends in the net income rose from 18% in 2010 to 49% in 2014.



Indicator evaluating the attractiveness of the Company's dividend policy as compared to competitors and, consequently, its investment appeal.

Dividend yield for FY 2014 can be as high as 7.6%, considerably exceeding the average for the largest privately-owned oil & gas companies.



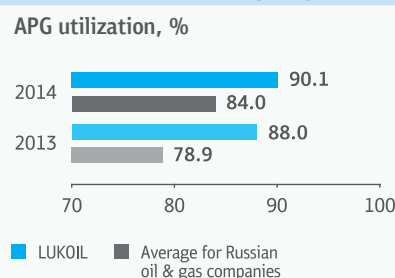
Indicator reflecting the Company's profit distribution policy.

LUKOIL has been systematically increasing the dividend payout ratio, which can reach 49% for 2014.

4. HIGH LEVEL OF CORPORATE RESPONSIBILITY

Mitigating environmental impact

In 2014, the Group continued to invest in environmental initiatives, construction of gas processing facilities, and replacement of obsolete equipment, thus increasing APG utilization and waste recycling and reducing air emissions and waste water discharge.

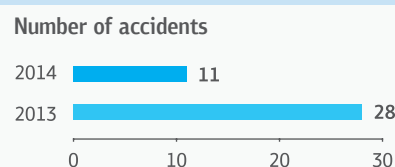


Minimizing environmental impact, and specifically reducing air emissions, is the key objective of the Company's environmental policy.

In 2014, LUKOIL Group increased the APG utilization rate to 90.1%, which is significantly higher than the average in Russia.

Industrial safety, workplace injuries

The Group significantly reduced the number of accidents by aligning its health and safety practices with the highest standards.



We consider human life to be the highest value and do everything we can to improve industrial safety.

In 2014, the workplace injury rate was reduced through ensuring safe and comfortable working conditions.

MANAGING RISKS to secure the future

2014 RESULTS

- Full risk management cycle accomplished in compliance with the Company's policies
- Corporate risk management information system introduced
- Risk management training and coaching provided to the Group's staff

2015 PRIORITIES

- Migrate the full risk management cycle to the corporate risk management information system
- Improve the regulatory and procedural framework for risk management
- Ensure further integration of Risk Management into core business processes and provide guidelines on material risk management (by type of risk)
- Arrange for staff training on the use of the corporate risk management information system

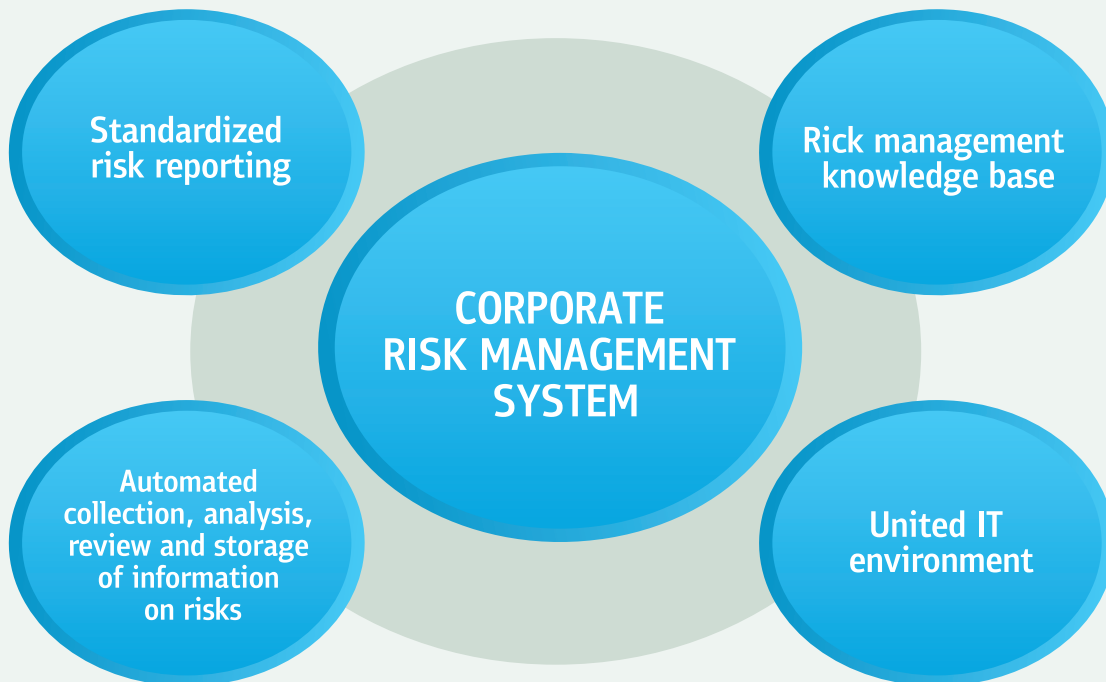
The Company pays much attention to risk management to facilitate the achievement of its objectives despite uncertainties and negative factors. Current risk management practices focus on mitigating material risks. OAO LUKOIL is committed to developing its risk management framework and is currently improving the corporate enterprise risk management (ERM) system to match the international best practice.

As part of the ERM system improvement, in 2014 we introduced a corporate risk management information system.

Risk management is an integral part of the Company's corporate governance system applied at all management levels. With the Group's business affected by both external and internal risks, we identify, describe, assess and monitor such risks across the Company on an ongoing basis, and plan measures to mitigate potential negative effect.

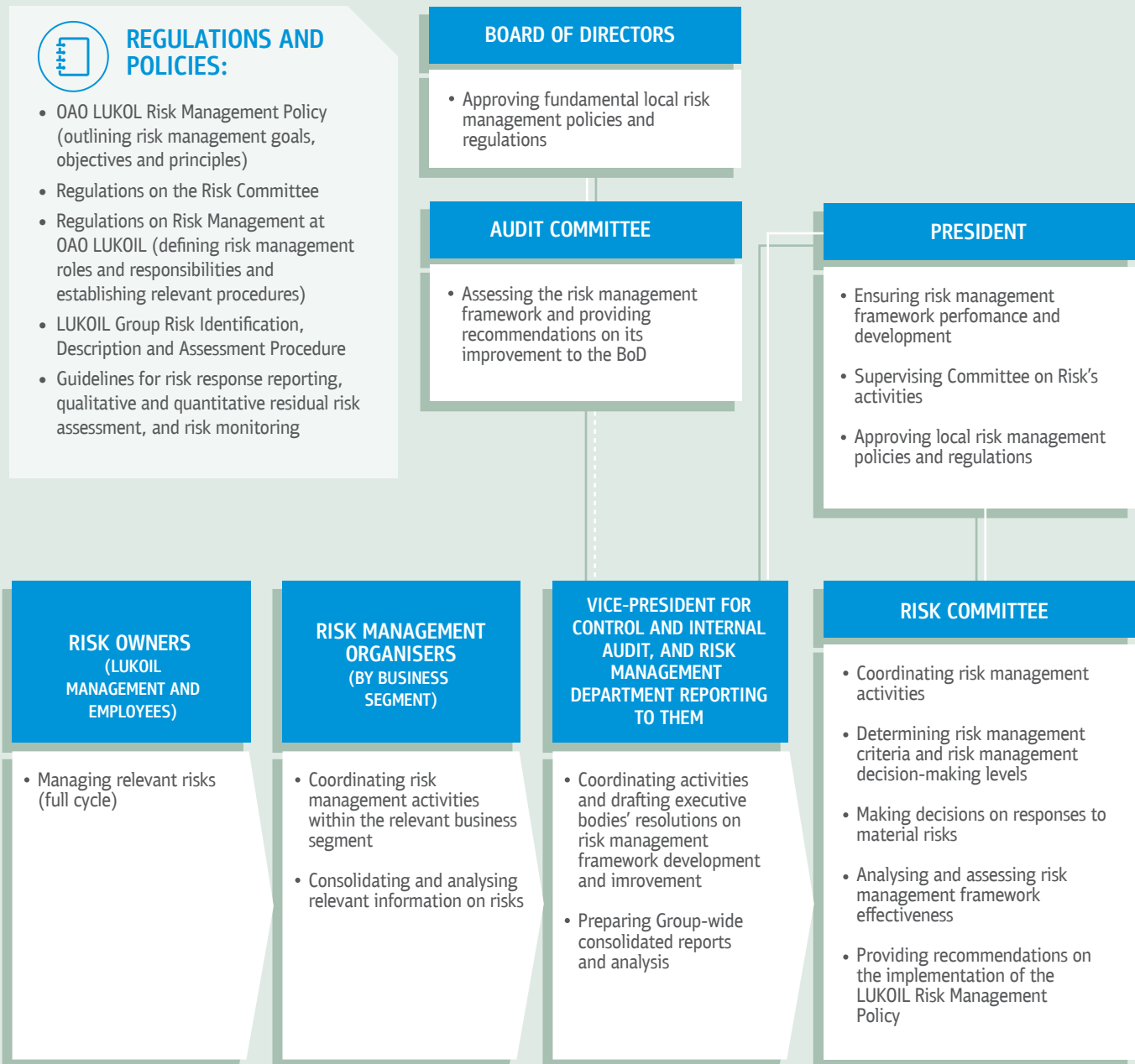
 [Risks, p. 95](#)

CORPORATE RISK MANAGEMENT SYSTEM



Risk management framework

KEY PARTICIPANTS OF THE RISK MANAGEMENT PROCESS



CONTINUING GROWTH of the global demand for oil

Despite oil prices going downward in 2014, the global energy demand continues to grow. The future of the power industry directly depends on the world's population well-being.

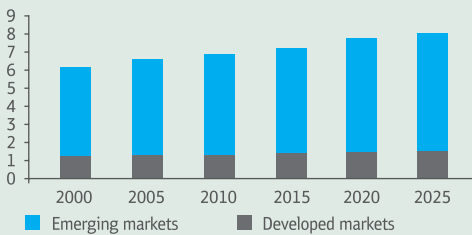
The number of power consumers worldwide keeps increasing thanks to the economic and social progress. Due to the population growth and economic development, especially in the emerging markets, the global demand for hydrocarbons is expected to gain 30% by 2025 as compared to 2014. Notwithstanding the slower economic growth in

China, the motor fleet in Asia Pacific continues to build up rapidly, contributing to the motor fuel consumption. To satisfy the growing need for liquid hydrocarbons, high-cost sources will be mostly used due to the reduction and depletion of conventional reserves.

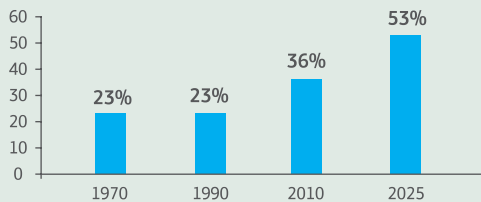
Taking the above into account, in the medium term, we expect the supply-demand imbalances to subside and global oil prices to rise.

GLOBAL POPULATION GROWTH AND URBANIZATION

Global population, billions

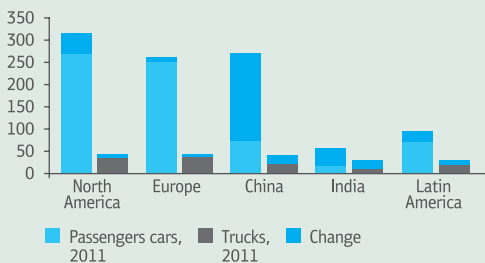


Share of consumer class in the global population, %



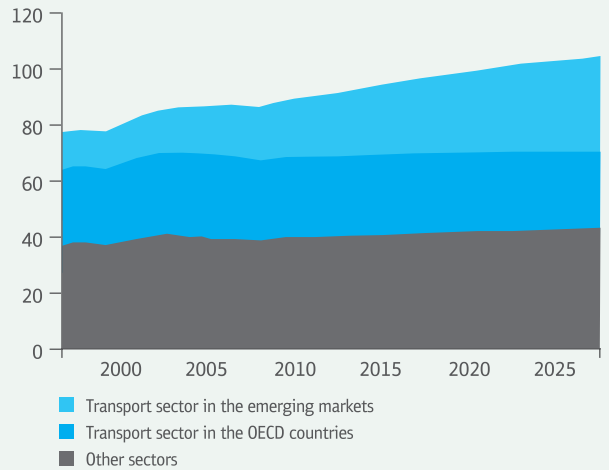
MOTORIZATION IN EMERGING MARKETS

Motor fleet growth by region in 2011-2015, million vehicles



Source: UN, IHS CERA, McKinsey Global Institute, LUKOIL estimates.

Liquid hydrocarbons consumption forecast, mbd



OPERATING RESULTS

| | |
|----------------------------|----|
| UPSTREAM | 19 |
| RESERVES | 22 |
| EXPLORATION | 24 |
| DEVELOPMENT AND PRODUCTION | 27 |
| HIGH-PRIORITY PROJECTS | 29 |
| WEST QURNA-2 | 34 |
| TECHNOLOGIES | 36 |



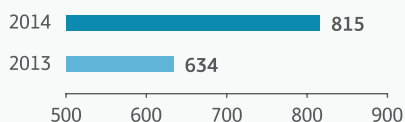
2014 RESULTS

2015 AND MID-TERM PRIORITIES

NEW HIGH-PRIORITY PROJECTS

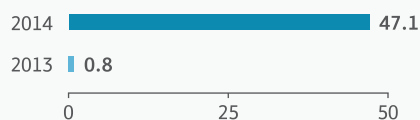
Extensions/discoveries of proved reserves, million boe

↑ **28.5%**



Oil production from projects launched in the reporting year¹, million barrels

× **59**



¹ Excluding acquisitions in the reporting year.

[High-Priority Projects, p. 29](#)

In 2014, the Company reached all targets on priority projects, with West Qurna-2 in Iraq and the Imilorsko-Istochny license area in Western Siberia brought on stream and Stage 2 construction completed on time at Filanovsky field in the Caspian. The Company continued field development in the Bolshekhetskaya and Denisovskaya Depressions and the early gas project at the Kandym field in Uzbekistan. The Company brought on stream one of the world's largest diamond deposits, Grib field.

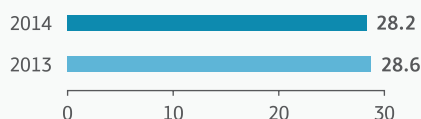
- Continued exploration across Western Siberia, Timan-Pechora, the Volga Region and Romanian assets to further increase the Group's resource base
- Launch of Filanovsky field in the Caspian
- Accelerated development at priority projects including the Yaregskoye, Imilorskoye, Vinogradov, Pyakyakhinskoye fields, etc.

INCREASING OIL RECOVERY FACTOR

Oil recovery rate

40 STRATEGIC TARGET

Share of output due to EOR in total crude oil production in Russia, %



[Technologies, p. 36](#)

To increase oil recovery factor, the Company is pursuing an R&D program based on innovations and technology advancements, international expertise and best practices. We have piloted 173 new solutions that had never been used at the Group's assets and fields, 40 out of which can be recommended for production.

- Use and upgrade of advanced technologies for economically viable extraction of tight reserves (low-permeability reservoirs, Bazhenov, Domanic, Abalak and Tyumen formations)
- Setting industrial growth targets based on technology feasibility analysis

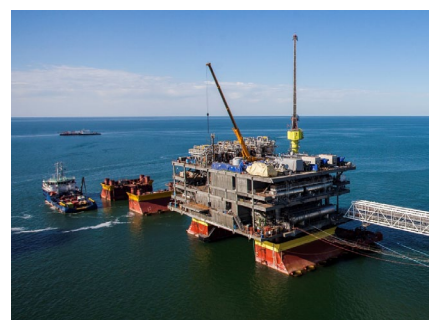
Intensive use of technologies in 2014 produced an extra 24.3 million tonnes of crude oil.



West Qurna-2. Launch.

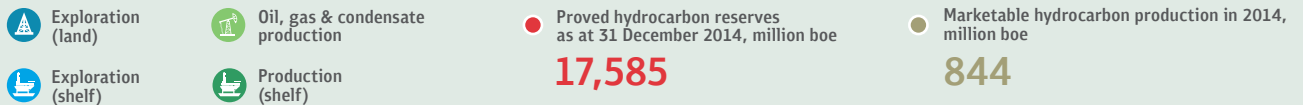
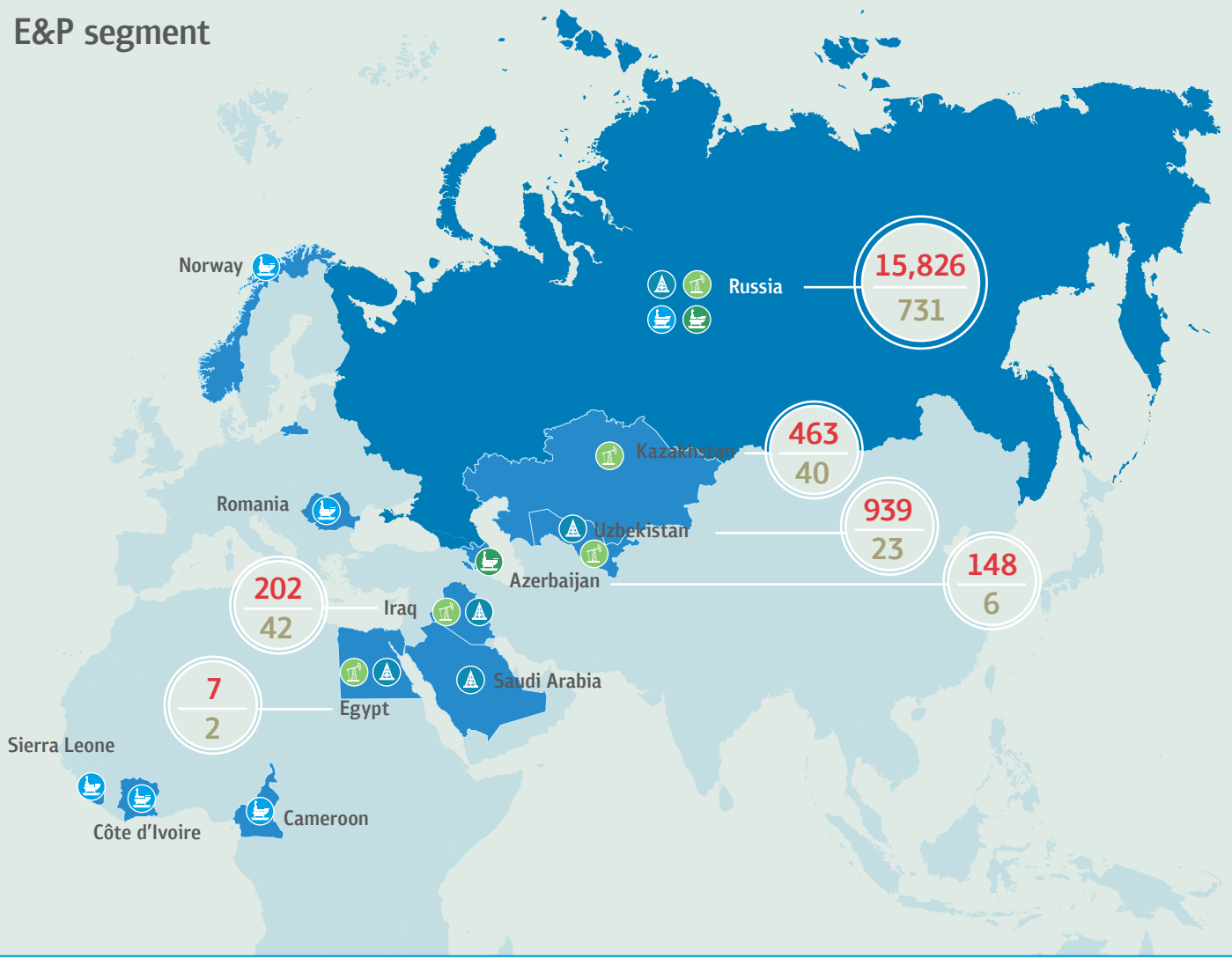


Imilorsko-Istochny license area. Launch.



Filanovsky field. Development.

E&P segment

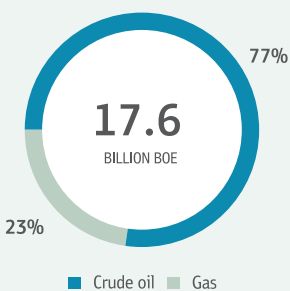


Key highlights in E&P segment, \$ million

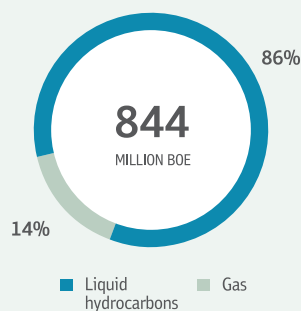
| Item | 2014 | 2013 | Change (14/13), % |
|--------------------|--------|--------|-------------------|
| Revenue | 45,666 | 46,455 | -1.7 |
| EBITDA | 15,395 | 13,224 | 16.4 |
| Net income | 7,427 | 7,528 | -1.3 |
| Capex ¹ | 11,882 | 11,808 | 0.6 |

¹Including non-cash items and advances.

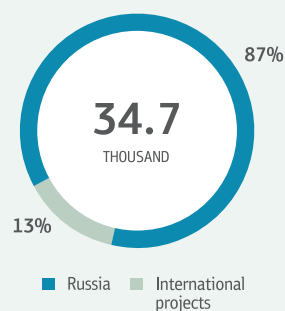
Proved hydrocarbon reserves



Production of marketable hydrocarbons



Average headcount in E&P segment





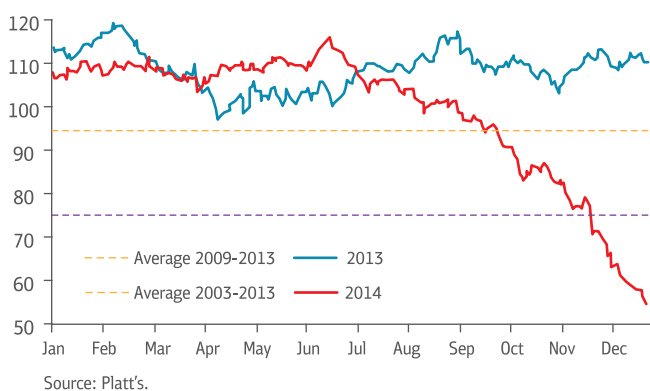
PRICE ENVIRONMENT

The year-average price of Brent crude fell in 2014 by 8.9% to \$98.9 per barrel while that of Urals crude dropped by 9.4% to \$97.6 per barrel.

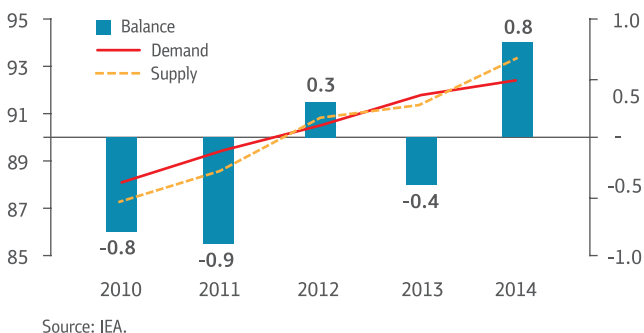
The rising supply from independent producers, in particular, from growing shale oil production, coupled with the lower than expected demand growth contributed to emerging imbalances in the global oil & gas market. According to the IEA, crude oil demand stood at 92.5 million barrels per day (+1.2%) in 2014 while supply was 93.3 million barrels per day (+1.9%). Given OPEC's failure to intervene, oversupply resulted in overstocking and consequently translated into a drastic slump in oil prices in 2H 2014.

The OPEC countries led by Saudi Arabia have been the long-standing balancer in the global oil market that used to either reduce or increase production in response to market developments. However, 2014 saw a change in the OPEC policy. Amidst rising output from independent producers, Saudi Arabia refrained from cutting down production in its pursuit to maintain its market share. OPEC's failure to act was seen as a paradigm change by the broader market whereby OPEC's balancing role was picked up by unconventional oil producers in USA.

Brent crude price, \$/barrel



Demand vs. supply, million barrels/d

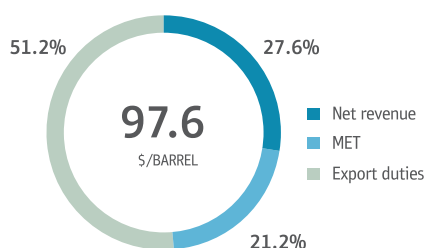


TAX ENVIRONMENT

Underlying tax and export duty payments by the Group other than income tax remained virtually unchanged in 2014 standing at \$34.3 billion (down 5.2% y-o-y). The production growth in Russia was offset by a 9.4% cut in mineral extraction tax (MET) in dollar terms and incremental tax benefits (lower MET applicable to highly depleted, small-scale and tight oil fields and zero MET applicable to new and high viscosity oil fields).

Export duty payments decreased by 6.5% due to tax cuts following a decline in the year-average crude oil price, reduction in oil exports and incremental duty benefits (lower duty rate applicable to new and high viscosity oil fields).

Russian oil exporter's revenue breakdown in 2014



FINANCIAL HIGHLIGHTS IN E&P SEGMENT

The decline in oil prices was offset by returns on investment in West Qurna-2 resulting in a marginal drop in E&P revenue of \$45.7 billion in 2014. However, net income is less sensitive to price fluctuations given Russia's current tax environment. Net income mainly suffered from one-off write-downs. Net income in E&P was \$7.4 billion. The Centralno-Astrakhanskoe field accounted for the bulk of write-downs.

Capex grew 0.6% in 2014 due to new large-scale fields brought on stream.

[Consolidated Financial Statements, p. 133](#)

Reserves

SUSTAINABLE BASE for further growth

LUKOIL is among the leaders in proved hydrocarbon reserves both locally and globally. Its reserves are sufficient to support 20 years of current production.

LUKOIL Group boasts a well-diversified portfolio of assets both in Russia and abroad. Western Siberia and the Bolshekhetskaya Depression account for over a half of its proved reserves while the share of international projects is 10%. Some 56% of the Group's proved reserves (including 63% of oil and 32% of gas) are being developed. This reserve breakdown reflects a high production upside in the mid-term, particularly in gas output.

LUKOIL has substantial contingent resources (12.0 billion boe at 2014 year-end). The Group is active in exploration and innovations to speed up conversion of resources to reserves as these come to be developed.

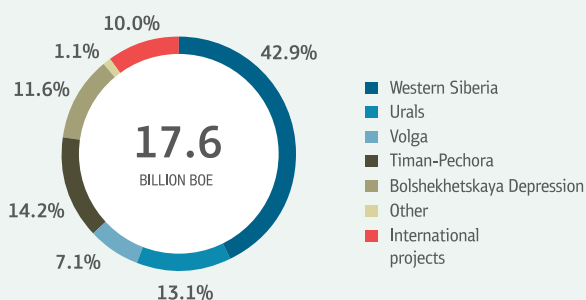
Most of the Group's proved reserves are conventional. High-viscosity oil accounts for only 4.4% of proved hydrocarbon reserves (4.0% of 3P reserves) while offshore fields amount to some 5.9% of proved reserves (7.3% of 3P reserves). This reserve breakdown enables the Group to manage its development costs efficiently and commission new fields more quickly.

LUKOIL is making every effort to unlock its impressive resource potential and to convert the resources to proved reserves for subsequent development. This approach resulted in 121% replacement of production by new reserves in 2014.

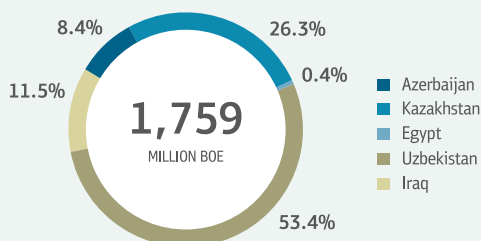
- Proved reserves grew 815 million boe through exploration, new discoveries and production drilling. This resulted in 93% replacement of marketable hydrocarbons. Timan-Pechora and international projects account for the bulk of reserve additions. Incremental reserves in international projects mainly come from commenced operation at West Qurna-2 in Iraq and conversion of Mishrif formation additions to proved reserves.
- Revision of prior reserve estimates resulted in an additional 233 million boe mainly from the Azerbaijan project where LUKOIL launched Phase 2 development at the Shakh Deniz offshore gas condensate field.

 [Analyst Databook, p. 6](#)

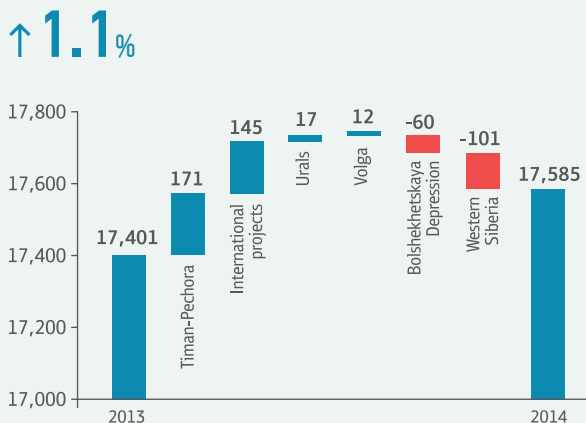
Proved hydrocarbon reserves as at 31 December 2014



Proved hydrocarbon reserves in international projects as at 31 December 2014



Additions to proved hydrocarbon reserves, million boe



Proved reserves are based on data audited by Miller and Lents in compliance with SEC standards.



LICENSES

In 2014, LUKOIL Group made vigorous efforts to acquire new licenses from the unallocated subsoil reserve fund, register and monitor new acquisitions, reissue, amend and restate current licenses, optimize its license portfolio to improve the overall quality of its resource base.

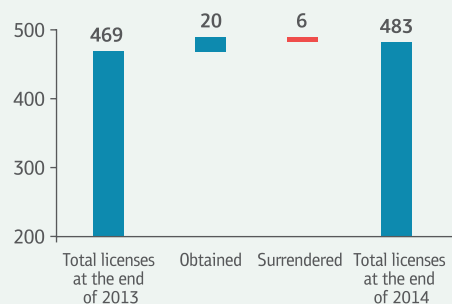
In the reporting year, the Group's companies participated in 17 subsoil license auctions, including a federal license intended for exploration and extraction of titanium ore and associated components. LUKOIL won 10 of these auctions.

The Group secured a total of 20 new subsoil use licenses from auctions, new discoveries, acquisitions of third party projects and exploration claims.

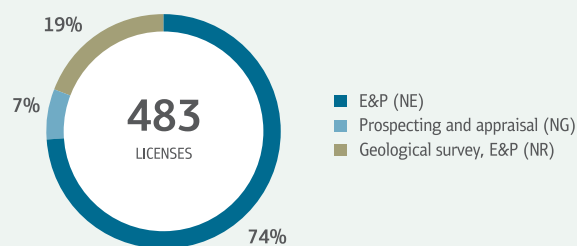
In addition, LUKOIL managed to reissue 42 licenses, register 22 license extensions and 68 amendments to outstanding license agreements (including extensions).

The Company surrendered 5 unpromising licenses and abandoned 1 license by spinning off the license holder from the LUKOIL Group.

Licensing progress



License portfolio as at 31 December 2014



DEVELOPING KEY REGIONS to ignite future growth

2014 RESULTS

- 14 fields and 38 deposits discovered
- Organic growth of reserves at 815 million boe (+28.5% y-o-y)
- Hydrocarbon reserve replacement at 121%

2015 PRIORITIES

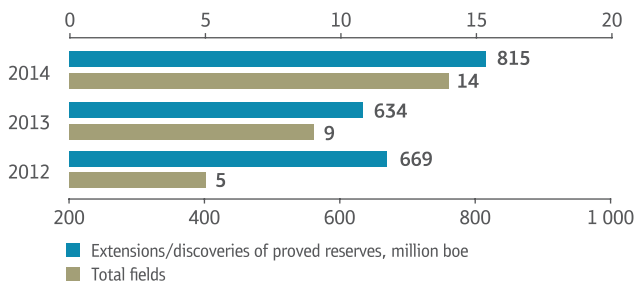
- Replace at least 100% of reserves
- Continue exploration and prospecting efforts in Western Siberia (the Imilorsko-Istochny license area), Timan-Pechora (the Denisovskaya Depression), the Caspian (the Central Caspian license area, the Rakushechnoye field) and in the Samara and Ulyanovsk Regions
- Continue offshore projects in West Africa, Romania and the Republic of Iraq

By investing in promising regions both in Russia and abroad, LUKOIL has built up a well-diversified portfolio of assets to support production and speed up growth.

Decade's best year: 14 fields discovered, hydrocarbon reserve replacement at 121%

LUKOIL Group discoveries

↑ 28.5% ↑ 55.6%



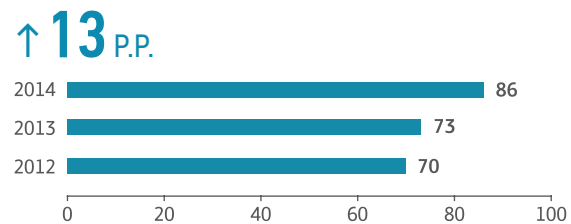
Organic growth of proved reserves¹ was 815 million boe, with the bulk of incremental reserves coming from Western Siberia (365 million boe) and Timan-Pechora (265 million boe). Organic growth of reserves from some discoveries of 2014 will be estimated as these come to be developed, including Alabushin field in Timan-Pechora, the largest discovery by the Company. The Group also discovered the Yuzhno-Bayandyskoye and Zapadno-Syurkharatinskoye fields in the region. It stands to mention the Group's success in the Urals where incremental

reserves from extensions and discoveries grew 23.9%. The bulk of incremental reserves here comes from the unique Sukharev field lying beneath the Kama water reservoir.

[Analyst Databook, p. 5](#)

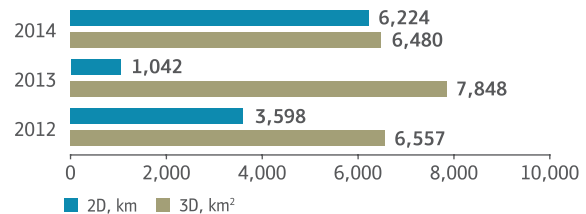
LUKOIL Group focuses its exploration efforts on innovations, which greatly improves the efficiency of exploration. The success rate of prospecting and exploration drilling rose to 86% in 2014.

Success rate of prospecting and exploration drilling, %



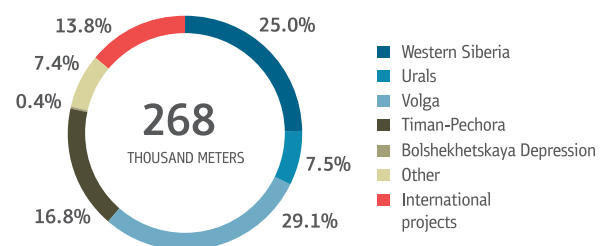
In 2014, LUKOIL considerably enhanced 2D seismic operations up to 6,224 km compared to 1,042 km in 2013 due to commencement of another exploration phase, specifically 2D seismic survey at new prospecting blocks in Western Siberia, the Republic of Komi (Timan-Pechora), the Perm Territory (Urals) and international projects (Block-10 in Iraq).

Seismic survey



In addition, the Company considerably enhanced vertical seismic profiling (VSP), more than two-fold over 2013, which details geological structure around a previously drilled well. In 2014, 35 wells were subject to VSP. The exploration drilling stood at 268 km in 2014, up 24.9% y-o-y.

Exploration drilling by region



[Analyst Databook, p. 4](#)

¹ Extensions/discoveries of new reserves excluding acquisitions, production and revision of prior estimates.



KEY PROSPECTING PROJECTS IN 2014

\$ 1.4 BILLION
SPENT ON EXPLORATION

28.5%
INCREMENTAL PROVED RESERVES FROM ADDITIONS AND DISCOVERIES

WESTERN SIBERIA

Organic growth of reserves is mainly attributable to Western Siberia which accounted for 365 million boe in 2014 (45% of total incremental proved reserves). The Company discovered 13 new oil deposits and completed construction of 22 exploration wells with the success rate of 86%.

LUKOIL Group focused its efforts on the Imilorsko-Istochny license area with a 3D seismic survey of 1,285 m² (20% of total seismic coverage). Currently, the Company is processing and interpreting data to develop a seismic model. LUKOIL commenced drilling on 2 exploration wells. 5 old wells were retested resulting in 117 to 256 barrels per day.

The Bolshekhetskaya Depression. The Salekaptskoye and Khalmerpayutinskoye fields were covered by 3D seismic surveys. Currently, the Company is processing and interpreting data to develop a seismic model.

The hydrofracturing exercise at the Yuzhno-Messoyakhskoye field resulted in flow rates of 208,000 to 225,000 m³ per day of gas and 53 to 58 m³ per day of condensate. LUKOIL commenced drilling on a prospecting well at the Nyadayskaya structure within the Vareysky license area.

VOLGA

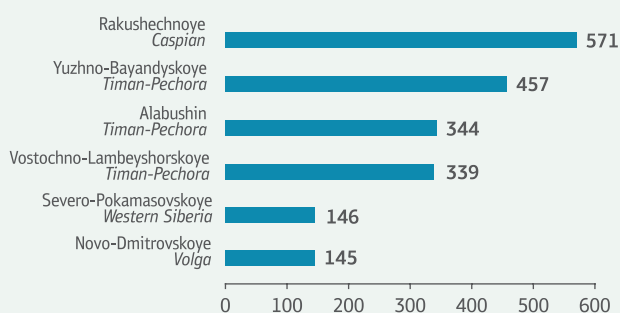
Offshore Caspian. The favorable tax environment promotes further investments in exploration. In 2014, follow-on exploration in the Caspian resulted in incremental reserves of 9 million boe. The Company completed construction of 3 wells, all being productive.

Geological models were developed for the Rakushechnoye field and Filanovsky field. The geophysical model developed at Korchagin field following a horizontal borehole survey is now used to construct horizontal boreholes. The Company developed a drilling chart for the Sklonovaya structure within the Northern license area.

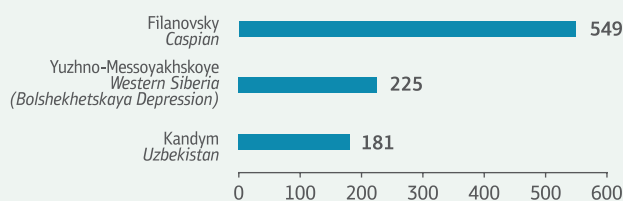
Volgograd Region. In 2014, the Company discovered 3 new oil fields, specifically the Novokrasinskoye, Novo-Dmitrovskoye and Losinoye fields. Tests at the Novo-Dmitrovskoye field resulted in an oil flow rate of 145 m³ per day.

Samara and Ulyanovsk Regions. Following the acquisition of ZAO Samara-Nafta in 2013, LUKOIL considerably enhanced local exploration up to 43 km. The Company completed construction of 8 wells, all being productive. 6 oil fields and 7 new deposits were discovered. The Magistralnoye field produced oil flow rate of 138 m³ per day. The Kulikovskoye field generated oil flow rate of 96 to 103 m³ per day.

Top oil flow rates from exploration well tests, m³/d



Top gas flow rates from exploration well tests, thousand m³/d



URALS

Organic growth of reserves was 83 million boe. LUKOIL also completed construction of 8 exploration wells with the success rate at 100%.

The bulk of incremental reserves here comes from the unique Sukharev field lying beneath the Kama water reservoir. The Group built an artificial island to conduct exploration. LUKOIL drilled 4 exploration wells and 4 production wells on the field by 2014 year-end. The field produced oil flow rates of up to 103 m³ per day.



ENVIRONMENT FRIENDLY SEISMIC SURVEY

Exploration in the Perm Territory is complicated given vast natural reserves and water conservation areas where abraum salts are found. That was why the Group implemented environment friendly seismic and drilling technologies to reduce environmental footprint. The environment friendly seismic fieldwork requires small-sized equipment either self-propelled or towed by snowcats. This helps minimize forest clearing and preserve native topsoil leaving groundwater virtually untouched. In addition, the environment friendly seismic survey may be used in adverse geological conditions keeping allowance to a minimum.

Conventional



Environment friendly



TIMAN-PECHORA

Organic growth of proved reserves was 265 million boe in 2014, more than two-fold over 2013. The Company discovered 3 new oil fields, specifically the Yuzhno-Bayandyskoye, Zapadno-Syurkharatinskoye and Alabushin fields. LUKOIL also completed construction of 8 exploration wells with the success rate of 100%.

The Denisovskaya Depression. The bulk of incremental reserves came from the new prospective area within the Denisovskaya Depression. For instance, the Yuzhno-Bayandyskoye field produced an oil flow rate of 457 m³ per day. Alabushin field produced an oil flow rate of 344 m³ per day. Follow-on exploration at the producing Vostochno-Lambeyshorskoye field resulted in an oil flow rate of 339 m³ per day.

THE BALTIC SEA

The Company carried out prospecting drilling at D29, D41 and D33 structures in the Russian sector of the Baltic Sea. LUKOIL discovered a new oil field at D29 structure. Tests at appraisal well No. 1 produced gushing flow of oil at 44 m³ per day. Tests at D41 structure produced a gushing flow of oil at 123 m³ per day. Currently, the Company is developing a geological model and estimating reserves at the deposit.

INTERNATIONAL PROJECTS

Extended exploration in West Africa

Cameroon. LUKOIL made an agreement to acquire from UK-based Bowleven Plc a 37.5% interest in the Etinde offshore project in Cameroon.

The deal is to be closed upon relevant approvals.

Prospecting and exploration drilling abroad was mainly focused on West Africa, Romania and Uzbekistan.

The Group commenced drilling of a 3,976 meters deep Black Sea offshore prospecting well in **Romania**.

In **Uzbekistan**, LUKOIL drilled and tested exploration wells at the Kandym project resulting in 60,000 to 181,000 m³ per day of gas and 10 m³ per day of condensate.

Development and Production

LEVERAGING the resource base

2014 RESULTS

- Production of marketable hydrocarbons up 5.1%
- West Qurna-2 in Iraq and Imilorskoye field in Western Siberia launched
- Stage 2 construction works carried out at Filanovsky field in the Caspian

2015 PRIORITIES

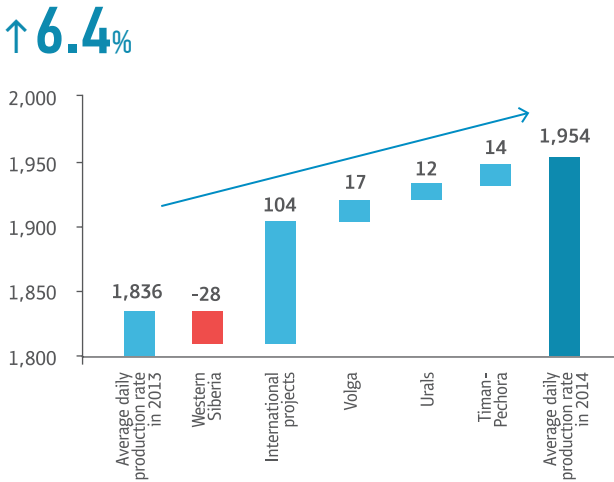
- Launch of Filanovsky field in the Caspian
- Accelerated development at priority projects including the Yaregskoye, Imilorskoye, Vinogradov, Pyakyakhinskoye fields, etc.
- Reaching an oil-rate plateau of 400 thousand barrels per day at West Qurna-2

CRUDE OIL

In 2014, the Group increased its average daily oil output by 6.4%. The production increase is mainly due to the successful launch of the Mishrif Early Oil project at West Qurna-2 in Iraq.

The production decline in Western Siberia driven by natural depletion was offset by acquisition of new producing assets, new field development and successful implementation of new technologies along with increased drilling volumes.

Average daily production rate, thousand barrels

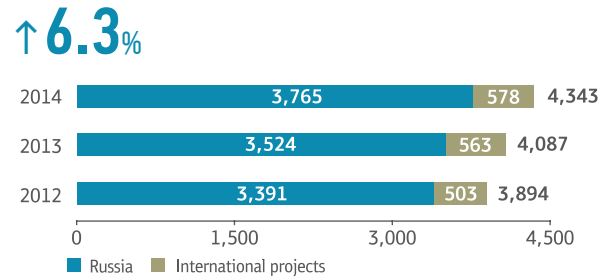


In 2014, LUKOIL started production at 16 new fields in Russia and one in Iraq (acquisitions excluded). The average daily oil flow rate across the Group's projects rose by 4.7% to 100 barrels per day.

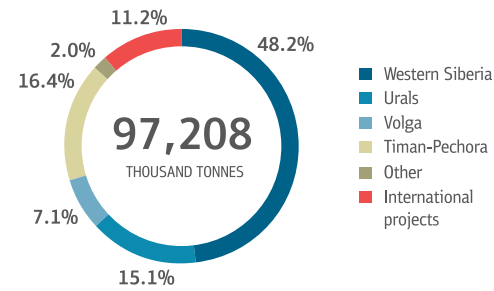
The Group continues increasing the scale of its production drilling, achieving a 6.3% growth in 2014 at 4,343 km. A total of 1,500 new production wells were brought into operation in the reporting year (+6.1% to 2013) with an average flow rate of 220 barrels per day in Russia. Special efforts are made to build more horizontal wells as their average flow is more than 50% greater than from standard wells. Horizontal wells now account for about 20% of new oil wells in total. LUKOIL commissioned 320 horizontal wells in 2014 alone with an average flow rate of 354 barrels per day.

[Analyst Databook, p. 15](#)

Production drilling, thousand meters



Oil production by region



\$ 11 BILLION
SPENT ON DEVELOPMENT

220 BARRELS PER DAY
FLOW RATES FROM NEW PRODUCTION WELLS

17 FIELDS BROUGHT ON STREAM

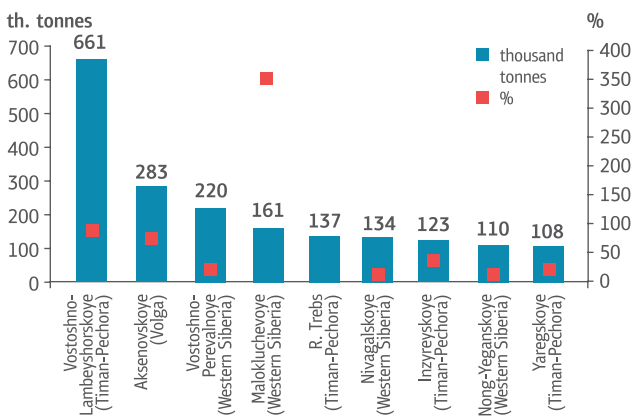
1.5 THOUSAND NEW PRODUCTION WELLS BROUGHT ON STREAM

RUSSIA

In 2014, LUKOIL produced 86.3 million tonnes (634.5 million barrels) in Russia (+1.0% y-o-y) both by bringing new fields on stream and increasing output at existing fields. Over 30 fields in Russia increased oil production by more than 50 thousand tonnes in 2014 compared to 2013.

The Group drilled 3,765 km in Russia (+6.8% y-o-y) mainly driven by drilling operations in the Volga Region (following the acquisition of ZAO Samara-Nafta) and the Bolshekhetskaya Depression.

Organic growth of oil production in Russia in 2014



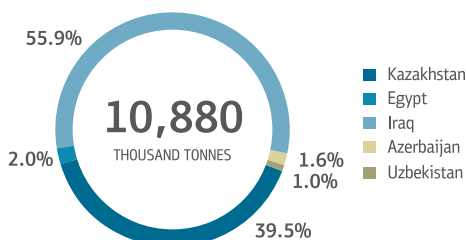
[Analyst Databook, p. 21](#)

INTERNATIONAL PROJECTS

In 2014, the Group produced 10.9 million tonnes (78.6 million barrels) from international projects, achieving a more than twofold growth mainly due to commenced commercial production at West Qurna-2 in Iraq.

[West Qurna-2, p. 34](#)

Oil production by international project



[Analyst Databook, p. 34](#)

GAS

Gas accounts for 14% of total production of marketable hydrocarbons. In 2014, LUKOIL increased its total gas production by 1.1% to a total of 26.1 billion m³. The Group's output of marketable gas (net of own consumption, injection and transport losses) was 20.0 billion m³. The falling marketable gas production from international projects was offset by the rising output in Russia, in particular in Western Siberia and Urals.

[Analyst Databook, p. 24](#)

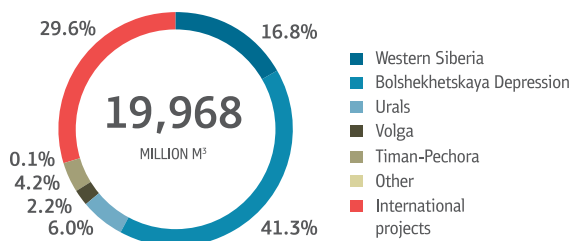
In 2014, LUKOIL Group produced 14.1 billion m³ of marketable gas in Russia, up 0.9% y-o-y, mainly due to operations at the Nakhodkinskoye field within the Bolshekhetskaya Depression (58.6%). The Bolshekhetskaya Depression remains a high-priority region for the Group aiming to build up the share of gas projects generally.

[High-Priority Projects, p. 30](#)

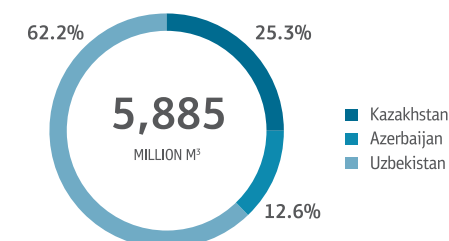
Uzbekistan accounts for most of LUKOIL Group's gas production abroad (62.2%). Production is in progress at Khauzak-Shady and Southwest Gissar, while another large-scale project at Kandym is to be launched in the short run.

[High-Priority Projects, p. 33](#)

Production of marketable gas



Gas production by international project



High-Priority Projects

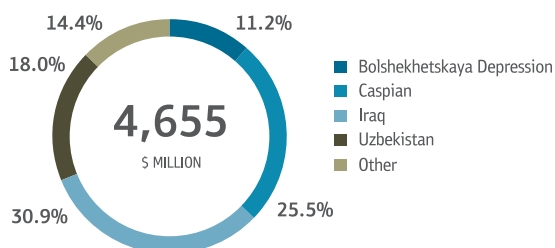
Reaching NEW HEIGHTS

The Company is now at the peak of its investment cycle, investing in new projects and prospective regions and laying a firm foundation for hydrocarbon production growth going forward. LUKOIL Group is making every effort to exploit its vast resource potential through the implementation of a two-pronged strategy by:

- entering new areas and acquiring licenses in Russia and abroad
- implementing innovations at depleted areas and in regions with hard-to-recover reserves.

New projects amounted to \$4.7 billion in 2014, i.e. over 40% of capex in the E&P segment or 30% of total capex of the Group, mostly spent on field development in Iraq and in the Caspian (\$1.4 billion and \$1.2 billion, respectively).

Capex in priority project regions



RUSSIA

WESTERN SIBERIA

Western Siberia remains the Group's core hydrocarbon producing region with most of its oil fields highly depleted. The prospects for production increase in the region depend on the acquisition of new licenses and application of new technology. The development of gas fields can be another driver of increased hydrocarbon production here.

[Analyst Databook, p. 25](#)



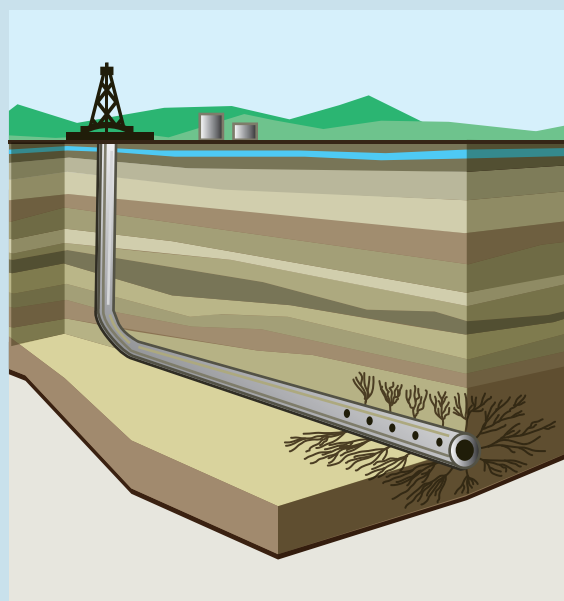
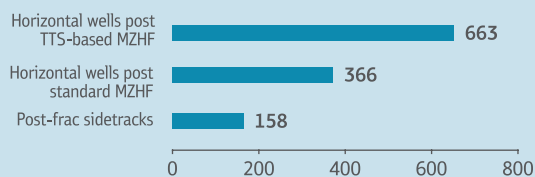
IMPLEMENTING TTS TECHNOLOGY

TTS (Texas Two Step) technology enables multi-zone hydrofracturing (MZHF) to be carried out off a horizontal well bottom in a certain order as opposed to sequential hydrofracturing thus enhancing efficiency in terms of higher flow rate. LUKOIL was the first in Russia to implement this hydrofracturing technology on sidetracks.

In 2013 and 2014, the Group drilled 8 horizontal wells in Western Siberia using TTS. The horizontal wells post TTS-based MZHF have 4 times higher flow rates than post-frac sidetracks and 2 times higher flow rates than horizontal wells post standard MZHF. Following successful tests, the technology is planned to be implemented at the Imilorsko-Istochny license area. The pioneer well resulted in 806 barrels per day flow rate.

[Analyst Databook, p. 23](#)

LUKOIL Group's average flow rates in Western Siberia, barrels/d



The Imilorsko-Istochny license area

The Imilorsko-Istochny license area consists of two deposits, specifically the Imilorskoye field plus the Zapadno-Imilorskoye field, and the Istochnoye field. Leveraging the Group's developed infrastructure nearby, LUKOIL can exploit its considerable potential at a shorter time and with reduced costs. The local oil production amounted to 49.4 thousand tonnes in 2014.

2014 results

The oil field was brought on stream in October, greatly ahead of schedule. Under the plan, LUKOIL drilled 56 wells, equipped 16 wells, constructed 4 multi-well platforms as well as other infrastructure and power generating facilities.

2015 targets

The Group plans to commission 36 new wells, complete construction of 3 multi-well platforms as well as other infrastructure and power generating facilities. LUKOIL also plans follow-on exploration, including construction of 3 exploration wells and retests at 13 exploration wells.



TAX ON PROCEEDS FROM OIL SALES¹

The concept of a tax on surplus income dates back to 1997 when it was first brought before the State Duma. Currently, discussion is focused on an alternative taxation scheme providing for a specific tax on income from oil sales.

Basic principles:

- It is the financial result that is subject to tax. The taxable base is calculated based on operating income from license areas subject to this specific tax less capex.
- Redistribution of the tax burden. This tax results in a lower tax on revenue.
- Separate treatment. The above scheme provides for separate treatment of income and expenditure at those license areas which are subject to this tax and those which are not.

¹ Formerly tax on surplus income.

Vinogradov field (low-permeability reservoirs)

The field is located within the boundaries of two license areas (Bolshoy and Olkhovsky). The local production of oil and condensate made 83.9 thousand tonnes in 2014.

2014 results

Drilling operations intensified resulting in 51 wells drilled. LUKOIL commissioned 32 production wells with an average production rate of 154 barrels per day, including 17 horizontal wells with an average production rate of 213 barrels per day and 15 directional wells with an average production rate of 60 barrels per day. The Group completed construction of an oil pipeline to the Bobrovka booster station and continued equipping 22 multi-well platforms, erecting oil treatment facilities and manufacturing equipment for a 40 MW gas turbine power plant.

2015 targets

The Group plans to launch a gas-fueled reciprocating power plant, continue Stage 1 construction of oil treatment facilities and construction of a gas turbine power plant, commence construction of a field support base and conduct follow-on exploration. LUKOIL also plans to commission 79 new oil wells and conduct pilot development by constructing 2 up to 1,600 meters long wells and carrying out a 16-zone hydrofracturing.

The Bolshekhetskaya Depression

LUKOIL Group's gas output in Russia is focused on the fields of the Bolshekhetskaya Depression with a target production of 20 billion m³. It saw marketable gas production of 8.2 billion m³ in 2014.

2014 results

LUKOIL commissioned a booster compressor station at the Nakhodkinskoye field with an annual capacity of 8.4 billion m³ of gas. Under the plan, the Group completed construction of 5 multi-well platforms and infrastructure facilities at the Pyakyakhinskoye field.

2015 targets

The Group plans to complete construction of infrastructure facilities (fire station, water extraction facilities) and 3 multi-well platforms at the Pyakyakhinskoye field.

Going forward, LUKOIL plans to launch large-scale gas fields, specifically the Pyakyakhinskoye field (scheduled for 2016), the Yuzhno-Messoyakhskoye field (scheduled for 2018) and the Khalmerpayutinskoye field (scheduled for 2019).



TIMAN-PECHORA

The Timan-Pechora oil and gas province has a great potential for production growth, particularly associated with development of the Denisovskaya Depression and high-viscosity oil deposits. Mostly deposited at the Yaregskoye and Usinskoye fields, heavy crude oil accounts for 4.4% of LUKOIL's proved hydrocarbon reserves. The prospects for production increase in the region also depend on the JV to develop Trebs and Titov fields.

 Analyst Databook, p. 29

The Denisovskaya Depression

The Denisovskaya Depression includes the Vostochno-Lambeyshorskoye and Bayandyskoye clusters. The Vostochno-Lambeyshorskoye field saw hydrocarbon production of 1,530 thousand tonnes in 2014.

2014 results

In 2014, LUKOIL Group reached its production target at the Vostochno-Lambeyshorskoye field, up 76% (661 thousand tonnes) y-o-y, which was the highest output across all of its Russian operations in 2014. The Group continued constructing oil treatment facilities and external power supply facilities at the Vostochno-Lambeyshorskoye field. The Group also commissioned the Bayandyskaya oil treatment unit with an annual capacity of 1.2 million tonnes, the amine-based gas conditioning unit with an annual capacity of 300 million m³ and external power supply facilities, and commenced start-up operations at the sulfur recovery and granulation unit at the Bayandyskoye cluster.

2015 targets

The Group plans to commission the sulfur recovery and granulation unit with an annual capacity of 52 thousand tonnes at the Bayandyskaya oil treatment unit and oil treatment facilities with an annual capacity of 1.3 million tonnes and external power supply facilities at the Vostochno-Lambeyshorskoye cluster.

The Yaregskoye field (high-viscosity oil)

The Yaregskoye field is the Group's largest source of high-viscosity oil. It saw oil production of 690 thousand tonnes in 2014.

2014 results

The Group commenced CCGT start-up operations at the Yaregskoye and Lyayelskoye fields and construction and installation operations at oil production, treatment and transportation support facilities. The Yarega-Ukhta oil pipeline was put on test. LUKOIL continued FEED work for the Yarega power generating center and made an agreement for the supply of gas turbines.

2015 targets

The Group plans to commission site structures and facilities and CCGT at the Yaregskoye and Lyayelskoye fields, the Lachyel pumping facility and end structures at the Ukhta metering station with an annual capacity of 3.5 million tonnes. LUKOIL also plans to complete construction of the oil processing and gathering facility.



INCREASING APG UTILIZATION

In 2014, LUKOIL implemented the APG utilization scheme at the Bayandyskaya oil treatment unit which cleans and processes gas into a marketable product to be subsequently either transported to the Usinsky GPP or used for own consumption as fuel gas.

Central to this process is the high-pressure compressor station which supports gas flow. Its equipment is tailored to the product being produced (rich in hydrogen sulfides). This scheme resulted in many times lower metal consumption at the initial gas cleaning and drying stage without affecting the output.

The amine-based gas conditioning unit is intended for APG separation from hydrogen sulfides. This results in a 99.9% reduction in the residual content of hydrogen sulfides in associated gas post treatment. The gas drying unit is intended to dry up desulfurated fuel gas.

The Usinskoye field (high-viscosity oil)

The Permian-Carboniferous deposit at the Usinskoye field is typical of excessively high-viscosity oil. Its development is based on thermal recovery methods. The field's Permian-Carboniferous deposit produced 2,067 thousand tonnes of oil in 2014.

2014 results

FEED documents for the construction of the Usa power generating center were approved and some of the equipment was manufactured. LUKOIL completed FEED work for the construction of multi-well platforms and commenced construction on well steam treatment facilities and motor roads together with 26 wells.

2015 targets

The Group plans to continue construction of the 125 MW power generating center in Usa, equip 33 wells, commence CCGT installation at 8 multi-well platforms and revamp booster pump station 2.

Trebs and Titov fields

In 2011, OAO LUKOIL and Bashneft established a joint venture to develop Trebs and Titov oil fields where OAO LUKOIL holds 25.1%. The fields saw oil production of 828 thousand tonnes in 2014 (137.5 thousand tonnes attributable to LUKOIL Group).

Peak production is planned at 4.8 million tonnes per year.

2014 results

The Group commissioned 11 wells increasing its daily output by 3 times compared to 2013. LUKOIL commenced construction of a booster pump station at Titov field and an interfield pipeline and completed field road construction.

2015 targets

The Group plans to commence oil production at Titov field and commission Stage 1 booster pump station with a capacity of 13,300 m³ per day. LUKOIL also plans to equip 28 wells, build an interfield pipeline, field support bases and APG treatment and compression facilities.

NORTH CASPIAN

The North Caspian region is key to LUKOIL Group's oil and gas production growth in the medium term. Five years of exploration drilling progress in the region helped LUKOIL achieve a 40% growth of proved hydrocarbon reserves under international standards.

 Analyst Databook, p. 32

Filanovsky field

Filanovsky field is the second field launched by LUKOIL in the Caspian. Production start is scheduled for 2016.

2014 results

The Group completed Stage 1 offshore operations on time, specifically installation of topside facilities (ice-resistant platform 1, living quarter platform 1, central processing platform and riser block), including connecting bridges. LUKOIL commenced construction of an oil pipeline connecting the landfall to the head onshore facilities together with pipeline infrastructure.

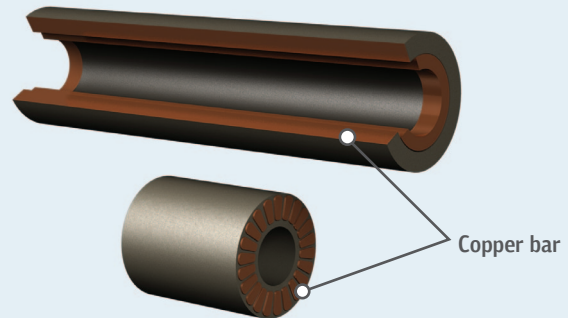
2015 targets

In 2015, the Group plans to complete Stage 1 offshore construction and installation operations and start drilling the pioneer production well.

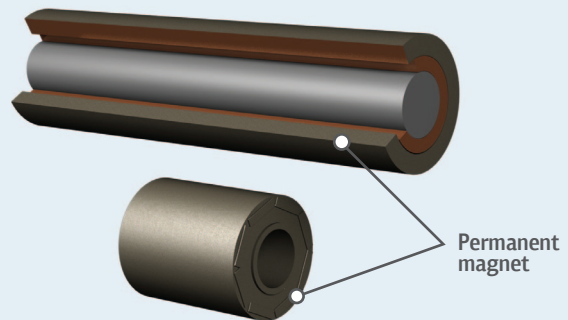


POWER SAVING PMSM

ASYNCHRONOUS MOTOR



SYNCHRONOUS MOTOR permanent magnet



CONTROLS

PERMANENT MOTOR

LUKOIL Group was the first in the world to develop PMSM-based drives whose combined features enable them to support the best production rate thus minimizing power consumption and maximizing service life. PMSMs help reduce power consumption from oil production due to higher efficiency, lower operating currents, built-in velocity controls and cyclic operation.

Wells equipped with PMSM drives, thousand wells



Going forward, LUKOIL plans to replace all asynchronous drives with PMSMs.

INTERNATIONAL PROJECTS

The production increase potential of LUKOIL's portfolio of international projects rests mainly in the development of LUKOIL's existing assets in Uzbekistan and Iraq.

 [Analyst Databook, p. 34](#)

IRAQ

Located in Iraq, West Qurna-2 is one of LUKOIL Group's largest projects set to ensure its oil production growth going forward.

It saw oil production of 6,087 thousand tonnes in 2014. The target oil production rate is 1.2 million barrels per day, to be maintained for 19.5 years.

2014 results

LUKOIL commenced commercial production reaching 380 thousand barrels per day of crude oil. The Group beat its 2014 target by 6% due to the higher than expected well productivity. LUKOIL commissioned 61 wells at the Mishrif project with an average production rate of 8.5 thousand barrels per day. Compensation of investment commenced as 19 tankers delivered 31 million barrels of crude oil to destinations in Europe and Asia.

2015 targets

The Group plans to start the Yamama project set to reach a plateau of 650 thousand barrels per day by mid-2020.

UZBEKISTAN

LUKOIL Group's most efficient gas projects are in Uzbekistan. Production is in progress at Khauzak-Shady and Southwest Gissar while another large-scale project at Kandym is to be launched in the short run. The Group enjoys an attractive financial environment supported by the government of Uzbekistan.

The Group's projects in Uzbekistan saw production of 23 million boe in 2014 (attributable to LUKOIL).

2014 results

LUKOIL commissioned the Khauzak booster compressor station on time. The Group commenced large-scale operations at the Kandym early gas project, continued FEED work, equipment manufacturing and procurement as well as early stage construction at the Gissar full-scale project (construction of external power supply facilities, a field support base and feeder roads).

2015 targets

The Group plans to develop the Kandym early gas project and to build oilfield facilities at the Northern area of the Shady field.



WEST QURNA-2

DEVELOPING a large-scale project

1997 2002 2009 2010 2012

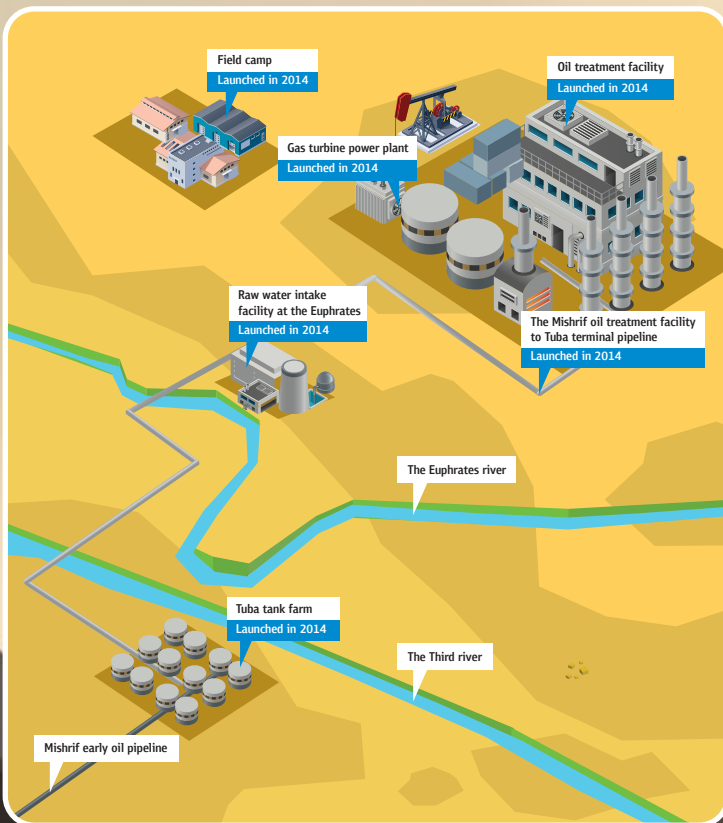
A contract for the project was signed until 2020.

The project was suspended due to UN sanctions against Iraq.

The Consortium of LUKOIL and Statoil won the tender to develop the field.

The newly established government of Iraq signed an agreement until 2030 to implement the project, where LUKOIL Group had 56.25%.

Subcontractors were hired to erect oilfield facilities and LUKOIL commenced large-scale development, increasing its stake to 75%.



PROJECT DESCRIPTION

West Qurna-2 is located 65 km north-west of Basra, a major seaport in Iraq. The field covers regions of Madeina, Qurna, Ghuwair and Shuwaij in Basra Province. The license area is 340 km². The recoverable oil reserves are about 14 billion barrels.

West Qurna-2 with its planned oil production of 1.2 million barrels per day is one of top 5 global projects yet to reach peak production. With the project on stream, the Group confirmed its capability to manage challenging large-scale projects on its own and reinforced its positions as a global energy producer.

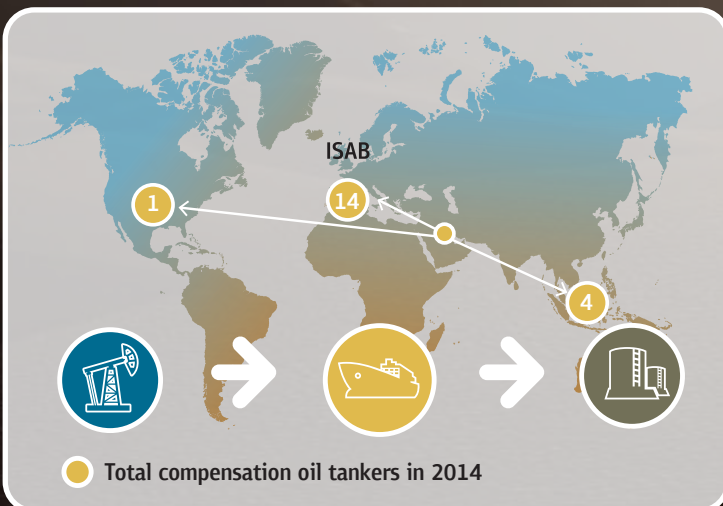
West Qurna-2 includes three phases providing for the development of the Mishrif and Yamama formations.

Target production level, thousand barrels per day

| Phase | Production target, thousand barrels /d | Year |
|--------------------|--|------|
| Mishrif early oil | 400 | 2015 |
| Mishrif full-scale | 550 | 2017 |
| Yamama | 1,200 | 2020 |

Stakeholders

- LUKOIL holds 75%.
- North Oil Company (NOC), a state-owned company under the auspices of the Ministry of Oil in Iraq, holds 25% and acts as a co-operator of the project together with LUKOIL. NOC bears no costs but benefits from its share of profits (25%)
- South Oil Company (SOC) acts on behalf of the Republic of Iraq. SOC distributes cost and profit oil between the stakeholders retaining excess oil.





NORTH OIL COMPANY

SOUTH OIL COMPANY



LUKOIL

2013

The contract was amended to mitigate project risks by extending its term to 2035 and reducing the target peak production from 1.8 to 1.2 million barrels per year.

2014

March – LUKOIL reached the daily output target of 120 thousand barrels per day.
June – accelerated returns on investment commenced (after LUKOIL met the condition to maintain production at 120 thousand barrels per day for at least 90 days).
August – LUKOIL successfully drilled the pioneer horizontal well and shipped the first tanker delivering 1 million barrels of compensation oil to LUKOIL Group-owned ISAB refinery in Italy.

2015

Mishrif formation development

This is very illustrative of the great synergies from the vertical integration of LUKOIL's Upstream and Downstream businesses.

In 2014, the Group accrued 41.7 million barrels of oil amounting to \$3.7 billion revenue, including 30.9 million barrels shipped by 19 tankers to destinations in Europe and Asia for a total of \$2.1 billion.

At 2014 year-end, LUKOIL operated 61 production wells with oil output reaching 380 thousand barrels per day.

PROJECT ECONOMICS

- LUKOIL's revenue come from compensation oil based on its share of oil production and global oil price.
- LUKOIL Group's revenue consist of two parts, specifically compensation oil (to compensate for costs actually incurred) and profit oil.
- LUKOIL finances all project costs in full, except for profit tax borne by each stakeholder on its own.
- With the start of commercial production, LUKOIL is entitled to a share of production to compensate for accrued historical costs until these are reimbursed in full.
- After historical costs are reimbursed in full LUKOIL will be entitled to a share of production to compensate for its current costs in full.
- In addition to reimbursement of costs, LUKOIL is entitled to its share (75%) in \$1.15 for each barrel of crude oil produced and pays profit tax.

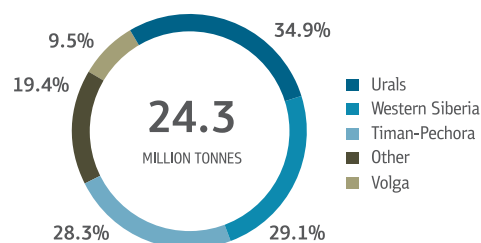
FINANCIAL BENEFITS FOR THE GROUP

- After compensation of investment commence the project is self-financed in full with no further funds required from the Group.
- This compensation scheme implies that Iraq bears adverse market risks to ensure the break-even operation and stable profitability of the project in a wide range of oil prices.
- After historical costs are reimbursed in full the project profitability will virtually cease to depend on oil price in a wide range.



Unlocking the untapped POTENTIAL

Incremental production as a share of total production by region



LUKOIL's key priority in Upstream is to increase the oil recovery rate through innovative technology, which will enable it to exploit its vast resource potential going forward.

To enhance the efficiency across all operations, the Group is pursuing an R&D program based on innovations and technology advancements, international expertise and best practices.

LUKOIL is considering for commercial use over 40 out of 173 new technologies tested in 2014

In 2013 and 2014, the Group benefited most from the following technologies:

- Maximum reservoir contact (MRC) through horizontal completion of wells and sidetracks
- Well completion with MZHF
- Multiple well completion
- Multilateral and multihole wells

NEW TECHNOLOGIES IN USE

Well completion with MZHF. LUKOIL commissioned a total of 108 MZHF wells. The Group also made progress at Vinogradov field where it drills wells with 1,000 meters long horizontal sections followed by MZHF, with production rates of 500 barrels per day on average. The Group drilled a pioneer MZHF well in the low-permeability Achimovskoye deposits at the Imilorskoye field resulting in oil production of 806 barrels per day.

Multilateral and multihole wells. LUKOIL drilled 42 multihole wells in Western Siberia with an average production rate of 430 barrels per day, which is 2 to 3 times higher than that of adjacent horizontal wells. For instance, the Group commissioned a pioneer 5-hole well at the Pokachevskoye field resulting in oil production of c. 1,000 barrels per day, which is 3 times higher than that of adjacent horizontal wells. The best performance comes from multilateral wells with 2 to 5 holes.

Steam-assisted gravity drainage (SAGD). The Group continued SAGD tests at the Yaregskoye field. LUKOIL also constructs injection wells and directional production wells to put on stream the top layer of the Permian–Carboniferous deposit at the Usinskoye field.

Wells with extra long horizontal sections. LUKOIL commissioned well 103 at Korchagin field in the North Caspian which was the world's longest extended-reach well drilled scoring 4.9 km with a single bit run.

28%

OF CRUDE OIL IN RUSSIA IS PRODUCED USING VARIOUS EOR TECHNOLOGIES

108

MZHF WELLS LAUNCHED IN 2014

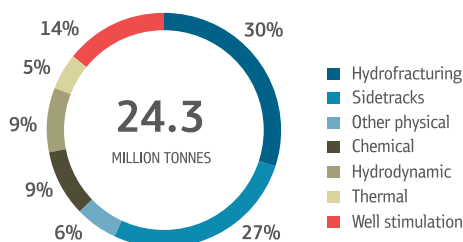
EOR helps greatly increase the reserve recovery and production rates, allowing for commercial development of high-viscosity oil, low-permeability reservoirs and tight reserves at mature fields. LUKOIL uses physical, chemical, hydrodynamic and thermal techniques to stimulate productive formations.

In 2014, the Group carried out 8,700 EOR operations, up 31% y-o-y. Most of incremental output came from physical EOR techniques (over 15 million tonnes).

Drilling of sidetracks at existing wells is also highly efficient. The Group continued to rely heavily on this technique in 2014. For instance, LUKOIL drilled a total of 433 sidetracks in 2014 which produced 6.5 million tonnes of extra crude oil. Such high efficiency is primarily due to robust R&D mini-projects based on hydrodynamic modelling and more accurate forecasting of geology and reserves where sidetracks are drilled. Importantly, sidetracks are mainly drilled at idle wells in order to recover residual oil.



Incremental production breakdown from EOR



HIGH-VISCOSITY OIL AND UNCONVENTIONAL OIL

LUKOIL takes an active stance in developing and implementing new technologies to recover high-viscosity oil.

The Russian government is encouraging the production of high-viscosity oil, making it more cost-effective through favorable MET and export duties

LUKOIL gained most of its high-viscosity oil experience in Russia in the Republic of Komi where the Group develops the Yaregskoye and Usinskoye fields. In 2014, LUKOIL used thermal EOR techniques at both fields and produced 3.3 million tonnes of crude oil, including 2.1 million tonnes of high-viscosity oil subject to a preferential MET and 0.7 million tonnes of heavy viscosity oil subject to preferential MET and export duties.

The Permian–Carboniferous deposit at the Usinskoye field is being developed using extensive steam and heat and cyclic steam stimulation. Pilot development is in progress with microbial EOR tests launched.

The Yaregskoye field is being developed using thermal mining and SAGD. The thermal mining development based on directional underground drilling helped increase the length of low-angle and rising holes from 300 to 800 meters, greatly reducing the scope of mining operations and bringing more reserves into production. LUKOIL brought 55% more reserves from drilling operations as compared to 2013. The Group extended the SAGD operations to the undeveloped sections of the Lyayelskoye area at the Yaregskoye field.

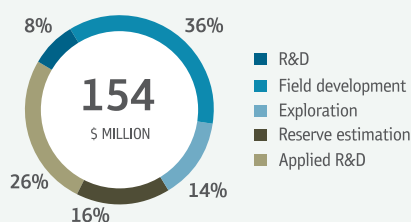
GEOLOGICAL AND HYDRODYNAMIC MODELLING

Computer-assisted geological and hydrodynamic modelling is used to monitor the development process, select best solutions and support efficient development of reserves, thus enhancing the oil recovery rate and reducing development costs. Modelling helps enhance the oil recovery rate and reduce development costs.

The benefits of models are many, including detailed 3D representation of non-heterogeneous deposits, oil reserves positioning in deposits, identification of oil-rich areas, multivariate calculation of operational and economic metrics in well interventions.

INVESTING IN R&D

R&D costs breakdown



In line with its R&D program, LUKOIL continues developing new technologies to deal with high-viscosity oil and mature fields. The Group's refineries are focused on the higher oil refining depth and ongoing upgrade.

R&D expenditures were increased by 5.5% in 2014.

R&D in E&P segment in 2014:

- **Western Siberia.** LUKOIL continued developing and improving technologies to recover tight reserves, specifically thermal gas stimulation (at the Sredne-Nazymkoye field) and development of low-permeability reservoirs (at Vinogradov field).
- **The Caspian.** LUKOIL tested electric exploration advancements and developed an on-site environment monitoring framework.
- **Urals.** LUKOIL continued on developing a PMSM drive for a pumping unit and water treatment techniques for reservoir pressure maintenance facilities.

Downstream

| | |
|-----------------------------|----|
| OIL REFINING | 42 |
| PRODUCTION OF LUBRICANTS | 44 |
| GAS PROCESSING | 45 |
| PETROCHEMICALS | 45 |
| POWER GENERATION | 46 |
| OIL & GAS SALES | 47 |
| SALES OF PETROLEUM PRODUCTS | 51 |



| 2014 RESULTS | | 2015 PRIORITIES | | | | | | | | |
|--|-------------------------|-------------------------|-------|--------|------|-------|--|---|---|---|
| INCREASING REFINERY PERFORMANCE | | | | | | | | | | |
| <p>Fuel oil output by LUKOIL in Russia, million tonnes</p> <table border="1"> <tr><th>Year</th><th>Output (million tonnes)</th></tr> <tr><td>2021E</td><td>~4.5</td></tr> <tr><td>2014</td><td>9.9</td></tr> <tr><td>2013</td><td>10.4</td></tr> </table> | Year | Output (million tonnes) | 2021E | ~4.5 | 2014 | 9.9 | 2013 | 10.4 | <p>The oil refining depth reached 77.1% due to ongoing refinery upgrades in Russia, with fuel oil output down by 4.8% and the share of high-octane gasoline up to 100% of total gasoline output.</p> | <ul style="list-style-type: none"> Continue refinery upgrades to increase the output of light petroleum products Launch the projects to commission over \$3 billion of assets in 2015 on time and on budget Continue efforts to cut costs and boost margins as planned |
| Year | Output (million tonnes) | | | | | | | | | |
| 2021E | ~4.5 | | | | | | | | | |
| 2014 | 9.9 | | | | | | | | | |
| 2013 | 10.4 | | | | | | | | | |
| PREMIUM BUSINESS SEGMENTS DEVELOPMENT | | | | | | | | | | |
| <p>Sales of high-margin lubricants produced in Russia, thousand tonnes</p> <table border="1"> <tr><th>Year</th><th>Sales (thousand tonnes)</th></tr> <tr><td>2021E</td><td>~35</td></tr> <tr><td>2014</td><td>29.4</td></tr> <tr><td>2013</td><td>23.7</td></tr> </table> | Year | Sales (thousand tonnes) | 2021E | ~35 | 2014 | 29.4 | 2013 | 23.7 | <p>LUKOIL continued focused efforts to develop premium business segments, in particular high-margin lubricants and marine lubricants. 2014 saw the inauguration of INTESMO lubricant manufacturing plant. The Group also continued increasing into-plane aviation fuel sales.</p> | <p>Pursue a strategy to scale down the low-price business segment by developing high-end lubricants, marine lubricants and aircraft refueling</p> |
| Year | Sales (thousand tonnes) | | | | | | | | | |
| 2021E | ~35 | | | | | | | | | |
| 2014 | 29.4 | | | | | | | | | |
| 2013 | 23.7 | | | | | | | | | |
| <p>Petroleum products sold into-plane, thousand tonnes</p> <table border="1"> <tr><th>Year</th><th>Sales (thousand tonnes)</th></tr> <tr><td>2021E</td><td>~1,600</td></tr> <tr><td>2014</td><td>1,543</td></tr> <tr><td>2013</td><td>1,462</td></tr> </table> | Year | Sales (thousand tonnes) | 2021E | ~1,600 | 2014 | 1,543 | 2013 | 1,462 | | |
| Year | Sales (thousand tonnes) | | | | | | | | | |
| 2021E | ~1,600 | | | | | | | | | |
| 2014 | 1,543 | | | | | | | | | |
| 2013 | 1,462 | | | | | | | | | |
| OPTIMIZING TRANSPORT COSTS | | | | | | | | | | |
| <p>Transport costs, \$ million</p> <table border="1"> <tr><th>Year</th><th>Cost (\$ million)</th></tr> <tr><td>2014</td><td>5,894</td></tr> <tr><td>2013</td><td>6,290</td></tr> </table> | Year | Cost (\$ million) | 2014 | 5,894 | 2013 | 6,290 | <p>To optimize its transport costs, LUKOIL aims to streamline transportation of crude oil and petroleum products by increasing reliance on its own infrastructure.</p> | <ul style="list-style-type: none"> Optimize oil distribution in the changing market environment while keeping its key export terminals steadily utilized Develop efficient marketing strategies, including storage optimization | | |
| Year | Cost (\$ million) | | | | | | | | | |
| 2014 | 5,894 | | | | | | | | | |
| 2013 | 6,290 | | | | | | | | | |
| INCREASING FILLING STATION PERFORMANCE EFFICIENCY | | | | | | | | | | |
| <p>Average daily sales per owned filling station in Russia, tonnes/d</p> <table border="1"> <tr><th>Year</th><th>Sales (tonnes/d)</th></tr> <tr><td>2021E</td><td>~18</td></tr> <tr><td>2014</td><td>13.2</td></tr> <tr><td>2013</td><td>12.8</td></tr> </table> | Year | Sales (tonnes/d) | 2021E | ~18 | 2014 | 13.2 | 2013 | 12.8 | <p>Average daily sales per station in Russia rose to 13.2 tonnes due to customer loyalty programs and LUKOIL's efforts to open high-margin stations, optimize inefficient stations and revamp old stations. Non-fuel sales grew 10%.</p> | <ul style="list-style-type: none"> Improve quality of service by enhancing customer focus Open high-margin stations and revamp stations in prospective regions Continue optimizing inefficient stations |
| Year | Sales (tonnes/d) | | | | | | | | | |
| 2021E | ~18 | | | | | | | | | |
| 2014 | 13.2 | | | | | | | | | |
| 2013 | 12.8 | | | | | | | | | |

Downstream

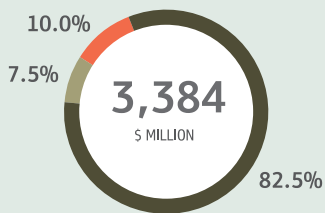


L – LUKOIL

| | | | | | | | |
|-------------------|--------------|---------------|------|-----------------|--------------|-------------|------------------------------|
| 1. Austria | | 7. Cyprus | | 14. Luxembourg | | 21. Russia | |
| 1. Azerbaijan | | 8. Estonia | | 15. Macedonia | | 22. Serbia | |
| 2. Belarus | | 9. Finland | | 16. Moldova | | 23. Spain | |
| 3. Belgium | | 10. Georgia | | 17. Montenegro | | 24. Turkey | |
| 4. Bulgaria | | 11. Italy | | 18. Netherlands | | 25. Ukraine | |
| 5. Czech Republic | | 12. Latvia | | 19. Poland | | 26. USA | |
| 6. Croatia | | 13. Lithuania | | 20. Romania | | | |

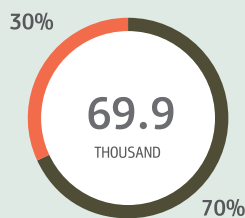
Oil Refining Gas Processing Petrochemicals Power generation Marketing (filling stations) Transshipment Lubricants Aircraft Refuelling

Capex and investments by business segment



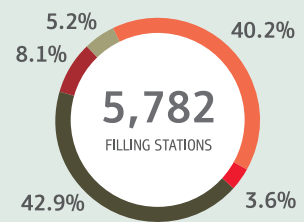
■ Segment Refining and Marketing
■ Segment Petrochemicals
■ Segment Power Generation

Average headcount



■ Russia
■ International projects

Distribution network¹



■ USA
■ Europe
■ Russia
■ CIS
■ Baltic states

¹ Owned, leased and franchised.

