

CIREC

MONTHLY NEWS

Chemical Industry News for Central Europe, South East Europe and Eurasia

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Czech Republic | Slovakia | Hungary | Poland | Bulgaria | Romania | Croatia | Slovenia | Yugoslavia | Baltic States | Russia | Belarus | Ukraine | Transcaucasus | Central Asia | Kazakhstan

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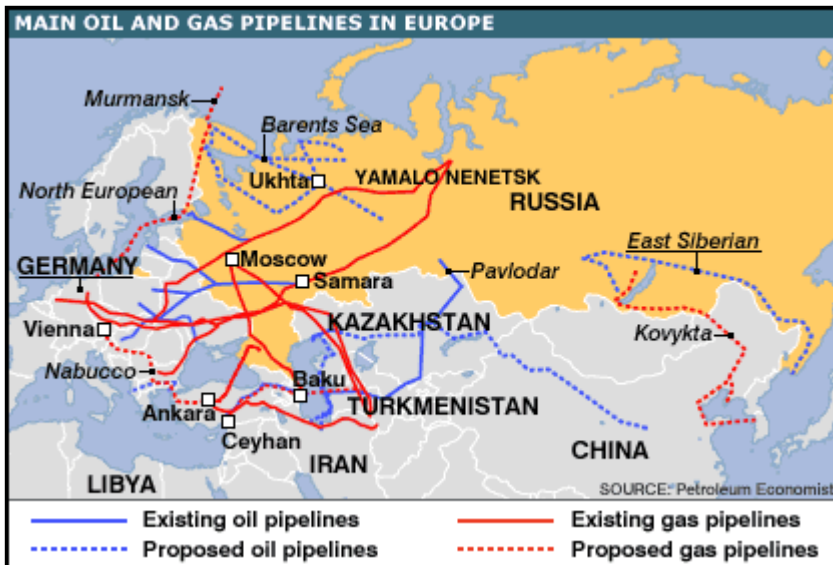
- ✚ Russia and Ukraine signed a 10-year gas supply deal on 19 January to clear the way for a prompt resumption of supplies to Europe
- ✚ Methanol plants at Lendava in Slovenia and Kikinda in Serbia were affected by the gas supply problems, but the methanol plant in Victoria in Romania had already been shut due to market conditions
- ✚ BorsodChem is expected to delay the start-up of its a new TDI plant, with a capacity of 160,000 tpa, which was planned originally for the middle of 2009
- ✚ Chemical production in Russia dropped 1.8% in the period January-December 2008 against the same period in 2007, whilst plastic products rose 11.4%
- ✚ The Ministry for Energy has adopted a government decision to drop export duties for dry gas exports to zero for a period of two months
- ✚ Soda at Berezniki plans to start the production of heavy soda ash in September 2009, with a capacity of 500,000 tpa.
- ✚ For the whole of 2008, Tomsknftekhim recorded increases for LDPE of 7.8% polypropylene by 3% and ethylene by 8.7%.
- ✚ Metrafrax produced 962,000 tons of methanol in 2008, 0.4% down on the previous year. Formaldehyde production fell 5% to 268,413 tons, whilst urea-formaldehyde production dropped 6% to 183,726 tons.
- ✚ SIBUR-Neftekhim has altered its completion date for the expansion of the ethylene cracker at Kstovo from 2001 to 2012, having agreed terms with Technip
- ✚ Kuibyshevazot increased turnover in 2008 by 11.6% to 19.2 billion roubles, whilst net profit rose 21.9% to 2.4 billion roubles.
- ✚ Construction of the ammonia and methanol complex at Mendelevsk in Tatarstan is expected to start in March 2009
- ✚ Nizhnekamsknftekhim restored production levels for butyl rubber in January, followed by HBR, after reductions in December
- ✚ Nizhnekamsknftekhim started its new HDPE plant by 19 January. The new plant will produce ?? 4050Q for moulding, ?? 6250D and PE 2260M for blowing and film manufacturer
- ✚ Karpatneftekhim will start construction of its PVC plant at Kalush on 1 February
- ✚ Construction of the Kazakh petrochemical complex was officially started in late January.
- ✚ The Russian polypropylene supply/demand balance has been helped by the fact that Stavrolen has not returned to full production since its accident in April 2008

CENTRAL & SOUTH EAST EUROPE

Petrochemicals

Gas supply

Russia and Ukraine signed a ten-year gas supply deal on 19 January to clear the way for a resumption of supplies to Europe. During the supply dispute, PGNiG had reduced supplies in Poland to local chemical companies, with ZA Pulawy seeing a 16.7% drop. The configuration of the gas supply system from Russia to Europe is shown in the diagram opposite, with the main gas pipeline of Urengoy-Pomary-Uzhgorod requiring to transit Ukraine. The total length of the pipelines going through Ukraine is 1160 km.



