PRESS RELEASE
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# OAO LUKOIL PRESIDENT VAGIT ALEKPEROV DELIVERED A SPEECH TO THE STUDENTS OF VOLGOGRAD STATE UNIVERSITY

Today, Vagit Alekperov, OAO LUKOIL President, delivered a lecture to the students of Volgograd State University (VSU).

Among other things, he stated that OAO LUKOIL was rapidly developing and therefore was in great need of professional managers. Presently, over 150 graduates of VSU work at the Company's enterprises in the Southern Federal District. 15 of them are occupying top management positions. OAO LUKOIL's employees undergo advanced training in VSU and receive a second higher education. The university's best students do their practical training at the Company's enterprises. OAO LUKOIL intends to create a corporate training center in Volgograd its HR, including those for international projects.

'Heads of global leading oil and gas companies, in addition to their technical education, usually have degrees in management. I believe it will take some time before this mechanism takes root in Russia. From this standpoint, your university has every chance of becoming one of the leading training centers for the oil and gas industry', said Vagit Alekperov.

Today Russia is the world's leader in terms of natural gas exports and second in oil and petroleum products exports, Saudi Arabia topping the list. Practically all of the Russian hydrocarbons are exported to Europe. At the same time Russia has been actively expanding its presence on the markets of other large consumers. In 2005 its share in oil exports to China approximated 10%.

Russian companies are also becoming more competitive, which is triggered by concentration of capital, asset optimization and introduction of international corporate management practices.

OAO LUKOIL became one of the first vertically integrated companies in Russia. For the past 15 years the Company transformed itself from an alliance of three producing enterprises in Western Siberia into the largest transnational company in Central and Eastern Europe. Today, OAO LUKOIL is made up of 300 organizations employing over 145 thousand people. OAO LUKOIL operates in more than 30 countries of the world. The Company's strategic partner is ConocoPhillips, a US company, which owns approximately 18% of OAO LUKOIL.

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In September the Company's Board of Directors approved a new development strategy for 2006-2016. Its implementation will enable OAO LUKOIL to become one of the industry majors, not only in terms of production volume, but also in terms of production efficiency. By the present moment OAO LUKOIL capitalization has reached USD 70 bln. In ten years' time it is expected to reach USD 150-200 bln.

At the same time, Russian companies are facing very serious challenges. The first and the most important one is further consolidation of Russia's competitive standing on the world hydrocarbon market. With that in view, OAO LUKOIL is running a geological survey on Yamal, in the north of Russia's European part and on the shelf of the Caspian Sea. Over the recent five years, hydrocarbon recovery resulting from the increment of proved reserves discovered through geological surveys has reached 120%. OAO LUKOIL has been operating in the Caspian Sea since 1995. Over the previous period, a new oil and gas province was discovered, revealing the reserves of over 4 bln barrels of oil equivalent. The amount of OAO LUKOIL investments into its construction made up USD 350 mln. In 2005 a new field named after V. Filanovskiy was discovered in the Caspian Sea. It is the largest field discovered in Russia over the last 20 years. Starting in 2009, oil production will be launched in the Caspian shelf. Later the Company intends to produce natural gas there. To process Caspian gas, OAO LUKOIL is planning to build a huge gas processing chemical unit in the south of Russia.

The second major task of Russian companies is modernization of their refining capacities. Each year OAO LUKOIL invests several hundred million dollars into upgrading of its refineries. In 2009 Russian refineries will be able to fully comply with Euro-3 standard, and in 2014 they will meet Euro-4 standard.

The third task of the Russian companies is geographical expansion of their operation. World market development is becoming less predictable each year. Over the last 15 years, the market share of three major oil producing countries has decreased by 11%, while that of three major oil consumers has dropped by 7%. Thus, creating global downstream production chains is becoming a major driver to maintain market stability. It is equally actively used by both the consumers and the producers of raw materials.

According to UN Committee on Trade and Development, OAO LUKOIL has already become one of the major transnational corporations in Central and Eastern Europe. In the next 10 years the Company intends to increase its share of foreign oil production from 6 to 15-20%, and its foreign oil refining from 29 to 44%. Geographical expansion of oil production will be carried out though implementation of projects in the Caspian region, in the Middle East, Central and West Africa and South America. Geographical expansion of refining is planned to

be implemented through acquisition and construction of refineries in Europe, Asia and America.

‘The tasks which we have defined are to be tackled by the new generation of specialists. Some of them are present in this conference hall today. We hope that the graduates of Volgograd State University will not only contribute to their home region, but will work in different regions around the world with our Company's presence’, stated OAO LUKOIL President Vagit Alikperov during his speech to the students of Volgograd State University.