PRESS RELEASE
JULY 26, 2005

LUKOIL COMMENCES A WIDE-SCALE UPGRADE OF ODESSA REFINERY

Management Committee of OAO "LUKOIL" took a decision to commence a wide-scale upgrade of the Odessa refinery.

The upgrade project will basically include construction of a catalytic cracking complex and a power-generating plant as well as facilities for hydrotreatment of gasoline and vacuum gas oil, production of hydrogen, sulfur and petrol high-octane components. The diesel fuel hydrotreatment complex, automatic vacuum pipe still and general utilities will also be upgraded. Total amount of the investment into the project is estimated to be around US$320 million. The upgrade program is scheduled for three years.

As a result of the upgrade the level of refining will grow from 57% to 80% and the light oil products production share will increase from 43% to 65% provided that the refinery annual throughput remains at 2.8 million tons. Yearly production of the high-octane gasoline will double to reach about 740 thousand tons and the Euro-3 diesel fuel annual output will be around 960 thousand tons. Production of Jet A-1 aviation kerosene will also be launched in compliance with international standards.

Isomerization unit with a capacity of 120 thousand tons per year was commissioned at Odessa refinery in June 2004 to be the first step of the upgrade program. As a result, it became possible to increase production of the high-quality auto gasoline to 330 thousand tons per year. Introduction of the isomerization unit into the refinery processing complex enhanced the quality of the produced gasoline to meet EN-228:2000 European standards for concentration of the aromatic hydrocarbons, benzol and sulfur. Herewith the share of production of the gasoline fully meeting the Euro-3 standard is not less than 96% out of the total production of the refinery.

During the Odessa refinery upgrade OAO "LUKOIL" will ensure advanced supplies of oil to Ukraine for processing at third party refineries and providing LUKOIL-Ukraina retail petrol service stations with oil products. Besides, supplies are also scheduled from Petrotel-LUKOIL refinery in Romania that was put into operation after an upgrade in October 2004 and produces oil products in accordance with the Euro-3 and Euro-4 standards.

Most of the refinery employees released for the upgrade period will be employed at other LUKOIL companies in Ukraine.

Press Centre PJSC "LUKOIL"
Phone:
E-mail: media@lukoil.com

Upgrade of the Odessa refinery will make it possible to improve the efficiency of the oil refining and meet the growing needs in the high-quality engine fuel in the South-Western Ukraine. Apart from that, the tax payments into the budgets of different levels will increase, safety and environment will enhance, number of work places will grow. Total investment in to the economy of Ukraine related to the Odessa refinery upgrade project will sum up to US$500 million including further expansion of the retail petrol service stations network.