PRESS RELEASE
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PETROTEL-LUKOIL RECEIVES $82 MILLION LOAN FROM IFC

Petrotel-LUKOIL S.A., LUKOIL Group's refinery in Romania, signed an agreement with the International Finance Corporation according to which the latter will provide a $82 million loan package to refinance the Company's own funds used for the refinery upgrade in 2003-2004.

OAO LUKOIL provides the corporate guarantee for the loan.

The financing includes $35 million with 7-year repayment period for IFC's account and $47 million with 5-year repayment period in syndications by commercial banks and underwritten by ING Bank.

Cooperation with the International Finance Corporation as a financer and lender allows LUKOIL to obtain "long-term" money on a competitive basis unavailable in the bank market. Thus, the long-term loan improves the structure of LUKOIL's debt portfolio by extending its average term.

The investment projects that have been financed by IFC get sort of "premium quality grade" due to thorough expertise of their process, environmental, economical and legal aspects performed by its experts.

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In the course of Petrotel-LUKOIL upgrade the following three new facilities were constructed: 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 process 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%.

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