PGNiG stated earlier it had offset much of the shortfall in gas via Ukraine by increasing gas deliveries from a second pipeline crossing Belarus, and also by tapping into Poland's domestic gas reserves. Although gas deliveries to PKN Orlen and ZA Pulawy were restricted for the period, Poland was not as badly affected as other countries in Central Europe such as Slovakia in particular. The gas conflict between Russia and Ukraine was a signal for Poland to focus on developing its gas storage facilities and speeding up the liquefied natural gas (LNG) terminal project.

In order to reduce the dependency on imported gas, calls have grown in the Czech Republic to lift some of the limits on coal mining in Bohemia. The petrochemical industry in the Czech Republic could, it is pointed out, that benefit from lower costs which may be found in coal over gas. The opposition to coal is largely from an environmental point of view, but proponents point out that modern coal technology is clean does not pose an additional threat.

Oil feedstock security

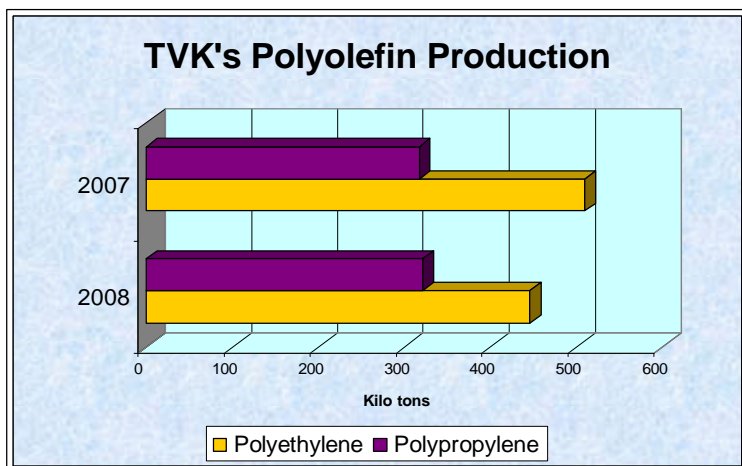
The Czech state-run oil transit company MERO has signed agreements, which guarantee the Czech Republic better access to the Trans Alpine Pipeline (TAL), and enable the country to use part of the pipeline capacity to transport its own oil in case of emergency. The new agreements are a reaction to the ongoing problems with Russian oil supplies via the Druzhba pipeline. It means that the Czech Republic is now in a better position when negotiating oil transport from Trieste, Italy, to Ingolstadt, Germany.

Supplies from Russia remain the most important source of crude for the Czech Republic, and it is possible in future that direct contracts will be signed with Russian companies rather than go through intermediaries. At the same time, the Czech Republic recognises the need for alternative sources and thus is holding talks with the TAL shareholders about acquiring a two to three% stake in the TAL. Shortfalls in Russian supplies in recent months have been compensated by deliveries from the Ingolstadt pipeline. Russia is radically changing its oil routes and building huge terminals in the Baltic port of Primorsk and the Black Sea port of Novorossiysk, from where it wants to deliver oil via tankers to the rest of the world.

Polyethylene supply

Rompertol Petrochemicals restarted the production of LDPE on 2 February, and was expected to call back around 40% of the personnel who were laid off under technical unemployment conditions in late 2008. Restarting the plant has been enabled by some degree on tighter market conditions and the reduction of inventory. The company will continue all the procedures regarding the restart of the HDPE plant, which was closed initially in 1996 and only re-opened in 2007. Apart from restarting operations, the Rompetrol Group states that it will closely monitor markets with the aim of balancing markets against production in compliance with lower

demand for polymers. During December and January, the workers at the LDPE plant were granted compensations equal to 85% of their basic salary.



In 2008, Rompetrol Petrochemicals recorded growth over 2007 by around 40% of polymer sales (182,000 tons) and by 61% by turnover. However the operating profit (EBITDA) was subject to difficult market conditions in regard to high prices of propylene and ethylene.

Elsewhere, polyolefin production was down slightly in Poland in the fourth quarter. Dioki in Croatia lowered its consumption with end result being lower production of polymers. TVK continued to produce at reasonable capacity levels, despite lower profits.

Unipetrol restructuring

Unipetrol Trade has completed the last phase of the restructuring of Unipetrol Trade, including the transfer of the business activities of Unipetrol Trade foreign branches to Unipetrol RPA business units. The company's restructuring will involve savings on administrative costs of €2.5 million per annum. At present Unipetrol Trade exports petrochemical products mainly to surrounding countries and can offer lower prices due to reduced transport costs. The introduction of new business models allows for better coordination with the majority owner of the group, PKN Orlen.

Refinery news-Central & South East Europe

LUKoil is expected to delay plans to invest \$1.2 billion in its Neftochim Bourgas, which includes an increase in crude oil processing capacity to 10 million tpa. Neftochim plans to process an annual 7.2-7.3 million tons of crude in 2009. The investment plans include two new hydrocrackers, which were to help Neftochim to produce cleaner fuels and meet stringent European Union emission standards. Neftochim Bourgas halted all of its exports of heavy fuels as a cut in Russian gas supplies prompted a switch to oil in Bulgaria. The exports of oil residue and fuels that might have been needed by the heating utilities were halted and all produced quantities are redirected to the local market.