PRICE ENVIRONMENT

The falling crude oil prices influenced refining margins in 2014. 2014 saw moderate margins at LUKOIL's refineries in Europe compared to other regions, mainly driven by the rising exports of petroleum products from USA and the Middle East on the back of stagnating consumption. The average European prices for fuel oil (FOB Rotterdam) declined by 10.9% while those for high-octane gasoline fell by 6.9%.

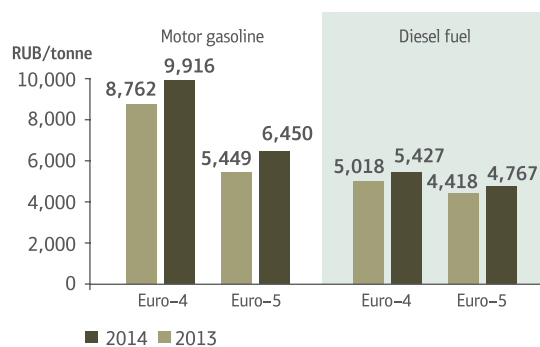
In Russia, the prices for heating oil dropped by 28.8% while those for premium gasoline were down 7.0%. Despite the deteriorating environment, LUKOIL continued upgrades at its Russian refineries contributing to a higher output of light petroleum products and a lower yield of fuel oil. The new tax initiatives for the petroleum industry passed by the Russian government were beneficial to the ongoing construction projects providing for conversion capacity enhancement. As a result of these initiatives, starting from 2017, unsophisticated oil refining will cease to be economically viable in Russia thus making refineries increase their refining depth. However, the adverse environment driven by falling crude oil prices and limited access to international financing will aggravate the risks associated with Russian oil refining projects.

TAX ENVIRONMENT

The segment operations are primarily subject to export duties and excise taxes on petroleum products. The Russian tax legislation encourages high-quality producers with lower excise taxes on Euro-5

compliant gasoline and diesel fuel. In 2014, the excise taxes were set at RUB 6,450/t for Euro-5 compliant gasoline vs. RUB 9,916/t, RUB 10,725/t and RUB 11,110 for Euro-4, 3 and lower grades, respectively. LUKOIL has been producing Euro-5 compliant gasoline since 2012, which results in great economic benefits paying off investments in refinery upgrades.

Excise tax on petroleum products, RUB/tonne

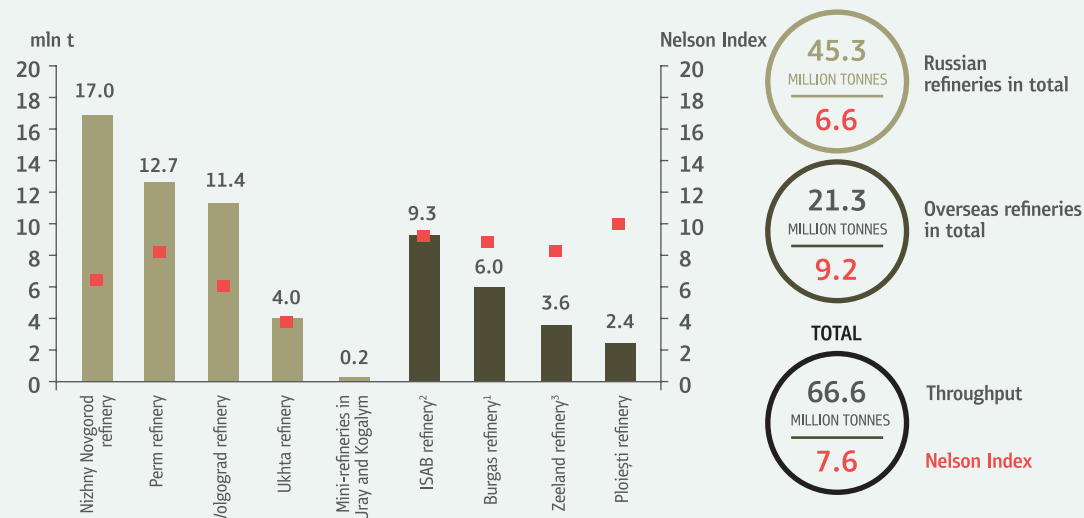


FINANCIAL HIGHLIGHTS IN REFINING, MARKETING AND DISTRIBUTION SEGMENT

Net loss in the Refining, Marketing and Distribution segment was \$2.3 billion in 2014, mainly due to FX losses and asset impairment in Russia (the Ukhta refinery) and Ukraine (distribution assets).

Consolidated Financial Statements, p. 133

Refinery performance, million tonnes



¹ Including throughput of 0.86 million tonnes of fuel oil in 2014.

² Including throughput of 2.0 million tonnes of petroleum products in 2014.

³ Throughput at the Zeeland refinery (oil) attributable to the Group's share (45%). In addition, the Zeeland refinery processed 1.6 million tonnes of other petroleum feedstock in 2014.

Adding VALUE

2014 RESULTS

- Refining depth at 80.1% across LUKOIL Group's refineries
- Fuel oil output down by 6.8% across the Group
- Continued upgrade at the Perm refinery and construction of a catalytic cracking unit at the Nizhny Novgorod refinery, an advanced vacuum gas oil refining facility at the Volgograd refinery and a heavy residue refining facility at the Burgas refinery

2015 PRIORITIES

- Follow through investment projects on time and commission:
 - the **Perm refinery**: a delayed coking facility to process oil residues
 - the **Nizhny Novgorod refinery**: the second catalytic cracking unit
 - the **Volgograd refinery**: atmospheric vacuum distiller
 - the **Burgas refinery**: residual asphalt hydrocracking unit
- Ensure that performance targets are met despite pressures from falling crude oil prices globally
- Continue efforts to enhance efficiency as planned

As the existing tax environment in Russia promotes a higher output of light petroleum products LUKOIL plans to scale down dark petroleum products going forward.

LUKOIL continued rapid development in the Refining, Marketing and Distribution segment focusing its efforts on operational excellence and increased output of light petroleum products. Russian legislation has evolved towards favoring premium eco-friendly fuels. That is why the Group's Refining, Marketing and Distribution segment business remains focused on upgrading its Russian refineries.

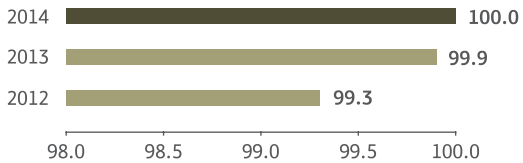
\$ 3.4 BILLION

SPENT IN TOTAL ON ASSETS TO BE COMMISSIONED IN 2015

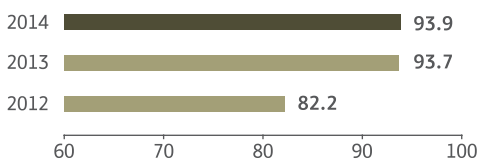
The ongoing upgrade at the Perm refinery and construction of a catalytic cracking unit at the Nizhny Novgorod refinery, an advanced vacuum gas oil refining facility at the Volgograd refinery and a heavy residue refining facility at the Burgas refinery will greatly enhance the financials in the Refining, Marketing and Distribution segment.

 Analyst Databook, p. 38

High-octane gasoline as a share of total gasoline production¹, %

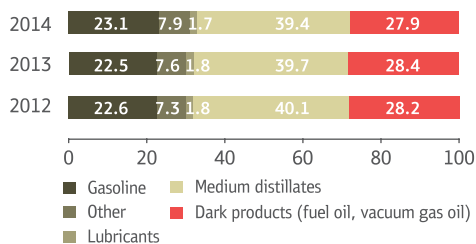


Diesel fuel with sulfur content below 50 ppm as a share of total diesel fuel production¹, %



¹ Excluding mini-refineries and Zeeland.

Structure of petroleum products output from LUKOIL's refineries², %



² Including throughput at ISAB and Zeeland attributable to the Group.

RUSSIAN REFINERIES

The throughput at LUKOIL Group's refineries in Russia remained virtually flat y-o-y at 45.3 million tonnes, with the share of high-octane gasoline reaching 100.0% of total gasoline production from Russian operations (excluding mini-refineries) in 2014. The refining depth stood at 77.1% (vs. 75.7% in 2013) due to the upgrades at the Volgograd refinery (with lubricant residues being used to produce vacuum gas oil instead of fuel oil) and the Ukhta refinery (with a residual asphalt visbreaker unit brought on stream to scale down fuel oil and increase diesel oil and vacuum gas oil).

The yield of light petroleum products (excluding mini-refineries) was 55.0% (vs. 54.2% in 2013).

All refineries in Russia continued to reduce throughput losses in 2014 which stood at 0.48% vs. industry average of 0.74%.

Capex at Russian refineries totalled \$1,691 million in 2014 (vs. \$1,393 million in 2013). Capex growth was due to the ongoing construction of an advanced vacuum gas oil refining facility at the Volgograd refinery and a heavy residue refining facility at the power generating plant in Perm.

LUKOIL Group continued implementing large-scale investment projects:

- the **Perm refinery**: continued construction of a residue refining facility
- the **Nizhny Novgorod refinery**: procurement of on-site equipment, start-up of key infrastructure facilities and construction and installation operations at the second catalytic cracking unit
- the **Volgograd refinery**: procurement and installation of on-site equipment for hydrocracking and hydrogen generation units at the advanced vacuum gas oil refining facility. The atmospheric vacuum distiller 1 construction project was next to shell and core.

 Analyst Databook, p. 41

OVERSEAS REFINERIES

The throughput at LUKOIL Group's overseas refineries grew marginally by 0.9% to 21.3 million tonnes in 2014 while the Zeeland refinery suffered a 20.3% decline in petroleum product output due to repair in 2Q 2014, which was offset by increased operations at ISAB.

The throughput losses at the Group-owned refineries was 0.76% in 2014. The refining depth reached 87.4% due to a better output mix from the Ploiești refinery (Romania). The refinery stopped producing marketable fuel oil and focused on more motor fuel. The yield of light petroleum products was 72.2% in 2014.

Capex at LUKOIL's overseas refineries totalled \$627 million in 2014 (vs. \$791 million in 2013). The largest investment project abroad is in progress at the Burgas refinery (Bulgaria). In 2014, the Group completed construction and installation operations at the sulfur recovery unit which is part of the heavy residue refining facility project.

 Analyst Databook, p. 46



R&D IN REFINING, MARKETING AND DISTRIBUTION SEGMENT IN 2014

R&D in the Refining, Marketing and Distribution segment is focused on higher oil refining depth and ongoing refinery upgrades.

- **The Volgograd refinery.** Research was focused on an eco-friendly softener oil and treatment of hydrocracking residues to produce API Group II oils.
- **The Nizhny Novgorod refinery.** Research was focused on sulfur modifications to produce sulfur concrete.
- **The Perm refinery.** LUKOIL developed and implemented a remote UPS monitoring and steering framework for on-site equipment.
- **Lubricants.** Research was focused on new oil types and processes.
- **Transportation.** Efforts resulted in a lower oil freezing temperature at the Varandei export terminal.



LEADERSHIP IN CORPORATE KNOWLEDGE MANAGEMENT

LUKOIL won MAKE Award Russia 2014, a corporate knowledge management award. LUKOIL was commended for its system of effective expertise development and management designed to achieve efficient technical and business solutions and thus boost the Group's capitalization.

This system is driven by knowledge management to ensure the efficient cooperation across business units and functions at the Head Office and beyond (refineries, petrochemical plants, GPPs, R&D center) as well as consumers and licensors.

Such efficient cooperation becomes possible due to brainpower concentration in a shared information space, including expert support, up-to-date knowledge base (such as best practices, R&D information), and an agile implementation capacity.



DEVELOPING premium business segments

2014 RESULTS

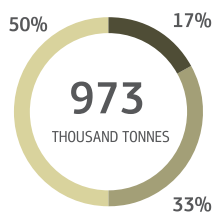
- INTESMO lubricant manufacturing plant inaugurated
- 47 approvals obtained from equipment manufacturers in Russian and abroad, including MAN, Porsche, Mercedes
- Contracts signed to supply lubricants to LUKOIL-Stavropolenergo, LUKOIL-Rostovenergo, Arkhangelskgeologodobycha, MMK, SUEK as part of import substitution efforts atop of a three-year contract with Norilsk Nickel
- Tenders won to supply lubricants to Mechel Group

2015 PRIORITIES

- Pursue import substitution further on
- Develop and enhance the product portfolio to reach 370 lubricants
- Expand the distribution geography and strengthen cooperation with major consumers

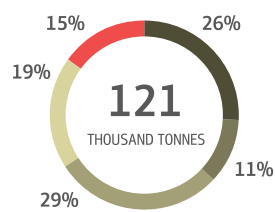
While scaling down the low-price segment, LUKOIL develops high-end lubricant production in Russia. The Group produced 1,094 thousand tonnes of lubricants in 2014, down 5.1% y-o-y. The Group sold 24.1% more high-margin lubricants, including 68.0% more private label products. LUKOIL Group's output of private label lubricants grew 9.9%.

Full-cycle lubricant production



- Nizhny Novgorod Refinery
- Perm Refinery
- Volgograd Refinery

COTS-based lubricant production



- Russia, Tyumen
- Romania
- Turkey
- Austria
- Finland

Product line renewal

The Group remains particularly focused on developing its product line in line with the market. LUKOIL Group greatly expanded its product line from 230 types in 2010 to 336 types in 2014.

| | | |
|---|--|--|
| <h1>45 %</h1> <p>LUKOIL GROUP'S SHARE OF LUBRICANT PRODUCTION IN RUSSIA</p> | <h1>5 %</h1> <p>LUKOIL GROUP'S SHARE OF THE INTERNATIONAL MARKET FOR MARINE LUBRICANTS</p> | <h1>103 COUNTRIES</h1> <p>LUKOIL GROUP'S GEOGRAPHY FOR LUBRICANT SALES</p> |
|---|--|--|



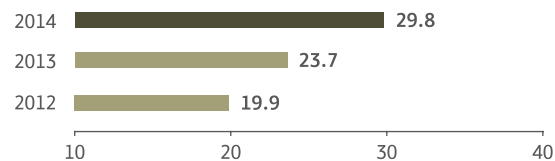
LUKOIL AND RZD OPENED A LUBRICANT MANUFACTURING PLANT

2014 saw the inauguration of INTESMO lubricant manufacturing plant, a JV between LUKOIL Group (75%) and RZD (25%). Its designed capacity is 30 thousand tonnes per year of lubricants. The plant is set to supply around one third of its output to RZD which accounts for c. 80% of total lubricant consumption by the Russian largest rail carrier. The product mix includes lubricants intended for major industries and transportation as well as for general use.

The plant is located at the Volgograd refinery. The Volgograd refinery produces up to 95% of feedstock used in plastic lubricants. INTESMO is certified to supply its products to the Customs Union as well as the European Union.

Sales of high-margin lubricants produced in Russia, thousand tonnes

↑ **24.1 %**



Authorized service stations

The service stations scored a more than twofold increase in sales volumes in 2014. LUKOIL made an agreement to produce and supply lubricants for service stations operating under the Chery brand. LUKOIL is expanding its cooperation with General Motors.

The international market for marine lubricants

LUKOIL kept developing its marine business in 2014. The Group introduced a new line of biodegradable synthetic lubricants meeting the most stringent requirements and advanced safety standards.

Following a year of successful operation, LUKOIL is set to supply OAO LUKOIL-branded lubricants to 7 vessels operated by Carnival Group (P&O Cruises), including the flagship and the world's largest cruise ship – Queen Mary II. LUKOIL was also contracted for the first fill of Britannia flagship still under construction. The Group signed a one-year contract to supply lubricants to the fleet of 43 vessels operated by the state-owned Oman Shipping Company. In December, LUKOIL started supplying lubricants to the Mediterranean Shipping Company which operates 130 capesize vessels, including 20 world's largest container ships.

2014 RESULTS

- The Perm GPP completed construction and commissioned a booster compressor station, gas and LPG processing units and a revamped desulfurization unit.
- The Korobkovsky GPP continued re-equipment, including a revamped air compressor unit.
- The Usinsky GPP undergoing re-equipment completed installation operations at 104 of 112 sites (including a sour gas compressor station and a gas drying unit). Steelwork is 95% completed and 60% rust-proof, with 60% of engineering systems installed

2015 PRIORITIES

- When the upgrade exercise is over, the Usinsky GPP will increase its APG treatment and processing capacity from 200 to 600 million m³, including 100 million m³ of sour gas coming from the Usinskoye field.

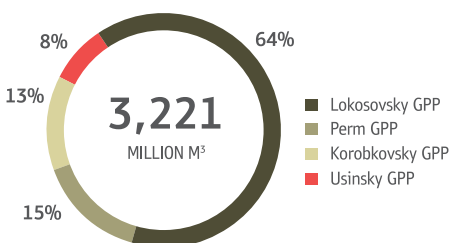
The Group's GPPs process APG produced in Russia into marketable gas (fed into the national pipeline system of Gazprom) and liquid hydrocarbons.

In 2014, LUKOIL processed 3,221 m³ of gas feedstock, up 2.9% y-o-y. Liquid hydrocarbon throughput amounted to 710 thousand tonnes.

LUKOIL Group produced 2,454 million m³ of marketable stripped gas, 791 thousand tonnes of liquefied gas, over 748 thousand tonnes of natural gas liquids and 179 thousand tonnes of liquid hydrocarbons (stable natural gasoline and isopentane fraction).

The output of natural gas liquids at the Group's GPPs in Western Siberia, Urals and Volga marginally rose to 13.9 million boe in 2014 (vs. 13.7 million boe in 2013).

Gas processed at GPPs



Analyst Databook, p. 50

2014 RESULTS

- Stavrolen rebuilt its water reservoir, constructed an integrated control center, procured most of its on-site equipment and brought Stage 1 next to shell and core resulting in an annual capacity of 2.2 billion m³.
- Saratovorgsintez completed construction and installation operations at Stage 1 of the expansion project to increase sodium cyanide output to 30 thousand tonnes per year and revamped the acrylonitrile treatment facility at Stage 2 to produce up to 190 thousand tonnes per year, undertook FEED work.

2015 PRIORITIES

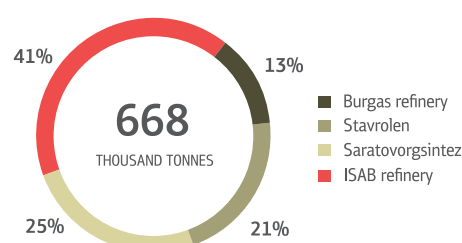
- Stavrolen to complete construction of a gas processing unit
- Saratovorgsintez to complete Stage 1 of the expansion project to increase sodium cyanide output to 30 thousand tonnes per year in 2015

The output of LUKOIL Group's plants in Russia and Bulgaria includes pyrolysis products, organic chemicals, fuel fractions and polymers. The Group meets quite a lot of domestic demand for various chemicals and is also a major exporter of chemicals to more than 30 countries.

Aiming to develop the business segment and enhance efficiency, LUKOIL continued upgrading its existing plants in 2014.

LUKOIL Group's petrochemical plants produced 668 thousand tonnes in 2014 (vs. 985 thousand tonnes in 2013). Such decline is due to a lower output from suspended operations at Stavrolen caused by a fire in late February 2014 and downtime at Karpatneftekhim for economic reasons.

Petrochemical production



Analyst Databook, p. 55

ENHANCING EFFICIENCY of facilities

2014 RESULTS

- Stavrolen commissioned a 135 MW CCGT on time
- LUKOIL commissioned a 9 MW photo power plant at the Ploiești refinery and a 84 MW Land Power wind farm in Romania

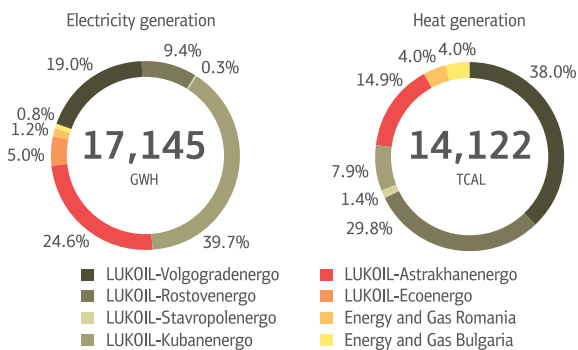
2015 PRIORITIES

- Complete construction of a CHPP at the Perm refinery
- Construct power generating centers at the Yaregskoye and Usinskoye fields
- Upgrade two turbines at CHPP-2 in Rostov to increase electric capacity by 40 MW and heat capacity by 80 Gcal/hour
- Optimize the CHPP process scheme in Krasnodar to enhance electricity generation efficiency

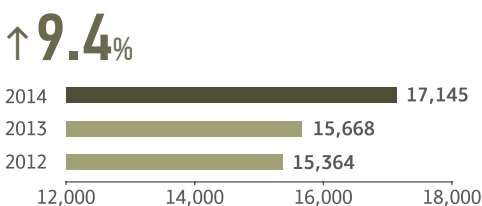
LUKOIL Group’s generating assets are mainly located in the Southern Federal District of Russia. The Group also operates supporting (small-scale) generating assets with a total installed capacity of c. 700 MW. These generating facilities are mainly located in Western Siberia and in the Republic of Komi. LUKOIL’s grids, distributors and service providers are concentrated around its generating assets and tied to the regions of its upstream and downstream operations.

 Analyst Databook, p. 52

Electricity and heat generation



Electricity generation¹, GWh



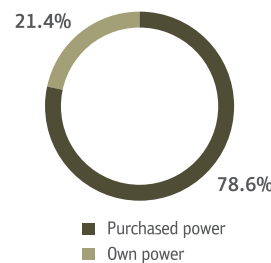
¹ Excluding small-scale power generation.

Commercial power generation. Since 2011, LUKOIL has successfully implemented four projects under the Wholesale Capacity Supply Agreement providing for returns on investment in construction of state-of-the-art thermal power plants. The total capacity of the power plants launched in Southern Russia amounts to 928 MW, including a 410 MW CCGT in Krasnodar, a 110 MW CCGT and a 235 MW CCGT in Astrakhan and, more recently, a 135 MW CCGT commissioned by Stavrolen in 2014.

LUKOIL will make further efforts to develop the commercial power generation mainly focused on a higher cost efficiency and reliability of its generating facilities. In particular, in 2015 through 2017, the Group plans to scale down and phase out inefficient boiler stations which supply heat to CHPPs in Astrakhan and Rostov-on-Don. A project is currently ongoing to upgrade steam turbines at CHPP-2 in Rostov to increase electric and heat capacity and enhance performance.

Small-scale power generation. Aiming to cut down powers costs, LUKOIL develops own small-scale power generation, including utilization of APG and processed products, which helps minimize the Group’s reliance on external suppliers. Currently, LUKOIL is constructing a 200 MW CHPP at the Perm refinery, power generating centers at the Yaregskoye and Usinskoye fields with installed capacity of 100 MW and 125 MW, respectively.

Power consumption by LUKOIL, %



Renewable energy. LUKOIL Group’s renewable energy assets are mainly located in Russia (four HPPs with installed capacity of 297.8 MW generating 865 GWh), Bulgaria and Romania (wind farms with installed capacity of 208 MW generating 536 GWh).

In 2014, LUKOIL commissioned a 9 MW photo power plant at the Ploiești refinery and a 84 MW Land Power wind farm in Romania. In total, the Group’s wind farms generated 71% more electricity in 2014. The electric power from photo and wind power plants in Romania is fed into the grid and is paid subject to a specific rate schedule. All electric power from own generation is sold on an arm’s length basis. The Group also obtains tradable green certificates, which greatly enhances project economics.

REFOCUSING on the domestic market

2014 RESULTS

- Lower exports in favor of the more lucrative domestic market
- Streamlined transport costs from the growing reliance on own sea terminals
- Rising oil sales with export duty preferences (at the Caspian and Yaregskoye fields)

2015 PRIORITIES

- Optimize oil distribution in the changing market environment while keeping the Group's key export terminals steadily utilized
- Develop efficient marketing strategies, including crude oil storage optimization, in the context of market uncertainties
- Maximize economic benefits from distribution of Iraqi crude oil

CRUDE OIL

LUKOIL Group's total sales of crude oil, including processing at third party refineries and petroleum products processed by owned and affiliate refineries, rose by 22.9% to 129 million tonnes in 2014. Given the higher margins of domestic supply vs. most destinations outside the CIS, the Group refocused substantial oil volumes from low-margin export markets to owned refineries and domestic sales.

LUKOIL Group's priority in the Refining, Marketing and Distribution segment is to optimize distribution of oil flows between export and domestic markets based on the market environment so as to maximize its profits. That is why LUKOIL relies more heavily on its own sea terminals for exports. For instance, exports through LUKOIL's own sea terminals rose by 5% to 6.7 million tonnes in 2014.

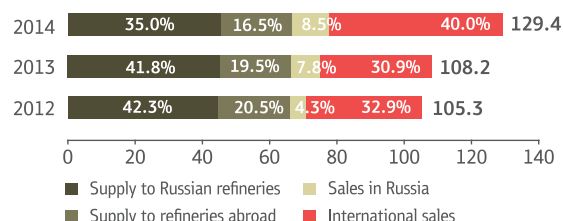
Most of this volume comes through the Kharyaga – Yuzhnoye Khylychuyu pipeline from the Komi fields and from the growing output at Trebs and Titov fields to the Varandei sea terminal which exported 5.9 million tonnes. Exports through the port of Svetly amounted to 0.8 million tonnes.

Oil supply to refineries. Processing at Russian refineries remained the most efficient way of using crude oil produced by the Group. Total oil supply to LUKOIL Group's refineries in Russia marginally grew to 45.3 million tonnes in 2014.

Domestic sales. LUKOIL sold 11.1 million tonnes of crude oil in the domestic market in 2014, up 30.6% y-o-y, mainly driven by a decline in oil exports by 2.0 million tonnes when the Group refocused on the more lucrative domestic market.

Reduction in oil exports to international markets was compensated by the beginning of oil production on West Qurna-2 field and an increase in trading volume, which resulted in an increase in international oil sales.

Crude oil sales breakdown, mln tonnes¹



¹ Including petroleum product supply to ISAB and Zeeland.

Oil exports. Due to refocused supply, oil exports declined by 6.3% to 29.8 million tonnes in 2014. LUKOIL's reliance on the Transneft-operated pipeline network decreased from 79.5% to 78.8% against the rising utilization of the Group-owned transport infrastructure with increased throughput at the Kharyaga – Yuzhnoye Khylychuyu pipeline and the growing output at Trebs and Titov fields.

Launched in mid-2013, the export route via the Eastern Siberia – Pacific Ocean pipeline and the Kozmino port continued operations in 2014, thus enabling sales of light crude without mixing it with inferior grades and achieving higher efficiency vs. traditional west-bound exports.

Under the signed agreement for guaranteed supply, LUKOIL Group continued oil exports to refineries in Belarus based on a pricing premium. This is the most lucrative destination for the Group. The agreement also allows LUKOIL to process up to 50% of oil supply thus helping to accrue hefty extra profits.

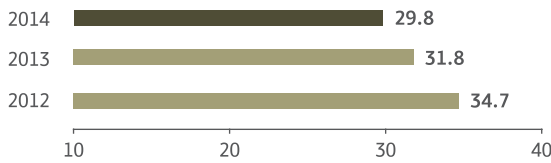
Since May 2014, the Group has been exporting crude oil from Korchagin field to Baku to ensure market diversification.

Analyst Databook, p. 57



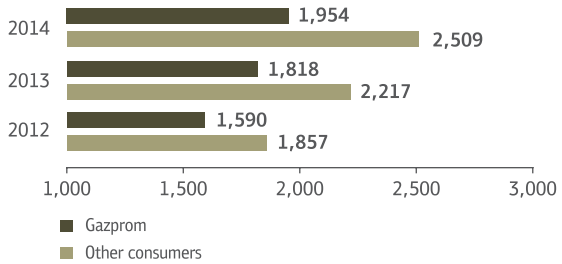
Oil exports from Russia, million tonnes

↓ 6.3%



Gas sale price, RUB per 1,000 m³

↑ 7.5% ↑ 13.2%



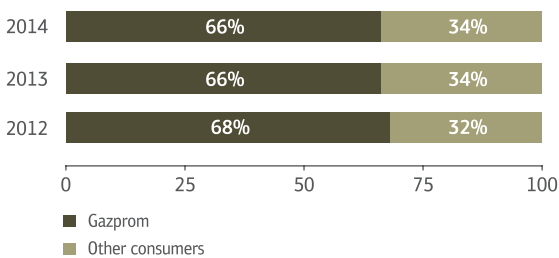
GAS

In 2014, LUKOIL Group produced a total of 20.0 billion m³ of marketable natural gas, APG and stripped dry gas, down 2.1% y-o-y, of which the Group sold 9.8 billion m³ to Gazprom and its affiliates (including c. 8.2 billion m³ of natural gas from the Nakhodkinskoye field) and 5.1 billion m³ to other consumers (including supply to the Group's GPPs).

The average weighted sale price of gas rose by 9.5% to c. RUB 2,122 per 1,000 m³ in Russia in 2014 mainly due to the growing share of and prices on high-margin supply to end users.

International trade. Leveraging synergies from the vertical integration, LUKOIL is working hard to develop its international trade focused on the regions of its E&P segment operations. LUKOIL's top priority going forward is to further market crude oil from West Qurna-2 in Iraq. Also, the Group is building long-term relationships with largest refineries in South East Asia, USA and other countries targeting best performance from petroleum product distribution.

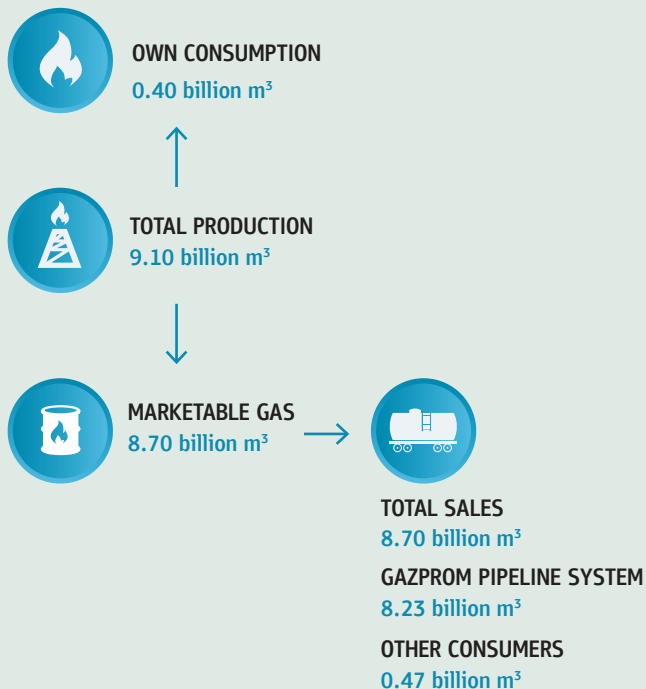
Gas sales breakdown in Russia, including supply to own GPPs



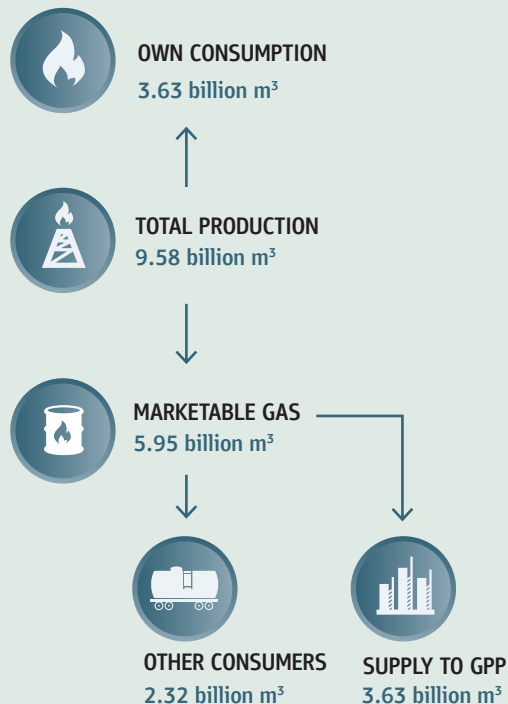
Gas production and supply breakdown

RUSSIA

Natural gas

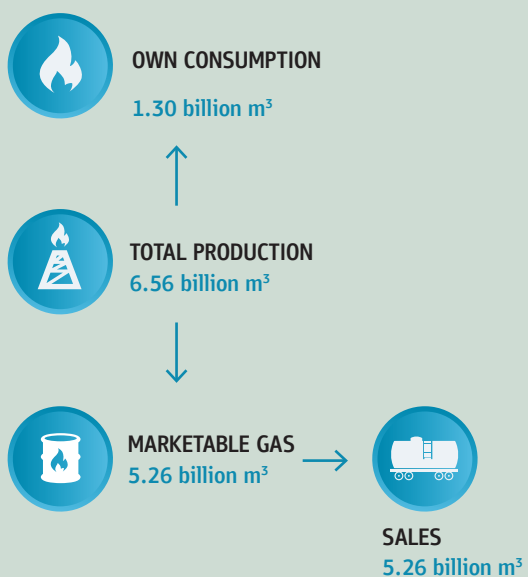


Associated gas

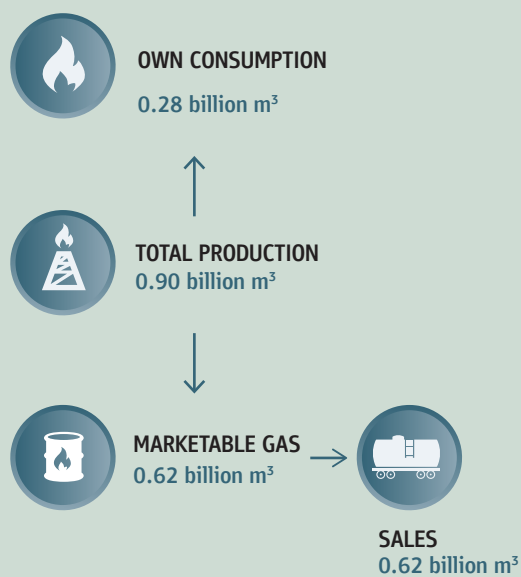


OVERSEAS

Natural gas

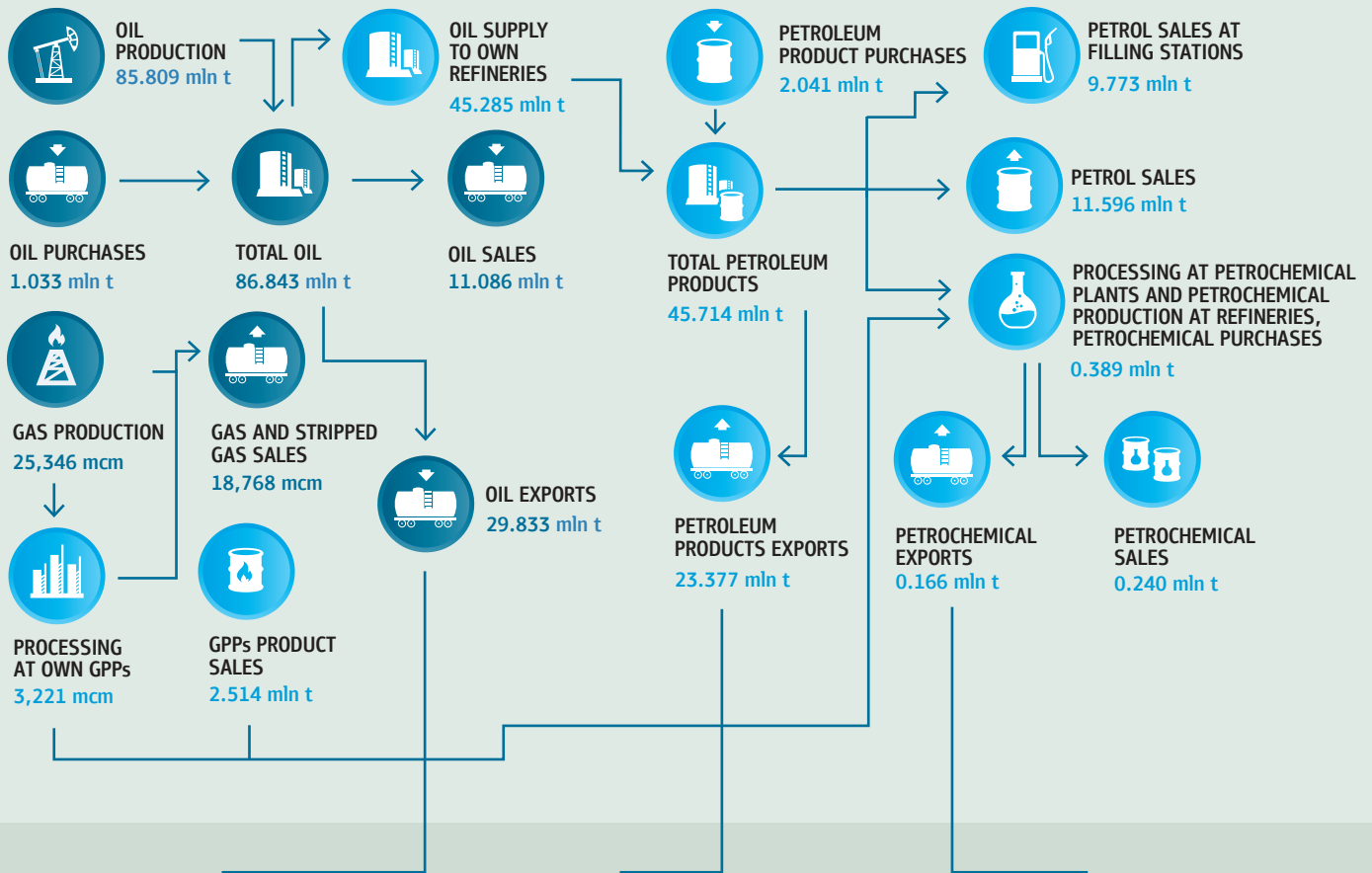


Associated gas

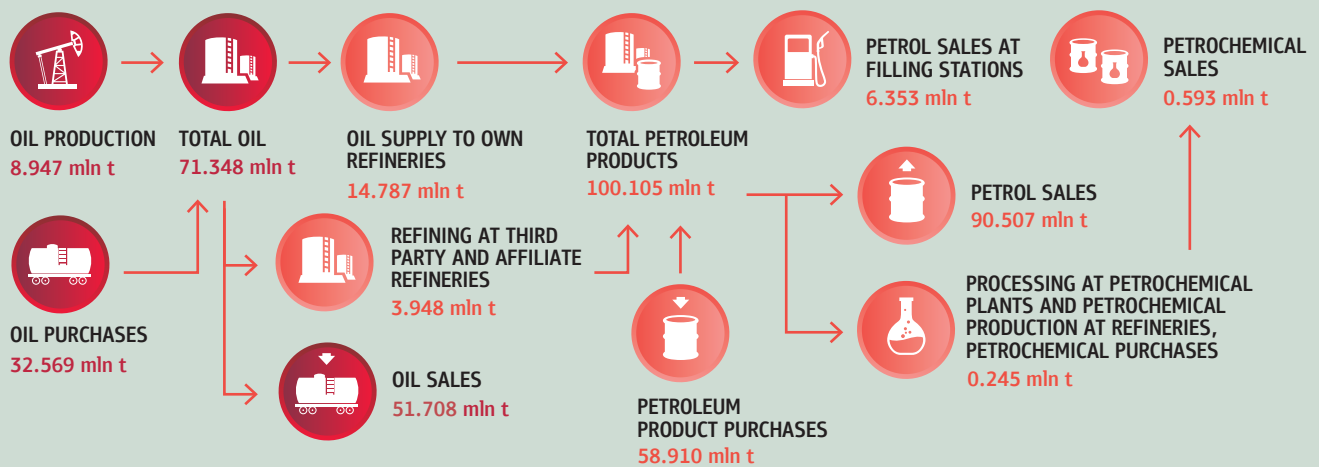


Oil production and supply breakdown¹

RUSSIA



ABROAD



¹ Excluding affiliates. Excluding losses on refineries, transportation losses, own consumption and petrochemicals and gas products produced on refineries.

Sales of Petroleum Products

2014 RESULTS

- Enhanced premium business segments: into-plane aviation fuel sales up 5.5%
- Enhanced distribution network efficiency: daily average sales up to 13.2 t per filling station and non-fuel profit growth of 10% in Russia

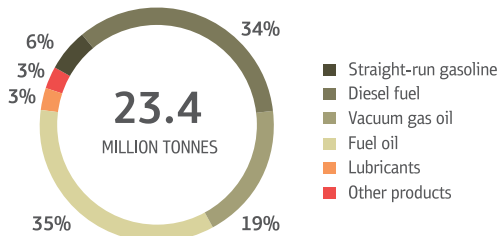
2015 PRIORITIES

- Optimize distribution of petroleum products between the export and domestic markets based on the market environment
- Develop premium business segments
- Continuous improvement of the distribution network through customer focus, higher non-fuel sales and optimization of inefficient distribution assets

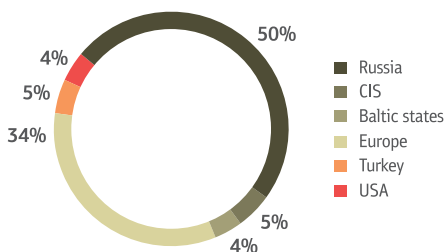
WHOLESALE OPERATIONS

Petroleum product exports remained virtually unchanged at 23.4 million tonnes in 2014. The export mix is generally in line with the domestic mix. LUKOIL's exports from Russia mainly included diesel fuel, fuel oil and gas oil.

Export mix by petroleum product



Group's sales of own petroleum products¹

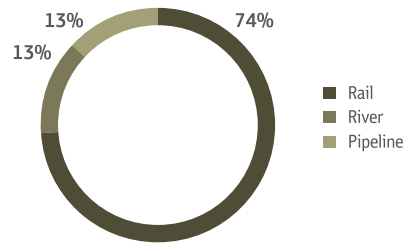


¹ Wholesale and retail.

Pipeline exports are faster and more economically efficient, so LUKOIL makes every effort to increase these. In 2014, the disruptions in Ukraine caused the Group to refocus its exports from South to the Baltic states to maintain the share of high-priority pipeline sales at 13%.

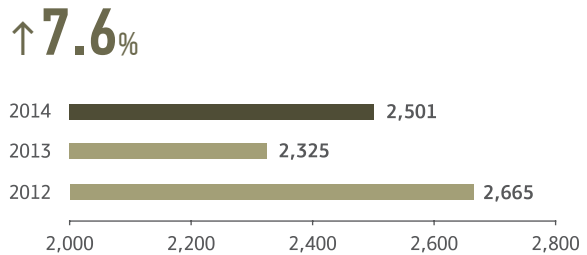
Analyst Databook, p. 58

Export mix by means of transportation



Bunkering. LUKOIL is currently one of the largest suppliers of bunker fuel at sea and river ports in Russia, with operations covering six Russian regions. LUKOIL's bunkering fleet consists of 18 tankers with a total dead weight of 48 thousand tonnes and operates mainly at ports on the Baltic Sea, the Barents Sea and the Black Sea, and also on Russia's inland waterways.

Bunker fuel sales, thousand tonnes



18

TANKERS

48 THOUSAND TONNES

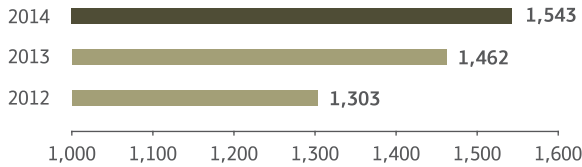
CARRYING CAPACITY

Aircraft Refuelling. LUKOIL sells both own-produced and purchased aviation fuel mainly into-plane at airports in Russia and abroad through its own subsidiaries or third party refuelling companies. The into-plane aircraft refuelling sales rose by 5.5% in 2014 to 1.5 million tonnes.

LUKOIL's long-standing consumers of aviation fuel include the largest Russian airlines and civil aviation companies. In 2014, LUKOIL continued supplies of aviation fuel and lubricants to 17 airfields of the Russian Ministry of Defense.

Petroleum products sold into-plane, thousand tonnes

↑ **5.5%**



In compliance with the recommendations of the Russian Federal Antimonopoly Service LUKOIL holds monthly commodity-exchange trading in aviation fuel. In 2014, the Group sold 362 thousand tonnes of aviation fuel on commodity exchanges, i.e. over 14% of own production vs. the recommended ratio of least 10%.

28%

LUKOIL'S SHARE OF BUNKER FUEL SALES IN RUSSIA

5.5%

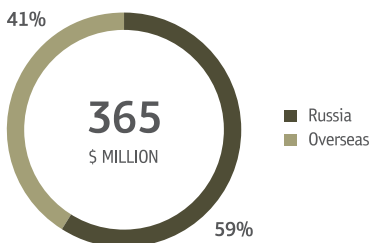
GROWTH OF THE INTO-PLANE AVIATION FUEL ENHANCED PREMIUM BUSINESS SEGMENT

RETAIL OPERATIONS

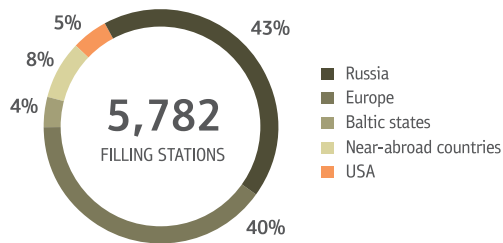
LUKOIL sells own petroleum products in the retail market via its well diversified distribution network of 5,782 filling stations and 157 oil depots in 24 countries. In 2014, the Group sold a total of 16.1 million tonnes of petroleum products, up 2.4% y-o-y, while daily average sales reached 13.2 t per filling station in Russia and 9.5 t globally.

Analyst Databook, p. 59

Capex in the distribution network



LUKOIL Group's distribution network¹

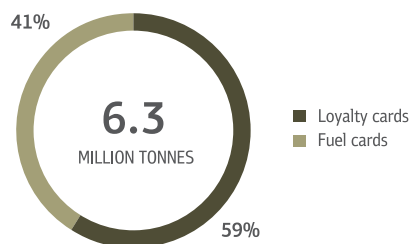


¹ Owned, leased and franchised.

Distribution network optimization. In 2014, LUKOIL pursued further optimization of its distribution network to reduce costs and improve efficiency. The Group optimized 49 filling stations and 5 oil depots in Europe and the CIS, including 22 filling stations put under third party management, 20 sold, 2 leased out, 5 closed down and 2 oil depots sold, 2 suspended, 1 closed down. The Group optimized 94 filling stations and 15 oil depots in Russia, including 36 filling stations sold, 4 leased out, 53 put under third party management, 1 closed down and 12 oil depots sold, 3 suspended.

LICARD-based sales. In 2014, LUKOIL sold c. 6.3 million tonnes of petroleum products worth over \$6.7 billion through its LICARD corporate non-cash fuel cards (for legal entities) and retail loyalty cards (for individuals), including c. 5.6 million tonnes of petroleum products in Russia (up 18% y-o-y) worth over \$5.8 billion. The number of issued cards in Russia reached 6.8 million cards, nearly two times as much as in 2013, due to the joint loyalty promotion project of LUKOIL and Rosgosstrakh insurance company.

LICARD-based sales





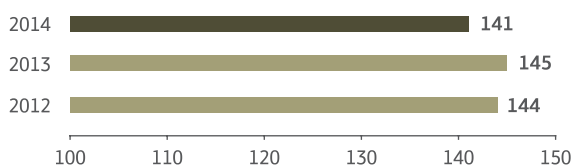
Non-fuel sales. The profit from non-fuel sales in Russia reached \$65 million, up 9.9% y-o-y. Non-fuel sales at filling stations in Europe and the CIS totalled \$475 million, slightly below than in 2013. LUKOIL plans to increase associated sales by optimizing the product mix, improving fast food amenities at filling stations, marketing aggressively its value proposition, expanding value-added services, cooperating with major suppliers, using best commercial practices and enhancing customer service.

EKTO fuels. 2014 saw a steady increase in sales of motor fuels under the EKTO brand. The project geography keeps expanding. In 2014, the number of filling stations operating under the EKTO brand reached 1,297 for gasoline and 1,453 for diesel fuel, i.e. more than half of LUKOIL's filling stations in Russia offer EKTO fuel. EKTO sales in Russia reached 4.5 million tonnes in 2014, up 20.4% y-o-y. EKTO accounted for 46.3% of total retail sales of motor fuels in Russia (vs. 40.8% in 2013), specifically 74.4% for diesel fuel and 32.3% for gasoline.

In 2014, LUKOIL continued efforts to promote EKTO branded fuels abroad. Retail EKTO sales abroad amounted to 1.4 million tonnes in 2014.

Total filling stations launched

↓ **2.7%**



ENHANCING EFFICIENCY AT FILLING STATIONS

LUKOIL is successfully pioneering a project in Southern Russia by holding tenders to offer its filling stations under management to individual entrepreneurs. A total of 16 filling stations were so subcontracted in 2014.

Nowadays, the CODO (Company Owned Dealer Operated) business model is a well-known global practice to manage filling stations. This is a win-win arrangement. LUKOIL continues to own all assets at filling stations as well as fuels, i.e. maintains absolute control over quality and pricing. In addition, LUKOIL saves costs resulting in better performance.

The team led by an individual entrepreneur is entitled to a remuneration for each tonne of gasoline sold plus a profit from non-fuel sales on top of great headcount savings. The direct dependence on personal efficiency is obvious: the more such individual entrepreneur sells the more he gets in addition to an extra remuneration for exceeding sales targets.

A joint project with a major company helps individual entrepreneurs feel confident about their future despite the changing economic environment in Russia.

FINANCIAL PERFORMANCE

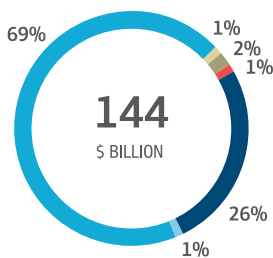
STRONG financial position

FINANCIAL PERFORMANCE

LUKOIL's performance in 2014 was characterized by strong financials, notwithstanding the unfavorable market environment, with oil prices more than halving over the year. LUKOIL Group's cash flow was largely supported by the ruble devaluation, which is a positive development given our cost structure, and the built-in mechanism to protect West Qurna-2 against falling oil prices.

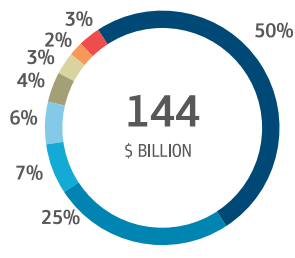
In 2014, LUKOIL Group's revenue amounted to \$144.2 billion, up 1.9% y-o-y, mainly driven by higher production and trading volumes.

Revenue breakdown by product



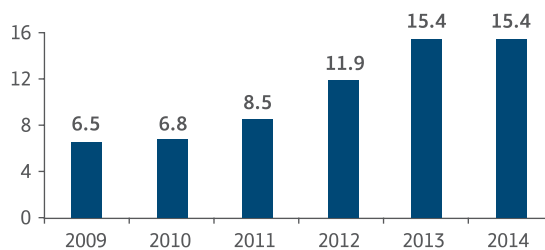
- Crude oil
- Petrochemicals
- Petroleum products
- Power generation
- Gas and gas products
- Other

Revenue cost and profitability structure



- Purchases of crude oil, gas, and petroleum products
- Taxes, excises and export duties
- Opex
- Depreciation and amortization
- Transportation expenses
- Selling, general and administrative expenses
- Other
- Net income

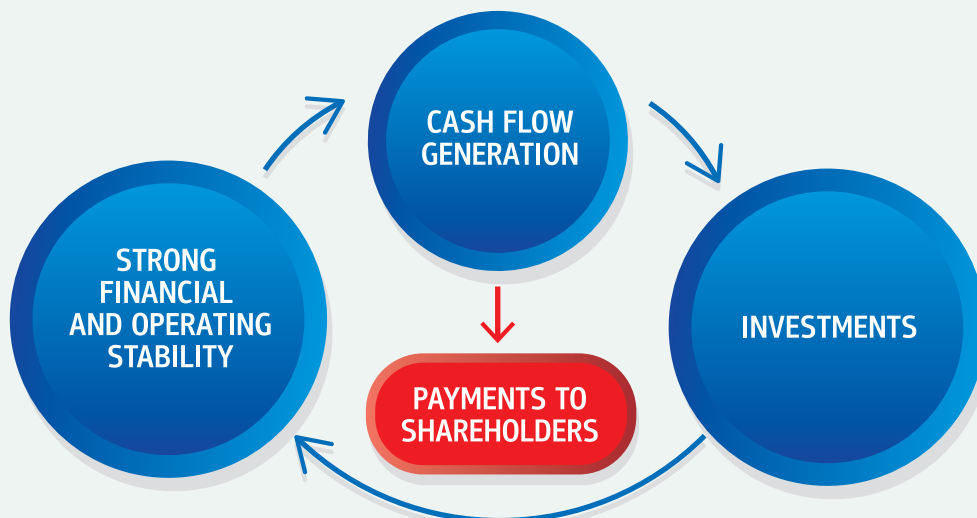
Capex, \$ billion



In 2014, the Group's net income and EBITDA reached \$4.7 billion and \$16.0 billion, respectively, adversely affected by one-time losses from dry hole write-offs and impairment of assets. Otherwise, the figures would have been \$7.1 billion and \$18.4 billion, respectively. However, the Company makes every effort to ensure that, regardless of such one-time losses, its dividend policy remains intact. Among other things, the Company's investment policy is intended to provide sustainable cash flow so as to guarantee reasonable dividend payouts. Over the past 5 years, the Company's dividends grew over 2.5 times (in ruble terms).

Consolidated Financial Statement, p. 101

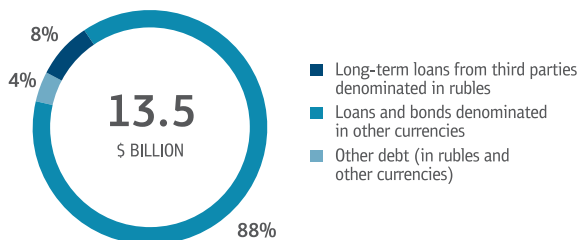
CASH FLOW ALLOCATION



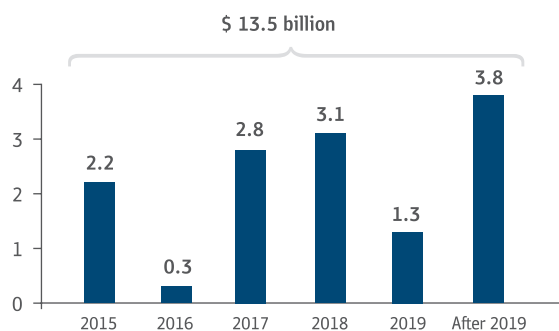
FINANCIAL POLICY

Our key strategic goal is to boost the Company's shareholder value. The Company manages LUKOIL Group's consolidated debt portfolio in a centralized way to ensure an effective structure of the capital employed and minimize its cost. The Group's consolidated debt portfolio is well-balanced, low-cost, and 84% long-term.

Total debt profile



Total debt maturity



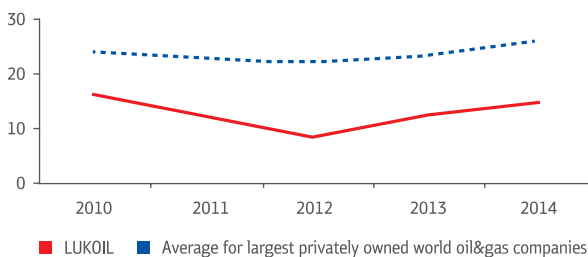
While managing its consolidated debt portfolio, the Company is guided by the targets below:

- debt to total capital: below 30%;
- secured debt to total debt: below 20%;
- debt to EBITDA: 300% max;
- net debt to equity: 55% max;
- interest expense to EBITDA: 25% max.

FINANCING AND LEVERAGE

Notwithstanding the extensive capex program over the past years and 2014, LUKOIL Group's leverage is relatively low as compared to oil & gas majors.

Debt to total capital, %



With its high solvency, LUKOIL was able to keep the cost of external financing low as compared to terms available to other Russian privately-owned companies. Through our effective debt management and interaction with banks, the weighted average long-term interest rate was 4.65% as at 2014 year-end.

Despite the rapid deterioration of the market environment for Russian borrowers, specifically because of the events in Ukraine, EU and US sanctions, and subsequent financial and economic crisis, in 2014 LUKOIL managed to finance all of its expenses, including capex, investments, long-term loan repayment and dividends, in a timely manner and in full, as well as maintain the Company's investment-grade rating. Regardless of the virtually closed capital markets, we raised \$5.1 billion, of which ca. \$4 billion are long-term loans.

In 2014, we continued to reduce our working capital needs and mitigate credit risks, and launched a supply chain financing program. Additional savings were realized through a more extensive use of suretyship and subsequent reduction of bank charges for issuance of guarantees and letters of credit.

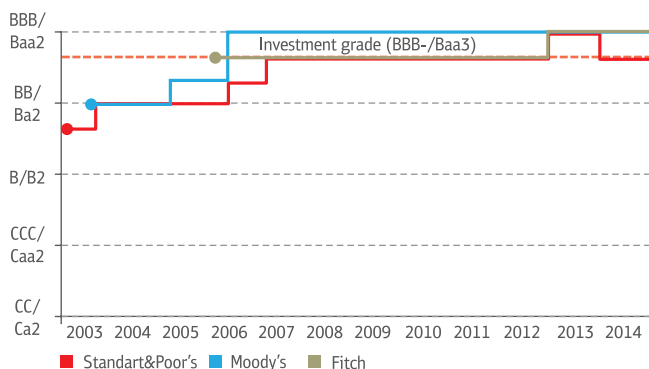


CREDIT RATING CHANGES

Russia's country risk increase due to the geopolitical and economic factors led to downward changes of relevant ratings and outlooks by rating agencies. However, in 2014 OAO LUKOIL managed to maintain investment-grade ratings from all the three international agencies:

- Standard & Poor's downgraded our long-term corporate credit rating and issuer credit rating to "BBB-" in line with Russia's rating downgrade;
- Moody's affirmed our "Baa2" long-term credit rating and long-term issuer rating, while downgrading Russia's rating;
- Fitch affirmed our "BBB" long-term issuer default rating, keeping Russia's rating unchanged as well.

LUKOIL credit rating changes



ANTI-CRISIS MEASURES

"There is nothing we can do about the external factors, so we should analyse the existing internal ones."

Ravil Maganov

At the end of 2014, by which time oil prices had halved, LUKOIL prepared an anti-crisis plan encompassing the following measures:

- to optimize production costs and G&A expenses;
- to engage in active cooperation with suppliers and contractors with a view to preventing a potential increase of their prices;
- to boost productivity;
- to optimize the pricing policy in the domestic market;
- to reduce receivables and inventory of raw materials and petroleum products;
- to monitor high-priority projects more closely.

In addition, foreign equipment is being substituted with Russian machinery across the Group, which, given the ruble devaluation in 2014, is a highly effective measure to cut costs. Import substitution is an organic process resulting from the improved tendering procedures and lower prices for domestically-produced equipment of the same quality because of the ruble devaluation.

4.65%

WEIGHTED AVERAGE INTEREST RATE ON LOANS AND BORROWINGS FROM THIRD PARTIES

\$ 4 BLN

LONG TERM FINANCING ATTRACTED

14.3%

DEBT TO TOTAL CAPITAL

CORPORATE RESPONSIBILITY

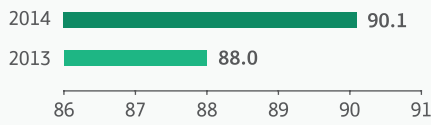
| | |
|------------------------------|----|
| ENVIRONMENTAL PROTECTION | 60 |
| FUEL AND ENERGY CONSUMPTION | 64 |
| HEALTH AND SAFETY | 65 |
| PERSONNEL | 66 |
| INTERACTION WITH COMMUNITIES | 69 |
| STAKEHOLDER RELATIONS | 71 |



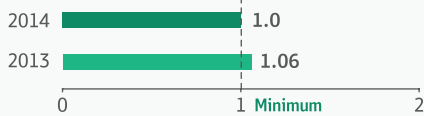
| 2014 RESULTS | 2015 PRIORITIES |
|--------------|-----------------|
|--------------|-----------------|

MINIMIZING ENVIRONMENTAL FOOTPRINT

APG utilization



Waste disposal to generation ratio

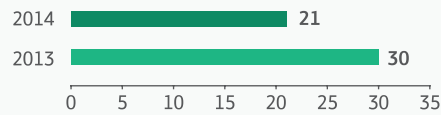


One of LUKOIL's priorities in minimizing its environmental footprint is reduced air emissions, which accounts for approximately 70% of all its environmental expenses in 2014. The efforts in this area helped boost APG utilization to as high as 90.1%. Another area of focus for the Company is equipment diagnostics and emergency prevention, including defective pipeline replacement to mitigate spill risks. Up to 2.9% of pipeline (measured as a percentage of its total length) are replaced annually.

Following the completion of the Usinsky GPP upgrade in 2015, the Company will see higher APG utilization rates in Timan-Pechora and across its operations in general. LUKOIL's plans include upgrading other production facilities, revamping and constructing gas treatment units, implementing projects for the effective use of APG across the Group's new assets, and repairing and replacing pipelines.

ENSURING INDUSTRIAL SAFETY ACROSS ALL OF THE GROUP'S FACILITIES

Total injured, persons

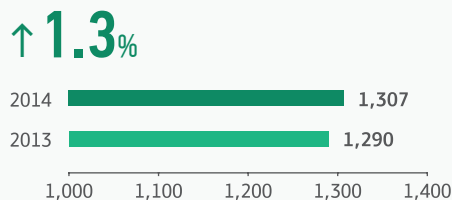


By adhering to stringent health and safety standards, the Group succeeded in reducing its accident rate. The number of drills and training sessions has more than doubled. Combined, the set of planning and preventive measures across LUKOIL helped achieve zero emergencies in 2014.

- Improved working conditions
- Drills and training
- Planning and preventive initiatives

HUMAN CAPITAL

Revenue per employee, \$ thousand

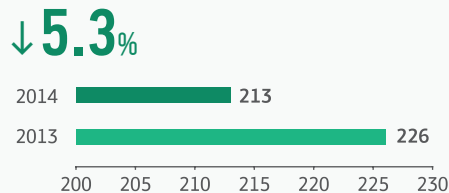


By integrating its process management hierarchy and optimizing the headcount, the Company successfully improved its KPIs, with revenue per employee going up by 1.3% to \$1,307,000.

- Personnel monitoring and strategic planning
- Leveraging talent pool, improving succession planning, and fostering training and motivation systems
- Developing experience sharing and knowledge management

RESPONSIBILITY TO LOCAL COMMUNITIES

Investments in charity, sponsorship, and agreements¹, \$ million



An active supporter of social projects across its geography, the Company annually increases its allocations to charity and sponsorship. The decline in 2014 was due to the devaluing ruble. In ruble terms, investments in charity, sponsorship, and agreements increased by 14.2%. During the year, LUKOIL stepped up financing for educational programs and investments under agreements with Russian regions and municipal entities.

Social and economic development and better quality of life for local communities.

¹ Includes agreements with Russian regions and municipal entities

Responsible usage of NATURAL CAPITAL

2014 RESULTS

- APG utilization reached 90.1%, air emissions cut by 11%
- Lower waste water discharge
- Contaminated land reduced
- Pipeline failure down by 3%

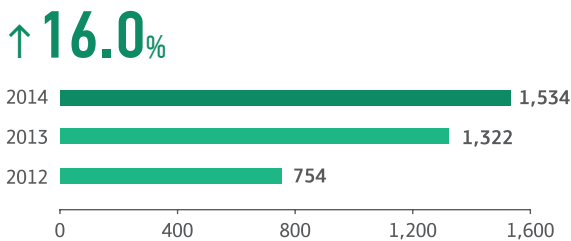
2015 PRIORITIES

- Further APG utilization rate improvement
- Zero environmental impact from emergencies and incidents
- Lower consumption of water resources
- Waste disposal to generation ratio of 1 and above

Aware of its responsibility to local communities for the sustainable use of water resources and preserving the environment, LUKOIL seeks to conform with the highest environmental protection and industrial safety standards.

In 2014, the Company saw a decline in its key environmental impact indicators.

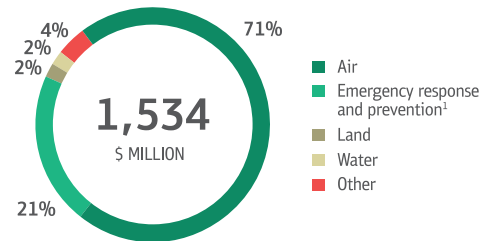
Environment protection expenses, \$ million



NEW WASTE PROCESSING TECHNOLOGY

In 2014, the Group's R&D center developed a unique technology to process waste generated by refineries while producing a high-octane blending component. This technology will enable the Company to process waste into calcium fluoride, which can be used in the iron and steel industry as a full substitute of fluorspar, a natural analogue of calcium fluoride.

Breakdown of 2014 environmental protection expenses



¹ Including pipeline diagnostics and replacement.

Analyst Databook, p. 60



ITEM KEY 2014 INITIATIVES

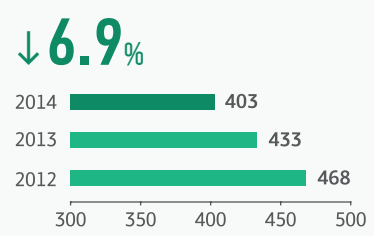
WATER

Sustainable use of water resources, prevention of water pollution

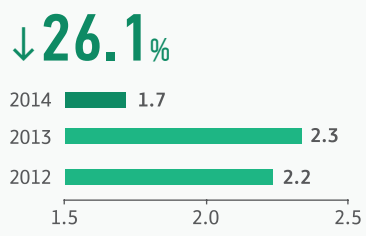
96% of water consumed by LUKOIL Group is used in operations; of this amount, around 70% is consumed by heat and power generating facilities and 15% by reservoir pressure maintenance systems.

- Constructing preliminary water discharge and formation water utilization units in the Komi Republic and Perm
- Inspecting pipeline crossings over water bodies
- Purifying ground water contaminated by drainage systems
- Upgrading existing treatment facilities and constructing new ones at the Nizhny Novgorod and Perm refineries

Water consumption, million m³



Waste water discharge, million m³



In 2014, the Company reduced its water consumption and, consequently, its waste water discharge by introducing the latest resource-efficient solutions across its generating facilities.

Preserving biodiversity

The Company has helped breed and release a total of five million fingerlings in three years, including:



- Financing fish breeding to replenish their populations in the Caspian, Komi Republic, Kaliningrad and other regions
- Participating in Mainstreaming Biodiversity Conservation into Russia's Energy Sector Policies and Operations, a UN program in Russia, with North Caspian and Timan-Pechora selected among the program's pilot regions
- A fish breeding facility was modernized in Kaliningrad region with increasing capacity from 190,000 to 500,000 fishes per year

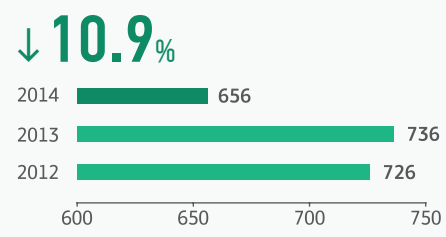
AIR

Minimizing air emissions

LUKOIL's E&P assets account for the bulk of the Group's air emissions (88%), while APG flaring products make up 75% of total emissions, based on the current utilization rate.

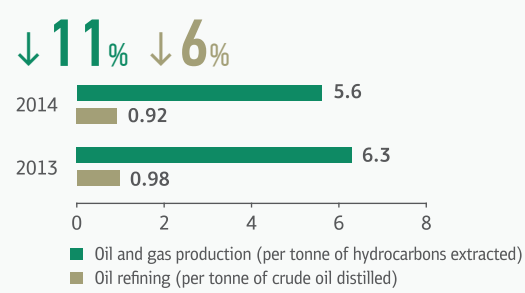
- Upgrading and constructing facilities in the Komi Republic, Perm and other regions aimed at improving APG utilization
- Upgrading and constructing new CCGTs at high-efficiency generating facilities, such as LUKOIL-Stavropolenergo in Budennovsk
- Equipment replacement aimed at lower air emissions, including replacing rope packing with face seals, upgrading and replacing process furnaces and pumps
- Optimizing technologies (adjustment of combustion parameters in furnaces and boilers)
- Constructing facilities to strip oil and petroleum products of air-polluting sulfides (in the Komi Republic and Volgograd)

Air emissions, thousand tonnes



The key driver behind the reduction in air emissions is the higher APG utilization rate.

Air emissions, kg per unit of production

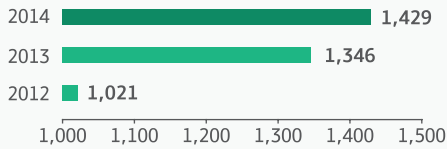


LAND

Higher accumulated waste disposal rate

Waste utilization and disposal, thousand tonnes

↑ 6.2%



Higher waste generation in 2014 was fully offset by its higher disposal. Waste disposal to generation ratio was 1.

The Volgograd and Burgas refineries and RITEK were the key contributors to disposing of the waste accumulated before privatization (oil sludge).

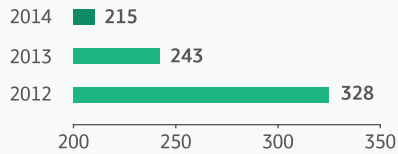
- Higher waste treatment rate: in 2014, RITEK fully disposed of waste accumulated before privatization. LUKOIL-Komi, Perm refinery and LUKOIL-Rostovenergo were also engaged in these activities
- Accumulated waste saw a considerable decline at LUKOIL-Komi, Perm refinery, and LUKOIL-Rostovenergo
- The Perm refinery completed the construction of an oil-contaminated waste treatment facility
- Industrial waste landfills are under construction at new fields in Western Siberia and the Komi Republic

Contamination prevention and sustainable use of land

99% of environmental incidents are caused by failures in pipeline integrity. LUKOIL implements a set of scheduled activities to minimize pipeline failure risks.

Contaminated land, ha

↓ 11.5%



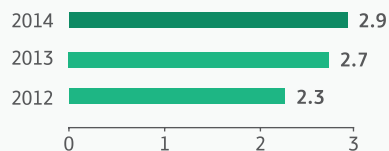
- Pipeline diagnostics and major repairs; use of corrosion inhibitors
- Disturbed or oil contaminated land reclamation
- In 2014, major efforts to eliminate environmental damage caused by pipeline failures and reclaim contaminated land helped reduce the contaminated land area by 11.5%

Failures per km of pipeline

↓ 5.8%



Annually replaced pipeline (% of total length)



Increasing APG UTILIZATION

Committed to preserving clean air, LUKOIL has a range of programs in place to utilize APG in an environmentally friendly way. As a result, Western Siberia, the Lower Volga, North Caspian and Baltic enjoy APG utilization rates of above 95%. In Western Siberia, the Group's key production region, LPG utilization exceeds 95%.

Today, LUKOIL uses APG reinjection to maintain pressure while also sending APG to GPPs.

APG is also used as a fuel for on-site gas-fired power plants, which helps cut electricity and oil production costs.

The Group-wide utilization rate is driven down by the poor performance in Timan-Pechora, mainly as a result of the lack of APG utilization capacities in the Komi Republic. To this end, one of the Company's top priority projects in efforts to curb air emissions is to upgrade the Usinsky GPP, where new equipment was assembled and corrosion protection was introduced in 2014. The upgrade exercise is to be completed in 2015.

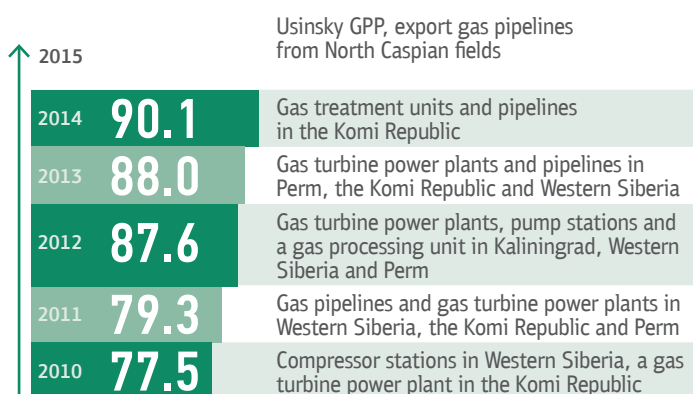
In 2014, under the Group's Efficient APG Use Program for 2014–2016, LUKOIL designed, constructed and upgraded 72 APG utilization facilities.

APG utilization projects completed in 2014

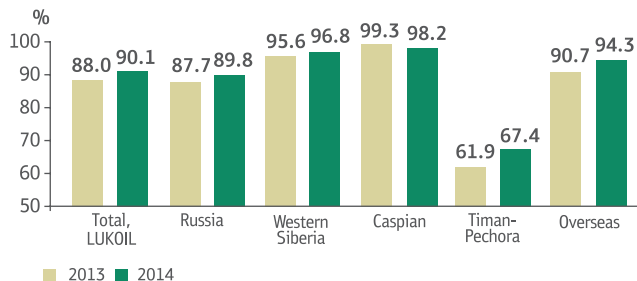
| Field | Facility |
|---------------------------------------|---|
| Western Siberia | |
| Sandibinskoye | Water alternating gas (WAG) injection with a modular compressor station and a multiphase pump station |
| Sredne-Khulymkoye | APG treatment units with two modular compressor stations |
| Sredne-Nazymkoye | Modular compressor station |
| Timan-Pechora | |
| Lekkerskoye | 10.5 MW gas turbine power plant |
| Yuzhno-Khylchuykoye | Gas treatment unit |
| Bayandyskoye | Desulfurization unit |
| Pashshorskoye | Preliminary water discharge unit |
| Urals | |
| Ilyichevskoye | Gas turbine power plant, Stage 4, 4 MW |
| Kokuiskoye | 105 km of the Kokuy-Perm gas pipeline |
| Aryazhskoye | Two mini gas compressor stations for APG launched at the Aryazh preliminary water discharge unit |
| Volga | |
| Zapadno-Krasnovskoye and Mayorovskoye | 4 multiphase pump units. |

2014 also saw 76 km of gas pipeline constructed and commissioned in the Komi Republic, Urals and by RITEK. Construction of export pipelines to transport gas from North Caspian fields was also underway, with a gas pipeline from Korchagin to Filanovsky fields fully constructed and a pipeline from Filanovsky field riser block to the beach valve still under construction.

APG utilization, %



APG utilization in key regions of operation, %



OVER \$1 BILLION

INVESTED IN CONSTRUCTING APG UTILIZATION FACILITIES IN 2014



Increasing ENERGY EFFICIENCY

Energy efficiency and energy saving across all operations is a strategic priority for OAO LUKOIL and an important part of its cost-cutting and performance improvement initiatives.

Efficient use of fuel and energy, which make up the bulk of the Group's opex, is among OAO LUKOIL's major commitments. As part of its efforts to align its energy management with ISO 50001:2011, the Group is developing internal regulations to integrate energy management into existing business processes. Before the end of 2015, 31 Group entities in Russia are to be certified for compliance in energy management, with certification already completed at 16 entities.

In 2014, OAO LUKOIL's Energy Saving Program for 2014 and 2015–2016 helped save:

- 97 GWh of electricity;
- 186,000 Gcal of heat;
- 58,000 tonnes of reference fuel;
- \$20 million.

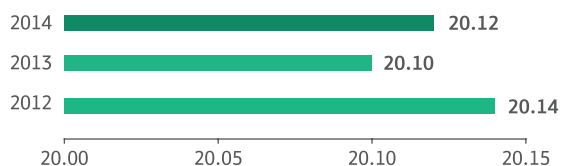
OAO LUKOIL's energy consumption, by type

| Source of energy | 2014 consumption | |
|------------------|------------------|---|
| | in volume terms | in value terms, \$ thousand (including VAT) |
| Heat, Gcal | 16,791 | 632 |
| Electricity, GWh | 20,413 | 2,301 |

E&P SEGMENT

Fuel and energy consumed by LUKOIL's oil and gas producing businesses are made up of electricity (61%), heat (4%), and fuel (35%).

Electricity consumed to produce fluid, E&P segment, Russia, kWh/tonne



Key steps to improve energy efficiency include installing energy saving pumps and variable frequency drives.

REFINING, MARKETING AND DISTRIBUTION SEGMENT

Fuel and energy consumed by OAO LUKOIL's oil refineries are made up of electricity (13%), heat (20%), and fuel (67%).

Key energy saving initiatives implemented by the Group's refineries in 2014 included replacing and upgrading furnaces to enhance their efficiency, optimizing condensate collection and return, replacing pumps and optimizing their operation, and upgrading lighting solutions.



ENERGY EFFICIENCY INITIATIVES

- **Using APG** at the Company's on-site power plants. The Company covers 21% of its energy needs by generating its own power, which is 30 to 40% cheaper than power from the external national grid.
- **Energy saving pumps.** In 2011–2014, OAO LUKOIL launched 56 energy saving pumps, reducing electricity consumption at its facilities by an average of 12%.
- **Permanent magnet synchronous motors (PMSM).** The Company is actively focused on replacing asynchronous motors installed at submersible pump drives with PMSMs, cutting energy consumption in oil production by 20%–25%.

Ensuring SAFETY

2014 RESULTS

- Lower workplace injury rate

2015 PRIORITIES

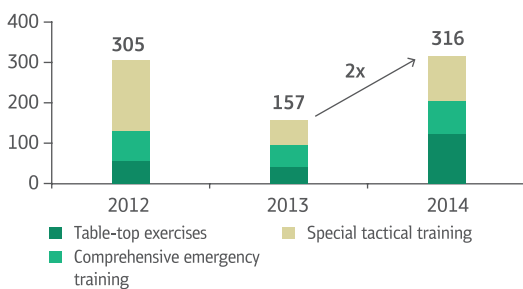
- Improving labor conditions, drills and training sessions
- Planning and preventive initiatives
- Corporate health and safety (H&S) system certified for compliance with OHSAS 18001
- Improving H&S system reflecting changes in internal and external operating environments
- Zero fatal injury rate

2014 saw a strong decline in the number of workplace accidents against the previous year (from 28 to 11), which confirms the injury reduction trend at the Company over the last five years.

In 2014, the Group carried on with its efforts to improve workplace conditions. This resulted in a better operating environment for just below 4,300 employees (around 2,500 jobs).

In the past year, LUKOIL more than doubled the number of drills engaging rescue teams and facilities (special tactical training sessions) and table-top exercises conducted by emergency response authorities. A special focus was on training sessions and drills at the Group's sea and river terminals and upstream facilities.

Drills conducted



Through planning and preventive initiatives, the Company successfully achieved a zero emergency rate across its operations. Regular drills and training sessions conducted at the Group's sea and river terminals and upstream, midstream and downstream facilities made the Group's resources and personnel ready to handle any potential spills.



SPILL RESPONSE DRILLS IN THE BALTIC SEA

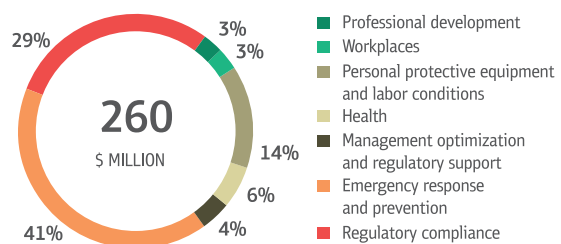
LUKOIL conducted drills to contain and clean up oil spills resulting from exploration drilling at the Baltic Sea shelf.

Under the scenario, there was a drilling emergency at a jack-up rig, which resulted in an oil spill threatening to contaminate the coast line.

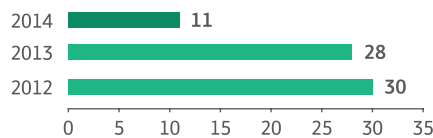
To contain and clean up the spill, the emergency team immediately embarked on collecting oil and water mixture and transferring it to tankers to be transported to the onshore integrated oil terminal for utilization. Coast line protection measures were also put in place. Five specialized vessels and an MI-8 helicopter took part in the manoeuvres.

The drill showed that the emergency teams of LUKOIL-KMN and its contractors, together with other regional emergency services, have sufficient resources, personnel and expertise to promptly contain and clean up offshore oil spills.

