

**Opinion
of the Audit Commission
based on a review of the financial and business activity
of OAO “LUKOIL” in 2008**

Moscow

12 May 2009

In accordance with the legislation of the Russian Federation, the Charter of OAO “LUKOIL” (hereinafter the “Company”), the *Regulations on the Audit Commission*, and on the basis of the audit opinion of the audit firm ZAO KPMG, the Audit Commission performed a review of the Company’s financial and business activity in 2008.

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

In accordance with the Work Plan (Appendix No. 1 to the minutes of the Audit Commission meeting of 3 July 2008) the Audit Commission performed a review of:

1. The compliance of the procedure for accounting business operations with the accounting policy of OAO “LUKOIL” and the regulatory legal acts of the Russian Federation;
2. Compliance with the procedure for performing a stock-take of property and financial obligations and for compiling its results in connection with preparing the annual financial statements;
3. Compliance with the procedure for forming and using provisions and presenting them in the annual financial statements.
4. Reliability of the data contained in the annual financial statements and Annual Report of OAO “LUKOIL” for 2008;

In addition, the main indicators characterising the financial and business activity of OAO “LUKOIL” in 2008 were assessed.

During the review, it was established that:

1. The accounts of OAO “LUKOIL” (hereinafter, the “Company”) are kept on the basis of the Regulations on the Accounting Policy of the Company for 2008, approved by OAO “LUKOIL” Order No. 231 of 29 December 2007 with amendments and addenda (OAO “LUKOIL” Order No. 161 of 10 September 2008), and prepared in accordance with Federal Law No. 129-FZ *On Accounting*, the accounting regulations, and other regulatory acts governing accounting issues.

2. To ensure the reliability of the data in the accounts and the financial statements, an inventory of the Company’s property and obligations was performed prior to the preparation of the annual financial statements, on the basis of Executive Order No. 169 of 25 September 2008, *On Taking Inventory of the Property and Obligations of OAO “LUKOIL” in Order to Prepare the Annual Financial Statements for 2008*”.

The inventory of property and financial obligations at the Company was performed by the established deadlines and in accordance with the requirements of the Methodological Guidelines for the Inventory of Property and Financial Obligations approved by Order of the RF Ministry of Finance No. 49 of 13 June 1995, and the Methodological Recommendations on the Inventory of the Property and Financial Obligations of OAO “LUKOIL”, approved by order No. 167/1 of 13 September 2006.

The documentation of the stock-take’s performance and the reflection of its results in the accounts were carried out by applying the unified forms approved by Resolution of the RF State Statistics Committee No. 88 of 18 August 1998 and the forms approved by order No. 167/1.

The inventory of property was taken by working commissions on objects subordinated to materially liable persons of the Company, with preparation of inventory registers. All inventory registers were signed by members of the inventory commissions and by materially liable persons.

The inventory of payments, financial investments, provisions etc. of all kinds was performed on the basis of source and supporting documents, with preparation of Inventory Reports.

All Inventory Reports for property and obligations were signed by members of the working audit commissions.

The results of the completed inventory of property and financial obligations were documented by protocols of the working inventory commissions, which were sent to the Company's Main Inventory Commission.

The inventory results were drawn up in a report by the Main Inventory Commission No. 1 of 12 January 2009; they were approved by OAO "LUKOIL" order No. 6 of 19 January 2009 and reflected in the accounts according to the procedure established by regulatory documents.

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

4. The data contained in the forms of the annual financial statements correspond to the data presented in the accounting registers. The Company's financial statements include data on assets, liabilities, income, and expenses provided by trustees. The explanatory notes contain information subject to disclosure in accordance with the requirements of accounting regulations.

The Company's 2008 operations are characterized by the following indicators:

Sales revenue in 2008 equaled RUB 623,979,575,000, 2.3% higher than in 2007. Factors behind the rise in revenue against the previous year are a 7.3% increase in oil and gas prices and a 5.3% decrease in sales volume.

For the reporting period, the production cost of goods, products, work and services sold equaled RUB 512,028,603,000, which exceeded the 2007 figure by RUB 22,190,883,000, or 4.5%.

The Company's **selling expenses** were RUB 48,068,238,000, an increase of RUB 5,658,200,000 or 13.3% from 2007.

The rise in selling expenses is related to the rise in expenses on transport and shipping services. Transport expenses make up the majority of selling expenses – 83%. The unit weight of selling expenses among sales revenue rose from 7 to 8%.

Management expenses in 2008 rose against the previous period by RUB 1,119,038,000, or 10.5%, to RUB 11,745,059,000. The rise in management expenses is related to the growth of expenses on the payment of services of outside organizations.

Profit on sales dropped by 22.1%, to RUB 52,137,675,000.

The Company's **other income** equaled RUB 51,672,664,000, which was 62.7% or RUB 19,914,152,000 more than in the previous reporting year.

Other expenses rose against the previous year by RUB 3,244,775,000, or by 26.5%, to RUB 15,495,644,000.

Net profit for the reporting year was RUB 67,191,723,000, an increase of 3.2% compared to the previous period, which is related primarily to profit from operations under other income and expenses.

Net assets, compared with 2007 indicators, rose by more than 10%, or RUB 31,468,066,000, to RUB 328,181,421,000.

Annual Report of OAO “LUKOIL”:

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

The Annual Report of OAO “LUKOIL” is signed by V.Yu. Alekperov, President of OAO “LUKOIL”, and also by L.N. Khoba, Chief Accountant.

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

Conclusions

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

The Audit Commission confirms the reliability of the data contained in the Annual Report of OAO "LUKOIL" and the annual financial statements for 2008.

Chairman of the Audit Commission:

V.N. Nikitenko

Members of the Audit Commission:

P.G. Kondratiev

L.G. Ivanova