Petrom, part of OMV, sold 7% less natural gas in the fourth quarter of 2008, with a drop to 1.32 billion cubic metres from 1.42 billion cubic metres in Q4 2007, due to the closure of several chemical plants. Petrom's natural gas sales have been affected by the 21% drop in consumption in Romania in the last quarter of 2008, compared to the same period the year before. Petrom halted activity at the pyrolysis unit of its Arpechim refinery at Pitesti in October, after Oltchim announced plans to reduce output.

Croatia will sign a new shareholders agreement with MOL for INA, in which MOL owns 47.15%. Lithuania has postponed a decision on selling its remaining stake in Mazeikiu Nafta to PKN Orlen. The new centre-right government, which took office in December, had earlier said it was ready to sell the state's remaining 9.98% stake in Mazeikiu Nafta. The delay reflected concern that oil companies in neighbouring Russia, which Lithuania regards with mistrust, could gain control of the economically important asset if PKN decided to sell it on.

Chemicals

Central European intermediates

BorsodChem may delay the start-up of its a new TDI plant at Kazincbarcika, with a capacity of 160,000 tpa, which was planned originally for the middle of 2009. This is to be followed by a new MDI plant with 200,000 tpa in 2011. This will raise BorsodChem's total MDI capacity to 300,000 tpa, most of which was to be exported. For the short term, the company is likely to delay the start-up of the new TDI plant until market conditions improve. The decision to expand MDI and TDI capacities by BorsodChem was taken in 2005, with the aim of transforming the company into a major isocyanate producer in Europe.

Plans by Spolchemie at Usti nad Labem to acquire the epoxy resins business of US chemical group Hexion have been ended following the collapse of Hexion's merger with Huntsman. The takeover was contingent on that deal going ahead. Spolchemie says it is on the lookout for other strategic acquisitions or alliances.

PCC Rokita has sold 90% of the shares in its subsidiary Rokita Agro. The contract with Israel's Makhteshim Agan Industries. Rokita Agro generates annual sales revenues of approximately zł 137 million from the production of pesticides, particularly the herbicide 2,4D.

Polish Chemical Production (unit-kilo tons)		
Product	Jan-Dec 08	Jan Dec 07
Caustic Soda	79.2	101.6
Soda Ash Light	332.4	363.5
Soda Ash Heavy	887.5	846.0
Ethylene	542.4	611.1
Propylene	365.0	404.0
Butadiene	57.3	59.1
Toluene	117.5	129.6
Phenol	44.2	46.1
Caprolactam	144.5	161.2
Polyethylene	354.3	393.6
Polystyrene	112.1	107.9
PVC	233.7	301.8
Polypropylene	251.2	288.4
Synthetic Rubber	122.6	125.2
Pesticides	34.4	34.5

Chemko Strazske in Slovakia is considering building a 350 megawatt thermal power plant involving investment of SK 12.5 billion (\$540.4 million). The project includes a second phase, involving another block with capacity of 400 megawatts. Slovakia depends on electricity imports since it shut one of four blocks at its oldest Soviet-designed nuclear power plant at Jaslovské Bohunice, as part of the country's EU accession treaty. It will have to close a second unit this year.

Air Products completed a new hydrogen plant at Novaky in October 2008 on the premises of Novacké Chemické Zavody. The company plans to export hydrogen from the Slovak plant to Poland, Hungary and the Czech Republic.

Chemical production Poland 2008

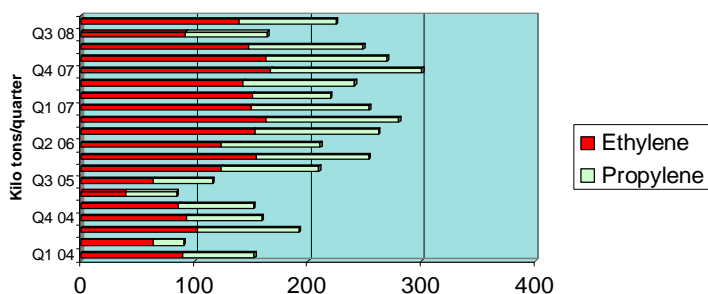
Chemical production was lower in 2008 for the main commodities against 2007. Ethylene and propylene each fell by 9%. Production was reduced in the third quarter in 2008 due to a lengthy cracker shutdown, and whilst production recovered in the fourth quarter lower demand affected output levels.

The main products affected by the economic problems in the fourth quarter were PVC, polystyrene and synthetic rubber. Whilst rubber continues to face difficult market factors, some return to normal is expected in Q1 for PVC and polystyrene.