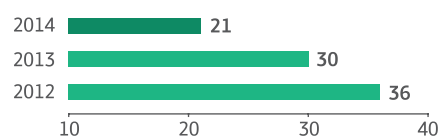
Industrial safety expenses, 2014



Number of accidents



Total injured, persons



Fostering LEADERSHIP

2014 RESULTS

- Implementing an integrated project management system
- SAP ERP HR-based personnel evaluation
- Personnel training and certification at the International Labor Organization’s training center

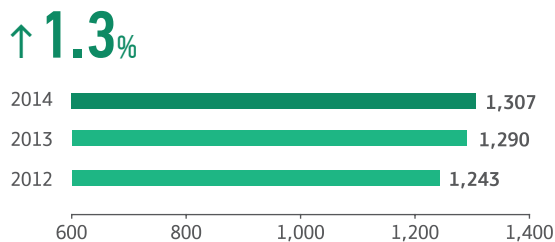
2015 PRIORITIES

- Flexible and effective governance system
- HR monitoring and planning for the next decade
- Leveraging talent pool, improving succession planning and training and motivation systems
- Developing experience sharing and knowledge management by cooperating with leading international fuel and energy companies in the areas of knowledge and skills sharing and personnel training

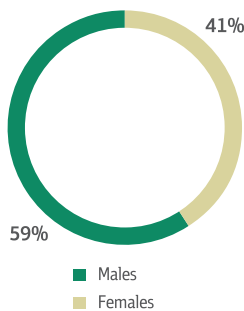
LUKOIL pays special attention to the needs and interests of its employees, striving to incentivize each of them to enhance the Group’s performance.

In 2014, the Company saw a slight y-o-y increase in its average headcount (to 110,300 employees) and boasted higher productivity and KPIs per employee. Revenue per employee grew by 1.3% and payroll fund by 8%.

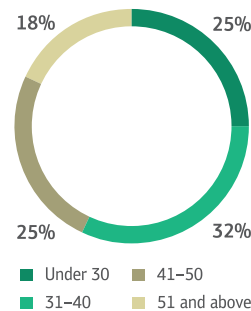
Revenue per employee, \$ thousand



Personnel breakdown by gender



Personnel breakdown by age



As a member of the Russian Trilateral Commission, the Company can directly submit proposed amendments to labor laws and regulations while they are being drafted and considered by the Russian Government. Over 150 draft regulations were reviewed in 2014.

Governance. In the reporting year, the Company kept on building a centralized governance system to enhance flexibility and efficiency of LUKOIL Group. A set of initiatives included regulatory framework development and process optimization and redesign. Roles and responsibilities were successfully optimized and workload and paperflow effectively reduced across 18 corporate functions. The optimization exercise spanned the entire corporate governance hierarchy at LUKOIL.

Motivation system. LUKOIL revises its wages and salaries upwards on an annual basis. In 2014, the Company’s payroll fund expanded by 5.6% y-o-y.

Total remuneration

| NON-FINANCIAL | State-funded | Corporate |
|---------------------|---|---|
| FINANCIAL | DIRECT | |
| | Fixed componed | - basic salary - additional payments |
| | Variable componed | - short-term bonuses - long-term bonuses |
| | INDIRECT | |
| Social benefits | - mandatory(state-funded) - voluntary(corporate) | |
| Additional benefits | - generally available - for eligible employee categories | |

Employee awards. In 2014, 38 employees were honored with government awards, 495 employees received industry merit awards, and 1,796 employees and 17 teams obtained corporate awards from LUKOIL. As a recognition of their 2013 performance, 69 employees and 6 companies won *LUKOIL Group’s Best Employee* and *LUKOIL Group’s Best Company* titles and respective certificates.



Social policy. Committed to ensuring social stability and improving the quality of life, LUKOIL implements an extensive social policy offering a variety of benefits, guarantees, and privileges. Currently, the Company's key focus is on:

- health
- housing
- private pension plans. As at the end of 2014, over 36,000 employees participated in the corporate contribution pension scheme, with their total contributions exceeding \$11.2 million. The Group's contributions under all private pension plans in Russia and overseas totaled over \$32 million.

In 2012–2014, LUKOIL, supported by *Our Future*, a foundation that promotes regional social programs, constructed six kindergartens in Astrakhan, Perm, Kogalym, Saratov and the Volgograd Region, to accommodate 1,500 children. The facilities are available to the Company's employees and local communities.

Staff training. The Group has a continuous training system in place to provide its personnel with all the necessary knowledge and skills. The Company's employees enjoy a full range of educational tools and techniques available today, including workshops, off-site seminars, special training programs, overseas internships, professional development programs, professional training days, and distant learning courses. LUKOIL also actively cooperates with educational institutions

that offer training in oil and gas. The Group has a knowledge management system aimed at sharing and transferring knowledge and skills, which helps capture and distribute best practices, identify challenges, and develop joint solutions.

495
EMPLOYEES RECEIVED
INDUSTRY MERIT AWARDS

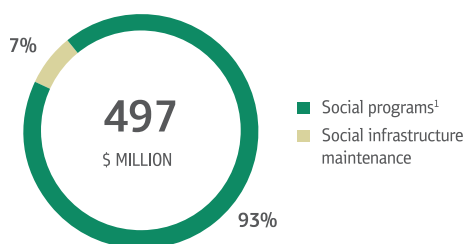
36 THOUSAND
EMPLOYEES PARTICIPATE IN
THE CORPORATE CONTRIBUTION
PENSION SCHEME

Training areas

| Category | Area |
|---------------------------------------|--|
| Managers and their successors reserve | Management competencies |
| Engineers | Professional competencies |
| Mobile personnel | Preparing to participate in Russian and overseas projects, including foreign languages and country study |
| New talent | Corporate competencies |

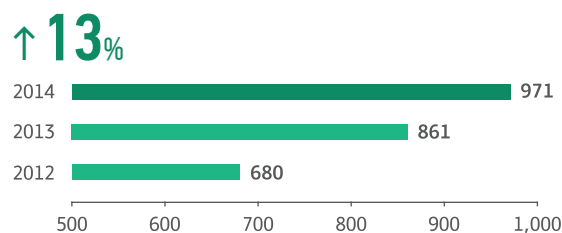
The Company's social policy is governed by LUKOIL's Social Code, Agreement between the Employer and LUKOIL Trade Union Association for 2015–2017 and other internal regulations.

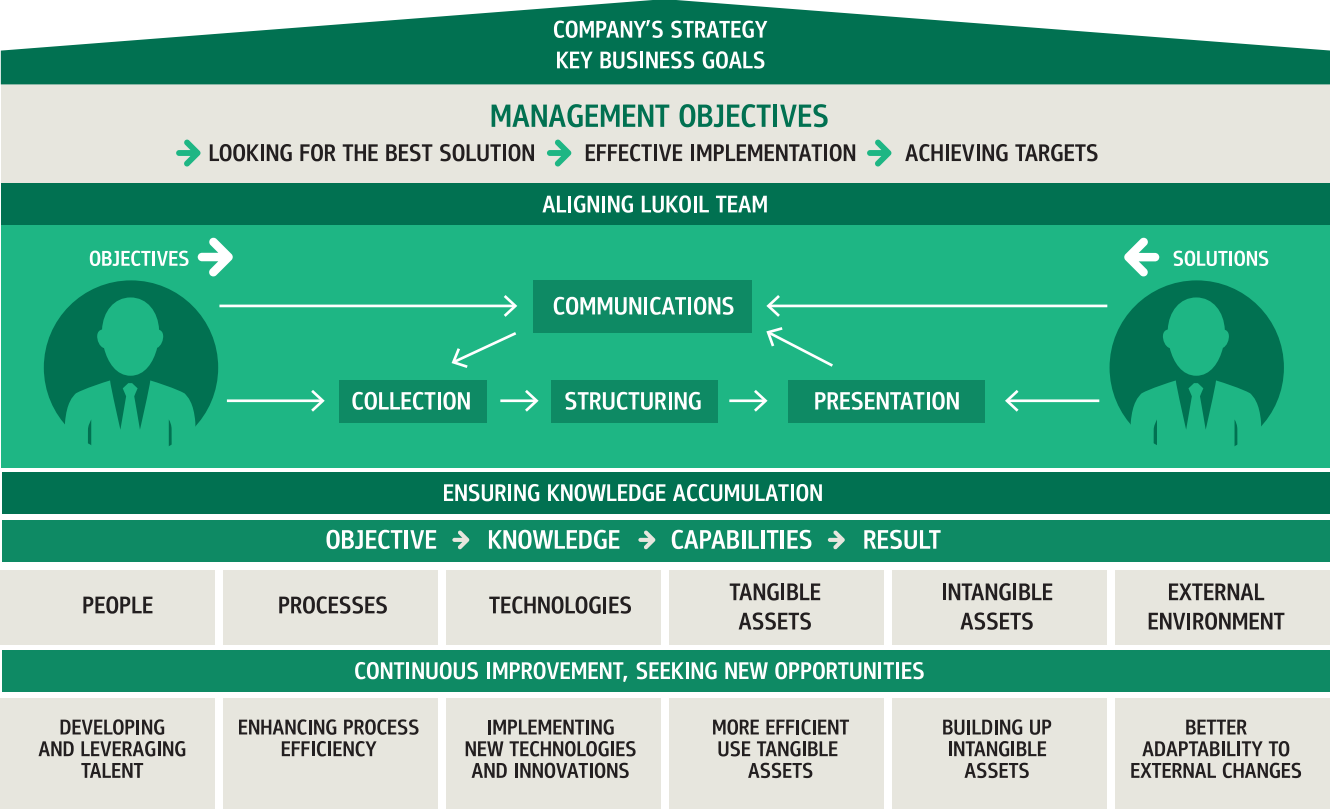
Social programs



¹ Including programs for employees, their families and non-working retirees.

Internships across LUKOIL Group





COOPERATION WITH FIELD-SPECIFIC UNIVERSITIES

In personnel training, the Company has a strategic partnership with universities and other educational institutions that offer oil and gas degree programs. To effectively select students and approach them with job opportunities at LUKOIL, the Company has cooperation agreements signed with each of the partner universities.

The Group has taken full advantage of the opportunities made available under the Federal Law On Education in the Russian Federation: LUKOIL-Engineering supports the Innovation Management and Physics and Technological Process Modelling Departments of the Gubkin Russian State University of Oil and Gas, and the Department for Chemical Technology of Petroleum and Gas Processing of Kazan State Technical University is now up and running at LUKOIL-Nizhegorodniinefteproekt. Today, the Company and Volgograd State Technical University are in talks to set up a university department within Volgograd refinery. With this form of cooperation in place, the educational process is closely aligned with operational needs and provide students with practical knowledge and skills while also helping to attract young talents to the Company.

DEVELOPING regions

2014 RESULTS

- Launch of a corporate program of community conferences in the Company's regions of operation
- Expansion of social investments and charity programs: support for sports and healthy lifestyle projects, preservation of cultural and historical heritage, enhancement of educational programs, and other projects

2015 PRIORITIES

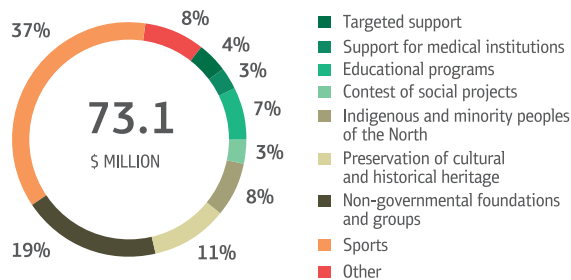
- Social and economic development, better quality of life for local communities, support for socially important sites and facilities
- Implementation of charity programs, sports projects, and preservation of cultural and historical heritage

Social and charity programs are among the Group's key areas of focus aimed at fostering partnership with government and local authorities and regional communities. By doing so, LUKOIL helps improve social development and regional economics.

SOCIAL INVESTMENTS

As part of its 2014 activities across its geography, the Company signed a number of agreements and supplementary protocols with regional and municipal authorities, including Khanty-Mansi Autonomous Area-Yugra, Yamal-Nenets Autonomous Area, Stavropol Territory, etc. Under these agreements, the Company provides financing to social and sports projects and construction and repairs of cultural sites.

Breakdown of the Group's charity and sponsorship expenses



LUKOIL HELD A NUMBER OF PUBLIC CONFERENCES TO DISCUSS CORPORATE SOCIAL RESPONSIBILITY

In 2014, LUKOIL held its first corporate social responsibility conference in the Northwestern Federal District, followed by a series of similar events throughout the year. These conferences will also be organized in 2015 across the Company's regions of operation.

Support of orphanages and children's education facilities. Children's support is viewed by LUKOIL as a top priority. The Company seeks to maintain a balanced approach, providing aid to disadvantaged children with health or family problems and at the same time supporting those from well-to-do families, aimed at developing their abilities and talents.

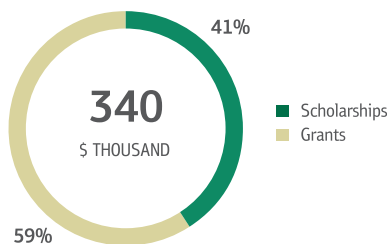
In 2014, the Group launched a new project to sponsor children's art schools in the Astrakhan Region. Together with the regional ministry of culture and tourism, LUKOIL selected four schools and provided them with musical instruments.

Education programs. Since 2000, LUKOIL has a named scholarship in place to support the most talented students of oil and gas and technical programs at Russian universities. In 2014, the corporate scholarship was made available to a total of 155 students from various cities.

As LUKOIL sees it, teaching staff is the cornerstone of the academic tradition. Under its program to support young professors, the Company provided grants to 62 talented individuals who teach at Russia's leading universities with oil and gas and other graduate programs.

In 2014, the Perm Territory hosted the Oil Producers to Rural Libraries charity event, with 51 rural schools and libraries receiving educational materials and computers.

Scholarships and grants



Healthcare support. The Company supports some of Russia's largest specialized medical research centers. It is also committed to developing healthcare across its geography. In the reporting year, aid was made available to the Russian Cardiology Research and Production Complex, Liman Central Regional Hospital (Astrakhan Region), Astrakhan Clinical Children's Hospital No. 1, and Mezensk District Central Hospital (Arkhangelsk Region).

In 2014, LUKOIL purchased ten ambulance cars furnished with medical equipment for district hospitals in the Perm Territory.

Contest of social projects. The annual contest of social and cultural projects held by the Group since 2002 is among the most successful social investment initiatives. In 2014, the event was held across 15 Russian regions. Over the 13 years since its inception, the contest has received approximately 18,000 applications, with over 3,700 social projects put in place.

Support for indigenous and minority peoples of the North.

The Company develops and implements special programs to support communal family land owners across the Khanty-Mansi Autonomous Area-Yugra, Nenets Autonomous Area, and Komi Republic. To maintain and develop the traditions of the Khanty, Mansi, Nenets and Selkup peoples, LUKOIL signs annual agreements aimed at social and economic development and improvement of areas and locations populated by indigenous and minority peoples. Together with municipal authorities, the Company provides financing to construct educational institutions and children's ethnic camps and improve places of worship. LUKOIL also helps organize national holiday celebrations and meetings. Special emphasis is placed on medical assistance to nomadic peoples that reside in hard-to-reach Subarctic regions. Over 4,000 country dwellers in the Nenets Autonomous Area, including 1,135 reindeer herders and their family members, have undergone medical checkups over the past seven years under the Red Chum project.

SPONSORSHIP AND CHARITY

Preserving cultural and historic heritage. As part of its annual aid to Russia's largest museums and creative and performance teams, LUKOIL finances exhibitions and performances and contributes to reviving religious and cultural traditions.

For many years, the Company has been supporting the Tchaikovsky Grand Symphony Orchestra conducted by Vladimir Fedoseyev, Perm State Tchaikovsky Opera and Ballet Theater, and Kaliningrad Regional Philharmonic Hall. In 2014, LUKOIL Charity Fund made a considerable contribution to creating and putting up a monument to Feodor Chaliapin in Kirov.

Target aid. The Company pays annual compensations to military veterans, World War II and labor veterans who worked in the oil and gas industry, and supports families of the military killed in local conflicts.

Sports. Over the years, LUKOIL's social policy has been focused on supporting sports and promoting a healthy lifestyle. Taking care of its employees' and their families' health, the Company rents sports facilities and holds international sports competitions for its personnel.

Since 1998, OAO LUKOIL has been a sponsor of the men's national cross country skiing team, and since 2006 it has also been the main sponsor of the Cross Country Ski Federation of Russia. The national team won one gold, one bronze and seven silver medals in 2014 Sochi Winter Olympics.

Over the past 18 years, LUKOIL Racing Team has won over 50 Championships and Cups of Russia, taking the first place in nearly 500 national and international races, and secured its place as the leader of the Russian motor racing.

In 2014, Vladimir Sheshenin, a driver of LUKOIL Racing Team, became the circuit motor race Russian Cup winner.

In line with its ambition to promote Russian sports, the Company supports a number of sports clubs, including the Spartak Volgograd water polo team, which in 2014 won the Euro Cup. In the final game, Spartak beat Croatia's Mladost, claiming the title of Europe's best team in 2014.

In 2014, the Children's Champion Cup held under the auspices of LUKOIL and Fare Network, a European umbrella organization combating racism in sports, united children's teams from 22 European and Asian countries and football celebrities under the Play against Racism slogan. Qualification matches supported by the Company took place in five countries.

Blood donation initiatives. Since 2010, the Company has been organizing donor initiatives as part of its corporate volunteering program. In 2014, 416 LUKOIL's employees donated over 165 liters of blood. These initiatives help address a major social challenge while also contributing to a stronger corporate culture and bringing the team together.

The Group's corporate museums. An important element of its corporate culture, LUKOIL's museums are versatile communication centers that preserve the most valuable industrial traditions and ensure continuity of employee generations.

The Group's museums include the central corporate museum and over 25 local museums across Russia, as well as those in Bulgaria, Romania, and Ukraine. In 2014, LUKOIL held 14 on-site and off-site travelling exhibitions, including V. Graifer's 85th Anniversary, Teboil's 80th Anniversary (Helsinki), LUKOIL's Iraqi Project (Brussels), Youth Policy (Gubkin Russian State University of Oil and Gas), exhibitions at the All-Russia Forum of Regional Heads and Heads of Legislative Assemblies, Perm Engineering and Industrial Forum, and other exhibitions.

LUKOIL's exhibition at the National Oil and Gas Forum received a diploma from the Russian Minister of Energy.

 [Sustainability report, Russia](#)



SHAREHOLDERS AND INVESTORS

Principles

Transparency, reliability, focus on future

Tools

Official website, consulting center, management meetings

Initiatives

- Investor Day in London in March; over 600 one-on-one meetings, presentations; 4 financial results conferences including those held by the top management and covering priority projects and their progress; participating in 12 investment conferences; releasing the Group's operating results; publishing the Group's information materials (Annual Report 2013, Analyst Databook 2013, Fact Book 2013); monitoring investor expectations concerning the Group's results.
- Visiting regions of operation to meet minority shareholders and inspect production facilities. In 2014, the Company arranged a trip to the Komi Republic.
- Convening the General Annual Shareholders Meeting, drafting quarterly issuer's reports and corporate governance reports.
- Stock and consulting center advising shareholders and prospective investors (about 500 in 2014) on securities performance and the Company's operations.



PERSONNEL AND TRADE UNIONS

Principles

Responsibility, equality, motivation

Tools

Internal corporate portal, hotline, corporate media

Initiatives

- Labor conditions in strict compliance with employees' statutory rights; discrimination elimination.
- Creating an environment needed to develop personnel and share best practices.
- Maintaining and improving health and safety and social security.
- Continuous monitoring of the motivation system.
- In 2014, the Company and the International Association of Trade Union Organizations signed an agreement for 2015–2017.



LOCAL COMMUNITIES

Principles

Respect, integrity, ethical conduct

Tools

Meetings with the Group's representatives, regional presence monitoring

Initiatives

- Respecting and observing regional customs and traditions across the Group's geography.
- Building and maintaining constructive relationships with local authorities.
- Sponsorship and charity to improve the quality of life for local communities.
- In 2014, the Company actively cooperated with the Republic of Mordovia, Republic of Kalmykia, Khanty-Mansi Autonomous Area-Yugra, Astrakhan Region, Republic of Tatarstan, Nenets Autonomous Area, Perm Territory, and Samara Region.



GOVERNMENT AUTHORITIES

Principles

Legality, control, balance of interests

Tools

Regulatory control, meetings, membership in working bodies

Initiatives

- Operations in strict compliance with statutory requirements in effect in Russia and other countries of presence.
- Implementing OAO LUKOIL's program on drafting and submitting legislative proposals for 2014.
- Membership in the working bodies of the Russian Union of Industrialists and Entrepreneurs, Russian Chamber of Commerce and Industry, Russian Gas Society, and the Union of Oil and Gas Producers of Russia, presenting LUKOIL's position at various events attended by government authority representatives.
- Submitting proposed amendments to over 100 draft regulations.
- In 2014, the Company's experts helped draft and implement Federal Laws No. 187-FZ of 28 June 2014, No. 261-FZ of 21 July 2014 and No. 459-FZ of 29 December 2014.
- Signing an agreement on cooperation in foreign trade with the Ministry of Economic Development.
- Approving LUKOIL Group's trading policy and key sales principles with the FAS.



CUSTOMERS

Principles

Promptness, professionalism, honesty

Tools

Hotlines, subsidiaries

Initiatives

- Developing customer feedback channels across the Company's geography.
- Customer satisfaction monitoring and tailored service across filling stations.
- Expanding the filling station network based on the LICARD system.
- Ongoing customer experience improvement.



SUPPLIERS

Principles

Partnership, reliability, mutual commitment

Tools

Official website

Initiatives

- Conducting market research and assessing prospective suppliers' reputation in terms of their commitment to fair practices and social responsibility.
- Selecting suppliers through tenders in a transparent procurement process, ensuring equal access to tender information on the official website.
- Selecting business partners and suppliers with a reliable business reputation to achieve service excellence.

For more information on the stakeholder engagement policy, please see <http://www.lukoil.com/>:



OAO LUKOIL's Information Policy Regulation

OAO LUKOIL's Code of Business Ethics

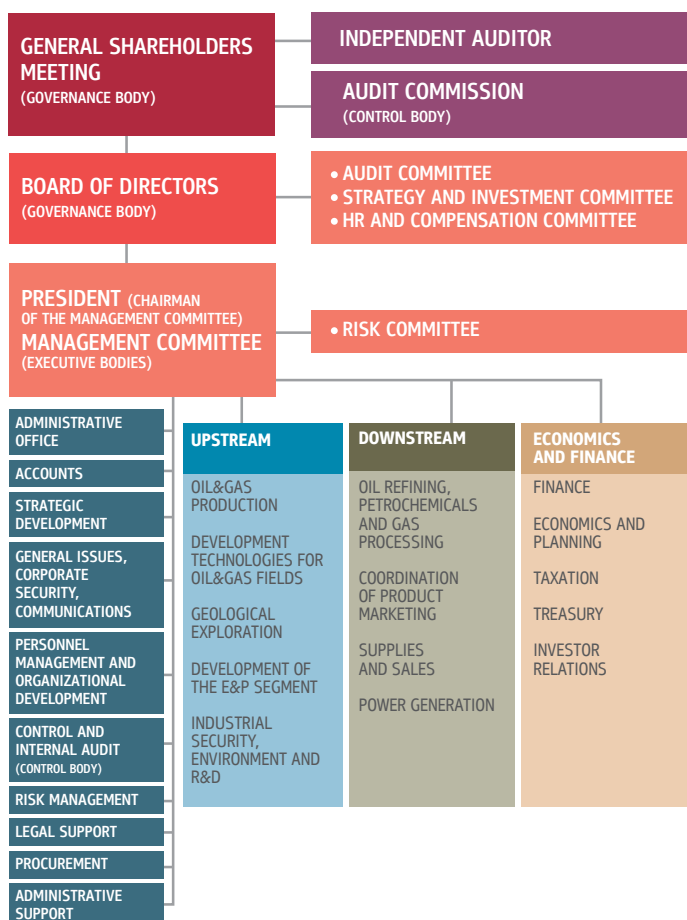
OAO LUKOIL's Information Protection Regulation



CORPORATE GOVERNANCE

| | |
|---|----|
| MANAGEMENT STRUCTURE | 73 |
| GENERAL SHAREHOLDERS MEETING | 73 |
| BOARD OF DIRECTORS | 74 |
| EXECUTIVE BODIES | 82 |
| TOP MANAGEMENT REMUNERATION SYSTEM | 87 |
| CONTROL BODIES | 88 |
| INDEPENDENT AUDITOR | 89 |
| BUSINESS ETHICS | 90 |
| INFORMATION FOR SHAREHOLDERS AND INVESTORS | 90 |

HIGH standards



Efficient corporate governance drives down the weighted average cost of capital and mitigates investment risks giving a boost to LUKOIL's investment case and therefore to its shareholder value. Moreover, LUKOIL's corporate governance lays great emphasis on protecting minority shareholder rights.

Incorporated in Russia, LUKOIL is guided in its business, among other things, by the Code of Corporate Conduct (renamed as the Corporate Governance Code in the new version, hereinafter the "Code"). In 2014, the Bank of Russia recommended the Code for implementation by Letter of 10 April 2014 No. 06-52/2463. In compliance with many principles of the Code, OAO LUKOIL shares are included in the MICEX Level 1 (highest) Quotation List.

Corporate Governance Code Compliance Report, p. 179

General Shareholders Meeting is the Company's supreme governance body. Annual General Shareholders Meeting is held each year in the form of joint shareholder presence, with voting ballots being circulated (sent out) well before the meeting. This allows shareholders to vote by either attending the meeting in person or sending their ballots by post.

Among the mandatory issues addressed by the Annual General Shareholders Meeting are election of the Board of Directors and Audit Commission members, approval of the Company's auditor, Annual Report and annual accounting (financial) statements, including the Company's financial statements, distribution of profit and loss (including dividend payouts) as at the end of the financial year. The Annual General Shareholders Meeting may address other issues as well, as long as they fall within its competence.

Two Meetings of Shareholders were held in 2014:

- The annual meeting was held on 26 June 2014. The meeting:
 - approved OAO LUKOIL's 2013 Annual Report,
 - approved the Company's annual accounting (financial) statements, including the Company's financial statements,
 - resolved to pay out 2013 dividends of RUB 60 per ordinary share (excluding interim dividends of RUB 50 per ordinary share paid out at the end of 1H 2013; if adjusted for the amount of interim dividends, the total dividends paid out for the financial year of 2013 would be RUB 110 per ordinary share,
 - elected 11 members of the Board of Directors,
 - elected members of the Audit Commission and established the amount of their remuneration,
 - decided on the amount of remuneration of and compensation of costs incurred by the members of LUKOIL's Board of Directors,
 - approved KPMG as the Company's independent auditor.
- An extraordinary meeting of shareholders was held on 12 December 2014 in the form of absentee voting. The meeting resolved to pay out 9M 2014 dividends of RUB 60 per ordinary OAO LUKOIL share and decided on the relevant dividend record date.



Board of Directors

2014 RESULTS

- Election of the Board of Directors Chairman and appointment of the Board of Directors Secretary, set-up of the Board of Directors Committees
- Appointment of the Management Committee consisting of 14 persons
- Capping the Auditor's remuneration
- Approval of amendments to OAO LUKOIL Regulation on the dividend policy and Management Remuneration and Incentive System
- A retreat meeting held in Burgas
- Approval of both baseline and crisis scenarios for OAO LUKOIL's 2015 budget

2015 PRIORITIES

Exercising the Board of Directors authority under the Company's Charter and Federal Law *On Joint-Stock Companies*, and further streamlining corporate governance pursuant to the principles and recommendations set out in the Corporate Governance Code

The Board of Directors plays a crucial role in LUKOIL's system of corporate governance steering the Company to serve the interests of its investors and shareholders.

LUKOIL's Board of Directors includes independent directors who help it to form an objective opinion on matters under discussion thereby strengthening the investor and shareholder confidence in the Company. The Board of Directors set-up did not change over the reporting period. In 2014, the Company assessed the independence of the nominees to the Board of Directors when the Code was not recommended for use yet, therefore the nominees were assessed as per the criteria provided for by the MICEX Listing Rules. Based on the assessment, the Board of Directors set up in 2014 had five independent directors. However, in November 2014 the total length of service with the Board of Directors of Mr. Mobius exceeded seven years, and so at the end of 2014 the Board of Directors had four directors deemed independent as per the MICEX Listing Rules. Out of those four, three directors (V. Blazheev, B. Ivanov and G. Moscato) were fully compliant with the independence criteria established by the Corporate Governance Code.

According to the available information sources, no conflicts of interest (including those linked to the membership in the governance bodies of LUKOIL's competitors) were identified at either BoD or Management Committee levels.

Among the Board of Directors' key functions are setting business priorities for the Company, strategic, mid-term and annual planning, and reviewing of the Company's performance.

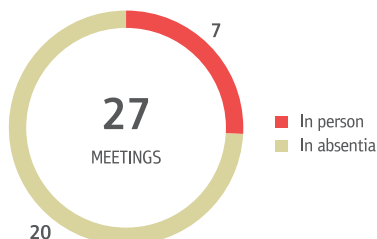
The Board of Directors went on with the annual implementation of the Board's approved action plans, including reviews of the Company's performance in the previous year, preparation of the General Meetings of Shareholders approval of related-party, major and other transactions as defined by OAO LUKOIL's Charter.

As LUKOIL was making major investments to upgrade its refinery facilities, the Board of Directors put a special emphasis on drilling down the efficiency of the Company's Refining, Marketing and Distribution segment in 2014. The performance of LUKOIL's Refining, Marketing and Distribution segment over the past few years was benchmarked against that of the Russian market leaders. The Board of Directors held a retreat meeting in Burgas (Bulgaria), where a residual asphalt hydrocracking unit is being constructed.

Given the challenging economic environment, the BoD approved both baseline and crisis scenarios for LUKOIL Group's 2015 budget.

In 2014, the Board of Directors approved a number of important documents, including amendments to the Regulations on OAO LUKOIL Dividend Policy and Regulations on OAO LUKOIL Management Remuneration and Incentive System, Internal Control Guidelines (as sanctioned by controls and audits at LUKOIL subsidiaries in 2013 and 2014) and Methodology for Post-Audit of Investment Projects (applicable to the Russian Oil Product Supply and Foreign Oil Product Supply business segments).

Board of Directors meetings



BOARD OF DIRECTORS AUTHORITY

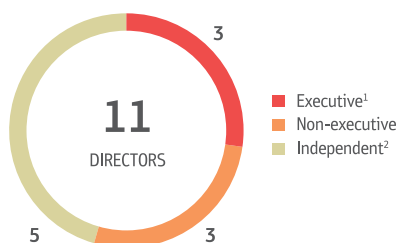
Overall management as prescribed by the Company's Charter and Federal Law On Joint-Stock Companies:

- Defining the Company's business priorities
- Strategic, mid-term and annual planning
- Reviewing the Company's performance
- Preparing General Meetings of Shareholders
- Appointing the Management Committee, the Company's collective executive body
- Approving transactions pursuant to the applicable law and the Company's Charter
- Enhancing LUKOIL's corporate governance

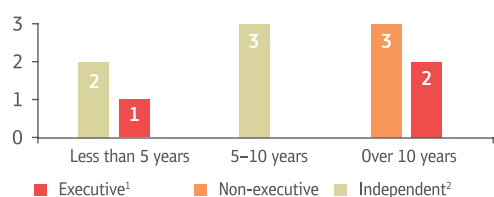
 [Regulations on the Board of Directors](#)



Board of Directors set-up, directors



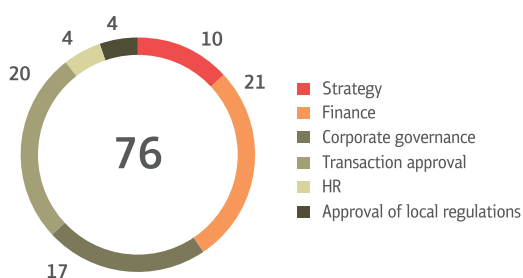
Term of office as a Board of Directors member



¹ Executive directors are the members of the Company's executive bodies and persons employed by the Company.

² Deemed independent directors as per the MICEX Rules of Listing effective as of 09 June 2014. Mr. Mobius deemed as one of the independent directors.

Number of issues reviewed by the Board of Directors in 2014



Board of Directors members' attendance of in-person meetings in 2014¹

| | Board of Directors meetings | Strategy and Investment Committee | Audit Committee | HR and Compensation Committee |
|--------------------------|-----------------------------|-----------------------------------|-----------------|-------------------------------|
| Valery Grayfer | 6/7 (Chairman) | | | |
| Vagit Alekperov | 7/7 | | | |
| Viktor Blazheev | 7/7 | | 6/6 (Chairman) | |
| Igor Ivanov | 6/7 | 3/4 (Chairman) | | |
| Ravil Maganov | 5/7 | 3/4 | | |
| Richard Matzke | 7/7 | | | 2/3 |
| Sergei Mikhailov | 7/7 | | 6/6 | 3/3 |
| Mark Mobius ² | 6/7 | 4/4 | | 2/3 (Chairman) |
| Guglielmo Moscato | 5/7 | 4/4 | | |
| Ivan Pictet | 7/7 | | 6/6 | |
| Leonid Fedun | 7/7 | 4/4 | | |

¹ Pursuant to the Regulations on the Board of Directors of OAO LUKOIL as amended by the Extraordinary General Shareholders Meeting as at 30 September 2013 and Regulations on the Board of Directors Committees as amended by the Board of Directors at 24 October 2013, participation by phone or conference call in meetings held in the form of joint presence shall be deemed equivalent to participation in person.

Stands for «Independent directors» as per the MICEX Rules of Listing effective since 09 June 2014.

² Independent until November 2014.

ASSESSMENT OF THE BOARD OF DIRECTORS PERFORMANCE

As prescribed by the Regulations on the Performance Assessment of the Board of Directors, the Board of Directors members were polled on the performance of the Board of Directors and its Committees in 2013–2014. The polls revealed certain areas that require further improvements:

- shareholder and investor relations. The Company did a great job in this line of business improving the quality of corporate reporting, the key tool facilitating communication with LUKOIL's shareholders and other stakeholders. For instance, LUKOIL Group's 2013 Performance Report won a number of prestigious industry awards in 2014. We brought OAO LUKOIL's 2015 Annual Report into line with the recommendations submitted by the independent BoD members by merging it with the Group's Performance Report. Developed in compliance with the Corporate Governance Code recommendations, the consolidated Annual Report fully meets the requirements of financial market regulations.
- innovation roll-out monitoring throughout the Company. In this line of business, the Company is actively implementing automation systems at LUKOIL Group's refineries. The Group also launched a Smart Deposit project in the E&P segment. In April 2015, the Board of Directors had to address the issue of Innovation Rollout Across LUKOIL Group Subsidiaries.

Based on the Board of Directors Performance Report and assessment results, the Board of Directors gave a positive assessment of its performance over the reporting period.

MEMBERS OF THE BOARD OF DIRECTORS OF OAO LUKOIL



Valery Grayfer



Vagit Alekperov



Viktor Blazheev

| Born | | |
|---|---|---|
| 1929 | 1950 | 1961 |
| Position at OAO LUKOIL (as at 31.12.14) | | |
| Chairman of the Board of Directors of OAO LUKOIL | President of OAO LUKOIL Executive Director of OAO LUKOIL Chairman of the Management Committee of OAO LUKOIL | Independent member of the Board of Directors of OAO LUKOIL Chairman of the Audit Committee of the Board of Directors of OAO LUKOIL |
| Length of service on the Board of Directors (full years as at 31.12.14) | | |
| 18 years | 21 years | 5 years |
| Membership of the management bodies of other organizations (as at 31.12.14) | | |
| Chairman of the Board of Directors of OAO RITEK | Chairman of the Supervisory Board at OAO LUKOIL INTERNATIONAL GmbH Member of RSPP Board Chairman of the Community Council at Our Future Fund for regional social programs | Rector of the O.E. Kutafin Moscow State Law University (MSAL) |
| Education and work experience | | |
| <p>Graduated from the I.M. Gubkin Moscow Oil Institute in 1952. Candidate of Technical Sciences (PhD).</p> <p>Recipient of seven orders, four medals, and a Certificate of Honor of the Supreme Soviet of the Tatar ASSR. Awarded a Certificate of Honor of the Russian Federation President in 2009.</p> <p>Since 1985: USSR Deputy Minister of Oil Industry in charge of the Chief Tyumen Production Division for the oil and gas industry.</p> <p>From 1992 to 12 January 2010: General Director of OAO RITEK.</p> <p>Since 2010: Chairman of the Board of Directors of OAO RITEK.</p> <p>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.</p> | <p>Graduated from the M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Distinguished energy industry specialist and Honored oil specialist.</p> <p>Recipient of five orders and eight medals, a Certificate of Honor and two Certificates of Gratitude from the Russian Federation President. Two times winner of the Russian Government Prize.</p> <p>Since 1968: worked at oil fields in Azerbaijan and Western Siberia.</p> <p>1987–1990: General Director of the Production Association Kogalymneftegaz of Glavtyumenneftegaz of the USSR Ministry of Oil and Gas.</p> <p>1990–1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas.</p> <p>1992–1993: President of the Oil Concern Langepasaikogalymneft.</p> <p>1993–2000: Chairman of the Board of Directors of OAO LUKOIL.</p> <p>Since 1993: President of OAO LUKOIL.</p> | <p>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.</p> <p>Recipient of the titles of the Distinguished Lawyer, Distinguished Higher Education Specialist of the Russian Federation, and Research and Development Specialist of the Russian Federation. Recipient of a 2nd degree Medal of the Order "For Merits to the Fatherland".</p> <p>Since 1979, inspector at the social welfare office under the Volchansk District Executive Committee (Volchansk, Kharkiv Region).</p> <p>1979–1981: military service in the Soviet Army.</p> <p>1981–1987: worked in the internal affairs division of the Moscow City Executive Committee (Moscow).</p> <p>1987–1990: full-time postgraduate program at Moscow Law Institute under the USSR State Committee for Public Education (Moscow).</p> <p>Since 1991, Senior Lecturer, Assistant Professor, Dean of the full-time day department, Vice-Rector in charge of academic agenda, first deputy rector for academic affairs and finally Rector of State educational government financed institution of higher professional education O.E. Kutafin Moscow State University (MSAL).</p> |
| Share in charter capital of the Company (as at 31.12.14) | | |
| 0.01% | 22.67% ¹ | |

Recognized as independent directors pursuant to MICEX SE's Listing Rules effective since 09 June 2014.

¹ Including direct and indirect ownership.



Igor Ivanov



Ravil Maganov



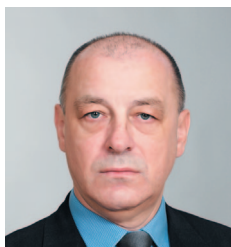
Richard Matzke

| Born | | |
|---|---|--|
| 1945 | 1954 | 1937 |
| Position at OAO LUKOIL (as at 31.12.14) | | |
| Independent member of the Board of Directors of OAO LUKOIL  Chairman of the Strategy and Investment Committee of the Board of Directors of OAO LUKOIL | Executive Director of OAO LUKOIL Member of the Management Committee of OAO LUKOIL First Executive Vice-President of OAO LUKOIL (E&P) Member of the Strategy and Investment Committee of the Board of Directors of OAO LUKOIL | Member of the Board of Directors of OAO LUKOIL Member of the Human Resources and Compensation Committee of the Board of Directors of OAO LUKOIL |
| Length of service on the Board of Directors (full years as at 31.12.14) | | |
| 5 years | 21 years | 10 years |
| Membership of the management bodies of other organizations (as at 31.12.14) | | |
| President of the Russian International Affairs Council (RIAC) not-for-profit partnership Member of the Board of Directors of Ingosstrakh Member of the Board of Managing Directors of Rissa Investment N.V. Member of the International Advisory Council of Universal Credit Rating Group Co., Limited | Member of the Supervisory Board of LUKOIL INTERNATIONAL GmbH Chairman of the Supervisory Board of LUKOIL Overseas Holding GmbH | Member of the Board of Directors of PHI, Inc. Independent non-executive member of the Board of Directors of PetroChina Company Limited |
| Education and work experience | | |
| Graduated from the Maurice Thorez Moscow State Institute of Foreign Languages in 1969. Doctor of History. Professor. Holds both Russian and international 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. 2004–2007: Secretary of the Security Council of the Russian Federation. Since 2005: Professor of Moscow State Institute of International Relations (MGIMO University) under the Russian Foreign Ministry. Since 2011: President of the Russian International Affairs Council (RIAC) not-for-profit partnership. | Graduated from the I.M. Gubkin Moscow Institute of the Petrochemical and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation, Honored oil specialist. Recipient of four orders and five medals. Has a Letter of Acknowledgement from the Government of the Russian Federation. Three times winner of the Russian Government Prize in Science and Engineering. 1988–1993: Chief Engineer, Deputy General Director, General Director of PO Langedasneftegaz. 1993–1994: Vice-President of OAO LUKOIL. 1994–2006: First Vice-President of OAO LUKOIL (E&P). Since 2006: First Executive Vice-President of OAO LUKOIL (E&P). | Graduated from Iowa State University in 1959, Pennsylvania State University in 1961, and St. Mary's College of California in 1977. MS in Geology, Master of Business Administration. 1989–1999: President of Chevron Overseas Petroleum, member of the Board of Directors of Chevron Corporation. 2000–2002: Vice-Chairman of Chevron, Chevron-Texaco Corporation. 2010–2013: Board member of Eurasia Drilling Company. Since June 2014: Independent non-executive member of the Board of Directors of PetroChina Company Limited, member of the Human Resources and Compensation Committee 2006: Recipient of a public non-governmental medal "For the Development of the Oil and Gas Complex of Russia" and the "Director of the Year 2006" National Award, Russia, in the "Independent Director of the Year" nomination category, sponsored by the Independent Directors Association (IDA) and PricewaterhouseCoopers. |
| Share in charter capital of the Company (as at 31.12.14) | | |
| | 0.38% | 0.0003% ¹ |

 Recognized as independent directors pursuant to MICEX SE's Listing Rules effective since 09 June 2014.

¹ Including direct and indirect ownership.





Sergei Mikhailov



Mark Mobius



Guglielmo Antonio Claudio Moscato

| Born | | |
|---|--|---|
| 1957 | 1936 | 1936 |
| Position at OAO LUKOIL (as at 31.12.14) | | |
| Member of the Board of Directors of OAO LUKOIL | Independent member of the Board of Directors of OAO LUKOIL  ¹ | Independent member of the Board of Directors of OAO LUKOIL  |
| Member of the Audit Committee of the Board of Directors of OAO LUKOIL | Chairman of the Human Resources and Compensation Committee of OAO LUKOIL | Member of the Strategy and Investment 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 | Member of the Strategy and Investment Committee of the Board of Directors of OAO LUKOIL | |
| Length of service on the Board of Directors (full years as at 31.12.14) | | |
| 11 years | 7 years | 3 years |
| Membership of the management bodies of other organizations (as at 31.12.14) | | |
| Deputy CEO of Capital Management Company, Chairman of the Board of Directors at the National Managers League Not-For-Profit Partnership, Capital Unit Investment Funds (Management Company) and Capital Group Asset Management, Member of the Board of Directors at OAO ACBT, ZAO Management Group, Spartak-Moscow Football Club, ZAO IFD Capital, Capital Management Company, OAO Globalstroy-Engineering, the Association of Managers Interregional Public Organization Member of the Council of the Foundation for Social Program Targeted Support Member of the Central Council of the All-Russia Public Organization "Sports Russia National Voluntary Association" | Executive President, Templeton Emerging Markets Group | Chairman and CEO of Gas Mediterraneo & Petrolio Srl Member of the Advisory Council of John Hopkins University |
| Education and work experience | | |
| Graduated from the F.E. Dzerzhinsky Military Academy in 1979, 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. 1993–1994: 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. 2001–2011: General Director of OOO Management Consulting. 2002–2013: General Director of Consulting Group. 2011–2014: Director of PANATLANTIC ENERGY. | 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. Before August 2010: Executive President of Templeton Asset Management Ltd. Since August 2010: Executive President, Templeton Emerging Markets Group. In 1987, joined Franklin Templeton Investments. | Graduated from Polytechnic University of Milan (Politecnico di Milano) (Italy), 1961. Former Chairman of the Board of Directors of Eni SpA and former Chairman and Chief Executive Officer of AGIP SpA. |
| Share in charter capital of the Company (as at 31.12.14) | | |
| 0.06% | | 0.00006% ² |

 Recognized as independent directors pursuant to MICEX SE's Listing Rules effective since 09 June 2014.

¹ Independent until November 2014.

² Including direct and indirect ownership.



Ivan Pictet



Leonid Fedun

| Born | |
|---|---|
| 1944 | 1956 |
| Position at OAO LUKOIL (as at 31.12.14) | |
| Independent member of the Board of Directors of OAO LUKOIL  Member of the Audit Committee of the Board of Directors of OAO LUKOIL | Executive Director of OAO LUKOIL Vice-President for Strategic Development at OAO LUKOIL Member of the Strategy and Investment Committee of the Board of Directors of OAO LUKOIL |
| Length of service on the Board of Directors (full years as at 31.12.14) | |
| 2 years | 1 years |
| Membership of the management bodies of other organizations (as at 31.12.14) | |
| Chairman of the UN Investments Committee of the UN Joint Staff Pension Fund Board Vice-Chairman of the Board of Directors of Symbiotics President of the Fondation pour Genève President of the Fondation Pictet pour le développement Chairman of the Board of Directors of PSA International SA Member of the Board of Directors of International Advisory Board of Blackstone Group International Limited, AEA European Advisory Board and AEA Investors LP Global Advisory Board | Member of the Board of Directors of ZAO Tushino 2018 and OOO LIGA TV Member of the Management Committee of OOO RUIE and its Employer Association Member of the Council of the Foundation for Social Program Targeted Support and IFD Capital Charity Foundation for Social Program Support Chairman of the Council of the Charity Foundation to Support Veterans and Youth at Spartak-Moscow Football Club |
| Education and work experience | |
| Graduated from the School of Business Administration at the University of St. Gallen in 1970, where Mr. Pictet earned a Master's Degree in economics. Mr. Pictet joined Pictet & Cie in 1972, after he had started his professional career in Morgan Stanley's New York office. 1981–2005: Managing Partner of Pictet & Cie. 1991–1995: President of the Geneva Chamber of Commerce and Industry. 2005–2010: Senior Managing Partner of Pictet & Cie. 2000–2010: President of Genève Place Financière. He served as a member of the UN Investments Committee of the UN Joint Staff Pension Fund Board in 2005-2014. He served as a member of the International Advisory Board of Blackstone Group International Limited since 1995 until its dissolution in late 2014. Mr Pictet is a member of the following governance bodies: since 2010 – AEA European Advisory Board, since 2011 – AEA Investors LP Global Advisory Board (NY, USA). Since 2011, Mr. Pictet was a member of the Board of Directors of Symbiotics. In 2014, he was elected Chairman of its Board. He is also President of Fondation pour Genève and Chairman of the Fondation Pictet pour le développement since 2009. Mr Pictet was appointed Chairman of the Board of PSA International SA in 2012. | Graduated from the M.I. Nedelin Higher Military Command School in Rostov in 1977. Candidate of Philosophical Sciences (PhD). Recipient of two orders and seven medals. 1993–1994: General Director of AO LUKOIL-Consulting. 1994–2012: Vice-President, Head of the Main Division of Strategic Development and Investment Analysis. Since 2012: Vice-President for Strategic Development of OAO LUKOIL. |
| Share in charter capital of the Company (as at 31.12.14) | |
| 0.009% ¹ | 9.78% ¹ |

 Recognized as independent directors pursuant to MICEX SE's Listing Rules effective since 09 June 2014.

¹ Including direct and indirect ownership.

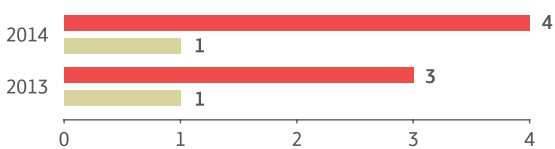


SECRETARY OF THE BOARD OF DIRECTORS

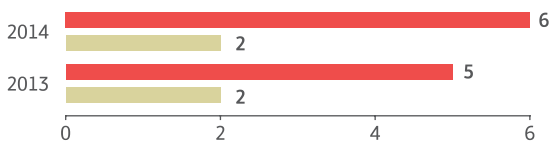
The Secretary of the BoD, who also acts as the secretary of BoD committees, ensures seamless operation of the BoD and its committees. Board Secretary's responsibilities include arrangements for the meetings of the BoD and its Committees, collection, preliminary review and alignment of materials related to the items on the meeting agenda, and preparation of draft resolutions. Based on the BoD and Management Committee's proposals, the Secretary drafts action plans for the BoD and Board Committees (within the respective Committee's competence) and submits them for approval by the BoD and its Committees. The Secretary is charged with providing the BoD members with references required to make a well-informed decision on the agenda issues and translating documents into foreign languages, if necessary. In 2014, the new Board of Directors at its first meeting appointed the BoD Secretary proposed by the BoD Chairman.

BoD Committee meetings

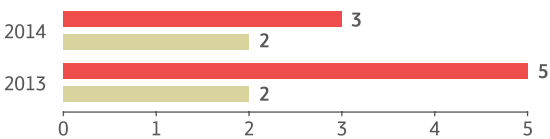
Strategy and Investment Committee



Audit Committee



HR and Compensation Committee



■ In person ■ In absentia

BOD COMMITTEES

To ensure effective BoD performance, the Company has set up three Committees: Strategy and Investment, Audit, HR and Compensation

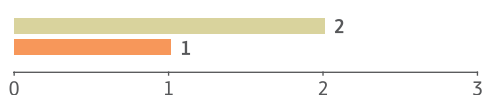
The Committees are engaged in the preliminary review of most critical issues and submission of relevant recommendations to the Board of Directors. For independent assessment of the Company's ongoing operations, Chairmen of the Committee for Strategy and Investments and Audit Committee are independent directors. As at the set-up date, M. Mobius Chairman of Human Resources and Compensation Committee was also independent as per MICEX SE's Listing Rules effective since 09 June 2014. However, in November 2014, the total term of office on the Board of Directors of Mark Mobius exceeded 7 years. Therefore, as at the year-end 2014, Mr Mobius no longer was an independent director. It stands to mention that all the Committee members have all the necessary experience and qualifications to take well-informed decisions at the Committee level. For instance, members of the Audit Committee are all BoD members who have extensive hands-on experience addressing financial issues.

Committee set-up in 2014

Strategy and Investment Committee



Audit Committee



HR and Compensation Committee




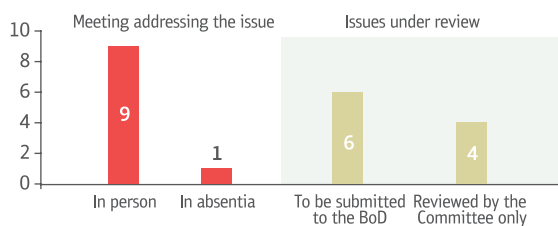
■ Executive¹ directors ■ Non-executive directors ■ Independent² directors

¹ Executive – members of executive bodies and persons employed by the Company.

² Recognized as independent directors as per MICEX SE's Listing Rules effective since 09 June 2014. The number of independent directors includes Mr Mobius.

Strategy and Investment Committee

Committee set-up: Igor Ivanov –  (Chairman), Ravil Maganov, Mark Mobius – ¹, Guglielmo Moscato – , Leonid Fedun



RESPONSIBILITIES

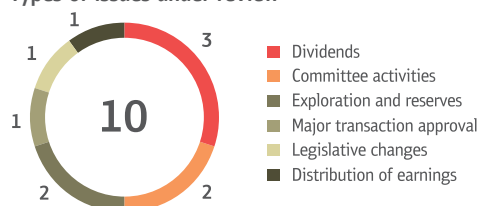
Analyzing strategic development concepts, programs and plans, and providing recommendations on their approval

- Submitting recommendations on dividend per share and payout procedure
- Submitting recommendations for distribution of the Company's profit and loss as at the end of the financial year
- Submitting recommendations for approval of major transactions involving items worth 25–50% of carrying value of the Company's assets

Regulations on the Strategy and Investment Committee

2014 RESULTS

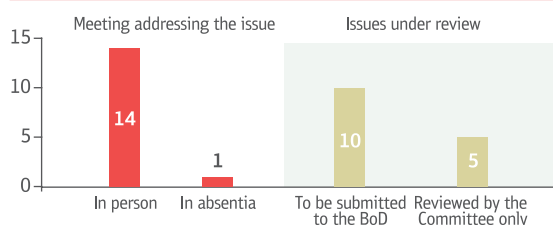
Types of issues under review



- Submitting recommendations to the Board of Directors for distribution of the Company's financial year earnings, dividend per share and dividend payout procedure; providing recommendations regarding the approval of amendments to the Regulations on OAO LUKOIL Dividend Policy
- Assess OAO LUKOIL's reserves; Contributing to the development of the reserves discovered during the 2003–2012 geological survey exercises; leveraging the stimulus package provided by the Russian Government to encourage hydrocarbon E&P in geologically and climatically adverse environments
- Analyzing tax and fiscal regulatory changes in the Russian oil & gas industry and their impact on LUKOIL Group's performance
- Submitting recommendations for approval of major transactions involving items worth 25–50% of carrying value of the Company's assets

Audit Committee

Committee set-up: Viktor Blazhev –  (Chairman), Sergei Mikhailov, Ivan Pictet – 



RESPONSIBILITIES

- Submitting recommendations on the appointment of the Company's auditor
- Analyzing the auditor's opinion
- Assessing the auditor's unbiased approach and independence
- Providing recommendations on the auditor's remuneration cap
- Assessing the effectiveness of internal controls
- Assessing the risk management framework
- Providing recommendations for the Board of Directors to pre-approve the Company's Annual Report

Regulations on the Audit Committee

2014 RESULTS

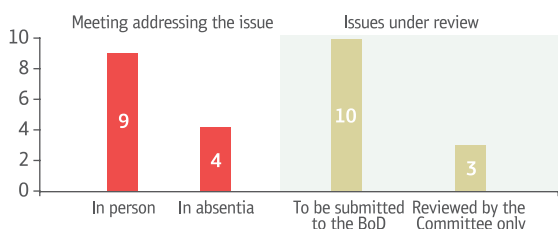
Types of issues under review



- Reviewing the appointment of KPMG as external independent auditor; assessing the auditor's opinion; submitting recommendations to the Board of Directors for auditor remuneration cap
- Reviewing the performance of the Control and Internal Audit unit; submitting recommendations to the Board of Directors for approval of the internal audit framework
- Providing recommendations for the Board of Directors to pre-approve the Company's Annual Report
- Approving the 2013–2014 Committee Performance Report submitted to the Board of Directors and discussing the Committee performance assessment
- Submitting recommendations for the Board of Directors to approve the Methodology for Post-Audit of Investment Projects for the Russian Oil Product Supply and Foreign Oil Product Supply business segments
- Discuss material accounting issues

Human Resources and Compensation Committee

Committee set-up: Mark Mobius –  (Chairman), Richard Matzke, Sergei Mikhailov



RESPONSIBILITIES

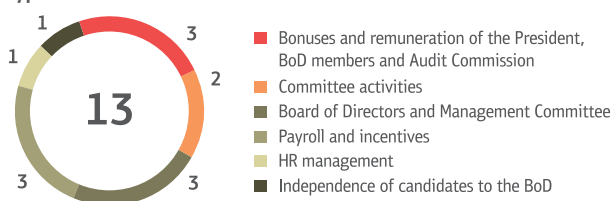
Pre-assessing BoD candidates

- Providing recommendations regarding HR and remuneration to the members of the Company's governance bodies and Audit Commission
- Providing recommendations to the Board of Directors on material conditions of the contracts signed with the Management Committee members and the Company President

Regulations on the Human Resources and Compensation Committee

2014 RESULTS

Types of issues under review



- Submitting recommendations for to the Board of Directors to request the General Shareholders Meeting to decide on the amount of remuneration to the members of the Board of Directors and Audit Commission
- Deciding on the independent character of candidates to the BoD
- Analyzing HR management performance
- Submitting recommendations on long-term incentive programs for OAO LUKOIL and its subsidiaries
- Providing recommendations to the Board of Directors on the Management Committee set-up and material conditions of the contracts signed with the Management Committee members

 Means recognized as independent directors as per MICEX SE's Listing Rules effective since 09 June 2014.

¹ Independent until November 2014.

Executive bodies

PRESIDENT

President, the Company's sole executive body, is appointed by the General Shareholders Meeting for a term of five years and serves as the Chairman of the Management Committee.

The President is responsible for operational management of the Company as prescribed by the Charter of OAO LUKOIL. The key provisions of the contract with the President are stipulated by the BoD. At the BoD meeting held on 23 June 2011 (date of the Annual General Shareholders Meeting), where V. Alekperov was appointed President of the Company, the key provisions of the agreement were set out, including his remuneration. These provisions had been reviewed by the Human Resources and Compensation Committee of OAO LUKOIL.

MANAGEMENT COMMITTEE

The Management Committee is a collective executive body supervised by the Chairman of the Management Committee.

It is in charge of the Company's day-to-day operations.

Following the President's proposals, the Board of Directors appoints members of the Management Committee each year. Management Committee meetings are held when and if necessary (usually, once a week). The President shall set an agenda for each meeting, also by considering the agenda proposals coming from the Management Committee members. The Management Committee competence is set out in the Company's Charter.

MEMBERS OF THE MANAGEMENT COMMITTEE OF LUKOIL



Vagit Alekperov



Vadim Vorobyov

| Born | |
|--|--|
| 1950 | 1961 |
| Position at OAO LUKOIL (as at 31.12.14) | |
| President of OAO LUKOIL Executive member of the Board of Directors of OAO LUKOIL Chairman of the Management Committee of OAO LUKOIL | Member of the Management Committee of OAO LUKOIL Vice-president for Coordination of Petroleum Product Sales of OAO LUKOIL |
| Length of service on the Management Committee (full years as at 31.12.14) | |
| 21 years | 4 years |
| Education and work experience | |
| <p>Graduated from the M. Azizbekov Azerbaijan Oil and Chemistry Institute in 1974. Doctor of Economics. Full member of the Russian Academy of Natural Sciences. Distinguished energy industry specialist and Honored oil specialist.</p> <p>Recipient of five orders and eight medals, a Certificate of Honor and two Certificates of Gratitude from the Russian Federation President. Two times winner of the Russian Government Prize.</p> <p>Since 1968: worked at oil fields in Azerbaijan and Western Siberia.</p> <p>1987–1990: General Director of the Production Association Kogalymneftegaz of Glavyumenneftegaz of the USSR Ministry of Oil and Gas.</p> <p>1990–1991: Deputy Minister; First Deputy Minister of the USSR Ministry of Oil and Gas.</p> <p>1992–1993: President of the Oil Concern Langepasuraikogalymneft.</p> <p>1993–2000: Chairman of the Board of Directors of OAO LUKOIL.</p> <p>Since 1993: President of OAO LUKOIL.</p> | <p>Graduated from the N.I. Lobachevsky Gorky State University (1983) and the N.I. Lobachevsky Nizhni Novgorod State University (1998). Candidate of Economics (PhD). Distinguished Oil and Gas Specialist of the Russian Federation. Recipient of Medals of the Order "For Merits before the Fatherland", 1st and 2nd Degree.</p> <p>1981–1992: elected to local youth and party bodies.</p> <p>1992–1998: in management positions at Nizhni Novgorod insurance and banking institutions.</p> <p>1998–2002: Vice-President, President OAO Oil Company NORSI-OIL.</p> <p>2002–2005: General Director of OAO LUKOIL-Volganefteprodukt.</p> <p>2005–2009: Vice-President of OAO LUKOIL, Head of the Main Division of Coordination of Petroleum Product Marketing and Distribution in Russia.</p> <p>2009–2012: Vice-President, Head of the Main Division of Coordination of Petroleum Product Marketing and Distribution of OAO LUKOIL.</p> <p>Since 2012: Vice-President for Coordination of Petroleum Product Marketing and Distribution of OAO LUKOIL.</p> |
| Share in charter capital of the Company (as at 31.12.14) | |
| 22.67% ¹ | 0.01% |

¹ Including direct and indirect ownership.



Sergei Kukura



Ravil Maganov



Sergei Malyukov

| Born | | |
|--|---|---|
| 1953 | 1954 | 1954 |
| Position at OAO LUKOIL (as at 31.12.14) | | |
| Member of the Management Committee of OAO LUKOIL First Vice-President of OAO LUKOIL (Economics and Finance) | Executive member of the Board of Directors of OAO LUKOIL Member of the Management Committee of OAO LUKOIL First Executive Vice-President of OAO LUKOIL (E&P) Member of the Strategy and Investment Committee of the Board of Directors of OAO LUKOIL | Member of the Management Committee of OAO LUKOIL Vice-President for Control and Internal Audit of OAO LUKOIL |
| Length of service on the Management Committee (full years as at 31.12.14) | | |
| 21 years | 21 years | 3 years |
| Education and work experience | | |
| Graduated from Ivano-Frankovsk Oil and Gas Institute in 1979. Doctor of Economics. Distinguished Economist of the Russian Federation. Distinguished Energy Industry Specialist. Recipient of two orders and five medals, and a Certificate of Gratitude from the Russian Federation President. Russian Government Prize winner in Science and Engineering. 1992–1993: Vice-President of the Oil Concern Langepasuraikogalymneft. Since 1993: First Vice-President of OAO LUKOIL. | Graduated from the I.M. Gubkin Moscow Institute of the Petrochemical and Gas Industry in 1977. Distinguished Oil and Gas Specialist of the Russian Federation, Honored oil specialist. Recipient of four orders and five medals. Has a Letter of Acknowledgement from the Government of the Russian Federation. Three times winner of the Russian 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 (E&P). Since 2006: First Executive Vice-President of OAO LUKOIL (E&P). | Graduated from the F.E. Dzerzhinsky Military Engineering Academy in 1977 and Higher School of Economics in 1997. Candidate of Philosophical Sciences (PhD). Distinguished Oil Industry Specialist of the Russian Federation. Recipient of five medals and Order "For Merits before the Fatherland", 2nd Degree. 1972–1995: service in the armed forces. 1995–2010: Head of section, head of division, head of department of the Main Division of Strategic Development and Investment Analysis of OAO LUKOIL. 2010–2012: Head of the Main Division of Control, Internal Audit and Risk Management. Since 2012: Vice-President for Control and Internal Audit of OAO LUKOIL. |
| Share in charter capital of the Company (as at 31.12.14) | | |
| 0.39% | 0.38% | 0.004% |



Ivan Maslyaev



Alexander Matytsyn



Anatoly Moskalenko

| Born | | |
|---|--|--|
| 1958 | 1961 | 1959 |
| Position at OAO LUKOIL (as at 31.12.14) | | |
| Member of the Management Committee of OAO LUKOIL Vice-President, General Counsel of OAO LUKOIL | Member of the Management Committee of OAO LUKOIL Senior Vice-President of Finance of OAO LUKOIL | Member of the Management Committee of OAO LUKOIL Vice-President for Human Resource Management and Corporate Structure Development of OAO LUKOIL |
| Length of service on the Management Committee (full years as at 31.12.14) | | |
| 14 years | 17 years | 11 years |
| Education and work experience | | |
| <p>Graduated from the Lomonosov Moscow State University in 1980. Candidate of Legal Sciences (PhD). Distinguished Lawyer of the Russian Federation. Recipient of three medals.</p> <p>1992–1993: Head of the Legal Department of the Oil Concern Langepasuraikogalymneft.</p> <p>1994–1999: Head of the Legal Division.</p> <p>2000–2012: Head of the Main Division of Legal Support of OAO LUKOIL.</p> <p>Since 2012: Vice-President, General Counsel of OAO LUKOIL.</p> | <p>Graduated from the Lomonosov Moscow State University in 1984. Candidate of Economics (PhD). Master of Business Administration (Bristol University, 1997). Recipient of two medals, including a Medal of the Order "For Merits before the Fatherland", 2nd Degree.</p> <p>1994–1997: Director, General Director of KPMG, international auditors.</p> <p>1997–2012: Vice-President – Head of the Main Division of Treasury and Corporate Finance.</p> <p>2012–2013: Vice-President of Finance of OAO LUKOIL.</p> <p>Since 2013: Senior Vice-President of Finance of OAO LUKOIL.</p> | <p>Graduated from the Supreme Soviet of the RSFSR Moscow Higher Combined Arms Academy in 1980, Military Diplomatic Academy in 1987, Russian Academy of Government Service under the President of the Russian Federation in 2005. Candidate of Economics (PhD). Recipient of five orders and twenty medals.</p> <p>1976–2001: service in the armed forces.</p> <p>2001–2003: Head of the Human Resources Division, Head of the Human Resources Department of OAO LUKOIL.</p> <p>2003–2012: Head of the Main Division of Human Resources of OAO LUKOIL.</p> <p>Since 2012: Vice-President, Human Resources Management and Corporate Structure Development of OAO LUKOIL.</p> |
| Share in charter capital of the Company (as at 31.12.14) | | |
| 0.03% | 0.30% | 0.02% |



Vladimir Nekrasov



Valery Subbotin



Gennady Fedotov

| Born | | |
|---|---|--|
| 1957 | 1974 | 1970 |
| Position at OAO LUKOIL (as at 31.12.14) | | |
| Member of the Management Committee of OAO LUKOIL | Member of the Management Committee of OAO LUKOIL | Member of the Management Committee of OAO LUKOIL |
| First Vice-President of OAO LUKOIL (Refining, Marketing and Distribution) | Vice-President for Sales and Supplies of OAO LUKOIL | Vice-President for Economics and Planning of OAO LUKOIL |
| Length of service on the Management Committee (full years as at 31.12.14) | | |
| 15 years | 6 years | 4 years |
| Education and work experience | | |
| <p>Graduated from Tyumen Industrial Institute in 1978. Candidate of Technical Sciences (PhD), full member of the Academy of Mining Sciences. Distinguished Oil Industry Specialist.</p> <p>Recipient of two orders and three medals. Russian Government Prize Winner.</p> <p>1992–1999: Chief Engineer, General Director of TPP Kogalymneftegaz of OOO LUKOIL-Western Siberia.</p> <p>1999–2005: Vice-President of OAO LUKOIL, General Director of OOO LUKOIL-Western Siberia.</p> <p>Since 2005: First Vice-President of OAO LUKOIL.</p> | <p>Graduated from Tyumen State University in 1996. Recipient of two medals, including a Medal of the Order "For Merits before the Fatherland", 2nd Degree.</p> <p>1998–2003: AO LUKOIL-Prague, AO LUKOIL-Bulgaria, Moscow representation of LITASCO.</p> <p>2003–2005: First Deputy Head of the Office of the Board of Directors of OAO LUKOIL.</p> <p>2005–2007: First Deputy Head of the Main Division of Sales and Supplies of OAO LUKOIL.</p> <p>2007–2012: Vice-President, Head of the Main Division of Sales and Supplies.</p> <p>Since 2012: Vice-President for Sales and Supplies of OAO LUKOIL</p> | <p>Graduated from Moscow Institute of Physics and Technology in 1993. Recipient of a Medal of the Order "For Merits before the Fatherland", 2nd Degree.</p> <p>1994–2002: employed by Halliburton and Shell.</p> <p>2002–2007: Head of Division, Deputy Head, Head of the Main Division of Corporate Budget Planning and Investments of OAO LUKOIL.</p> <p>2007–2012: Vice-President, Head of the Main Division of Economics and Planning.</p> <p>Since 2012: Vice-President for Economics and Planning of OAO LUKOIL.</p> |
| Share in charter capital of the Company (as at 31.12.14) | | |
| 0.04% | 0.20% ¹ | 0.006% |

¹ Including direct and indirect ownership.



Azat Shamsuarov



Evgeny Khavkin



Lyubov Khoba

| Born | | |
|---|---|---|
| 1963 | 1964 | 1957 |
| Position at OAO LUKOIL (as at 31.12.14) | | |
| Member of the Management Committee of OAO LUKOIL Senior Vice-President, Oil and Gas Production | Member of the Management Committee of OAO LUKOIL Vice-President, Chief of Staff of OAO LUKOIL | Member of the Management Committee of OAO LUKOIL Vice-President, Chief Accountant of OAO LUKOIL |
| Length of service on the Management Committee (full years as at 31.12.14) | | |
| 1 years | 11 years | 14 years |
| Education and work experience | | |
| <p>Graduated from Ufa Oil Institute in 1986. Candidate of Technical Sciences (PhD). Recipient of a Medal of the Order "For Merits before the Fatherland", 2nd Degree. Russian Government Prize winner.</p> <p>1997–2000: Chief Engineer of NGDU Pokachevneft, Deputy General Director for Production of TPP Langepasneftegaz, Head of NGDU Pokachevneft, General Director of TPP Uraineftegaz.</p> <p>2000–2001: President of the Orenburg Oil Joint Stock Company (ONAKO).</p> <p>2001–2008: Vice-President, Senior Vice-President of LUKOIL Overseas Holding Ltd.</p> <p>2008–2012: Vice-President of OAO LUKOIL, General Director of OOO LUKOIL-Western Siberia.</p> <p>2012–2013: Vice-President of OAO LUKOIL for Oil and Gas Production.</p> <p>Since 2013: Senior Vice-President of OAO LUKOIL for Oil and Gas Production.</p> | <p>Graduated from Moscow Institute of Economics, Management and Law in 2003. Recipient of two medals.</p> <p>Since 1988: employed at entities in Western Siberia.</p> <p>1997–2003: Deputy Head, First Deputy Head of the Office of the Board of Directors of OAO LUKOIL.</p> <p>2003–2012: Secretary of the Board of Directors, Head of the Office of the Board of Directors of OAO LUKOIL.</p> <p>Since 2012: Vice-President, Chief of Staff of OAO LUKOIL.</p> | <p>Graduated from Sverdlovsk Institute of the National Economy in 1992. Candidate of Economics (PhD). Distinguished Economist of the Russian Federation. Distinguished Oil Industry Specialist. Recipient of an order and two medals.</p> <p>1991–1993: Chief Accountant of PO Kogalymneftegaz.</p> <p>1993–2000: Chief Accountant of OAO LUKOIL.</p> <p>2000–2003: Vice-President of OAO LUKOIL, Head of the Main Division of Financial Accounting.</p> <p>2003–2004: Chief Accountant, Vice-President of OAO LUKOIL.</p> <p>2004–2012: Chief Accountant of OAO LUKOIL.</p> <p>Since 2012: Vice-President, Chief Accountant of OAO LUKOIL.</p> |
| Share in charter capital of the Company (as at 31.12.14) | | |
| 0.005% | 0.008% | 0.35% |

Top management remuneration system¹

The top management remuneration and incentive system was developed to facilitate the delivery of business targets, recruit and retain the Company's top executives. Top management remuneration system comprises fixed and variable components. The Company however does not allocate a specific portion of share capital to dedicated offerings.

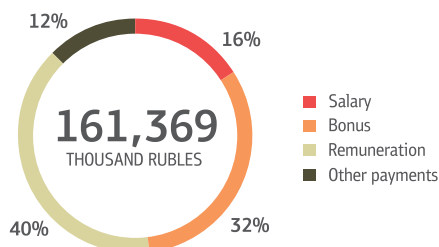
The fixed component of the direct financial compensation consists of the base salary reflecting the importance of the position within the Company, scale and priority of implemented and supervised projects, and contribution to the development and roll-out of LUKOIL Group's strategy. Thus, the Company aims to offer fair and competitive salaries in line with the prevailing market averages.

The variable component of the direct financial top management compensation consists of short- and long-term incentive payments. The variable remuneration seeks to balance the interests of the Company's management and shareholders. Short-term incentive payments are made at the end of the year and therefore encourage the delivery of the Company's short-term targets. KPIs are the key factor underlying the manager's annual bonus. Generally, there are two types of KPIs: corporate (teamwork efficiency) and individual (manager efficiency in achieving goals and objectives). Long-term incentive plan payments are subject to the Company's earnings and capitalization growth.

Top management remuneration system

| | | | | |
|--------------------|----------|-----|-----------------------|---|
| Total remuneration | Fixed | 40% | Base salary | Monthly |
| | Variable | 35% | Short-term incentives | Yearly, based on the delivery of corporate and individual KPIs |
| | | 25% | Long-term incentives | Yearly, based on performance under the long-term incentive plan |

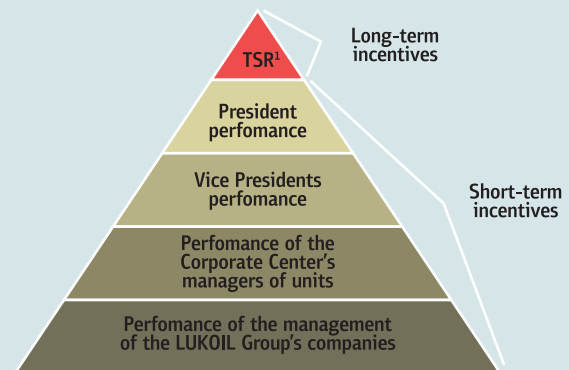
BoD payroll², thousand rubles



LONG-TERM INCENTIVES

To maintain the motivation of the LUKOIL Group employees at a sustainable level and ensure commitment to share price and market capitalization maximization, OAO LUKOIL's Board of Directors adopted the Regulations on Long-Term Incentives for Employees of OAO LUKOIL and its Subsidiaries for 2013–2017.

The Long-Term Incentive Plan involves executive stock option remuneration consisting of two components: annual bonuses in the form of annual quasi dividends paid on quasi shares assigned to executives, and bonuses paid at the end of the plan based on the number of quasi shares assigned to the executives and difference between the opening and closing share prices. Participants have to spend at least half of the received bonus amount to buy OAO LUKOIL's shares.



¹ TSR – total shareholders return.

BOD REMUNERATION SYSTEM

The General Shareholders Meeting establishes the amounts of BoD remuneration and compensation package. The Company has the following types of BoD remuneration:

- remuneration to the BoD members (paid to all BoD members)
- remuneration to the Chairman of the Board of Directors
- remuneration to the Chairman of a BoD Committee
- remuneration for in-person attendance at the BoD Committee meetings
- remuneration for in-person attendance at the BoD and BoD Committee meetings requiring a transcontinental flight
- remuneration to a director attending conferences and other meetings by written proxy of the Chairman of the Board of Directors

¹ Top manager (executive employee) – President, First Executive Vice-President, First Vice-Presidents, Senior Vice-Presidents, Vice-Presidents of the Company.

² Including remuneration paid to BoD members who concurrently sit on the Management Committee in their capacity as BoD members.

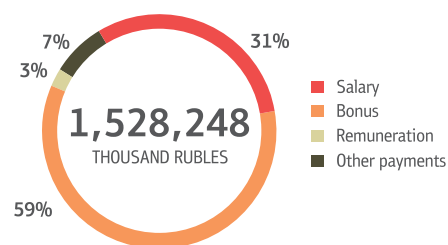
Control bodies

MANAGEMENT COMMITTEE REMUNERATION SYSTEM

In the reporting year, Management Committee members received remuneration equal to the monthly official salary in their main position. The remuneration was paid in line with the key contract provisions. All such contracts made with the Management Committee members stipulate the achievement of key corporate KPIs over the reporting period. On top of that, the Management Committee members received:

- their annual salaries
- annual bonuses for their year-round performance
- long-term incentive plan payments in the form of annually paid quasi dividends for quasi assigned shares under Long-Term Incentive Program for the Employees of OAO LUKOIL and its Subsidiaries
- additional social benefits

Management Committee payroll in 2014¹, thousand rubles



¹ Including the amount paid to the President of OAO LUKOIL.



DIRECTORS AND OFFICERS AND CORPORATE LIABILITY INSURANCE

Pursuant to the 2014–2015 Directors and Officers (D&O) and Corporate Liability Insurance Policy (contract), LUKOIL insures the liability of:

- sole executive body, members of governing bodies, employees of OAO LUKOIL and/or its subsidiaries and/or other organizations with an interest of OAO LUKOIL and/or its subsidiaries whose candidates were elected members of the sole executive body and/or members of the governing bodies of such organizations (Coverage A);
- OAO LUKOIL, OAO LUKOIL subsidiaries, other organizations with an interest of OAO LUKOIL and/or its subsidiaries whose candidates were elected members of the sole executive body and/or members of the governing bodies of such organizations (Coverage B);
- OAO LUKOIL and its subsidiaries when a Securities Claim is made against the Company (Coverage C).

Should the insured event occur, the Company undertakes to pay an indemnity within the liability limit (at least \$100 million for Coverages A, B and C, including legal defense costs). The total insurance premium is \$450,000.

AUDIT COMMISSION

Each year, the Annual General Shareholders Meeting elects the three members of the Audit Commission for a term of office expiring upon the convocation of the next Annual General Meeting.

COMMISSION SET-UP IN 2014:

- Pavel Suloev, Head of Audit and Internal Control at Management Center Asset Management
- Alexander Surkov, CEO at the LUKOIL-Volgograd Regional Accounting Center
- Mikhail Maximov, CEO at the LUKOIL-Perm Regional Accounting Center

RESPONSIBILITIES:

Checking the reliability of the Company's financial statements and annual report, exercising general control over the financial and economic activities.

2014 RESULTS

Confirmed the reliability of data contained in the Company's 2013 accounting (financial) statements and annual report.

REMUNERATION:

As approved by the General Shareholders Meeting.

CONTROL AND INTERNAL AUDIT

RESPONSIBILITIES:

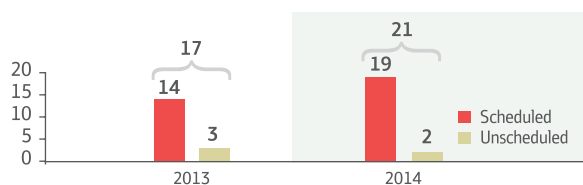
Ensuring unbiased and independent control over the corporate governance, internal control and risk management frameworks to further streamline the Company's efficiency and protect the interests of its shareholders and investors.

2014 RESULTS

- Implemented the Program to Improve the Quality of Internal Audit
- Improved the methodological support for the Group's Internal Control and Internal Audit
- Developed and streamlined the Group's comprehensive internal audit assessment system
- Improved the relationship framework and consulting support for the Company's units
- Streamlined the internal auditor corporate development framework and the Group's Control and Internal Audit units

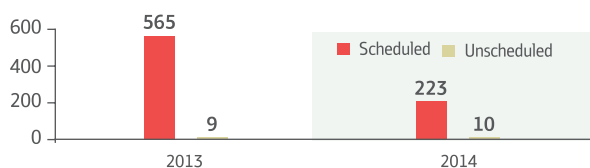
CONTROL AND AUDIT RESULTS

Controls and audits by the Control and Internal Audit Service



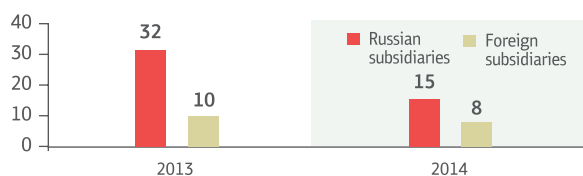
The inspections revealed breaches and risks at the Group level, assessed the monitoring environment and provided recommendations for rectification of the breaches and risk mitigation.

LUKOIL Group SUCIA inspections

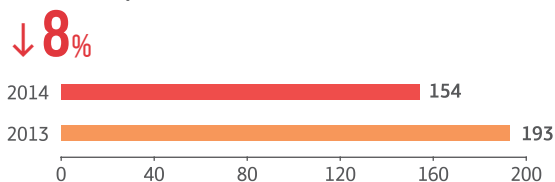


To improve the overall efficiency of the Group's internal audit, LUKOIL transformed its specialized units for control and internal audit (SUCIA) of Russian entities of LUKOIL Group into Regional Control and Audit Units. The restructuring facilitated functional centralization of the fragmented SUCIA, resulted in higher performance and brought down the overall SUCIA headcount.

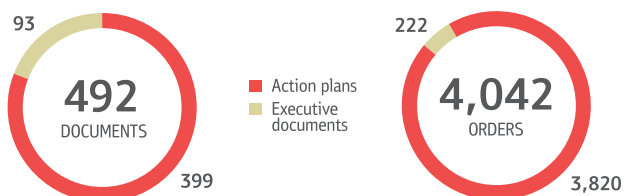
LUKOIL Group SUCIA



LUKOIL Group SUCIA headcount



Monitoring of post-audit initiatives



AUDIT FRAMEWORK

The Company's Management Committee resolution disbanded Audit Commissions at 50 of the Group's entities. Currently, there are Audit Commissions in just five joint-stock companies and four joint ventures.

Audits at the Group's entities



2015 PRIORITIES

- Conducting controls & audits and special purpose inspections at LUKOIL Group entities as prescribed by the approved 2015 audit plan
- Monitor LUKOIL Group entities' compliance with the internal audit guidelines and orders of the Group's governance bodies
- Update local regulations on internal control and internal audit
- Improve control over the information quality concerning breaches and gaps identified during audits
- Develop professional competences of the Group's internal auditors

Independent auditor

The independent auditor is selected based on the BoD Audit Committee recommendations and approved by the General Shareholders Meeting. The functions of an independent auditor for the Company and its major subsidiaries are discharged by KPMG.

Auditor independence is defined as prescribed by the Russian and international auditor independence standards and rules, corporate requirements and auditor policy. For instance, to avoid the risks arising from a close relationship and personal interest, the above standards and rules require that the partner responsible for the audit exercise be changed at least once every seven years.

The share of remuneration unrelated to audits in the overall auditor remuneration package may not exceed 20%.

RESPONSIBILITIES:

- Auditing OAO LUKOIL's financial statements under the Russian Accounting Standards (RAS)
- Auditing consolidated financial statements issued by OAO LUKOIL and its subsidiaries under US GAAP
- Auditing accounting statements of the Company's major subsidiaries under the Russian or local accounting standards
- Reviewing interim consolidated financial statements issued by OAO LUKOIL and its subsidiaries under US GAAP

2014 RESULTS

- Completed the audit of and issued opinions on US GAAP consolidated financial statements of OAO LUKOIL and its subsidiaries, and 2014 financial statements of the Company's major subsidiaries under RAS
- Completed the audit of the financial statements from the Company's major foreign subsidiaries under the local accounting standards
- Completed the audit review of and issued opinions on interim consolidated financial statements issued by OAO LUKOIL and its subsidiaries under US GAAP for Q1, Q2 and Q3 2014

Business ethics

At the very heart of the Company's business lie its corporate values, which ensure compliance with the highest conduct standards.

SOCIAL CODE

The Company's Social Code is a set of principles and standards ensuring socially responsible treatment of all stakeholders.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company's Code of Business Conduct and Ethics is an essential tool in building a sustainable corporate culture and intrinsically coherent system of corporate values. To ensure compliance with the Code's rules and standards, the Company has:

- set up a permanent Business Ethics Commission;
- developed and adopted a regulation on conflict of interest prevention;
- implemented local regulations and framework to combat misconduct by managing relationships with counterparties, government offices, local authorities and other entities (for example, bidding, tender and contracting regulations).

BUSINESS ETHICS COMMISSION

The Company has established a Business Ethics Commission charged with the implementation of rules and standards, compliance control, preparation of business ethics recommendations and monitoring the Code's impact on teamwork.



AVOIDANCE OF CONFLICTS OF INTEREST

The Company's corporate governance system includes a set of clear conduct rules and requirements, prevention and control tools that eliminate the risks of official misconduct, employee conflict of interest and other breaches of the applicable law or corporate conduct standards.

OA O LUKOIL and its management are committed to the highest standards of open and fair market conduct. As part of the Company's corporate governance system, dedicated units for control and internal audit and HR, together with corporate security services, play a crucial role in preventing and forestalling misconduct and abuse. All the abuse prevention initiatives are implemented in close collaboration with law enforcement bodies from the regions of LUKOIL Group's presence.

Information for shareholders and investors

CHARTER CAPITAL

The Company has a charter capital of 850,563,255 registered ordinary shares with a par value of RUB 0.025 each.

