PRESS RELEASE
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LUKOIL COMMISSIONS POLYPROPYLENE PRODUCTION AT OOO STAVROLEN

Today Vagit Alekperov, OAO LUKOIL President, Dmitry Kozak, Authorized Representative of the RF President in the Southern Federal District, Vladimir Katrenko, Deputy Chairman of the State Duma, Alexander Chernogorov, Governor of Stavropol Region and Yury Luzhkov, Moscow Mayor, attended an official ceremony in Budennovsk devoted to commissioning a polypropylene production unit at OOO Stavrolen, part of the LUKOIL Group.

The polypropylene production unit with the capacity of 120 thousand tons per year is the first facility of its kind in the LUKOIL Group petrochemical complex. Propylene, which is the main crude product for the unit, is produced at OOO Stavrolen and transferred to the unit via the pipeline. Design of the unit is based on the operational process Unipol which is developed by DOW Chemicals (USA). As compared to other methods of polypropylene production, this operational process is distinguished by higher environmental safety, since it contains no basic sources of air pollutant emission. The same technology will provide for production of high-impact and frost-resistant polypropylene, as well as different modifications used in medicine and agriculture. Polypropylene produced for general use will be delivered to Russian facilities to help manufacture fiber, pipes, mechanicals and consumer goods. The new unit will allow to satisfy the needs of the Russian market with modern brands of polypropylene.

Construction of the polypropylene production unit at OOO Stavrolen was launched in 1986. OAO Stavropolpolimerprodukt was set up in 1992 to continue construction and start operation of the unit. However, in 1995 due to termination of government financing all operations were suspended. To complete the project, the LUKOIL Group acquired 87.42% of OAO Stavropolpolimerprodukt assets from State Unitary Enterprise Moscow Industry and Trade Center of Integration and Development for USD 32 mln. Construction of the facility was resumed in January of 2005.

Petrochemical plant Stavrolen was commissioned in 1981. It is one of the largest Russian enterprises for polyethylene and other petrochemicals production. OOO Stavrolen alongside with OOO Saratovorgsintez, OOO Karpatneftechim (Ukraine) and AO LUKOIL Neftochim Bourgas (Bulgaria) are the basis of the LUKOIL

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Group’s petrochemical complex.