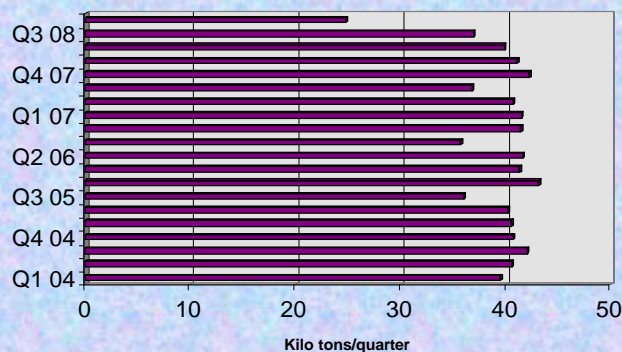
Central-East European caprolactam market

Caprolactam producers in Central Europe have been hit badly by the collapse of the caprolactam market in recent months, forcing cutbacks wherever possible. In east Germany, for instance, Domo at Leuna is operating at around 60% of capacity, with the benefit of ongoing export business. Grodno Khimvolokno in Belarus is understood to be still operating at full capacity, whilst ZA Pulawy is determined to keep its caprolactam unit running despite continued weakening of the downstream PA6 market. Similarly to Spolana, ZA Pulawy is currently running at less than 50% of nameplate capacity and keeping a tight control on operating costs while it waits for downstream demand to return.

**Olefin Production in Poland
2004-2008**



Polish Caprolactam Production



On 12 January 2009, PGNiG and ZA Pulawy signed an agreement on the joint implementation of investment projects involving the use of natural gas. Under the agreement, ZA Pulawy and PGNiG will consider the preparation of investment projects involving the use of natural gas. The other Polish caprolactam producer ZA Tarnow has come to an agreement to reduce its workforce by as many as 250 workers. ZA Tarnow claims to be one of the largest companies in the Polish chemical sector and belongs to the Great Chemical Synthesis group.

Methanol & fertilisers-South East Europe

Methanol plants at Lendava in Slovenia and Kikinda in Serbia were affected by the gas supply problems from Russia in January, but the methanol plant in Victoria in Romania had already been shut due to market conditions. MSK at Kikinda processes around half of its methanol into acetic acid, with the remainder exported. Nafta Lendava aims to process methanol production in future into products with higher added value. In 2007, Nafta Lendava and its Austrian partner CMB Maschinenbau & Handels announced they would build a biodiesel refinery in Slovenia.

Bulgaria's two fertiliser producers are hoping that the country's internal market is going to help them overcome the effects of the global financial crisis. Stoppages were forced on Agropolichim at Devnya and Neochim at Dimitrovgrad due to the lack of gas, but Agropolichim was able to restart on 26 January. The Bulgarian government is seeking a price discount for gas from Russia to cover the losses incurred. Agropolichim will seek compensations from Bulgargaz, the contracted supplier. Despite the adverse market conditions, Agropolichim missed a crucial moment for feeding the crops due to the lack of gas. The company had orders for 1000-1200 t of fertilizers a day but were unable to fulfill them.

Serbia's gas monopoly is considering acquiring a majority stake in local fertiliser producer Azotara Pancevo in exchange for Azotara's debt. Romania has agreed with Russia on the direct gas sales, eliminating gas supply intermediaries. The two governments have also discussed price, as Romania feels that Ukraine is receiving a price advantage which affects the Romanian petrochemical industry. Gas prices have risen in Ukraine, but still not to the European levels.

Romania's largest chemical fertiliser producer, Azomures, relaunched production on 28 January after a nearly two-month halt, as demand and prices have started to pick up. The Interagro group, is considering selling Romanian fertiliser plants, which were closed at the end of 2008, to foreign buyers. This might happen, accordingly, if the Romanian government does not make a decision regarding subsidies for Romanian farmers. Interagro has been receiving offers from partners in Canada, Sweden, the USA, and Turkmenistan, to disassemble the complexes and move them abroad.

The owner of Duslo at Sala, Agrofert, plans to expand and modernise the production facilities having already invested in ecology. Around \$7 million is planned for investment into the production of fertilisers based on ammonium sulphate. Duslo currently needs to buy ammonium sulphate from other producers. The capacity of the new plant will be 120,000 tpa and the investment process is to start in the second half of this year.

RUSSIA

Russian chemical production 2008

Chemical production in Russia dropped 1.8% in the period January-December 2008 against 2007, whilst production of plastic products rose 11.4%. Fertiliser production rose 13% over 2007, despite falls in the fourth quarter. In the petrochemical division, synthetic rubber production was down by 74,000 tons in 2008 due to drop in tyre demand.

In terms of monthly production volumes, aggregate totals of a selected basket of commodities (illustrated in the graphic below) showed declines as 2008 progressed. November was the weakest month in the year. Examining the products in detail, mainstream polymer and monomer production was unaffected by market cycles whilst falls were noted in methanol, ammonia and synthetic rubber.

Production levels for polymers were very similar to 2007, polyethylene and polypropylene were up slightly whilst polystyrene and PVC were slightly down. Ethylene production was higher in 2008 by over 100,000

tons due mainly to the completed expansion of the plant at Nizhnekamskneftekhim, whilst styrene was lower in 2008 due partly to benzene tightness.