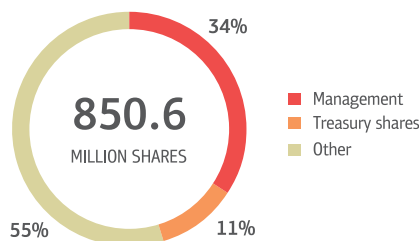
Key OA O LUKOIL shareholders¹ (>1% of ordinary shares)

| | % of shares as at 31 December 2013 | % of shares as at 31 December 2014 |
|---|------------------------------------|------------------------------------|
| National Settlement Depository ¹ | 91.48 | 92.04 |
| SDK Garant (nominal shareholder) | 2.78 | 2.90 |
| URALSIB (nominal shareholder) | – | 1.48 |

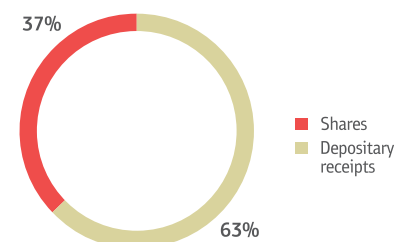
¹ Non-Banking Credit Organization Closed Joint-Stock Company National Settlement Depository. Status of the central depository granted by Decree of the Federal Financial Markets Service of Russia No. 12-2761/pz-i of 6 November 2012.

[Analyst Databook, p. 61](#)

OA O LUKOIL equity capital breakdown as at 31 December 2014



OA O LUKOIL shares and depository receipts as at 31 December 2014



AROUND **100** THOUSAND

INDIVIDUALS AND LEGAL ENTITIES
HOLDING OA O LUKOIL SHARES



SECURITIES

OAO LUKOIL shares are one of the most liquid securities in the Russian equity market

OAO LUKOIL ordinary share and depositary receipts tickers

| Ticker | Exchange | Notes |
|--------|---|---|
| LKOH | MICEX (Moscow Exchange) | The ordinary shares admitted to the Moscow Exchange A1 quotation list are one of the most liquid financial instruments in the Russian equity market. |
| LKOD | LSE (London Stock Exchange) ¹ | LSE-listed depositary receipts of OAO LUKOIL are one of the most liquid Eastern European stocks. The LSE is the platform where the greatest part of the Company's securities trade. |
| LUK | FWB (Frankfurt Stock Exchange) ¹ | On top of that, OAO LUKOIL's depositary receipts trade on the Frankfurt, Munich and Stuttgart Stock Exchanges and on the US OTC market. |
| LUKOY | US OTC market ¹ | |

¹ Depositary receipts representing OAO LUKOIL shares.

Indices which include OAO LUKOIL stock

| Index | OAO LUKOIL share and depositary receipt index weight as at 31 December 2014 |
|-----------------|---|
| MSCI Russia | 15.6% |
| Bloomberg Oils | 1.1% |
| FTSE Russia IOB | 17.4% |
| MICEX | 12.6% |

STOCK PRICE PERFORMANCE

Under the pressure of geopolitical tensions, plunging oil prices and ruble devaluation, Russian stock indices remained highly volatile throughout 2014.

The MICEX Index decreased by 7.1%. The Company's shares outperformed the market, growing by 9.1% for the full year. On the London Stock Exchange, however, ruble devaluation drove the Company's stock down, resulting in a plunge of 36.3%.

Analyst Databook, p. 62

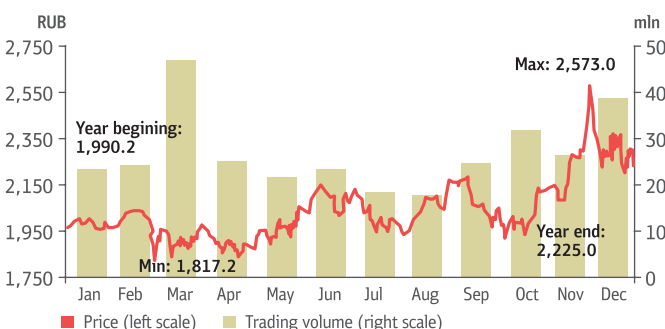
Leading investment banks give a "Buy" recommendation for the Company's stock

Analyst recommendations for OAO LUKOIL shares from leading investment banks¹ in 2014

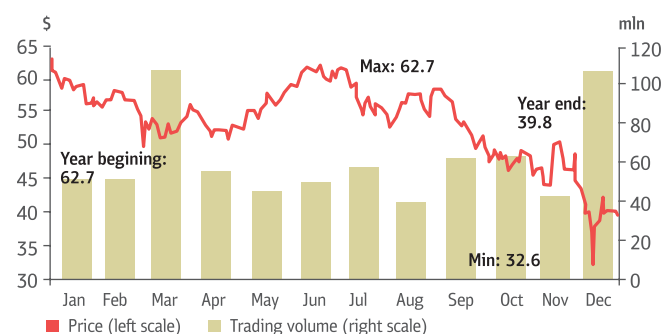
| | Q1 | Q2 | Q3 | Q4 |
|------|------|------|------|------|
| Buy | 100% | 100% | 100% | 100% |
| Hold | 0% | 0% | 0% | 0% |
| Sell | 0% | 0% | 0% | 0% |

¹ The leading investment banks include Bank of America-Merrill Lynch, UBS, JPMorgan, Citi, Deutsche Bank, Goldman Sachs, Morgan Stanley, HSBC, Sberbank CIB, Uralsib, Renaissance, and VTB.

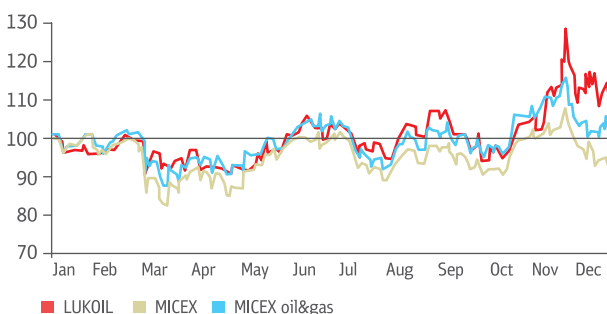
Performance of OAO LUKOIL's MICEX listed stock in 2014



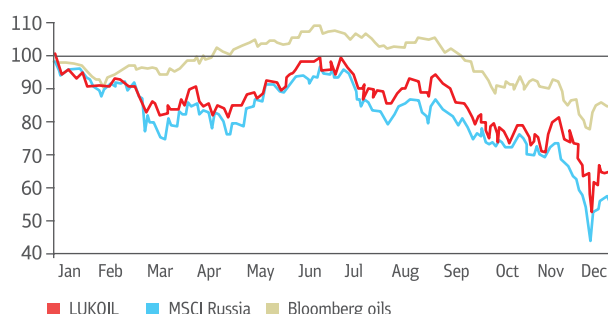
Performance of OAO LUKOIL's LSE listed depositary receipts on stock in 2014



Performance of OAO LUKOIL's MICEX listed stock vs index performance in 2014,%



Performance of OAO LUKOIL's LSE listed depositary receipts on stock vs index performance in 2014,%



Dividends

PRINCIPLES

LUKOIL's Dividend Policy is based on balancing the interests of the Company and its shareholders, boosting the Company's investment case and market capitalization, and enforcing the respect of shareholder rights in line with the applicable laws of Russia, OAO LUKOIL's Charter, and internal regulations.

2014 RESULTS

The Company has been progressively increasing the dividend per share amount since its very inception, and now it offers top dividend yields among peers. Despite the challenging economic environment, for FY 2014, the Board of Directors recommended that the amount of dividends per ordinary share be increased by 40% to RUB 154. The dividend yield would then stand at 7.6%, way above the averages offered by private oil & gas majors. The final dividend amount for 2014 will be approved by the Annual General Shareholders Meeting.

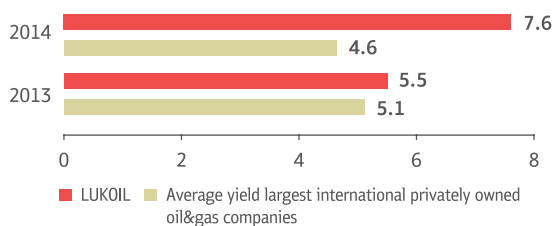
2015 PRIORITIES

Pay out competitive dividends to OAO LUKOIL shareholders.

Dividend per share and dividend yield



Dividend yield¹, %



¹ Dividend yield is calculated based on the recommendation of the Board of Directors to pay dividends of RUB 154 per share for 2014 and the average market price of OAO LUKOIL's ordinary shares on Moscow Exchange over the period.

| Period | 2010 | | 2011 | | 2012 | | | 2013 | | | 2014 | | |
|--|--|--|---|--|----------|----------|-----------|--|--|------------|--------|--------|---|
| | | | | | 9M2012 | FY2012 | TOTAL | 6M2013 | FY2013 | TOTAL | 9M2014 | FY2014 | TOTAL |
| Accrued dividend per share, RUB | 59 | 75 | | | 40 | 50 | 90 | 50 | 60 | 110 | 60 | 94 | 154 |
| Accrued dividend, RUB mln | 50,183 | 63,792 | 34,023 | 42,528 | 76,551 | 42,528 | 51,034 | 93,562 | 51,034 | | | | |
| Consolidated dividend payout ratio, % | 18.3 | 18.3 | | | | | 22.9 | | | 36.5 | | | 49.1 |
| The issuer's governing body deciding on dividend payout | Annual General Meeting of Shareholders | Annual General Meeting of Shareholders | Extraordinary General Meeting of Shareholders | Annual General Meeting of Shareholders | | | | Extraordinary General Meeting of Shareholders | Annual General Meeting of Shareholders | | | | Extraordinary General Meeting of Shareholders |
| Data of the meeting of the issuer's governing body deciding on the dividend payout | 23 June 2011 Minutes No.1 of 27 June 2011 | 27 June 2011 Minutes No.1 of 02 July 2012 | 18 December 2012 No.2 of 21 December 2012 | 27 June 2013 Minutes No.1 of 02 July 2013 | | | | 30 September 2013 Minutes No.2 of 02 October 2013 | 26 June 2014 Minutes No.1 of 30 June 2014 | | | | 12 December 2014 Minutes No.2 of 16 December 2014 |
| Declared dividend payout period | up to 21 August 2011 ² | up to 25 August 2012 ² | up to 15 February 2013 ² | up to 25 August 2013 ² | | | | up to 31 October 2013 | up to 28 July 2014 and 18 August 2014 ³ | | | | up to 19 January 2015 and 09 February 2015 ⁴ |
| Ratio of unpaid to accrued dividends, % ¹ | 0.000288 | 0.098144 | 0.101796 | 0.107550 | 0.104993 | 0.111499 | 0.104984 | 0.107945 | 0.126928 | | | | |

¹ Dividends that have not been paid to the shareholders who did not submit dividend transfer details pursuant to article 44, clause 5, of Federal Law On Joint-Stock Companies No. 208-FZ dated 26 December 1995. Dividends accrued on stock owned by unidentified persons are paid if and when shareholder rights to the securities are identified.

² Within 60 days after the dividend payout resolution is passed.

³ Nominee shareholders and trustees (professional security traders as per the applicable Russian law) whose names are on 's shareholder register are entitled to receive their dividends within 10 business days after the date of record (15 July 2014) / all the other shareholders whose names are on LUKOIL's shareholder register receive their dividends within 25 business days after the date of record (15 July 2014).

⁴ Nominee shareholders and trustees (professional security traders as per the applicable Russian law) whose names are on OAO LUKOIL's shareholder register/other shareholders whose names are on OAO LUKOIL's shareholder register.

Total accrued dividends are calculated through multiplication of the total number of OAO LUKOIL's shares by the amount of dividends per share.

Consolidated dividend payout ratio is calculated based on the amount of dividend per share, RUB/USD exchange rate at the end of the reporting period, total number of OAO LUKOIL's shares and consolidated net income over the period.

The dividend amount as at the end of FY2014 is based on the recommendation of the Board of Directors and subject to approval by the Annual General Meeting of Shareholders.

TAXES

The dividends paid out in 2014 (for 2013) were subject to income tax (personal income tax of 9% and corporate income tax at 9, 15 and 30% tax rates.

As of 1 January 2015, however, tax treatment of dividend payouts did change. Tax rates applied to 2014 dividend payouts made after 1 January 2015 are as follows:

| | Tax residents | Non-resident tax aliens | |
|---|---------------|--|---------------------------------|
| | General rate | International tax agreements signed | No international tax agreements |
| Legal entities | 13% | As per agreement | 15% |
| Individuals | 13% | As per agreement | 15% |
| Individuals and legal entities holding depositary receipts subject to disclosure / non-disclosure requirements under the Russian Tax Code | 13% | Reduced tax rates or exemption from taxation | 15% |

 [LUKOIL dividend policy](#)
Analyst Databook, p. 64

Informational transparency

OA O LUKOIL has been successfully running a corporate investment disclosure system for over 10 years now. This system has grown to become a benchmark in the Russian stock market. The Company regularly provides stakeholder friendly disclosure updates under the Russian law and rules of Moscow Exchange and London Stock Exchange.

DIALOGUE WITH SHAREHOLDERS

LUKOIL is one of the few Russian companies with a large proportion of minority shareholders. We are therefore particularly aware of how important shareholder and investor communications are. Hence the extensive use of all communication tools available, including financial results conference calls and webcasts, presentations, site visits, Investor Days, printed and online publications, senior management speeches at conferences, face-to-face meetings and interviews.

OA O LUKOIL's investor and shareholder footprint



2014 IR AWARDS

In 2014, the Company earned four Investor Relations and Annual Report Disclosure awards.



- At the 17th Annual Report Contest sponsored by MoEx and the RCB journal, LUKOIL Group's Performance Report ranked among the Top 3 Annual Reports by Companies with Market Capitalization of over RUB 100 billion.
- LUKOIL Group's Performance Report ranked 267th in Report Watch's Global 300 Best Annual Reports. With just eight Russian companies on the list, LUKOIL Group's Performance Report ranked first among the reports produced by Russian oil & gas companies.
- At the 10th Annual Report Contest sponsored by the Energy Market journal, LUKOIL Group's Performance Report won the Reporting Year's Best Information Disclosure Prize.
- At a contest sponsored by the IR Magazine, LUKOIL ranked second in the most prestigious nomination for large cap companies, Grand Prix for Best Overall Investor Relations, Large Cap.



2015 PRIORITIES:

- Improve investor and shareholder communication through consolidation of corporate reporting
- Diversify and expand the shareholder and investor base

2015 Financial Calendar

| Financial results announcement | |
|--|---------------|
| 2014 full-year results | 3 march 2015 |
| Q1 2015 results | May 2015 |
| Q2 2015 results | August 2015 |
| Q3 2015 results | November 2015 |
| Dividends at the end of the financial year of 2014 | |
| Board of Directors recommendation | 28 april 2015 |
| Dividend record date setting | 14 July 2015 |
| General Shareholders Meeting | |
| Annual General Shareholders Meeting | 25 June 2015 |

Contacts:

| Investor Relations | Shareholder Relations |
|--------------------|------------------------|
| +7 (495) 981-75-26 | +7 (495) 983-21-71 |
| ir@lukoil.com | shareholder@lukoil.com |

APPENDICES

| | |
|--|-----|
| RISKS | 95 |
| CONSOLIDATED FINANCIAL STATEMENTS | 101 |
| OPERATING AND FINANCIAL ANALYSIS | 143 |
| CORPORATE GOVERNANCE CODE COMPLIANCE REPORT | 179 |
| MAJOR AND RELATED/INTERESTED PARTY TRANSACTIONS | 197 |
| INFORMATION ON TRANSACTIONS WITH OAO LUKOIL SHARES / ADRS PERFORMED BY MANAGEMENT BODIES MEMBERS | 239 |
| REFERENCE INFORMATION | 241 |



MACROECONOMIC RISKS

| RISK DESCRIPTION | RISK MANAGEMENT |
|--|---|
| <p>Macroeconomic changes, such as global economy slowdown in 2015, decline in global hydrocarbon prices, lower refining margins, FX fluctuations, higher interest rates and taxes, and inflation may have an adverse impact on the Company's financials and ability to implement its capex plan.</p> | <p>The Company uses a scenario approach to macroeconomic forecasting, which provides for a comprehensive analysis of macroeconomic risks and their effect on the Company's performance.</p> <p>This approach helps identify the assets and investment projects with the highest sensitivity to macroeconomic changes and make management decisions, including those aimed at optimizing the Company's investment project portfolio.</p> |

COUNTRY RISKS

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|---|
| <p>A majority of the Company's assets are located within Russia, where political risks are assessed as moderate. However, OAO LUKOIL also operates in a number of countries with high political and economic risks, which may seriously affect its operations or even cause them to be discontinued (those include Iraq, Egypt, and West Africa, where political risks are assessed as high).</p> | <p>The Company seeks to expand its footprint, implementing projects in Europe and the US, where political and country risks are viewed as minimal, alongside with its operations in unstable regions.</p> |

INDUSTRY RISKS

RISKS RELATED TO WELL CONSTRUCTION AND DEVELOPMENT OF FIELDS WITH HARD-TO-RECOVER HYDROCARBON RESERVES

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|--|
| <p>The ban on the imports of equipment and materials currently used in well construction is important for the Company, which purchases most of its equipment and materials from Western partners.</p> | <p>The bulk of reagents required to prepare and condition drilling mud and grouting mixture and currently sourced from the EU and US in small batches may be substituted by products from China, Thailand, Russia, and Belarus. Chemical products currently sourced from the EU and US are low-tonnage purchases.</p> <p>OAO LUKOIL has a one-year stock of spare parts, including quick-wearing ones, for Astra and FOIRP-1 equipment used at Korchagin field, however, going forward the Company may replace it with equipment from China and other Asian countries.</p> |

RISKS OF TARIFF AND VENDOR PRICE HIKES

| RISK DESCRIPTION | RISK MANAGEMENT |
|--|--|
| <p>The Company's tariff risks are associated with OAO RZD, OAO Gazprom and other monopolies operating across the Company's geography. Their prices are revised upwards on a regular basis.</p> <p>Logistic costs driven up by higher output immediately impact the Company's profit.</p> <p>OAO LUKOIL is also exposed to the risk of higher prices for other services, such as vehicle transportation, customs brokerage, warehousing, etc.</p> | <p>Measures to minimize risks of higher tariffs from OAO RZD, OAO Gazprom and similar monopolies include:</p> <ul style="list-style-type: none"> • diversifying transportation channels; • developing in-house logistic infrastructure; • cooperating with other consumers to prevent accelerated tariff growth; • using tender procedures to enter into long-term contracts with vendors. |

RISK OF A LIMITED ACCESS TO PETROLEUM PRODUCT TRANSHIPMENT INFRASTRUCTURE

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|--|
| <p>These risks depend on the overall utilization rates of terminals, changes in terminal ownership and political landscape, and weather conditions.</p> | <p>OAO LUKOIL invests considerable effort in mitigating the above risks by:</p> <ul style="list-style-type: none"> • entering into long-term transshipment agreements; • diversifying petroleum product export destinations; • increasing shipments to its terminals; • ramping up in-house terminal capacities. |

FINANCIAL RISKS

PRICE RISKS

| RISK DESCRIPTION | RISK MANAGEMENT |
|--|--|
| <p>Fluctuations in hydrocarbon prices may have a significant impact on the Company's financials and its securities value. In the short run, oil prices are expected to remain highly volatile due to global economy growth uncertainty, changes in oil supplies, and OPEC's crude output control policy.</p> | <p>OAO LUKOIL is continuously monitoring oil and petroleum product markets to receive detailed and reliable updates which are used as a basis to forecast market performance. Key initiatives to reduce price risks include hedging of transactions, stock exchange trading, and expanding sales geography to the extent possible.</p> <p>The Company's strategic development programs factor in several price scenarios, while its investment project portfolio is managed depending on the price sensitivity of respective projects.</p> |

LIQUIDITY RISKS

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|--|
| <p>The following risk factors may influence Group's cash flows:</p> <ul style="list-style-type: none"> • extremely volatile energy prices; • energy demand; • taxes, charges and customs duties; • LUKOIL's credit ratings; • higher costs. <p>Given the decline in cash flows, another risk is limited access to capital markets.</p> | <p>The Group has centralized and efficient Group-wide liquidity management, including automatic cash concentration and redistribution, corporate dealing, rolling cash flow forecasts, as well as liquidity ratio controls in place.</p> |

CURRENCY RISKS

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|---|
| <p>In the short and long term, the Company is exposed to currency risks due to its presence in many countries worldwide. With export proceeds denominated in US dollars and the bulk of domestic costs incurred in rubles, the RUB/USD exchange rate has a major impact on the Company's results.</p> | <p>LUKOIL uses a centralized approach to treasury operations and liquidity management, ensuring that currency risks associated with negative exchange rate changes are aggregated and registered by the corporate center. In some cases, currency risks are minimized through derivative transactions as part of corporate dealing.</p> <p>Other mitigants include intra-group loans in local currencies.</p> |

COUNTERPARTY DEFAULT AND NON-PAYMENT RISK

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|---|
| <p>The risk means delayed payments for products supplied by the Company. In terms of exports, delayed payments and/or underpayments may require the Company to raise additional funding to be able to meet its financial obligations.</p> | <p>To mitigate these risks, the Company has contracts with third parties (non-Group entities) that provide for pre-payment terms or letters of credit or bank guarantees from end customers. Banks that can issue letters of credit and guarantees are subject to OAO LUKOIL's corporate center approval.</p> |



LEGAL RISKS

TAX AND CUSTOMS REGULATION RISKS

| RISK DESCRIPTION | RISK MANAGEMENT |
|--|--|
| <p>Changes in tax and customs regulation initiated by the Russian government depend on the current state of the national budget system and domestic market regulation policy. The financial performance of the Group and its entities may be adversely impacted by a heavier tax burden, unexpected revisions of tax rates and duties, and cancellation of preferential customs duties applied to a number of LUKOIL Group's fields.</p> <p>In the wake of the considerable recent RUB/USD rate fluctuations over the last months and the persisting ruble weakening, LUKOIL may be forced to pay additional duties when filing a periodic customs declaration for exports above established thresholds (excluding pipeline supplies).</p> <p>Currently, there are uncertainties with respect to Section V.1 of the Russian Tax Code concerning:</p> <ul style="list-style-type: none"> • ad hoc pricing audit procedures, including the required documents and information and their contents; • the Federal Tax Service of Russia possibly challenging the pricing methods used by the Company for tax purposes. <p>These issues may entail claims and subsequent additional income tax imposed on income (expenses) from controlled transactions.</p> <p>The Company is also exposed to uncertainties associated with amendments to the Russian Tax Code taking effect from 1 January 2015 and introducing profit taxation procedures for controlled foreign companies and corporate tax residency.</p> | <p>To manage these risks, LUKOIL Group keeps track of tax and customs regulation changes, participates in discussing legislative initiatives, promptly assesses the impact of prospective legislative changes on its performance, and takes steps to minimize or offset negative consequences of such changes.</p> |

RISKS RELATED TO AMENDED LEGISLATION ON JOINT-STOCK COMPANIES AND SECURITIES MARKET

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|---|
| <p>The amended Federal Laws On Joint-Stock Companies and On Securities Market, which take effect in Q2 2015 following the amendments to Chapter 4, Part 1 of the Russian Civil Code (provisions on legal entities) coming into force on 1 September 2014 and pertaining, inter alia, to key provisions on business entities, joint-stock company management bodies and their terms of reference and reorganization, and the Corporate Governance Code implementation as recommended by the Bank of Russia in its Letter No. 06-52/2463 of 10 April 2014, may lead to changes in the Company's corporate governance, with a potential adverse impact on its decision-making processes and performance.</p> | <p>The Company closely monitors the respective legislative changes and takes part in preliminary discussions of proposed changes among industry players to clarify OAO LUKOIL's views of the risks and uncertainties arising out of the said changes.</p> <p>Efforts are underway to make sure that the Company's representatives are involved in activities aimed at developing effective ways of applying the new corporate governance and tax rules.</p> |

SECURITIES TRADING RISKS

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|--|
| <p>The Company's securities are traded on regulated markets in Russia and abroad. Changes to the issuer requirements and listing structure brought in by regulatory authorities and stock exchanges may require LUKOIL to modify its corporate governance framework and assume additional obligations with respect to disclosure and shareholder relations. If the Company fails to comply with these requirements and meet the respective obligations in due time, this may lead to the Company's securities transferred to lower listing segments or to be delisted, which could adversely affect the liquidity and value of such securities.</p> | <p>OAO LUKOIL keeps track of the changes in listing rules and other stock exchange and regulatory requirements to issuers of traded securities. The Company's representatives participate in workshops and other events for issuers organized by stock exchanges and other organizations that provide consulting and awareness raising services to issuers of securities traded on regulated markets. LUKOIL also strives to adhere to international best practices of corporate governance and shareholder relations.</p> |

GEOLOGICAL RISKS

RISK OF RESERVES NON-DISCOVERY OR DISCOVERY BELOW THE EXPECTED LEVEL

| RISK DESCRIPTION | RISK MANAGEMENT |
|--|--|
| <p>Another type of risk borne by the Company is related to non-discovery of productive oil and gas reserves or lower than expected levels of such reserves discovered during prospecting drilling or implementing new projects. This may lead the Company to incur additional costs or discontinue operations at some of its license blocks.</p> | <p>LUKOIL manages this risk at a sufficient level to be able to timely respond to this risk, OAO LUKOIL is engaged in additional exploration activities.</p> |

SUBSOIL USE AND LICENSING RISKS

| RISK DESCRIPTION | RISK MANAGEMENT |
|--|--|
| <p>Oil producers face certain risks associated with the Russian legislation on subsoil use, exploration and mining. The key risks include:</p> <ul style="list-style-type: none"> • early termination of subsoil use rights; • no equal access to offshore resources; • no legislative guarantees of subsoil use rights being granted to the company that has discovered a subsoil deposit of federal significance or a field within subsoil areas of federal significance (the Russian continental shelf, Russian inland and territorial sea, Russian sector of the Caspian Sea), including subsoil users with foreign capital; • non-acceptance of tender/auction application documents filed by LUKOIL Group's entities on formal grounds; • administrative fines due to breach of license agreements; • extensive time needed to coordinate and approve design documentation and cost estimates related to constructing exploration wells. | <p>To minimize the adverse impact of the said risks, the Company:</p> <ul style="list-style-type: none"> • monitors changes in legislation on subsoil use and licensing and makes proposals on updating the existing legal framework; • drafts a list of sites which are included in the unallocated subsoil reserve fund and are of interest to the Group or its entities to ensure timely decision-making with respect to tender/auction participation; • has permanent work groups in place responsible for preparing tender/auction application and license renewal documents across the Group's entities; • conducts annual professional development training sessions for licensing and subsoil use experts; • monitors subsoil use by means of a dedicated information system; • liaises with regulatory authorities to mitigate the risk of early termination of subsoil use rights. |

RISK OF TERRORIST ACTS AND UNLAWFUL ACTS OF THIRD PARTIES

| RISK DESCRIPTION | RISK MANAGEMENT |
|--|---|
| <p>Given the growing number of terrorist organizations and escalating terrorist activity in the regions of OAO LUKOIL's presence, there is a probability of terrorist and other criminal acts against the Company's assets.</p> <p>The Company is also exposed to the risk of unlawful acts from competitors (including unfair competition risks), financial or other abuse by LUKOIL Group's employees and embezzlement or theft of moneys and tangible assets.</p> | <p>To manage these risks, the Company:</p> <ul style="list-style-type: none"> • participates in the counter-terrorism events organized by the National Anti-Terrorism Committee, Federal Security Service of the Russian Federation, and the Ministry of Internal Affairs; • implements adequate security systems across its facilities; • identifies employees who intentionally damage the Company's interests in favour of its competitors and other third parties (including criminal organizations); • cooperates with the Ministry of Internal Affairs to prevent production and distribution of counterfeit products with LUKOIL's trademark; • plans and conducts information security enhancing events; • acquires licenses from the Federal Security Service to use information encryption tools. |



ENVIRONMENTAL AND INDUSTRIAL SAFETY RISKS

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|--|
| <p>The Company's hazardous production facilities are exposed to the risk of equipment failures, which may cause process disruptions, hazardous releases, environmental damage, fires, and accidents, including those occurring in the development of offshore oil and gas offshore fields. This risk may result in unscheduled idle time at the Company's production facilities, with a subsequent reduction in operating income.</p> | <p>To minimize these risks, the Company has put in place an effective industrial safety system, enabling it to monitor technological equipment and implement preventive measures. OAO LUKOIL's industrial safety system has ISO 14001 and OHSAS 18001 compliance certificates.</p> |

RISK OF THE INVESTMENT PROGRAM NON-DELIVERY

| RISK DESCRIPTION | RISK MANAGEMENT |
|--|---|
| <p>When implementing its investment projects, the Company is exposed to the risk of delayed commissioning of production facilities and higher costs.</p> <p>Project delays related, inter alia, to preparing design documentation and cost estimates, obtaining permits, entering into contracts, agreeing on deadlines and changing field development roadmaps based on the new geological data may cause the Company to be unable to implement its investment program, with a potentially deteriorating operating and investment project performance in the coming years and excessive fund raising.</p> | <p>OAO LUKOIL pays considerable attention to managing this risk by monitoring project implementation on a quarterly basis in case of investment program adjustments. New construction projects not supported by design documentation and cost estimates are excluded from the capex plan for the next year.</p> |

RISK OF SHORTAGES OF QUALIFIED PERSONNEL

| RISK DESCRIPTION | RISK MANAGEMENT |
|---|---|
| <p>The growing shortage of qualified oil and gas personnel and their general ageing cause foreign producers to source staff in the Russian labor market. This presents the risk of a stronger demand for the industry professionals in Russia and higher salary rates, which may lead to higher payroll expenses or require production upgrades to cut operating personnel, thus deteriorating the Company's financial performance.</p> | <p>To mitigate this risk, OAO LUKOIL strives to provide comprehensive development of its employees, forming a talent pool consisting of the most experienced and talented employees. Another area of focus is attracting young employees, including university graduates.</p> |

OAO LUKOIL CONSOLIDATED FINANCIAL STATEMENTS

(prepared in accordance
with US GAAP)

As of December 31, 2014
and 2013 and for each of the
years in the three-year period
ended December 31, 2014



ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Auditors' Report

To the Shareholders and Board of Directors
OAO LUKOIL

We have audited the accompanying consolidated financial statements of OAO LUKOIL and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the consolidated statements of comprehensive income, stockholders' equity and cash flows for 2014, 2013 and 2012, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audits. We conducted our audits in accordance with Russian Federal Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: Open Joint Stock Company "Oil company "LUKOIL"

Registered by Moscow Registration Chamber on 22 of April 1993,
Registration No. 024020.

Entered in the Unified State Register of Legal Entities on 17 July 2002
by Department of the Ministry of Taxes and Duties, Registration No.
1027700035769, Certificate series 77 No 007892347

11, Sretensky Boulevard, Moscow, Russia, 101000

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 the Moscow 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.

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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OAO LUKOIL and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for 2014, 2013 and 2012 in accordance with U.S. generally accepted accounting principles.

Other Matter

U.S. generally accepted accounting principles require that the Supplementary Information on Oil and Gas Exploration and Production Activities on pages 40 through 46 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Oussov A.I.
Director, power of attorney No 75-13 of 1 October 2013
ZAO KPMG

March 2, 2015
Moscow, Russian Federation



OAo LUKOIL Consolidated Balance Sheets As of December 31, 2014 and 2013
(Millions of US dollars, unless otherwise noted)

| | Note | 2014 | 2013 |
|---|--------|----------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 3,004 | 1,712 |
| Short-term investments | | 234 | 363 |
| Accounts receivable, net | 5 | 9,213 | 7,943 |
| Inventories | 6 | 6,154 | 8,801 |
| Prepaid taxes and other expenses | | 2,174 | 3,801 |
| Other current assets | | 500 | 775 |
| Assets held for sale | 11 | 1,480 | - |
| Total current assets | | 22,759 | 23,395 |
| Investments | 7 | 4,808 | 4,255 |
| Property, plant and equipment | 8, 9 | 81,467 | 78,466 |
| Deferred income tax assets | 14 | 725 | 684 |
| Goodwill and other intangible assets | 10 | 1,193 | 1,300 |
| Other non-current assets | | 848 | 1,339 |
| Total assets | | 111,800 | 109,439 |
| Liabilities and equity | | | |
| Current liabilities | | | |
| Accounts payable | | 7,101 | 7,335 |
| Short-term borrowings and current portion of long-term debt | 12 | 2,168 | 1,338 |
| Taxes payable | | 1,437 | 2,501 |
| Other current liabilities | | 3,231 | 1,923 |
| Liabilities related to assets held for sale | 11 | 275 | - |
| Total current liabilities | | 14,212 | 13,097 |
| Long-term debt | 13, 17 | 11,361 | 9,483 |
| Deferred income tax liabilities | 14 | 2,778 | 4,724 |
| Asset retirement obligations | 8 | 1,573 | 2,764 |
| Other long-term liabilities | | 524 | 516 |
| Total liabilities | | 30,448 | 30,584 |
| Equity | 16 | | |
| OAo LUKOIL stockholders' equity | | | |
| Common stock | | 15 | 15 |
| Treasury stock, at cost | | (5,189) | (5,189) |
| Equity-linked notes | | (2,500) | (2,500) |
| Additional paid-in capital | | 4,524 | 4,574 |
| Retained earnings | | 84,317 | 81,733 |
| Accumulated other comprehensive loss | | (37) | (55) |
| Total OAo LUKOIL stockholders' equity | | 81,130 | 78,578 |
| Non-controlling interests | | 222 | 277 |
| Total equity | | 81,352 | 78,855 |
| Total liabilities and equity | | 111,800 | 109,439 |

President of OAo LUKOIL

Alekperov V.Y.

Vice-president –
Chief accountant of OAo LUKOIL
Khoba L.N.

The accompanying notes are an integral part of these consolidated financial statements.

OAO LUKOIL Consolidated Statements of Comprehensive Income For the years ended December 31, 2014, 2013 and 2012
(Millions of US dollars, unless otherwise noted)

| | Note | 2014 | 2013 | 2012 |
|--|------|----------------|----------------|----------------|
| Revenues | | | | |
| Sales (including excise and export tariffs) | 22 | 144,167 | 141,452 | 139,171 |
| Costs and other deductions | | | | |
| Operating expenses | | (10,115) | (10,086) | (9,359) |
| Cost of purchased crude oil, gas and products | | (71,245) | (65,924) | (64,148) |
| Transportation expenses | | (5,894) | (6,290) | (6,171) |
| Selling, general and administrative expenses | | (3,858) | (3,849) | (3,755) |
| Depreciation, depletion and amortization | | (8,816) | (5,756) | (4,832) |
| Taxes other than income taxes | 14 | (12,892) | (13,803) | (13,666) |
| Excise and export tariffs | | (21,364) | (22,334) | (22,836) |
| Exploration expenses | | (1,104) | (602) | (364) |
| (Loss) gain on disposals and impairments of assets | | (1,753) | (2,561) | 30 |
| Income from operating activities | | 7,126 | 10,247 | 14,070 |
| Interest expense | | (637) | (488) | (538) |
| Interest and dividend income | | 275 | 239 | 257 |
| Equity share in income of affiliates | 7 | 552 | 575 | 518 |
| Currency translation loss | | (355) | (443) | (512) |
| Other non-operating (expense) income | | (189) | 328 | (72) |
| Income before income taxes | | 6,772 | 10,458 | 13,723 |
| Current income taxes | | (2,876) | (2,051) | (2,738) |
| Deferred income taxes | | 818 | (780) | (60) |
| Total income tax expense | 14 | (2,058) | (2,831) | (2,798) |
| Net income | | 4,714 | 7,627 | 10,925 |
| Net loss attributable to non-controlling interests | | 32 | 205 | 79 |
| Net income attributable to OAO LUKOIL | | 4,746 | 7,832 | 11,004 |
| Earnings per share of common stock attributable to OAO LUKOIL (US dollars): | | | | |
| | 16 | | | |
| Basic | | 6.29 | 10.38 | 14.47 |
| Diluted | | 6.20 | 10.18 | 14.17 |
| Other comprehensive income, net of tax: | | | | |
| Defined benefit pension plan: | | | | |
| Prior service cost arising during the period | | 8 | 8 | - |
| Actuarial gain (loss) | | 10 | 6 | (15) |
| Other comprehensive income (loss) | | 18 | 14 | (15) |
| Comprehensive income | | 4,732 | 7,641 | 10,910 |
| Comprehensive loss attributable to non-controlling interests | | 32 | 205 | 79 |
| Comprehensive income attributable to OAO LUKOIL | | 4,764 | 7,846 | 10,989 |

The accompanying notes are an integral part of these consolidated financial statements.

OA0 LUKOIL Consolidated Statements of Stockholders' Equity For the years ended December 31, 2014, 2013 and 2012
(Millions of US dollars, unless otherwise noted)

| | 2014 | | 2013 | | 2012 | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Stockholders' equity | Comprehensive income | Stockholders' equity | Comprehensive income | Stockholders' equity | Comprehensive income |
| Common stock | | | | | | |
| Balance as of January 1 | 15 | | 15 | | 15 | |
| Balance as of December 31 | 15 | | 15 | | 15 | |
| Treasury stock | | | | | | |
| Balance as of January 1 | (5,189) | | (5,189) | | (4,081) | |
| Stock purchased | - | | - | | (128) | |
| Equity-linked notes conversion | - | | - | | (980) | |
| Balance as of December 31 | (5,189) | | (5,189) | | (5,189) | |
| Equity-linked notes | | | | | | |
| Balance as of January 1 | (2,500) | | (2,500) | | (980) | |
| Equity-linked notes purchased | - | | - | | (2,500) | |
| Equity-linked notes conversion | - | | - | | 980 | |
| Balance as of December 31 | (2,500) | | (2,500) | | (2,500) | |
| Additional paid-in capital | | | | | | |
| Balance as of January 1 | 4,574 | | 4,734 | | 4,798 | |
| Effect of stock compensation plan | - | | - | | (197) | |
| Changes in non-controlling interests | (50) | | (160) | | 133 | |
| Balance as of December 31 | 4,524 | | 4,574 | | 4,734 | |
| Retained earnings | | | | | | |
| Balance as of January 1 | 81,733 | | 76,216 | | 67,940 | |
| Net income | 4,746 | 4,746 | 7,832 | 7,832 | 11,004 | 11,004 |
| Dividends on common stock | (2,162) | | (2,315) | | (2,728) | |
| Balance as of December 31 | 84,317 | | 81,733 | | 76,216 | |
| Accumulated other comprehensive loss, net of tax | | | | | | |
| Balance as of January 1 | (55) | | (69) | | (54) | |
| Pension benefits: | | | | | | |
| Prior service cost | 8 | 8 | 8 | 8 | - | - |
| Actuarial gain (loss) | 10 | 10 | 6 | 6 | (15) | (15) |
| Balance as of December 31 | (37) | | (55) | | (69) | |
| Total comprehensive income | | 4,764 | | 7,846 | | 10,989 |
| Total OA0 LUKOIL stockholders' equity as of December 31 | 81,130 | | 78,578 | | 73,207 | |
| Non-controlling interests | | | | | | |
| Balance as of January 1 | 277 | | 981 | | (172) | |
| Net loss attributable to non-controlling interests | (32) | | (205) | | (79) | |
| Changes in non-controlling interests | (23) | | (499) | | 1,232 | |
| Balance as of December 31 | 222 | | 277 | | 981 | |
| Total equity as of December 31 | 81,352 | | 78,855 | | 74,188 | |

The accompanying notes are an integral part of these consolidated financial statements.

OA O LUKOIL Consolidated Statements of Stockholders' Equity For the years ended December 31, 2014, 2013 and 2012
 (Millions of US dollars, unless otherwise noted)

| | Share activity | | |
|----------------------------------|-----------------------|-----------------------|-----------------------|
| | 2014 | 2013 | 2012 |
| | (thousands of shares) | (thousands of shares) | (thousands of shares) |
| Common stock, issued | | | |
| Balance as of January 1 | 850,563 | 850,563 | 850,563 |
| Balance as of December 31 | 850,563 | 850,563 | 850,563 |
| Treasury stock | | | |
| Balance as of January 1 | (95,697) | (95,697) | (76,101) |
| Purchase of treasury stock | - | - | (2,096) |
| Equity-linked notes conversion | - | - | (17,500) |
| Balance as of December 31 | (95,697) | (95,697) | (95,697) |

The accompanying notes are an integral part of these consolidated financial statements.

OA O LUKOIL Consolidated Statements of Cash Flows For the years ended December 31, 2014, 2013 and 2012
(Millions of US dollars)

| | Note | 2014 | 2013 | 2012 |
|---|----------|-----------------|-----------------|-----------------|
| Cash flows from operating activities | | | | |
| Net income attributable to OA O LUKOIL | | 4,746 | 7,832 | 11,004 |
| Adjustments for non-cash items: | | | | |
| Depreciation, depletion and amortization | | 8,816 | 5,756 | 4,832 |
| Equity share in income of affiliates, net of dividends received | | (214) | (20) | 102 |
| Dry hole write-offs | | 794 | 314 | 127 |
| Loss (gain) on disposals and impairments of assets | | 1,753 | 2,561 | (30) |
| Change in net deferred income tax liability | | (2,130) | 600 | 171 |
| Non-cash currency translation (gain) loss | | (31) | 128 | 68 |
| Non-cash investing activities | | (25) | (5) | (18) |
| All other items – net | | (640) | 58 | 211 |
| Changes in operating assets and liabilities: | | | | |
| Trade accounts receivable | | (1,321) | 816 | 641 |
| Inventories | | 2,702 | (1,105) | (126) |
| Accounts payable | | (731) | (78) | 1,057 |
| Taxes payable | | (1,020) | (313) | 468 |
| Other current assets and liabilities | | 2,869 | (95) | 490 |
| Net cash provided by operating activities | | 15,568 | 16,449 | 18,997 |
| Cash flows from investing activities | | | | |
| Acquisition of licenses | | (98) | (849) | (921) |
| Capital expenditures | | (14,545) | (14,957) | (11,647) |
| Proceeds from sale of property, plant and equipment | | 63 | 99 | 412 |
| Purchases of investments | | (403) | (559) | (453) |
| Proceeds from sale of investments | | 159 | 315 | 252 |
| Sale of subsidiaries and equity method affiliates, net of cash disposed | | 132 | 97 | 27 |
| Acquisitions of subsidiaries and equity method affiliates, net of cash acquired | | 49 | (2,785) | (886) |
| Net cash used in investing activities | | (14,643) | (18,639) | (13,216) |
| Cash flows from financing activities | | | | |
| Net movements of short-term borrowings | | 282 | 25 | (32) |
| Proceeds from issuance of long-term debt | | 3,940 | 5,049 | 597 |
| Principal repayments of long-term debt | | (1,698) | (949) | (1,831) |
| Dividends paid on Company common stock | | (1,357) | (2,383) | (2,800) |
| Dividends paid to non-controlling interest stockholders | | (80) | (126) | (113) |
| Financing received from non-controlling interest stockholders | | 2 | 2 | 2 |
| Purchases of Company's stock | | - | - | (128) |
| Purchases of equity-linked notes | | - | - | (740) |
| Purchases of non-controlling interest | | (29) | (589) | (635) |
| Net cash provided by (used in) financing activities | | 1,060 | 1,029 | (5,680) |
| Effect of exchange rate changes on cash and cash equivalents | | (293) | (41) | 60 |
| Cash included in "Assets held for sale" | 11 | (400) | - | - |
| Net increase (decrease) in cash and cash equivalents | | 1,292 | (1,202) | 161 |
| Cash and cash equivalents at beginning of year | | 1,712 | 2,914 | 2,753 |
| Cash and cash equivalents at end of year | 3 | 3,004 | 1,712 | 2,914 |
| Supplemental disclosures of cash flow information | | | | |
| Interest paid | | 565 | 405 | 497 |
| Income taxes paid | | 2,300 | 2,452 | 1,585 |

The accompanying notes are an integral part of these consolidated financial statements.

► NOTE 1.

ORGANIZATION AND ENVIRONMENT

The primary activities of OA O LUKOIL (the “Company”) and its subsidiaries (together, the “Group”) are oil exploration, production, refining, marketing and distribution. The Company is the ultimate parent entity of this vertically integrated group of companies.

The Group was established in accordance with Presidential Decree No. 1403, issued on November 17, 1992. Under this decree, on April 5, 1993, the Government of the Russian Federation transferred to the Company 51% of the voting shares of fifteen enterprises. Under Government Resolution No. 861 issued on September 1, 1995, a further nine enterprises were transferred to the Group during 1995. Since 1995, the Group has carried out a share exchange program to increase its shareholding in each of the twenty-four founding subsidiaries to 100%.

From formation, the Group has expanded substantially through consolidation of its interests, acquisition of new companies and establishment of new businesses.

Business and economic environment

The accompanying consolidated financial statements reflect management’s assessment of the impact of the business environment in the countries in which the Group operates on the operations and the financial position of the Group. The future business environments may differ from management’s assessment.

Basis of preparation

These consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

► NOTE 2.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the financial position and results of the Company, controlled subsidiaries of which the Company directly or indirectly owns more than 50% of the voting interest, unless non-controlling stockholders have substantive participating rights, and variable interest entities where the Group is determined to be the primary beneficiary. Other significant investments in companies of which the Company directly or indirectly owns between 20% and 50% of the voting interest and over which it exercises significant influence but not control, are accounted for using the equity method of accounting. Investments in companies of which the Company directly or indirectly owns more than 50% of the voting interest but where non-controlling stockholders have substantive participating rights are also accounted for using the equity method of accounting. Undivided interests in oil and gas joint ventures are accounted for using the proportionate consolidation method. Investments in other

companies are recorded at cost. Equity investments and investments in other companies are included in “Investments” in the consolidated balance sheet.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of oil and gas properties and other property, plant and equipment, goodwill impairment assessment, asset retirement obligations, deferred income taxes, valuation of financial instruments, and obligations related to employee benefits. Eventual actual amounts could differ from those estimates.

Revenues

Revenues are recognized when title passes to customers at which point the risks and rewards of ownership are assumed by the customer and the price is fixed or determinable. Revenues include excise on petroleum products’ sales and duties on export sales of crude oil and petroleum products.

Revenues from non-cash sales are recognized at the fair value of the crude oil and petroleum products sold.

Foreign currency translation

The Company maintains its accounting records in Russian rubles. The Company’s functional currency is the US dollar and the Group’s reporting currency is the US dollar.

For the majority of operations in the Russian Federation and outside the Russian Federation, the US dollar is the functional currency. Where the US dollar is the functional currency, monetary assets and liabilities have been translated into US dollars at the rate prevailing at each balance sheet date. Non-monetary assets and liabilities have been translated into US dollars at historical rates. Revenues, expenses and cash flows have been translated into US dollars at rates which approximate actual rates at the date of the transaction. Translation differences resulting from the use of these rates are included in profit or loss.

For certain other operations, where the US dollar is not the functional currency and the economy is not highly inflationary, assets and liabilities are translated into US dollars at period-end exchange rates and revenues and expenses are translated at average exchange rates for the period. Resulting translation adjustments are reflected as a separate component of other comprehensive income.

In all cases, foreign currency transaction gains and losses are included in profit or loss.

As of December 31, 2014, 2013 and 2012, exchange rates of 56.26, 32.73 and 30.37 Russian rubles to the US dollar, respectively, have been used for translation purposes.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Cash with restrictions on immediate use

Cash funds for which restrictions on immediate use exist are accounted for within other non-current assets.

Accounts receivable

Accounts receivable are recorded at their transaction amounts less provisions for doubtful debts. Provisions for doubtful debts are recorded to the extent that there is a likelihood that any of the amounts due will not be collected. Non-current receivables are discounted to the present value of expected cash flows in future periods using the original discount rate.

Inventories

The cost of finished goods and purchased products is determined using the first-in, first-out cost method (FIFO). The cost of all other inventory categories is determined using the "average cost" method.

Investments

Debt and equity securities are classified into one of three categories: trading, available-for-sale, or held-to-maturity.

Trading securities are bought and held principally for the purpose of selling in the near term. Held-to-maturity securities are those securities in which a Group company has the ability and intent to hold until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in profit or loss. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. Dividends and interest income are recognized in profit or loss when earned.

A permanent decline in the market value of any available-for-sale or held-to-maturity security below cost is accounted for as a reduction in the carrying amount to fair value. The impairment is charged to profit or loss and a new cost base for the security is established. Premiums and discounts are amortized or accreted over the life of the

related held-to-maturity or available-for-sale security as an adjustment to yield using the effective interest method and such amortization and accretion is recorded in profit or loss.

Property, plant and equipment

Oil and gas properties are accounted for using the successful efforts method of accounting whereby property acquisitions, successful exploratory wells, all development costs (including development dry holes and the Group's share of operators' expenses during the development stage of production sharing and risk service contracts), and support equipment and facilities are capitalized. Unsuccessful exploratory wells are expensed when a well is determined to be non-productive. Other exploratory expenditures, including geological and geophysical costs are expensed as incurred.

The Group continues to capitalize costs of exploratory wells and exploratory-type stratigraphic wells after the completion of drilling if the well has found a sufficient quantity of reserves to justify its completion as a producing well and the Company is making sufficient progress towards assessing the reserves and the economic and operating viability of the project. If these conditions are not met or if information that raises substantial doubt about the economic or operational viability of the project is obtained, the well would be assumed impaired, and its costs, net of any salvage value, would be charged to expense.

Depreciation, depletion and amortization of capitalized costs of oil and gas properties is calculated using the unit-of-production method based upon proved reserves for the cost of property acquisitions and proved developed reserves for exploration and development costs.

Depreciation, depletion and amortization of the capitalized costs of risk service contract oil and gas properties is calculated using a depletion factor calculated as the ratio of value of the applicable crude oil production for the period to the total capitalized costs to be recovered.

Depreciation of assets not directly associated with oil production is calculated on a straight-line basis over the economic lives of such assets, estimated to be in the following ranges:

| | |
|-----------------------------|------------|
| Buildings and constructions | 5–40 years |
| Machinery and equipment | 5–20 years |

Production and related overhead costs are expensed as incurred.

In addition to production assets, certain Group companies also maintain and construct social assets for the use of local communities. Such assets are capitalized only to the extent that they are expected to result in future economic benefits to the Group. If capitalized, they are depreciated over their estimated economic lives.

Significant unproved properties are assessed for impairment individually on a regular basis and any estimated impairment is charged to expense.

Asset retirement obligations

The Group records the fair value of liabilities related to its legal obligations to abandon, dismantle or otherwise retire tangible long-lived assets in the period in which the liability is incurred. A corresponding increase in the carrying amount of the related long-lived asset is also recorded. Subsequently, the liability is accreted for the passage of time and the related asset is depreciated using the unit-of-production method.

Goodwill and other intangible assets

Goodwill represents the excess of the cost of an acquired entity over the fair value of net assets acquired. It is assigned to reporting units as of the acquisition date. Goodwill is not amortized, but is tested for impairment at least on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The impairment test requires assessing qualitative factors and then, if it is necessary, estimating the fair value of a reporting unit and comparing it with its carrying amount, including goodwill assigned to the reporting unit. If the estimated fair value of the reporting unit is less than its net carrying amount, including goodwill, then the goodwill is written down to its implied fair value.

Intangible assets with indefinite useful lives are tested for impairment at least annually. Intangible assets that have limited useful lives are amortized on a straight-line basis over the shorter of their useful or legal lives.

Impairment of long-lived assets

Long lived assets, such as oil and gas properties (other than unproved properties), other property, plant, and equipment, and purchased intangibles subject to amortization, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to the estimated undiscounted future cash flows expected to be generated by that group. If the carrying amount of an asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by writing down the carrying amount to the estimated fair value of the asset group, generally determined as discounted future net cash flows. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

Income taxes

Deferred income tax assets and liabilities are recognized in respect of the future tax consequences attributable to temporary differences between the carrying amounts of existing assets and liabilities for the purposes of the consolidated financial statements and their respective

tax bases and in respect of operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse and the assets be recovered and liabilities settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in profit or loss in the reporting period which includes the enactment date.

The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income in the reporting periods in which the originating expenditure becomes deductible. In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that the deferred income tax assets will be realized. In making this assessment, management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies.

An income tax position is recognized only if the uncertain position is more likely than not of being sustained upon examination, based on its technical merits. A recognized income tax position is measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties relating to income tax in income tax expense.

Interest-bearing borrowings

Interest-bearing borrowings from third parties (except convertible notes) are initially recorded at the value of net proceeds received. Any difference between the net proceeds and the redemption value is amortized at a constant rate over the term of the borrowing. Amortization is included in profit or loss and the carrying amounts are adjusted as amortization accumulates.

For borrowings from related parties (except convertible notes) issued with an interest rate lower than the market interest rate, the Group determines book value using a market interest rate at the moment the borrowing is made. The resulting difference is allocated to additional paid-in capital and is amortized at a constant rate over the term of the borrowings. Amortization is included in profit or loss each period and the carrying amounts are adjusted as amortization accumulates.

For convertible notes issued with a cash conversion option, the Group allocates the proceeds from issuance between a liability component and an equity component. The Group records the equity component at an amount equal to the difference between the proceeds received and the fair value of the liability component, measured as the fair value of a similar liability that does not have an associated equity component. The Group recognizes the interest cost in subsequent periods at its borrowing rate for non-convertible debt.

If borrowings are repurchased or settled before maturity, any difference between the amount paid and the carrying amount is recognized in profit or loss in the period in which the repurchase or settlement occurs.

Pension benefits

The expected costs in respect of pension obligations of Group companies are determined by management based on the amount of pension obligations for the previous financial year calculated by an independent actuary. Obligations in respect of each employee are accrued over the periods during which the employee renders service in the Group.

Treasury stock

Purchases by Group companies of the Company's outstanding stock are recorded at cost and classified as treasury stock within Stockholders' equity. Shares shown as Authorized and Issued include treasury stock. Shares shown as Outstanding do not include treasury stock.

Earnings per share

Basic earnings per share is computed by dividing net income available for distribution to common stockholders of the Company by the weighted-average number of shares of common stock outstanding during the reporting period. A calculation is carried out to establish if there is potential dilution in earnings per share if convertible securities were to be converted into shares of common stock or contracts to issue shares of common stock were to be exercised. If there is such dilution, diluted earnings per share is presented.

Contingencies

Certain conditions may exist as of the balance sheet date, which may result in losses to the Group but the impact of which will only be resolved when one or more future events occur or fail to occur.

If a Group company's assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability is accrued and charged to profit or loss. If the assessment indicates that a potentially material loss is not probable, but is reasonably possible, or is probable, but cannot be reasonably estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, is disclosed in the notes to the consolidated financial statements. Loss contingencies considered remote or related to unasserted claims are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed.

Environmental expenditures

Estimated losses from environmental remediation obligations are generally recognized no later than completion of remedial feasibility studies. Group companies accrue for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Such accruals are adjusted as further information becomes available or circumstances change.

Costs of expected future expenditures for environmental remediation obligations are not discounted to their present value.

Use of derivative instruments

The Group's derivative activity is limited to certain petroleum products' marketing and trading operations and hedging of commodity price risks. Currently this activity involves the use of futures and swaps contracts together with purchase and sale contracts that qualify as derivative instruments. The Group accounts for these activities under the mark-to-market methodology in which the derivatives are revalued each accounting period. Resulting realized and unrealized gains or losses are presented in profit or loss on a net basis. Unrealized gains and losses are carried as assets or liabilities on the consolidated balance sheet.

Share-based payments

The Group accounts for liability classified share-based payment awards to employees at fair value on the grant date and as of each reporting date. Expenses are recognized over the vesting period. Equity classified share-based payment awards to employees are valued at fair value on the grant date and expensed over the vesting period.

Comparative amounts

Certain prior period amounts have been reclassified to conform with the current period's presentation.

Changes in accounting policy

In April 2014, the FASB issued ASU No. 2014-08, "[Presentation of Financial Statements \(Topic 205\) and Property, Plant, and Equipment \(Topic 360\). Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity](#)," which changes the requirements for reporting discontinued operations in Subtopic 205-20. This ASU defines that only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results will be reported as discontinued operations in the financial statements. ASU No. 2014-08 is effective for annual reporting periods beginning after December 15, 2014, and interim periods within those annual periods but early adoption is permitted. The Group adopted the requirements of ASU No. 2014-08 starting from the first quarter of 2014. This adoption did not have a material impact on the Group's results of operations, financial position or cash flows and did not require additional disclosures.

In July 2013, the FASB issued ASU No. 2013-11, "[Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists](#)," which clarifies Topic 740 of the Codification. This ASU states that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax

credit carryforward. ASU No. 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Group adopted the requirements of ASU No. 2013-11 starting from the first quarter of 2014. This adoption did not have a material impact on the Group's results of operations, financial position or cash flows and did not require additional disclosures.

In March 2013, the FASB issued ASU No. 2013-05, "*Foreign Currency Matters (Topic 830)*," that requires entities to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income when a reporting entity ceases to have financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. Additionally, the amendments in this ASU clarify that the sale of an investment in a foreign entity includes both events that result in the loss of a controlling financial interest in a foreign entity and events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment should be released into net income upon occurrence of those events. ASU No. 2013-05 is effective for annual reporting periods beginning after December 15, 2013, and interim periods within those annual periods. The Group adopted the requirements of ASU No. 2013-05 starting from the first quarter of 2014. This adoption did not have a material impact on the Group's results of operations, financial position or cash flows.

Recent accounting pronouncements

In June 2014, the FASB issued ASU No. 2014-12, "*Compensation – Stock Compensation (Topic 718)*," that clarifies issues regarding accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. This ASU requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Entities should apply Topic 718 to awards with performance conditions that affect vesting. ASU No. 2014-12 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those annual periods and can be applied prospectively or retrospectively. The Group is evaluating the effect of the adoption of ASU No. 2014-12 on its results of operations, financial position and cash flows.

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*," that introduces new principles of revenue recognition and will replace the existing guidance. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Group is evaluating the effect of the adoption of ASU No. 2014-09 and has not yet selected a transition method.

► NOTE 3. CASH AND CASH EQUIVALENTS

| | As of December 31, 2014 | As of December 31, 2013 |
|--|----------------------------|----------------------------|
| Cash held in Russian rubles | 993 | 260 |
| Cash held in US dollars | 1,344 | 1,120 |
| Cash held in other currencies | 333 | 241 |
| Cash held in related party banks in Russian rubles | 311 | 78 |
| Cash held in related party banks in other currencies | 23 | 13 |
| Total cash and cash equivalents | 3,004 | 1,712 |

► NOTE 4.
NON-CASH TRANSACTIONS

The consolidated statement of cash flows excludes the effect of non-cash transactions, which are described in the following table:

| | Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Non-cash investing activity | 25 | 5 | 18 |
| Total non-cash transactions | 25 | 5 | 18 |

The following table shows the effect of non-cash transactions on investing activity:

| | Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Net cash used in investing activity | 14,643 | 18,639 | 13,216 |
| Non-cash investing activity | 25 | 5 | 18 |
| Total investing activity | 14,668 | 18,644 | 13,234 |

► NOTE 5.
ACCOUNTS RECEIVABLE, NET

| | As of December 31, 2014 | As of December 31, 2013 |
|---|----------------------------|----------------------------|
| Trade accounts receivable (net of provisions of \$215 million and \$217 million as of December 31, 2014 and 2013, respectively) | 7,004 | 6,030 |
| Current VAT and excise recoverable | 778 | 1,518 |
| Other current accounts receivable (net of provisions of \$36 million and \$53 million as of December 31, 2014 and 2013, respectively) | 1,431 | 395 |
| Total accounts receivable, net | 9,213 | 7,943 |

► NOTE 6.
INVENTORIES

| | As of December 31, 2014 | As of December 31, 2013 |
|---------------------------------------|----------------------------|----------------------------|
| Crude oil and petroleum products | 5,220 | 7,461 |
| Materials for extraction and drilling | 306 | 411 |
| Materials and supplies for refining | 77 | 110 |
| Other goods, materials and supplies | 551 | 819 |
| Total inventories | 6,154 | 8,801 |

► NOTE 7.
INVESTMENTS

| | As of December 31, 2014 | As of December 31, 2013 |
|--|----------------------------|----------------------------|
| Investments in equity method affiliates and joint ventures | 3,297 | 2,872 |
| Long-term loans to equity method affiliates and joint ventures | 1,494 | 1,369 |
| Other long-term investments | 17 | 14 |
| Total long-term investments | 4,808 | 4,255 |

Investments in equity method affiliates and corporate joint ventures

The summarized financial information below is in respect of equity method affiliates and corporate joint ventures. The companies are

primarily engaged in crude oil exploration, production, marketing and distribution operations in the Russian Federation, crude oil production and marketing in Kazakhstan, and refining operations in Europe.

| | Year ended December 31, 2014 | | Year ended December 31, 2013 | | Year ended December 31, 2013 | |
|----------------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|
| | Total | Group's share | Total | Group's share | Total | Group's share |
| Revenues | 26,498 | 2,458 | 29,821 | 3,011 | 29,618 | 4,160 |
| Income before income taxes | 13,930 | 842 | 13,572 | 848 | 13,617 | 945 |
| Less income taxes | (5,476) | (290) | (4,414) | (273) | (5,387) | (427) |
| Net income | 8,454 | 552 | 9,158 | 575 | 8,230 | 518 |

| | As of December 31, 2014 | | As of December 31, 2013 | |
|-------------------------------|----------------------------|------------------|----------------------------|------------------|
| | Total | Group's share | Total | Group's share |
| Current assets | 6,001 | 863 | 6,352 | 924 |
| Property, plant and equipment | 24,206 | 4,494 | 21,105 | 4,260 |
| Other non-current assets | 522 | 139 | 572 | 169 |
| Total assets | 30,729 | 5,496 | 28,029 | 5,353 |
| Short-term debt | 426 | 233 | 1,241 | 334 |
| Other current liabilities | 2,529 | 345 | 3,525 | 454 |
| Long-term debt | 9,424 | 1,433 | 7,949 | 1,409 |
| Other non-current liabilities | 730 | 188 | 1,574 | 284 |
| Net assets | 17,620 | 3,297 | 13,740 | 2,872 |

► NOTE 8.

PROPERTY, PLANT AND EQUIPMENT AND ASSET RETIREMENT OBLIGATIONS

| | At cost | | Net | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | As of December 31, 2014 | As of December 31, 2013 | As of December 31, 2014 | As of December 31, 2013 |
| Exploration and Production: | | | | |
| Russia | 77,661 | 72,944 | 50,505 | 47,957 |
| International | 12,648 | 12,770 | 8,102 | 10,052 |
| Total | 90,309 | 85,714 | 58,607 | 58,009 |
| Refining, Marketing, Distribution and Chemicals: | | | | |
| Russia | 17,859 | 14,684 | 11,001 | 8,631 |
| International | 10,840 | 10,577 | 7,406 | 7,274 |
| Total | 28,699 | 25,261 | 18,407 | 15,905 |
| Power generation and other: | | | | |
| Russia | 5,892 | 5,655 | 4,162 | 4,285 |
| International | 457 | 411 | 291 | 267 |
| Total | 6,349 | 6,066 | 4,453 | 4,552 |
| Total property, plant and equipment | 125,357 | 117,041 | 81,467 | 78,466 |

The Company performs a regular annual impairment test of its assets. The test is based on geological models and development programs, which are revised on a regular basis, at least annually. The fair value of tested assets is determined using the present value of the expected cash flows. Fair value measurements models used in the impairment tests were Level 3 (unobservable inputs) fair value measurements.

As a result of the test, during the year ended December 31, 2014, the Company recognized an impairment loss for its exploration and production assets in Russia in the amount of \$900 million, including \$761 million related to the Tsentralno-Astrakhanskoe gas-condensate field in the European part of Russia. An impairment loss of \$197 million relates to its international exploration and production assets. These losses were recognized due to adverse changes in the economic environment and the sharp decrease in oil prices. An impairment loss of \$114 million was recognized in the refining, marketing and distribution segment due to changes in the economic environment.

As a result of the test, during the year ended December 31, 2013, the Company recognized an impairment loss for its exploration and production assets in the amount of \$941 million, including \$510 million related to the Yuzhnoye Khylychuyu oil field in the Timan-Pechora region of the Russian Federation, due to a revision of geological models. An impairment loss of \$178 million was recognized in the refining, marketing and distribution segment due to unfavorable market conditions. The Company recognized an impairment loss for assets of OOO Karpatnaftochim, a petrochemical plant in Ukraine, in the amount of \$411 million due to unfavorable economic conditions. The Company also recognized an impairment loss for assets of OOO LUKOIL-Ecoenergo, a power generating company in European Russia, in the amount of \$270 million due to unfavorable market conditions in the energy sector in Southern Russia.

The following table sets out values of property, plant and equipment measured at fair value on a nonrecurring basis in periods subsequent to their initial recognition:

| | Fair value | Level 3 fair value measurements | Before-tax loss |
|-------------------------------------|------------|------------------------------------|-----------------|
| Year ended December 31, 2014 | | | |
| Property, plant and equipment | 133 | 133 | 1,211 |
| Year ended December 31, 2013 | | | |
| Property, plant and equipment | 374 | 374 | 1,800 |
| Year ended December 31, 2012 | | | |
| Property, plant and equipment | - | - | - |

As of December 31, 2014 and 2013, the asset retirement obligations amounted to \$1,579 million and \$2,769 million of which \$6 million and \$5 million were included in "Other current liabilities" in the consolidated balance sheets.

During 2014 and 2013, asset retirement obligations changed as follows:

| | 2014 | 2013 |
|---|--------------|--------------|
| Asset retirement obligations as of January 1 | 2,769 | 2,200 |
| Accretion expense | 228 | 181 |
| New obligations | 53 | 814 |
| Changes in estimates of existing obligations | (353) | (270) |
| Spending on existing obligations | (11) | (4) |
| Property dispositions | (5) | (2) |
| Foreign currency translation and other adjustments | (1,102) | (150) |
| Asset retirement obligations as of December 31 | 1,579 | 2,769 |

The asset retirement obligations incurred during 2014 and 2013 were Level 3 (unobservable inputs) fair value measurements.

► NOTE 9.

SUSPENDED WELLS

Net changes in capitalized exploratory suspended well costs during 2014, 2013 and 2012 were as follows:

| | 2014 | 2013 | 2012 |
|--|-----------|------------|------------|
| Balance as of January 1 | 470 | 524 | 542 |
| Additions pending the determination of proved reserves | 12 | 62 | 25 |
| Charged to expenses | (404) | (92) | - |
| Reclassification to proved properties | (12) | (24) | (43) |
| Balance as of December 31 | 66 | 470 | 524 |

► NOTE 10.

GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying value of goodwill and other intangible assets as of December 31, 2014 and 2013 was as follows:

| | As of December 31, 2014 | As of December 31, 2013 |
|---|----------------------------|----------------------------|
| Amortized intangible assets | | |
| Software | 332 | 382 |
| Licenses and other assets | 257 | 311 |
| Goodwill | 604 | 607 |
| Total goodwill and other intangible assets | 1,193 | 1,300 |

All goodwill relates to the refining, marketing and distribution segment. In 2014, as a result of finalization of valuation process the Group recognized goodwill of \$16 million related to distribution companies acquired in 2013. The value of goodwill was based on the value of assets determined by the independent appraiser. As result of an increase of political and economic instability in Ukraine during 2014, the Group recognized an impairment loss of \$19 million with respect to goodwill relating to LUKOIL Ukraine, a distribution company operating in Ukraine.

► NOTE 11.

ASSETS HELD FOR SALE

On April 15, 2014, a Group company entered into a contract with a Sinopec group company, to sell for \$1.2 billion the Group's 50% interest in Caspian Investment Resources Ltd., an exploration and production company operating in Kazakhstan. As of December 31, 2014, the Group has classified the associated assets and liabilities as

"held for sale" in the consolidated balance sheet. "Assets held for sale" include property, plant and equipment of \$1,137 million, cash and cash equivalents of \$398 million, other current assets of \$181 million and other non-current assets of \$36 million. "Liabilities related to assets held for sale" include current liabilities of \$90 million and non-current liabilities of \$176 million, consisting primarily of long-term debt and accounts payable, directly related to and to be transferred with the assets held for sale. As of December 31, 2014, the Group recognized an impairment loss related to assets held for sale amounting to \$358 million. Assets and liabilities held for sale relate to the exploration and production segment. Subsequent to December 31, 2014, Sinopec group company failed to close the sale and purchase under the contract, arguing that the conditions precedent had not been satisfied by the agreed longstop date of January 15, 2015. The Group contends that those conditions precedent were satisfied prior to the longstop date. On February 9, 2015, the Group company commenced arbitration proceedings in London against Sinopec group companies seeking damages. The quantum of that claim remains to be determined.

► NOTE 12.

SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM DEBT

| | As of December 31, 2014 | As of December 31, 2013 |
|--|----------------------------|----------------------------|
| Short-term borrowings from third parties | 323 | 124 |
| Short-term borrowings from related parties | 84 | 32 |
| Current portion of long-term debt | 1,761 | 1,182 |
| Total short-term borrowings and current portion of long-term debt | 2,168 | 1,338 |

Short-term borrowings from third parties include amounts repayable in US dollars of \$230 million and \$66 million and amounts repayable in other currencies of \$93 million and \$58 million as of December 31, 2014 and 2013, respectively. The weighted-average interest rate on

short-term borrowings from third parties was 4.44% and 4.71% per annum as of December 31, 2014 and 2013, respectively. Approximately 56% of total short-term borrowings from third parties are secured by inventories.

► NOTE 13.
LONG-TERM DEBT

| | As of December 31, 2014 | As of December 31, 2014 |
|--|----------------------------|----------------------------|
| Long-term loans and borrowings from third parties (including loans from banks in the amount of \$5,897 million and \$2,660 million as of December 31, 2014 and 2013, respectively) | 5,898 | 2,662 |
| 6.375% non-convertible US dollar bonds, maturing 2014 | – | 899 |
| 2.625% convertible US dollar bonds, maturing 2015 | 1,488 | 1,462 |
| 6.356% non-convertible US dollar bonds, maturing 2017 | 500 | 500 |
| 3.416% non-convertible US dollar bonds, maturing 2018 | 1,500 | 1,500 |
| 7.250% non-convertible US dollar bonds, maturing 2019 | 597 | 597 |
| 6.125% non-convertible US dollar bonds, maturing 2020 | 998 | 998 |
| 6.656% non-convertible US dollar bonds, maturing 2022 | 500 | 500 |
| 4.563% non-convertible US dollar bonds, maturing 2023 | 1,500 | 1,500 |
| Capital lease obligations | 141 | 47 |
| Total long-term debt | 13,122 | 10,665 |
| Current portion of long-term debt | (1,761) | (1,182) |
| Total non-current portion of long-term debt | 11,361 | 9,483 |

Long-term loans and borrowings

Long-term loans and borrowings from third parties include amounts repayable in US dollars of \$4,121 million and \$2,121 million, amounts repayable in euros of \$640 million and \$521 million, amounts repayable in Russian rubles of \$1,121 million and \$1 million and amounts repayable in other currencies of \$16 million and \$19 million as of December 31, 2014 and 2013, respectively. This debt has maturity dates from 2015 through 2024. The weighted-average interest rate on long-term loans and borrowings from third parties was 4.65% and 2.94% per annum as of December 31, 2014 and 2013, respectively. A number of long-term loan agreements contain certain financial covenants which are being met by the Group. Approximately 8% of total long-term loans and borrowings from third parties are secured by export sales and property, plant and equipment.

The Company has an unsecured loan agreement with Sberbank with an outstanding amount of \$1,500 million as of December 31, 2014, maturing in 2018. Borrowings under this agreement bear interest at twelve month LIBOR plus 2.50% per annum.

The Company has an unsecured loan agreement with Sberbank denominated in Russian rubles with an outstanding amount of RUB 63 billion (\$1,120 million) as of December 31, 2014, maturing in 2017. Borrowings under this agreement bear interest at 12.66% per annum as of December 31, 2014.

A Group company has an unsecured loan agreement with Citibank and J.P. Morgan Limited with an outstanding amount of \$1,000 million

as of December 31, 2014, maturing in 2017. Borrowings under this agreement bear interest at three month LIBOR plus 1.75% per annum.

The Group company has an unsecured loan agreement with ING Bank, a branch of ING-DIBA AG, Societe Generale, UniCredit Bank Austria AG, UniCredit S.p.A. and BNP Paribas Fortis SA/NV with an outstanding amount of \$511 million as of December 31, 2014, maturing up to 2023. Borrowings under this agreement bear interest at six month EURIBOR plus 2.50% per annum.

The Company has an unsecured loan agreement with Sberbank with an outstanding amount of \$500 million as of December 31, 2014, maturing in 2021. Borrowings under this agreement bear interest at twelve month LIBOR plus 2.75% per annum.

The Company has an unsecured loan agreement with Promsvyazbank with an outstanding amount of \$300 million as of December 31, 2014, maturing in 2019. Borrowings under this agreement bear interest at three month LIBOR plus 2.75% per annum.

The Company has an unsecured loan agreement with UniCredit bank with an outstanding amount of \$300 million as of December 31, 2014, maturing in 2019. Borrowings under this agreement bear interest at three month LIBOR plus 2.90% per annum.

A Group company has a secured loan agreement with Asian Development bank, BNP Paribas (Suisse), Credit Agricole Corporate and Investment bank, the Korea Development bank and Islamic Development bank with an outstanding amount of \$200 million as of December 31, 2014,

maturing up to 2017. Borrowings under this agreement, depending on the tranche, bear interest at a floating rate of three month LIBOR plus 3.00%, three month LIBOR plus 4.50% or a fixed rate of 6.08% per annum.

A Group company has a secured loan agreement with the European Bank for Reconstruction and Development with an outstanding amount of \$180 million as of December 31, 2014, maturing up to 2019. Borrowings under this agreement bear interest at six month LIBOR plus 1.50% per annum.

As of December 31, 2014, the Group has a number of other loan agreements with a number of banks and other organizations totaling \$287 million, maturing up to 2024. The weighted average interest rate under these loans was 1.48% per annum.

US dollar convertible bonds

In December 2010, a Group company issued unsecured convertible bonds totaling \$1.5 billion with a coupon yield of 2.625% and maturity in June 2015. The bonds were placed at face value. The bonds are convertible into LUKOIL ADRs (each representing one ordinary share of the Company) and as of December 31, 2014 had a conversion price of \$69.39 per ADR. Bondholders have the right to convert the bonds into LUKOIL ADRs during the period starting from 40 days after the issue date and ending 6 dealing days before the maturity date. The issuer has the right to redeem the bonds starting from December 31, 2013.

US dollar non-convertible bonds

In April 2013, a Group company issued two tranches of non-convertible bonds totaling \$3 billion. The first tranche totaling \$1.5 billion was placed with a maturity of 5 years and a coupon yield of 3.416% per annum. The second tranche totaling \$1.5 billion was placed with a maturity of 10 years and a coupon yield of 4.563% per annum. All bonds were placed at face value and have a half year coupon period.

In November 2010, a Group company issued two tranches of non-convertible bonds totaling \$1 billion with a maturity of 10 years and a coupon yield of 6.125%. The first tranche totaling \$800 million was placed at a price of 99.081% of the bond's face value with a resulting yield to maturity of 6.250%. The second tranche totaling \$200 million was placed at a price of 102.44% of the bond's face value with a resulting yield to maturity of 5.80%. All bonds have a half year coupon period.

In November 2009, a Group company issued two tranches of non-convertible bonds totaling \$1.5 billion. The first tranche totaling \$900 million with a coupon yield of 6.375% per annum was placed with a maturity of 5 years at a price of 99.474% of the bond's face value with a resulting yield to maturity of 6.500%. The second tranche totaling \$600 million with a coupon yield of 7.250% per annum was placed with a maturity of 10 years at a price of 99.127% of the bond's face value with a resulting yield to maturity of 7.375%. All bonds

have a half year coupon period. In November 2014, a Group company redeemed all issued bonds of the first tranche in accordance with the conditions of the bond issue.

In June 2007, a Group company issued non-convertible bonds totaling \$1 billion. \$500 million were placed with a maturity of 10 years and a coupon yield of 6.356% per annum. Another \$500 million were placed with a maturity of 15 years and a coupon yield of 6.656% per annum. All bonds were placed at face value and have a half year coupon period.

Maturities of long-term debt

Annual maturities of total long-term debt during the next five years, including the portion classified as current, are \$1,761 million in 2015, \$267 million in 2016, \$2,820 million in 2017, \$3,158 million in 2018, \$1,319 million in 2019 and \$3,797 million thereafter.

► NOTE 14.

TAXES

The Group is taxable in a number of jurisdictions within and outside of the Russian Federation and, as a result, is subject to a variety of taxes as established under the statutory provisions of each jurisdiction.

The total cost of taxation to the Group is reported in the consolidated statements of comprehensive income as "Total income tax expense" for income taxes, as "Excise and export tariffs" for excise taxes, export tariffs and petroleum products sales taxes and as "Taxes other than income taxes" for other types of taxation. In each category taxation is made up of taxes levied at various rates in different jurisdictions.

Operations in the Russian Federation are subject to a Federal income tax rate of 2.0% and a regional income tax rate that varies from 13.5% to 18.0% at the discretion of the individual regional administration. The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

As of January 1, 2014 and 2013, and during 2014, 2013 and 2012, the Group did not have any unrecognized tax benefits with respect to uncertain tax positions and thus, no interest and penalties related to unrecognized tax benefits were accrued.

The Company and its Russian subsidiaries file income tax returns in Russia. With a few exceptions, income tax returns in Russia are open to examination by the Russian tax authorities for tax years beginning in 2012. A number of Group companies in Russia are paying income tax as a consolidated taxpayers' group ("CTG"). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG.

OA O LUKOIL Notes to Consolidated Financial Statements
(Millions of US dollars, unless otherwise noted)

Domestic and foreign components of income before income taxes were:

| | Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Domestic | 8,294 | 11,387 | 12,458 |
| Foreign | (1,522) | (929) | 1,265 |
| Income before income taxes | 6,772 | 10,458 | 13,723 |

Domestic and foreign components of income taxes were:

| | Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Current | | | |
| Domestic | 2,479 | 1,608 | 2,178 |
| Foreign | 397 | 443 | 560 |
| Current income taxes | 2,876 | 2,051 | 2,738 |
| Deferred | | | |
| Domestic | (446) | 804 | 131 |
| Foreign | (372) | (24) | (71) |
| Deferred income taxes | (818) | 780 | 60 |
| Total income tax expense | 2,058 | 2,831 | 2,798 |

The following table is a reconciliation of the amount of income tax expense that would result from applying the Russian combined statutory income tax rate of 20% applicable to the Company to income before income taxes to total income taxes:

| | Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Income before income taxes | 6,772 | 10,458 | 13,723 |
| Notional income tax at the Russian statutory rate | 1,354 | 2,091 | 2,745 |
| Increase (reduction) in income tax due to: | | | |
| Non-deductible items, net | 1,567 | 900 | 227 |
| Foreign rate differences | (60) | (67) | (60) |
| Domestic regional rate differences | (231) | (242) | (311) |
| Change in valuation allowance | (572) | 149 | 197 |
| Total income tax expense | 2,058 | 2,831 | 2,798 |

Taxes other than income taxes were:

| | Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Mineral extraction tax | 11,647 | 12,410 | 12,354 |
| Social taxes and contributions | 586 | 640 | 604 |
| Property tax | 502 | 571 | 535 |
| Other taxes and contributions | 157 | 182 | 173 |
| Taxes other than income taxes | 12,892 | 13,803 | 13,666 |

Deferred income taxes are included in the consolidated balance sheets as follows:

| | As of December 31, 2014 | As of December 31, 2013 |
|---|----------------------------|----------------------------|
| Other current assets | 77 | 71 |
| Deferred income tax assets – non-current | 725 | 684 |
| Other current liabilities | (152) | (325) |
| Deferred income tax liabilities – non-current | (2,778) | (4,724) |
| Net deferred income tax liability | (2,128) | (4,294) |

The following table sets out the tax effects of each type of temporary differences which give rise to deferred income tax assets and liabilities:

| | As of December 31, 2014 | As of December 31, 2013 |
|--|----------------------------|----------------------------|
| Accounts receivable | 5 | 4 |
| Long-term liabilities | 292 | 539 |
| Inventories | 32 | 9 |
| Property, plant and equipment | 268 | 311 |
| Accounts payable | 2 | 4 |
| Long-term investments | 7 | – |
| Operating loss carry forwards | 806 | 1,003 |
| Other | 90 | 128 |
| Total gross deferred income tax assets | 1,502 | 1,998 |
| Less valuation allowance | (327) | (899) |
| Deferred income tax assets | 1,175 | 1,099 |
| Property, plant and equipment | (3 028) | (4 911) |
| Accounts payable | – | (24) |
| Accounts receivable | (2) | (5) |
| Long-term liabilities | (33) | (33) |
| Inventories | (61) | (107) |
| Investments | (38) | (53) |
| Other | (141) | (260) |
| Deferred income tax liabilities | (3,303) | (5,393) |
| Net deferred income tax liability | (2,128) | (4,294) |

As of December 31, 2014, retained earnings of foreign subsidiaries included \$22,021 million for which deferred taxation has not been provided because remittance of the earnings has been indefinitely postponed through reinvestment and, as a result, such amounts are considered to be indefinitely invested. It is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

In accordance with Topic 830, “*Foreign currency matters*” of the Codification and Topic 740, “*Income Taxes*” of the Codification deferred tax assets and liabilities are not recognized for the changes in exchange rate effects resulting from the translation of transactions and balances

from the Russian ruble to the US dollar using historical exchange rates. Also, in accordance with Topic 740 of the Codification, no deferred tax assets or liabilities are recognized for the effects of the related statutory indexation of property, plant and equipment.

Based upon the levels of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management believes it is more likely than not that Group companies will realize the benefits of the deductible temporary differences and loss carry forwards, net of existing valuation allowances as of December 31, 2014 and 2013.

As of December 31, 2014, the Group had operating loss carry forwards of \$3,742 million of which \$9 million expire during 2015, \$107 million expire during 2016, \$143 million expire during 2017, \$68 million expire during 2018, \$263 million expire during 2019, \$197 million expire during 2020, \$49 million expire during 2021, \$5 million expire during 2037 and \$2,901 million have an indefinite carry forward.

► NOTE 15.
PENSION BENEFITS

The Group sponsors a postretirement defined benefit pension program that covers the majority of the Group's employees. One type of pension plan is based on years of service, final remuneration levels as of the end of 2003 and employee gratitude, received during the period of work.

The other type of pension plan is based on the salary. These plans are solely financed by Group companies. Simultaneously employees have the right to receive pension benefits with a partial payment by the Group (up to 4% of the annual salary of the employee). Plan assets and pensions payoffs are managed by a non-state pension fund, LUKOIL-GARANT. The Group also provides several long-term social benefits, including lump-sum death-in-service benefit, in case of disability and upon retirement payments. Also certain payments are received by retired employees upon reaching a certain old age or invalidity.

The Company uses December 31 as the measurement date for its post employment and post retirement benefits program. An independent actuary has assessed the benefit obligations as of December 31, 2014 and 2013.

