



Energy Solutions

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Good morning, dear ladies and gentlemen!

I am glad to greet you at the session of the 10th OECD Forum, uniting many substantial delegations of the OECD member-countries. To the moment, Russia is not an OECD member, but we pay serious attention to the development of international cooperation. This can be proven by the scale of development of Russian business abroad, as well as by the interest of the country leaders to the activities of the OECD Forum. Tomorrow Russian minister of economic development Mrs. Elvira Nabiullina will take part in the Meeting of the OECD Council at Ministerial Level.

I am here to represent the oil company LUKOIL.

LUKOIL is a multinational company working in 42 countries of the world. It is the 2nd largest non-state publicly traded oil company worldwide by proven reserves of hydrocarbons and the 6th largest - by production of hydrocarbons. Main activities of the Company are exploration and production of oil & gas, production of petroleum products, petrochemicals, and electric power, and marketing of these outputs.

For the last five years we keep high parameters among the largest private oil-and-gas companies, and show steady competitiveness.

The vast majority of projects on exploration and production are carried out in Russia; we also do exploration and production in foreign countries. In 2008 we were carrying out 26 international projects, with total investments of about one and a half billion US dollars. Thus, the principle of geographical variety for the maintenance of reliable delivery of hydrocarbons is being put into practice.

The processing block includes the enterprises of oil refining and petrochemistry in Russia and Eastern Europe. As for the volume of production of oil-processing outputs the Company is the sixth largest in the world among the private oil companies. In 2008 LUKOL and the Italian company ERG have signed an agreement to establish a joint venture that will operate a large refinery complex on the island of Sicily. It will allow us to create a united system of raw material supply, processing and production of high quality oil products for the consumers in Southern Europe. In 2008 after a three-year reconstruction the oil-refining complex in Odessa, Ukraine, was put into operation.

Our marketing network abroad includes over four and a half thousand gasoline stations (4402) and 79 tank farms in the countries of the CIS, Europe and USA. In 2008 the Company has considerably expanded its marketing network by acquiring the refueling complexes in Bulgaria, Croatia, Montenegro and Turkey. The largest acquisition was a Turkish company AKPET (693 gas stations).

We also deliver jet fuel for more than 50 airports and we plan to create a network of our own fuelling complexes in Russia and abroad.

In 2008 with the aim to diversify the sources of energy and to achieve a synergetic effect from the use of available hydrocarbon resources the Company has extended its business by acquiring a large electric power generating company in the south of Russia (TGK-8).

In our understanding, sustainable development is the interrelated process of developing the resource and production potential, increasing financial results, while maintaining the social and ecological safety.

Being an energy company we share the concern of the global community about the climate change and the search for alternative sources of energy. In this regard we conduct a stage-by-stage preparation for the application of Kyoto Protocol mechanisms. With this aim we have included in our corporate policy an additional aspect of sustainable development - the measures to prevent climate change.

In 2008 we have joined the United Nations Global Compact, a voluntary initiative to facilitate sustainable development and encourage businesses to adopt socially responsible policies. In 2004 LUKOIL has signed the Global Framework Agreement with the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) and Russian Oil, Gas and Construction Workers' Union. In line with the Global Framework Agreement an International trade union network of ICEM for the oil company LUKOIL was created. It has successfully developed its activities and allowed to establish direct contacts between the LUKOIL Trade Union Association, the trade union organizations of the foreign enterprises and the national trade unions. It is an issue of utmost importance as LUKOIL provides more than 27 thousand workplaces abroad.

We should also mention our participation in the international conferences in cooperation with the LEED Programme of the OECD.

The globalization processes strengthen the necessity of long-term partnership between market players both in what relates to the exploration and production of raw materials, and in processing and marketing of the outputs. LUKOIL's strategic partner is ConocoPhillips, holding 20 % of our shares. The main direction of our partnership in Russia is oil extraction, while abroad it focuses on the exchange of assets in processing and marketing.

Our budget this year has been formed stemming from the price of 40 dollars per barrel. No doubt, that the crisis has forced the Company to reconsider its investment program. Yet, the projects under consideration are those which were only planned, but had not been started yet. We have simply postponed their starting date as they do not influence the today's production volumes and the stability of work. As soon as the market environment changes, we will be ready to start these projects. As for the projects which are to give us the results in the nearest two years, we finance them fully.

The cost-minimizing program, adopted by the Company does not include cutting down the number of personnel. Despite the complexity of the economic conditions we do not intend to cut down wages and to refuse the previously accepted social obligations to the working collectives and regions. This is the compelling stand of the company management, and above all, of the President of LUKOIL.

This year LUKOIL will also continue carrying out its charity programs. We think that creative processes in the social sphere are among our Company's competitive advantages. The means invested in the realization of social projects are regarded as long-term investments with a real economic effect. Thank you for your attention!