PRESS RELEASE
OCTOBER 27, 2011

OAO LUKOIL BOARD OF DIRECTORS DISCUSSES PRIORITIES FOR COMPANY'S DEVELOPMENT

The OAO LUKOIL Board of Directors held a meeting in Moscow today to discuss gas production projects and the Company's policy to increase shareholder value.

The draft 2012-2021 Development Program for the Exploration&Production Business Segment provides for an increased share of gas production in the total volume of hydrocarbon production from 20% in 2011 to more than 35% in 2021.

Currently, Nakhodkinskoye field, with an annual natural gas production volume of more than 8 billion cubic meters, is operated in West Siberia at the Bolshekhetskaya Depression. The base compressor station will be commissioned there in 2012. Construction of a system of main gas pipelines to collect gas from Pyakyakhinskoye, Yuzhno-Messoyakhskoye and Khalmerpayutinskoye fields is scheduled for 2013. A booster compressor station is to be commissioned in 2014 to maintain production at Nakhodkinskoye field.

Under the draft Development Program for the Exploration&Production Business Segment, the key natural gas production increment is expected in the Republic of Uzbekistan, where LUKOIL is the operator implementing the PSA projects of Khauzak-Shady-Kandym-Kungrad and also Gissar. Gas extracted as a result of these projects will be processed at the Kandym gas processing complex, yet to be commissioned, with a capacity of 8 billion cubic meters per annum.

Among other things, the BOD meeting decided that work should be continued to raise natural gas production, to achieve a higher utilization level of associated petroleum gas in view of the macroeconomic conditions and also that development outlooks should be assessed for projects of shale gas production in Russia in view of the risks associated with shale gas production in Eastern Europe.

On the second item of the agenda, the OAO LUKOIL Board of Directors resolved that higher mid-term shareholder value should be ensured through implementation of highly efficient projects in Uzbekistan, Iraq, at the Caspian Sea shelf and also through other highly efficient projects under the 2012-2021 Strategic Development Program to be reviewed by the Board of Directors in December of 2011.

In 2010, the Company increased its free cash flow up to USD 6.9 billion, which allowed it to allocate USD 5.2 billion to shareholders as dividends, and to repurchase its shares. The stable financial position of the Company guarantees easy and efficient access to capital markets, thus creating extra competitive advantages. The Company’s net debt was cut by USD 2.2 billion in the first half of 2011.