The following table provides information about the benefit obligations and plan assets as of December 31, 2014 and 2013. The benefit obligations below represent the projected benefit obligation of the pension plan.

| | 2014 | 2013 |
|--|------------|------------|
| Benefit obligations | | |
| Benefit obligations as of January 1 | 294 | 294 |
| Effect of exchange rate changes | (119) | (21) |
| Service cost | 15 | 18 |
| Interest cost | 18 | 21 |
| Plan amendments | 2 | 5 |
| Actuarial loss | (15) | (12) |
| Benefits paid | (33) | (40) |
| Curtailement gain | (2) | (3) |
| Other | - | 32 |
| Benefit obligations as of December 31 | 160 | 294 |
| Plan assets | | |
| Fair value of plan assets as of January 1 | 120 | 120 |
| Effect of exchange rate changes | (54) | (9) |
| Return on plan assets | 6 | 6 |
| Employer contributions | 40 | 43 |
| Benefits paid | (33) | (40) |
| Fair value of plan assets as of December 31 | 79 | 120 |
| Funded status | (81) | (174) |
| Amounts recognized in the consolidated balance sheet as of December 31, 2014 and 2013 | | |
| Accrued benefit liabilities included in "Other long-term liabilities" | (70) | (157) |
| Accrued benefit liabilities included in "Other current liabilities" | (11) | (17) |

Weighted average assumptions used to determine benefit obligations as of December 31, 2014 and 2013:

| | 2014 | 2013 |
|-------------------------------|--------|-------|
| Discount rate | 13.00% | 7.70% |
| Rate of compensation increase | 9.65% | 7.12% |

Weighted average assumptions used to determine net periodic benefit costs for the year ended December 31, 2014 and 2013:

| | 2014 | 2013 |
|--|-------|-------|
| Discount rate | 7.70% | 7.10% |
| Rate of compensation increase | 7.12% | 7.10% |
| Expected rate of return on plan assets | 7.70% | 8.14% |

Included in accumulated other comprehensive loss as of December 31, 2014 and 2013, are the following after-tax amounts that have not yet been recognized in net periodic benefit cost:

| | 2014 | 2013 |
|--------------------|-----------|-----------|
| Prior service cost | 43 | 51 |
| Net loss | 5 | 15 |
| Total costs | 48 | 66 |

Amounts recognized in other comprehensive loss during the years ended December 31, 2014 and 2013:

| | 2014 | 2013 |
|---|-------------|-------------|
| Additional gain arising during the period | (10) | (6) |
| Additional prior service cost from plan amendment | 2 | 4 |
| Re-classified prior service cost amortization | (10) | (12) |
| Net amount recognized for the period | (18) | (14) |

The real returns on bonds and equities are based on what is observed in the international markets over extended periods of time. In the calculation of the expected return on assets no use is made of the historical returns LUKOIL-GARANT has achieved.

In addition to the plan assets, LUKOIL-GARANT holds assets in the form of an insurance reserve. The purpose of this insurance reserve is to satisfy pension obligations should the plan assets not be sufficient to

meet pension obligations. The Group's contributions to the pension plan are determined without considering the assets in the insurance reserve.

The plans are funded on a discretionary basis through a solidarity account, which is held in trust with LUKOIL-GARANT. LUKOIL-GARANT does not allocate separately identifiable assets to the Group or its other third party clients. All funds of plan assets and other individual pension accounts are managed as a pool of investments.

The asset allocation of the investment portfolio maintained by LUKOIL-GARANT for the Group and its clients was as follows:

| Type of assets | As of December 31, 2014 | As of December 31, 2013 |
|----------------------------|-------------------------|-------------------------|
| Eurobonds | 7% | 7% |
| Russian corporate bonds | 66% | 25% |
| Bank deposits | 9% | 54% |
| Shares in investment funds | 8% | 12% |
| Cash | 9% | 1% |
| Other assets | 1% | 1% |
| | 100% | 100% |

The investment strategy employed by LUKOIL-GARANT includes an overall goal to attain a maximum investment return, while guaranteeing the principal amount invested. The strategy is to invest with a medium-term perspective while maintaining a level of liquidity through proper allocation of investment assets. Investment policies include rules and limitations to avoid concentrations of investments.

The investment portfolio is primarily comprised of investments: bank deposits and securities with fixed yield. The securities with fixed yield include mainly high yield corporate bonds with low and medium risk ratings. Maturities range from one to three years.

Components of net periodic benefit cost were as follows:

| | Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|--|------------------------------|------------------------------|------------------------------|
| Service cost | 15 | 18 | 14 |
| Interest cost | 18 | 21 | 19 |
| Less expected return on plan assets | (8) | (9) | (9) |
| Amortization of prior service cost | 13 | 15 | 13 |
| Curtailement gain | (2) | (2) | - |
| Total net periodic benefit cost | 36 | 43 | 37 |

Total employer contributions for 2015 are expected to be \$25 million. An amount of \$9 million before-tax is included in other comprehensive

income and expected to be recognized in the net periodic benefit cost in 2015.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

| | 2015 | 2016 | 2017 | 2018 | 2019 | 5-year period 2015–2019 | 5-year period 2020–2024 |
|---|-----------|-----------|-----------|-----------|-----------|-------------------------|-------------------------|
| Pension benefits | 14 | 10 | 10 | 10 | 10 | 54 | 43 |
| Other long-term employee benefits | 11 | 8 | 8 | 7 | 8 | 42 | 30 |
| Total expected benefits to be paid | 25 | 18 | 18 | 17 | 18 | 96 | 73 |

► NOTE 16.

STOCKHOLDERS' EQUITY

Common stock

| | As of December 31, 2014 (thousands of shares) | As of December 31, 2013 (thousands of shares) |
|--|---|---|
| Authorized and issued common stock, par value of 0.025 Russian rubles each | 850,563 | 850,563 |
| Treasury stock | (95,697) | (95,697) |
| Outstanding common stock | 754,866 | 754,866 |

Dividends and dividend limitations

Profits available for distribution to common stockholders in respect of any reporting period are determined by reference to the statutory financial statements of the Company prepared in accordance with the laws of the Russian Federation and denominated in Russian rubles. Under Russian Law, dividends are limited to the net profits of the reporting year as set out in the statutory financial statements of the Company. These laws and other legislative acts governing the rights of shareholders to receive dividends are subject to various interpretations.

The Company's net profits were 371,857 million Russian rubles, 209,871 million Russian rubles and 217,807 million Russian rubles respectively for 2014, 2013 and 2012, pursuant to the statutory financial statements, which at the US dollar exchange rates as of December 31, 2014, 2013 and 2012, amounted to \$6,610 million, \$6,412 million and \$7,171 million, respectively.

At the extraordinary stockholders' meeting on December 12, 2014, interim dividends for 2014 were declared in the amount of 60.00 RUB per common share, which at the date of the meeting was equivalent to \$1.10. Dividends payable of \$733 million and \$10 million are included in "Other current liabilities" in the consolidated balance sheets as of December 31, 2014 and 2013, respectively.

Total dividends for 2013 including interim dividends were declared in the amount of 110.00 Russian rubles per common share, which was equivalent to \$3.32. Total dividends for 2012 including interim dividends were declared in the amount of 90.00 Russian rubles per common share, which was equivalent to \$2.82.

Earnings per share

The calculation of basic and diluted earnings per share for these years was as follows:

| | Year ended December 31, 2014 | Year ended December 31, 2013 | Year ended December 31, 2012 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Net income | 4,746 | 7,832 | 11,004 |
| Add back interest and accretion on 2.625% convertible US dollar bonds, maturing 2015 (net of tax at effective rate) | 66 | 65 | 64 |
| Total diluted net income | 4,812 | 7,897 | 11,068 |
| Weighted average number of outstanding common shares (thousands of shares) | 754,866 | 754,866 | 760,588 |
| Add back treasury shares held in respect of convertible debt (thousands of shares) | 21,617 | 21,189 | 20,509 |
| Weighted average number of outstanding common shares, assuming dilution (thousands of shares) | 776,483 | 776,055 | 781,097 |
| Earnings per share of common stock attributable to OA O LUKOIL (US dollars): | | | |
| Basic | 6.29 | 10.38 | 14.47 |
| Diluted | 6.20 | 10.18 | 14.17 |

► NOTE 17.

FINANCIAL AND DERIVATIVE INSTRUMENTS

Fair value

The fair values of cash and cash equivalents (Level 1), current and long-term accounts receivable (Level 3) are approximately equal to their value as disclosed in the consolidated financial statements. The fair value of long-term receivables was determined by discounting with estimated market interest rates for similar financing arrangements.

The fair value of long-term debt differs from the carrying amount in the consolidated financial statements. The estimated fair value of long-term debt as of December 31, 2014 and 2013 was \$11,259 million and \$11,170 million, respectively. The fair value of long-term loans (Level 3) was determined as a result of discounting using estimated market interest rates for similar financing arrangements. These amounts include all future cash outflows associated with the long-term debt repayments, including the current portion and interest. Market interest rates mean the rates of raising long-term debt by companies with a similar credit rating for similar tenors, repayment schedules and similar other main terms. The fair value of bonds (Level 1) was determined based on market quotations as of December 31, 2014 and 2013, respectively.

During the year ended December 31, 2014, the Group did not have significant transactions or events that would result in nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

Derivative instruments

The Group uses financial and commodity-based derivative contracts to manage exposures to fluctuations in foreign currency exchange rates, commodity prices, or to exploit market opportunities. Since the Group is not currently using hedge accounting, defined by Topic 815, “*Derivative and hedging*,” of the Codification, all gains and losses, realized or unrealized, from derivative contracts have been recognized in profit or loss.

Topic 815 of the Codification requires purchase and sales contracts for commodities that are readily convertible to cash (e.g., crude oil, natural gas and gasoline) to be recorded on the balance sheet as derivatives unless the contracts are for quantities the Group expects to use or sell over a reasonable period in the normal course of business (i.e., contracts eligible for the normal purchases and normal sales exception). The Group does apply the normal purchases and normal sales exception to certain long-term contracts to sell oil products. This normal purchases and normal sales exception is applied to eligible crude oil and refined product commodity purchase and sales contracts. However, the Group may elect not to apply this exception (e.g., when another derivative instrument will be used to mitigate the risk of a purchase or sales contract but hedge accounting will not be applied; in which case both the purchase or sales contract and the derivative contract mitigating the resulting risk will be recorded on the balance sheet at fair value).

The fair value hierarchy for the Group’s derivative assets and liabilities accounted for at fair value on a recurring basis was:

| | As of December 31, 2014 | | | | As of December 31, 2013 | | | |
|---------------------------------|-------------------------|----------------|---------|----------------|-------------------------|--------------|---------|--------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | | | | |
| Commodity derivatives | – | 7,688 | – | 7,688 | – | 645 | – | 645 |
| Total assets | – | 7,688 | – | 7,688 | – | 645 | – | 645 |
| Liabilities | | | | | | | | |
| Commodity derivatives | – | (6,688) | – | (6,688) | – | (761) | – | (761) |
| Total liabilities | – | (6,688) | – | (6,688) | – | (761) | – | (761) |
| Net assets (liabilities) | – | 1,000 | – | 1,000 | – | (116) | – | (116) |

The derivative values above are based on an analysis of each contract as the fundamental unit of account as required by Topic 820, "Fair Value Measurements and Disclosures," of the Codification. Therefore, derivative assets and liabilities with the same counterparty are not reflected net where the legal right of offset exists. Gains or losses from contracts in one level may be offset by gains or losses on contracts in another level or by changes in values of physical contracts or positions that are not reflected in the table above.

Commodity derivatives are valued using quotations provided by brokers and price index developers. These quotes are corroborated with market data and are classified as Level 2 fair value measurements. Commodity derivatives are valued using industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic measures.

The fair value of commodity derivative assets and liabilities was:

| | As of December 31, 2014 | As of December 31, 2013 |
|---------------------|----------------------------|----------------------------|
| Assets | | |
| Accounts receivable | 7,688 | 645 |
| Liabilities | | |
| Accounts payable | (6,688) | (761) |

Hedge accounting has not been used for items in the table.

As required under Topic 815 of the Codification the amounts shown in the preceding table are presented gross (i.e., without netting assets and liabilities with the same counterparty where the right of offset and intent to net exist). Derivative assets and liabilities resulting from eligible commodity contracts have been netted in the consolidated balance sheet and are recorded as accounts receivable in the amount of \$1,046 million and accounts payable in the amount of \$46 million.

Financial results from commodity derivatives were included in the consolidated statements of comprehensive income in "Cost of purchased crude oil, gas and products" and during the year ended December 31, 2014 and 2013 amounted to net gain of \$1,892 million (of which realized gain was \$729 million and unrealized gain was \$1,163 million) and net loss of \$200 million (of which realized loss was \$132 million and unrealized loss was \$68 million), respectively.

For each Group trading company there is a limit (being a combination of quantity and value-at-risk) to the amount of unhedged fixed-price commodity positions permissible. The Group's net commodity position is reviewed daily.

Financial and commodity-based derivative contracts are subject to fluctuations in value. These fluctuations are generally offset by the value of the underlying exposures being hedged. Future changes in the market values of certain financial instruments may result in

Commodity derivative contracts

The Group operates in the worldwide crude oil, refined product, natural gas and natural gas liquids markets and is exposed to fluctuations in the prices for these commodities. These fluctuations can affect the Group's revenues as well as the cost of operating, investing and financing activities. Generally, the Group's policy is to remain exposed to the market prices of commodities. However, the Group uses futures, forwards, swaps and options in various markets to balance physical systems, meet customer needs, manage price exposures on specific transactions, and do an immaterial amount of trading not directly related to the Group's physical business. These activities may move the Group's profile away from market average prices.

off-balance-sheet risk in excess of the amounts currently recognized in the consolidated balance sheets.

Currency exchange rate derivative contracts

The Group has foreign currency exchange rate risk resulting from its international operations. The Group does not comprehensively hedge the exposure to currency rate changes, although the Group selectively hedges certain foreign currency exchange rate exposures, such as firm commitments for capital projects or local currency tax payments and dividends.

The fair value of foreign currency derivatives assets and liabilities open as of December 31, 2014 was not significant.

The impact from foreign currency derivatives during the year ended December 31, 2014 on the consolidated statement of comprehensive income was not significant. The net position of outstanding foreign currency swap contracts as of December 31, 2014 also was not significant.

Credit risk

The Group's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash equivalents, over-

the-counter derivative contracts and trade receivables. Cash equivalents are placed in high-quality commercial paper, money market funds and time deposits with major international banks and financial institutions.

The credit risk from the Group's over-the-counter derivative contracts, such as forwards and swaps, derives from the counterparty to the transaction, typically a major bank or financial institution. Individual counterparty exposure is managed within predetermined credit limits and includes the use of cash-call margins when appropriate, thereby reducing the risk of significant non-performance. The Group also uses futures contracts, but futures have a negligible credit risk because they are traded on the New York Mercantile Exchange or the IntercontinentalExchange (ICE Futures).

Certain of the Group's derivative instruments contain provisions that require the Group to post collateral if the derivative exposure exceeds a threshold amount. The Group has contracts with fixed threshold amounts and other contracts with variable threshold amounts that are contingent on the Group's credit rating. The variable threshold amounts typically decline for lower credit ratings, while both the variable and fixed threshold amounts typically revert to zero if the Group's credit rating falls below investment grade. Cash is the primary collateral in all contracts; however, many contracts also permit the Group to post letters of credit as collateral.

There were no derivative instruments with such credit-risk-related contingent features that were in a liability position as of December 31, 2014. The Group posted \$1 million in collateral in the normal course of business for the over-the-counter derivatives. If the Group's credit rating was lowered by one level from its "BBB-" rating (per Standard and Poors) as of December 31, 2014, and it would be below investment grade, the Group would be required to post additional collateral of \$8 million to the Group's counterparties for the over-the-counter derivatives, either with cash or letters of credit. The maximum additional collateral based on the lowest downgrade would be \$20 million in total.

► NOTE 18.
BUSINESS COMBINATIONS

In December 2013, after approval by European regulatory authorities, the Group acquired the remaining 20% interest in the joint venture which operates the ISAB refining complex (Priolo, Italy) for €446 million (approximately \$613 million) after final adjustments increasing its stake in the joint venture from 80% to 100%. This transaction was exercised in line with the initial agreement on the establishment of the joint venture signed in 2008. This agreement gave the second investor – ERG S.p.A. a step-by-step put option to sell its share in the joint venture to the Group. The Group obtained control over the ISAB in September 2012, when within this agreement it acquired a 20% interest in the joint venture for €494 million (approximately \$621 million) and increased its stake to 80%.

In April 2013, after approval by the Federal Anti-monopoly Service, in line with the strategy to increase crude oil production in Russia the

Company purchased 100% of the shares of ZAO Samara-Nafta for \$2.1 billion after final adjustments. ZAO Samara-Nafta is an exploration and production company operating in the Samara and Uljanovsk regions of the Russian Federation. The Group allocated \$2,384 million to property, plant and equipment, \$183 million to current assets, \$311 million to deferred tax liability and \$142 million to current liabilities. The value of property, plant and equipment was determined by an independent appraiser.

In April-May 2013, Group companies acquired the remaining 50% of the shares of ZAO Kama-oil for \$400 million increasing the Group's ownership up to 100%. As a result of this acquisition the Group obtained control and consolidated ZAO Kama-oil, an exploration and production company operating in the Perm region of the Russian Federation.

► NOTE 19.
COMMITMENTS AND CONTINGENCIES

Capital expenditure, exploration and investment programs

Under the terms of existing exploration and production license agreements in Russia the Group has to fulfill certain obligations: oil and gas exploration, wells drilling, fields development, etc., and the Group also has commitments to reach a defined level of extraction on the fields. Management believes that the Group's approved annual capital expenditure budgets fully cover all the requirements of the described license obligations.

In February 2013, the Group started to construct a vacuum gasoil refinery complex at OOO LUKOIL-Volgogradneftepererabotka. Completion is expected at the end of 2015. As of December 31, 2014, the amount of capital commitment related to this construction is evaluated as \$437 million.

In 2012, a construction agreement for a heavy-residue hydrocracking complex at LUKOIL Neftochim Bourgas AD in Bulgaria was signed. Commissioning of the complex is expected in 2015. As of December 31, 2014, the amount of capital commitment related to this construction is evaluated as \$52 million.

Group companies have commitments for capital expenditure contributions in the amount of \$253 million related to various production sharing agreements over the next 23 years.

The Company has signed a three-year agreement for the years 2013-2015 for drilling services with EDC Group Advisory Company Limited. The volume of these services is based on the Group's capital construction program, which is re-evaluated on an annual basis. As of December 31, 2014, the amount of capital commitment under this agreement for 2015 is evaluated as \$861 million.

The Company has signed a strategic agreement for the ongoing provision of construction, engineering and technical services with ZAO Globalstroy-Engineering. The volume of these services is based

on the Group's capital construction program, which is re-evaluated on an annual basis. As of December 31, 2014, the amount of capital commitment under this agreement for 2015 is evaluated as \$44 million.

The Group has signed a number of agreements for construction of offshore platforms in the Caspian region. As of December 31, 2014, the amount of this capital commitment is evaluated as \$564 million.

Operating lease obligations

Group companies have commitments of \$374 million primarily for the lease of vessels and petroleum distribution outlets. Operating lease expenses were \$286 million, \$295 million and \$218 million during the years ended December 31, 2014, 2013 and 2012, respectively.

Commitments for minimum rentals under these leases as of December 31, 2014 are as follows:

| | As of December 31, 2014 |
|--------|----------------------------|
| 2015 | 146 |
| 2016 | 61 |
| 2017 | 46 |
| 2018 | 38 |
| 2019 | 33 |
| beyond | 50 |

Insurance

The insurance industry in the Russian Federation and certain other areas where the Group has operations is in the course of development. Management believes that the Group has adequate property damage coverage for its main production assets. In respect of third party liability for property and environmental damage arising from accidents on Group property or relating to Group operations, the Group has insurance coverage that is generally higher than insurance limits set by the local legal requirements. Management believes that the Group has adequate insurance coverage of the risks, which could have a material effect on the Group's operations and financial position.

Environmental liabilities

Group companies and their predecessor entities have operated in the Russian Federation and other countries for many years and, within certain parts of the operations, environmental related problems have developed. Environmental regulations are currently under consideration in the Russian Federation and other areas where the Group has operations. Group companies routinely assess and evaluate their obligations in response to new and changing legislation.

As liabilities in respect of the Group's environmental obligations are able to be determined, they are recognized in profit or loss. The likelihood and amount of liabilities relating to environmental obligations under

proposed or any future legislation cannot be reasonably estimated at present and could become material. Under existing legislation, however, management believes that there are no significant unrecorded liabilities or contingencies, which could have a materially adverse effect on the operating results or financial position of the Group.

Social assets

Certain Group companies contribute to Government sponsored programs, the maintenance of local infrastructure and the welfare of their employees within the Russian Federation and elsewhere. Such contributions include assistance with the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. The funding of such assistance is periodically determined by management and is appropriately capitalized (only to the extent that they are expected to result in future economic benefits to the Group) or expensed as incurred.

Taxation environment

The taxation systems in the Russian Federation and other emerging markets where Group companies operate are relatively new and are characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among different tax authorities within the same jurisdictions and among taxing authorities in different jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. In the Russian Federation a tax year remains open for review by the tax authorities during the three subsequent calendar years. However, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation. Such factors may create substantially more significant taxation risks in the Russian Federation and other emerging markets where Group companies operate, than those in other countries where taxation regimes have been subject to development and clarification over long periods.

The tax authorities in each region may have a different interpretation of similar taxation issues which may result in taxation issues successfully defended by the Group in one region being unsuccessful in another region. There is some direction provided from the central authority based in Moscow on particular taxation issues. The Group has implemented tax planning and management strategies based on existing legislation at the time of implementation. The Group is subject to tax authority audits on an ongoing basis, as is normal in the Russian environment and other republics of the former Soviet Union, and, at times, the authorities have attempted to impose additional significant taxes on the Group. Management believes that it has adequately met and provided for tax liabilities based on its interpretation of existing tax legislation. However, the relevant tax authorities may have differing interpretations and the effects on the financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Litigation and claims

On November 27, 2001, Archangel Diamond Corporation (“ADC”), a Canadian diamond development company, filed a lawsuit in the Denver District Court, Colorado against OA O Arkhangelskgeoldobycha (“AGD”), a Group company, and the Company (together the “Defendants”). ADC alleged that the Defendants interfered with the transfer of a diamond exploration license to Almazny Bereg, a joint venture between ADC and AGD. ADC claimed compensatory damages of \$1.2 billion and punitive damages of \$3.6 billion. On October 15, 2002, the District Court dismissed the lawsuit for lack of personal jurisdiction. This ruling was upheld by the Colorado Court of Appeals on March 25, 2004. However, on November 21, 2005, due to a procedural error, the Colorado Supreme Court remanded the case to the Colorado Court of Appeals and the Colorado Court of Appeals remanded the case to the District Court. On October 20, 2011, the Denver District Court dismissed all claims against the Company for lack of jurisdiction. On August 23, 2012, the Colorado Court of Appeals affirmed this decision. On July 1, 2013, the Colorado Supreme Court denied ADC’s Petition for Writ of Certiorari. The case in the state court is therefore over.

On January 6, 2012, ADC filed a lawsuit in the US District Court for the District of Colorado (federal court) reasserting almost identical claims asserted in the aforementioned lawsuit and dismissed by the Denver District Court (state court). In the Federal Court case, the Company has filed a Motion to Dismiss. On December 18, 2014, the federal court granted the motion based on lack of personal jurisdiction over the Company and the doctrine of forum non conveniens. ADC filed a notice of appeal and the case is now pending in the US Court of Appeals for the Tenth Circuit. The Company plans to seek dismissal of the case and vigorously defend the matter. Management does not believe that the ultimate resolution of this matter will have a material adverse effect on the Group’s financial condition.

In 2011, the Prahova Police Inspectorate (Fraud Investigation Unit), Romania, initiated an investigation of several Romanian third parties (individuals and companies) in connection with alleged tax evasion and money laundering. The investigation was later extended to PETROTEL-LUKOIL S.A., a Group company. In June 2014, the prosecutors with the Ploesti Court of Appeals (hereinafter – the “Prosecutor’s office”) issued an order on initiation of criminal proceedings against PETROTEL-LUKOIL S.A. refinery and its general director based on alleged tax evasion and money laundering. In September 2014, criminal proceedings were initiated against two other Group companies, LUKOIL LUBRICANTS EAST EUROPE S.R.L. and LUKOIL ENERGY & GAS ROMANIA S.R.L., for aiding and abetting tax evasion and money laundering. At the same time the Prosecutor’s office has brought charges against PETROTEL-LUKOIL S.A. and its general director for tax evasion and money laundering. The amount of the claim is approximately €230 million. The following precautionary measures were adopted against the refinery: arrest of strategic inventory, fixed assets and money on accounts. The general director is subject to the undertaking not to leave the place. At the moment preliminary investigation of the criminal case is being conducted. According to preliminary estimate this investigation will take at least six months. At the same time, management of PETROTEL-

LUKOIL S.A. and its tax and legal consultants are actively defending the lawful rights and interests of the refinery, providing all required reports, clarifications and comments, and preparing an exhaustive set of evidence for challenging the claims of the Prosecutor’s office. Management does not believe that the ultimate resolution of this matter will have a material adverse effect on the Group’s financial condition.

The Group is involved in various other claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Group and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group’s operating results or financial condition.

Political situation

During 2014, there was an increase of political and economic instability in Ukraine. Though the Group’s assets and operations in Ukraine are not material, the Group monitors the situation and assesses the risks associated with its operations in Ukraine. As of December 31, 2014, the Group recognized an impairment loss related to assets held for sale amounting to \$85 million and relating to goodwill amounting to \$19 million. Management believes that there are no other potential losses that can be identified and reasonably estimated with respect to the situation in Ukraine at present.

In July-September 2014, the United States (US), the European Union (EU) and other countries imposed a number of sectorial sanctions on Russian entities, including the Company. These sanctions prohibit US and EU companies and individuals from the provision of goods, services or technology (except for financial services to the Company) that can be used on the territory of the Russian Federation in deepwater exploration and production of crude oil, exploration and production of crude oil in Arctic offshore and shale projects. The Company considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Company’s financial position and results of operations.

The Group is exposed to political, economic and legal risks due to its operations in Iraq. Management monitors the risks associated with the projects in Iraq and believes that there is no adverse effect on the Group’s financial condition that can be reasonably estimated at present.

► NOTE 20. RELATED PARTY TRANSACTIONS

In the rapidly developing business environment in the Russian Federation, companies and individuals have frequently used nominees and other forms of intermediary companies in transactions. The senior management of the Company believes that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties in this environment and has disclosed all of the relationships identified which it deemed to be significant. Related party

sales and purchases of oil and oil products were primarily to and from affiliated companies. Related party processing services were provided by affiliated refineries.

Below are related party transactions not disclosed elsewhere in the consolidated financial statements. Refer also to Notes 3, 7, 12 and 21 for other transactions with related parties.

Sales of oil and oil products to related parties were \$403 million, \$487 million and \$1,038 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Other sales to related parties were \$31 million, \$62 million and \$50 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Purchases of oil and oil products from related parties were \$2,184 million, \$1,426 million and \$1,368 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Purchases of processing services from related parties were \$188 million, \$228 million and \$702 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Other purchases from related parties were \$209 million, \$195 million and \$92 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Amounts receivable from related parties, including short-term loans and advances, were \$235 million and \$470 million as of December 31, 2014 and 2013, respectively. Amounts payable to related parties were \$246 million and \$176 million as of December 31, 2014 and 2013, respectively.

► NOTE 21.
COMPENSATION PLAN

During the period from 2010 to 2012, the Company had a compensation plan available to certain members of management, which was based on assigned shares and provided compensation consisting of two parts.

The first part represented annual bonuses that were based on the number of assigned shares and amount of dividend per share. The payment of these bonuses were contingent on the Group meeting certain financial KPIs in each financial year. The second part was based upon the Company's common stock appreciation from 2010 to 2012, with rights vested in December 2012. The number of assigned shares for this compensation plan was approximately 17.3 million shares.

For the first part of the share plan the Group recognized a liability based on expected dividends and number of assigned shares. The second part of the share plan originally was classified as equity settled. In 2012, this compensation plan was amended in relation to all participants, which resulted in reclassification of the plan as a liability settled. The liability for this part of the share plan was settled in January-April 2013.

In December 2012, the Company introduced a new compensation plan to certain members of management for the period from 2013 to 2017. Its conditions are similar to the conditions of the previous compensation plan after modification. The number of assigned shares is approximately 19 million shares.

For the first part of the new share plan the Group recognized a liability based on expected dividends and number of assigned shares.

The second part of the new share plan was classified as liability settled. The grant date and reporting date fair value of this part of the plan was estimated at \$249 million and \$226 million, respectively, using the Black-Scholes-Merton option-pricing model. The reporting date fair value was estimated assuming a risk-free interest rate of 14.89% per annum, an expected dividend yield of 6.36% per annum, an expected time to maturity of three years and a volatility factor of 12.6%. The expected volatility factor for the annual weighted average share price was estimated based on the historical volatility of the Company's shares for the previous seven year period up to January 2013.

Related to these share plans the Group recorded \$168 million, \$109 million and \$182 million of compensation expense during the years ended December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014 and 2013, \$44 million and \$52 million related to the new compensation plan are included in "Other current liabilities" in the consolidated balance sheets, respectively.

As of December 31, 2014, there was \$135 million of total unrecognized compensation cost related to unvested benefits. This cost is expected to be recognized periodically by the Group up to December 2017.

► NOTE 22.
SEGMENT INFORMATION

Presented below is information about the Group's operating and geographical segments for the years ended December 31, 2014, 2013 and 2012, in accordance with Topic 280, "[Segment reporting](#)," of the Codification.

The Group has the following operating segments – exploration and production; refining, marketing and distribution; chemicals; power generation and other business segments. These segments have been determined based on the nature of their operations. Management on a regular basis assesses the performance of these operating segments. The exploration and production segment explores for, develops and produces primarily crude oil. The refining, marketing and distribution segment processes crude oil into refined products and purchases, sells and transports crude oil and refined petroleum products. The chemicals segment refines and sells chemical products. The power generation segment produces steam and electricity, distributes them and provides related services. The activities of the other business operating segment include businesses beyond the Group's traditional operations.

Geographical segments are based on the area of operations and include two segments: Russia and International.

Operating segments

| 2014 | Exploration and production | Refining, marketing and distribution | Chemicals | Power generation | Other | Elimination | Consolidated |
|--|----------------------------|--------------------------------------|--------------|------------------|--------------|-----------------|----------------|
| Sales | | | | | | | |
| Third parties | 5,920 | 135,671 | 1,006 | 1,457 | 113 | - | 144,167 |
| Inter-segment | 39,746 | 1,252 | 245 | 1,663 | 906 | (43,812) | - |
| Total sales | 45,666 | 136,923 | 1,251 | 3,120 | 1,019 | (43,812) | 144,167 |
| Operating expenses | 6,084 | 3,087 | 549 | 1,978 | 759 | (2,342) | 10,115 |
| Depreciation, depletion and amortization | 6,823 | 1,503 | 36 | 336 | 129 | (11) | 8,816 |
| Interest expense | 664 | 637 | 45 | 127 | 713 | (1,549) | 637 |
| Income tax expense | 871 | 1,057 | 1 | (6) | 33 | 102 | 2,058 |
| Net income (net loss) | 7,427 | (2,272) | (51) | 246 | (1,035) | 431 | 4,746 |
| Total assets | 79,742 | 70,197 | 735 | 3,998 | 22,567 | (65,439) | 111,800 |
| Capital expenditures | 11,882 | 2,791 | 253 | 340 | 125 | - | 15,391 |

| 2013 | Exploration and production | Refining, marketing and distribution | Chemicals | Power generation | Other | Elimination | Consolidated |
|--|----------------------------|--------------------------------------|--------------|------------------|--------------|-----------------|----------------|
| Sales | | | | | | | |
| Third parties | 2,900 | 135,189 | 1,681 | 1,573 | 109 | - | 141,452 |
| Inter-segment | 43,555 | 1,686 | 302 | 1,779 | 3,205 | (50,527) | - |
| Total sales | 46,455 | 136,875 | 1,983 | 3,352 | 3,314 | (50,527) | 141,452 |
| Operating expenses | 5,759 | 3,718 | 784 | 2,156 | 2,730 | (5,061) | 10,086 |
| Depreciation, depletion and amortization | 3,698 | 1,545 | 66 | 362 | 118 | (33) | 5,756 |
| Interest expense | 719 | 527 | 46 | 103 | 712 | (1,619) | 488 |
| Income tax expense | 1,640 | 1,146 | 35 | (60) | (5) | 75 | 2,831 |
| Net income (net loss) | 7,528 | 1,166 | (501) | (415) | (224) | 278 | 7,832 |
| Total assets | 80,182 | 71,883 | 665 | 4,098 | 20,744 | (68,133) | 109,439 |
| Capital expenditures | 11,808 | 2,715 | 113 | 285 | 513 | - | 15,434 |

| 2012 | Exploration and production | Refining, marketing and distribution | Chemicals | Power generation | Other | Elimination | Consolidated |
|--|----------------------------|--------------------------------------|--------------|------------------|--------------|-----------------|----------------|
| Sales | | | | | | | |
| Third parties | 3,471 | 132,798 | 1,362 | 1,411 | 129 | - | 139,171 |
| Inter-segment | 43,998 | 1,845 | 307 | 1,557 | 2,926 | (50,633) | - |
| Total sales | 47,469 | 134,643 | 1,669 | 2,968 | 3,055 | (50,633) | 139,171 |
| Operating expenses | 5,245 | 3,579 | 568 | 1,867 | 2,299 | (4,199) | 9,359 |
| Depreciation, depletion and amortization | 3,085 | 1,347 | 65 | 248 | 124 | (37) | 4,832 |
| Interest expense | 854 | 698 | 47 | 73 | 557 | (1,691) | 538 |
| Income tax expense | 1,935 | 696 | 57 | 34 | 52 | 24 | 2,798 |
| Net income (net loss) | 8,447 | 3,518 | (279) | (278) | (363) | (41) | 11,004 |
| Total assets | 68,058 | 69,769 | 1,166 | 4,530 | 20,512 | (65,074) | 98,961 |
| Capital expenditures | 8,973 | 2,007 | 90 | 503 | 277 | - | 11,850 |

Geographical segments

| | 2014 | 2013 | 2012 |
|--|----------------|----------------|----------------|
| Sales of crude oil within Russia | 3,418 | 3,071 | 1,634 |
| Export of crude oil and sales of crude oil by foreign subsidiaries | 33,661 | 24,270 | 26,036 |
| Sales of refined products within Russia | 16,282 | 17,476 | 16,803 |
| Export of refined products and sales of refined products by foreign subsidiaries | 82,907 | 87,796 | 86,604 |
| Sales of chemicals within Russia | 272 | 886 | 418 |
| Export of chemicals and sales of chemicals by foreign subsidiaries | 838 | 936 | 992 |
| Other sales within Russia | 3,419 | 3,475 | 3,281 |
| Other export sales and other sales by foreign subsidiaries | 3,370 | 3,542 | 3,403 |
| Total sales | 144,167 | 141,452 | 139,171 |

| 2014 | Russia | International | Elimination | Consolidated |
|--|---------------|----------------|-----------------|----------------|
| Sales | | | | |
| Third parties | 24,235 | 119,932 | – | 144,167 |
| Inter-segment | 35,090 | 246 | (35,336) | – |
| Total sales | 59,325 | 120,178 | (35,336) | 144,167 |
| Operating expenses | 7,595 | 2,334 | 186 | 10,115 |
| Depletion, depreciation and amortization | 4,790 | 4,015 | 11 | 8,816 |
| Interest expense | 126 | 598 | (87) | 637 |
| Income tax expense | 1,934 | 25 | 99 | 2,058 |
| Net income (net loss) | 5,859 | (1,547) | 434 | 4,746 |
| Total assets | 89,660 | 37,398 | (15,258) | 111,800 |
| Capital expenditures | 10,780 | 4,611 | – | 15,391 |

| 2013 | Russia | International | Elimination | Consolidated |
|--|---------------|----------------|-----------------|----------------|
| Sales | | | | |
| Third parties | 26,552 | 114,900 | – | 141,452 |
| Inter-segment | 39,193 | 151 | (39,344) | – |
| Total sales | 65,745 | 115,051 | (39,344) | 141,452 |
| Operating expenses | 8,117 | 2,048 | (79) | 10,086 |
| Depletion, depreciation and amortization | 4,607 | 1,149 | – | 5,756 |
| Interest expense | 34 | 547 | (93) | 488 |
| Income tax expense | 2,390 | 419 | 22 | 2,831 |
| Net income (net loss) | 8,724 | (1,234) | 342 | 7,832 |
| Total assets | 87,469 | 37,176 | (15,206) | 109,439 |
| Capital expenditures | 10,859 | 4,575 | – | 15,434 |

OAO LUKOIL Notes to Consolidated Financial Statements
(Millions of US dollars, unless otherwise noted)

| 2012 | Russia | International | Elimination | Consolidated |
|--|--------|---------------|-------------|--------------|
| Sales | | | | |
| Third parties | 25,370 | 113,801 | – | 139,171 |
| Inter-segment | 39,355 | 200 | (39,555) | – |
| Total sales | 64,725 | 114,001 | (39,555) | 139,171 |
| Operating expenses | 7,333 | 2,113 | (87) | 9,359 |
| Depletion, depreciation and amortization | 3,834 | 998 | – | 4,832 |
| Interest expense | 194 | 504 | (160) | 538 |
| Income tax expense | 2,316 | 489 | (7) | 2,798 |
| Net income | 10,238 | 776 | (10) | 11,004 |
| Total assets | 78,515 | 36,108 | (15,662) | 98,961 |
| Capital expenditures | 9,343 | 2,507 | – | 11,850 |

The Group's international sales to third parties include sales in Switzerland of \$68,538 million, \$66,070 million and \$67,057 million for the years ended December 31, 2014, 2013 and 2012, respectively. The Group's international sales to third parties include sales in the USA of \$9,982 million, \$12,865 million and \$12,649 million for the years ended December 31, 2014, 2013 and 2012, respectively. These amounts are attributed to individual countries based on the jurisdiction of subsidiaries making the sale.

► **NOTE 23.**
SUBSEQUENT EVENTS

In accordance with the requirements of Topic 855, "*Subsequent events*," of the Codification, the Group evaluated subsequent events through the date the interim consolidated financial statements were available to be issued. Therefore subsequent events were evaluated by the Group up to March 2, 2015.

OAO LUKOIL Supplementary Information on Oil and Gas Exploration and Production Activities (Unaudited)
(Millions of US dollars, except as indicated)

This section provides unaudited supplemental information on oil and gas exploration and production activities in accordance with Topic 932, *"Disclosures About Oil and Gas Producing Activities,"* of the Codification in six separate tables:

- I. Capitalized costs relating to oil and gas producing activities.
- II. Costs incurred in oil and gas property acquisition, exploration, and development activities.
- III. Results of operations for oil and gas producing activities.
- IV. Reserve quantity information.
- V. Standardized measure of discounted future net cash flows.
- VI. Principal sources of changes in the standardized measure of discounted future net cash flows.

Amounts shown for equity companies represent the Group's share in its exploration and production affiliates, which are accounted for using the equity method of accounting.

► I. CAPITALIZED COSTS RELATING TO OIL AND GAS PRODUCING ACTIVITIES

| As of December 31, 2014 | International | Russia | Total consolidated companies | Group's share in equity companies |
|---|---------------|----------|------------------------------|-----------------------------------|
| Unproved oil and gas properties | 1,593 | 2,731 | 4,324 | 612 |
| Proved oil and gas properties | 11,055 | 74,766 | 85,821 | 2,835 |
| Accumulated depreciation, depletion, and amortization | (4,546) | (27,083) | (31,629) | (1,087) |
| Net capitalized costs | 8,102 | 50,414 | 58,516 | 2,360 |

| As of December 31, 2013 | International | Russia | Total consolidated companies | Group's share in equity companies |
|---|---------------|----------|------------------------------|-----------------------------------|
| Unproved oil and gas properties | 1,450 | 3,441 | 4,891 | 635 |
| Proved oil and gas properties | 11,320 | 69,341 | 80,661 | 2,493 |
| Accumulated depreciation, depletion, and amortization | (2,718) | (24,923) | (27,641) | (973) |
| Net capitalized costs | 10,052 | 47,859 | 57,911 | 2,155 |

| As of December 31, 2012 | International | Russia | Total consolidated companies | Group's share in equity companies |
|---|---------------|----------|------------------------------|-----------------------------------|
| Unproved oil and gas properties | 1,145 | 2,393 | 3,538 | 551 |
| Proved oil and gas properties | 8,555 | 59,054 | 67,609 | 2,436 |
| Accumulated depreciation, depletion, and amortization | (2,213) | (22,150) | (24,363) | (838) |
| Net capitalized costs | 7,487 | 39,297 | 46,784 | 2,149 |

► II. COSTS INCURRED IN OIL AND GAS PROPERTY ACQUISITION, EXPLORATION, AND DEVELOPMENT ACTIVITIES

| Year ended December 31, 2014 | International | Russia | Total consolidated companies | Group's share in equity companies |
|--------------------------------------|---------------|--------------|------------------------------|-----------------------------------|
| Acquisition of properties – proved | – | 1 | 1 | – |
| Acquisition of properties – unproved | – | 97 | 97 | – |
| Exploration costs | 720 | 692 | 1,412 | 18 |
| Development costs | 3,011 | 7,459 | 10,470 | 345 |
| Total costs incurred | 3,731 | 8,249 | 11,980 | 363 |

| Year ended December 31, 2013 | International | Russia | Total consolidated companies | Group's share in equity companies |
|--------------------------------------|---------------|---------------|------------------------------|-----------------------------------|
| Acquisition of properties – proved | – | 2,200 | 2,200 | – |
| Acquisition of properties – unproved | 15 | 1,914 | 1,929 | 10 |
| Exploration costs | 234 | 543 | 777 | 18 |
| Development costs | 3,234 | 7,782 | 11,016 | 162 |
| Total costs incurred | 3,483 | 12,439 | 15,922 | 190 |

| Year ended December 31, 2012 | International | Russia | Total consolidated companies | Group's share in equity companies |
|--------------------------------------|---------------|--------------|------------------------------|-----------------------------------|
| Acquisition of properties – proved | 97 | – | 97 | – |
| Acquisition of properties – unproved | 37 | 937 | 974 | – |
| Exploration costs | 144 | 525 | 669 | 16 |
| Development costs | 1,621 | 6,560 | 8,181 | 490 |
| Total costs incurred | 1,899 | 8,022 | 9,921 | 506 |

► III. RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

The Group's results of operations for oil and gas producing activities are presented below. In accordance with Topic 932 of the Codification, sales and transfers to Group companies are based on market prices. Income taxes are based on statutory rates. The results of operations exclude corporate overhead and interest costs.

| Year ended December 31, 2014 | International | Russia | Total consolidated companies | Group's share in equity companies |
|--|---------------|---------------|------------------------------|-----------------------------------|
| Revenue | | | | |
| Sales | 5,857 | 19,454 | 25,311 | 1,330 |
| Transfers | – | 14,944 | 14,944 | 29 |
| Total revenues | 5,857 | 34,398 | 40,255 | 1,359 |
| Production costs (excluding production taxes) | (956) | (3,762) | (4,718) | (142) |
| Exploration expense | (772) | (332) | (1,104) | (1) |
| Depreciation, depletion, and amortization, and valuation provision | (3,480) | (3,339) | (6,819) | (123) |
| Taxes other than income taxes | (259) | (21,378) | (21,637) | (407) |
| Related income taxes | (294) | (928) | (1,222) | (271) |
| Total results of operations for producing activities | 96 | 4,659 | 4,755 | 415 |

| Year ended December 31, 2013 | International | Russia | Total consolidated companies | Group's share in equity companies |
|--|---------------|---------------|------------------------------|-----------------------------------|
| Revenue | | | | |
| Sales | 2,722 | 22,233 | 24,955 | 1,632 |
| Transfers | – | 17,776 | 17,776 | 49 |
| Total revenues | 2,722 | 40,009 | 42,731 | 1,681 |
| Production costs (excluding production taxes) | (314) | (4,021) | (4,335) | (141) |
| Exploration expense | (384) | (218) | (602) | (3) |
| Depreciation, depletion, and amortization, and valuation provision | (544) | (3,150) | (3,694) | (140) |
| Taxes other than income taxes | (352) | (23,092) | (23,444) | (527) |
| Related income taxes | (278) | (1,717) | (1,995) | (355) |
| Total results of operations for producing activities | 850 | 7,811 | 8,661 | 515 |

| Year ended December 31, 2012 | International | Russia | Total consolidated companies | Group's share in equity companies |
|--|---------------|---------------|------------------------------|-----------------------------------|
| Revenue | | | | |
| Sales | 2,910 | 23,011 | 25,921 | 1,728 |
| Transfers | – | 17,165 | 17,165 | 34 |
| Total revenues | 2,910 | 40,176 | 43,086 | 1,762 |
| Production costs (excluding production taxes) | (299) | (3,562) | (3,861) | (126) |
| Exploration expense | (159) | (205) | (364) | (6) |
| Depreciation, depletion, and amortization, and valuation provision | (500) | (2,568) | (3,068) | (126) |
| Taxes other than income taxes | (399) | (24,247) | (24,646) | (564) |
| Related income taxes | (428) | (1,618) | (2,046) | (423) |
| Total results of operations for producing activities | 1,125 | 7,976 | 9,101 | 517 |

► IV. RESERVE QUANTITY INFORMATION

Proved reserves are the estimated quantities of oil and gas reserves which geological and engineering data demonstrate will be recoverable with reasonable certainty in future years from known reservoirs under existing economic and operating conditions. In accordance with Topic 932 of the Codification existing economic and operating conditions are based on the 12-months average price and the year-end costs. Proved reserves do not include additional quantities of oil and gas reserves that may result from applying secondary or tertiary recovery techniques not yet tested and determined to be economic.

Proved developed reserves are the quantities of proved reserves expected to be recovered through existing wells with existing equipment and operating methods.

Due to the inherent uncertainties and the necessarily limited nature of reservoir data, estimates of reserves are inherently imprecise, require the application of judgment and are subject to change as additional information becomes available.

Management has included within proved reserves significant quantities which the Group expects to produce after the expiry dates of certain of its current production licenses in the Russian Federation. The Subsoil Law of the Russian Federation states that, upon expiration, a license is subject to renewal at the initiative of the license holder provided that further exploration, appraisal, production or remediation activities are necessary and provided that the license holder has not violated the terms of the license. Since the law applies both to newly issued and old licenses and the Group has currently renewed 57% of its licenses, management believes that licenses will be renewed upon their expiration for the remainder of the economic life of each respective field.

Estimated net proved oil and gas reserves and changes thereto for the years ended December 31, 2014, 2013 and 2012, are shown in the tables set out below.

| Millions of barrels | Consolidated subsidiaries | | | Group's share in equity companies |
|--|---------------------------|---------------|---------------|-----------------------------------|
| | International | Russia | Total | |
| Crude oil | | | | |
| January 1, 2012 | 337 | 12,786 | 13,123 | 280 |
| Revisions of previous estimates | (1) | 67 | 66 | (1) |
| Purchase of hydrocarbons in place | 42 | – | 42 | – |
| Extensions and discoveries | 40 | 511 | 551 | 2 |
| Production | (25) | (631) | (656) | (21) |
| Sales of reserves | (2) | (3) | (5) | – |
| December 31, 2012 | 391 | 12,730 | 13,121 | 260 |
| Revisions of previous estimates | 11 | (38) | (27) | (2) |
| Purchase of hydrocarbons in place ¹ | – | 194 | 194 | (7) |
| Extensions and discoveries | 14 | 585 | 599 | 7 |
| Production | (24) | (640) | (664) | (20) |
| December 31, 2013 | 392 | 12,831 | 13,223 | 238 |
| Revisions of previous estimates | 38 | (2) | 36 | 32 |
| Purchase of hydrocarbons in place | – | 18 | 18 | – |
| Extensions and discoveries | 50 | 729 | 779 | 1 |
| Production | (63) | (644) | (707) | (20) |
| Sales of reserves | – | – | – | (6) |
| December 31, 2014 | 417 | 12,932 | 13,349 | 245 |
| Proved developed reserves | | | | |
| December 31, 2012 | 136 | 8,241 | 8,377 | 160 |
| December 31, 2013 | 129 | 7,972 | 8,101 | 136 |
| December 31, 2014 | 204 | 8,280 | 8,484 | 145 |

¹ Purchase of hydrocarbons in place for equity companies includes transfers of reserves to the consolidated group upon those equity companies becoming subject to consolidation.

OA O LUKOIL

Supplementary Information on Oil and Gas Exploration and Production Activities (Unaudited)

(Millions of US dollars, except as indicated)

The non-controlling interest share included in the above total proved reserves was 77 million barrels, 74 million barrels and 71 million barrels as of December 31, 2014, 2013 and 2012, respectively.

The non-controlling interest share included in the above proved developed reserves was 41 million barrels, 40 million barrels and 43 million barrels as of December 31, 2014, 2013 and 2012, respectively. All non-controlling interests relate to the reserves in the Russian Federation.

| Billions of cubic feet | Consolidated subsidiaries | | | Group's share in equity companies |
|--|---------------------------|---------------|---------------|-----------------------------------|
| | International | Russia | Total | |
| Natural gas | | | | |
| January 1, 2012 | 6,071 | 16,851 | 22,922 | 274 |
| Revisions of previous estimates | (155) | 602 | 447 | 12 |
| Purchase of hydrocarbons in place | 1 | - | 1 | - |
| Extensions and discoveries | 93 | 595 | 688 | 5 |
| Production | (248) | (571) | (819) | (26) |
| Sales of reserves | (17) | - | (17) | - |
| December 31, 2012 | 5,745 | 17,477 | 23,222 | 265 |
| Revisions of previous estimates | 325 | 529 | 854 | 17 |
| Purchase of hydrocarbons in place ¹ | - | 9 | 9 | (2) |
| Extensions and discoveries | - | 168 | 168 | 3 |
| Production | (247) | (618) | (865) | (29) |
| December 31, 2013 | 5,823 | 17,565 | 23,388 | 254 |
| Revisions of previous estimates | 1,051 | (74) | 977 | 12 |
| Purchase of hydrocarbons in place | - | 7 | 7 | - |
| Extensions and discoveries | 29 | 182 | 211 | - |
| Production | (238) | (637) | (875) | (28) |
| December 31, 2014 | 6,665 | 17,043 | 23,708 | 238 |
| Proved developed reserves: | | | | |
| December 31, 2012 | 2,505 | 6,066 | 8,571 | 156 |
| December 31, 2013 | 1,476 | 5,942 | 7,418 | 129 |
| December 31, 2014 | 1,779 | 5,783 | 7,562 | 162 |

¹ Purchase of hydrocarbons in place for equity companies includes transfers of reserves to the consolidated group upon those equity companies becoming subject to consolidation.

The non-controlling interest share included in the above total proved reserves was 28 billion cubic feet, 26 billion cubic feet and 23 billion cubic feet as of December 31, 2014, 2013 and 2012, respectively. The non-controlling interest share included in the above proved

developed reserves was 15 billion cubic feet, 14 billion cubic feet and 14 billion cubic feet as of December 31, 2014, 2013 and 2012, respectively. All non-controlling interests relate to the reserves in the Russian Federation.

► V. STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

The standardized measure of discounted future net cash flows, related to the above oil and gas reserves, is calculated in accordance with the requirements of Topic 932 of the Codification. Estimated future cash inflows from production are computed by applying the 12-months average price for oil and gas to year-end quantities of estimated net proved reserves. Adjustments in this calculation for future price changes are limited to those required by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indices, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and tax credits and are applied to estimated future pre-tax net cash flows, less the tax bases of related assets. Discounted future

net cash flows have been calculated using a ten percent discount factor. Discounting requires a year-by-year estimate of when future expenditures will be incurred and when reserves will be produced.

The information provided in the tables set out below does not represent management's estimate of the Group's expected future cash flows or of the value of the Group's proved oil and gas reserves. Estimates of proved reserve quantities are imprecise and change over time as new information becomes available. Moreover, probable and possible reserves, which may become proved in the future, are excluded from the calculations. The arbitrary valuation, prescribed under Topic 932 of the Codification, requires assumptions as to the timing and amount of future development and production costs. The calculations should not be relied upon as an indication of the Group's future cash flows or of the value of its oil and gas reserves.

| As of December 31, 2014 | International | Russia | Total consolidated companies | Group's share in equity companies |
|---|---------------|-----------|------------------------------|-----------------------------------|
| Future cash inflows | 65,575 | 827,202 | 892,777 | 20,718 |
| Future production and development costs | (42,254) | (574,572) | (616,826) | (11,823) |
| Future income tax expenses | (2,742) | (46,333) | (49,075) | (1,792) |
| Future net cash flows | 20,579 | 206,297 | 226,876 | 7,103 |
| Discount for estimated timing of cash flows (10% p.a.) | (12,267) | (115,102) | (127,369) | (3,714) |
| Discounted future net cash flows | 8,312 | 91,195 | 99,507 | 3,389 |
| Non-controlling share in discounted future net cash flows | - | 506 | 506 | - |

| As of December 31, 2013 | International | Russia | Total consolidated companies | Group's share in equity companies |
|---|---------------|-----------|------------------------------|-----------------------------------|
| Future cash inflows | 62,620 | 676,195 | 738,815 | 22,027 |
| Future production and development costs | (38,292) | (461,998) | (500,290) | (11,947) |
| Future income tax expenses | (3,239) | (37,321) | (40,560) | (2,154) |
| Future net cash flows | 21,089 | 176,876 | 197,965 | 7,926 |
| Discount for estimated timing of cash flows (10% p.a.) | (9,669) | (105,503) | (115,172) | (4,196) |
| Discounted future net cash flows | 11,420 | 71,373 | 82,793 | 3,730 |
| Non-controlling share in discounted future net cash flows | - | 383 | 383 | - |

OA O LUKOIL Supplementary Information on Oil and Gas Exploration and Production Activities (Unaudited)
(Millions of US dollars, except as indicated)

| As of December 31, 2012 | International | Russia | Total consolidated companies | Group's share in equity companies |
|---|---------------|-----------|------------------------------|-----------------------------------|
| Future cash inflows | 58,747 | 619,743 | 678,490 | 24,279 |
| Future production and development costs | (36,468) | (424,260) | (460,728) | (12,469) |
| Future income tax expenses | (4,156) | (34,573) | (38,729) | (2,592) |
| Future net cash flows | 18,123 | 160,910 | 179,033 | 9,218 |
| Discount for estimated timing of cash flows (10% p.a.) | (9,964) | (96,015) | (105,979) | (4,723) |
| Discounted future net cash flows | 8,159 | 64,895 | 73,054 | 4,495 |
| Non-controlling share in discounted future net cash flows | - | 397 | 397 | - |

► VI. PRINCIPAL SOURCES OF CHANGES IN THE STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

| Consolidated companies | 2014 | 2013 | 2012 |
|--|---------------|---------------|---------------|
| Discounted present value as at January 1 | 82,793 | 73,054 | 75,162 |
| Net changes due to purchases and sales of minerals in place | 135 | 1,266 | 256 |
| Sales and transfers of oil and gas produced, net of production costs | (12,796) | (14,350) | (14,215) |
| Net changes in prices and production costs estimates | 78,088 | 21,515 | (8,480) |
| Net changes in mineral extraction taxes | (68,471) | (15,355) | 627 |
| Extensions and discoveries, less related costs | 7,493 | 4,677 | 3,174 |
| Previously estimated development cost incurred during the period | 5,107 | 4,003 | 7,241 |
| Revisions of previous quantity estimates | 2,174 | 975 | 377 |
| Net change in income taxes | (3,783) | (999) | 1,337 |
| Other changes | (408) | (138) | (735) |
| Accretion of discount | 9,175 | 8,145 | 8,310 |
| Discounted present value at December 31 | 99,507 | 82,793 | 73,054 |

| Group's share in equity companies | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|
| Discounted present value as at January 1 | 3,730 | 4,495 | 4,835 |
| Net changes due to purchases and sales of minerals in place | (102) | (29) | - |
| Sales and transfers of oil and gas produced, net of production costs | (809) | (1,010) | (1,066) |
| Net changes in prices and production costs estimates | (850) | (487) | (101) |
| Net changes in mineral extraction taxes | 409 | 77 | (7) |
| Extensions and discoveries, less related costs | 8 | 109 | 20 |
| Previously estimated development cost incurred during the period | 256 | 132 | 88 |
| Revisions of previous quantity estimates | 299 | (80) | (3) |
| Net change in income taxes | 174 | 200 | 139 |
| Other changes | (172) | (207) | 17 |
| Accretion of discount | 446 | 530 | 573 |
| Discounted present value at December 31 | 3,389 | 3,730 | 4,495 |

**MANAGEMENT'S DISCUSSION
AND ANALYSIS OF FINANCIAL
POSITION AND RESULTS OF
OPERATIONS**

The following report contains a discussion and analysis of the financial position of OAO LUKOIL as of December 31, 2014 and the results of its operations for each of the years ended December 31, 2014, 2013 and 2012, as well as significant factors that may affect its future performance. It should be read in conjunction with our US GAAP consolidated financial statements, including notes and supplementary information on oil and gas exploration and production activities.

References to "LUKOIL," "the Company," "the Group," "we" or "us" are references to OAO LUKOIL and its subsidiaries and equity affiliates. All dollar amounts are in millions of US dollars, unless otherwise indicated. Tonnes of crude oil and natural gas liquids produced are translated into barrels using conversion rates characterizing the density of crude oil from each of our oilfields and the actual density of liquids produced at our gas processing plants. Tonnes of crude oil purchased

as well as other operational indicators expressed in barrels were translated into barrels using an average conversion rate of 7.33 barrels per tonne. Translations of cubic meters to cubic feet were made at the rate of 35.31 cubic feet per cubic meter. Translations of barrels of crude oil into barrels of oil equivalent ("BOE") were made at the rate of 1 barrel per BOE and of cubic feet – at the rate of 6 thousand cubic feet per BOE.

This report includes forward-looking statements – words such as "believes," "anticipates," "expects," "estimates," "intends," "plans," etc. – that reflect management's current estimates and beliefs, but are not guarantees of future results. Please see "Forward-looking statement" on page 178 for a discussion of some factors that could cause actual results to differ materially.

► KEY FINANCIAL AND OPERATIONAL RESULTS

| | 2014 | Change to 2013, % | 2013 | Change to 2012, % | 2012 |
|---|--------------------------|----------------------|----------|----------------------|----------|
| | (millions of US dollars) | | | | |
| Sales | 144,167 | 1.9 | 141,452 | 1.6 | 139,171 |
| Net income attributable to OAO LUKOIL | 4,746 | (39.4) | 7,832 | (28.8) | 11,004 |
| Adjusted net income attributable to OAO LUKOIL ¹ | 7,087 | (31.1) | 10,281 | (6.6) | 11,004 |
| EBITDA | 15,982 | (4.1) | 16,668 | (11.9) | 18,915 |
| Adjusted EBITDA ¹ | 18,426 | (4.3) | 19,255 | 1.8 | 18,915 |
| Taxes other than income taxes, excise and export tariffs | (34,256) | (5.2) | (36,137) | (1.0) | (36,502) |
| Earning per share of common stock attributable to OAO LUKOIL: | (US dollars) | | | | |
| Basic | 6.29 | (39.4) | 10.38 | (28.3) | 14.47 |
| Diluted | 6.20 | (39.1) | 10.18 | (28.2) | 14.17 |
| Hydrocarbon production by the Group including our share in equity affiliates (thousands of BOE) | 844,469 | 5.1 | 803,825 | 1.2 | 794,332 |
| Daily hydrocarbon production by the Group including our share in equity affiliates (thousands of BOE) | 2,314 | 5.1 | 2,202 | 1.5 | 2,170 |
| Crude oil and natural gas liquids produced by the Group including our share in equity affiliates (thousands of barrels) | 726,955 | 6.3 | 683,822 | 1.0 | 677,023 |
| Gas available for sale produced by the Group including our share in equity affiliates (millions of cubic meters) | 19,968 | (2.1) | 20,391 | 2.3 | 19,934 |
| Refined products produced by the Group including our share in equity affiliates (thousands of tonnes) | 64,118 | (0.1) | 64,196 | 0.7 | 63,773 |
| Hydrocarbon proved reserves including our share in equity affiliates (millions of BOE) | 17,585 | 1.1 | 17,401 | 0.6 | 17,296 |

¹ Adjusted for the loss on impairment of assets and dry hole related write-offs (for details see p. 171-172).

In 2014, net income attributable to OAO LUKOIL decreased by \$3,086 million, or by 39.4%, while our EBITDA decreased by \$686 million, or by 4.1%, compared to 2013. Our net income in 2014 was affected by a decrease of hydrocarbon prices, especially in the fourth quarter. It was also affected by the impairment losses and write-offs related to our upstream and downstream assets in the total amounts of \$2,123 million and \$218 million, respectively (net of tax and non-controlling interest). Adjusted for non-recurring losses, our net income decreased by \$3,194 million, or by 31.1%, compared to 2013. At the same time, our adjusted EBITDA decreased by \$829 million, or by 4.3%. In 2014, our EBITDA was supported by commencement of cost compensation at West Qurna-2 project in Iraq. In 2014, the Group generated free cash flow of \$0.9 billion.

► BUSINESS OVERVIEW

The primary activities of OAO LUKOIL and its subsidiaries are oil exploration, production, refining, marketing and distribution. The Company is the ultimate parent entity of a vertically integrated group of companies.

OAO LUKOIL was established in accordance with Presidential Decree No. 1403, issued on November 17, 1992. Under this decree, on April 5, 1993, the Government of the Russian Federation transferred to the Company 51% of the voting shares of fifteen enterprises. Under Government Resolution No. 861 issued on September 1, 1995, a further nine enterprises were transferred to the Group during 1995. Since 1995, the Group has carried out a share exchange program to increase its shareholding in each of 24 founding subsidiaries to 100%. From formation, the Group has expanded substantially through consolidation of interests, acquisition of new companies and establishment of new businesses. Now LUKOIL is a global energy company operating through its subsidiaries in 34 countries on four continents.

LUKOIL is one of the world's largest energy companies in terms of hydrocarbon reserves that amounted to 17.6 billion BOE as of January 1, 2015 and comprised of 13.6 billion barrels of crude oil and 23.9 trillion cubic feet of gas.

Our operations are divided into four main business segments:

- **Exploration and Production** – which includes our exploration, development and production operations relating to crude oil and gas. These activities are primarily located within Russia, with additional activities in Azerbaijan, Kazakhstan, Uzbekistan, the Middle East, Northern and Western Africa, Norway and Romania.
- **Refining, Marketing and Distribution** – which includes refining and transport operations, marketing and trading of crude oil, natural gas and refined products.
- **Chemicals** – which includes processing and trading of petrochemical products.
- **Power generation** – which includes generation, transportation and sales of electricity, heat and related services.

Each of our four main segments is dependent on the other, with a portion of the revenues of one segment being a part of the costs of the other. In particular, our Refining, Marketing and Distribution segment purchases crude oil from our Exploration and Production segment. As a result of certain factors considered in the [“Domestic crude oil and refined products prices” section on page 156](#), benchmarking crude oil market prices in Russia cannot be determined with certainty. Therefore, the prices set for inter-segment purchases of crude oil reflect a combination of market factors, primarily international crude oil market prices, transportation costs, regional market conditions, the cost of crude oil refining and other factors. Accordingly, an analysis of either of these segments on a stand-alone basis could give a misleading impression of those segments' underlying financial position and results of operations. For this reason, we do not analyse either of our main segments separately in the discussion that follows. However, we present the financial data for each in [Note 22 “Segment information”](#) to our consolidated financial statements.

► RECENT DEVELOPMENTS AND OUTLOOK

The following has been achieved in 2014:

Exploration and production

- 17 new oil and gas fields were brought into production, the best result since 2003 (2013 – 9 oil and gas fields).
- 14 new oilfields discovered, the best result within since 2001 years.
- Crude oil production increased by 7.0% as a result of commencement of crude oil production on the West Qurna-2 oilfield in Iraq.
- In Russia, crude oil production commenced on the Imilorskoye oilfield, one of the largest undeveloped oilfields in Western Siberia.

Refining

- The Company continued the construction of the second catalytic cracking unit at the Nizhny Novgorod refinery.
- Our joint venture with OAO Russian Railways commenced the production of lubricants and greases.

Marketing

- In line with the strategy to optimize our downstream operations, the Group sold 100% shares in our distribution companies in Hungary, Czech Republic and Slovakia.

Other

- The Company commenced the development of the world's largest new kimberlite pipe, first diamonds produced and sold.

These and other achievements in 2014 are described in detail further in this report.

► MAIN EVENTS

► CHANGES IN GROUP STRUCTURE

In December 2014, LUKOIL sold to OAO NK Rosneft its 20% share in OOO National oil consortium (“NNC”), established by Russian oil companies in 2008 within development of economic cooperation between Russia and Venezuela. In 2010, NNC and PDVSA, Venezuelan state-owned oil company, established a joint venture, PetroMiranda, to develop the “Junin-6” block in the Orinoko river basin.

On August 11, 2014, in line with the strategy to optimize downstream portfolio a Group company signed an agreement with AMIC Energy Management GmbH (“AMIC”) to sell 100% of the Group's interest in LUKOIL Ukraine, a distribution company operating in Ukraine. Closing of the transaction is subject to customary approvals by regulatory authorities.

On August 1, 2014, in line with the strategy to optimize its downstream operations Group companies signed agreements with Slovnaft Česká Republika, Spol. s.r.o. and Norm Benzinkút Kft to sell 100% of shares in LUKOIL Slovakia s.r.o., LUKOIL Hungary Ltd. and LUKOIL Czech Republic s.r.o. These transactions were finalized in December 2014 at the selling price of €98 million (approximately \$123 million) which is subject to certain working capital adjustments.

On April 15, 2014, a Group company entered into a contract with a Sinopec group company, to sell for \$1.2 billion the Group's 50% interest in Caspian Investment Resources Ltd., an exploration and production company operating in Kazakhstan. Subsequent to December 31, 2014, Sinopec group company failed to close the sale and purchase under the contract, arguing that the conditions precedent had not been satisfied by the agreed longstop date of January 15, 2015. The Group contends that those conditions precedent were satisfied prior to the longstop date. On February 9, 2015, the Group company commenced arbitration proceedings in London against Sinopec group companies seeking damages. The quantum of that claim remains to be determined.

In December 2013, after approval by European regulatory authorities, the Group acquired the remaining 20% interest in the joint venture which operates the ISAB refinery complex (ISAB) for €446 million (approximately \$613 million) after final adjustments, increasing its stake in the joint venture from 80% to 100%. This transaction was exercised in line with the initial agreement on the establishment of the joint venture signed in 2008. This agreement gave the second investor, ERG S.p.A., a step-by-step put option to sell its share in the joint venture to the Group. The Group obtained control over ISAB in September 2012, when within this agreement, it acquired a 20% interest in the joint venture for €494 million (approximately \$621 million) and increased its stake to 80%.

In April 2013, after approval by the Federal Anti-monopoly Service, in line with the strategy to increase crude oil production in Russia the Company purchased 100% of the shares of ZAO Samara-Nafta for \$2.1 billion after final adjustments. ZAO Samara-Nafta is an exploration and production company operating in the Samara and Uljanovsk regions of the Russian Federation.

In April-May 2013, Group companies acquired the remaining 50% of the shares of ZAO Kama-oil, an exploration and production company operating in the Perm region of the Russian Federation, for \$400 million increasing the Group's ownership to 100%. As a result of this acquisition, the Group obtained control over ZAO Kama-oil and consolidated it.

WEST QURNA-2 PROJECT

On December 12, 2009, a consortium of a Group company and Statoil won the tender for development of the West Qurna-2 field in Iraq, one of the largest crude oil fields discovered in the world, with estimated recoverable oil reserves of 12.9 billion barrels (1.8 billion tonnes). The service agreement for West Qurna-2 field development and production was signed on January 31, 2010 and then ratified by the Ministry cabinet of the Iraq Republic. After Statoil withdrew from the West Qurna-2 project in May 2012, the parties of the project are Iraq's state-owned South Oil Company and a consortium of contractors, consisting of a Group company (75% interest) and Iraq's state-owned North Oil Company (25% interest).

The Group launched the "Mishrif Early Oil" stage on the West Qurna-2 field and reached the planned production of 120 thousand barrels per day in March 2014. According to the service agreement, costs are compensated after this level of production is achieved and maintained during any 90 days within a 120-day period. In June 2014, we met this term. Therefore, in 2014, the Group accrued revenue from the West Qurna-2 project in the total amount of \$3,682 million, consisting of cost recovery of \$3,616 million and remuneration fee of \$66 million.

This revenue was classified as crude oil sales revenue. Attributable amount of 6,087 thousand tonnes, or 41,749 thousand barrels, of crude oil was included in Group's crude oil production for 2014 that represented approximately 55% of total production from the field. Positive impact of cost compensation on Group's EBITDA for 2014 amounted to \$3,105 million.

The project's target production level is 1.2 million barrels per day and the total term of the contract is 25 years.

The Group is exposed to political, economic and legal risks due to its operations in Iraq. Management monitors the risks associated with the projects in Iraq and believes that there is no adverse effect on the Group's financial condition that can be reasonably estimated at present.

SECTORIAL SANCTIONS AGAINST THE RUSSIAN COMPANIES

In July-September 2014, the United States ("US"), the European Union ("EU") and other countries imposed a number of sectorial sanctions on Russian entities, including OAO LUKOIL. These sanctions prohibit the US and the EU companies and individuals from the provision of goods, services or technology (except for financial services to OAO LUKOIL) that can be used on the territory of the Russian Federation in deepwater exploration and production of crude oil, exploration and production of crude oil in Arctic offshore and shale projects. The Company considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Company's financial position and results of operations.

► RESOURCE BASE

The table below summarizes the net proved reserves of consolidated subsidiaries and our share in equity affiliates under the standards of the US Securities and Exchange Commission (until the economic

limit of commercial production is reached) that have been derived or extracted from our reserve reports audited by Miller and Lents, Ltd., our independent reservoir engineers, as of January 1, 2015 and 2014.

| (millions of BOE) | Changes in 2014 | | | | |
|--------------------------------------|-----------------|-------------------------|--|--------------------------------|-----------------|
| | January 1, 2015 | Production ¹ | Extensions, discoveries and changes in structure | Revision of previous estimates | January 1, 2014 |
| Western Siberia | 9,586 | (431) | 365 | (95) | 9,747 |
| Timan-Pechora | 2,491 | (124) | 265 | 30 | 2,320 |
| Ural region | 2,303 | (121) | 102 | 36 | 2,286 |
| Volga region | 1,250 | (64) | 38 | 38 | 1,238 |
| Other in Russia | 196 | (14) | 10 | 4 | 196 |
| Outside Russia | 1,759 | (123) | 48 | 220 | 1,614 |
| Proved oil and gas reserves | 17,585 | (877) | 828 | 233 | 17,401 |
| Probable oil and gas reserves | 6,823 | | | | 6,613 |
| Possible oil and gas reserves | 3,375 | | | | 3,596 |

¹ Gas production shown before own consumption.

The Company's proved reserves as of January 1, 2015 amount to 17,585 million BOE and comprise of 13,594 million barrels of crude oil and 23,946 billion cubic feet of gas. The incremental replacement of production by additional proved reserves in 2014 amounted to 121%.

The increase in proved reserves related to geological exploration and production drilling totaled 815 million BOE and was a result of the exploration operations in the traditional regions of the Company's operations in Russia and abroad. Outside of Russia, the increase was largely a result of the commencement of production at the West

Qurna-2 oilfield and including additional volumes in proved reserves of Mishrif formation.

Positive revision of previous estimates mainly related to our project in Azerbaijan where a Group company, within an international consortium, started the second phase of development of Shakh-Deniz field.

The increase in proved reserves in Timan-Pechora was due to the commencement of production by 000 Bashneft-Polus, where the Group holds a 25.1% interest.

► OPERATIONAL HIGHLIGHTS

► HYDROCARBON PRODUCTION

The table below summarizes the results of our exploration and production activities.

| | 2014 | 2013 | 2012 |
|---|--------------|--------------------------|--------------|
| | | (thousand BOE per day) | |
| Crude oil and natural gas liquids production¹ | | | |
| Consolidated subsidiaries | | | |
| Western Siberia | 970 | 996 | 1,014 |
| Timan-Pechora | 313 | 302 | 309 |
| Ural region | 308 | 297 | 286 |
| Volga region | 136 | 120 | 77 |
| Other regions in Russia | 38 | 38 | 38 |
| Total in Russia | 1,765 | 1,753 | 1,724 |
| Iraq ² | 114 | – | – |
| Other regions outside Russia | 60 | 65 | 69 |
| Total outside Russia | 174 | 65 | 69 |
| Total consolidated subsidiaries | 1,939 | 1,818 | 1,793 |
| Our share in equity affiliates | | | |
| in Russia | 11 | 8 | 8 |
| outside Russia | 42 | 47 | 49 |
| Total share in equity affiliates | 53 | 55 | 57 |
| Total crude oil and natural gas liquids | 1,992 | 1,873 | 1,850 |
| Natural gas production available for sale³ | | | |
| Consolidated subsidiaries | | | |
| Western Siberia | 187 | 187 | 183 |
| Timan-Pechora | 14 | 14 | 12 |
| Ural region | 19 | 17 | 15 |
| Volga region | 6 | 6 | 7 |
| Total in Russia | 226 | 224 | 217 |
| Total outside Russia | 87 | 95 | 94 |
| Total consolidated subsidiaries | 313 | 319 | 311 |
| Share in equity affiliates | | | |
| in Russia | 1 | 1 | 1 |
| outside Russia | 8 | 9 | 8 |
| Total share in production of equity affiliates | 9 | 10 | 9 |
| Total natural gas available for sale | 322 | 329 | 320 |
| Total daily hydrocarbon production | 2,314 | 2,202 | 2,170 |
| | | (US dollar per BOE) | |
| Hydrocarbon extraction expenses | 5.74 | 5.58 | 5.04 |
| in Russia | 5.19 | 5.59 | 5.03 |
| outside Russia | 9.82 | 5.43 | 5.07 |
| | | (millions of US dollars) | |
| Hydrocarbon extraction expenses | 4,718 | 4,335 | 3,861 |
| in Russia | 3,762 | 4,021 | 3,562 |
| outside Russia | 956 | 314 | 299 |
| Exploration expenses | 1,104 | 602 | 364 |
| in Russia | 332 | 218 | 205 |
| outside Russia | 772 | 384 | 159 |
| Mineral extraction tax | 11,647 | 12,410 | 12,354 |
| in Russia | 11,596 | 12,333 | 12,261 |
| outside Russia | 51 | 77 | 93 |

¹ Natural gas liquids produced at the Group gas processing plants.

² Compensation oil that represents approximately 55% of production from the West Qurna-2 field in 2014.

³ Including petroleum gas sold to third parties.

We undertake exploration for, and production of, crude oil and natural gas in Russia and internationally. In Russia, our major oil producing subsidiaries are OOO LUKOIL-Western Siberia, OOO LUKOIL-Komi and OOO LUKOIL-PERM. Exploration and production outside of Russia is performed by our 100% subsidiary LUKOIL Overseas Holding GmbH. This has stakes in PSA's and other projects in Kazakhstan, Azerbaijan,

Uzbekistan, Romania, Iraq, Saudi Arabia, Egypt, Ghana, Cote d'Ivoire, and Norway.

Crude oil production. In 2014, we produced (including the Company's share in equity affiliates) 97.2 million tonnes, or 713.1 million barrels, of crude oil.

The following table represents our crude oil production in 2014 and 2013 by major regions.

| (thousands of tonnes) | Change to 2013 | | | | |
|--|----------------|------------|---------------------|----------------|---------------|
| | 2014 | Total, % | Change in structure | Organic change | 2013 |
| Western Siberia | 46,840 | (2.8) | – | (1,368) | 48,208 |
| Timan-Pechora | 15,814 | 3.8 | – | 582 | 15,232 |
| Ural region | 14,585 | 4.4 | 34 | 580 | 13,971 |
| Volga region | 6,659 | 14.8 | 657 | 201 | 5,801 |
| Other regions in Russia | 1,911 | 0.4 | – | 8 | 1,903 |
| Crude oil produced in Russia | 85,809 | 0.8 | 691 | 3 | 85,115 |
| Iraq ¹ | 6,087 | 100.0 | – | 6,087 | – |
| Other regions outside of Russia | 2,860 | (9.0) | – | (283) | 3,143 |
| Crude oil produced internationally | 8,947 | 184.7 | – | 5,804 | 3,143 |
| Total crude oil produced by consolidated subsidiaries | 94,756 | 7.4 | 691 | 5,807 | 88,258 |
| Our share in crude oil produced by equity affiliates: | | | | | |
| in Russia | 519 | 41.8 | (17) | 170 | 366 |
| outside Russia | 1,933 | (11.5) | – | (250) | 2,183 |
| Total crude oil produced | 97,208 | 7.0 | 674 | 5,727 | 90,807 |

¹ Compensation oil that represents approximately 55% of production from the West Qurna-2 field in 2014.

The main oil producing region for the Company is Western Siberia where we produced 49.4% of our crude oil in 2014 (54.6% in 2013).

Crude oil production in Western Siberia continued to decline due to natural depletion of reserves and an increase in water cut. Nevertheless, this was compensated for by the acquisitions of new upstream properties, development of greenfields, successful employment of new technologies and an increase in drilling footage. As a result, our daily domestic crude oil and natural gas liquids production volumes increased by 0.7%, compared to 2013.

The structural increase in our domestic production was a result of the acquisition of a 100% share of ZAO Samara-Nafta and an increase in the Group's ownership in ZAO Kama-oil from 50% to 100% during the second quarter of 2013. At the same time, the transfer of ZAO Kama-oil from affiliates to subsidiaries led to some structural decrease in the affiliates' production in Russia.

The increase in our international production was a result of commencement of commercial production at the West Qurna-2 oilfield in Iraq (*for details see p. 149*).

The increase in our share in crude oil produced by equity affiliates in Russia was due to the commencement of production by OOO Bashneft-Polus, where the Group holds a 25.1% interest.

In addition to our production, we purchase crude oil in Russia and on international markets. In Russia, we primarily purchase crude oil from affiliated producing companies and other producers. Then we either refine or export purchased crude oil. Crude oil purchased on international markets is normally used for trading activities, for supplying our international refineries or for processing at third party refineries.

| | 2014 | | 2013 | | 2012 | |
|--|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| | (thousand of barrels) | (thousand of tonnes) | (thousand of barrels) | (thousand of tonnes) | (thousand of barrels) | (thousand of tonnes) |
| Purchases in Russia | 7,579 | 1,034 | 5,447 | 743 | 1,994 | 272 |
| Purchases for trading internationally | 150,492 | 20,531 | 48,416 | 6,605 | 28,170 | 3,843 |
| Purchases for refining internationally | 88,239 | 12,038 | 75,607 | 10,315 | 91,713 | 12,512 |
| Total crude oil purchased | 246,310 | 33,603 | 129,470 | 17,663 | 121,877 | 16,627 |

A significant part of our crude oil purchases is for processing.

Compared to 2013, our purchases for processing at international refineries increased by 16.7% as a result of the increase of crude oil refining at ISAB. Moreover, in 2014, our purchases for trading increased significantly compared to 2013.

Production of gas and natural gas liquids. In 2014, we produced 19,968 million cubic meters (117.5 million BOE) of gas available for sale (including our share in equity affiliates), that is 2.1% less than in 2013.

Our major gas field is the Nakhodkinskoe field, where we produced 8,247 million cubic meters of natural gas in 2014 (8,272 million cubic meters in 2013). Our international gas production decreased by 8.4%, compared to 2013, largely due to lower production in Uzbekistan.

In 2014, the output of natural gas liquids at the Group gas processing plants in Western Siberia, Ural and Volgograd regions of Russia was 13.9 million BOE, compared to 13.7 million BOE in 2013.

► REFINING, MARKETING AND TRADING

Refining. We own and operate four refineries located in European Russia and three refineries located outside of Russia – in Bulgaria, Romania and Italy. Moreover, we have a 45% interest in the Zeeland refinery in the Netherlands.

In December 2013, the Group increased its stake in ISAB to 100% after acquisition of the remaining 20% share. Initially, in December 2008, the Group acquired a 49% interest in ISAB, then increased its interest to 60% in April 2011 and to 80% in September 2012, when control over the refinery was obtained and ISAB became our consolidated subsidiary, rather than an equity affiliate.

Compared to 2013, the total volume of refined products produced by the Group (including our share in production at the Zeeland refinery) didn't change significantly. Production volumes at our Russian refineries increased slightly above the level of 2013, while the production of our international refineries decreased by 1.6%. Sharp decrease in production at the Zeeland refinery by 20.3% due to overhauls in the second quarter of 2014 was partially compensated by the increase of production at ISAB.

Along with our own production of refined products we can refine crude oil at third party refineries depending on market conditions and other factors. In the periods considered, we processed our crude oil at third party refineries in Belarus and Kazakhstan.

The following table summarizes key figures for our refining activities.

| | 2014 | 2013 | 2012 |
|--|---------------|----------------------------|--------------------|
| | | (thousand barrels per day) | |
| Refinery throughput at the Group refineries | 1,263 | 1,240 | 1,128 |
| in Russia | 909 | 909 | 890 |
| outside Russia ¹ | 354 | 331 | 238 |
| Refinery throughput at affiliated refineries ¹ | 74 | 92 | 195 ² |
| Refinery throughput at third party refineries | 37 | 31 | 53 |
| Total refinery throughput | 1,374 | 1,363 | 1,376 |
| | | (thousands of tonnes) | |
| Production of the Group refineries in Russia | 43,673 | 43,426 | 42,468 |
| Production of the Group refineries outside Russia | 16,780 | 16,170 | 11,541 |
| Production at affiliated refineries | 3,665 | 4,600 | 9,764 ² |
| Refined products produced by the Group including our share in affiliated refinery | 64,118 | 64,196 | 63,773 |
| Refined products produced at third party refineries | 1,687 | 1,439 | 2,472 |
| Total refined products produced | 65,805 | 65,635 | 66,245 |
| | | (millions of US dollars) | |
| Refining expenses at the Group refineries | 2,059 | 2,170 | 1,669 |
| in Russia | 1,078 | 1,156 | 1,141 |
| outside Russia | 981 | 1,014 | 528 |
| Refining expenses at affiliated refineries outside of Russia | 191 | 228 | 702 ² |
| Refining expenses at third party refineries | 75 | 58 | 96 |
| Capital expenditures | 2,318 | 2,184 | 1,406 |
| in Russia | 1,691 | 1,393 | 988 |
| outside Russia ¹ | 627 | 791 | 418 |

¹ Including refined product processed.

² Including 60% share of ISAB production up to September 2012.

Marketing and trading. Our marketing and trading activities mainly include wholesale and bunkering operations in Western Europe, South-East Asia, Central America and retail operations in the USA, Central and Eastern Europe, the Baltic States and other regions. In Russia, we purchase refined products on occasion, primarily to manage supply chain bottlenecks.

The Group retails its refined products in 23 countries through nearly 5.3 thousand petrol stations (including franchisees). Most of the stations operate under the LUKOIL brand.