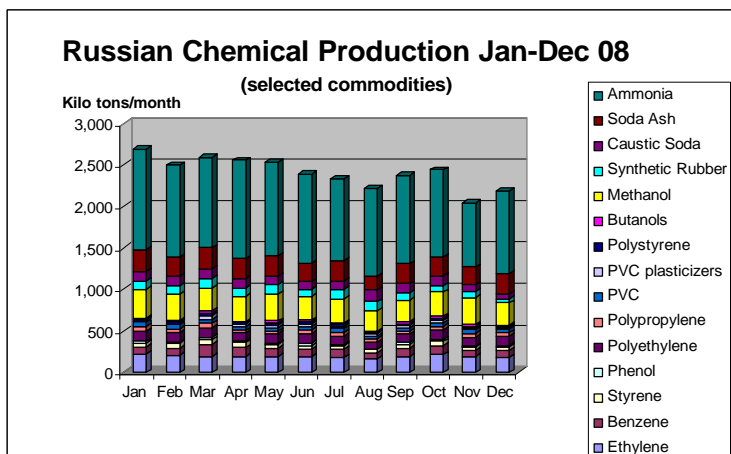
Russian Chemical & Related Production		
Million tons	2008	2007
Coke	32,0	30.2
Refined oil,	236	228.7
Car gasoline	35,7	35.1
Diesel fuel	69,0	66.3
Ammonia	12,7	13.2
Fertilisers	16.3	17.3
Soda ash	2.8	2.9
Caustic soda	1.253	1.297
Synthetic rubber	1.139	1.213
Fibres & threads	0.121	0.147.
Thermoplastic pipes	0.184	0.156
Plastics products	0.714	0.698

Detailed chemical production data can be seen on the Statistical Database at www.cirec.net. Data is illustrated by quarter and by individual producer, and is uploaded as soon as new figures are available. Capacity data is shown for existing plants, with new projects listed and relevant start-up dates.

Russian chemical exports, Jan-Nov 2008

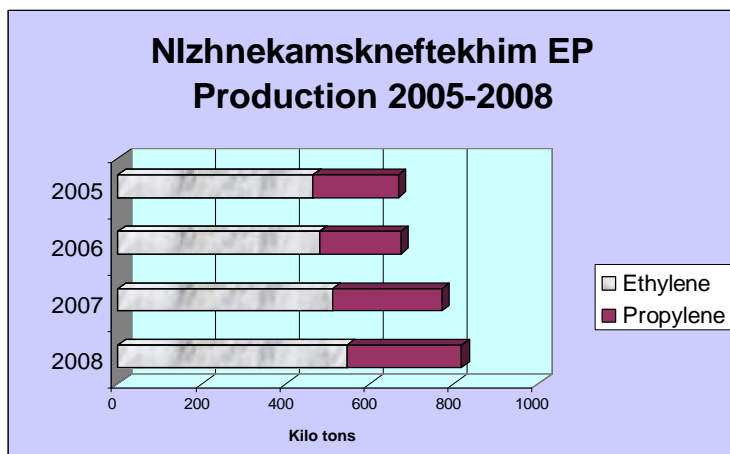
Exports of nitrogen fertilisers fell by volume 7.6% in the period January-November 2008 against 2007, down to 8.67 million tons from 9.369 million tons. In monetary terms, income rose 68.9% from \$1.791 billion to \$3.025 billion. Potassium fertilisers rose 2% by volume to 8.603 million tons, and income 2.5 fold from \$1.476 billion to \$3.65 billion. Russia will remove export tariffs on certain mineral fertilisers introduced in 2008 to support domestic fertiliser producers hit by the world financial crisis. The government last year imposed an 8.5% export tariff on nitrogen fertilisers and fertilisers containing nitrogen, phosphorus and potassium, but these duties have now been

removed.



Synthetic rubber exports fell 0.7% in the period January-November 2008 to 599,200 tons from 603,300 tons in 2007, although income rose 52.8% from \$1.18 billion to \$1.803 billion. Methanol volumes rose 3.1% to 1.761 million tons from 1.701 million tons in 2007, whilst revenue rose 32.6% from \$436.2 million to \$578.4 million. Ammonia exports rose 13.8% to 3.399 million tons from 2.988 million tons, with revenues rising 2.4 fold to \$1.588 billion from \$668 million. Fourth quarter results for export revenues for fertilisers, methanol and ammonia were all expected to show downward trends.

Petrochemicals



Nizhnekamskneftekhim-2008

Nizhnekamskneftekhim achieved its highest production volumes for ethylene and propylene in 2008, rising 9% and 5% over 2007 respectively. Turnover for the company totalled 70.9 billion roubles, including a profit of 8 billion roubles. Financial results for Nizhnekamskneftekhim and other major Russian chemical producers can be seen on the Statistical Database.

