PRESS RELEASE
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PRESS SERVICE STATEMENT

Today in Budyonnovsk, Vladimir Nekrasov, OAO “LUKOIL” First Vice-President, advised Deputy Chairmen of the RF Government Igor Sechin on emergency response and repair operations at Stavrolen petrochemical plant, following the fire outbreak at the ethylene unit, December 15, 2011.

The damage incurred to the booster and heat exchanging equipment of the unit is initially estimated around USD 25 million. Stavrolen’s facilities are insured for the full reinstatement value.

According to the time schedule of manufacture and delivery of the new equipment, ethylene plant operation is expected to resume no later than on April 1, 2012.

According to Vladimir Nekrasov, recovery operations will not impair the timeline of the gas chemical facility construction project at Stavrolen’s production site.

The ad hoc commission continues onsite investigations to tell the cause of the incident. The commission is expected to finish its work by January 13, 2012.

As the result of the incident 9 people suffered mild first and second degree burns of open skin areas. Three of them, earlier admitted to hospital, have already been released.

No excess permissible concentrations of harmful substances have been detected. This is supported by the data against 13 pollution indices obtained from the ambient air monitoring station, located 400 meters away from the sanitary protection border of the plant in close proximity to the city’s inhabited areas. Moreover, Stavrolen’s own experts use ultraviolet gas sensors to ensure continuous monitoring and measuring of the concentration of 38 major impurities in ambient air in parts per billion by volume. Air samples are taken at production sites, at the sanitary protection zone border and in the housing areas of Budyonnovsk and Chkalovsky. Field monitoring has taken place as well. The fixed monitoring station, located in the central part of Budyonnovsk, detected no excess maximum permissible concentrations of harmful substances within the city limits.

LUKOIL has also received expert review by Vladimir Gorokhovsky, Cand. Sc. (Geography), Director of Biosphere environmental centre. According to the review,

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the incident resulted in high-temperature combustion of C2-C3 hydrocarbons, generating combustion products including carbon oxide, methane, sulfur dioxide and hydrogen sulfide. The dispersion field analysis proved concentrations of hazardous substances at a time of burning below maximum permissible concentrations in ambient air of inhabited areas. The results were also verified through a research in a laboratory, which included weather data, collected onsite, at the sanitary protection zone border and within the Budyonnovsk and Chkalovsky housing areas.

No concentrations of harmful substances, exceeding maximum permissible levels or in amounts affecting health, have been detected by state laboratories of the Stavropol Region Hygiene and Epidemiology Centre in Budyonnovsk (Federal Service for Consumer Rights and Welfare Supervision), the Southern Federal District Lab Analysis and Technical Measurements Centre (Federal Service for Supervision of Natural Resources), FSBI Stavropol Regional Hydrometeorology and Environmental Monitoring Centre.

Around 500 of the 2,000 plant employees will be put on the paid leave or on the partially paid leave, 2/3 of the usual wage rate preserved.