The table below summarizes figures for our trading activities.

| | 2014 | 2013 | 2012 |
|--|-----------------------|----------------|----------------|
| | (thousands of tonnes) | | |
| Retail sales | 16,126 | 15,741 | 15,424 |
| Wholesale sales | 102,103 | 101,529 | 97,558 |
| Total refined products sales | 118,229 | 117,270 | 112,982 |
| Refined products purchased in Russia | 2,041 | 2,298 | 1,772 |
| Refined products purchased internationally | 58,910 | 58,172 | 52,761 |
| Total refined products purchased | 60,951 | 60,470 | 54,533 |

In December 2014, in line with the strategy to optimize its downstream operations, Group companies sold 100% of shares in LUKOIL Slovakia s.r.o., LUKOIL Hungary Ltd. and LUKOIL Czech Republic s.r.o. that together operated approximately 140 petrol stations.

In August 2014, a Group company signed an agreement with AMIC to sell 100% of the Group's interest in LUKOIL Ukraine, a distribution company operating 240 petrol stations in Ukraine. Closing of the transaction is subject to customary approvals by regulatory authorities.

Exports of crude oil and refined products from Russia. The volumes of crude oil and refined products exported from Russia by our subsidiaries are summarized as follows:

| | 2014 | | 2013 | | 2012 | |
|--|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| | (thousands of barrels) | (thousands of tonnes) | (thousands of barrels) | (thousands of tonnes) | (thousands of barrels) | (thousands of tonnes) |
| Exports of crude oil using Transneft export routes | 172,306 | 23,507 | 185,500 | 25,307 | 223,185 | 30,448 |
| Exports of crude oil bypassing Transneft | 46,370 | 6,326 | 47,770 | 6,517 | 31,418 | 4,286 |
| Total crude oil exports | 218,676 | 29,833 | 233,270 | 31,824 | 254,603 | 34,734 |
| Exports of refined products | | 23,377 | | 23,419 | | 22,537 |

In 2014, the volume of our crude oil export from Russia decreased by 6.3%, compared to 2013, and we exported 34.8% of our domestic crude oil production (37.4% – in 2013). The decrease of crude oil export was a result of higher volumes of domestic sales.

In 2014, our revenue from export of crude oil and refined products from Russia both to Group companies and third parties amounted to \$19,195 million and \$15,711 million, respectively (\$22,885 million for crude oil and \$17,309 million for refined products in 2013).

Primarily, all the volume of crude oil exported that bypassed Transneft in the periods considered was routed through our own export infrastructure.

► POWER GENERATION

In 2014, the Company exported 1,499 thousand tonnes of light crude oil through the Eastern Siberia – Pacific Ocean pipeline. This allowed us to preserve the premium quality of crude oil and thus increased the efficiency of export, compared to export to traditional Western markets.

In 2014, we continued to develop the power generation sector of our business as part of our strategic development program. This new sector encompasses all aspects of the power generation business, from generation to transmission and sale of heat and electrical power. Our power generation business sector now includes 000 LUKOIL-Volgogradenergo, 000 LUKOIL-Kubanenergo, 000 LUKOIL-Astrakhanenergo, 000 LUKOIL-Rostovenergo, 000 LUKOIL-Stavropolenergo, 000 LUKOIL-TTK, 000 LUKOIL-Ecoenergo, our own power generating facilities at our oil and gas fields in Russia and power generators in Bulgaria and Romania. Our total output of electrical energy was 17.1 billion kW-h in 2014 (15.7 billion kW-h in 2013 and 15.4 billion kW-h in 2012). In 2014, our total output of heat energy was approximately 14.1 million Gcal (13.6 million Gcal in 2013 and 14.7 million Gcal in 2012).

In 2014, the volume of our exported refined products from Russia didn't change significantly compared to 2013. Primarily, we export from Russia diesel fuel, fuel oil and gasoil. These products accounted for approximately 88.6% of our exported refined products volumes.

► **MAIN MACROECONOMIC FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

► **CHANGES IN THE PRICE OF CRUDE OIL AND REFINED PRODUCTS**

The price at which we sell crude oil and refined products is the primary driver of the Group's revenues. In the first half of 2014, the price for the Brent crude oil was increasing and reached its peak of \$115.32 in the middle of June, but then turned into a sharp downward trend and dropped to \$54.97 in the end of December. In the fourth quarter of

2014, the average Brent crude oil price was 24.9% lower, compared to the third quarter of 2014.

Substantially all the crude oil the Group exports is Urals blend. The following table shows the average crude oil and refined product prices in 2014 and 2013.

| | 2014 | Change to 2013, % | 2013 | Change to 2012, % | 2012 |
|---|--------|-------------------|--------|-------------------|----------|
| (in US dollars per barrel, except for figures in percent) | | | | | |
| Brent crude | 98.95 | (8.9) | 108.66 | (2.7) | 111.67 |
| Urals crude (CIF Mediterranean) ¹ | 97.95 | (9.3) | 108.03 | (2.3) | 110.55 |
| Urals crude (CIF Rotterdam) ¹ | 97.23 | (9.5) | 107.38 | (2.6) | 110.19 |
| (in US dollars per metric tonne, except for figures in percent) | | | | | |
| Fuel oil 3.5% (FOB Rotterdam) | 527.06 | (10.9) | 591.43 | (6.3) | 631.08 |
| Diesel fuel 10 ppm (FOB Rotterdam) | 855.17 | (8.9) | 938.66 | (4.2) | 980.00 |
| High-octane gasoline (FOB Rotterdam) | 918.87 | (6.9) | 986.86 | (4.8) | 1,036.14 |

Source: Platts.

¹ The Company sells crude oil on foreign markets on various delivery terms. Thus, our average realized sales price of oil on international markets differs from the average prices of Urals blend on Mediterranean and Northern Europe markets.

► **DOMESTIC CRUDE OIL AND REFINED PRODUCTS PRICES**

Substantially all crude oil produced in Russia is produced by vertically integrated oil companies such as ours. As a result, most transactions are between affiliated entities within vertically integrated groups. Thus, there is no concept of a benchmark domestic market price for crude oil. The price of crude oil that is produced but not refined or exported by one of the vertically integrated oil companies is generally determined on a transaction-by-transaction basis against a background of world market prices, but with no direct reference or correlation.

At any time there may exist significant price differences between regions for similar quality crude oil as a result of the competition and economic conditions in those regions.

Domestic prices for refined products are determined to some extent by world market prices, but they are also directly affected by local demand and competition.

The table below represents average domestic wholesale prices of refined products in 2014, 2013 and 2012.

| | 2014 | Change to 2013, % | 2013 | Change to 2012, % | 2012 |
|---|--------|-------------------|--------|-------------------|--------|
| (in US dollars per metric tonne, except for figures in percent) | | | | | |
| Fuel oil | 243.13 | (28.8) | 341.32 | 6.6 | 320.29 |
| Diesel fuel | 734.10 | (13.7) | 850.78 | 2.2 | 832.71 |
| High-octane gasoline (Regular) | 806.66 | (2.8) | 829.69 | 1.9 | 813.94 |
| High-octane gasoline (Premium) | 834.17 | (7.0) | 897.10 | 3.2 | 869.33 |

Source: InfoTEK (excluding VAT).

► **CHANGES IN THE US DOLLAR-RUBLE EXCHANGE RATE AND INFLATION**

A substantial part of our revenue is either denominated in US dollars or is correlated to some extent with US dollar crude oil prices, while most of our costs in the Russian Federation are settled in Russian rubles. Therefore, ruble inflation and movements of exchange rates can significantly affect the results of our operations. In particular, a depreciation of the ruble against the US dollar generally causes our costs to decrease in US dollar terms, and vice versa. The appreciation of the purchasing power of the US dollar in the Russian Federation

calculated on the basis of the ruble-dollar exchange rates and the level of inflation in Russia was 10.6% in 2014, compared to 2013.

In the fourth quarter of 2014, the ruble depreciated significantly against the US dollar. Average ruble-dollar exchange rate in the fourth quarter of 2014 was 47.42 rubles per US dollar, a 45.8% increase compared to the same period of 2013 and a 31.0% increase compared to the third quarter of 2014.

The following table gives data on inflation in Russia and the change in the ruble-dollar exchange rate.

| | 2014 | 2013 | 2012 |
|---|-------|-------|-------|
| Ruble inflation (CPI), % | 11.4 | 6.5 | 6.6 |
| Average exchange rate for the period (ruble to US dollar) | 38.42 | 31.85 | 31.09 |
| Exchange rate at the end of the period (ruble to US dollar) | 56.26 | 32.73 | 30.37 |

► **TAX BURDEN**

Given the relative size of our activities in Russia, our tax profile is largely determined by the taxes payable in Russia (based on records maintained under Russian legislation – not US GAAP). In 2014, 2013 and 2012, the tax charge on the operations in Russia was approximately 88% of our total tax charge.

Apart of income tax, fundamental taxes specific to the oil industry in Russia are mineral extraction tax, excise and export tariffs. In addition to above mentioned taxes, we are subject to a number of other taxes in Russia, including social taxes, property tax, VAT and other local and regional taxes.

The effective rates of total taxes and tariffs (total taxes, including income taxes, taxes other than on income and excise and export tariffs,

divided by income before taxes and tariffs) for 2014, 2013 and 2012, respectively, were 89%, 84% and 78%. In 2014, tax expenses in Russia were about 54% of the domestic and export sales revenue of Russian companies of the Group.

The measures that we use for tax planning and management strategies have been based on our understanding of tax legislation existing at the time of implementation of these measures. We are subject to tax authority audits on an ongoing basis, as is normal in the Russian environment, and, at times, the authorities have attempted to impose significant additional taxes on us. We believe that we have adequately met and provided for tax liabilities based on our interpretation of existing tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

The following table represents average enacted rates for taxes specific to the oil industry in Russia for the respective periods:

| | | 2014 | Change to 2013, % | 2013 | Change to 2012, % | 2012 |
|--|-----------------------|----------|----------------------|----------|----------------------|----------|
| Export tariffs on crude oil | \$/tonne | 366.53 | (6.5) | 392.14 | (3.0) | 404.15 |
| Export tariffs on refined products | | | | | | |
| Middle distillates (jet fuel), liquid fuels (fuel oil) and gasoils | \$/tonne | 241.88 | (6.5) | 258.78 | (3.0) | 266.70 |
| Light distillates | \$/tonne | 329.83 | (6.5) | 352.91 | (3.0) | 363.72 |
| Diesel fuel | \$/tonne | 238.52 | (7.8) | 258.78 | (3.0) | 266.70 |
| Mineral extraction tax | | | | | | |
| Crude oil | RUR/tonne | 5,827.45 | 9.3 | 5,329.58 | 5.2 | 5,065.95 |
| Crude oil | \$/tonne ¹ | 151.67 | (9.4) | 167.34 | 2.7 | 162.93 |

¹ Translated to US dollars using average ruble-dollar exchange rates.

The rates of taxes specific to the oil industry in Russia are linked to international crude oil prices and are changed in line with them. The methods to determine the rates for such taxes are presented below.

Crude oil extraction tax rate is determined by adjusting the base rate depending on the international market price of Urals blend and the ruble-dollar exchange rate. The tax rate is zero when the average Urals blend international market price for a tax period is less than or equal to \$15.00 per barrel. Each \$1.00 per barrel increase in the international Urals blend price over the threshold (\$15.00 per barrel) results in an increase of the tax rate by \$1.80 per tonne extracted (or \$0.25 per barrel extracted using a conversion factor of 7.33) above the base rate.

In 2014, the base rate was 493 rubles per metric tonne extracted (470 rubles in 2013 and 446 rubles in 2012).

The crude oil extraction tax rate varies depending on the development, depletion and complexity of a particular oilfield. The tax rate is zero for extra-heavy crude oil and for crude oil produced in certain regions of Eastern Siberia, the Caspian Sea, the Nenetsky Autonomous District and some other regions, depending on the period and volume of production.

The Group produces crude oil in the Caspian Sea, extra-heavy crude oil in Timan-Pechora and benefits from the application of a zero extraction tax rate.

Natural gas extraction tax rate. The mineral extraction tax on natural gas produced by independent producers in Russia was calculated using a flat rate until July 1, 2014. The rate was 471 rubles per thousand cubic meters during the first half of 2014, 265 rubles per thousand cubic meters in the first half of 2013 and 402 rubles – in the second half of 2013.

Starting from July 1, 2014, the base rate amounts to 35 rubles per thousand cubic meters and is adjusted depending on average wholesale natural gas price in Russia, share of gas production in total hydrocarbon production of particular taxpayer, and complexity of particular gas field. In the second half of 2014, actual average natural gas extraction tax rate calculated for our major gas field – Nakhodkinskoe in Western Siberia amounted to 132.06 rubles per thousand cubic meters.

Crude oil export duty rate is calculated on a progressive scale. The rate is zero when the average Urals blend international market price is less than or equal to approximately \$15.00 per barrel (\$109.50 per metric tonne). If the Urals blend price is between \$15.00 and \$20.00 per barrel (\$146.00 per metric tonne), each \$1.00 per barrel increase in the Urals blend price over \$15.00 results in an increase of the crude oil export duty rate by \$0.35 per barrel exported. If the Urals blend price is between \$20.00 and \$25.00 per barrel (\$182.50 per metric tonne), each \$1.00 per barrel increase in the Urals blend price over \$20.00 results in an increase of the crude oil export duty rate by \$0.45 per barrel exported. Each \$1.00 per barrel increase in the Urals blend price over \$25.00 per barrel results in an increase of the crude oil export duty rate no more than by \$0.65 per barrel exported. From October 1, 2011 to December 31, 2013, the maximum increase of export duty rate was \$0.60 per barrel for each \$1.00 per barrel increase in the Urals blend price. From January 1, 2014 to December 31, 2014, the maximum increase of export duty rate was \$0.59 per barrel for each \$1.00 per barrel increase in the Urals blend price.

The crude oil export duty rate is revised monthly on the basis of the immediately preceding one-month period of crude oil price monitoring.

A special export duty regime is in place for certain greenfields. The list of the oilfields where the reduced rate is applied includes our Yu. Korchagin and V. Filanovsky oilfields located in the Caspian Sea and extra-heavy crude oil fields in Timan-Pechora.

Export duty rates on refined products are calculated by multiplying the crude oil export duty rate by a coefficient according to the table below.

| | From January 1, 2014 to December 31, 2014 | Prior to January 1, 2014 |
|---|--|-----------------------------|
| Multiplier for: | | |
| Light distillates (except for gasolines), middle distillates (jet fuel), gasoils, liquid fuels (fuel oil), motor and other oils, other products | 0.66 | 0.66 |
| Diesel fuel | 0.65 | 0.66 |
| Gasolines | 0.90 | 0.90 |

Crude oil and refined products exported to the member countries of the Customs Union – Belarus and Kazakhstan, are not subject to export duties.

In other countries where the Group operates, excises are paid either by producers or retailers depending on the local legislation.

Excise on refined products. The responsibility to pay excises on refined products in Russia is imposed on refined product producers (except for straight-run gasoline). Only domestic sales volumes are subject to excises.

Excise rates on refined products in Russia are tied to the ecological class of fuel. Excise tax rates for 2014, 2013 and 2012 are listed below. The rates in US dollars were translated from rubles using average ruble-dollar exchange rates.

| | | 2014 | Change to 2013, % | 2013 | Change to 2012, % | 2012 |
|-----------------------|-----------|-----------|----------------------|-----------|----------------------|----------|
| Gasoline | | | | | | |
| Below Euro-3 | RUR/tonne | 11,110.00 | 10.0 | 10,100.00 | 26.6 | 7,976.37 |
| Euro-3 | RUR/tonne | 10,725.00 | 10.0 | 9,750.00 | 27.7 | 7,633.37 |
| Euro-4 | RUR/tonne | 9,916.00 | 13.2 | 8,761.64 | 28.4 | 6,822.00 |
| Euro-5 | RUR/tonne | 6,450.00 | 18.4 | 5,448.99 | (8.8) | 5,977.91 |
| Diesel fuel | | | | | | |
| Below Euro-3 | RUR/tonne | 6,446.00 | 10.0 | 5,860.00 | 39.5 | 4,199.55 |
| Euro-3 | RUR/tonne | 6,446.00 | 10.0 | 5,860.00 | 44.4 | 4,058.33 |
| Euro-4 | RUR/tonne | 5,427.00 | 8.2 | 5,017.68 | 40.9 | 3,562.00 |
| Euro-5 | RUR/tonne | 4,767.00 | 7.9 | 4,417.68 | 35.5 | 3,260.36 |
| Motor oils | RUR/tonne | 8,260.00 | 10.0 | 7,509.00 | 23.7 | 6,072.00 |
| Straight-run gasoline | RUR/tonne | 11,252.00 | 10.0 | 10,229.00 | 30.7 | 7,824.00 |

| | | 2014 | Change to 2013, % | 2013 | Change to 2012, % | 2012 |
|-----------------------|----------|--------|----------------------|--------|----------------------|--------|
| Gasoline | | | | | | |
| Below Euro-3 | \$/tonne | 289.16 | (8.8) | 317.13 | 23.6 | 256.53 |
| Euro-3 | \$/tonne | 279.14 | (8.8) | 306.14 | 24.7 | 245.50 |
| Euro-4 | \$/tonne | 258.08 | (6.2) | 275.11 | 25.4 | 219.41 |
| Euro-5 | \$/tonne | 167.87 | (1.9) | 171.09 | (11.0) | 192.26 |
| Diesel fuel | | | | | | |
| Below Euro-3 | \$/tonne | 167.77 | (8.8) | 184.00 | 36.2 | 135.06 |
| Euro-3 | \$/tonne | 167.77 | (8.8) | 184.00 | 41.0 | 130.52 |
| Euro-4 | \$/tonne | 141.25 | (10.3) | 157.55 | 37.5 | 114.56 |
| Euro-5 | \$/tonne | 124.07 | (10.6) | 138.71 | 32.3 | 104.86 |
| Motor oils | \$/tonne | 214.98 | (8.8) | 235.78 | 20.7 | 195.29 |
| Straight-run gasoline | \$/tonne | 292.85 | (8.8) | 321.18 | 27.6 | 251.63 |

► CHANGES IN TAX AND CUSTOMS LEGISLATION IN 2015

Starting from January 1, 2015, the method for calculation of certain tax and duty rates applied to oil companies in Russian Federation is amended. The mineral extraction tax rate increases significantly along with simultaneous decrease of export duty rates and excises.

During the period from January 1, 2015 to December 31, 2015, the base mineral extraction tax rate increases to 766 rubles per tonne

from 493 rubles per tonne in 2014. At the same time, during the period from January 1, 2015 to December 31, 2015, the limit for the increase of crude oil export duty rate per each \$1.00 per barrel of international crude oil price increase decreases from \$0.59 to \$0.42 per barrel. Export duty rates on refined products are to be calculated by multiplying the current crude oil export duty rate by a coefficient according to the table below.

| | From January 1, 2015 to December 31, 2015 |
|---|--|
| Multiplier for: | |
| Light and middle distillates, diesel fuel | 0.48 |
| Gasolines | 0.78 |
| Straight-run gasoline | 0.85 |
| Fuel oil | 0.76 |

Excise tax rates are amended as follows:

| | | From January 1, 2015 |
|-----------------------|-----------|-------------------------|
| Gasoline | | |
| Below Euro-3 | RUR/tonne | 7,300.00 |
| Euro-3 | RUR/tonne | 7,300.00 |
| Euro-4 | RUR/tonne | 7,300.00 |
| Euro-5 | RUR/tonne | 5,530.00 |
| Diesel fuel | | |
| Below Euro-3 | RUR/tonne | 3,450.00 |
| Euro-3 | RUR/tonne | 3,450.00 |
| Euro-4 | RUR/tonne | 3,450.00 |
| Euro-5 | RUR/tonne | 3,450.00 |
| Motor oils | RUR/tonne | 6,500.00 |
| Straight-run gasoline | RUR/tonne | 11,300.00 |

Income tax. The federal income tax rate is 2.0% and the regional income tax rate varies between 13.5% and 18.0%. The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

The Company and its Russian subsidiaries file income tax returns in Russia. With a few exceptions, income tax returns in Russia are open to examination by the Russian tax authorities for tax years beginning in 2012. A number of Group companies in Russia are paying income tax as a consolidated taxpayers' group ("CTG"). This allows taxpayers to offset taxable losses generated by certain participants of a CTG against taxable profits of other participants of the CTG.

► TRANSPORTATION OF CRUDE OIL AND REFINED PRODUCTS IN RUSSIA

The main Russian crude oil production regions are remote from the main crude oil and refined products markets. Therefore, access by crude oil production companies to the markets is dependent on the extent of diversification of the transport infrastructure and access to it. As a result, transportation cost is an important macroeconomic factor affecting our net income.

Transportation of crude oil produced in Russia to refineries and export destinations is performed primarily through the trunk oil pipeline system of the state-owned company, OAO AK Transneft, or by railway transport.

Transportation of refined products in Russia is performed by railway transport and the pipeline system of OAO AK Transnefteproduct. The Russian railway infrastructure is owned and operated by OAO Russian Railways. Both these companies are state-owned. We transport the major part of our refined products by railway transport.

In Russia, gas is mostly sold at the wellhead and then transported through the Unified Gas Supply System ("UGSS"). The UGSS is responsible for gathering, transporting, dispatching and delivering substantially all natural gas supplies in Russia and is owned and operated by OAO Gazprom. The Federal Service for Tariffs of the Russian Federation regulates natural gas transportation tariffs. We are not able to sell our gas other than through UGSS.

► YEAR ENDED DECEMBER 31, 2014, COMPARED TO YEARS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012

The table below sets forth data from our consolidated statements of comprehensive income for the periods indicated.

| | 2014 | 2013 | 2012 |
|--|--------------------------|----------------|----------------|
| | (millions of US dollars) | | |
| Revenues | | | |
| Sales (including excise and export tariffs) | 144,167 | 141,452 | 139,171 |
| Costs and other deductions | | | |
| Operating expenses | (10,115) | (10,086) | (9,359) |
| Cost of purchased crude oil, gas and products | (71,245) | (65,924) | (64,148) |
| Transportation expenses | (5,894) | (6,290) | (6,171) |
| Selling, general and administrative expenses | (3,858) | (3,849) | (3,755) |
| Depreciation, depletion and amortization | (8,816) | (5,756) | (4,832) |
| Taxes other than income taxes | (12,892) | (13,803) | (13,666) |
| Excise and export tariffs | (21,364) | (22,334) | (22,836) |
| Exploration expense | (1,104) | (602) | (364) |
| (Loss) gain on disposals and impairments of assets | (1,753) | (2,561) | 30 |
| Income from operating activities | 7,126 | 10,247 | 14,070 |
| Interest expense | (637) | (488) | (538) |
| Interest and dividend income | 275 | 239 | 257 |
| Equity share in income of affiliates | 552 | 575 | 518 |
| Currency translation loss | (355) | (443) | (512) |
| Other non-operating (expense) income | (189) | 328 | (72) |
| Income before income taxes | 6,772 | 10,458 | 13,723 |
| Current income taxes | (2,876) | (2,051) | (2,738) |
| Deferred income taxes | 818 | (780) | (60) |
| Total income tax expense | (2,058) | (2,831) | (2,798) |
| Net income | 4,714 | 7,627 | 10,925 |
| Net loss attributable to non-controlling interests | 32 | 205 | 79 |
| Net income attributable to OAO LUKOIL | 4,746 | 7,832 | 11,004 |
| Earning per share of common stock attributable to OAO LUKOIL (in US dollars): | | | |
| Basic | 6.29 | 10.38 | 14.47 |
| Diluted | 6.20 | 10.18 | 14.17 |

The analysis of the main financial indicators of the financial statements is provided below.

► SALES REVENUES

| Sales breakdown | 2014 | 2013 | 2012 |
|--|--------------------------|----------------|----------------|
| | (millions of US dollars) | | |
| Crude oil | | | |
| Export and sales on international markets other than Customs Union countries | 32,109 | 22,350 | 24,414 |
| Export and sales to Customs Union countries | 1,552 | 1,920 | 1,622 |
| Domestic sales | 3,418 | 3,071 | 1,634 |
| | 37,079 | 27,341 | 27,670 |
| Refined products | | | |
| Export and sales on international markets | | | |
| Wholesale | 72,540 | 76,966 | 75,880 |
| Retail | 10,367 | 10,830 | 10,724 |
| Domestic sales | | | |
| Wholesale | 7,233 | 8,053 | 8,113 |
| Retail | 9,049 | 9,423 | 8,690 |
| | 99,189 | 105,272 | 103,407 |
| Petrochemicals | | | |
| Export and sales on international markets | 838 | 936 | 992 |
| Domestic sales | 272 | 886 | 418 |
| | 1,110 | 1,822 | 1,410 |
| Gas and gas products | | | |
| Export and sales on international markets | 2,165 | 2,295 | 2,385 |
| Domestic sales | 1,131 | 1,153 | 1,092 |
| | 3,296 | 3,448 | 3,477 |
| Sales of energy and related services | | | |
| Export and sales on international markets | 198 | 69 | 57 |
| Domestic sales | 1,434 | 1,506 | 1,337 |
| | 1,632 | 1,575 | 1,394 |
| Other | | | |
| Export and sales on international markets | 1,007 | 1,178 | 962 |
| Domestic sales | 854 | 816 | 851 |
| | 1,861 | 1,994 | 1,813 |
| Total sales | 144,167 | 141,452 | 139,171 |

| Sales volumes | 2014 | 2013 | 2012 |
|--|----------------|------------------------|----------------|
| | | (thousands of barrels) | |
| Crude oil | | | |
| Export and sales on international markets other than Customs Union countries | 345,485 | 207,021 | 222,466 |
| Export and sales to Customs Union countries | 33,535 | 37,881 | 31,622 |
| Domestic sales | 81,260 | 62,224 | 33,264 |
| | 460,280 | 307,126 | 287,352 |
| | | (thousands of tonnes) | |
| Crude oil | | | |
| Export and sales on international markets other than Customs Union countries | 47,133 | 28,243 | 30,350 |
| Export and sales to Customs Union countries | 4,575 | 5,168 | 4,314 |
| Domestic sales | 11,086 | 8,489 | 4,538 |
| | 62,794 | 41,900 | 39,202 |
| | | (thousands of tonnes) | |
| Refined products | | | |
| Export and sales on international markets | | | |
| Wholesale | 90,507 | 90,097 | 85,917 |
| Retail | 6,353 | 6,580 | 6,568 |
| Domestic sales | | | |
| Wholesale | 11,596 | 11,432 | 11,641 |
| Retail | 9,773 | 9,161 | 8,856 |
| | 118,229 | 117,270 | 112,982 |
| Total sales volume of crude oil and refined products | 181,023 | 159,170 | 152,184 |

| Realized average sales prices | | 2014 | 2013 | 2012 |
|---|-------------|----------|----------|----------|
| Average realized price international | | | | |
| Oil (excluding Customs Union countries) | (\$/barrel) | 92.94 | 107.96 | 109.74 |
| Oil (Customs Union countries) | (\$/barrel) | 46.27 | 50.70 | 51.31 |
| Refined products | | | | |
| Wholesale | (\$/tonne) | 801.48 | 854.26 | 883.18 |
| Retail | (\$/tonne) | 1,631.85 | 1,645.94 | 1,632.81 |
| Average realized price within Russia | | | | |
| Oil | (\$/barrel) | 42.06 | 49.35 | 49.12 |
| Refined products | | | | |
| Wholesale | (\$/tonne) | 623.77 | 704.48 | 696.91 |
| Retail | (\$/tonne) | 925.90 | 1,028.58 | 981.21 |

In 2014, our revenues increased by \$2,715 million, or by 1.9%, compared to 2013 (in 2013, our revenues increased by \$2,281 million, or by 1.6%, compared to 2012). Our revenues from crude oil sales increased by \$9,738 million, or by 35.6% (in 2013, revenues from crude oil sales decreased by \$329 million, or by 1.2%). Our revenues from sales of refined products decreased by \$6,083 million, or by 5.8% (in 2013, revenues from sales of refined products increased by \$1,865 million, or by 1.8%).

The changes in ruble-nominated revenues against 2013 were significantly affected by the nominal ruble devaluation by 17.1%.

Sales of crude oil

► 2014 VS. 2013

Despite the decrease of the international realized crude oil prices by 13.9%, our international sales revenue (beyond the Customs Union) increased by 43.7%, or by \$9,759 million, compared to 2013. Our international sales volumes increased by 18,890 thousand tonnes, or by 66.9%, compared to 2013, as a result of increased volumes of crude oil trading and commencement of commercial production from the West Qurna-2 field.

In 2014, as a result of the ruble devaluation and the drop of international crude oil prices, our realized domestic crude oil price decreased by 14.8%, compared to 2013. At the same time, our domestic sales volumes increased by 2,597 thousand tonnes, or by 30.6%, which was largely demand driven and partly resulting from the increase in the volumes of crude oil production in Russia. As a consequence, in 2014, our domestic sales revenue increased by 11.3%, or by \$347 million.

In 2014, our revenue from crude oil export from Russia both to the Group companies and third parties amounted to \$19,195 million.

► 2013 VS. 2012

Compared to 2012, our international sales volumes decreased by 1,253 thousand tonnes, or by 3.6%, due to decreased export from Russia together with the increased supplies of own crude oil to our overseas refineries. Along with the decrease in crude oil prices, this led to the decrease in our international sales revenue by 6.8%, or by \$1,766 million. At the same time, domestic sales volumes increased nearly two-fold, compared to 2012, due to significant increase of domestic demand and increase of crude oil production in Russia. As a result, in 2013, our domestic sales revenue increased by 87.9%, or by \$1,437 million.

In 2013, our revenue from crude oil export from Russia both to the Group companies and third parties amounted to \$22,885 million.

Sales of refined products

► 2014 VS. 2013

Compared to 2013, our revenue from the wholesale of refined products outside of Russia decreased by \$4,426 million, or by 5.8%. The decrease in sales prices by 6.2% in 2014 was partially compensated by the increase in sales volumes by 0.5% compared to 2013.

In 2014, our realized retail prices outside of Russia decreased by 0.9% and volumes decreased by 3.4%, that resulted in the decrease of retail revenue by \$463 million, or by 4.3%, compared to 2013.

In 2014, our revenue from the wholesale of refined products on the domestic market decreased by 10.2%, or by \$820 million. A decrease in realized prices by 11.5% due to the ruble devaluation was partially compensated by an increase in sales volumes by 1.4%.

In 2014, our revenue from retail sales in Russia decreased by \$374 million, or by 4.0%. As a result of ruble devaluation, our average domestic retail prices decreased by 10.0%, that was partially offset by the increase of retail sales volumes by 6.7%.

In 2014, our revenue from export of refined products from Russia both to Group companies and third parties amounted to \$15,711 million.

► 2013 VS. 2012

Compared to 2012, our revenue from the wholesale of refined products outside of Russia increased by \$1,086 million, or by 1.4%. The main reason for this was the increase in sales volumes by 4.9%, as a result of higher volumes of refined products trading. At the same time, our realized wholesale prices decreased by 3.3%, compared to 2012.

Compared to 2012, neither our retail volumes nor retail prices outside of Russia changed significantly, therefore, our international retail sales revenue remained on the level of 2012.

In 2013, our revenue from the wholesale of refined products on the domestic market did not change significantly. Decrease in sales volumes by 209 thousand tonnes, or by 1.8%, was compensated by the increase in sales price by 1.1%.

Our revenue from retail sales in Russia increased by \$733 million, or by 8.4%, in 2013. Retail sales volumes increased by 3.4%, as a result of the increase in domestic demand for motor fuels. Average retail prices in Russia increased by 4.8%, compared to 2012.

In 2013, our revenue from export of refined products from Russia both to Group companies and third parties amounted to \$17,309 million.

Sales of petrochemical products

► 2014 VS. 2013

In 2014, our revenue from sales of petrochemical products decreased by \$712 million, or by 39.1%. This was largely due to a significant decrease of domestic sales volumes, compared to 2013, as a result of cease of production at our plant in Stavropol region of Russia as a consequence of a fire at the plant in the end of February 2014.

► 2013 VS. 2012

Our revenue from sales of petrochemical products increased by \$412 million, or by 29.2%, in 2013. Domestic sales volumes increased by 413 thousand tonnes, or by 121.5%, after resuming of the production at our petrochemical plant in the Stavropol region of Russia at the end of the third quarter of 2012. At the same time, in 2013, our international sales volumes decreased by 18.1%, due to a temporary shutdown of our petrochemical plant Karpatnaftochim Ltd. in Ukraine, which resulted from unfavorable economic conditions.

Sales of gas and gas products

► 2014 VS. 2013

Sales of gas and gas refined products decreased by \$152 million, or by 4.4%, compared to 2013.

In 2014, gas products wholesales revenue increased by \$25 million, or by 2.1%. Average realized wholesale prices decreased by 5.9% and sales volumes for gas products increased by 8.6%. Retail gas products revenue decreased by \$20 million, or by 3.2%, compared to 2013.

Natural gas sales revenue decreased by \$157 million, or by 9.6%. The decrease was mainly due to lower production in Uzbekistan and the decrease in realized prices.

► 2013 VS. 2012

Sales of gas and gas refined products decreased by \$29 million, or by 0.8%, in 2013, compared to 2012.

Gas products wholesales revenue decreased by \$146 million, or by 11.0%, in 2013. Average realized wholesale prices decreased by 2.0% and gas products wholesale volumes decreased by 9.2% as a result of planned overhauls performed at our gas processing plants in the Ural region and Western Siberia in 2013.

In 2013, retail gas products revenue increased by \$12 million, or by 2.0%, compared to 2012.

Natural gas sales revenue increased by \$105 million, or by 6.8%, in 2013 as a result of the increase in natural gas sales price in Russia, compared to 2012.

Sales of energy and related services

► 2014 VS. 2013

In 2014, our revenue from sales of electricity, heat and related services increased by \$57 million, or by 3.6%, due to the acquisition of power generating company ISAB Energy in Italy in July 2014. In Russia, the effect of increased sales volumes was offset by the effect of ruble devaluation.

► 2013 VS. 2012

Our revenue from sales of electricity, heat and related services increased by \$181 million, or by 13.0%, in 2013, due to commissioning of a combined cycle gas turbine ("CCGT") unit with a capacity of 410 MW in Krasnodar, Russia in late 2012 and another two CCGT units with a combined capacity of 235 MW in Astrakhan, Russia in mid-2013, and consequent increase in volumes of power and capacity generation in 2013.

Sales of other products

Other sales include non-petroleum sales through our retail network, transportation services, rental revenue, crude oil extraction services, and other revenue of our production and marketing companies from sales of goods and services not related to our primary activities.

► 2014 VS. 2013

In 2014, revenue from other sales decreased by \$133 million, or by 6.7%. After the Group obtained full control over ISAB in December 2013, the refinery no longer provided processing services to third parties, which was the main reason for the decrease in other sales revenue compared to 2013. At the same time, since the second quarter of 2014, we increased revenue from rendering crude oil extraction services and since the third quarter of 2014, other sales also included revenue from sales of diamonds.

► 2013 VS. 2012

In 2013, other sales increased by \$181 million, or by 10.0%.

Since obtaining control over the ISAB in September 2012, other sales also include revenue from processing services, rendered by this refinery complex. In 2013, the amount of this revenue totaled \$218 million.

► OPERATING EXPENSES

Operating expenses include the following:

| | 2014 | 2013 | 2012 |
|--|--------------------------|---------------|--------------|
| | (millions of US dollars) | | |
| Hydrocarbon extraction expenses | 4,718 | 4,335 | 3,861 |
| Own refining expenses | 2,059 | 2,170 | 1,669 |
| Refining expenses at third parties and affiliated refineries | 266 | 286 | 798 |
| Cost of processing operations at ISAB | – | 185 | 64 |
| Expenses for crude oil transportation to refineries | 1,036 | 1,265 | 1,241 |
| Power generation and distribution expenses | 838 | 717 | 619 |
| Petrochemical expenses | 182 | 320 | 303 |
| Other operating expenses | 1,016 | 808 | 804 |
| Total operating expenses | 10,115 | 10,086 | 9,359 |

The method of allocation of operating expenses above differs from the approach used in preparing the data for [Note 22 “Segment information”](#) to our consolidated financial statements. Expenditures in the segment reporting are grouped depending on the segment to which a particular company belongs. Operating expenses for the purposes of this analysis are grouped based on the nature of the costs incurred.

The changes in ruble-nominated operating expenses against 2013 were significantly affected by the nominal ruble devaluation by 17.1%.

In 2014, our operating expenses remained nearly on the level of the previous year (the increase by 0.3% compared to 2013).

In 2013, our operating expenses increased by \$727 million, or by 7.8%, compared to 2012.

Hydrocarbon extraction expenses

Our extraction expenses include expenditures related to repairs of extraction equipment, labor costs, expenses on artificial stimulation of reservoirs, fuel and electricity costs, cost of extraction of natural gas liquids, property insurance of extraction equipment and other similar costs.

► 2014 VS. 2013

In 2014, our extraction expenses increased by \$383 million, or by 8.8%. In 2014, our extraction expenses included start-up costs and production expenses related to West Qurna-2 project in the amount of \$640 million. In Russia, the increase in costs was compensated by the ruble devaluation.

Our average hydrocarbon extraction expenses increased from \$5.58 per BOE in 2013 to \$5.74 per BOE in 2014, or by 2.9%. This increase was largely due to write-off of certain start-up costs related to commencement of commercial production at West Qurna-2 oilfield in 2014.

► 2013 VS. 2012

In 2013, our extraction expenses increased by \$474 million, or by 12.3%, as a result of the increase in energy costs triggered by the tariffs growth, repairs, artificial stimulation of reservoirs and maintenance costs. In 2013, \$68 million of the extraction expenses growth refer to ZAO Samara-Nafta, acquired in April 2013. Our average hydrocarbon extraction cost increased from \$5.04 per BOE to \$5.58 per BOE, or by 10.7%, in 2013.

Own refining expense

► 2014 VS. 2013

In 2014, our own refining expenses decreased by \$111 million, or by 5.1%.

Refining expenses at our domestic refineries decreased by 6.7%, or by \$78 million. The increase of expenses as a result of higher consumption of additives due to increased share of high-octane gasoline production and increased energy and overhaul costs was outweighed by the ruble devaluation.

Refining expenses at our international refineries decreased by 3.3%, or by \$33 million. The decrease of expenses was largely against the background of high level of expenses of our Romanian refinery in 2013 due to overhauls which was partially outweighed by costs of our lubricants plant in Austria that we acquired at the beginning of 2014. Depreciation of euro to US dollar was also a factor of costs decrease.

► *2013 VS. 2012*

Our own refining expenses increased by \$501 million, or by 30.0%, compared to 2012.

In 2013, refining expenses at our domestic refineries increased by 1.3%, or by \$15 million. The growth of expense related to higher volumes of production and increased energy costs was partially offset by decreased consumption and cost of additives.

Refining expenses at our international refineries increased by 92.0%, or by \$486 million. The increase was mainly due to obtaining control over ISAB in September 2012.

Refining expenses at third party and affiliated refineries

Along with our own production of refined products we refine crude oil at third party and affiliated refineries both in Russia and abroad.

► *2014 VS. 2013*

In 2014, refining expenses at third party and affiliated refineries decreased by 7.0%, or by \$20 million, due to the decrease in production at the Zeeland refinery that resulted from overhaul in the second quarter of 2014.

► *2013 VS. 2012*

In 2013, refining expenses at third party and affiliated refineries decreased by 64.2%, or by \$512 million, as a result of obtaining control over ISAB in September 2012 and ceasing of crude oil processing at third party refineries in Belarus since September 2013.

Expenses for crude oil transportation to refineries

Expenses for crude oil transportation to refineries include pipeline, railway, freight and other costs related to delivery of the Group's own crude oil to refineries for further processing.

► *2014 VS. 2013*

In 2014, our expenses for crude oil transportation to refineries decreased by \$229 million, or by 18.1%, largely due to the decrease in volumes of supply of own crude oil from Russia to our refineries in Bulgaria and Romania.

► *2013 VS. 2012*

In 2013, our expenses for crude oil transportation to refineries increased by \$24 million, or by 1.9%. The increase in volume of supplies of crude oil produced by the Group in Russia to our international refineries, compared to 2012, was partially offset by ceasing of crude oil processing at third party refineries in Belarus since September 2013.

Petrochemical expenses

► *2014 VS. 2013*

In 2014, operating expenses of our petrochemical plants decreased by \$138 million, or by 43.1%, compared to 2013. This was largely due to the cease of production at our plant in Stavropol region of Russia as a consequence of a fire at the plant in the end of February 2014, and ruble devaluation.

► *2013 VS. 2012*

In 2013, operating expenses of our petrochemical plants increased by \$17 million, or by 5.6%, compared to 2012. The increase of expenses in Russia related largely to resuming production at our petrochemical plant in the Stavropol region of Russia at the end of the third quarter of 2012 was partially compensated by the decrease of expenses at our petrochemical plant Karpatnaftochim Ltd. in Ukraine as a result of its temporary shutdown due to unfavorable economic conditions.

Power generation and distribution expenses

► *2014 VS. 2013*

Our power generation and distribution expenses increased by \$121 million, or by 16.9%, compared to 2013. The main reason for this increase was the acquisition of power generating company ISAB Energy in Italy in July 2014.

► *2013 VS. 2012*

In 2013, power generation and distribution expenses increased by \$98 million, or by 15.8%, due to commissioning of a CCGT unit with a capacity of 410 MW in Krasnodar, Russia in late 2012 and two CCGT units with a combined capacity of 235 MW in Astrakhan, Russia in mid-2013, and consequent increase in volumes of power and capacity generation in 2013.

Other operating expenses

Other operating expenses include expenses of the Group's upstream and downstream entities that do not relate to their core activities, namely rendering of transportation and extraction services, costs of other services provided and goods sold by our production and marketing companies, and of non-core businesses of the Group.

► *2014 VS. 2013*

In 2014, other operating expenses increased by \$208 million, or by 25.7%, driven largely by changes in estimates of existing asset retirement obligations. Moreover, other operating expenses in 2014 included expenses of production of diamonds that commenced in the third quarter of 2014.

► *2013 VS. 2012*

Other operating expenses increased by \$4 million, or by 0.5%, in 2013.

► **COST OF PURCHASED CRUDE OIL, GAS AND PRODUCTS**

Cost of purchased crude oil, gas and products includes the cost of crude oil and refined products purchased for trading or refining, gas and fuel oil to supply our power generation entities and the result of hedging of crude oil and refined products sales.

► *2014 VS. 2013*

In 2014, cost of purchased crude oil, gas and products increased by \$5,321 million, or by 8.1%, largely as a result of the increase in crude oil trading volumes that was partially offset by the decrease in international crude oil prices.

In 2014, we recognized a \$1,892 million net gain from hedging, compared to a \$200 million net loss in 2013.

► *2013 VS. 2012*

Cost of purchased crude oil, gas and products increased by \$1,776 million, or by 2.8%, in 2013. The increase in the refined products trading volumes was partially offset by the decrease in international crude oil prices.

In 2013, we recognized a \$200 million net loss from hedging, compared to a \$321 million net loss in 2012.

► **TRANSPORTATION EXPENSES**

► *2014 VS. 2013*

In 2014, transportation expenses decreased by \$396 million, or by 6.3%, compared to 2013. The decrease of expenses as a result of the decrease in tariffs largely due to the ruble devaluation was partly offset by effect from increased volumes of crude oil trading, compared to 2013.

Our actual transportation tariffs related to crude oil and refined products deliveries to various export destinations, weighted by volumes transported, changed to 2013 as follows: crude oil pipeline tariffs decreased by 11.8%, railway tariffs for refined products transportation decreased by 15.6%, crude oil freight rates decreased by 38.9%, and refined products freight rates decreased by 13.5%.

► *2013 VS. 2012*

Our transportation expenses increased by \$119 million, or by 1.9%, compared to 2012. The increase in transportation expenses was due to a change in sales structure. In 2013, we increased export of refined products from Russia and decreased export of crude oil together with an increase in domestic sales. The higher level of transportation tariffs

for refined products, compared to those for crude oil, resulted in the increase of transportation expenses.

Our actual transportation expenses related to crude oil and refined products deliveries to various export destinations, weighted by volumes transported, changed to 2012 as follows: crude oil pipeline tariffs decreased by 2.3%, railway tariffs for refined products transportation increased by 4.8%, crude oil freight rates decreased by 5.4%, and refined products freight rates decreased by 13.1%.

► **DEPRECIATION, DEPLETION AND AMORTIZATION**

► *2014 VS. 2013*

In 2014, our depreciation, depletion and amortization expenses increased by \$3,060 million, or by 53.2%, compared to 2013, which included \$2,980 million related to the West Qurna-2 field, where we commenced commercial production in the second quarter of 2014.

► *2013 VS. 2012*

Our depreciation, depletion and amortization expenses increased by \$924 million, or by 19.1%, compared to 2012. This was a result of the Company's capital expenditures and the corresponding increase in value of depreciable assets. Moreover, the acquisition of ZAO Samara-Nafta, the increase of production from the Yu. Korchagin field in the Caspian Sea and the effect of obtaining control over ISAB in September 2012 contributed to this increase.

► **EQUITY SHARE IN INCOME OF AFFILIATES**

The Group has investments in equity method affiliates and corporate joint ventures. These companies are primarily engaged in crude oil exploration, production, marketing and distribution operations in the Russian Federation, crude oil production and marketing in Kazakhstan and refining operations in Europe. Currently, our largest affiliates are Turgai Petroleum and Tengizchevroil, exploration and production companies operating in Kazakhstan, the Zeeland refinery in the Netherlands and OOO Bashneft-Polus, an exploration and production company that develops the Trebs and Titov oilfields in Timan-Pechora, Russia.

► *2014 VS. 2013*

Our share in income of affiliates decreased by \$23 million, or by 4.0%, compared to 2013.

► *2013 VS. 2012*

Our share in income of affiliates increased by \$57 million, or by 11.0%, compared to 2012. The main reason for this was a sharp increase in income of Turgai Petroleum against the background of low net income due to the additional excess profit tax for prior periods accrued in 2012.

► TAXES OTHER THAN INCOME TAXES

| | 2014 | 2013 | 2012 |
|---|--------------------------|---------------|---------------|
| | (millions of US dollars) | | |
| In Russia | | | |
| Mineral extraction taxes | 11,596 | 12,333 | 12,261 |
| Social security taxes and contributions | 465 | 517 | 493 |
| Property tax | 463 | 539 | 511 |
| Other taxes | 81 | 107 | 82 |
| Total in Russia | 12,605 | 13,496 | 13,347 |
| International | | | |
| Mineral extraction taxes | 51 | 77 | 93 |
| Social security taxes and contributions | 121 | 123 | 111 |
| Property tax | 39 | 32 | 24 |
| Other taxes | 76 | 75 | 91 |
| Total internationally | 287 | 307 | 319 |
| Total | 12,892 | 13,803 | 13,666 |

► 2014 VS. 2013

Our taxes other than income taxes decreased by \$911 million, or by 6.6%, compared to 2013, which was driven largely by the decrease in the mineral extraction tax rate. The decrease in social security taxes and contributions and property tax in Russia against 2013 was mainly due to the ruble devaluation.

In 2014, application of the reduced rate for crude oil produced from depleted oilfields and the zero rate for crude oil produced from oilfields with extra heavy crude oil and from greenfields led to \$2,164 million mineral extraction tax reduction (\$1,921 million in 2013).

► 2013 VS. 2012

In 2013, taxes other than income taxes increased by 1.0%, or by \$137 million, compared to 2012. Our mineral extraction tax expenses did not change significantly compared to 2012. The effects of growth of mineral extraction tax rate and the increase in domestic crude oil production were offset by the increase in the amount of mineral extraction tax incentive.

In 2013, application of the reduced rate for crude oil produced from depleted oilfields and the zero rate for crude oil produced from oilfields with extra heavy crude oil and from greenfields led to \$1,921 million mineral extraction tax reduction (\$1,490 million in 2012).

► **EXCISE AND EXPORT TARIFFS**

| | 2014 | 2013 | 2012 |
|---------------------------------|--------------------------|---------------|---------------|
| | (millions of US dollars) | | |
| In Russia | | | |
| Excise tax on refined products | 1,870 | 1,950 | 1,922 |
| Crude oil export tariffs | 9,362 | 10,030 | 11,315 |
| Refined products export tariffs | 5,961 | 6,263 | 5,561 |
| Total in Russia | 17,193 | 18,243 | 18,798 |
| International | | | |
| Excise tax on refined products | 3,792 | 3,598 | 3,355 |
| Crude oil export tariffs | 173 | 251 | 274 |
| Refined products export tariffs | 206 | 242 | 409 |
| Total internationally | 4,171 | 4,091 | 4,038 |
| Total | 21,364 | 22,334 | 22,836 |

► *2014 VS. 2013*

In 2014, export tariffs decreased by \$1,084 million, or by 6.5%. Compared to 2013, the volumes of crude oil export beyond the Customs Union decreased by 3.8% and crude oil export duty rate decreased by 6.5%, that was partially compensated by the movements of export tariffs in stock.

Outside Russia, the increase of excises was due to the increase of volumes of sales subject to excises mainly as a result of the acquisition of retail network in the Netherlands in the end of 2013.

► *2013 VS. 2012*

Following the decrease of export duty rate and export volumes in 2013, our crude oil export tariffs decreased by \$773 million, or by 4.4%. At the same time, compared to 2012, our refined products export tariffs increased as a result of the increase of volumes of refined products exported outside of the Customs Union.

The increase in excise tax expense outside of Russia, compared to 2012, was a result of higher volume of sales subject to excises.

Although the excise rates for motor fuels except for Euro-5 gasoline increased, compared to 2012, the increase of the share of Euro-5 motor fuels in our production in Russia let us secure our excise expenses in 2013, compared to 2012. In 2013, all the gasoline produced by the Group in Russia complied with Euro-5 ecological class, while in 2012 the share of Euro-5 gasoline was lower.

► **EXPLORATION EXPENSES**

► *2014 VS. 2013*

In 2014, our exploration expenses increased by \$502 million, or by 83.4%, that was a result of the increase in the amount of dry hole write-offs, compared to 2013. In 2014, as a result of adverse changes in economic environment, dry hole write-offs totaled \$794 million and related to projects in Cote d'Ivoire in the amount of \$240 million, in Ghana in the amount of \$151 million, in other regions outside of Russia in the total amount of \$264 million and in Russia in the amount of \$139 million. In 2013, dry hole costs amounted to \$314 million.

► *2013 VS. 2012*

Our exploration expenses increased up to \$238 million, or by 65.4%. Dry hole costs amounted to \$314 million in 2013 and \$127 million in 2012.

In 2013, we charged to expense the costs of exploratory wells in Ghana in the amount of \$92 million, in Cote d'Ivoire in the amount of \$89 million, in Sierra Leone in the amount of \$81 million and in Vietnam in the amount of \$15 million. The costs of signing bonuses, in the total amount of \$35 million, which was also written off in 2013, relate to the projects in Sierra Leone and Vietnam. This was included in loss on disposals and impairments of assets. In Russia, dry hole cost amounted to \$36 million and related mostly to the results of exploratory drilling in the Volga region.

► (LOSS) GAIN ON DISPOSALS AND IMPAIRMENTS OF ASSETS

► 2014 VS. 2013

In 2014, the Company recognized an impairment loss in the total amount of \$1,673 million.

The Company recognized an impairment loss for its exploration and production assets in the amount of \$916 million, including \$761 million related to Tsentralno-Astrakhanskoe gas-condensate field in the Volga region of the Russian Federation and \$139 million related to two oilfields in the Timan-Pechora region of the Russian Federation, due to the adverse changes in the economic environment.

An impairment loss in the amount of \$218 million was recognized in the refining, marketing and distribution segment due to unfavorable market conditions.

In April 2014, the Group entered into an agreement to sell its 50% share in Caspian Investment Resources Ltd. The loss on expected disposal of this share was estimated at \$358 million. *For more details on this agreement, refer to page 148.*

Moreover, the Group wrote off signing bonuses related to projects in Ghana in the amount of \$45 million, in Sierra Leone in the amount of \$50 million and in Cote d'Ivoire in the amount of \$86 million.

In 2014, the cumulative impact of the above mentioned impairment losses (including the above mentioned dry hole write-offs) on the net income attributable to OAO LUKOIL totaled \$2.3 billion and impact on our EBITDA totaled \$2.4 billion.

► 2013 VS. 2012

In 2013, the Company recognized an impairment loss in the total amount of \$2,466 million.

The Company recognized an impairment loss for its exploration and production assets in the amount of \$941 million, including \$510 million related to the Yuzhnoye Khylychuyu oil field in the Timan-Pechora region of the Russian Federation, due to a revision of geological models.

Also, the Company recognized an impairment loss for the assets of Karpatnaftochim Ltd., a petrochemical plant in Ukraine, in the amount of \$411 million due to economic instability and unfavorable economic conditions.

The Company recognized an impairment loss of assets of OOO LUKOIL-Ecoenergo, a power generating company in European Russia, in the amount of \$270 million due to unfavorable market conditions in the energy sector in Southern Russia.

An impairment loss in the amount of \$198 million was recognized in the refining, marketing and distribution segment due to unfavorable market conditions.

The Group recognized an impairment loss in the amount of \$646 million related to goodwill on the acquisition of ISAB due to changes in the economic environment.

In 2013, the cumulative impact of the above mentioned impairment losses (including the above mentioned dry hole write-offs) on net income attributable to OAO LUKOIL totaled \$2.4 billion and impact on our EBITDA totaled \$2.6 billion.

► INTEREST EXPENSE

► 2014 VS. 2013

In 2014, our interest expense increased by \$149 million, or by 30.5%, compared to 2013 as a result the increase in the long term debt.

► 2013 VS. 2012

Compared to 2012, we decreased our interest expense by \$50 million, or by 9.3%.

► OTHER NON-OPERATING (EXPENSE) INCOME

► 2014 VS. 2013

In 2014, other non-operating expense represented amounts of individually insignificant gains and losses.

► 2013 VS. 2012

In 2013, we recognized income of \$199 million related to the revaluation to fair value of the Group's 50% interest in ZAO Kama-oil as at the date of acquisition of the remaining 50% interest.

► INCOME TAXES

The maximum statutory rate in Russia is 20%. Nevertheless, the actual effective income tax rate may be higher due to non-deductible expenses or lower due to certain non-taxable gains. Moreover, quarterly deviations of the effective income tax rates from the maximum statutory rate may happen due to currency translation losses and gains reported by Russian subsidiaries, that decrease or increase taxable income in the respective periods.

In 2014, our total income tax expense decreased by \$773 million, or by 27.3%, compared to 2013. Our income before income tax decreased by \$3,686 million, or by 35.2%.

In 2014, our effective income tax rate was 30.4% compared to 27.1% in 2013. The high level of our effective income tax rate in the periods considered was a result of non-deductible losses and write-offs as well as taxable currency translation gains reported by Russian subsidiaries.

► RECONCILIATION OF NET INCOME TO EBITDA (EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION)

| | 2014 | 2013 | 2012 |
|---|--------------------------|---------------|---------------|
| | (millions of US dollars) | | |
| Net income | 4,746 | 7,832 | 11,004 |
| Add back: | | | |
| Income tax expense | 2,058 | 2,831 | 2,798 |
| Depreciation and amortization | 8,816 | 5,756 | 4,832 |
| Interest expense | 637 | 488 | 538 |
| Interest and dividend income | (275) | (239) | (257) |
| EBITDA | 15,982 | 16,668 | 18,915 |
| Add back the loss on impairment of assets and dry hole related write-offs | 2,444 | 2,587 | - |
| Adjusted EBITDA | 18,426 | 19,255 | 18,915 |

EBITDA is a non-US GAAP financial measure. EBITDA is defined as net income before interest, taxes and depreciation and amortization. The Company believes that EBITDA provides useful information to investors because it is an indicator of the strength and performance of our business operations, including our ability to finance capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered as operating costs under US GAAP, these expenses primarily represent the non-cash current period allocation of costs associated

with long-lived assets acquired or constructed in prior periods. The EBITDA calculation is commonly used as a basis for some investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the oil and gas industry. EBITDA should not be considered in isolation as an alternative to net income, operating income or any other measure of performance under US GAAP. EBITDA does not include our need to replace our capital equipment over time.

► LIQUIDITY AND CAPITAL RESOURCES

| | 2014 | 2013 | 2012 |
|---|--------------------------|----------|----------|
| | (millions of US dollars) | | |
| Net cash provided by operating activities | 15,568 | 16,449 | 18,997 |
| Net cash used in investing activities | (14,643) | (18,639) | (13,216) |
| Net cash provided by (used in) financing activities | 1,060 | 1,029 | (5,680) |

► OPERATING ACTIVITIES

Our primary source of cash flow is funds generated from our operations. In 2014, cash generated from operations decreased by 5.4%, compared to 2013, and amounted to \$15,568 million.

► INVESTING ACTIVITIES

In 2014, the amount of cash used in investing activities decreased by 21.4% largely against the background of significant acquisitions of licenses and subsidiaries in 2013.

Our capital expenditures, including non-cash transactions, remained on the level of the previous year and amounted to \$15,391 million.

| | 2014 | 2013 | 2012 |
|--|--------------------------|---------------|---------------|
| | (millions of US dollars) | | |
| Capital expenditures, including non-cash transactions and prepayments | | | |
| Exploration and production | | | |
| Russia | 8,151 | 8,325 | 7,085 |
| International | 3,731 | 3,483 | 1,888 |
| Total exploration and production | 11,882 | 11,808 | 8,973 |
| Refining, marketing and distribution | | | |
| Russia | 1,990 | 1,736 | 1,439 |
| International | 801 | 979 | 568 |
| Total refining, marketing and distribution | 2,791 | 2,715 | 2,007 |
| Chemicals | | | |
| Russia | 251 | 105 | 62 |
| International | 2 | 8 | 28 |
| Total chemicals | 253 | 113 | 90 |
| Power generation and distribution | | | |
| Other | 125 | 513 | 277 |
| Total capital expenditures | 15,391 | 15,434 | 11,850 |

Capital expenditures in the exploration and production segment were flat to 2013. In Russia, despite the increase in volumes and cost of production drilling, capital expenditures decreased due to the effect of ruble devaluation. Internationally, we increased expenditures in Shakh-Deniz project in Azerbaijan and commenced exploration activities at our new projects in Ghana and Romania.

The increase of capital expenditures in domestic refining, marketing and distribution segment was due to continuing construction of

a vacuum gasoil refinery complex at the Volgograd refinery and construction of a heavy residue processing complex and a power generation facility at our refinery in Perm.

Other capital expenditures mostly refer to investments of OAO Arkhangelskgeoldobycha, a Group company, involved in diamond deposits development in the Arkhangelsk region of Russia. The decrease of the respective capital expenditures was due to fulfillment of the most stages of the capital investment program at the deposits.

The table below shows our exploration and production capital expenditures in promising new production regions.

| | 2014 | 2013 | 2012 |
|-----------------------------|--------------------------|--------------|--------------|
| | (millions of US dollars) | | |
| Yamal | 520 | 338 | 476 |
| Caspian region ¹ | 1,188 | 1,635 | 1,425 |
| Ghana | 314 | 20 | 13 |
| Cote d'Ivoire | 167 | 180 | 44 |
| Iraq | 1,439 | 2,040 | 924 |
| Uzbekistan | 838 | 657 | 477 |
| Romania | 189 | 7 | – |
| Total | 4,655 | 4,877 | 3,359 |

¹ Russian and international projects.

In 2014, we did not make significant investments in the acquisition of licenses, whereas in 2013, a Group company paid \$835 million as a second 50% installment for the acquisition of the subsoil rights

for the site that includes the Imilorskoye, West Imilorskoye and Istochnoye fields in Western Siberia. The first 50% payment was made in December 2012.

| | 2014 | 2013 | 2012 |
|---|--------------------------|--------------|------------|
| | (millions of US dollars) | | |
| Acquisitions of subsidiaries and associates, including prepayments related to acquisitions and non-cash transactions | | | |
| Exploration and production | | | |
| Russia | 97 | 2,397 | 200 |
| International | 73 | – | 22 |
| Total exploration and production | 170 | 2,397 | 222 |
| Refining, marketing and distribution | | | |
| Russia | (225) | 333 | 25 |
| International | 40 | 46 | 658 |
| Total refining, marketing and distribution | (185) | 379 | 683 |
| Power generation and distribution | – | 30 | – |
| Less cash acquired | (34) | (21) | (19) |
| Total acquisitions | (49) | 2,785 | 886 |

In 2014, the Group invested \$90 million in a joint venture with OAO NK Bashneft, \$74 million in a jet fuel operator in Russia and spent \$35 million on the acquisition of ISAB Energy, power generating company in Italy. In 2013, the Company spent \$2.1 billion for the acquisition of 100% of the shares of ZAO Samara-Nafta and \$266 million for the acquisition of the remaining 50% of the shares of ZAO Kama-oil.

Moreover, in 2014, we received back an advance payment in amount of \$367 million, related to planned acquisition in refining, marketing and distribution segment in Russia.

► FINANCING ACTIVITIES

In 2014, net movements of short-term and long-term debt generated an inflow of \$2,524 million, compared to an inflow of \$4,125 million in 2013 and an outflow of \$1,266 million in 2012.

In the fourth quarter of 2014, the Company received a loan from OAO Sberbank denominated in Russian rubles with an outstanding amount of 63 billion rubles (\$1,120 million) as of December 31, 2014, maturing in 2017. Borrowings under this agreement bear interest at 12.66% per annum as of December 31, 2014.

In 2014, the Company received a loan from OAO Sberbank in the amount of \$500 million, maturing in 2021. Borrowings under this agreement bear interest at twelve month LIBOR plus 2.75% per annum.

In the fourth quarter of 2013, the Company received a loan from OAO Sberbank in the amount of \$1.5 billion, maturing in 2018. Borrowings under this agreement bear interest at twelve month LIBOR plus 2.50% per annum.

In the second quarter of 2013, a Group company issued two tranches of non-convertible bonds totaling \$3 billion. The first tranche totaling \$1.5 billion was placed with a maturity of 5 years and a coupon yield of 3.416% per annum. The second tranche totaling \$1.5 billion was placed with a maturity of 10 years and a coupon yield of 4.563% per annum. All bonds were placed at face value and have a half year coupon period.

In December 2013, the Company paid \$583 million for the remaining 20% interest in ISAB.

In 2012, we purchased Company's stock worth \$128 million and spent \$740 million for purchase of equity-linked notes.

► CREDIT RATING

Standard & Poor's Ratings Services set its long-term corporate credit rating and all debt ratings on the Company to BBB-.

Moody's set the Company's long-term corporate family rating and long-term issuer rating of Ba1.

Fitch Ratings set the Company's long-term issuer default rating to BBB-.

► CONTRACTUAL OBLIGATIONS, OTHER CONTINGENCIES AND OFF BALANCE SHEET ARRANGEMENTS

► CAPITAL COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Under the terms of existing exploration and production license agreements in Russia the Group has to fulfill certain obligations: oil and gas exploration, wells drilling, fields development, etc., and the Group also has commitments to reach a defined level of extraction on the fields. Management believes that the Group's approved annual capital expenditure budgets fully cover all the requirements of the described license obligations.

In February 2013, the Group started to construct a vacuum gasoil refinery complex at OOO LUKOIL-Volgogradneftepererabotka. Completion is expected at the end of 2015. As of December 31, 2014, the amount of capital commitment related to this construction is evaluated as \$437 million.

In 2012, a construction agreement for a heavy-residue hydrocracking complex at LUKOIL Neftochim Bourgas AD in Bulgaria was signed. Commissioning of the complex is expected in 2015. As of December 31, 2014, the amount of capital commitment related to this construction is evaluated as \$52 million.

Group companies have commitments for capital expenditure contributions in the amount of \$253 million related to various production sharing agreements over the next 23 years.

The Company has signed a three-year agreement for the years 2013-2015 for drilling services with EDC Group Advisory Company Limited. The volume of these services is based on the Group's capital construction program, which is re-evaluated on an annual basis. As of December 31, 2014, the amount of capital commitment under this agreement for 2015 is evaluated as \$861 million.

The Company has signed a strategic agreement for the ongoing provision of construction, engineering and technical services with ZAO Globalstroy-Engineering. The volume of these services is based on the Group's capital construction program, which is re-evaluated on an annual basis. As of December 31, 2014, the amount of capital commitment under this agreement for 2015 is evaluated as \$44 million.

The Group has signed a number of agreements for construction of offshore platforms in the Caspian region. As of December 31, 2014, the amount of this capital commitment is evaluated as \$564 million.

The following table displays our total contractual obligations and other commitments:

| (millions of US dollars) | Total | 2015 | 2016 | 2017 | 2018 | 2019 | After |
|--|---------------|--------------|------------------|--------------|--------------|--------------|--------------|
| On balance sheet | | | | | | | |
| Short term debt | 407 | 407 | - | - | - | - | - |
| Long-term bank loans and borrowings | 5,897 | 242 | 249 | 2,303 | 1,640 | 702 | 761 |
| Long-term non-bank loans and borrowings | 1 | - | - | - | - | - | 1 |
| 2.625% Convertible US dollar bonds, maturing 2015 | 1,488 | 1,488 | - | - | - | - | - |
| 6.356% Non-convertible US dollar bonds, maturing 2017 | 500 | - | - | 500 | - | - | - |
| 3.416% Non-convertible US dollar bonds, maturing 2018 | 1,500 | - | - | - | 1,500 | - | - |
| 7.250% Non-convertible US dollar bonds, maturing 2019 | 597 | - | - | - | - | 597 | - |
| 6.125% Non-convertible US dollar bonds, maturing 2020 | 998 | - | - | - | - | - | 998 |
| 6.656% Non-convertible US dollar bonds, maturing 2022 | 500 | - | - | - | - | - | 500 |
| 4.563% Non-convertible US dollar bonds, maturing 2023 | 1,500 | - | - | - | - | - | 1,500 |
| Capital lease obligation | 141 | 31 | 18 | 17 | 18 | 20 | 37 |
| TOTAL | 13,529 | 2,168 | 267 | 2,820 | 3,158 | 1,319 | 3,797 |
| Off balance sheet | | | | | | | |
| Operating lease obligations | 374 | 146 | 61 | 46 | 38 | 33 | 50 |
| Capital commitments in PSAs | 253 | 102 | 20 | 20 | 6 | 6 | 99 |
| Capital commitments of Volgograd Refinery | 437 | 331 | 106 | - | - | - | - |
| Obligation under contracts for the development of the V. Filanovsky oilfield | 564 | 130 | 434 ¹ | - | - | - | - |
| Capital commitments under contract with EDC Group Advisory Company Limited | 861 | 861 | - | - | - | - | - |
| Capital commitments of LUKOIL Neftochim Bourgas AD | 52 | 52 | - | - | - | - | - |
| Obligation under contract with ZAO Globalstroy-Engineering | 44 | 44 | - | - | - | - | - |

¹ Amount for 2016 and 2017.

► LITIGATION AND CLAIMS

On November 27, 2001, Archangel Diamond Corporation (“ADC”), a Canadian diamond development company, filed a lawsuit in the Denver District Court, Colorado against OAO Arkhangelskgeoldobycha (“AGD”), a Group company, and the Company (together the “Defendants”). ADC alleged that the Defendants interfered with the transfer of a diamond exploration license to Almazny Bereg, a joint venture between ADC and AGD. ADC claimed compensatory damages of \$1.2 billion and punitive damages of \$3.6 billion. On October 15, 2002, the District Court dismissed the lawsuit for lack of personal jurisdiction. This ruling was upheld by the Colorado Court of Appeals on March 25, 2004. However, on November 21, 2005, due to a procedural error, the Colorado Supreme Court remanded the case to the Colorado Court of Appeals and the Colorado Court of Appeals remanded the case to the District Court. On October 20, 2011, the Denver District Court dismissed all claims against the Company for lack of jurisdiction. On August 23, 2012, the Colorado Court of Appeals affirmed this decision. On July 1, 2013, the Colorado Supreme Court denied ADC’s Petition for Writ of Certiorari. The case in the state court is therefore over.

On January 6, 2012, ADC filed a lawsuit in the US District Court for the District of Colorado (federal court) reasserting almost identical claims asserted in the aforementioned lawsuit and dismissed by the Denver District Court (state court). In the Federal Court case, the Company has filed a Motion to Dismiss. On December 18, 2014, the federal court granted the motion based on lack of personal jurisdiction over the Company and the doctrine of forum non conveniens. ADC filed a notice of appeal and the case is now pending in the US Court of Appeals for the Tenth Circuit. The Company plans to seek dismissal of the case and vigorously defend the matter. Management does not believe that the ultimate resolution of this matter will have a material adverse effect on the Group’s financial condition.

In 2011, the Prahova Police Inspectorate (Fraud Investigation Unit), Romania, initiated an investigation of several Romanian third parties (individuals and companies) in connection with alleged tax evasion and money laundering. The investigation was later extended to PETROTEL-LUKOIL S.A., a Group company. In June 2014, the prosecutors with the Ploesti Court of Appeals (hereinafter – the “Prosecutor’s office”) issued an order on initiation of criminal proceedings against PETROTEL-LUKOIL S.A. refinery and its general director based on alleged tax evasion and money laundering. In September 2014, criminal proceedings were initiated against two other Group companies, LUKOIL LUBRICANTS EAST EUROPE S.R.L. and LUKOIL ENERGY & GAS ROMANIA S.R.L., for aiding and abetting tax evasion and money laundering. At the same time the Prosecutor’s office has brought charges against PETROTEL-LUKOIL S.A. and its general director for tax evasion and money laundering. The amount of the claim is approximately €230 million. The following precautionary measures were adopted against the refinery: arrest of strategic inventory, fixed assets and money on accounts. The general director is subject to the undertaking not to leave the place. At the moment preliminary investigation of the criminal case is being conducted. According to preliminary estimate this investigation will take at least six months. At the same time, management of PETROTEL-LUKOIL S.A. and its tax and legal consultants are actively defending the lawful rights and interests of the refinery, providing all required reports, clarifications and comments, and preparing an exhaustive set of evidence for challenging the claims of the Prosecutor’s office. Management does not believe that the ultimate resolution of this matter will have a material adverse effect on the Group’s financial condition.

The Group is involved in various other claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Group and are subject to uncertainty inherent in any litigation, management does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group’s operating results or financial condition.

► **POLITICAL SITUATION**

During 2014, there was an increase of political and economic instability in Ukraine. Though the Group's assets and operations in Ukraine are not material, the Group monitors the situation and assesses the risks associated with its operations in Ukraine. As of December 31, 2014, the Group recognized an impairment loss related to assets held for sale amounting to \$85 million and relating to goodwill amounting to \$19 million. Management believes that there are no other potential losses that can be identified and reasonably estimated with respect to situation in Ukraine at present.

► **CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with US GAAP requires management to select appropriate accounting policies and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. *See Note 2 "Summary of significant accounting policies"* to our consolidated financial statements for descriptions of the Company's major accounting policies. Certain of these accounting policies involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts would have been reported under different conditions, or if different assumptions had been used.

► FORWARD-LOOKING STATEMENTS

Certain statements in this document are not historical facts and are “forward-looking.” We may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. Examples of such forward-looking statements include, but are not limited to:

- ▶ statements of our plans, objectives or goals, including those related to products or services;
- ▶ statements of future economic performance;
- ▶ statements of assumptions underlying such statements.

Forward looking statements that may be made by us from time to time (but that are not included in this document) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios. Words such as “believes,” “anticipates,” “expects,” “estimates,” “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

These factors include:

- ▶ inflation, interest rate and exchange rate fluctuations;
- ▶ the price of oil;
- ▶ the effects of, and changes in, Russian government policy;
- ▶ the effects of competition in the geographic and business areas in which we conduct operations;
- ▶ the effects of changes in laws, regulations, taxation or accounting standards or practices;
- ▶ our ability to increase market share for our products and control expenses;
- ▶ acquisitions or divestitures;
- ▶ technological changes;
- ▶ our success at managing the risks of the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made, and, subject to any continuing obligations under the Listing Rules of the U.K. Listing Authority, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

**CORPORATE GOVERNANCE
CODE COMPLIANCE REPORT**

2014 was a crucial year for adoption of new corporate governance standards in Russia.

Up to spring 2014, the national corporate governance standards were set in line with the Code of Corporate Conduct, which back in 2002 was recommended by Russia's Federal Commission for the Securities Market as a guidance for joint-stock companies incorporated in Russia. The Code aimed to promote key concepts and procedures from international best practices, and implement them in the Russian corporate environment. The Federal Service for Financial Markets produced a list of relevant Code provisions, making it obligatory for issuers to comply with these provisions in order for their securities to be listed on the Russian stock exchanges. The stock exchanges incorporated the said requirements into their sets of listing rules.

On 21 March 2014, the Board of the Bank of Russia approved the Corporate Governance Code (the "Code" or "CGC") and recommended it as a guidance for all publicly traded joint-stock companies. The CGC aims to bring Russian corporate governance principles closer to the international best practice standards and thereby facilitate access to capital markets, attract new investors and provide greater opportunities for Russian companies to build global partnerships.

The Corporate Governance Code is an extensive document outsizeing many of its foreign counterparts.

The Company has been broadly complying with the principles of the Code over the past years. Although LUKOIL continues to do so, certain deviations from the Code still persist. The most important of those deviations are as follows:

as at the end of 2014, the proportion of directors fully meeting the independence criteria set forth in the Code was below one third of the Board (it stands to mention though that the nomination of candidates for the Board of Directors and assessment of their independence took place before the Code was published, due to the specific schedule of nomination and preparation of the Annual General Shareholders Meeting);

the Chairman of the Board is a non-executive director, whereas independent directors have not appointed a senior independent director;

the Audit and HR and Compensation (the latter acting as both HR and Nomination Committees) Committees are made up of independent and non-executive directors, with directors who fully meet the independence criteria set forth in the Code constituting a minority;

up to now, the Company has not engaged an external entity to carry out an independent assessment of the Board's performance;

the duties and responsibilities of the Company's Corporate Secretary are performed by the Secretary of the Board of Directors, who concurrently sits on the Management Committee;

the Company has a business unit which performs the internal audit duties with no separation for functional and administrative subordination; on top of that, the said business unit reports directly to the Vice-President for Control and Internal Audit.

The Company's Board of Directors is conscious that the Company has a potential to improve and streamline its corporate governance to ensure greater management transparency.

As Part A of the Code sets out the corporate governance principles and Part B provides recommendations thereto describing preferred methods of implementation in relation to specific steps to be taken by the governance bodies, corporate procedures and local regulations, the Company's Board of Directors is planning to focus primarily on compliance with the principles set forth in Part A.

The Company will also be guided by those of the Code's numerous principles and recommendations that will be directly incorporated into the issuer requirements set forth by the Russian stock exchanges' listing rules as a prerequisite for admission of securities to quotation lists. The Company believes that the investor community is likely to value compliance with those corporate governance requirements most.

The Company is also going to use the issuer transition period that MICEX provides for in order to bring its corporate governance model in line with the corporate governance requirements to certain types of quotation lists of MICEX Listing Rules.

For instance, in order to improve its corporate governance model and practices the Company is planning to make the Control and Internal Audit Service and head thereof functionally report to the Company's Board of Directors, bring its local internal control and audit requirements and regulations on committees of the Company's Board of Directors in line with the principles and recommendations set forth in the Corporate Governance Code, and, finally, develop a Regulations on the Corporate Secretary.

Going forward, implementation of the principles and recommendations set forth in the Code will be subject to the Company's assessment of the positive impact they may have on its growth strategy, economic performance and efficiency of corporate governance bodies' decision-making, along with LUKOIL's investment case. The Company will also closely watch its Board and shareholder structure, organizational structure and distribution of authorities among its key officers.

Based on the recommendations provided in the Bank of Russia's Letter No. 06-52/2825 dated 30 March 2015, the Company relied

on the below form which was circulated to the MICEX-listed companies with MICEX Letter No. 31-14/236 dated 13 March 2015 to assess its compliance with the principles and critical recommendations set forth in the Corporate Governance Code.