Gas Feedstocks

The Ministry for Energy has adopted a government decision to drop export duties for LPG exports to zero for a period of two

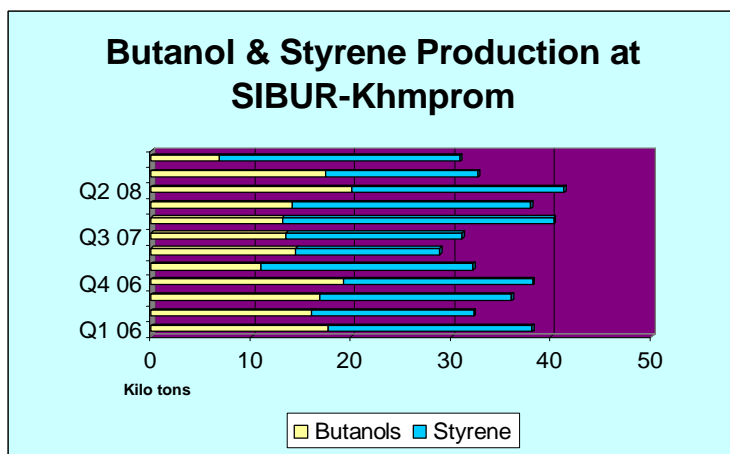
months. SIBUR put forward the proposal at the end of last year, due to the difficulties in selling gas to the domestic petrochemical industry. In November 2008, the duty for LPG was \$205.9 per ton. Coupled with

transport costs from Tobolsk to the Belarussian-Polish border the total cost was \$239 per ton set against a price of \$438 per ton and thus leaving little profit. If there are less opportunities for selling LPGs to the export market, SIBUR would be forced to increase flaring of associated gas which goes against the government's objectives. By reducing the export duty to zero for a period of two months could save SIBUR around \$10 million and continue to make gas exports profitable. Russia has set targets of utilisation of associated gas to 95% by 2012 due to environmental reasons. The latest affirmation for these targets was made on 8 January this year, which has loosened the original objective of meeting 95% utilisation by 2011. Currently the average utilisation rate is 75% compared to 97% in the USA and 100% in Norway.

Gazprom achieved its gas processing targets at Orenburg in 2008 in full, with gas condensate 23.5% higher than planned, oil 0.9% higher, helium 4.2% higher, ethane 6.4% higher and SHFLU 2.1%. TNK-BP has reduced gas production due to lower requirements from Gazprom resulting from the dispute with Ukraine. Lower demand was expected on export markets prior to the Ukrainian gas dispute, but the reduction in supplies to Europe for around two weeks has merely compounded this drop. However, Gazprom does not intend to reduce gas production and will continue to run at maximum capacity. Gazprom's production target for 2009 is 540 billion cubic metres from 551 billion cubic metres in 2008 and 548.6 billion cubic metres in 2007. Other hydrocarbon producers are expected to lower gas production for the next few months until market conditions resume some degree of normality.

SIBUR 2008

SIBUR expects a total turnover of 172 billion roubles for 2008, with a net profit of around 24 billion roubles. This compares against a turnover of 142.7 billion roubles in 2007 and a net profit of 22.3 billion roubles.



the latter part of the year, Gazprombank has transferred 45% of its 62.19% stake in SIBUR-Holding to three open companies Trion (15.09%), Stroyaktiv (16.66%) and Stafflizing (13.33%). This has left Gazprombank with 17.1%. The transfer of shares is thought to be laying the basis for the pending management buy-out, which has been suspended until stock market conditions improve.

SIBUR-Khimprom-2008

Petrochemical production at SIBUR-Khimprom rose 15% in 2008 over 2007, with butanols rising 12%, ethylbenzene (3%) and

styrene (5%). SIBUR-Khimprom reduced production in November-December 2008, but started to produce 2-EH and butanols from the start of the new year. MTBE production has actually risen 35% more than planned, whilst January saw much higher volumes. In 2008, SIBUR-Khimprom saved 21,000 tons of hydrocarbons, 2,000 tons of propylene and 4 million cubic metres of natural gas as the result of economic measures.

SIBUR's transport name change

SIBUR's transport division Spetscisterns has been renamed SIBUR-Trans CJSC due to the need to strengthen the identification link between the division and SIBUR's other businesses. The name change does not affect any liabilities of the company to third parties. SIBUR-Trans CJSC is a service enterprise, with transportation of SIBUR raw materials and management of SIBUR businesses rail infrastructure as its core activity. As of early 2009, the rolling stock of the company consists of 2,749 tank trucks for liquefied gas, 752 tank trucks for petrochemicals, gas processing products and liquid chemicals, and 188 multi-purpose open box cars. In 2008, Spetscisterns transported 7.6 million tons of raw materials and finished products.

