Update on the modernization of the Khabarovsk refinery

- 7 new units launched to date:
  - Capacity increased to 90,000 barrels per day
  - Daily run-rate reached 84,809 barrels in August 2012
  - Depth of refining improved to 70.2%
  - Euro-5 gasoline available in 2013
- New hydrocracker and other hydroprocessing units to be launched for test operations in third quarter 2013
- Refining capacity to increase further to 100,000 barrels per day in 2013
- East Siberian Pacific Ocean (ESPO) trunk pipeline to supply 40,000 barrels per day starting 2014 and up to 100,000 barrels per day in 2015
- The total cost for the refinery upgrade is estimated at 1,400 MUSD, approximately 1,000 MUSD has been spent to date
- 2012 downstream CAPEX reduced to 410-440 MUSD
- Refinery modernization and ESPO connection expected to increase downstream volumes and improve margins

In order to address increasing demand for oil products and the evolving pattern of the Far Eastern markets, the scope of the Khabarovsk refinery modernization has gradually been expanded to enhance refining capacity, to improve quality of oil products and to facilitate crude oil supplies to the refinery through the East Siberian Pacific Ocean pipeline (ESPO). At completion, the Khabarovsk refining capacity will rise to 100,000 barrels per day (previously planned 90,000 bopd) with improved product yields allowing for significantly better refining margins.

In 2009-2012 the Khabarovsk refinery has launched 7 new units with upgraded utilities, infrastructure and offsites. The capacity has been increased to 90,000 bopd while daily throughput reached 84,809 bopd with refining depth improved to 70.2% as of August 2012.

A new hydrocracker and other hydroprocessing units are expected to be launched into test operations in the third quarter of 2013, marking the finalization of the present modernization phase. Currently, the project progress is estimated at above 95% in engineering and procurement, and 65% in construction works.

The Khabarovsk refinery’s throughput and depth of refining has gradually improved since 2009

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Aug 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Throughput, bopd</td>
<td>59,712</td>
<td>64,923</td>
<td>73,650</td>
<td>84,809</td>
</tr>
<tr>
<td>Depth of refining</td>
<td>62.0%</td>
<td>62.5%</td>
<td>64.4%</td>
<td>70.2%</td>
</tr>
</tbody>
</table>

Alliance Oil Company Ltd is a leading independent oil company with vertically integrated operations in Russia and Kazakhstan. Alliance Oil has proved and probable oil reserves of 648 million barrels and downstream operations that includes the Khabarovsk refinery and the leading network of gas stations and wholesale oil products terminals in the Russian Far East. Alliance Oil's depository receipts are traded on the NASDAQ OMX Nordic under the symbol AOIL.
The total cost for the expanded refinery modernization is estimated at 1,400 MUSD and includes contracts under negotiation for completing the capacity increase to 100,000 bopd in 2013. To date, approximately 1,000 MUSD has been invested in the modernization out of which approximately 680 MUSD under the EPC (engineering procurement contract) with Tecnicas Reunidas.

The 2012 downstream CAPEX plan has been reduced to 410-440 MUSD as a result of the modified modernization program.

In order to facilitate increased and efficient supplies of crude oil to the refinery, the Company has started construction of a new transfer unit and 28 kilometers pipeline from the designated ESPO connection point to the Khabarovsk refinery. The first crude supplies to the refinery by ESPO-pipeline are expected in the beginning of 2014 with 40,000 bopd switched from railway shipments. The pipeline supplies are scheduled to gradually increase to reach 100,000 bopd by 2015. The transportation costs for crude oil supplied through ESPO are expected to amount to approximately half of the cost for 3,300 kilometers railway shipments.

“We have expanded and adjusted the scope of our modernization program to reflect steadily growing demand for oil products in the Russian Far East and our revised outlook for coming years. The strategic focus of the Russian government in this region, large investments in mining and infrastructural projects, outstanding growth in bunkering operations and other segments, and the agreement with Transneft for a 100,000 bopd -pipeline to the Khabarovsk refinery have stimulated our decision to respond to recent market development and anticipated trends by increasing the capacity of all main units by 15-20%. Under current macroeconomic conditions and official fiscal policy, our investments are expected to return increased volumes and significantly improved margins in the near future”, commented Arsen Idrisov, Managing Director of Alliance Oil Company.

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About the refinery modernization
In 2007, Alliance Oil launched a comprehensive program to modernize and upgrade the Khabarovsk refinery with the objective to increase capacity, improve the quality and mix of oil products. Under the program, a Hydroprocessing Complex is being constructed that includes: a hydrotreater, a hydrocracker, a sulfur recovery unit and a hydrogen production unit. In addition, under the project, the Company is adding a vacuum distillation unit, a visbreaking, power generation stations, a boiler plant, a chemical feed plant and switching to natural gas energy generation. In order to address increased demand for oil products in the Russian Far East region, the modernization program has been expanded to increase the capacity of the refinery to 100,000 barrels per day, through modification of the two primary distillation units, upgrade of the reforming unit, construction of a new isopentane issue unit and additional construction works.

About ESPO
The ESPO is being constructed by Transneft, a Russian state-owned enterprise responsible for the national pipeline system, to transport crude oil from Taishet (Irkutsk Region) to the Pacific coast. The first phase, which has been completed, included the construction of the Taishet - Skovorodino oil pipeline (2,694 kilometers) and the Kozmino Terminal at the Pacific Coast. Currently, oil is transported from Skovorodino to this terminal by railway. In the second phase, the Skovorodino - Pacific section of the pipeline (2,046 kilometers) will be completed and the handling capacity of ESPO will be increased.