In some of the items of the form, compliance with the Code's principles and recommendations implies fulfilment of a number of conditions some of which may or may not be fulfilled. These conditions are not

similar in terms of their significance and implied scope of obligations. Hence, in addition to the standard "complied with" / "not complied with" assessments, we use calibrated marks which reflect partial compliance / non-compliance with the respective principles and recommendations of the Code.

| No. | Corporate governance principle(s) or key criterion (recommendation) | A brief description of non-compliance with the corporate governance principle or key criterion | The explanation of the key reasons, factors and circumstances due to which the principle or key criterion is not complied with or is complied with in part, the description of corporate governance alternative mechanisms and instruments |
|---|---|---|--|
| 1 | 2 | 3 | 4 |
| I. Shareholder rights and equal conditions to exercise such rights | | | |
| 1.1 | The company should ensure equal and fair treatment of each shareholder exercising their right to take part in managing the company. Corporate governance framework and practices should ensure equality for the shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company. | | |
| 1.1.1. | <p>The company should approve an internal regulation setting forth key procedures to prepare for, convene and hold general meetings of shareholders in compliance with recommendations of the Corporate Governance Code, including the company's obligations to:</p> <p>notify shareholders of general meetings and provide access to the respective materials, as well as publish the respective notice and materials on the corporate website, at least 30 days prior to such meeting, unless required to do so earlier by the Russian law;</p> <p>announce the record date at least seven days prior to such date;</p> <p>provide supplementary information and materials on the general meeting agenda as recommended by the Corporate Governance Code.</p> | <p>These recommendations of the Corporate Governance Code are largely complied with. LUKOIL has the approved Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL in place.</p> <p>This duty is set forth in clause 8.7 of the Charter of OAO LUKOIL, as well as in clause 5.1 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL.</p> <p>Clause 4.9 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL envisages disclosure of information regarding such date at least five days prior to such date.</p> <p>The list of materials to be made available to the shareholders during the preparation for the General Shareholders Meeting included into the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL does not fully comply with recommendations of clause 10 of part B of the Corporate Governance Code.</p> | <p>The five days' term set forth by the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL complies with the MICEX Listing Rules which were in effect in 2014.</p> <p>The actual time of disclosure of information on the record date in 2014 was more than ten days.</p> <p>The additional information provided in 2014 complied (by scope and contents) with most of the sub-clauses of clause 10 of part B of the Corporate Governance Code applicable to the agenda items of the General Shareholders Meetings in 2014.</p> |

| | | | |
|--------|---|--|--|
| 1.1.2. | The company should undertake to enable its shareholders to put questions on the company's operations to members of the management and control bodies, Audit Committee, Chief Accountant, company's auditors, and nominees to management and control bodies, during the general meeting and in the course of respective preparations. The said obligations should be set forth in the company's Charter or internal regulations. | This principle of the Corporate Governance Code is complied with. Pursuant to clause 5.5.4 of the Charter of OAO LUKOIL, the Company's shareholders have the right to receive information about the Company's activities, including all information related to the items on the agenda of the Shareholders Meeting. Shareholders are free to put questions on the Company's operations during the General Meeting and in the course of respective preparations, as stipulated by clauses 9.19 and 9.23 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL. To this end, the Company's Board of Directors sends invitations to the Company's President, directors, members of the Management Committee, Audit Commission and the Company's Auditor, as well as to the nominees, if the agenda includes the election of the Company's President, directors, or members of the Audit Commission, or approval of the Company's Auditor, to attend the General Shareholders Meeting (clause 6.2 of the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of OAO LUKOIL). | |
| 1.1.3. | The company should observe the principle of preventing any action that may result in an artificial redistribution of corporate control (for example, voting with quasi-treasury shares, decision to pay dividends on preferred shares regardless of limited financial capacities, decision not to pay dividends on preferred shares as required by the Charter regardless of sources being sufficient for payment). The said obligations should be set forth in the company's Charter or internal regulations. | The obligations concerning preferred shares are not applicable to the Company as it has no preferred shares. The Company has not undertaken the obligation to the effect that voting with quasi-treasury shares is impermissible. | The Company proceeds from the fact that currently the Russian legislation has no prohibitions or limitations applicable to the Company and its subsidiaries as regards cross holding of and voting with quasi-treasury shares. Moreover, there are no limitations applicable to the Company as regards voting with quasi-treasury shares provided for by either the UK legislation, or the LSE or FCA rules. |
| 1.1.4. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | The Company is of the opinion that it complies with the key principles of the Corporate Governance Code set forth in clause 1.1 of Part A of the Corporate Governance Code. | |
| 1.2 | Shareholders should be given equal and fair | opportunities to receive a share of the company's profit in the form of dividends | |
| 1.2.1. | The company should approve an internal regulation stipulating its dividend policy in compliance with recommendations of the Corporate Governance Code, including, inter alia: procedures to determine a portion of the company's profit (for companies issuing consolidated financial statements – a minimum portion (share) of consolidated net profit) to be distributed in the form of dividends, and conditions to declare dividends; minimum dividends payable on different types (classes) of shares; mandatory disclosure of the document governing the company's dividend policy on its corporate website. | This recommendation of the Corporate Governance Code is complied with. LUKOIL has the approved Regulations on the Dividend Policy of OAO LUKOIL in place. This recommendation of the Corporate Governance Code is complied with (clause 3.2 of Regulations on the Dividend Policy of OAO LUKOIL). Not applicable, as the charter capital of OAO LUKOIL consists of ordinary shares only. This recommendation of the Corporate Governance Code is complied with (clause 6.1 of the Regulations on the Dividend Policy of OAO LUKOIL). | |

| | | |
|--------|--|--|
| 1.2.2. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | The Company is of the opinion that it complies with the key principles and recommendations of the Corporate Governance Code set forth in clause 1.2 of Part A of the Corporate Governance Code and clauses 30–41 of part B of the Corporate Governance Code. |
|--------|--|--|

II. The company's Board of Directors

| | | |
|--------|---|--|
| 2.1 | The Board of Directors' core responsibilities should include determining the company's long-term targets, key performance indicators, main risk management and internal control principles and approaches and remuneration paid to the Board and executive body members, strategic governance, control of the company's executive bodies, etc | |
| 2.1.1. | The company's Board of Directors was established, which should: | There is a Board of Directors established at OAO LUKOIL, with its authorities set forth in clause 9.7 of the Charter of OAO LUKOIL. The Board of Directors in its current composition was elected at the Annual General Shareholders Meeting on 26 June 2014. |
| | determine the company's long-term targets and KPIs; | clause 9.7.1 of the Charter of OAO LUKOIL |
| | control the company's executive bodies; | The executive bodies of the Company report to the Board of Directors pursuant to article 69 of Federal Law <i>On Joint-Stock Companies</i> . |
| | define the company's risk management and internal control principles and approaches; | The Board of Directors of OAO LUKOIL approved the key risk management and internal control documents: OAO LUKOIL Risk Management Policy; Regulations on the Risk Committee; OAO LUKOIL Regulations on Internal Control and Internal Audit; internal control procedures. Under clauses 3.1.9–3.1.10 of the Regulations on the Audit Committee of the Board of Directors of OAO LUKOIL, the Audit Committee is vested with the following powers: |
| | articulate the company's policy on remunerating the Board and executive body members and other key managers. | assess the effectiveness of the Company's internal control procedures and prepare proposals on their improvement; analyze the effectiveness of the Control and Internal Audit Service for the purpose of informing the Board of Directors of the Company on the Company's financial and economic activity; evaluate the risk management system in place at the Company and present respective recommendations to the Company's Board of Directors. Under clause 9.7.10 of the Charter of OAO LUKOIL, the Board of Directors is vested with the power to determine key provisions of contracts to be entered into by the President and members of the Management Committee. The Board of Directors has an Human Resources and Compensation Committee which, pursuant to the Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO LUKOIL: |

Draft Amendments to the current version of the Charter of OAO LUKOIL to be discussed at the Annual General Shareholders Meeting on 25 June 2015 include a provision requiring the Board of Directors to exercise control over the Company's executive bodies to be added to clause 9.1 of the Company's Charter.

| | | | |
|--------|---|--|---|
| | | <p>provides recommendations to the Company's Board of Directors on priority areas of the Company's activities related to human resources and compensation of the members of the Company's management bodies (clause 3.1.1 of the Regulation);</p> <p>provides recommendations to the Company's Board of Directors on material provisions of contracts that are signed with members of the Company's executive bodies (clause 3.1.4 of the Regulation);</p> <p>develops key areas of the Company's activities related to human resources and compensation of the members of the Company's management bodies (clause 3.1.8 of the Regulation);</p> <p>Based on the recommendations of the Human Resources and Compensation Committee, the Board of Directors provides the shareholders with recommendations for the Annual General Shareholders Meeting for voting on matters pertaining to determining remuneration amounts and paying the same to the members of the Board of Directors.</p> | |
| 2.1.2. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | The Company is of the opinion that the Board of Directors implements the key functions envisaged by Federal Law On Joint-Stock Companies and the Charter of OAO LUKOIL and contained in clause 2.1 of Part A of the Corporate Governance Code. | |
| 2.2 | The Board of Directors should manage the company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the company and its shareholders. The Chairman of the Board of Directors should ensure that the Board of Directors discharges its duties efficiently and effectively. The Board of Directors should ensure proper discharge of its duties by conducting meetings attended by directors and making the respective preparations | | |
| 2.2.1. | The Board should be chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the Board's Chairman should be appointed from among the elected independent directors. | <p>This principle of the Corporate Governance Code is not complied with.</p> <p>The Board is chaired by a non-executive director.</p> <p>No senior independent director has been appointed from the elected independent directors.</p> | <p>The Chairman of the Board of Directors was elected unanimously by all directors, recognizing his authority, substantial contribution to the Company's development, professional skills and industry expertise.</p> <p>The Company admits that all directors have equal rights and that independent directors have not appointed a senior independent director.</p> |
| 2.2.2. | <p>The company's internal regulations should stipulate the procedure to prepare for and hold the Board's meetings, enabling the directors to make proper preparations, including, inter alia:</p> <p>meeting notice period;</p> <p>deadlines for circulating voting ballots and submitting the completed ones in case of meetings held in absentia;</p> | <p>These recommendations of the Corporate Governance Code are complied with.</p> <p>OAO LUKOIL has the approved Regulations on the Board of Directors of OAO LUKOIL, which stipulates the procedure to prepare and hold the Board's meetings, including, inter alia:</p> <p>sending a notice of the upcoming meeting to directors no later than ten days before the appointed date (clause 2.10 of the Regulation), except for cases that require immediate resolutions (clause 2.11 of the Regulation);</p> <p>providing all directors with all the necessary materials (including voting ballots) no later than ten days before the end of the absentee voting (clauses 3.11.4 and 2.10 of the Regulation);</p> | |

| | | | |
|--------|--|---|---|
| | a possibility of submitting and taking into account a director's written opinion on the agenda items in case they are not present at an in-person meeting; | option to submit and consider a director's written opinion on the agenda items if they are not present at an in-person meeting and submit their written opinion form using the established procedure (clause 3.2 of the Regulation); | |
| | a possibility of participating in the meeting and voting via audio- or video conferencing. | option to participate in a meeting and voting via an audio or video conference (clause 3.3 of the Regulation). | |
| 2.2.3. | Resolutions on the most important matters should be passed at the Board's in-person meetings. The list of such matters should be compliant with recommendations of the Corporate Governance Code. ¹ | <p>This principle of the Corporate Governance Code is not fully complied with.</p> <p>In 2014, the matters set out in sub-clauses 1, 2 (as regards convening of the Annual General Shareholders Meeting), 3, 4, 5, 9, 16, 17, 19 of clause 168, part B of the Corporate Governance Code, were considered at the Board's in-person meetings.</p> <p>There was no need for the Board of Directors to consider the matters set out in sub-clauses 6, 7, 10, 12, 13, 15, 18 of clause 168, part B of the Corporate Governance Code.</p> <p>The resolution to convene an Extraordinary General Shareholders Meeting was made at the Board's meeting held in absentia; however, the development of the Action Plan to prepare for and hold an Extraordinary General Shareholders Meeting in 2014 to decide on interim dividends on the Company's shares was preliminarily considered at the in-person meeting of the Board on 23 July 2014.</p> <p>The matters set out in sub-clause 8 of clause 168, part B of the Corporate Governance Code, were considered at the Board's meetings held in absentia.</p> <p>The matter set out in sub-clause 14 of clause 168, part B of the Corporate Governance Code, per se was not considered by the Board; however, the Board discussed preliminary results of LUKOIL Group for 2013 and 1H 2014, as well as the performance of the Group's budget and capex program for 2014, at in-person meetings.</p> <p>The matter set out in sub-clause 11 of clause 168, part B of the Corporate Governance Code, is referred by the Charter of OAO LUKOIL to the jurisdiction of the Management Committee.</p> | The Board of Directors is committed to bringing up the most essential matters at in-person meetings, if that does not go against the action plan approved by the Board of Directors or delay resolutions ensuring seamless operations of the Company. |
| 2.2.4. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | – | – |
| 2.3 | The Board of Directors should be composed of a sufficient number of independent directors | | |
| 2.3.1. | Independent directors should make up at least one third of the elected Board members. | Directors that were deemed independent in 2014 in accordance with MICEX Listing Rules make up more than one third of the Board. | |

¹ See clause 168 of part B of the Corporate Governance Code.

| | | |
|---|--|--|
| <p>2.3.2. Independent directors should fully meet the independence criteria set forth in the Corporate Governance Code.</p> | <p>This requirement is not fully complied with.</p> <p>As at the end of 2014, two directors out of the five deemed independent in 2014 do not fully meet the independence criteria recommended by the Corporate Governance Code.</p> <p>One of these directors had been on the Board for more than seven years as at the end of 2014.</p> <p>The other director is a beneficiary of OAO LUKOIL's shares, which at the end of 2014 had a market value that was 20 times as high as the fixed annual remuneration of a director.</p> | <p>The Company takes into account the fact that:</p> <p>the director had been a beneficiary of such shareholding before the Corporate Governance Code took effect;</p> <p>the market value of such shareholding is not constant and may change subject to a number of factors that are beyond the control of the Company or resolutions of the directors;</p> <p>the market value of such shareholding, while being high as compared to the fixed annual remuneration of a director, represents only an insignificant part of the Company's charter capital (below 0.01%).</p> <p>The Company admits that as per clause 4.2.2 of part A of the Corporate Governance Code, long-term ownership of the Company's shares helps align directors' financial interests with long-term interests of shareholders to the utmost.</p> <p>The Company also takes into account that, despite some of directors meeting the formal criteria of related parties, their extensive knowledge and long-term experience, as well as their established reputation among investors, enables them to make fair, unbiased and independent judgements and decisions in line with the best interests of the Company and its shareholders.</p> |
| <p>2.3.3. The Board of Directors (the Nomination/HR, Compensation Committee) should verify a Board nominee's compliance with the independence criteria.</p> | <p>This principle of the Corporate Governance Code is complied with.</p> <p>In 2014, the Human Resources and Compensation Committee assessed nominees to the Board for compliance with the independence criteria set forth by MICEX Listing Rules and the criteria stipulated by the Code of Corporate Conduct in effect as at the assessment date.</p> | |
| <p>Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s).</p> | <p>In assessing nominees to the Board, the Company is above all guided by the principle that an independent director shall be a person with professional qualifications, experience and independence sufficient to have their own views and make fair unbiased judgements not influenced by the Company's executive bodies, group of shareholders, or other stakeholders.</p> | |
| <p>2.4</p> | <p>The Board of Directors should set up committees to preview key matters related to the company's operations</p> | |

| | | | |
|--------|--|--|--|
| 2.4.1. | The Board of Directors should establish an Audit Committee made up of independent directors. Its responsibilities should be set forth in the company's procedures and be compliant with recommendations of the Corporate Governance Code. ¹ | <p>This principle and related recommendations of the Corporate Governance Code are complied with in part.</p> <p>The Board of Directors has an Audit Committee, however, it is made up of independent directors and a non-executive director. A majority of the Committee's members are independent directors.</p> <p>The duties and responsibilities of the Audit Committee of the Company's Board of Directors are set forth in the Regulations on the Audit Committee of the Board of Directors of OAO LUKOIL, and are partially compliant with the recommendations of the Corporate Governance Code.</p> | The Company admits that the Corporate Governance Code is provided as a set of recommendations. It also takes into account the total number of independent directors nominated by shareholders and elected by the Annual General Meeting, along with their professional skills and ability to serve as committee members. The Company plans to incorporate relevant amendments in the Regulations on the Audit Committee of the Board of Directors of OAO LUKOIL. |
| 2.4.2. | The Board of Directors should establish a Compensation Committee made up of independent directors, which may be combined with the Nomination/HR Committee. Its responsibilities should be set forth in the company's procedures and be compliant with recommendations of the Corporate Governance Code. ² | <p>This principle and related recommendations of the Corporate Governance Code are complied with in part.</p> <p>At LUKOIL, the duties and responsibilities of the Compensation Committee are performed by the Human Resources and Compensation Committee of the Board of Directors. As at the election date, it was made up of independent and non-executive directors. As at the end of 2014, the Committee was made up of non-executive directors.</p> <p>The duties and responsibilities of the Human Resources and Compensation Committee of the Company's Board of Directors are set forth in the Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO LUKOIL, and are mostly compliant with the recommendations of the Corporate Governance Code.</p> | The Company admits that the Corporate Governance Code is provided as a set of recommendations. It also takes into account the total number of independent directors nominated by shareholders and elected by the Annual General Meeting, along with their professional skills and ability to serve as committee members. The Company plans to incorporate relevant amendments in the Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO LUKOIL. |
| 2.4.3. | The Board of Directors should establish a Nomination/HR Committee predominantly made up of independent directors, which may be combined with the Compensation Committee. Its responsibilities should be set forth in the company's procedures and be compliant with recommendations of the Corporate Governance Code. ³ | <p>This principle and related recommendations of the Corporate Governance Code are complied with in part.</p> <p>The duties and responsibilities of the Nomination Committee are performed by the Human Resources and Compensation Committee of the Board of Directors.</p> <p>See comments to clause 2.4.2.</p> | The Company admits that the Corporate Governance Code is provided as a set of recommendations. It also takes into account the total number of independent directors nominated by shareholders and elected by the Annual General Meeting, along with their professional skills and ability to serve as committee members. The Company admits that the Corporate Governance Code permits that the duties and responsibilities of the Nomination Committee be performed by the Compensation Committee. As regards the Committee's duties and responsibilities, the Company plans to incorporate relevant amendments in the Regulations on the Human Resources and Compensation Committee of the Board of Directors of OAO LUKOIL. |
| 2.4.4. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | The Board of Directors also has a Strategy and Investment Committee. As at the election date, it was made up of independent and executive directors. As at the end of 2014, it was made up of three independent and two executive directors. | - |

¹ See clause 172 of part B of the Corporate Governance Code.

² See clause 180 of part B of the Corporate Governance Code.

³ See clause 186 of part B of the Corporate Governance Code.

| | | | |
|--|---|--|--|
| 2.5 | The Board of Directors should provide for assessing its own, as well as its members' and committees', performance | | |
| 2.5.1. | The Board's performance should be assessed regularly at least once a year, and at least once in three years the company should engage an external advisor to conduct such assessment. | This principle of the Corporate Governance Code is complied with in part. Performance of the Board of Directors and its committees should be assessed in the Company each year. So far, no external advisor has been engaged for assessment. | There was no such requirement in the Code of Corporate Conduct applied until April 2014. The Company is considering options to follow this recommendation of the Corporate Governance Code. |
| 2.5.2. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | - | - |
| III. The company's Corporate Secretary | | | |
| 3.1 | The company's Corporate Secretary (or a dedicated business unit headed by such) should ensure efficient ongoing interaction with shareholders, coordinate the company's efforts to protect shareholder rights and interests and support the Board's activities | | |
| 3.1.1. | The Corporate Secretary should report to the Board of Directors and should be appointed or removed from office by the Board's resolution or approval. | These recommendations of the Corporate Governance Code are complied with in part. The LUKOIL Board of directors assigned the corporate secretary's functions to the Secretary of the Board of Directors. The Secretary of the Board of Directors is appointed annually by the resolution of the Board for a term of office equal to that of the Board of Directors. | There was no such requirement in the Code of Corporate Conduct applied until April 2014. The Company is considering options to follow this recommendation of the Corporate Governance Code. |
| 3.1.2. | The company should approve an internal regulation setting forth the Corporate Secretary's rights and obligations (Regulations on the Corporate Secretary) as recommended by the Corporate Governance Code. ¹ | This recommendation of the Corporate Governance Code is not complied with. | The Company plans to approve the Regulations on the Corporate Secretary. |
| 3.1.3. | The Corporate Secretary should not hold any concurrent positions in the company. Their responsibilities should be compliant with recommendations of the Corporate Governance Code. ² The Corporate Secretary should have sufficient resources to discharge his/her duties. | This principle of the Corporate Governance Code is not complied with, because the Secretary of the Board of Directors is also a member of the Management Committee. As a member of the Management Committee, the Secretary of the Board of Directors has substantially the same authority the Corporate Secretary should possess to discharge his duties and responsibilities pursuant to the Corporate Governance Code. In addition, the Secretary ensures effective communication across the Company's bodies. | There was no such requirement in the Code of Corporate Conduct applied until April 2014. The Company is considering options to follow this recommendation of the Corporate Governance Code. |
| 3.1.4. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | - | - |
| IV. Remuneration of the Board and executive body members and other key managers | | | |
| 4.1 | Remuneration paid by the company should be sufficient to attract, motivate and retain persons that have competencies and qualifications required by the company. The Board and executive body members and other key managers should be remunerated in compliance with the company's remuneration policy | | |
| 4.1.1. | Payments, benefits and privileges available to Board and executive body members and other key managers should be specified in the company's internal regulations. | This principle of the Corporate Governance Code is complied with. | - |

¹ See clause 217 of part B of the Corporate Governance Code.

² See clause 218 of part B of the Corporate Governance Code.

| | | | |
|---|--|---|---|
| 4.1.2. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | On a quarterly basis, the Company discloses information on all types of payments to members of the Board of Directors and Management Committee for the relevant periods. | - |
| 4.2. | The system of remuneration for the Board members should ensure that the directors' financial interests are aligned with long-term financial interests of shareholders | | |
| 4.2.1. | The company should pay no other cash remuneration to the Board members than their fixed annual remuneration. | This principle of the Corporate Governance Code is largely complied with. Each year the Annual General Shareholders Meeting makes a decision on the amount of remuneration and compensation payable to directors: the Company provides fixed remuneration for performing the duties and responsibilities of a director, the Chairman of the Board of Directors and chairmen of its committees; additional remuneration is paid to directors for in-person attendance of meetings of the Board of Directors' committees, if they are members of the committee, and for in-person attendance of meetings of the Board of Directors or its committees requiring a transcontinental flight; remuneration is also provided to a director attending conferences and other meetings by written proxy of the Chairman of the Board of Directors. | - |
| 4.2.2. | The Board members should not be entitled to participate in the company's stock option plans, and their right to dispose of the company's shares owned by them should not be linked to their performance targets. | This principle of the Corporate Governance Code is complied with. | |
| 4.2.3. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | The Company does not provide for any extra payments or compensations in the event of early termination of office of directors resulting from the transfer of control or any other reasons whatsoever. | |
| 4.3. | The system of remuneration for the executive body members and other key managers should be linked to the company's results and their personal contribution to those | | |
| 4.3.1. | The company should put in place a long-term incentive program for the executive body members and other key managers. | This principle of the Corporate Governance Code is complied with. The Company's Board of Directors has adopted the Regulations on Long-Term Incentives for Employees of OAO LUKOIL and its Subsidiaries for 2013-2017. | |
| 4.3.2. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | - | - |
| V. Risk management and internal control system | | | |
| 5.1. | The company should put in place an effective risk management and internal control system to guarantee, in a reasonable manner, fulfilment of the company's goals | | |

| | | | |
|--------|--|--|---|
| 5.1.1. | The Board of Directors has defined the Company's risk management and internal control principles and approaches. | <p>This principle of the Corporate Governance Code is complied with.</p> <p>The Board of Directors of OAO LUKOIL has approved the key internal documents defining the risk management and internal control principles and approaches:</p> <ul style="list-style-type: none"> • OAO LUKOIL Risk Management Policy; • Regulations on the Risk Committee; • Regulations on Risk Management at OAO LUKOIL • Regulations on Internal Control and Internal Audit at OAO LUKOIL; • Internal control procedures. | – |
| 5.1.2. | The company should establish a standalone risk management and internal control unit. | <p>This recommendation of the Corporate Governance Code is complied with.</p> <p>The Company has established the Division for Risk Management and Summary Analysis and the Control and Internal Audit Service.</p> | – |
| 5.1.3. | The company should draft and implement an anti-corruption policy specifying measures to develop anti-corruption elements of its culture and organizational structure as well as respective rules and regulations. | <p>This recommendation of the Corporate Governance Code is complied with.</p> <p>The Company has put into effect OAO LUKOIL's Code of Business Conduct and Ethics.</p> | – |
| 5.1.4. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | – | – |
| 5.2. | The company should arrange for an internal audit, to assess reliability and performance of the risk management and internal control system on a regular and independent basis | | |
| 5.2.1. | <p>The company should set up a standalone internal audit unit functionally reporting to the Board of Directors. The said unit's functions should be compliant with recommendations of the Corporate Governance Code and include:</p> <ul style="list-style-type: none"> • assessing internal control performance; • assessing risk management performance; • assessing corporate governance framework (in case there is no Corporate Governance Committee). | <p>This principle of the Corporate Governance Code is complied with in part.</p> <p>Pursuant to the Regulations on the Control and Internal Audit Service of OAO LUKOIL, it exercises unbiased and independent control over corporate governance and internal control framework, assesses internal controls performance and their status, and develops relevant improvement proposals.</p> <p>In terms of functional and administrative reporting, the Control and Internal Audit Service is subordinate to the Vice President for Internal Control and Audit, who, in his turn, reports to the President of the Company.</p> <p>In addition, the Head of the Control and Internal Audit Service annually reports to the Company's Board of Directors on the performance of the internal control, internal audit and risk management frameworks across LUKOIL Group.</p> | <p>The Company's Board of Directors has developed a conceptual approach providing for functional and administrative reporting of the Control and Internal Audit Service to the Company's President.</p> <p>The Company's President ensures independence and unbiased judgement of the Control and Internal Audit Service.</p> <p>The Company plans to transfer the functional reporting line of the Control and Internal Audit Service to the Company's Board of Directors.</p> |
| 5.2.2. | Head of Internal Audit should report to the Board of Directors and should be appointed or removed from position by the Board's resolution. | <p>This recommendation of the Corporate Governance Code is not complied with.</p> <p>The Head of the Control and Internal Audit Service is appointed and removed from office by the Company's President.</p> | <p>The Company's Board of Directors has developed a conceptual approach providing for functional and administrative reporting of the Head of the Control and Internal Audit Service to the Company's President.</p> <p>The Company plans to establish the reporting line of the Head of the Control and Internal Audit Service to the Company's Board of Directors.</p> |

| | | | |
|---|--|---|---|
| 5.2.3. | The company should approve an internal audit policy (Regulations on Internal Audit) defining internal audit goals, objectives and functions. | This recommendation of the Corporate Governance Code is complied with. The Company has established OAO LUKOIL Regulations on Internal Control and Internal Audit. | – |
| 5.2.4. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | – | – |
| VI. Disclosure of information about the company and its information policy | | | |
| 6.1. | The company and its operations should be transparent for its shareholders, investors and other stakeholders | | |
| 6.1.1. | The company should approve an internal regulation defining its information policy as recommended by the Corporate Governance Code. The company's information policy should provide for the following ways of engaging investors and other stakeholders: <ul style="list-style-type: none"> • a dedicated page at the corporate website featuring FAQs from investors and shareholders and respective replies, a regularly updated corporate calendar, and other useful information; • regular meetings between executive body members and other key managers and analysts; • regular presentations, including via teleconferences and webcasts, and meetings attended by governance body members and other key managers, including those related to release of financial statements or the company's key investment projects and strategic plans. | This principle and related recommendations of the Corporate Governance Code are largely complied with. The Company has established OAO LUKOIL Regulations on Information Policy. Complied with. OAO LUKOIL Regulations on Information Policy provides for information exchange between the company and its shareholders, investors and securities market players via websites to post answers to frequently asked questions from investors and shareholders, regularly updated corporate calendar, and other information useful to shareholders and investors. Complied with. Complied with. | – |
| 6.1.2. | The company's executive bodies should be in charge of implementing its information policy. Control over proper disclosure and compliance with the information policy should be exercised by the company's Board of Directors. | This recommendation of the Corporate Governance Code is complied with in part. As per clause 3.1 of the OAO LUKOIL Regulations on Information Policy, responsible for disclosures are the Company's executive bodies whose decisions stipulate the procedure for disclosures to shareholders and investors. | – |
| 6.1.3. | The company should put in place procedures to align all its functions and structural units whose activities are related to or may require information disclosure. | This recommendation of the Corporate Governance Code is complied with. The company has established internal rules and regulations setting forth disclosure practices. | – |
| 6.1.4. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | The Company is of the opinion that it complies with the key principles and recommendations of the Corporate Governance Code set forth in clause 6.1 of Part A of the Corporate Governance Code and clauses 274-277 of part B of the Corporate Governance Code. | – |

| | | | |
|--------|---|---|---|
| 6.2. | The company should, in due time, disclose up-to-date, complete and reliable information on its operations, to enable its shareholders and investors to make informed decisions | | |
| 6.2.1. | If foreign investors hold a substantial share of the company's capital, the company should, along with disclosure of information in Russian, disclose key information about itself (including an announcement of a general meeting to be held, its annual report) in a foreign language generally accepted on the financial market. | This recommendation of the Corporate Governance Code is complied with. The Company ensures concerted and equivalent disclosure of material information in the Russian Federation and beyond in Russian and English. | – |
| 6.2.2. | The company should disclose information both about itself but also about legal entities controlled by and material to the company. | This recommendation of the Corporate Governance Code is complied with. Information about legal entities controlled by and material to the company is included in the quarterly issuer's reports. | – |
| 6.2.3. | The company should disclose annual and interim (half-year) consolidated or individual financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). The company's annual consolidated or individual financial statements should be disclosed together with the auditor's report, while its interim (half-year) consolidated or individual financial statements – together with the auditor's review report or the auditor's opinion. | This recommendation of the Corporate Governance Code is complied with. The Company discloses its annual and interim (three, six and nine months) consolidated financial statements prepared in accordance with the US GAAP. The Company's annual consolidated financial statements are disclosed together with the auditor's report, and its interim consolidated or individual financial statements are disclosed together with the auditor's review report. | Pursuant to part 2 of article 8 of Federal Law <i>On Consolidated Financial Statements</i> , the Company is required to prepare IFRS consolidated financial statements not earlier than from the reporting for 2015. |
| 6.2.4. | The company should disclose a special memorandum setting out the controlling person's plans for the company. The said memorandum should comply with the recommendations of the Corporate Governance Code. ¹ | This recommendation of the Corporate Governance Code does not apply as there is no person controlling the Company. | – |
| 6.2.5. | The company should ensure disclosure of biographical details of its directors, including information as to whether they are independent directors and timely disclosure of information as to whether a director has lost their independent status. | This recommendation of the Corporate Governance Code is mostly complied with. The Company discloses biographical details of its directors on its website and in its annual reports. Information as to whether directors are independent is disclosed in the Company's annual reports and is included into quarterly corporate governance reports submitted to the stock exchange. | The Regulations on Information Disclosure by Securities Issuers envisages no form of information disclosure as regards a director losing their independent status. The Company plans to disclose such information in a timely manner, if, in the Company's view, such information may materially affect the value of its securities. |
| 6.2.6. | The company should disclose information on its capital structure in compliance with recommendations of the Corporate Governance Code. | This recommendation of the Corporate Governance Code is complied with in part. The Company's disclosures on its capital structure are generally compliant with recommendations of the Corporate Governance Code, except for the executive bodies' statements claiming no information available to the Company about equity interests of over 5% apart from those already disclosed by the Company. As per applicable law, the Company discloses information about equity interests of over 5% as such information becomes available to the Company. | The was no such requirement in the Code of Corporate Conduct applied until April 2014. The Company is considering options to follow this recommendation of the Corporate Governance Code. |

¹ See clause 279 of part B of the Corporate Governance Code.

| | | | |
|--------|--|--|---|
| 6.2.7. | The company's annual report should include the following additional information recommended by the Corporate Governance Code: | These recommendations of the Corporate Governance Code are complied with in part. | The Company discloses material transactions, including those associated, in the form of corporate action notices, with the annual report used to disclose major and related-party transactions entered into over the reporting period. |
| | <ul style="list-style-type: none"> • a brief survey of the most significant transactions entered into by the company and by legal entities controlled by it, including associated transactions, during the past year; | Complied with in part. | |
| | <ul style="list-style-type: none"> • a report by the board of directors (including committee reports) for the year containing, inter alia, information on the number of meetings held in person (in absentia), attendance of each director, a description of the most important and complicated matters discussed at meetings of the Board of Directors and its committees, and the principal recommendations by the committees to the Board of Directors; | Complied with. | |
| | <ul style="list-style-type: none"> • information on shares in the company directly or indirectly owned by its directors and/or members of its executive bodies; | Complied with. | |
| | <ul style="list-style-type: none"> • information on whether the company's directors and/or members of its executive bodies have conflicts of interest (including those linked to their membership in competitors' governance bodies); | Complied with. | |
| | <ul style="list-style-type: none"> • a description of the remuneration system for directors, including the amount of individual remuneration payable to each director based on annual performance (broken down into the base fee, additional remuneration for chairing the Board of Directors and for the chairing / membership of the Board of Directors' committees, the extent of participation in a long-term incentive program, the amount of each director's participation in an option plan, if any), reimbursement of expenses associated with the Board of Directors' membership, and costs incurred by the company in connection with liability insurance for its directors in their capacity of governance body members; | Complied with in part. The amount of individual remuneration payable to each director is not disclosed. | |
| | <ul style="list-style-type: none"> • information on the total remuneration for the year: | | |
| | <ul style="list-style-type: none"> <ul style="list-style-type: none"> a) in respect of a group of at least five top paid executive body members and other key managers of the company, broken down by type of remuneration; | Not complied with. | The Company proceeds from the fact that the Regulations on Information Disclosure by Securities Issuers envisages no information disclosure as regards remuneration of executive body members by group. |
| | <ul style="list-style-type: none"> <ul style="list-style-type: none"> b) in respect of all executive body members and other key managers to whom the company's remuneration policy extends, broken down by type of remuneration; | Complied with. | |
| | information on the sole executive body's remuneration for the year which they have received or are to receive from the company (legal entity from a group of organizations that includes the company), broken down by type of remuneration, both for performing their duties of the sole executive body and on other grounds. | Not complied with. | The Company proceeds from the fact that the Regulations on Information Disclosure by Securities Issuers envisages no information disclosure as regards the amount of remuneration of an individual serving as the issuer's sole executive body. |

| | | | |
|--------|---|--|---|
| 6.2.8. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | – | – |
| 6.3. | The company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility | | |
| 6.3.1. | In accordance with the company's information policy, its shareholders with equal quantity of the company's voting shares should be given equal access to the company's information and documents. | This recommendation of the Corporate Governance Code is complied with. As per clause 2.8 of OAO LUKOIL Regulations on Information Policy, the Company provides equal rights and possibilities to all shareholders in terms of access to information. | – |
| 6.3.2. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | The Company is of the opinion that it complies with the key principles and recommendations of the Corporate Governance Code set forth in clause 6.3 of Part A of the Corporate Governance Code and clauses 295-302 of part B of the Corporate Governance Code. | – |

VII. Material corporate actions

| | | | |
|--------|---|---|---|
| 7.1. | Actions which will or may materially affect the company's share capital structure and its financial position and accordingly the position of its shareholders («material corporate actions») should be taken on fair terms ensuring that the rights and interests of the shareholders and other stakeholders are observed | | |
| 7.1.1. | The company's Charter should include a list (criteria) of transactions or other actions deemed to be material corporate actions the consideration of which should be referred to the jurisdiction of the Board of Directors, including: <ul style="list-style-type: none"> • Company's reorganization; • acquisition of 30% or more of the company's voting shares (takeover); • increasing or reducing the company's charter capital; | Governance Code are largely not complied with. As per clause 15.2 of the Charter of OAO LUKOIL, the Company reorganization (merger, consolidation, split-up, split-off, reorganization) can be undertaken as may be resolved by the Company's General Shareholders Meeting only as proposed by the Board of Directors. Pursuant to article 84.3 of Federal Law <i>On Joint-Stock Companies</i> , the Board of Directors adopts recommendations as regards voluntary or mandatory offers received by the Company. Reductions in the charter capital are referred to the jurisdiction of the General Shareholders Meeting. In accordance with the Charter of OAO LUKOIL, the authority of the Board of Directors covers the matters related to increasing the charter capital by issuing additional shares within the quantity and as per the classes (types) of authorized shares as well as the matters of amendments to the Charter related to increasing the charter capital where provided for by the Russian law and the Charter of OAO LUKOIL. | Following the established practices, when addressing the matter of preparing for and holding the General Shareholders Meeting of the Company, the Board of Directors approves recommendations for shareholders for voting on all agenda items, including those which may be regarded as material corporate actions. In accordance with the Federal Law <i>On Joint-Stock Companies</i> decisions on reorganization of the company shall be made by the General Shareholders Meeting. |

| | | |
|--|--|--|
| <ul style="list-style-type: none"> listing and delisting of the company's shares; | <p>In accordance with the Charter of OAO LUKOIL, the matters related to the Company's shares listing requests are referred to the jurisdiction of the Board of Directors; the matters related to requests to delist the Company's shares and (or) issue-grade securities convertible into shares are referred to the jurisdiction of the General Shareholders Meeting, in accordance with Federal Law <i>On Joint-Stock Companies</i>.</p> | |
| <ul style="list-style-type: none"> transactions on sale of shares (interests) in legal entities controlled by the company material to the latter as a result of which the company loses control over such legal entities; | <p>Not complied with.</p> | <p>Coordination of operations of the Company's subsidiaries, including preliminary approval of resolutions of the Company's subsidiaries related to their participation in other entities, and decisions to terminate the Company's participation in other entities are referred by the Charter to the jurisdiction of the Management Committee.</p> |
| <ul style="list-style-type: none"> transactions, including associated transactions, with property of the company or legal entities controlled by the company whose value exceeds the amount specified in the company's Charter or which is material to the business of the company; | <p>Not fully complied with. As per the Charter, the authority of the Board of Directors covers approval of a transaction or several associated transactions related to acquisition, disposal or potential disposal of property worth 10–25% of book value of the Company's assets.</p> | <p>Decisions to acquire subsoil licenses which may involve capex in the amount exceeding an amount in rubles equivalent to \$150 million, and decisions to approve material transactions by the Company's subsidiaries shall be made by the Management Committee.</p> |
| <ul style="list-style-type: none"> creation of a legal entity under the company's control that is material to the business of the company; | <p>Not complied with.</p> | <p>The term «controlled legal entity material to the company» is used in the applicable Russian laws only for the purpose of information disclosure, therefore, until the term is consolidated in the corporate law, the Company's Charter cannot refer this matter to the jurisdiction of the Board of Directors.</p> |
| <ul style="list-style-type: none"> disposal by the company of its treasury and quasi-treasury shares. | <p>Not complied with as regards disposal of quasi-treasury shares. Pursuant to clause 1 of article 34 of Federal Law <i>On Joint-Stock Companies</i>, quasi-treasury shares are disposed of by the Board's resolution.</p> | <p>The matter related to disposals of quasi-treasury shares is referred to the jurisdiction of the Management Committee.</p> |
| <p>7.1.2. Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s).</p> | <p>–</p> | <p>–</p> |

| | | | | |
|--------|---|--|---|--|
| 7.2. | The company should provide a procedure for taking material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and also guarantee that the shareholder rights are observed and duly protected when such actions are taken | This principle and related recommendations of the Corporate Governance Code are largely complied with. | The Company has established the Regulations on Independent Appraisal for the benefit of LUKOIL Group, according to which an independent appraiser shall be retained when: | <ul style="list-style-type: none"> • the Board of Directors or the General Shareholders Meeting is supposed to make a resolution on approval of a major transaction, so as to determine the price of the property to be disposed of or acquired; • the Company receives a voluntary or mandatory offer, so as to determine the market value of the shares and potential changes in their market value as a result of the takeover; |
| 7.2.1. | <p>The internal documents of the company should provide for a principle of ensuring equal terms and conditions for all shareholders of the company when taking material corporate actions affecting the rights and legitimate interests of the shareholders, and also establish additional measures to protect rights and legitimate interests of the company's shareholders stipulated by the Corporate Governance Code, including:</p> <ul style="list-style-type: none"> • retention of an independent appraiser with an established impeccable reputation in the market and experience in the relevant area to determine the value of the property disposed of or acquired pursuant to a major transaction or a material related-party transaction; • valuation of the company's shares at their repurchase or redemption by an independent appraiser with an established impeccable reputation in the market and experience in the relevant area, having regard to the weighted average price of the shares over a reasonable period of time, without regard to the effect of the transaction in question to be entered into by the company (inter alia without regard to changes in the price of shares in connection with dissemination of information on the company's entering into the transaction in question), and also without regard to a discount for selling shares in a non-controlling block; • expansion of the list of grounds on which members of the company's Board of Directors as well as other persons as per the applicable law are deemed to be interested parties in transactions of the company for the purpose to assess the actual linkages between the persons concerned. | Not complied with. | The Company proceeds from the fact that the criteria of related parties are set forth in clause 1 of article 81 of Federal Law <i>On Joint-Stock Companies</i> . | |
| 7.2.2. | Other criteria (recommendations) of the Corporate Governance Code considered by the company as key and pertaining to the said corporate governance principle(s). | – | – | |

**MAJOR AND RELATED/
INTERESTED PARTY
TRANSACTIONS**

► LIST OF TRANSACTIONS MADE BY LUKOIL IN 2014 AND RECOGNISED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

Major associated transactions between OAO "LUKOIL" and OOO LUKOIL-Nizhnevolzhskneft in 2014.

| | |
|---|---|
| 1. Number of transaction approved by the Board of Directors of OAO "LUKOIL" | 1 |
| 2. Price | RUB 146,286,332,401.07 |
| 3. Names of parties | OAO «LUKOIL» OOO LUKOIL-Nizhnevolzhskneft, jointly referred to as the "Parties" |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Agreement (hereinafter the "Agreement") ¹ . |
| 6. Subject of the transaction | <p>The Parties have agreed to restructure the debt of OOO LUKOIL-Nizhnevolzhskneft to OAO «LUKOIL» on the payment of principal under Agreement No. 1210099 of 01.03.2012 in the amount of RUB 146,286,332,401.07 into the following loan obligations:</p> <ol style="list-style-type: none"> debt in the amount of RUB 71,000,000,000 into a loan obligation under the newly concluded Loan Agreement between the Parties to finance the investment programme of OOO LUKOIL-Nizhnevolzhskneft, unrelated to the activity of the new offshore deposits, with a maturity of 20.06.2025 and interest at a rate to be determined and calculated by OAO "LUKOIL" in accordance with the Marketing Policy for Determining Interest Rates on Loans between OAO "LUKOIL" and the Russian Organisations of the LUKOIL Group (hereinafter the "Marketing Policy"), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended; debt in the amount of RUB 71,877,793,572.55 into a loan obligation under Loan Agreement No. 1410082 of 28.02.2014, concluded between the Parties to finance the V. Filanovsky investment project, with a maturity of 20.12.2021 and an interest rate to be determined and calculated by OAO "LUKOIL" in accordance with the Marketing Policy; debt in the amount of RUB 2,517,914,000 into a loan obligation under Loan Agreement No. 1410084 of 28.02.2014, concluded between the Parties to finance the Yu. Kuvykin project, with a maturity of 20.12.2026 and an interest rate to be determined and calculated by OAO "LUKOIL" in accordance with the Marketing Policy; debt in the amount of RUB 890,624,828.52 into a loan obligation under Loan Agreement No. 1410086 of 28.02.2014, concluded between the Parties to finance the investment expenses on construction of gas pipelines to the Stavrolen-Georgievskaya point of landfall, with a maturity of 20.12.2023 and an interest rate to be determined and calculated by OAO "LUKOIL" in accordance with the Marketing Policy. <p>The Parties have agreed that the debt of OOO LUKOIL-Nizhnevolzhskneft to OAO «LUKOIL» on the payment of interest under Agreement No. 1210099 of 01.03.2012, accrued for the period from 1 January 2014 to the date of signing of the Agreement, will be repaid by OOO LUKOIL-Nizhnevolzhskneft no later than the date of signing of the Agreement separately for each area of use of the funds in accordance with the investment programme of OOO LUKOIL-Nizhnevolzhskneft.</p> <p>The Parties have agreed to terminate the effect of Agreement No. 1210099 of 01.03.2012 from the date of conclusion of the Agreement, and confirm that they do not have any claims against one another.</p> |
| 7. Other material terms of the transaction | The Parties have come to an Understanding that the terms of point 5.4 of Agreement No. 1210099 of 01.03.2012 on the quarterly payment of interest will not apply from 1 January 2014. |
| 1. Number of transaction approved by the Board of Directors of OAO "LUKOIL" | 2 |
| 2. Price | The approximate amount of the transaction is RUB 220,681,296,000 (loan amount – RUB 114,300,000,000; the approximate amount of the interest payable – RUB 106,381,296,000). |
| 3. Names of parties | OAO «LUKOIL» (Lender) OOO LUKOIL-Nizhnevolzhskneft (Borrower) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Loan Agreement (hereinafter the "Agreement") ¹ . |

¹ Transactions 1,2,3,4 and 5 are associated.

| | |
|--|--|
| 6. Subject of the transaction | In accordance with the Agreement, the Lender will provide the Borrower with a special-purpose loan in the amount of RUB 114,300,000,000, which will include the amount of debt that appeared earlier and was restructured based on sub-point 1.1 of the Agreement concluded between the Parties in the amount of RUB 71,000,000,000, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. |
| 7. Other material terms of the transaction | <p>The loan funds are being provided to finance the investment programme of the Borrower unrelated to the activity at the new offshore deposits.</p> <p>The loan is provided for a term up to 20.06.2025, with an early repayment option.</p> <p>The Borrower will pay accrued interest on a quarterly basis, starting from the date when the loan is issued and up to the end date of the loan's maturity, within 5 business days after the end of the quarter.</p> <p>The Borrower will pay the Lender interest at a rate to be determined and calculated by the Lender in accordance with the Marketing Policy for Determining Interest Rates on Loans Between OAO "LUKOIL" and the Russian Organisations of the LUKOIL Group (hereinafter the "Marketing Policy"), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended, for loans with a term of more than 9 years.</p> <p>The Lender will notify the Borrower in writing of a change in the interest rate for the next interest period. The written notice to be sent by the Lender to the Borrower is an integral part of the Agreement.</p> |
| 1. Number of transaction approved by the Board of Directors of OAO "LUKOIL" | 3 |
| 2. Price | The approximate amount of the transaction is RUB 256,600,262,260.25 (loan amount - RUB 157,043,121,000; the approximate amount of the interest payable – RUB 99,557,141,260.25). |
| 3. Names of parties | OAO «LUKOIL» (Lender) 000 LUKOIL-Nizhnevolzhskneft (Borrower) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No.1410082 of 28.02.2014 (hereinafter the "Agreement") ¹ |
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Lender provides the Borrower with a special-purpose loan to finance the V. Filanovsky investment project in the amount of RUB 58,000,000,000, on the terms stipulated by the Agreement, and the Borrower undertakes to repay the funds received by 20.12.2021, with an early repayment option, and to pay interest thereon at a rate to be determined in accordance with the Marketing Policy for Determining Interest Rates on Loans Between OAO "LUKOIL" and the Russian Organisations of the LUKOIL Group (hereinafter the "Marketing Policy"), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended, for loans with a term of 7 to 9 years. The Lender will notify the Borrower in writing of a change in the interest rate for the next interest period. The written notice to be sent by the Lender to the Borrower is an integral part of the Agreement.</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> point 1.1 of the Agreement will be set forth in a new version, stipulating an increase in the loan amount to RUB 157,043,121,000, which will include the amount of debt that appeared earlier and was restructured based on sub-point 1.2 of the Agreement concluded between the Parties in the amount of RUB 71,877,793,572.55, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. |
| 7. Other material terms of the transaction | The Supplemental Agreement will enter into force from the time of its signing by the authorised representatives of the Parties. |
| 1. Number of transaction approved by the Board of Directors of OAO "LUKOIL" | 4 |
| 2. Price | The approximate amount of the transaction is RUB 186,507,572,130.08 (loan amount – RUB 90,681,314,000; the approximate amount of the interest payable – RUB 95,826,258,130.08). |
| 3. Names of parties | OAO «LUKOIL» (Lender) 000 LUKOIL-Nizhnevolzhskneft (Borrower) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No.1410082 of 28.02.2014 (hereinafter the "Agreement") ¹ |

¹ Transactions 1,2,3,4 and 5 are associated.

| | |
|--|--|
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Lender provides the Borrower with a special-purpose loan to finance the Yu. Kuyvkin investment project in the amount of RUB 3,174,000,000, on the terms stipulated by the Agreement, and the Borrower undertakes to repay the funds received by 20.12.2021, with an early repayment option, and to pay interest thereon at a rate to be determined in accordance with the Marketing Policy for Determining Interest Rates on Loans Between OAO "LUKOIL" and the Russian Organisations of the LUKOIL Group (hereinafter the "Marketing Policy"), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended, for loans with a term of 7 to 9 years. The Lender will notify the Borrower in writing of a change in the interest rate for the next interest period. The written notice to be sent by the Lender to the Borrower is an integral part of the Agreement.</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <p>point 1.1 of the Agreement will be set forth in a new version, stipulating an increase in the loan amount to RUB 90,681,314,000, which will include the amount of debt that appeared earlier and was restructured based on sub-point 1.3 of the Agreement concluded between the Parties in the amount of RUB 2,517,914,000, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement;</p> <ul style="list-style-type: none"> point 4.1 of the Agreement will be set forth in a new version stipulating an increase in the loan term to 20.12.2026, with an early repayment option; point 5.1 of the Agreement will be set forth in a new version stipulating a change in the interest to be paid by the Borrower at a rate to be determined and calculated by the Lender in accordance with the Marketing Policy for loans with a term of more than 9 years. |
| 7. Other material terms of the transaction | The Supplemental Agreement will enter into force from the time of its signing by the authorised representatives of the Parties. |
| 1. Number of transaction approved by the Board of Directors of OAO "LUKOIL" | 5 |
| 2. Price | The approximate amount of the transaction is RUB 34,543,697,440.64 (loan amount – RUB 19,134,712,000; the approximate amount of the interest payable – RUB 15,408,985,440.64) |
| 3. Names of parties | OAO «LUKOIL» (Lender) OOO LUKOIL-Nizhnevolzhskneft (Borrower) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No.1410082 of 28.02.2014 (hereinafter the "Agreement") ¹ |
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Lender provides the Borrower with a special-purpose loan to finance the investment expenses on the construction of gas pipelines to the Stavrolen-Georgievskaya point of landfall, in the amount of RUB 12,350,000,000, on the terms stipulated by the Agreement, and the Borrower undertakes to repay the funds received by 20.12.2021, with an early repayment option, and to pay interest thereon at a rate to be determined in accordance with the Marketing Policy for Determining Interest Rates on Loans Between OAO "LUKOIL" and the Russian Organisations of the LUKOIL Group (hereinafter the "Marketing Policy"), approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (minutes No. 26), as amended, for loans with a term of 7 to 9 years. The Lender will notify the Borrower in writing of a change in the interest rate for the next interest period. The written notice to be sent by the Lender to the Borrower is an integral part of the Agreement.</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> point 1.1 of the Agreement will be set forth in a new version, stipulating an increase in the loan amount to RUB 19,134,712,000, which will include the amount of debt that appeared earlier and was restructured based on sub-point 1.4 of the Agreement concluded between the Parties in the amount of RUB 890,624,828.52, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received by the date and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement; point 4.1 of the Agreement will be set forth in a new version stipulating an increase in the loan term to 20.12.2023, with an early repayment option; point 5.1 of the Agreement will be set forth in a new version stipulating a change in the interest to be paid by the Borrower at a rate to be determined and calculated by the Lender in accordance with the Marketing Policy for loans with a term of more than 9 years. |
| 7. Other material terms of the transaction | The Supplemental Agreement will enter into force from the time of its signing by the authorised representatives of the Parties. |

Charter of OAO "LUKOIL" does not provide for the approval of other transactions as major transactions.

¹ Transactions 1,2,3,4 and 5 are associated.

► LIST OF TRANSACTIONS MADE BY OAO "LUKOIL" IN 2014 AND RECOGNISED AS INTERESTED PARTY TRANSACTIONS
IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

Interested party transaction of OAO "LUKOIL" approved by the Annual General Shareholders Meeting of OAO "LUKOIL" of 26 June 2014 and made in 2014.

| | |
|---|---|
| 1. Number of transaction approved by the Annual General Shareholders' Meeting of OAO "LUKOIL" | 1 |
| 2. Price | up to USD 450,000 – Insurance premium for coverage A, B and C. |
| 3. Names of parties | OAO Kapital Insurance [Joint Stock Company «Kapital Insurance»](Insurer) OAO "LUKOIL" (Policyholder) |
| 4. Names of beneficiaries | Under Cover A – the sole executive body, members of management bodies, employees of OAO "LUKOIL" and/or subsidiaries of OAO "LUKOIL", and/or other organisations with the participation of OAO "LUKOIL" and/or its subsidiary based on whose proposals the sole executive body and/or members of management bodies of such organisations were elected (hereinafter, the Insured Person). Under cover B – OAO "LUKOIL", subsidiaries of OAO "LUKOIL", other organisations with the participation of OAO "LUKOIL" and/or its subsidiary based on whose proposals the sole executive body and/or members of management bodies of such organisations were elected (hereinafter, the Company). Under cover C – OAO "LUKOIL", subsidiaries of OAO "LUKOIL" |
| 5. Name of transaction | Policy (contract) on insuring the liability of directors, officers and corporations (hereinafter the "Policy"). |
| 6. Subject of the transaction | The Insurer undertakes, for the payment stipulated in the Policy (Insurance Premium), to pay the insurance coverage (indemnification) under the Policy to (as the case may be) respective Insured (meaning any Company and/or any Insured person) and/or any other person entitled to such indemnification should any insured event specified in the Policy occur. An insured event for the purposes of Cover A in respect of cover for the liability of any Insured Person for any Loss incurred by any third parties shall be deemed to be the onset of all of the following circumstances: (a) the liability of any Insured Person arising at any time prior to or during the Policy Period pursuant to applicable law as a consequence of the incurrence by any third parties of any Loss in connection with any Wrongful Act of the Insured Person, and (b) any Claim made against such Insured Person during the Period of Insurance (means the effective period during which the insurance set forth in the Policy shall be valid, starting from the first day of the Policy Period and ending on the expiry date of the Policy Period or, if there is a Discovery Period (a 60-day the period immediately following the expiry of the Policy Period or early termination/cancellation of the Policy, during which written notice may be given to the Insurer of any Claim first made during such period or during the Policy Period in connection with any Wrongful Act committed prior to the end of the Policy Period), ending on the expiry date of the Discovery Period). An insured event shall be deemed to have occurred upon the Claim specified in the paragraph (b) above being made subject to subsequent confirmation by the Insurer that the insured event has occurred or to a ruling that such insured event has occurred by a court, arbitral court, arbitral tribunal or other similar competent body/institution. For the avoidance of doubt, the Policy also covers any Loss incurred by any Insured Person and/or which any Insured Person will incur subsequent to the Period of Insurance relating to liability for Loss incurred by any third parties (including, without limitation, in the event of any ruling by a court or arbitral court, arbitral tribunal or other similar competent body/institution subsequent to the Period of Insurance), but in connection with any Claim made during the Period of Insurance. For the purposes of Cover A the Insurer shall pay to or on behalf of any Insured Person any Loss related to any Claim first made against any Insured Person during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer in writing pursuant to the terms of the Policy, except when and to the extent that the Company has indemnified such Loss. An insured event for the purposes of Cover B shall be deemed to be the incurrence of any expenses by any Company in connection with the indemnification for any Loss by such Company to any Insured Person and/or other person or entity in the interests of any Insured Person in connection with any Claim made against any Insured Person and/or the liability of any Insured Person for any Loss incurred by third parties. The Policy also covers such expenses incurred by any Company subsequent to the Period of Insurance but relating to any Claim made during the Period of Insurance and/or in connection with the liability of any Insured Person for any Loss incurred by third parties in relation to which a Claim was made during the Period of Insurance. For the purposes of Cover B the Insurer shall pay to or on behalf of any Company any Loss related to any Claim first made against any Insured Person during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer in writing pursuant to the terms of the Policy, but only to the extent that such Company has indemnified such Loss. |

An insured event for the purposes of Cover C in respect of cover for the liability of any Company for any Loss incurred by any third parties shall be deemed to be the onset of all of the following circumstances: (a) the liability of any Company arising at any time prior to or during the Policy Period pursuant to applicable law as a consequence of the incurrence by any third parties of any Loss in connection with any Wrongful Act of the Company, and (b) any Securities Claim made against such Company during the Period of Insurance in connection with the Loss of any third parties. An insured event shall be deemed to have occurred upon the Securities Claim being made subject to subsequent confirmation by the Insurer that the insured event has occurred or to a ruling that such insured event has occurred by a court, arbitral court, arbitral tribunal or other similar competent body/institution. The Policy also covers any Loss incurred by any Company and/or which any Company will incur subsequent to the Period of Insurance relating to liability for Loss incurred by any third parties (including, without limitation, in the event of any ruling by a court or arbitral court, arbitral tribunal or similar competent body/institution subsequent to the Period of Insurance), but in connection with any Securities Claim made during the Period of Insurance.

For the purposes of Cover C The Insurer shall pay to any Company or on behalf of any Company any Loss related to any Securities Claim first made against any Company during the Policy Period or the Discovery Period (if applicable) and reported to the Insurer in writing pursuant to the terms of the Policy. Insurance cover C is without any prejudice to Insurance cover A in respect of any Securities Claims.


| | |
|--|---|
| 7. Grounds for status as an interested party | The persons performing the functions of the President, members of the Board of Directors and Management Committee of OAO "LUKOIL" are simultaneously beneficiaries under the transaction. |
| 8. Other material terms of the transaction | The policy is effective from 19 July 2014 through 18 July 2015. The insurance premium (liability limit) is at least USD 100,000,000 (total aggregate limit for coverage A, B and C, including legal defence costs). The insurance premium will be paid in roubles at the RF Central Bank exchange rate as of the date of payment, in accordance with the terms and conditions of the Policy. |
| 1. Number of transaction approved by the Annual General Shareholders' Meeting of OAO "LUKOIL" | 2 |
| 2. Price | RUB 100,000,000,000 |
| 3. Names of parties | OAO RITEK (Lender) OAO "LUKOIL" (Borrower) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 0810843 of 13 October 2008 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement and supplemental agreements, the Lender provides the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments (tranches) to finance the Borrower's working capital the total amount of debt on which may not exceed RUB 24,430,000,000 at any time during the effective term of the Agreement, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon at a rate to be determined in accordance with the Marketing Policy for Determining Interest Rates on Loans Between OAO "LUKOIL" and the Russian Organisations of the LUKOIL Group, approved by decision of the Management Committee of OAO "LUKOIL" of 30 August 2006 (Minutes No. 26), with subsequent amendments and addenda (hereinafter, the Marketing Policy), for on-call loans. The Parties shall be notified in writing of changes in the interest rates in accordance with the Marketing Policy. In accordance with the Supplemental Agreement to the Agreement, point 1.1 of the Agreement is set out in a new version stipulating an increase in the loan amount from RUB 24,430,000,000 to RUB 100,000,000,000. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK |
| 8. Other material terms of the transaction | All other terms remain unchanged. The Supplemental Agreement enters into force from the time of its signing by the authorised representatives of the Parties. |


Interested party transactions of OAO "LUKOIL" approved by the Board of Directors of OAO "LUKOIL" and made in 2014

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 1 |
| 2.1. Price (amount in USD) | The Bank charges the Client a service fee in the amount and according to the procedure stipulated by the tariffs |

| | |
|--|--|
| 2.2. Price (amount in RUB) | The Bank charges the Client a service fee in the amount and according to the procedure stipulated by the tariffs |
| 3. Names of parties | <p>OAo Bank Petrocommerce (Bank)</p> <p>OAo "LUKOIL" (Client)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Agreement on opening a bank account for settlements using corporate cards and the issue of corporate cards of OAo Bank Petrocommerce (hereinafter the "Agreement"). |
| 6. Subject of the transaction | The Bank opens for the Client a special card account and an account for the amounts of guaranteed coverage in Russian roubles, issues corporate cards and services them according to the procedure stipulated by the effective legislation of the Russian Federation, regulatory acts of the Bank of Russia, the Agreement, the terms and rules of the payment systems, and the rules on the use of a corporate card of OAo Bank Petrocommerce. |
| 7. Grounds for status as an interested party | <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAo "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Leonid Arnoldovich Fedun, a member of the Board of Directors of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.</p> |
| 8. Other material terms of the transaction | The Client pays for the Bank's services based on the Bank's tariffs in effect on the transaction date. The Client is informed of the tariffs on the signing of the Agreement, and immediately upon the Client's request. |
| 1. Number of the transaction approved by the Board of Directors | 2 |
| 2.1. Price (amount in USD) | The Bank charges the Client a service fee in the amount and according to the procedure stipulated by the tariffs |
| 2.2. Price (amount in RUB) | The Bank charges the Client a service fee in the amount and according to the procedure stipulated by the tariffs |
| 3. Names of parties | <p>OAo Bank Petrocommerce (Bank)</p> <p>OAo "LUKOIL" (Client)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Agreement on opening a bank account for settlements using corporate cards and the issue of corporate cards of OAo Bank Petrocommerce (hereinafter the "Agreement"). |
| 6. Subject of the transaction | The Bank opens for the Client a special card account and an account for the amounts of guaranteed coverage in US dollars, issues corporate cards and services them according to the procedure stipulated by the effective legislation of the Russian Federation, regulatory acts of the Bank of Russia, the Agreement, the terms and rules of the payment systems, and the rules on the use of a corporate card of OAo Bank Petrocommerce. |
| 7. Grounds for status as an interested party | <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAo "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Leonid Arnoldovich Fedun, a member of the Board of Directors of OAo "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAo Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAo "LUKOIL", is simultaneously a member of the Board of Directors of OAo Bank Petrocommerce.</p> |
| 8. Other material terms of the transaction | The Client pays for the Bank's services based on the Bank's tariffs in effect on the transaction date. The Client is informed of the tariffs on the signing of the Agreement, and immediately upon the Client's request. |

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 3 |
| 2.1. Price (amount in USD) | USD 414,365 |
| 2.2. Price (amount in RUB) | RUB 13,620,177.55 |
| 3. Names of parties | <p>OA0 "LUKOIL" (Licensor)</p> <p>LUKOIL EURASIA PETROL ANONIM ŞIRKETI (Licensee)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to License Agreement No. 1111033 of 15 December 2011 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Licensor provides the Licensee, for a fee and for the effective term of the Agreement, with a non-exclusive license to use the Licensor's trademarks under certificate Nos. 2011/20829, 2011/20838, and 2011/20848, issued by the Turkish Patent Institute, on the territory of the Turkish Republic to mark goods and services under trademark classes 4, 20, 35, 36, 37, 39, 40, 42 of the International Classification of Goods and Services.</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> • sub-points 2.1.4, 2.1.17, 2.1.18, 2.3.1 and point 4.2 of the Agreement are being amended; • paragraph 1 of sub-points 2.1.1, 2.2.5 and point 4.6 are being amended to expand the documents whereby the Licensee must use the Licensor's trademarks; • point 1.2 and paragraph 1 of point 6.2 are being amended to support the Licensee's right to enter into sub-license agreements, in addition to Dealership agreements; • point 2.5 is being added to section 2 of the Agreement to stipulate the procedure for entering sub-license and/or Dealership agreements; • in accordance with sub-point 2.1.18 of the Agreement the Parties will agree on the amended address list of Sites at which the Licensor's trademarks were in use as of 01.01.2013 under the Appendix to the Supplemental Agreement; • the amount of additional remuneration for 2013 for the use of the non-exclusive license to use the Licensor's trademarks calculated according to the formula set forth in point 6.1 of the Agreement based on the amended address list of Sites, will be USD 13,360 ; • the amount of additional remuneration for 2013 год, calculated according to the formula set forth in point 6.2 of the Agreement based on the address list of Sites at which petroleum products are sold under the Dealership Agreements provided by the Licensee in accordance with sub-point 2.1.18 of the Agreement and approved by the Licensor, will be USD 401,005; • during the signing of the proposed Supplemental Agreement the Licensor undertakes to provide the Licensee with the Corporate Requirements and Rules for the LUKOIL Group Filling Stations: Design and Style. Exterior and Design and Style. Interior. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyov, a member of the Management Committee of OA0 "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL EURASIA PETROL ANONIM ŞIRKETI. |
| 8. Other material terms of the transaction | <p>All other terms of the Agreement remain unchanged.</p> <p>The Supplemental Agreement enters into force from the time of its signing by the Parties.</p> |
| 1. Number of the transaction approved by the Board of Directors | 4 |
| 2.1. Price (amount in USD) | USD 18.78 per month, plus VAT of USD 3.38 |
| 2.2. Price (amount in RUB) | RUB 612.71 per month, plus VAT of RUB 110.29 |
| 3. Names of parties | <p>OA0 Bank Petrocommerce (Bank)</p> <p>OA0 "LUKOIL" (Company)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Contract No. 0910479 dated 1 July 2009 on provision of premises for the installation of an automated teller machine (hereinafter, the "Contract"). |

| | |
|--|--|
| 6. Subject of the transaction | <p>According to the Contract, the Company undertakes for a fee to provide the Bank with premises at its office located at the address: 5 Ulansky per., bldg. 1, Room No. C (vestibule), Moscow, with a total area of one square metre, for the installation of an automated teller machine belonging to the Bank, to provide cash withdrawal services using international banking cards.</p> <p>According to the Supplemental agreement to the Contract, point 3.1 of the Contract is being reworded to stipulate lease payment of RUB 612.71 per month, plus VAT of RUB 110.29, from 01.01.2014.</p> |
| 7. Grounds for status as an interested party | <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Leonid Arnoldovich Fedun, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the parties arising from 01.01.2014. |
| 1. Number of the transaction approved by the Board of Directors | 5 |
| 2.1. Price (amount in USD) | The amount of the license fee is USD 2,448.65, plus VAT of USD 440.76 |
| 2.2. Price (amount in RUB) | The amount of the license fee is RUB 80,000, plus VAT of RUB 14,400 |
| 3. Names of parties | OAO "LUKOIL" (Licensor) Independent Non-Profit Organisation LUKOIL Athletic Club (Licensee) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Licensing agreement on the provision of a non-exclusive license to use the trademarks of OAO "LUKOIL" (hereinafter the "Agreement"). |
| 6. Subject of the transaction | For a consideration and for the effective term of the Agreement, the Licensor provides the Licensee with a non-exclusive license to the use of trademarks issued pursuant to certificates No. 141746, 141747 and No. 141748, with priority from 20 July 1995 issued by Rospatent for the Licensee to designate the services of Class 41 of the ICGS «organisation of entertainment, sporting and cultural activities; rental of sports equipment (excluding vehicles); trainer and gymnasium services». |
| 7. Grounds for status as an interested party | Evgeny Leonidovich Khavkin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of Independent Non-Profit Organisation LUKOIL Athletic Club |
| 8. Other material terms of the transaction | <p>The Licensee has the right to use the trademark  only in an integrated combination with the trademark "LUKOIL". An integrated combination is deemed to be a composition where all signs are optically clear and recognizable and are in visual proximity on each and every object. The license fee is payable on a one-off basis.</p> <p>The Agreement will enter into force from the date it is registered with the Federal Service for Intellectual Property. The term of the Agreement is 5 years.</p> |
| 1. Number of the transaction approved by the Board of Directors | 6 |
| 2.1. Price (amount in USD) | The amount of the license fee is USD 2,448.65, plus VAT of USD 440.76 |
| 2.2. Price (amount in RUB) | The amount of the license fee is RUB 80,000, plus VAT of RUB 14,400 |
| 3. Names of parties | OAO "LUKOIL" (Licensor) Non-Profit Organisation LUKOIL Charitable Foundation (Licensee) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Licensing agreement on the provision of a non-exclusive license to use the trademarks of OAO "LUKOIL" (hereinafter the "Agreement"). |

| | |
|--|---|
| 6. Subject of the transaction | For a consideration and for the effective term of the Agreement, the Licensor provides the Licensee with a non-exclusive license to the use of trademarks issued pursuant to certificates No. 141747 and No. 141748, with priority from 20 July 1995 issued by Rospatent for the Licensee to designate the services of Class 36 "charitable fund raising" of the International Classification of Goods and Services (ICGS). |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperov, a member of the Foundation Board. Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Foundation Board. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Foundation Board. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Foundation Board. |
| 8. Other material terms of the transaction | The Licensee has the right to use the trademark  only in an integrated combination with the trademark "LUKOIL". An integrated combination is deemed to be a composition where all signs are optically clear and recognizable and are in visual proximity on each and every object. The license fee is payable on a one-off basis. The Agreement will enter into force from the date it is registered with the Federal Service for Intellectual Property. The term of the Agreement is 5 years. |

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 7 |
|--|---|

| | |
|----------------------------|--------------------|
| 2.1. Price (amount in USD) | USD 713,201,820.94 |
|----------------------------|--------------------|

| | |
|----------------------------|--------------------|
| 2.2. Price (amount in RUB) | RUB 23,500,000,000 |
|----------------------------|--------------------|

| | |
|---------------------|---|
| 3. Names of parties | OAO RITEK (Lender) OAO "LUKOIL" (Borrower) |
|---------------------|---|

| | |
|---------------------------|---|
| 4. Names of beneficiaries | - |
|---------------------------|---|

| | |
|------------------------|--|
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No.1310681 of 05.11.2013 (hereinafter the Agreement). |
|------------------------|--|

| | |
|-------------------------------|---|
| 6. Subject of the transaction | In accordance with the Agreement, the Lender provides the Borrower with a revolving special-purpose loan (either in a lump sum or in instalments (tranches)) to finance the Borrower's activity in accordance with its Charter, the total amount of debt on which may not exceed RUB 7,000,000,000 at any time during the effective term of the Agreement, on the terms and conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement: <ul style="list-style-type: none"> the loan amount is being increased by RUB 16,500,000,000; point 1.1 of the Agreement is being reworded to stipulate an increase in the loan amount to RUB 23,500,000,000. |
|-------------------------------|---|

| | |
|--|---|
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK. |
|--|---|

| | |
|--|---|
| 8. Other material terms of the transaction | The Supplemental Agreement will enter into force from the time of its signing by the authorised representatives of the Parties. If, as of 30 December of the current year, none of the parties notifies in writing otherwise, the loan will be extended to 31 December of the next calendar year. |
|--|---|

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 8 |
|--|---|

| | |
|----------------------------|---|
| 2.1. Price (amount in USD) | The approximate fees for the services USD 186,290.32, plus VAT of USD 33,532.26 |
|----------------------------|---|

| | |
|----------------------------|--|
| 2.2. Price (amount in RUB) | The approximate fees for the services RUB 6,121,500, plus VAT of RUB 1,101,870 |
|----------------------------|--|

| | |
|---------------------|--|
| 3. Names of parties | 000 LUKOIL-KMN (Client) OAO "LUKOIL" (Contractor) |
|---------------------|--|

| | |
|---------------------------|---|
| 4. Names of beneficiaries | - |
|---------------------------|---|

| | |
|--|--|
| 5. Name of transaction | Supplemental Agreement to Contract No. 1210528 of 05.09.2012 (hereinafter the Contract). |
| 6. Subject of the transaction | Pursuant to the Contract, the Contractor undertakes to provide real-time well construction monitoring services according to the procedure and on the terms stipulated by the Contract (hereinafter the "services"), and the Client undertakes to provide the Contractor with all information and documents required to provide the indicated services in a timely manner, to accept the services rendered, and to pay the Contractor for the indicated services. In accordance with the Supplemental Agreement to the Contract, the Contractor undertakes to provide real-time well construction monitoring services at deposits and structures relating to one or several categories listed in the Contract. |
| 7. Grounds for status as an interested party | Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the mother of Yury Yurievich Khoba, a member of the Management Committee of OOO LUKOIL-KMN. |
| 8. Other material terms of the transaction | The services are provided by the Contractor for the wells being built by the Client as part of the Investment Project «Geological Exploration at fields and structures», the Investment Project's classification code is U023B9999A. The Supplemental Agreement enters into force from the time of its signing by the Parties and will remain in effect until the Contract expires. |
| 1. Number of the transaction approved by the Board of Directors | 9 |
| 2.1. Price (amount in USD) | The amount of the lease payment equals USD 54,565.61 per month, plus VAT of USD 9,821.81 |
| 2.2. Price (amount in RUB) | The amount of the lease payment equals RUB 1,808,850 per month, plus VAT of RUB 325,593 |
| 3. Names of parties | OAO "LUKOIL" (Lessee) OAO RITEK (Sub-Lessee) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Sub-lease Agreement (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement, the Lessee provides to the Sub-lessee the temporary use of the non-residential premises in the building at the address: 1 ulitsa Bolshaya Ordynka, Moscow, including office premises with a total area of 321.3 m ² , and public catering premises with a total area of 618.9 m ² (hereinafter the "Premises"), specifically: <ul style="list-style-type: none"> • Rooms No. 12, 13, 14, 14a, 15, 16, 17, 18, and 19, located in Premises IX on the second floor; • Rooms No. 22, 23, and 26-42, located in Premises III on the semi-basement (Ts) floor. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | The Lessee undertakes to transfer the Premises to the Sub-lessee on 1 November 2013 pursuant to an acceptance certificate, in a condition suitable for use for the purposes indicated in the Agreement. The term of the sub-lease is 11 months from the date of the signing of the acceptance certificate for the Premises. The Agreement enters into force from the date of its signing, and applies to the legal relations of the Parties arising from 1 November 2013. As regards settlements, the Agreement shall remain in effect until they are performed in full. |
| 1. Number of the transaction approved by the Board of Directors | 10 |
| 2.1. Price (amount in USD) | USD 3,710.37 per month, plus VAT of USD 667.87 |
| 2.2. Price (amount in RUB) | RUB 123,332.80 per month, plus VAT of RUB 22,199.90 |
| 3. Names of parties | OAO "LUKOIL" (Lessor) Independent Non-Profit Organisation LUKOIL Athletic Club (Lessee) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement on non-residential premises No. 0610146 of 1 February 2006 (hereinafter the "Agreement"). |

| | |
|--|---|
| 6. Subject of the transaction | In accordance with the Agreement and the Supplemental Agreement thereto, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 63.6 m ² , located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. In accordance with the Supplemental Agreement to the Agreement, from 1 February 2014 the lease payment will increase to RUB 123,332.80 per month (plus VAT of RUB 22,199.90). |
| 7. Grounds for status as an interested party | Evgeny Leonidovich Khavkin, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of Independent Non-Profit Organisation LUKOIL Athletic Club. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the date of signing. |
| 1. Number of the transaction approved by the Board of Directors | 11 |
| 2.1. Price (amount in USD) | No financial terms stipulated |
| 2.2. Price (amount in RUB) | No financial terms stipulated |
| 3. Names of parties | OAO "LUKOIL" (Contractor) OAO RITEK (Client) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental agreement to comprehensive services contract No. 0811161 of 25 December 2008 (hereinafter the "Contract"). |
| 6. Subject of the transaction | In accordance with the Contract, the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services on coordinating commercial, production and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation. In accordance with the Supplemental Agreement to the Contract: <ul style="list-style-type: none"> the List of Services associated with the support, proper organisation and coordination of production, commercial and other types of operations of the Client, which may be provided under the Contract (Appendix No. 1 to the Contract) is given in a new version pursuant to Appendix No. 1 to the Supplemental Agreement; changes are made to the details of the Client indicated in article 9 of the Contract, as regards its location from 10 December 2013. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | Point 1 of the Supplemental Agreement (regarding the amendment of Appendix No. 1 to the Contract) enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in existence from 1 October 2013. |
| 1. Number of the transaction approved by the Board of Directors | 12 |
| 2.1. Price (amount in USD) | The amount of the lease payment equals USD 23,297.31 per month, plus VAT of USD 4,193.52 |
| 2.2. Price (amount in RUB) | The amount of the lease payment equals RUB 778,829.17 per month, plus VAT of RUB 140,189.25 |
| 3. Names of parties | OAO Bank Petrocommerce (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0910680 of 1 October 2009 on non-residential premises (hereinafter the "Agreement"). |

| | |
|--|---|
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Lessor provides for the temporary use of the Lessee and the Lessee accepts non-residential premises with a total area of 174.6 m², located in Premises III and Premises II on floor "Ts" (stylobate section) of the building at the address: 11 Sretensky bulvar, Moscow.</p> <p>Pursuant to the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> from 01.02.2014 the Lessor will provide for the temporary use of the Lessee additional non-residential premises with a total area of 281.3 m², located in Premises II on floor "Ts" (stylobate section) and Premises I on floor "ATs" (stylobate section) of the building at the address: 11 Sretensky bulvar, Moscow. the total leased area from 01.02.2014 will be 455.9 m² from 01.02.2014 the Lessee undertakes to pay the Lessor the lease payment of RUB 20,500 per m² a year, plus VAT of RUB 3,690, for the use of the premises with the total area of 455.9 m². from 01.02.2014 the total lease payment under the Agreement equals RUB 778,829.17 per month, plus VAT of RUB 140,189.25, i.e. RUB 919,018.42 per month, including VAT. |
| 7. Grounds for status as an interested party | <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Leonid Arnoldovich Fedun, a member of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce.</p> |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in existence from 01.02.2014. |
| 1. Number of the transaction approved by the Board of Directors | 13 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO "LUKOIL" (Contractor) OOO LUKOIL-KMN (Client) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Supplemental agreement to Comprehensive Services Contract No. 0811160 of 25 December 2008 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>In accordance with the Contract the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services on coordinating commercial, production and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation.</p> <p>In accordance with the Supplemental Agreement to the Contract:</p> <ul style="list-style-type: none"> the List of Services associated with the support, proper organisation and coordination of production, commercial and other types of operations of the Client, which may be provided under the Contract (Appendix No. 1 to the Contract) is given in a new version pursuant to Appendix No. 1 to the Supplemental Agreement. |
| 7. Grounds for status as an interested party | Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the mother of Yury Yurievich Khoba, a member of the Management Committee of OOO LUKOIL-KMN |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in existence from 1 October 2013. |
| 1. Number of the transaction approved by the Board of Directors | 14 |
| 2.1. Price (amount in USD) | Quarterly cost of services equals USD 308,629.28, plus VAT of USD 55, 553.27 |
| 2.2. Price (amount in RUB) | Quarterly cost of services equals RUB 10,437,842.41, plus VAT of RUB 1,878,811.63 |
| 3. Names of parties | OAO "LUKOIL" (Contractor) OOO LUKOIL Trading House (Client) |

| | |
|--|---|
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental agreement to Comprehensive Services Contract No.1110856 of 27.10.2011 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>In accordance with the Contract the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services associated with the support, proper organisation and coordination of production, commercial and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation.</p> <p>In accordance with the Supplemental Agreement to the Contract:</p> <ul style="list-style-type: none"> point 6.2 of the Contract is being revised to stipulate that the effective term of the Contract be extended until 31 December 2016 inclusive; the List of Services associated with the support, proper organisation and coordination of production, commercial and other types of operations of the Client, which may be provided under the Contract (Appendix No. 1 to the Contract) is given in a new version pursuant to Appendix No. 1 to the Supplemental Agreement. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in existence from 1 October 2013. |
| 1. Number of the transaction approved by the Board of Directors | 15 |
| 2.1. Price (amount in USD) | USD 2,984.51 per month, plus VAT of USD 537.21. |
| 2.2. Price (amount in RUB) | RUB 104,995 per month, plus VAT of RUB 18,899.10. |
| 3. Names of parties | OOO LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Property Lease Agreement No. 1110996 of 30 November 2011 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | <p>In accordance with the Agreement, the Lessor provides for a fee and the Lessee accepts for temporary use the property (furniture) indicated in Appendix No. 1 to the Agreement:</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> on 1 February 2014 the Lessor will transfer and the Lessee will accept, under a transfer and acceptance certificate, property with a total value of RUB 1,206,877.18, a list of which is given in Appendix No. 1 to the Supplemental Agreement; from 2 February 2014 the total value of the property transferred to the Lessee under the Agreement will be RUB 8,029,615.92; from 2 February 2014, the lease payment will be RUB 104,995 per month, plus VAT of RUB 18,899.10. The total lease payment under the Agreement equals RUB 123,894.10 per month, including VAT. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 1 February 2014. |
| 1. Number of the transaction approved by the Board of Directors | 16 |
| 2.1. Price (amount in USD) | USD 11,411.51 per month, plus VAT of USD 2,054.07 |
| 2.2. Price (amount in RUB) | RUB 397,805.10 per month, plus VAT of RUB 71,604.92 |
| 3. Names of parties | OAO Bank Petrocommerce (Lessee) OAO "LUKOIL" (Lessor) |

| | |
|--|---|
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0510041 of 12 January 2005 on non-residential premises (hereinafter the “Agreement”). |
| 6. Subject of the transaction | In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 180 m ² , located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow. In accordance with the Supplemental Agreement to the Agreement: <ul style="list-style-type: none"> • from 1 April 2014 the Lessee undertakes to pay the Lessee for the use of the premises with a total area of 180 m² located in the basement of the building at a rate of RUB 26,520.34 per square meter of area per year, plus VAT of RUB 4,773.66; • from 1 April 2014, the total payment due per month will be RUB 397,805.10, plus VAT of RUB 71,604.92. The total lease payment under the Agreement equals RUB 90,066.65, including VAT. |
| 7. Grounds for status as an interested party | Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce. Leonid Arnoldovich Fedun, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the date of signing. |
| 1. Number of the transaction approved by the Board of Directors | 17 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO Bank Petrocommerce OAO “LUKOIL” |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Confidentiality agreement (hereinafter the “Agreement”). |
| 6. Subject of the transaction | The Parties determine their rights and obligations regarding such confidential information as the Parties may disclose and provide to each other from time to time during their cooperation in respect of the exchange of information when discussing the possibility of financing one or more projects of LUKOIL. |
| 7. Grounds for status as an interested party | Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO “LUKOIL”, is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Bank Petrocommerce. Leonid Arnoldovich Fedun, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of OAO Bank Petrocommerce. Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OAO Bank Petrocommerce. |
| 8. Other material terms of the transaction | This agreement shall enter into force from the time it is signed by all Parties and a date is entered at the top of the first page. The obligations contained in the Agreement will endure for a period of 3 years from the date of the Agreement. The Non-Disclosing Party undertakes to reimburse all losses arising for the Disclosing Party in connection with the breach of the Agreement by the Non-Disclosing Party and/or its representatives in accordance with a court decision. |