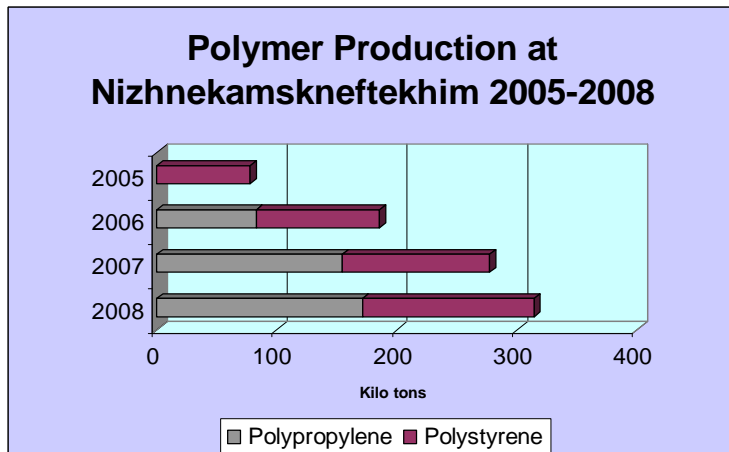
Bulk polymers

Tomskneftekhim-2008

For 2008, Tomskneftekhim recorded increases for LDPE of 7.8% polypropylene by 3% and ethylene by 8.7%. Full production data for Tomskneftekhim for 2008 and historical data back to 1998 can be viewed on the Statistical Database at www.cirec.net. In January, Tomskneftekhim restored production levels after

reductions were made at the end of 2008 in response to the downturn and has been shipping out around 720 tons of polyolefins daily. Reductions in November were made for polyethylene and monomer production, and represented the first market-based cutbacks for eight years. Tomskneftekhim did state in December that it would reduce operating rates for LDPE in 2009, but any reductions are not expected to be significant.

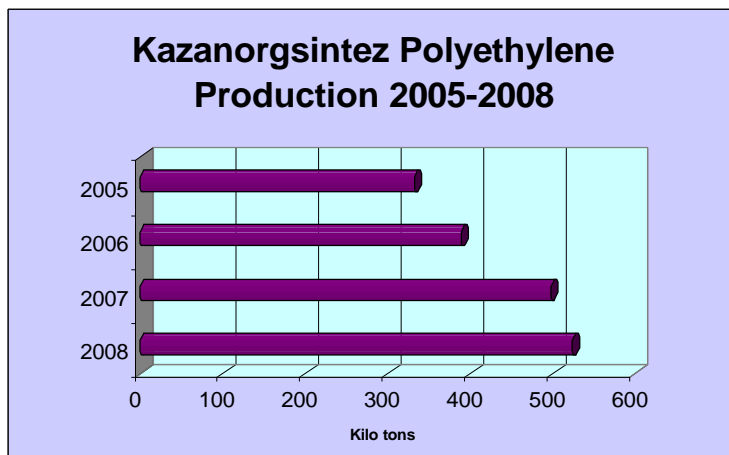
SIBUR-Holding invested around 500 million roubles in Tomskneftekhim in 2008. More than 150 million roubles were spent on the modernisation of automated management system and safety measures. Other investments included the construction of a railway shop and efficiency improvements in monomer production. The development of titanium-magnesium catalysts for polypropylene production was also a feature of SIBUR's investment into Tomskneftekhim in 2008.



Nizhnekamskneftekhim, HDPE start-up

Nizhnekamskneftekhim started production at its new HDPE plant by 19 January. The new plant can produce grades ?? 4050Q for moulding, ?? 6250D and PE 2260M for blowing and film manufacturer. PE 6250D and 2260M are analogue products for grades 273 and 276 produced by Kazanorgsintez. In February, the production of LLDPE will start at Nizhnekamsk, which will go largely into films. The capacity of the new HDPE plant is 230,000 tpa and will help to increase the company's financial performance over the next few years. Nizhnekamskneftekhim's

preliminary 2008 results show a turnover of 70.9 billion roubles, against 58.7 billion roubles in 2007. The company remains confident that it can match 2008 data in 2009, even if economic signals do not look promising.



Kazanorgsintez-TAIF

In 2008, TAIF-Invest increased the authorized capital in Kazanorgsintez from 12.407 billion roubles to 75.191 billion roubles. From the start of 2009, the share of ownership in Kazanorgsintez for TAIF-Invest fell from 40.3% to 6.65%, at the expense of TAIF. Polyethylene production reached record levels for Kazanorgsintez in 2008, although ethylene/ethane restrictions prevented maximum capacity utilisation at the HDPE plants. Despite press reports that production had been reduced in the fourth quarter, the production totals were comparable if not superior to recent

quarters.

