PRESS RELEASE
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LUKOIL BEGINS CONSTRUCTION OF GAS CHEMICAL FACILITY

An official ceremony of laying down a time capsule symbolizing the launch of construction phase one of a gas processing plant (GPP), part of a gas chemical facility (GCF), took place in Budyonnovsk, Stavropol Territory, today. The ceremony was attended by Deputy Prime Minister of the Russian Federation Igor Sechin, OAO LUKOIL President Vagit Alekperov, and Governor of the Stavropol Territory Valery Gayevsky. The GCF will be built on the industrial site of OOO Stavrolen, an OAO LUKOIL subsidiary.

The primary feedstock for the GCF will be associated petroleum gas from the fields developed by LUKOIL in the Russian sector of the Caspian Sea.

The facility is expected to be built in several phases.

In 2015, it is planned to commission phase one of the GPP with a capacity of 2 billion cubic meters per year and a 135 MW unit on the base of a CCGT (combined-cycle gas turbine) and to upgrade the existing ethylene production unit to convert it to the processing of liquefied gases.

In 2017, it is planned to commission phase two of the GPP with a capacity of 4 billion cubic meters per year, an ethylene production unit with a capacity of 225 thousand tons per year and a polyethylene production unit with a capacity of 255 thousand tons per year.

As a result, the GCF will become Russia's largest polymer production center. Moreover, commercial gas from the GCF will be delivered to Gazprom's transportation system.

The expected appropriations to all budget levels will exceed RUB 10 billion per year.

The project will involve a set of environmental protection activities aimed at improving the environmental situation in Budyonnovsk region, including the construction of a new water supply system and of alternative railway tracks designed for the transportation of raw hydrocarbons.

"The new gas chemical facility in Budyonnovsk, in many respects, will allow us to

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achieve the government target of maximized recycling of associated petroleum gas. Furthermore, the construction of a science and technology park for the processing of large-capacity chemical products into final products in close proximity to the GCF will create thousands of jobs and lead to the economic growth of the entire region," Mr. Alekperov commented.