



Press release

April 5, 2012

## **Higher oil prices in upstream compensated lower volumes while downstream was supported by firm demand**

Alliance Oil Company's average daily oil production for the first quarter of 2012 amounted to 56,400 bopd compared to 45,800 bopd in the first quarter of 2011. In total, 5.1 mbbl were produced compared to 4.1 mbbl in the first quarter of 2011. Preliminary average daily refining volumes at the Khabarovsk refinery amounted to 74,900 bopd in the first quarter of 2012 compared to 68,000 bopd in the first quarter of 2011. In total, 6.8 mbbl were refined compared to 6.1 mbbl in the first quarter of 2011. Preliminary crude oil and oil product sales amounted to 4.9 mbbl and 6.5 mbbl respectively in the first quarter of 2012 compared to 4.2 mbbl and 6.3 mbbl in the first quarter of 2011.

The upstream production guidance for 2012 was adjusted to an average daily production of 55,000-60,000 barrels from 63,000-69,000 barrels. The guidance for the downstream segment remains at an average daily production of 68,000-73,000 barrels.

### **Upstream**

Average daily oil production in the Timano-Pechora region amounted to 27,100 bopd in the first quarter of 2012 compared to 17,500 bopd in the first quarter of 2011. Oil production in the Volga-Urals region and Kazakhstan amounted to 21,300 bopd in the first quarter of 2012 compared to 20,500 bopd in the first quarter of 2011. Oil production in the Tomsk region amounted to 8,000 bopd in the first quarter of 2012 compared to 7,900 bopd in the first quarter of 2011. In the first quarter of 2012, 18 new wells were drilled including 1 exploration well in the Volga-Urals region.

At the Kolvinskoye oil field, production declined compared to the previous quarter. The average daily production for the field amounted to 16,400 barrels with a total of 1.5 mbbl produced for the quarter. As of March 31, 2012 the well stock of the field consisted of 31 production wells and 1 exploration well. 21 wells were in operation, 10 wells were not producing due to testing and workover operations, 1 well was being transferred to an injection well. 3 new wells were drilled in the first quarter of 2012.

In order to address decline rates and the non-performance of certain wells in the Devonian formation, the geological and hydrodynamic models of the field are being updated based on interpretation of new 3D seismic and field data. The modeling includes the evaluation of additional reserves and resources in the Perm and Silurian formations. The updated models will reflect further interpretation of faults and main reflective horizons in the field's complex geological structure and will form the basis for a revised drilling and development plan, applying relevant technical improvements and an optimized pressure maintenance system.

As of December 31, 2011 the Company's independent reserve auditor DeGolyer & MacNaughton certified proven and probable reserves at Kolvinskoye amounting to 253.3 mbbl, primarily in the Devonian formation. Additional reserves and resources in the Perm and Silurian formations are being evaluated. The Company's objective is to optimize reserve recovery, long term production growth and mineral extraction tax benefits from the significant resource base that has been confirmed since the field license was acquired in 2006.

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*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.*



#### Downstream

In the downstream segment the demand for oil products remained strong, specifically for domestic sales of light products. Retail volumes increased significantly. Bunkering activity expanded further. Excise taxes on oil products increased effective January 1, 2012.

“Higher international oil prices and domestic crude netbacks largely compensated lower volumes in the upstream segment compared to the preceding quarter. The downstream segment was supported by firm demand, while increased crude and tax costs affected margins late in the quarter”, says Arsen Idrisov, Managing Director of Alliance Oil Company.

Upstream and downstream production data for April 2012 will be disclosed on May 11, 2012 and will thereafter be disclosed monthly. First quarter financial information will be disclosed on May 22, 2012.

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