PRESS RELEASE
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# LUKOIL HAS TO SUSPEND OPERATIONS AT ODESSA REFINERY

The LUKOIL management decided to suspend operations at Odessa Refinery ( Ukraine ) incorporated in LUKOIL Group.

This forced decision was prompted by the activities of the Ukrainian company OAO Ukrtransnafta which ceased to pump oil via the route Lisichansk - Kremenchug - Odessa Refinery on October 1, 2009.

The other oil delivery routes to Odessa Refinery suggested by OAO Ukrtransnafta would considerably increase oilstock prices and cause losses, LUKOIL specialists believe. For instance, an alternative route, Belarussian border - Brody - Odessa, would increase transportation costs by USD 5.7 per ton.

Besides, OAO AK Transneft is technically incapable of ensuring uninterrupted oil deliveries to Odessa Refinery via other routes in October, 2009.

Thus, LUKOIL has to suspend operations at the refinery for an uncertain period and cease petroleum products manufacturing.

The chances are that if deliveries to the refinery do not resume very soon on economically effective conditions and with consideration taken of OAO AK Transneft's technical capabilities, the refinery will have to start dismissing its personnel. At the same time, the tax deductions to the budget would reduce drastically too.

Besides, there may appear shortages in the supply of high-quality fuel, which might entail higher prices and poorer-quality petroleum products in the market.

Presently, the LUKOIL management are doing their best to resolve the problem and resume operations.

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