PRESS RELEASE
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LUKOIL PUTS ITS MODERNIZED ROMANIAN OIL REFINERY INTO OPERATION

A ceremony to mark the start-up of modernized Petrotel-LUKOIL refinery was held in Ploesti, Romania, today. LUKOIL invested $120.7 million in the plant reconstruction. The ceremony was attended by Adrian Nastase, Prime Minister of Romania, and Vagit Alekperov, President of OAO LUKOIL.

The following three new facilities were constructed in the course of modernization: gasoline hydrotreatment unit, isomerization unit and hydrogen production unit. The new units were designed under licenses of UOP Ltd. (USA), ExxonMobil (USA), Linde (France), Haldor Topsoe A/S (Denmark). Eighteen technological and auxiliary facilities were upgraded, including diesel fuel treatment unit, coker unit and purification facilities. Fire-fighting and water-supply systems were revamped to match higher industrial and ecological safety standards.

The upgrade resulted in an increased refining depth from 87.9% to 94.8%. The aggregate annual throughput will be 2.4 million tons with a share of light petroleum products to grow from 73.3% to 81.7% and will reach almost 2 million tons. In 2005, the refinery will fully switch over to the production of petroleum products that comply with Euro-3 and Euro-4 standards.

The modernization allowed to reduce hazardous emissions by 50%. Ecological expenditure under the reconstruction program amounted to over $6 million.

LUKOIL acquired a 51% stake in Petrotel refinery for $53.2 million in February 1998. As of today the Company holds 93% of shares. The Company invested $285 million in the development of Romania's retail infrastructure. LUKOIL runs 257 filling stations and 10 tank farms under its corporate brand. LUKOIL controls almost 20% of the Romanian petroleum products market, employing around 5 thousand people, including over 1,200 at Petrotel-LUKOIL refinery.

A number of social programs were realized in the framework of the reconstruction, including medical equipment supplies to the refinery's health center and improved welfare spaces and the canteen. Besides, the Company compensates up to 50% of infant school fees to the refinery's employees. LUKOIL also sponsored the construction of a church in the city of Ploesti.

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Forward-looking statements

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