PRESS RELEASE
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LUKOIL TO RESUME MANUFACTURE OF POLYVINYL CHLORIDE AT KARPATNEFTEKHIM

LUKOIL began start-up operations at the Karpatneftekhim petrochemical enterprise in Kalush, Ukraine, today to resume the manufacture of suspended polyvinyl chloride (PVC).

The manufacture of PVC is scheduled to start on November 1, 2013, whereas resumed production of another chemical, polyethylene, began on September 10, 2013.

Resumed manufacture of polyethylene and PVC will fully satisfy the demand of the Ukrainian market for these products.

As previously reported, the manufacture of ethylene and polyethylene, vinyl chloride, caustic soda, chlorine and suspended polyvinyl chloride (PVC) was stopped in September of 2012 due to unfavorable conditions in the petrochemical market.

In April of 2013, the Ukrainian Cabinet of Ministers and LUKOIL signed a Memorandum of Implementation of Certain Measures to bring the plant to a cost-effective level of production.

The company, for its part, has fulfilled all obligations, including those related to output enhancement and retention of the number of work places. The Ukrainian government also assumed a number of obligations which, if fulfilled, could help bring the plant to a cost-effective level of production.

Meanwhile, should the unfavorable conditions in the petrochemical market persist, in order to maintain a cost effective production level, the company will have to reduce its operating expenses, including via optimization of the enterprise headcount.

Vagit Alekperov, OAO LUKOIL President, plans to visit Kiev soon and pursue negotiations with the Ukrainian government to create additional favorable conditions in order to bring the plant to a cost-effective level of production without any negative social consequences.

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