PRESS RELEASE
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LUKOIL RESUMES CONSTRUCTION OF POLYPROPYLENE PRODUCTION LINE AT OOO STAVROLEN

LUKOIL resumed today construction of a polypropylene production line at Stavrolen Petrochemical Complex (which is a part of ZAO LUKOIL-Neftekhim) in the town of Budennovsk, Stavropol Region.

The construction commenced in 1986. In 1992, a company named OAO Stavropolpolymerproduct was set up to complete and operate the line. However, in 1995 the construction works were ceased as the state funding had stopped.

In July 2004, the LUKOIL-Neftekhim Group (a holding company which runs the petrochemicals business of OAO LUKOIL) purchased 87.42% of OAO Stavropolpolymerproduct shares from "Moskovski Promishlenno-Torgoviy Tsentr Integratsii i Razvitiya" State Unitary Enterprise.

UNIPOL process technology for polypropylene, to be used in the project, was engineered by Dow Chemicals (USA). This method excludes any hazardous emissions and thus features better ecological safety compared with other methods. This technology will allow to produce impact-resistant and low-temperature polypropylene and also its various modifications used in medicine and agriculture. The polypropylene produced will be supplied to Russian chemical plants where fiber, thread, tubes and other consumer goods will be manufactured.

The main feedstock, propylene, is produced at OOO Stavrolen and will be delivered to the line via pipeline.

Startup of the line with an annual production capacity of 80 thousand tons is scheduled for 2006. This type of line is the first used by the Company. As of today, four similar lines with an aggregate annual polypropylene production volume of 285 thousand tons operate in Russia.

The construction of the line is part of LUKOIL-Neftekhim Strategic Development Program till 2010 launched to achieve higher efficiency of the production process. The aggregate investment in the project will exceed $70 million (including US$32 million spent on a 87.42% stake of OAO Stavropolpolymerproduct). The project's payback period will not exceed 6 years.

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“Petrochemical sector expansion is one of the Company’s strategic priorities. Polymer market is indeed a very promising one. In addition to that, the region will benefit a lot from this project both economically and socially. Some of the region’s enterprises will take part in the construction of the polypropylene line. The new facility will create 400 jobs,” Vagit Alekperov, President of OAO LUKOIL said.

OOO Stavrolen is one of Russia’s largest plants producing polyethylene and other petrochemicals. It was put into operation in 1980. It employs over three thousand people. OOO Stavrolen, OOO Saratovorgsyntez and ZAO LUKOR (Ukraine) form the basis of production and technological complex of LUKOIL-Neftekhim Group.