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 18 |
| 2.1. Price (amount in USD) | USD 64,435.39 per month, plus VAT of USD 11,598.37 |
| 2.2. Price (amount in RUB) | RUB 2,270,703.07 per month, plus VAT of RUB 408,726.55. |
| 3. Names of parties | <p>0AO "LUKOIL" (Lessor)</p> <p>000 LUKOIL Trading House (Lessee)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0910352 of 1 June 2009 on non-residential premises (hereinafter the "Agreement"). |
| 6. Subject of the transaction | <p>In accordance with the Agreement and the Supplemental Agreements thereto, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 1,776.1 m², located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow (hereinafter the "Building").</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> • on 1 February 2014 the Lessee transferred, and the Lessor accepted under a transfer and acceptance certificate, non-residential premises with a total area of 335.9 m² which are located, according to BTI documents, in the Building, namely: rooms No. 27, 29, 30, 31, 32, 33, 34, 35, 36 and 37 located in Premises I on the second floor of the Building, and rooms 129 and 172 located in Premises I on the third floor of the Building; • from 2 February 2014 the total area of all premises leased is 1,440.2 m²; • from 2 February 2014 the lease payment for the use of the Premises with a total area of 238 m², located in the basement of the Building, equals RUB 15,839.83 per m² per year, plus VAT of RUB 2,851.17, and for the use of the Premises with a total area of 1,202.2 m², located on the second and third floors of the Building, equals RUB 19,529.66 per m² per year, plus VAT of RUB 3,515.34; • from 2 February 2014 the total lease payment under the Agreement equals RUB 2,270,703.07 per month, plus VAT of RUB 408,726.55. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of 0AO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of 000 LUKOIL Trading House. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 1 February 2014. |
| 1. Number of the transaction approved by the Board of Directors | 19 |
| 2.1. Price (amount in USD) | The approximate amount of the commission fee is USD 19,977,298.52. |
| 2.2. Price (amount in RUB) | The approximate amount of the commission fee is RUB 704,000,000. |
| 3. Names of parties | <p>0AO RITEK (Principal)</p> <p>0AO "LUKOIL" (Commission Agent)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Commission Contract (hereinafter the "Contract") |
| 6. Subject of the transaction | In accordance with the Contract, the Commission Agent undertakes on the instructions of the Principal and for a fee to perform transactions involving the sale of oil, hereinafter, the "product", on the export market in its own name, but using the funds of the Principal. |
| 7. Grounds for status as an interested party | <p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of 0AO "LUKOIL", is simultaneously the Chairman of the Board of Directors of 0AO RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of 0AO "LUKOIL", is simultaneously a member of the Board of Directors of 0AO RITEK</p> |

| | |
|--|---|
| 8. Other material terms of the transaction | <p>The Commission Agent is required to conclude contracts with foreign legal entities (hereinafter the "Buyers") in its own name, and to ensure the conditions necessary for their execution. The Commission Agent is required to provide the Principal with a copy of the product supply contract.</p> <p>The Principal undertakes to pay the Commission Agent a commission fee in the amount of RUB 220 for each net tonne of the product sold to a Buyer, plus 18% VAT on the amount of the commission fee.</p> <p>The Principal must compensate the Commission Agent for all expenses related to the sale of the Principal's product in accordance with the terms agreed upon in the Contract.</p> <p>The Contract enters into force from the time of its signing and will remain in force until 31 March 2015, and as regards mutual settlements – until they have been completed in full.</p> |
| 1. Number of the transaction approved by the Board of Directors | 20 |
| 2.1. Price (amount in USD) | The approximate amount of the commission fee is USD 4,869,466.52. |
| 2.2. Price (amount in RUB) | The approximate amount of the commission fee is RUB 171,600,000. |
| 3. Names of parties | OAO RITEK (Principal) OAO "LUKOIL" (Commission Agent) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Commission Contract (hereinafter the "Contract") |
| 6. Subject of the transaction | In accordance with the Contract, the Commission Agent undertakes on the instructions of the Principal and for a fee to perform transactions on the export sale of the Principal's oil (hereinafter the "product") to the Republic of Belarus in its own name but at the expense and in the interests of the Principal. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | <p>The Commission Agent is required to conclude contracts with foreign legal entities (hereinafter the "Buyers") in its own name, and to ensure the conditions necessary for their execution. The Commission Agent is required to provide the Principal with a copy of the product supply contract.</p> <p>The Principal undertakes to pay the Commission Agent a commission fee in the amount of RUB 220 for each net tonne of the goods sold to a Buyer, plus 18% VAT on the amount of the commission fee.</p> <p>The Principal must compensate the Commission Agent for all expenses related to the sale of the Principal's product in accordance with the terms agreed upon in the Contract.</p> <p>The Contract enters into force from the time of its signing and will remain in force until 31 March 2015, and as regards mutual settlements – until they have been completed in full.</p> |
| 1. Number of the transaction approved by the Board of Directors | 21 |
| 2.1. Price (amount in USD) | USD 9,333,233.78, plus VAT of USD 1,679,982.08 |
| 2.2. Price (amount in RUB) | RUB 338,983,050.85, plus VAT of RUB 61,016,949.15 |
| 3. Names of parties | OAO Futbolny Klub Spartak-Moskva [Spartak Moscow Football Club] (the Club) OAO "LUKOIL" (Sponsor) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Sponsorship Agreement (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Under the Agreement, the Sponsor provides sponsorship assistance to the Club aimed at preparing the Club's professional sportsmen for national competitions (the Russian Championship, the Russia Cup) and international competitions in accordance with the official match schedule, on terms of distribution of the Sponsor's advertising in accordance with the Agreement. |

| | |
|--|---|
| 7. Grounds for status as an interested party | <p>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Futbolny Klub Spartak-Moskva, and his brother, Andrei Arnoldovich Fedun, is a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.</p> |
| 8. Other material terms of the transaction | <p>The Club is obligated to assign the Sponsor the status of a General Sponsor of OAO Futbolny Klub Spartak-Moskva [Spartak Moscow Football Club] and submit draft layouts and samples of advertising materials to the Sponsor for approval, which materials are stipulated by the Agreement. Distribution and placement of the said advertising materials is only admissible after their approval by the Sponsor in writing. At the Sponsor's request, the Club will provide photographic and video materials confirming the Club's performance of its obligations under the Agreement.</p> <p>The Agreement will enter into force from the date of signing, extends to the legal relations between the Parties arising from 01.01.2014 and will remain in force till 31.12.2014, and with regard to settlements, until the Parties have discharged their obligations under the Agreement in full.</p> <p>Payment will be performed by advance wire-transfer by the Sponsor of funds to the Club's settlement account.</p> |
| 1. Number of the transaction approved by the Board of Directors | 22 |
| 2.1. Price (amount in USD) | USD 2,328.79 per month, plus VAT of USD 419.18 |
| 2.2. Price (amount in RUB) | RUB 84,442 per month, plus VAT of RUB 15,199.56 |
| 3. Names of parties | 000 LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Property Lease Agreement No. 1110996 of 30.11.2011 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Lessor provides and the Lessee accepts, for a fee, for the temporary use by the Lessee of the property (furniture) listed in Appendix No.1 to the Agreement.</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> on 1 March 2014 the Lessee returned, and the Lessor accepted pursuant to a transfer and acceptance certificate, property worth RUB 1,649,689.60 listed in Annex 1 to the Supplemental Agreement; from 2 March 2014 the total value of the property transferred to the Lessee under the Agreement will equal RUB 6,379,926.32; from 2 March 2014 the amount of the property lease payment will equal RUB 84,442 per month, plus VAT of RUB 15,199.56. The total lease payment under the Agreement will equal RUB 99,641.56 per month, including VAT. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of 000 LUKOIL Trading House. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in existence from 01.03.2014. |
| 1. Number of the transaction approved by the Board of Directors | 23 |
| 2.1. Price (amount in USD) | USD 123,422.93 |
| 2.2. Price (amount in RUB) | RUB 4,500,000 |
| 3. Names of parties | OAO "LUKOIL" (Company) Russian Public Organisation Russian Union of Industrialists and Entrepreneurs (Union) |
| 4. Names of beneficiaries | – |

| | |
|--|--|
| 5. Name of transaction | Donation Contract (hereinafter the "Contract") |
| 6. Subject of the transaction | The Company will provide the Union with charitable assistance in the form of a donation of monetary funds in the amount of RUB 4,500,000. The Union undertakes to use the funds received for the performance of charter activities in 2014. |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President of OAO «LUKOIL», a member of the Board of Directors of OAO "LUKOIL" and Chairman of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Management Board's Executive Bureau of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs. Leonid Arnoldovich Fedun, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Management Board of the Russian Public Organisation Russian Union of Industrialists and Entrepreneurs. |
| 8. Other material terms of the transaction | The date of transfer of funds is the day when they are debited from the Company's settlement account. The Contract enters into force from the time of its signing, and shall remain in effect until the Parties perform their obligations in full. |
| 1. Number of the transaction approved by the Board of Directors | 24 |
| 2.1. Price (amount in USD) | USD 436,562,073.67 |
| 2.2. Price (amount in RUB) | RUB 16,000,000,000 |
| 3. Names of parties | 000 LUKOIL-KMN (Lender) OAO "LUKOIL" (Borrower) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental agreement to Loan Agreement No. 0510975 of 29.09.2005 (hereinafter the "Agreement"). ¹ |
| 6. Subject of the transaction | In accordance with the Agreement and the supplemental agreements thereto, the Lender provides the Borrower with a revolving special-purpose loan in instalments (tranches), the total amount of debt on which may not exceed RUB 15,000,000,000 at any time during the effective term of the Agreement, on the conditions stipulated by the Agreement, and the Borrower undertakes to repay the funds received and to pay interest thereon by the dates and pursuant to the procedure indicated in the Agreement. In accordance with the Supplemental Agreement to the Agreement: <ul style="list-style-type: none"> the amount of the loan under the Agreement is increased by RUB 1,000,000,000; point 1.1 of the Agreement is set out in a new version stipulating an increase in the loan amount to RUB 16,000,000,000. |
| 7. Grounds for status as an interested party | Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the mother of Yury Yurievich Khoba, a member of the Management Committee of 000 LUKOIL-KMN. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the authorised representatives of the Parties, and extends to legal relations between the parties arising from 17 March 2014. |
| 1. Number of the transaction approved by the Board of Directors | 25 |
| 2.1. Price (amount in USD) | USD 60,380.92 per month, plus VAT of USD 10,868.57 |
| 2.2. Price (amount in RUB) | RUB 2,200,884.53 per month, plus VAT of RUB 396,159.21 |
| 3. Names of parties | OAO "LUKOIL" (Lessor) 000 LUKOIL Trading House (Lessee) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Non-residential Premises Lease Agreement No. 0910352 of 01.06.2009 (hereinafter the "Agreement"). |

| | |
|--|---|
| 6. Subject of the transaction | <p>In accordance with the Agreement and the supplemental agreements thereto, the Lessor provides to the Lessee for temporary use the non-residential premises with a total area of 1,440.2 m², located in the building at the address: 3 Pokrovsky bulvar, bldg. 1, Moscow (hereinafter the "Building").</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> on 31 March 2014 the Lessee will return, and the Lessee will accept under a transfer and acceptance certificate, non-residential premises with a total area of 42.9 m², namely: rooms No. 2, 3, and 3a, located (according to the BTI documents) in Premises I on the 2nd floor of the Building; from 1 April 2014 the total area of all premises leased will be 1,397.3 m²; from 1 April 2014 the lease payment for the use of the Premises with a total area of 238 m², located in the basement of the Building, equals RUB 15,839.83 per m² per year, plus VAT of RUB 2,851.17, and for the use of the Premises with a total area of 1,159.3 m², located on the 2nd and 3rd floors of the Building, equals RUB 19,529.66 per m² per year, plus VAT of RUB 3,515.34; from 1 April 2014 the total lease payment under the Agreement equals RUB 2,200,884.53 per month, plus VAT of RUB 396,159.21. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of OOO LUKOIL Trading House. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the parties arising from 31 March 2014. |
| 1. Number of the transaction approved by the Board of Directors | 26 |
| 2.1. Price (amount in USD) | A lump-sum payment for the right to participate in organised trading equals USD 27,647.22; the stock exchange fee for the registration of one contract equals from USD 0.047 to USD 0.14, depending on the type of contract. |
| 2.2. Price (amount in RUB) | A lump-sum payment for the right to participate in organised trading equals RUB 1,000,000; the stock exchange fee for the registration of one contract equals from USD 1.71 to USD 5.14, depending on the type of contract. |
| 3. Names of parties | ZAO SPIMEX (the Exchange) OAO "LUKOIL" (the Company) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Service contract on the performance of organised trading (hereinafter the "Contract"). |
| 6. Subject of the transaction | Based on the Contract, the Exchange undertakes to regularly (systematically) provide the Company with services on the performance of organised trading in the Forward Market Section of the Exchange in accordance with its Rules on admittance for participation in the Exchange's organised trading, the Rules on performing organised trading in the Forward Market Section of the Exchange and other Exchange documents adopted pursuant to the requirements of Russian law and the Exchange's Charter, and the Company undertakes to pay for these services. |
| 7. Grounds for status as an interested party | Ravil Ulfatovich Maganov, a member of the Management Committee of OAO "LUKOIL", a member of the Board of Directors of OAO "LUKOIL" is the brother of Nail Ulfatovich Maganov, a member of the Board of Directors of ZAO SPIMEX. |
| 8. Other material terms of the transaction | <p>The Contract is being concluded through the Company's accession thereto.</p> <p>The Company is required to make timely payments for the right to participate in the organised trading as a member of the Forward Market Section, in the amount of RUB 1,000,000, VAT free.</p> <p>Based on the Contract, the Company is also required to pay a fee for the registration of the contracts concluded during the performance of organised trading (the Exchange fee). The rates (amount) of the Exchange fee are established by the decisions of the competent authorities of the Exchange, and are disclosed on the Exchange's website in the Internet.</p> <p>The Contract enters into force from the time of its signing by the parties, and is concluded for an unlimited term.</p> |
| 1. Number of the transaction approved by the Board of Directors | 27 |
| 2.1. Price (amount in USD) | The cost of services will approximately equal USD 27,647.22 |
| 2.2. Price (amount in RUB) | The cost of services will approximately equal RUB 1,000,000 |
| 3. Names of parties | ZAO SPIMEX (the Exchange) OAO "LUKOIL" (the Company) |

| | |
|--|---|
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Contract on ensuring technical access to ZAO SPIMEX's software and hardware complex (hereinafter the "Contract"). |
| 6. Subject of the transaction | Based on the Contract, the Exchange provides services on the connection of the User to the Software and Hardware Complex (SHC) of the commodities and/or forward market and on the provision to the User of technical access to the SHC of the commodities and/or forward market. The Exchange's services may be provided to the User directly on the Exchange's trading floor or using remote work stations or gateways. |
| 7. Grounds for status as an interested party | Ravil Ulfatovich Maganov, a member of the Management Committee of OAO "LUKOIL", a member of the Board of Directors of OAO "LUKOIL" is the brother of Nail Ulfatovich Maganov, a member of the Board of Directors of ZAO SPIMEX. |
| 8. Other material terms of the transaction | The User is required to pay for the Exchange's services by the established deadlines and in full, based on the rates approved by the Board of Directors of ZAO SPIMEX and set forth in the Exchange's tariff book. A one-time payment will be made for connection of the User to the SHC. The User will pay for the services on the provision by the Exchange of technical access to the SHC on a monthly basis. The payment for connection of one work station to the SHC of the Exchange will equal from RUB 2,800 to RUB 45,000 (one-time payment); the payment for the provision of technical access to the SHC (for one work station) will equal from RUB 1,000 to RUB 15,000 per month. The Users will be notified of a change in the rates approved by the Board of Directors of ZAO SPIMEX by the deadlines and according to the procedure established by the Rules on organised trading. The Contract will enter into force from the time of its signing, and will remain in force until the expiration of the effective term of the service contract on the holding of organized trading concluded between the User and the Exchange in one of the following categories: Member of the Exchange, Member of the Section, Temporary member of the Section, Trade Visitor. |
| 1. Number of the transaction approved by the Board of Directors | 28 |
| 2.1. Price (amount in USD) | USD 58,059,165.05 |
| 2.2. Price (amount in RUB) | RUB2,100,000,000 |
| 3. Names of parties | OAO "LUKOIL" (Company) Non-Profit Organisation LUKOIL Charitable Fund (the Fund) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental agreement to Donation Agreement No. 0910107 of 16 March 2009 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Pursuant to the Agreement, the Company undertakes to make a donation to the Fund and the Fund will accept the donation and use it for the purposes stipulated by the Fund's Charter, the effective legislation of the Russian Federation and the Agreement. In accordance with the Supplemental Agreement to the Agreement: <ul style="list-style-type: none"> • the Parties have agreed on an increase in the amount of donations under the Agreement by RUB 700,000,000. The total amount of the Agreement is RUB 2,100,000,000; • point 3.2 of the Agreement is set out in a new version that stipulates that if neither of the Parties has announced in writing prior to the expiration of the effective term of the Agreement that it is terminating the Agreement, the effective term of the Agreement shall be considered to have been extended for eight years. |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperov, a member of the Foundation Board. Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Foundation Board. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Foundation Board. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Foundation Board. |
| 8. Other material terms of the transaction | All other terms of the Agreement remain unchanged. The Supplemental Agreement enters into force from the date of signing. |

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 29 |
| 2.1. Price (amount in USD) | USD 1,861.48 per month, plus VAT of USD 335.07 |
| 2.2. Price (amount in RUB) | RUB 65,617 per month, plus VAT of RUB 11,811.06 |
| 3. Names of parties | 000 LUKOIL Trading House (Lessee) OAO "LUKOIL" (Lessor) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Property Lease Agreement No. 1110996 of 30.11.2011 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement, the Lessor provides for a fee and the Lessee accepts for temporary use the property (furniture) indicated in Appendix No. 1 to the Agreement: In accordance with the Supplemental Agreement to the Agreement: <ul style="list-style-type: none"> • on 1 April 2014 the Lessor transferred and the Lessee accepted, under a transfer and acceptance certificate, property with a total value of RUB 1,246,306.06, a list of which is given in Appendix No. 1 to the Supplemental Agreement; • from 2 April 2014 the total value of the property transferred to the Lessee under the Agreement will be RUB 5,133,620.26; • from 2 April 2014, the lease payment will be RUB 65,617 per month, plus VAT of RUB 11,811.06. The total lease payment under the Agreement equals RUB 77,428.06 per month, including VAT. |
| 7. Grounds for status as an interested party | Valery Sergeevich Subbotin, a member of the Management Committee of OAO "LUKOIL", is the brother of Alexander Sergeevich Subbotin, a member of the Management Committee of 000 LUKOIL Trading House. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing, and extends to the legal relations between the Parties arising from 1 April 2014. |
| 1. Number of the transaction approved by the Board of Directors | 30 |
| 2.1. Price (amount in USD) | USD 170,212.77 долларов США |
| 2.2. Price (amount in RUB) | RUB 6,000,000 |
| 3. Names of parties | OAO "LUKOIL" (Company) International Association of Trade Union Organisations of OAO "LUKOIL" (Association) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Donation agreement (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Transfer by the Company of a donation to IATUO for the purposes of promoting physical fitness and popular sports. The value of the donation is RUB 6,000,000. |
| 7. Grounds for status as an interested party | Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Ivan Alexeevich Maslyaev, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". |
| 8. Other material terms of the transaction | The day when the monetary funds are debited from the Company's settlement account will be the date of performance of the Company's payment obligations. IATUO undertakes to provide the Company with a report on the use of transferred funds by 30 June 2015. If funds are used for purposes other than the designated purpose, IATUO undertakes to return the amount received within 10 days from the date it receives the Company's demand for repayment of previously transferred funds. The Agreement enters into force from the time of its signing, and shall remain in effect until the Parties perform their obligations in full. |

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 31 |
| 2.1. Price (amount in USD) | The quarterly value of services is USD 364,080.69, plus VAT of USD 65,534.52. |
| 2.2. Price (amount in RUB) | The quarterly value of services is RUB 12,833,844, plus VAT of RUB 2,310,091.92 |
| 3. Names of parties | <p>ОАО "ЛУКОЙЛ" (Contractor)</p> <p>ООО ЛУКОЙЛ-КМН (Client)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental agreement to Comprehensive Services Contract No. 0811160 of 25 December 2008 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>In accordance with the Contract the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services on coordinating commercial, production and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation.</p> <p>In accordance with the Supplemental Agreement to the Contract, point 3.1 of the Contract is set out in a new version, stipulating that starting from 1 April 2014 the quarterly cost of the services under the Contract will be RUB 12,833,844 plus VAT of RUB 2,310,091.92.</p> |
| 7. Grounds for status as an interested party | Lyubov Nikolaevna Khoba, a member of the Management Committee of ОАО "ЛУКОЙЛ", is the mother of Yury Yurievich Khoba, a member of the Management Committee of ООО ЛУКОЙЛ-КМН. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in existence from 1 January 2014. |
| 1. Number of the transaction approved by the Board of Directors | 32 |
| 2.1. Price (amount in USD) | USD 5,630,630.63 |
| 2.2. Price (amount in RUB) | RUB 200,000,000 |
| 3. Names of parties | <p>ОАО РИТЕК (Lender)</p> <p>ОАО "ЛУКОЙЛ" (Borrower)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental agreement to Loan Agreement No. 1310145 of 22 March 2013. |
| 6. Subject of the transaction | The Parties acknowledge the transfer of all rights and duties of ЗАО РИТЕК Trading under Loan Agreement No. 1310145 of 22 March 2013 concluded between ЗАО РИТЕК Trading (the Lender) and ОАО "ЛУКОЙЛ" (the Borrower) (hereinafter the "Agreement"), under which the Lender provided the Borrower with a special-purpose loan in an amount not exceeding RUB 200,000,000, to ОАО РИТЕК in connection with the reorganisation of ЗАО РИТЕК Trading in the form of incorporation into ОАО РИТЕК, in connection with which in the text of the Agreement all references to ЗАО РИТЕК Trading are replaced with the words ОАО РИТЕК, and article 15 of the Agreement "Addresses and banking details of the Parties" is replaced with a new version. |
| 7. Grounds for status as an interested party | <p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of ОАО "ЛУКОЙЛ", is simultaneously the Chairman of the Board of Directors of ОАО РИТЕК.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of Directors of ОАО РИТЕК.</p> |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the authorised representatives of the Parties, and extends to legal relations between the parties arising from 1 April 2014. |

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 33 |
| 2.1. Price (amount in USD) | USD 1,865.03 per month , plus VAT of USD 335.71 |
| 2.2. Price (amount in RUB) | RUB 66,320.47 per month , plus VAT of RUB 11,937.68 |
| 3. Names of parties | <p>ОАО "ЛУКОЙЛ" (Lessor)</p> <p>Non-Profit Organisation LUKOIL Charitable Fund (Lessee)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Non-residential Premises Lease Agreement No. 0710169 of 16.03.2007 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | <p>In accordance with the Agreement, the Lessor provides to the Lessee for temporary use the non-residential premises (rooms No. 16 and 17) with a total area of 34.2 m², located in Premise No. 1 on the fourth floor of building "B" at the address: 11 Sretensky bulvar, Moscow (hereinafter the "Building").</p> <p>In accordance with the Supplemental Agreement to the Agreement, from 01.06.2014 the lease payment shall increase to RUB 66,320.47 per month, plus VAT of RUB 11,937.68</p> |
| 7. Grounds for status as an interested party | <p>Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of ОАО "ЛУКОЙЛ", is the brother of Nelli Yusufovna Alekperov, a member of the Foundation Board.</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously the Chairman of the Foundation Board.</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Foundation Board.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of ОАО "ЛУКОЙЛ", is the spouse of Alexander Kuzmich Matytsyn, a member of the Foundation Board.</p> |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing |
| 1. Number of the transaction approved by the Board of Directors | 34 |
| 2.1. Price (amount in USD) | The quarterly value of services is USD1,084,470.38, plus VAT of 195,204.67 |
| 2.2. Price (amount in RUB) | The quarterly value of services is RUB 38,628,835, plus VAT of RUB 6,953,190.30 |
| 3. Names of parties | <p>ОАО "ЛУКОЙЛ" (Contractor)</p> <p>ОАО RITEK (Client)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental agreement to Comprehensive Services Contract No. 0811161 of 25 December 2008 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>In accordance with the Contract the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services on coordinating commercial, production and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation.</p> <p>In accordance with the Supplemental Agreement to the Contract, point 3.1 of the Contract is set out in a new version, stipulating that starting from 1 April 2014 the quarterly cost of the services under the Contract shall be RUB 38,628,835, plus VAT of RUB 6,953,190.30</p> |
| 7. Grounds for status as an interested party | <p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of ОАО "ЛУКОЙЛ", is simultaneously the Chairman of the Board of Directors of ОАО RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of Directors of ОАО RITEK.</p> |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in effect from 1 January 2014. |

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 35 |
| 2.1. Price (amount in USD) | USD 182,763,15, plus VAT of USD 32,897.37 |
| 2.2. Price (amount in RUB) | RUB 6,577,645.77, plus VAT of 1,183,976.35 |
| 3. Names of parties | <p>OA0 RITEK (Client)</p> <p>OA0 "LUKOIL" (Contractor)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Information Services Contract (hereinafter the "Contract") |
| 6. Subject of the transaction | Under the Contract, the Contractor undertakes to provide the Client with Platts MarketData information (hereinafter the "Services"). The list of information and methods of providing such information are given in Appendix 1 to the Contract. |
| 7. Grounds for status as an interested party | <p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OA0 "LUKOIL", is simultaneously the Chairman of the Board of Directors of OA0 RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of OA0 "LUKOIL", is simultaneously a member of the Board of Directors of OA0 RITEK.</p> |
| 8. Other material terms of the transaction | The term of provision of services shall be from 01.07.2013 to 30.06.2016. Period of provision of services shall be a calendar month. The date of the provision of Services shall be reckoned the last day of the period of the provision of Services supported by the Acceptance act signed by the Parties on that date. Specifically, Acceptance Acts for the periods from July 2013 to the month preceding the month when the Contract is signed shall be signed by the Parties on the very date when the Contract is signed, separately for each period in question. The cost of services for each period shall be USD 5,076.75, plus VAT of USD 913.81, totaling USD 5,990.56. The total cost of services under the Contract shall be USD 215,660.16 including VAT. Payments for the services provided under the Contract shall be made by the Client in roubles at the Bank of Russia exchange rate as of the date of rendering the services. The Contract enters into force from the time of its signing, extends to the relations between the Parties in effect from 01.07.2013 and shall remain in effect until the Parties perform their obligations in full. |
| 1. Number of the transaction approved by the Board of Directors | 36 |
| 2.1. Price (amount in USD) | No financial terms stipulated |
| 2.2. Price (amount in RUB) | No financial terms stipulated |
| 3. Names of parties | <p>OA0 "LUKOIL" (Contractor)</p> <p>OOO LUKOIL-KMN (Client)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental agreement to Comprehensive Services Contract No. 0811160/08G1970 of 25 December 2008 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>In accordance with the Contract the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services on coordinating commercial, production and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation.</p> <p>In accordance with the Supplemental Agreement to the Contract, the List of services on ensuring, organizing and coordinating commercial, production and other types of operations of the Client that can be provided under the Contract (Annex 1 to the Contract) shall be set out in a new version in accordance with Annex 1 to the Supplemental Agreement.</p> |
| 7. Grounds for status as an interested party | Lyubov Nikolaevna Khoba, a member of the Management Committee of OA0 "LUKOIL", is the mother of Yury Yurievich Khoba, a member of the Management Committee of OOO LUKOIL-KMN. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in existence from 1 January 2014. |

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 37 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | <p>OA0 "LUKOIL" (Contractor)</p> <p>OA0 RITEK (Client)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental agreement to Comprehensive Services Contract No. 0811161 of 25 December 2008 (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>In accordance with the Contract the Contractor undertakes, following the procedure and on the terms stipulated by the Contract, to provide the Client with services on coordinating commercial, production and other types of operations of the Client, and the Client undertakes to promptly provide the Contractor with all information and documents necessary to provide the given services, and also to accept the services provided and pay the Contractor the established compensation.</p> <p>In accordance with the Supplemental Agreement to the Contract, the List of services related to ensuring, duly organising and coordinating business, production, commercial, and other types of operations of the Client that can be provided under the Contract (Appendix No.1 to the Contract), is being set forth in a new version pursuant to Appendix No.1 to the Supplemental Agreement.</p> |
| 7. Grounds for status as an interested party | <p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OA0 "LUKOIL", is simultaneously the Chairman of the Board of Directors of OA0 RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of OA0 "LUKOIL", is simultaneously a member of the Board of Directors of OA0 RITEK.</p> |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in effect from 1 January 2014. |
| 1. Number of the transaction approved by the Board of Directors | 38 |
| 2.1. Price (amount in USD) | The approximate amount of commission fee is USD 569,302.5 |
| 2.2. Price (amount in RUB) | The approximate amount of commission fee is RUB 19,800,000 |
| 3. Names of parties | <p>OA0 RITEK (Principal)</p> <p>OA0 "LUKOIL" (Agent)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Commission Agreement (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement, the Commission Agent undertakes for a fee and on the instructions of the Principal to carry out transactions on the sale on the external market of the Principal's oil (hereinafter the "Commodity"), in its own name and at the expenses of the Principal, on terms of FOB Kamenny (Obkaya guba) and/or FOB Murmansk. |
| 7. Grounds for status as an interested party | <p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OA0 "LUKOIL", is simultaneously the Chairman of the Board of Directors of OA0 RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of OA0 "LUKOIL", is simultaneously a member of the Board of Directors of OA0 RITEK.</p> |
| 8. Other material terms of the transaction | <p>The Commission Agent undertakes in its own name to conclude a contract with a foreign legal entity (hereinafter the "Buyer") and ensure the conditions for its execution, including resolution of all disputes arising during the execution of the contract.</p> <p>The amount of the commission fee payable by the Principal to the Agent is RUB 180 for each net tonne of the commodity sold to the Buyer, plus VAT at the rate of 18% of the amount of the commission fee.</p> <p>The Agreement enters into force from the time of its signing and will remain in force until 30 June 2015, and as regards mutual settlements – until they have been completed in full.</p> |

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 39 |
| 2.1. Price (amount in USD) | USD 100, plus VAT of USD 18. |
| 2.2. Price (amount in RUB) | 3,474, plus VAT of RUB 625.32 |
| 3. Names of parties | OAO "LUKOIL" (Seller) Lukoil Eurasia Petrol Anonim Şirketi (Buyer) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Sale–purchase contract (hereinafter the "Contract") |
| 6. Subject of the transaction | The Seller undertakes to transfer, and the Buyer undertakes to accept and pay for the book International Professional Practices Framework (IPPF) 2013 Edition (hereinafter the "Book") pursuant to the procedure and by the dates established by the Contract. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobiev, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL Eurasia Petrol Anonim Şirketi. |
| 8. Other material terms of the transaction | The Book is provided to the Buyer in English in bound form, one copy, on 121 pages. The value of the Book is USD 100, plus VAT of USD 18. The Book, together with the bill of lading of form M-15NKL (in duplicate) should be provided by courier for delivery to the Buyer not later than five business days from the date of payment. The Contract will enter into force from the date of its signing by the Parties, and will remain in force until the Parties have discharged their obligations in full or the Contract is cancelled. |
| 1. Number of the transaction approved by the Board of Directors | 40 |
| 2.1. Price (amount in USD) | USD 243.51. |
| 2.2. Price (amount in RUB) | RUB 8,496. |
| 3. Names of parties | OAO "LUKOIL" (Seller) OAO RITEK (Buyer) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Sale-purchase contract (hereinafter the "Contract"). |
| 6. Subject of the transaction | In accordance with the Contract, the Seller undertakes to transfer to the Buyer, and the Buyer undertakes to accept and pay for the book International Professional Practices Framework (IPPF) 2013 Edition (hereinafter the "Book") pursuant to the procedure and by the dates established by the Contract. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | The Book is provided to the Buyer in English in bound form, two copies, on 121 pages each. The value of one copy of the Book is 3,600 roubles, plus VAT of 648 roubles. The Book, together with the bill of lading of form TORG-12NKL should be provided by courier for delivery to the Buyer not later than five business days from the date of payment. The Contract will enter into force from the date of its signing by the Parties, and will remain in force until the Parties have discharged their obligations in full or the Contract is cancelled. |
| 1. Number of the transaction approved by the Board of Directors | 41 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |

| | |
|--|---|
| 3. Names of parties | OAO "LUKOIL" (Company) International Association of Trade Union Organisations of OAO "LUKOIL" (Association) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Gratuitous Use Contract No. 0310992 of 27 July 2003 (hereinafter, the "Contract"). |
| 6. Subject of the transaction | Pursuant to the Contract, the Company provides property on the Company's balance sheet for the gratuitous use of the Enterprise. In accordance with the Supplemental Agreement: <ul style="list-style-type: none"> • on 30 June 2014 the Enterprise will transfer and the Company will accept under a transfer and acceptance certificate the office equipment (monitors, computers) previously transferred to the Enterprise for gratuitous use; • from 1 July 2014 the Company will additionally transfer and the Enterprise will accept for gratuitous use under a transfer and acceptance certificate the office equipment (CPUs, monitors, printers); • from 1 July 2014 the total value of the property transferred to the Enterprise under the Contract will be RUB 7,304,104.25. |
| 7. Grounds for status as an interested party | Sergei Petrovich Kukura, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Ivan Alexeevich Maslyaev, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of the International Association of Trade-Union Organisations of OAO "LUKOIL". |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the date of signing. |
| 1. Number of the transaction approved by the Board of Directors | 42 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO Futbolny Klub Spartak-Moskva [Spartak Moscow Football Club] (the Club) OAO "LUKOIL" (Sponsor) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Sponsorship Agreement No. 1410142 of 24 March 2014 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Under the Agreement, the Sponsor provides sponsorship assistance to the Club, aimed at preparing the Club's professional sportsmen for national competitions (the Russian Championship, the Russia Cup) and international competitions in accordance with the official match schedule, on terms of distribution of the Sponsor's advertising in accordance with the Agreement. In accordance with the Supplemental Agreement, points 2.1.24 and 2.1.25 are added to the Agreement, stipulating the provision to the Sponsor of tickets at its request to each home match that is part of the Russian Championship, the Russia Cup and UEFA competitions: At the central Lokomotiv stadium: - at least 40 (forty) tickets in the Red VIP category; - at least 20 (twenty) tickets in the Family Sector category; - at least 15 (fifteen) tickets in the Sector 21 Upper category; - at least 10 (ten) category 2 car passes; - at least 8 (eight) category 3 car passes. At the Otkrytie Arena stadium: - at least 75 (seventy-five) tickets in the Gold Club category; - at least 20 (twenty) tickets in the Silver Club category; - at least 15 (fifteen) tickets in the Sector A5 category; - at least 25 (twenty-five) car passes. At the Sponsor's individual request, the Club will provide additional tickets in the Diamond (Central Lokomotiv stadium) or Gold Club (Okrytie Arena stadium) category for individual matches of the Club. |

| | |
|--|--|
| 7. Grounds for status as an interested party | <p>Leonid Arnoldovich Fedun, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO Futbolny Klub Spartak-Moskva, and his brother, Andrei Arnoldovich Fedun, is a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.</p> <p>Sergei Anatolievich Mikhailov, a member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO Futbolny Klub Spartak-Moskva.</p> |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing and extends to legal relations of the Parties arising from 1 January 2014. |
| 1. Number of the transaction approved by the Board of Directors | 43 |
| 2.1. Price (amount in USD) | – |
| 2.2. Price (amount in RUB) | – |
| 3. Names of parties | OAO "LUKOIL" (Company) Non-Profit Organisation LUKOIL Charitable Foundation (Organisation) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Donation agreement (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement the Company transfers free of charge as charitable assistance (hereinafter also the "Donation") to the Organisation, and the Organisation accepts the Property (monitor, television, cabinet, telephone, etc.). The Property is being transferred for the performance of charter activity. |
| 7. Grounds for status as an interested party | <p>Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO "LUKOIL", is the brother of Nelli Yusufovna Alekperov, a member of the Foundation Board.</p> <p>Anatoly Alexeevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Foundation Board.</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Foundation Board.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Foundation Board.</p> |
| 8. Other material terms of the transaction | <p>The Company undertakes to transfer the Property to the Organisation on the day of signing of the Agreement under an act of transfer and acceptance.</p> <p>The Organisation undertakes to use the received Donation in accordance with the purpose indicated in the Agreement. If the Donation is not used in accordance with the terms of the Agreement, the Company has the right to demand the revocation of the Donation.</p> <p>The Organisation has the right to decline the Donation at any time before the transfer. The refusal of the Donation must be executed in written form. In this case, the Agreement is considered to be terminated.</p> <p>The Agreement enters into force from the date of its signing, and shall remain in effect until the Parties perform their obligations in full.</p> |
| 1. Number of the transaction approved by the Board of Directors | 44 |
| 2.1. Price (amount in USD) | USD 103,800,000 |
| 2.2. Price (amount in RUB) | RUB 3,562,789,680 |
| 3. Names of parties | OAO "LUKOIL" (Guarantor) The Royal Bank of Scotland PLC and/or The Royal Bank of Scotland PLC Head Office Edinburgh Istanbul Main Branch (jointly referred to as the Lenders, and individually as the Lender) |
| 4. Names of beneficiaries | LUKOIL EURASIA PETROL ANONIM ŞİRKETİ (Borrower) |

| | |
|--|---|
| 5. Name of transaction | Agreement on assuming obligations in respect of the Guarantee of 21 July 2008, with amendments made to the contract on amendments of 16 September 2008, confirmed by the letters of confirmation dated 5 December 2008, 1 September 2009, 19 July 2010, 18 July 2011 and 26 July 2012, and also confirmed and amended in accordance with the agreement on assuming obligations and making amendments dated 6 November 2013 provided by OAO "LUKOIL" as the Guarantor in favour of The Royal Bank of Scotland PLC and/or The Royal Bank of Scotland PLC Head Office Edinburgh Istanbul Main Branch as the Lenders (hereinafter the Agreement). |
| 6. Subject of the transaction | In accordance with the Agreement: <ul style="list-style-type: none"> in connection with the prolongation of the Loan Agreements concluded with the Borrower on 21 July 2008, with subsequent amendments (Loan Agreements) for 365 days and the reduction of the margin to 1.50% per annum with a drawdown of up to 1 week, up to 1.75% per annum with a drawdown from 1 week to 1 month, and to 2.25% per annum with a drawdown from 1 to 3 months, the Guarantor guarantees to each Lender the proper and timely performance by the Borrower of all of its obligations under the Loan Agreements; the amount of the Guarantor's liability is limited to the principal debt in the amount of USD 103,800,000 (or the equivalent thereof in any other currency or currencies), plus all accrued interest, penalties, fees, documented expenses, costs and other amounts due and payable (or indicated as due and payable) to the Lenders. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL Eurasia Petrol Anonim Şirketi. |
| 8. Other material terms of the transaction | No other material terms stipulated. |
| 1. Number of the transaction approved by the Board of Directors | 45 |
| 2.1. Price (amount in USD) | USD 10,000,000; the fee – not more than USD 60,000 plus VAT of not more than USD 10,800, Bank fee for the issue of a standby letter of credit (0.9% per annum) and bank expenses of not more than USD 80,000. |
| 2.2. Price (amount in RUB) | RUB 343,236,000; the fee – not more than RUB 2,059,416 plus VAT of not more than RUB 370,694.88, Bank fee for the issue of a standby letter of credit (0.9% per annum) and bank expenses of not more than RUB 2,745,888. |
| 3. Names of parties | OAO "LUKOIL" (Guarantor) LUKOIL Overseas Holding GmbH (Borrower) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Indemnity contract (hereinafter the "Contract"). |
| 6. Subject of the transaction | The Parties are concluding the Contract in connection with the Surety Contract between the Guarantor and ZAOKB CITIBANK (hereinafter the "Bank"), concluded as security for the performance of the obligations of the Borrower to the Bank (hereinafter the "Surety Contract") under the terms of a standby letter of credit in favour of Petroleum Contracts and Licensing Directorate (PCLD) Ministry of Oil, Port Said Street Baghdad, Iraq, issued in the amount of USD 10,000,000, plus interest, forfeits, penalty interest and fines and other guaranteed payments. The Parties reached agreement to consider any amounts paid by the Guarantor to the Bank (including through the debiting by the Bank with the Guarantor's consent from the Guarantor's accounts opened with the Bank) in performance of obligations under the Surety Contract and/or in connection with it to be amounts due for repayment by the Borrower to the Guarantor, with payment of interest on these amounts on the terms, by the deadlines and pursuant to the procedure determined by the Contract. |
| 7. Grounds for status as an interested party | Ravil Ulfatovich Maganov, a member of the Board of Directors of OAO "LUKOIL", a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH. Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH Ivan Alexeevich Maslyaev, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH. Anatoly Alekseevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH. Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Supervisory Board of LUKOIL Overseas Holding GmbH. |

| | |
|--|--|
| 8. Other material terms of the transaction | <p>The Borrower undertakes within 180 calendar days from the time of signing of the Surety Contract to pay in favour of the Guarantor the amount of not more than USD 60,000, plus VAT of not more than USD 10,800, as a fee to the Guarantor for providing the Guarantee.</p> <p>The date of provision of the services on providing the guarantee is the date of signing of the Surety Contract.</p> <p>The Borrower undertakes to indemnify the Guarantor for funds remitted thereby in favour of the Bank in performance of the obligations under the Surety Contract, including the Bank's commission and expenses, by the deadlines, in the form and pursuant to the procedure indicated in the notification of the Guarantor sent to the Borrower.</p> <p>The Debtor will pay the Guarantor interest at a rate of LIBOR 3M+3% per annum on the funds to be transferred by the Guarantor to the Bank.</p> |
| 1. Number of the transaction approved by the Board of Directors | 46 |
| 2.1. Price (amount in USD) | USD 10,000,000; the Bank fee for the issue of a standby letter of credit (0.9% per annum) and bank expenses of not more than USD 80,000. |
| 2.2. Price (amount in RUB) | RUB 343,236,000; the Bank fee for the issue of a standby letter of credit (0.9% per annum) and bank expenses of not more than RUB 2,745,888. |
| 3. Names of parties | ZAO KB CITIBANK (Bank) OAO "LUKOIL" (Guarantor) |
| 4. Names of beneficiaries | LUKOIL Overseas Holding GmbH |
| 5. Name of transaction | Surety Contract (hereinafter the "Contract"). |
| 6. Subject of the transaction | The Guarantor undertakes to pay the Bank the amount of the claims of Cititbank N.A. received by the Bank for compensation of the claims of Petroleum Contracts and Licensing Directorate (PCLD) Ministry of Oil, Port Said Street Baghdad, Iraq (hereinafter the "Beneficiary") at its first request, or to authorise the Bank to debit the given amount from the Guarantor's account at its discretion. For the issue of the standby letter of credit in the amount of USD 10,000,000 (hereinafter the "Instrument") the Guarantor will pay the Bank a fee calculated by the Bank taking into account the amount and effective term of the Instrument to 1 March 2015, and also telecommunications and postal (including courier) expenses and other amounts due to it under the Instrument. The Bank's commission for the issue of the Instrument is calculated at the rate of 0.9% per annum for the actual number of days, and is paid quarterly at the end of each quarter during the actual validity of the letter of credit. |
| 7. Grounds for status as an interested party | <p>Ravil Ulfatovich Maganov, a member of the Board of Directors of OAO "LUKOIL", a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH.</p> <p>Alexander Kuzmich Matytsyn, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH</p> <p>Ivan Alexeevich Maslyaev, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH.</p> <p>Anatoly Alekseevich Moskalenko, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Supervisory Board of LUKOIL Overseas Holding GmbH.</p> <p>Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the spouse of Alexander Kuzmich Matytsyn, a member of the Supervisory Board of LUKOIL Overseas Holding GmbH.</p> |
| 8. Other material terms of the transaction | The obligations of the Guarantor under the Contract shall arise on date of conclusion of the Contract, and shall remain in effect until the Guarantor discharges its obligations under the Contract. In any case the obligations of the Guarantor under the Contract shall terminate in full and automatically on 1 March 2015. |
| 1. Number of the transaction approved by the Board of Directors | 47 |
| 2.1. Price (amount in USD) | The amount of the agency fee for three years is USD 1,508.19, plus VAT of USD 271.47. The amount of the Agent's recoverable expenses is USD 20,660.01. |
| 2.2. Price (amount in RUB) | The amount of the agency fee for three years is RUB 51,745.99, plus VAT of RUB 9,314.14. The amount of the Agent's recoverable expenses is RUB 708,844.94. |
| 3. Names of parties | OAO "LUKOIL" (Agent) LUKOIL EURASIA PETROL ANONIM ŞİRKETİ (Principal) |
| 4. Names of beneficiaries | - |

| | |
|--|--|
| 5. Name of transaction | Agency Agreement (hereinafter, the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement, the Agent undertakes, on the instructions of the Principal, in its own name, and in the interest and at the expense of the Principal, to conclude a General Agreement on subscribing to Electronic Information Products with Platts, a division of McGraw-Hill Financial, Inc., and the Principal undertakes to reimburse the expenses incurred by the Agent and pay the Agent the established remuneration. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyev, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL EURASIA PETROL ANONIM ŞİRKETİ. |
| 8. Other material terms of the transaction | <p>The Agent undertakes to conclude in its own name a General Agreement on subscribing to Electronic Information Products with Platts, including a subscription to Platts Reports PDF and Platts Real-Time, for a three-year term with automatic extension. The term of provision of services is from 1 July 2013 to 30 June 2016.</p> <p>The Agent undertakes to provide the Principle with a report on the subscription to Platts information on the date of signing of the act with Platts and an Agent's report on each payment to Platts for the information subscription, within 5 calendar days from the date of payment.</p> <p>The Principal undertakes to reimburse the Agent for all expenses incurred by thereby in connection with the discharge of agency assignments, and to make the reimbursement not later than 20 business days from the date of performance of the assignment.</p> <p>The Principal must pay the Agent remuneration for the performance of agency assignments in the amount of 7.3% of reimbursable expenses to the Agent, plus Russian VAT of 18%.</p> <p>The Agreement enters into force from the date of its signing by the authorised representatives of the Parties, extends to relations of the Parties from 1 July 2013, and will remain in force until the Parties have completely discharged their obligations.</p> |

| | |
|--|----|
| 1. Number of the transaction approved by the Board of Directors | 48 |
|--|----|

| | |
|----------------------------|-------------------------------|
| 2.1. Price (amount in USD) | USD 32,474.16, including VAT. |
|----------------------------|-------------------------------|

| | |
|----------------------------|----------------------------------|
| 2.2. Price (amount in RUB) | RUB 1,114,188.43, including VAT. |
|----------------------------|----------------------------------|

| | |
|---------------------|--|
| 3. Names of parties | OAO "LUKOIL" (Contractor) LUKOIL EURASIA PETROL ANONIM ŞİRKETİ (Client) |
|---------------------|--|

| | |
|---------------------------|---|
| 4. Names of beneficiaries | – |
|---------------------------|---|

| | |
|------------------------|--|
| 5. Name of transaction | Service Contract on the provision of information (hereinafter the "Contract"). |
|------------------------|--|

| | |
|-------------------------------|---|
| 6. Subject of the transaction | In accordance with the Contract, the Contractor undertakes to render services to the Client on the provision of Platts MarketData information. A list of information and the means of its provision is given in Appendix 1 to the Contract. |
|-------------------------------|---|

| | |
|--|---|
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyev, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of LUKOIL EURASIA PETROL ANONIM ŞİRKETİ. |
|--|---|

| | |
|--|---|
| 8. Other material terms of the transaction | <p>The term of provision of services is from 1 July 2013 to 30 June 2016. The period of provision of services is a calendar month.</p> <p>The value of services for each period is USD 764.46, plus VAT of USD 137.60. The total with VAT is USD 902.06. The total value of the Contract with VAT is USD 32,474.16.</p> <p>The date of payment of services is the date when the funds are received on the Contractor's transit foreign-currency account.</p> <p>The Agreement enters into force from the date of its signing, extends to relations of the Parties from 1 July 2013, and shall remain in effect until the Parties perform their obligations in full.</p> |
|--|---|

| | |
|--|----|
| 1. Number of the transaction approved by the Board of Directors | 49 |
|--|----|

| | |
|----------------------------|--------------------|
| 2.1. Price (amount in USD) | USD 410,779,294.65 |
|----------------------------|--------------------|

| | |
|----------------------------|--------------------|
| 2.2. Price (amount in RUB) | RUB 14,443,000,000 |
|----------------------------|--------------------|

| | |
|---------------------|--|
| 3. Names of parties | OAO "LUKOIL" (Lender) OOO Bashneft-Polus (Borrower) |
|---------------------|--|

| | |
|--|--|
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 1210022 of 19 January 2012 (hereinafter the “Agreement”). |
| 6. Subject of the transaction | <p>Based on the Agreement and the Supplemental Agreements thereto, and pursuant to Contract No. 1111116 of 27 December 2011 on the terms and conditions for financing by the Participants of the operations of OOO Bashneft-Polus (hereinafter the “Contract”), concluded between the Borrower, the Lender and JSOC Bashneft (which is the second participant in OOO Bashneft-Polus), the Lender will provide monetary funds to the Borrower in an amount of up to RUB 8,497,000,000, on conditions of repayment, interest payment, maturity and security. The Borrower undertakes to use the monetary funds received for their intended purpose, to repay the amount of the loan received to the Lender and to pay the interest accrued thereon by the dates and according to the procedure established by the Agreement and the Contract.</p> <p>In accordance with the Supplemental Agreement to the Agreement, point 2.1 of the Agreement is set out in a new version, stipulating the increase in the amount of the loan to RUB 14,443,000,000.</p> |
| 7. Grounds for status as an interested party | Azat Angamovich Shamsuarov, a member of the Management Committee of OAO “LUKOIL”, is simultaneously a member of the Board of Directors of OOO Bashneft-Polus. |
| 8. Other material terms of the transaction | <p>The other terms of the Agreement remain unchanged.</p> <p>The Supplemental Agreement enters into force from the date of its signing by the authorised representatives of the Parties.</p> |
| 1. Number of the transaction approved by the Board of Directors | 50 |
| 2.1. Price (amount in USD) | USD 723,535 |
| 2.2. Price (amount in RUB) | RUB 25,576,962.25 |
| 3. Names of parties | OAO “LUKOIL” (Licensor) LUKOIL EURASIA PETROL ANONIM ŞİRKETİ (Licensee) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Licensing Agreement No. 1111033 of 15 December 2011 (hereinafter the “Agreement”). |
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Licensor will provide the Licensee, for a fee and for the effective term of the Agreement, with a non-exclusive licence to use the Licensor’s trademarks on the territory of the Republic of Turkey under certificates No. 2011/20829, 2011/20838 and 2011/20848, issued by the Turkish Patent Institute, for their use by the Licensor to mark class 4, 20, 35, 36, 37, 39, 40 and 42 goods and services according to the International Classification of Goods and Services (NCL).</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> • pursuant to sub-point 2.1.18 of the Agreement, the Parties will agree a revised address list of Facilities which are to use the Licensor’s trademarks as at 1 January 2014, pursuant to the Appendix to the Supplemental Agreement; • the amount of the consideration for the use of the non-exclusive licence to the Licensor’s trademarks for 2014, calculated using the formula given in point 6.1 of the Agreement, based on the revised address list of Facilities equals USD 71,380; • the amount of additional consideration for 2014, calculated using the formula given in point 6.2 of the Agreement, based on the address list of Facilities at which petroleum products are sold under the Dealer Agreements provided by the Licensee in accordance with sub-point 2.1.18 of the Agreement and approved by the Licensor, equals USD 652,155. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyev, a member of the Management Committee of OAO “LUKOIL”, is simultaneously the Chairman of the Board of Directors of LUKOIL EURASIA PETROL ANONIM ŞİRKETİ. |
| 8. Other material terms of the transaction | All other terms of the Agreement remain unchanged. The Supplemental Agreement enters into force from the date of its signing by the Parties. |

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 51 |
| 2.1. Price (amount in USD) | USD 887,717.59 |
| 2.2. Price (amount in RUB) | RUB 32,000,000 |
| 3. Names of parties | OAO "LUKOIL" (Borrower) OAO RITEK (Lender) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 1410277 of 30 May 2014. |
| 6. Subject of the transaction | The Parties state the transfer of all rights and duties of ZAO Brendan under Loan Agreement No. 1410277 of 30 May 2014 (hereinafter the "Agreement"), concluded between ZAO Brendan and OAO "LUKOIL", in accordance with which the Lender provided a special-purpose loan in an amount not exceeding RUB 32,000,000, to OAO RITEK in connection with the reorganisation of ZAO Brendan in the form of incorporation into OAO RITEK, in connection with which throughout the text of the Agreement all references to ZAO Brendan are replaced with the words OAO RITEK, and the banking details of the Lender is replaced with a new version. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the authorised representatives of the Parties and extends to legal relations between the parties arising from 1 August 2014. |
| 1. Number of the transaction approved by the Board of Directors | 52 |
| 2.1. Price (amount in USD) | USD 1,248,352.87 |
| 2.2. Price (amount in RUB) | RUB 45,000,000 |
| 3. Names of parties | OAO "LUKOIL" (Borrower) OAO RITEK (Lender) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Loan Agreement No. 1410203 of 24 April 2014. |
| 6. Subject of the transaction | The Parties state the transfer of all rights and duties of ZAO Mushakneft under Loan Agreement No. 1410203 of 24 April 2014 (hereinafter the "Agreement"), concluded between ZAO Mushakneft and OAO "LUKOIL", in accordance with which the Lender provided a special-purpose loan in an amount not exceeding RUB 45,000,000, to OAO RITEK in connection with the reorganisation of ZAO Mushakneft in the form of incorporation into OAO RITEK, in connection with which throughout the text of the Agreement all references to ZAO Mushakneft are replaced with the words OAO RITEK, and the banking details of the Lender is replaced with a new version. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the authorised representatives of the Parties and extends to legal relations between the parties arising from 1 August 2014. |

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 53 |
| 2.1. Price (amount in USD) | The amount of the fee under the Supplemental Agreement is not more than USD 120,000, plus VAT of not more than USD 21,600. |
| 2.2. Price (amount in RUB) | The amount of the fee under the Supplemental Agreement is not more than RUB 4,325,700, plus VAT of not more than RUB 778,626. |
| 3. Names of parties | OAO "LUKOIL" (Guarantor) LUKOIL NORTH AMERICA LLC (Borrower) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Indemnity Agreement No. 1110663 of 29 August 2011 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | The Parties have agreed that the amount paid by the Guarantor to Citibank N.A. (hereinafter the "Bank") in discharge of obligations under the Guarantee between the Guarantor and the Bank, issued in security of the performance of obligations of the Borrower under the Loan Agreement with the Bank of 29 August 2011, to a maximum of USD 20,000,000, plus interest, forfeits, penalty interest, fines and other guaranteed payments (hereinafter the "Guarantee"), shall be considered the amount due to be repaid by the Borrower to the Guarantor with interest, on the terms, by the deadlines, and pursuant to the procedure determined by the Agreement. In accordance with the Supplemental Agreement to the Agreement, the Parties have reached agreement to establish remuneration for prolonging the effective term of the Guarantee between the Guarantor and Citibank N.A. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobiev, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of LUKOIL NORTH AMERICA LLC. |
| 8. Other material terms of the transaction | In connection with the prolongation of the effective term of the Guarantee, the Borrower undertakes within 180 calendar days from the time of signing of the Supplemental Agreement to pay in favour of the Guarantor the amount of not more than USD 120,000, plus VAT of not more than USD 21,600, as a fee to the Guarantor for prolonging the term of the Guarantee. |
| 1. Number of the transaction approved by the Board of Directors | 54 |
| 2.1. Price (amount in USD) | USD 20,400,000 |
| 2.2. Price (amount in RUB) | RUB 735,205,800 |
| 3. Names of parties | OAO "LUKOIL" (Guarantor) Citibank, N.A. (Administrative Agent) |
| 4. Names of beneficiaries | LUKOIL NORTH AMERICA LLC (Borrower) |
| 5. Name of transaction | Letter No. 3 in confirmation of Surety Agreement No. 1110683 of 29 August 2011 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement, the obligations of the Guarantor under Surety Agreement No. 1110683 of 29 August 2011 are confirmed in full, as is the retention in full of the effect of the Surety Agreement in connection with the prolongation by 364 days of the effect of the Loan Agreement concluded between the Borrower and the Administrative Agent on 29 August 2011 in the amount of USD 20,000,000 (Twenty million) at an interest rate of 2.00% per annum for Eurodollar Loans, 1.50% per annum for Loans at the Established Rate, which is equal to not more than USD 400,000 (Four hundred thousand). |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobiev, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of LUKOIL NORTH AMERICA LLC. |
| 8. Other material terms of the transaction | No other material terms stipulated. |

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 55 |
| 2.1. Price (amount in USD) | Lease payment will be USD 744.70 per month, plus VAT of USD 134.05. |
| 2.2. Price (amount in RUB) | Lease payment will be RUB 26,913.49 per month, plus VAT of RUB 4,844.43. |
| 3. Names of parties | <p>0AO "LUKOIL" (Lessor)</p> <p>000 Stadium "Spartak" (Lessee)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Lease Agreement No. 0810612 of 14 July 2008 on non-residential premises (hereinafter the "Agreement"). |
| 6. Subject of the transaction | <p>Pursuant to the Agreement, the Lessor provides to the Lessee for temporary use non-residential premises with a total area of 16.9 m² (namely, room 77) located in Premises No. VIII in the basement of building 1 at the address: 3 Pokrovsky bulvar, Moscow.</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> from 01.07.2014 the lease payment increases from 16,800 roubles per square meter of total area per year, plus VAT of 3,024.00 roubles, to 19,110.17 roubles per square meter of total area per year, plus VAT of 3,439.83 roubles ; from 01.07.2014 the lease payment will be 26,913.49 roubles per month, plus VAT of 4,844.43 roubles. |
| 7. Grounds for status as an interested party | Leonid Arnoldovich Fedun, a member of the Board of Directors of 0AO "LUKOIL", is simultaneously the brother of Andrei Arnoldovich Fedun, a member of the Board of Directors and General Director of 000 Stadium "Spartak" |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the time of its signing by the Parties and extends to legal relations between the Parties in existence from 01.07.2014. |
| 1. Number of the transaction approved by the Board of Directors | 56 |
| 2.1. Price (amount in USD) | USD 37,551.45, plus VAT of USD 6,759.26 |
| 2.2. Price (amount in RUB) | RUB 1,413,812 plus VAT of RUB 254,486.16 |
| 3. Names of parties | <p>0AO "LUKOIL" (Contractor)</p> <p>000 LUKOIL-KMN (Client)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Contract on the information services (hereinafter the "Contract"). |
| 6. Subject of the transaction | <p>In accordance with the Contract, the Contractor will provide the Client with the following information services based on the valuation reports prepared by independent appraisers:</p> <ul style="list-style-type: none"> information on the fair value of the Client's fixed assets, profitable investments in tangible assets and WIP including equipment and machinery for assembly, and on their residual useful lives under IFRS; information on the Client's capitalized costs related to asset decommissioning and mineral resources rehabilitation (estimated liabilities). |
| 7. Grounds for status as an interested party | Lyubov Nikolaevna Khoba, a member of the Management Committee of 0AO "LUKOIL", is the mother of Yury Yurievich Khoba, a member of the Management Committee of 000 LUKOIL-KMN. |
| 8. Other material terms of the transaction | The Contract enters into force from the time of its signing and extends to the legal relations between the Parties arising from 17.03.2014. |

| | |
|--|--|
| 1. Number of the transaction approved by the Board of Directors | 57 |
| 2.1. Price (amount in USD) | USD 403,441.73 plus VAT of USD 72,619.51 |
| 2.2. Price (amount in RUB) | RUB 15,189,581 plus VAT of RUB 2,734,124.58 |
| 3. Names of parties | <p>OA0 "LUKOIL" (Contractor)</p> <p>OA0 RITEK (Client)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Contract on the information services (hereinafter the "Contract") |
| 6. Subject of the transaction | <p>In accordance with the Contract, the Contractor will provide the Client with the following information services based on the valuation reports prepared by independent appraisers:</p> <ul style="list-style-type: none"> information on the fair value of the Client's fixed assets, profitable investments in tangible assets and WIP including equipment and machinery for assembly, and on their residual useful lives under IFRS; information on the Client's capitalized costs related to asset decommissioning and mineral resources rehabilitation (estimated liabilities). |
| 7. Grounds for status as an interested party | <p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OA0 "LUKOIL", is simultaneously the Chairman of the Board of Directors of OA0 RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of OA0 "LUKOIL", is simultaneously a member of the Board of Directors of OA0 RITEK.</p> |
| 8. Other material terms of the transaction | The Contract enters into force from the time of its signing and extends to the legal relations between the Parties arising from 17.03.2014. |
| 1. Number of the transaction approved by the Board of Directors | 58 |
| 2.1. Price (amount in USD) | USD 532,835.16 per month, plus VAT of USD 95,910.33 |
| 2.2. Price (amount in RUB) | RUB 20,604,735.59 per month, plus VAT of RUB 3,708,852.41 |
| 3. Names of parties | <p>OA0 "LUKOIL" (Lessee)</p> <p>OA0 RITEK (Sub-Lessee)</p> |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Sub-Lease Agreement No.1310855 of 30 December 2013 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | <p>In accordance with the Agreement, the Lessee provides to the Sub-Lessee for temporary use the non-residential premises with a total area of 6,639.3 m², located in the building at the address: 3 Bolshaya Ordynka, Moscow. By premises are meant all premises in the building with the exception of rooms No.11 and 12 in Premise 1 in the basement, rooms No. 9, 19, 19a and 20 in Premise II on the ground floor, rooms N. 3 and 14 in Premise V on the first floor, room No.3 in Premise VI on the second floor, room No.3 in Premise VII on the third floor, room No.3 in Premise VIII on the fourth floor, room No.3 in Premise IX on the fifth floor, room No.1 in Premise XI on the floor N (hereinafter, the Property).</p> <p>In accordance with the Supplemental Agreement to the Agreement:</p> <ul style="list-style-type: none"> from 01.11.2014 the Sub-Lessee undertakes to pay the Lessee lease payment for the use of the Premises proceeding from 37,241.40 roubles per square meter of total area per year, plus VAT of 6,703.45 roubles, from 01.11.2014 the total lease payment under the Agreement will be 20,604,735.59 roubles per month, plus VAT of 3,708,852.41 roubles, with the total payment due of 24,313,588 roubles per month. |
| 7. Grounds for status as an interested party | <p>Valery Isaakovich Grayfer, Chairman of the Board of Directors of OA0 "LUKOIL", is simultaneously the Chairman of the Board of Directors of OA0 RITEK.</p> <p>Azat Angamovich Shamsuarov, a member of the Management Committee of OA0 "LUKOIL", is simultaneously a member of the Board of Directors of OA0 RITEK.</p> |
| 8. Other material terms of the transaction | All other terms remain unchanged. The Supplemental Agreement enters into force from the time of its signing. |

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 59 |
| 2.1. Price (amount in USD) | USD 53,164.98, plus VAT of USD 9,569.69 |
| 2.2. Price (amount in RUB) | RUB 2,040,472, plus VAT of RUB 367,284.96 |
| 3. Names of parties | OAO "LUKOIL" (Contractor) LUKOIL SRBIJA AD Beograd [LUKOIL SERBIA AD Belgrade] (Client) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Contract on the information services (hereinafter the "Contract"). |
| 6. Subject of the transaction | In accordance with the Contract, the Contractor will provide the Client with the following information services based on the valuation reports prepared by independent appraisers: <ul style="list-style-type: none"> information on the fair value of the Client's fixed assets, profitable investments in tangible assets and WIP including equipment and machinery for assembly, and on their residual useful lives under IFRS. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobiev, a member of the Management Committee of OAO "LUKOIL", is simultaneously the Chairman of the Supervisory Board of LUKOIL SRBIJA AD Beograd. |
| 8. Other material terms of the transaction | The Contract enters into force from the time of its signing and shall remain in effect until the Parties perform their obligations in full. |
| 1. Number of the transaction approved by the Board of Directors | 60 |
| 2.1. Price (amount in USD) | The approximate amount of the annual agency fee will equal USD 52.88, plus VAT of USD 9.52. The approximate amount of the Agent's reimbursable expenses for the year will equal USD 528,764.38, plus VAT of USD 95,177.59. |
| 2.2. Price (amount in RUB) | The approximate amount of the annual agency fee will equal RUB 2,114, plus VAT of RUB 380.52. The approximate amount of the Agent's reimbursable expenses for the year will equal RUB 21,140,000, plus VAT of RUB 3,805, 200. |
| 3. Names of parties | OAO "LUKOIL" (Agent) OAO RITEK (Principal) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Agency agreement (hereinafter, the "Agreement"). |
| 6. Subject of the transaction | Pursuant to the Agreement, at the request of the Principal the Agent undertakes to conclude a contract with ZAO KPMG in its own name but at the expense of the Principal, on the performance of an audit of the Principal's financial statements for 2014 in accordance with Russian legal requirements regarding preparation of financial statements. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | The Agent undertakes to provide the Principal with a report on the exercise of the agency authority within 5 business days from the Agent's latest payment to ZAO KPMG for the audit of the Principal's financial statements. The Principal undertakes to reimburse the Agent for all expenses incurred thereby in connection with the exercise of the agency authority, including VAT (18%), and pay the Agent's fee no later than 10 business days from the date the Agent's report is approved. The Agent's fee shall be set at 0.01% of the amount of the Agent's expenses incurred under the contract with ZAO KPMG, plus VAT of 18%. The Agreement enters into force from the date it is signed by authorized representatives of the Parties and shall remain in effect until the Parties perform their obligations in full. |

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 61 |
| 2.1. Price (amount in USD) | The approximate amount of the annual agency fee will equal USD 21.08, plus VAT of USD 3.79. The approximate amount of the Agent's reimbursable expenses for the year will equal USD 210,795.17, plus VAT of USD 37,943.13. |
| 2.2. Price (amount in RUB) | The approximate amount of the annual agency fee will equal RUB 837.70, plus VAT of RUB 150.79. The approximate amount of the Agent's reimbursable expenses for the year will equal RUB 8,377,000, plus VAT of RUB 1,507,860. |
| 3. Names of parties | OAO "LUKOIL" (Agent) OOO LUKOIL-KMN (Principal) |
| 4. Names of beneficiaries | - |
| 5. Name of transaction | Agency agreement (hereinafter, the "Agreement"). |
| 6. Subject of the transaction | Pursuant to the Agreement, at the request of the Principal the Agent undertakes to conclude a contract with ZAO KPMG in its own name but at the expense of the Principal, on the performance of an audit of the Principal's financial statements for 2014 in accordance with Russian legal requirements regarding preparation of financial statements. |
| 7. Grounds for status as an interested party | Lyubov Nikolaevna Khoba, a member of the Management Committee of OAO "LUKOIL", is the mother of Yury Yurievich Khoba, a member of the Management Committee of OOO LUKOIL-KMN. |
| 8. Other material terms of the transaction | The Agent undertakes to provide the Principal with a report on the exercise of the agency authority within 5 business days from the Agent's latest payment to ZAO KPMG for the audit of the Principal's financial statements. The Principal undertakes to reimburse the Agent for all expenses incurred thereby in connection with the exercise of the agency authority, including VAT (18%), and pay the Agent's fee no later than 10 business days from the date the Agent's report is approved. The Agent's fee shall be set at 0.01% of the amount of the Agent's expenses incurred under the contract with ZAO KPMG, plus VAT of 18%. The Agreement enters into force from the date it is signed by authorized representatives of the Parties and shall remain in effect until the Parties perform their obligations in full. |
| 1. Number of the transaction approved by the Board of Directors | 62 |
| 2.1. Price (amount in USD) | USD 16,000,000 |
| 2.2. Price (amount in RUB) | RUB 656,640,000 |
| 3. Names of parties | OAO "LUKOIL" (Guarantor) Phillips 66 Company (Seller) |
| 4. Names of beneficiaries | LUKOIL NORTH AMERICA LLC (Buyer) |
| 5. Name of transaction | Amended And Restated Guarantee (hereinafter, the "Guarantee"). |
| 6. Subject of the transaction | The Parties decided to amend and restate Guarantee No. 1310784 of 06.12.2013 (the "Amended And Restated Guarantee"), whereby the Guarantor in favour of the Seller unconditionally and irrevocably guarantees fulfilment of the obligations undertaken by LUKOIL North America LLC to Seller according to the Light Oil Sales Agreement, Contract 358884 of 27.09.2013, as amended by a First Amendment effective October 1, 2014, and guarantees the Buyer's obligations according to other oil products sales contracts to be concluded prior to 30.09.2015 between the Seller and the Buyer (the «Sales Contracts»). The liability of the Guarantor under this Guarantee is limited to a total aggregate amount of \$16,000,000 plus all reasonable and documented out-of pocket expenses of enforcing this Guarantee (including, but not limited to, legal service expenses, court expenses, administrations cost of execution of received order if necessary). |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of LUKOIL NORTH AMERICA LLC. |
| 8. Other material terms of the transaction | This Guarantee shall be effective from the moment it is executed through November 30, 2015, the last day on which any and all written demands by the Seller [claiming that the Buyer has failed to perform its payment obligations] must be received by the Guarantor. The Guarantor's liabilities shall expire if the Buyer completely fulfills its payment obligation to the Seller in accordance with the Sales Contracts; or if the Guarantor fulfills Buyer's payment obligations to the Seller, and upon expiry of the Guarantee's validity. This Guarantee shall be governed by and construed in accordance with the laws of the State of New York, without reference to its conflicts of laws principles. |

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 63 |
| 2.1. Price (amount in USD) | USD 16,000,000 and the cost of the Guarantor's services of USD 190,000 |
| 2.2. Price (amount in RUB) | RUB 656,640,000 and the cost of the Guarantor's services of RUB 7,797,600 |
| 3. Names of parties | ОАО "ЛУКОЙЛ" (Guarantor) LUKOIL NORTH AMERICA LLC (Debtor) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Indemnity Contract No.1310786 of 06.12.2013 (hereinafter the "Contract"). |
| 6. Subject of the transaction | In connection with the Amended and Restated Guarantee signed between the Guarantor and Phillips 66 Company (Seller) extending the Guarantee's validity, the Parties agree to amend the Contract as follows: <ul style="list-style-type: none"> point 1.1 of the Contract shall be revised to stipulate that the Guarantee is being issued by the Guarantor to the Seller as security for performance of obligations by the Debtor under the Light Oil Sales Agreement, Contract 358884 of 27.09.2013, as amended by a First Amendment effective October 1, 2014, and as security for obligations of LUKOIL NORTH AMERICA LLC (Buyer) under oil products sales contracts to be concluded prior to 30.09.2015 between the Seller and the Buyer (the «Sales Contracts»), in a total aggregate amount not exceeding \$16,000,000, plus all reasonable and documented out-of-pocket expenses of enforcing this Guarantee (including, but not limited to, legal service expenses, court expenses, administrations cost of execution of received order if necessary).; point 3.1 of the Contract shall be revised to restate the cost of the Guarantor's services from 0.7% to 0.65% per annum of the Debtor's debt to the Seller covered by the Guarantee arising under the Sales Contracts for each day of the reporting period, plus VAT of in an amount established by the applicable Russian law. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyov, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of Directors of LUKOIL NORTH AMERICA LLC. |
| 8. Other material terms of the transaction | The Supplemental Agreement enters into force from the date it is signed by the Parties. |
| 1. Number of the transaction approved by the Board of Directors | 64 |
| 2.1. Price (amount in USD) | The approximate amount of interest accrued for the period from 01.01.2017 to 31.12.2020 will not exceed USD 112,085,769.98. |
| 2.2. Price (amount in RUB) | The approximate amount of interest accrued for the period from 01.01.2017 to 31.12.2020 will not exceed RUB 4,600,000,000. |
| 3. Names of parties | Limited Liability Company Bashneft-Polyus/ 000 Bashneft-Polyus (Borrower) Open Joint Stock Company "Oil company "LUKOIL" (Lender) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Loan agreement No. 1210022 of 19.01.2012 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement and Supplemental Agreements thereto, and the Contract on the terms for financing by the Participants of the operations of the Limited Liability Company Bashneft-Polyus No. 1111116 dated 27 December 2011, the Lender will provide monetary funds to the Borrower in an amount of up to RUB 14,443,000,000, on conditions of repayment, interest payment, maturity and targeted use. The Borrower undertakes to use the monetary funds received for their targeted purpose, and to repay the amount of the loan received to the Lender and to pay the interest accrued thereon by the dates and according to the procedure established by the Agreement. In accordance with the Supplemental Agreement, point 4.1 of the Agreement is being revised to extend the term of loan maturity and repayment by the Borrower to the Lender of the entire loan amount and the interest accrued not later than 1 December 2020. |
| 7. Grounds for status as an interested party | Azat Angamovich Shamsuarov, a member of the Management Committee of ОАО "ЛУКОЙЛ", is simultaneously a member of the Board of Directors of 000 Bashneft-Polyus. |
| 8. Other material terms of the transaction | All other terms of the Agreement remain unchanged. The Supplemental Agreement enters into force from the time of its signing by the authorised parties. |

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 65 |
| 2.1. Price (amount in USD) | USD 44,563.65 per month, plus VAT of USD 8,021.46 |
| 2.2. Price (amount in RUB) | RUB 1,869,445 per month, plus VAT of RUB 336,500.10 |
| 3. Names of parties | OAO "LUKOIL" (Lessee) OAO RITEK (Sub-Lessee) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Sub-lease Agreement No.1410186 of 17.04.2014 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | In accordance with the Agreement, the Lessee provides to the Sub-lessee the temporary use of the non-residential premises in the building at the address: 1 ulitsa Bolshaya Ordynka, Moscow, including office premises with a total area of 321.3 m ² , and public catering premises with a total area of 618.9 m ² (hereinafter the "Premises"), specifically: 1. Rooms No. 12, 13, 14, 14a, 15, 16, 17, 18, and 19, located in Premises IX on the second floor (hereinafter "Premises 1"); 2. Rooms No. 22, 23, and 26-42, located in Premises III on the semi-basement (Ts) floor (hereinafter "Premises 2"). In accordance with the Supplemental Agreement to the Agreement: <ul style="list-style-type: none"> from 01.11.2014 the Sub-Lessee undertakes to pay the Lessee for the use of Premises 1 - the lease payment of RUB 57,300 per m² of the total area per year, plus VAT of RUB 10,314; the total lease payment due equals RUB 1,534,207.50 per month, plus VAT of RUB 276,157.35; for the use of Premises 2 - the lease payment of RUB 6,500 per m² of the total area per year, plus VAT of RUB 1,170; the total lease payment due equals RUB 335,237.50 per month, plus VAT of RUB 60,342.75; from 01.11.2014 the total lease payment for the use of all Premises under the Agreement equals RUB 1,869,445 per month, plus VAT of RUB 336,500.10, i.e. RUB 2,205,945.10 per month, including VAT. |
| 7. Grounds for status as an interested party | Valery Isaakovich Grayfer, Chairman of the Board of Directors of OAO "LUKOIL", is simultaneously the Chairman of the Board of Directors of OAO RITEK. Azat Angamovich Shamsuarov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of OAO RITEK. |
| 8. Other material terms of the transaction | All other contractual terms and conditions remain unchanged. The Supplemental Agreement enters into force from the date of signing and extends to legal relations between the Parties in existence from 01.11.2014. |
| 1. Number of the transaction approved by the Board of Directors | 66 |
| 2.1. Price (amount in USD) | No financial terms stipulated. |
| 2.2. Price (amount in RUB) | No financial terms stipulated. |
| 3. Names of parties | OAO "LUKOIL" (Company) Non-Profit Charity Organisation Russian Olympians Foundation (Foundation) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Supplemental Agreement to Donation contract № 1210549 of 07.09.2012 (hereinafter the "Contract"). |
| 6. Subject of the transaction | In accordance with the Contract, the Company will make a gratuitous charitable contribution of RUB 81,000,000 to the Foundation, and the Foundation undertakes to use the funds received to support and develop the Russian Olympic movement and for other activity of the Foundation. In accordance with the Supplemental Agreement to the Contract, point 1.2 of the Contract is being revised to specify the use of the charitable contribution, namely: the charitable contribution is granted to the Foundation to perform Charter activity, including for the following charity programmes: «Sochi 2014, Finals», «Sochi 2014, Incentives». Their stages and time frames are set out in points 5 and 6 of the Foundation's Charity Programmes approved by the General Meeting of the Foundation Participants on 08 April 2013 (Minutes No.2/13). |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Foundation's Board of Trustees and a founder (participant) of the Foundation. |
| 8. Other material terms of the transaction | All other contractual terms and conditions remain unchanged. The Supplemental Agreement is an integral part of the Contract, enters into force from the date of signing and extends to legal relations between the Parties in existence from 17.10.2013. |

| | |
|--|---|
| 1. Number of the transaction approved by the Board of Directors | 67 |
| 2.1. Price (amount in USD) | Credit line of USD 40,000,000, with the approximate interest due for the credit line's entire maturity of USD 1,331,847 totaling USD 41,331,847. |
| 2.2. Price (amount in RUB) | Credit line of RUB 1,880,800,000, with the approximate interest due for the credit line's entire maturity of RUB 62,623,445.94 totaling RUB 1,943,423,445.94. |
| 3. Names of parties | OAO "LUKOIL" (Guarantor) Citibank, N.A. (Administrative Agent) |
| 4. Names of beneficiaries | LUKOIL NORTH AMERICA LLC (Borrower) |
| 5. Name of transaction | Letter in Support of Contract of Guarantee No. 1111135 of 29.12.2011 (hereinafter the "Agreement"). |
| 6. Subject of the transaction | Under the Agreement the scope of the Guarantor's obligations under Contract of Guarantee No. 1111135 of 29.12.2011 are confirmed in full; and so is the Contract of Guarantee in its entirety in connection with the extension of the Letter of Credit Agreement signed between the Borrower and the Administrative Agent on 29.12.2011 for an amount of USD 40,000,000 (Forty Million US Dollars) with an interest rate of 1% per annum, for 364 days (till 26.12.2016), which will not exceed USD 400,000. |
| 7. Grounds for status as an interested party | Vadim Nikolaevich Vorobyov, a member of the Management Committee of OAO "LUKOIL", is simultaneously a member of the Board of Directors of LUKOIL NORTH AMERICA LLC. |
| 8. Other material terms of the transaction | The Agreement shall be governed by and construed in accordance with the laws of the State of New York. No other material terms and conditions are stipulated by the Agreement. |
| 1. Number of the transaction approved by the Board of Directors | 68 |
| 2.1. Price (amount in USD) | USD 1,744,937.53 |
| 2.2. Price (amount in RUB) | RUB 81,000,000 |
| 3. Names of parties | OAO "LUKOIL" (Company) Non-Profit Charity Organisation Russian Olympians Foundation (Foundation) |
| 4. Names of beneficiaries | – |
| 5. Name of transaction | Donation contract (hereinafter the "Contract"). |
| 6. Subject of the transaction | In accordance with the Contract, the Company will make a gratuitous charitable contribution of RUB 81,000,000 to the Foundation, and the Foundation undertakes to use the funds received to support and develop the Russian Olympic movement and for other activity of the Foundation. |
| 7. Grounds for status as an interested party | Vagit Yusufovich Alekperov, President, Chairman of the Management Committee, and member of the Board of Directors of OAO "LUKOIL", is simultaneously a member of the Foundation's Board of Trustees. |
| 8. Other material terms of the transaction | The Company has the right to request a report from the Foundation on the use of the funds wire-transferred under the Contract. The Company also has the right to terminate the Contract early and to demand the return of the funds if they are being used by the Foundation for goals other than those stipulated in the Contract. The Contract enters into force from the date of signing by the Parties and will remain in effect until the performance by the Parties of their obligations in full. |

**INFORMATION ON
TRANSACTIONS WITH
OAO LUKOIL SHARES / ADRS
PERFORMED BY MANAGEMENT
BODIES MEMBERS**

| BoD / Management Committee member | Type of transaction | Date of transaction | Number of shares/ADRs |
|-----------------------------------|-----------------------|---------------------|-----------------------|
| Vagit Alekperov | purchase | 09 January 2014 | 150,000 |
| | purchase | 16 January 2014 | 145,000 |
| | purchase | 27 January 2014 | 20,000 |
| | purchase ¹ | 03 February 2014 | 80,000 |
| | purchase ¹ | 03 February 2014 | 90,000 |
| | purchase ¹ | 04 February 2014 | 90,000 |
| | purchase ¹ | 04 February 2014 | 90,000 |
| | purchase ¹ | 20 February 2014 | 701,100 |
| | purchase ¹ | 27 February 2014 | 491,856 |
| | purchase ¹ | 28 February 2014 | 405,709 |
| | purchase ¹ | 05 March 2014 | 372,800 |
| | purchase | 10 June 2014 | 85,000 |
| | purchase | 01 September 2014 | 11,570 |
| | purchase ¹ | 03 September 2014 | 363,828 |
| | purchase ¹ | 19 September 2014 | 169,000 |
| | purchase ¹ | 19 September 2014 | 3,823 |
| | purchase ¹ | 06 November 2014 | 313,700 |
| | purchase ¹ | 06 November 2014 | 214,088 |
| Vadim Vorobyov | purchase | 07 August 2014 | 1,000 |
| | purchase | 08 August 2014 | 2,000 |
| | purchase | 11 August 2014 | 2,113 |
| Sergei Kukura | purchase | 01 October 2014 | 5,854 |
| Sergei Malyukov | sale | 30 June 2014 | 3,000 |
| | purchase | 09 July 2014 | 4,500 |
| Ivan Maslyaev | purchase | 01 October 2014 | 4,690 |
| Alexander Matytsyn | purchase | 01 October 2014 | 4,693 |
| Ivan Pictet | purchase | 04 March 2014 | 10,000 |
| Valery Subbotin | purchase ¹ | 04 June 2014 | 100,000 |
| | purchase ¹ | 06 June 2014 | 100,000 |
| | purchase ¹ | 10 June 2014 | 100,000 |
| | purchase ¹ | 27 June 2014 | 100,000 |
| | purchase | 08 July 2014 | 4,446 |
| | purchase ¹ | 11 July 2014 | 200,000 |
| | purchase ¹ | 14 July 2014 | 100,000 |
| | purchase ¹ | 23 July 2014 | 100,000 |
| | purchase ¹ | 23 July 2014 | 100,000 |
| | purchase ¹ | 24 July 2014 | 100,000 |
| | purchase ¹ | 25 July 2014 | 100,000 |
| | purchase ¹ | 28 July 2014 | 100,000 |
| | purchase ¹ | 29 July 2014 | 100,000 |
| | purchase ¹ | 19 September 2014 | 100,000 |
| | purchase ¹ | 19 September 2014 | 100,000 |
| | purchase ¹ | 19 September 2014 | 100,000 |
| purchase | 10 October 2014 | 50 | |
| Gennady Fedotov | purchase | 26 September 2014 | 4,610 |
| Evgeny Khavkin | sale | 20 January 2014 | 20,129 |
| | sale | 30 May 2014 | 16,000 |
| Lyubov Khoba | purchase | 01 October 2014 | 4,693 |
| Azat Shamsuarov | purchase | 10 February 2014 | 1,799 |
| | purchase | 24 March 2014 | 5,482 |
| | purchase | 16 April 2014 | 10,840 |

¹ Transaction performed by a related party.

Reference information

► COMPANY DATA

Open Joint Stock Company "Oil company "LUKOIL" (abbreviated name – OAO LUKOIL) was established in accordance with Presidential Decree No. 1403 On Specific Features of Privatization and Transformation into Joint Stock Companies of State Enterprises and Industrial and Research and Production Associations in the Oil and Oil Refining Industries and Oil Product Supply, issued on 17 November 1992, and Directive No. 299 of the Council of Ministers – Government of the Russian Federation On the Establishment of Joint Stock Company "Oil company "LUKOIL", issued on 5 April 1993.

► LEGAL ADDRESS AND CENTRAL OFFICE

11, Sretensky Boulevard, Moscow, 101000, Russia

► CENTRAL INFORMATION SERVICE

Tel.: +7 495 627 4444, +7 495 628 9841

Fax: +7 495 625 7016

► SHAREHOLDER RELATIONS

Tel.: +7 495 983 2171, +7 800 200 9402

Fax: +7 495 627 4191

E-mail: shareholder@lukoil.com

► INVESTOR RELATIONS

Tel.: +7 495 981-75-26

Fax: +7 495 981 7288

E-mail: ir@lukoil.com

► PRESS SERVICE

Tel.: +7 495 627 1677

Fax: +7 495 627 1653

E-mail: media@lukoil.com

► LUKOIL STOCK CONSULTING CENTER OAO LUKOIL

P11, Sretensky Boulevard, Moscow, 101 000, Russia

Tel.: 7 495 780 1943

Fax: 7 495 627 4191

E-mail: shareholder@lukoil.com

► REGISTRAR COMPANY

COMPUTERSHARE REGISTRAR

(successor of NIKoil Registrar)

8, Ivan Franko Street, Moscow, 121108, Russia

Tel.: +7 495 926 8160, +7 800 200 8160

Fax: +7 495 926 8178

E-mail: info@computershare-reg.ru



► ADDITIONAL INFORMATION

The most complete and up-to-date information about the Company can be found on LUKOIL's website at www.lukoil.ru (Russian) or www.lukoil.com (English).

Company's presentations, financial and operational results, dividend history, share prices, an investment calculator, shareholder's personal account and Company's reports are available under the Investor and Shareholder Center section of the website.



► OTHER COMPANY REPORTS

- Analyst Databook (digital information on the Company's business lines and financial results; Excel version also available);
- Fact Book (detailed information on the Company's operational assets and results);
- Sustainability Report (information on the Company's environmental efforts and social responsibility in the regions of its operations);
- Corporate Governance Report (published in accordance with the UK FCA's requirements);
- Global Trends in Oil & Gas Markets to 2025 (the Company's Strategic vision of the oil & gas industry in Russia and across the world)

► CONVERSION FACTORS

Percentage changes in operating results for 2014 presented in million tonnes are based on respective figures in thousand tonnes.

Oil resources and production include oil, gas condensate and natural gas liquids.

The average RUB/USD exchange rate for 2014 (38.4 rubles/US dollar) is used for converting figures in rubles into US dollars, unless otherwise indicated.

1 boe = 6,000 cubic feet of gas

The segment split used in the Report is in line with the information in the Group's US GAAP consolidated financial statements.

Largest international privately owned oil & gas companies include Shell, Eni, Total, ConocoPhillips, Chevron, BP, and ExxonMobil.

President of OAO "LUKOIL"
Vagit Alekperov

The Annual report of OAO "LUKOIL" is preliminarily approved by the Board of Directors of OAO "LUKOIL" (Minutes № 9 as at 14.05.2015)

The Audit Commission of OAO LUKOIL has confirmed the reliability of data contained in this Annual Report.

► TERMS, ACRONYMS AND ABBREVIATIONS

References to “OAO LUKOIL”, “LUKOIL Group”, “the Group”, “LUKOIL”, “the Company”, “we” and “our” are all equivalents for the purposes of this Report and refer to LUKOIL Group of companies, OAO LUKOIL and/or its subsidiaries, depending upon the context in which the terms are used.

ADR – American depositary receipt

APG – Associated petroleum gas

BOD – Board of Directors

CAGR – Compound annual growth rate

Capex – Capital expenditures

CCGT – Combined-cycle gas turbine

CEO – Chief Executive Officer

CHPP – Combined heat and power plant

COTS – Commercial off-the-shelf items

E&P – Exploration and Production

EBITDA – Earnings before interest, taxation, depreciation and amortization

EOR – Enhanced oil recovery

ERM – Enterprise risk management

FAS – Federal Antimonopoly Service

FEED – Front-end engineering and design

FOB – Free on board

FOIRP – Fixed offshore ice resistant platform

FWB – Frankfurt Stock Exchange

FX – Foreign exchange

FY – Full year

G&A – General and administrative

GAAP – Generally accepted accounting principles

GCF – Gas chemical facility

GPP – Gas processing plant

H&S – Health and safety

HPP – Hydro power plant

HR – Human resources

HSE – Health, safety and environment

IEA – International Energy Agency

IR – Investor relations

JV – Joint venture

KPI – Key performance indicator

LPG – Liquefied petroleum gas

LSE – London Stock Exchange

MET – Mineral extraction tax

MICEX – Moscow Interbank Currency Exchange

MOEX – Moscow Exchange

MRC – Maximum reservoir contact

MZHF – Multi-zone hydrofracturing

OPEC – Organization of the Petroleum Exporting Countries

Opex – Operating expenses

OTC – Over the counter

PMSM – Permanent magnet synchronous motor

PSA – Production sharing agreement

R&D – Research and development

RAS – Russian Accounting Standards

RUB – Rubles

RZD – Russian Railways

SAGD – Steam-assisted gravity drainage

SEC – Securities and Exchange Commission

SUCIA – Specialized unit for control and internal audit

TTS – Texas Two Step technology

UN – United Nations

USD – US dollars

VAT – Value added tax

VSP – Vertical seismic profiling

WAG – Water alternating gas

LUKOIL GROUP ENTITIES AND THEIR NAMES

| | | | |
|--------------------------|--------------------------------------|--|---|
| Stavrolen | 000 Stavrolen | Perm GPP | 000 «ЛУКОЙЛ-ПНГП» |
| Burgas refinery | LUKOIL Neftochim Bourgas AD | Usinsky GPP | 000 LUKOIL-Komi |
| Nizhny Novgorod refinery | 000 LUKOIL-Nizhegorodnefteorgsintez | Korobkovsky GPP | 000 LUKOIL-KGPZ |
| Perm refinery | 000 LUKOIL-Permnefteorgsintez | Karpatneftekhim | 000 KARPATNEFTEHIM (Ukraine) |
| Ploiești refinery | PETROTEL-LUKOIL S.A. | L-Energy and Gas Bulgaria, Energy and Gas Bulgaria | LUKOIL Energy & Gas Bulgaria E00D |
| Volgograd refinery | 000 LUKOIL-Volgogradneftepererabotka | L-Energy and Gas Romania, Energy and Gas Romania | S.C. LUKOIL ENERGY & GAS ROMANIA S.R.L. |
| Ukhta refinery | 000 LUKOIL-UNP | L-Astrakhanenergo, LUKOIL-Astrakhanenergo | 000 LUKOIL-Astrakhanenergo |
| Saratovorgsintez | 000 Saratovorgsintez | L-Volgogradenergo, LUKOIL-Volgogradenergo | 000 LUKOIL-Volgogradenergo |
| Terminal in Vysotsk | OAO RPK-Vysotsk LUKOIL-II | L-Rostovenergo, LUKOIL-Rostovenergo | 000 LUKOIL-Rostovenergo |
| Lokosovsky GPP | 000 LUKOIL-Zapadnaya Sibir | L-Kubanenergo, LUKOIL-Kubanenergo | 000 LUKOIL-Kubanenergo |
| Varandey terminal | 000 Varandey terminal | L-Stavropolenergo, LUKOIL-Stavropolenergo | 000 LUKOIL-Stavropolenergo |
| ISAB refinery | ISAB S.r.l. | Teboil | Oy Teboil Ab |
| Zeeland refinery | Zeeland Refinery N.V. | L-Ecoenergo | 000 LUKOIL-Ecoenergo |