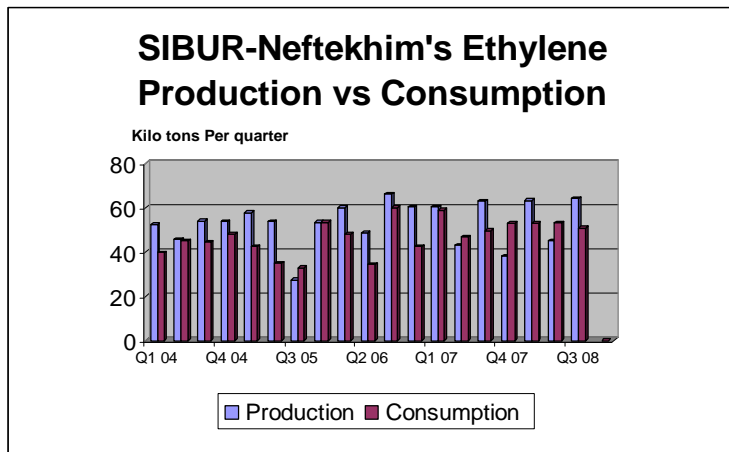
Russian polypropylene market

The Russian polypropylene supply/demand balance is being helped by the fact that Stavrolen has not returned to full production since its accident in April 2008. The plant at Budyennovsk, with a capacity of 120,000 tpa, had only started in late 2007 but seems to have quickly become a factor in the market balance. Stavrolen's accident in April 2008 coincided with outages at the Moscow and Ufa plants, thus creating a deficit and subsequent price rise in the second quarter. Prices rose 19% in May and June, and dropped back in the third quarter as the deficit in supply fell. Prices of polypropylene started to fall globally in August, but this trend only reached the Russian market by November. Good demand for polypropylene was seen in the Russian market until mid-October and it was only in November when sales began to drop.

The reasons for the delay in price reductions are due partly to credit programmes supported by the government, which gave the possibility to companies to buy raw materials and store them in warehouses. This was then followed by falling solvency amongst customers and also the presence in the market of cheaper imports. In the current market climate, it seems that additional output from the Budyennovsk plant is not required. The market is balanced and little if any growth in demand is expected in 2009.

RusVinyl PVC project

SIBUR-Neftekhim has altered its completion date for the expansion of the ethylene cracker at Kstovo from



2001 to 2012, having agreed terms with Technip. The main reason for the change in completion date for the cracker is finance and funding the contract with Technip. There is also a perception in some circles that the RusVinyl PVC plant could also be delayed for start-up due to insufficient raw materials. The main outlet for ethylene consumption from the Kstovo cracker is ethylene oxide production at Dzerzhinsk, with some small amounts going into PVC. However, there is no surplus at current levels and production would need to be raised before start-up of the RusVinyl PVC plant. As the graphic opposite illustrates,

occasionally production exceeds quarterly requirements and occasionally vice versa, but there is not a surplus for sale on the merchant market.

SIBUR-Holding has requested government support for the RusVinyl project. The Ministry of Industry & Trade has been approached for investment support, whilst it also considering the Tobolsk polypropylene project. Both these projects are being assessed as highly important to associated industries in both the Nizhniy Novgorod and Tobolsk regions. The RusVinyl project requires an investment of €650 million and the 330,000 tpa PVC plant will itself create 600 jobs, besides the large number of associated jobs created in plastics processing.

Synthetic rubber

Nizhnekamskneftekhim restored production levels for butyl rubber in January, followed by HBR, after reductions in December. Around 93% of HBR production is exported, with the domestic market in the early stages of development.

Lanxess is to invest into the production of synthetic rubber at Dzerzhinsk, with start-up expected in the second half of 2010. Krasnoyarsk Synthetic Rubber Plant reduced some of its product range in 2008 in response to lower demand in China. The company has devised an anti-recessionary programme including both technical and organizational measures. This includes the modernisation of butadiene-nitrile rubber facilities and the development of its own energy resources.

After Omsk Kaucuk finished its ten-year period of bankruptcy in the second half of 2008, the company has faced falling prices for synthetic rubber which has made it difficult to pay costs. Debts for electricity have been growing which has led to a reduction in electricity supplies since the start of January. By the end of December last year, Omsk Kaucuk had accumulated debts to Omskenergo for electricity of \$64.6 million. As Omsk Kaucuk is not on the government list of protected chemical producers, Omskenergo has the right to halt all supplies of electricity unless it feels that the debts will be repaid.

Tyre news

SIBUR plans to buy up debts of Russia-Dutch tyre manufacturer Amtel-Vredestein worth \$600 million. The two companies had been in merger negotiations, but talks broke off in September, derailed by the global financial and liquidity crisis. Creditors of Amtel's Russian divisions can swap most of Amtel debt for the bonds, while the rest can be paid back with bonds which SIBUR Holding issued this spring. Amtel, which has encountered debt-

refinancing problems, stated in December that its Russian business is no longer able to satisfy creditors' demands and that it is looking to sell the Dutch side of its business. SIBUR had no major debts prior to the crisis and has said it will make a profit this year as long as oil prices stay above \$30 a barrel even though demand for petrochemicals has slumped by around 70%.

Nizhnekamskshina plans to restart tyre production on 2 February after stopping on 1 January. The stoppage was caused by the halt at production at its main customers, Kamaz at Naberezhnye Chelny, AvtoVaz at Samara, and Gaz at Nizhniy Novgorod. Production at Nizhnekamskshina is expected to back to full capacity by 16 February.

Aromatics & derivatives

Kuibyshevazot 2008

Kuibyshevazot increased turnover in 2008 by 11.6% to 19.2 billion roubles, whilst net profit rose 21.9% to 2.4 billion roubles. Despite the weak state of the caprolactam market in late 2008, Kuibyshevazot produced 165,600 tons which was only slightly lower than in 2007. Fertiliser production totalled 409,400 tons, which was 2.2% up on 2007, whilst ammonia rose 7.3% to 611,700 tons and urea rose 4.4% to 314,200 tons. The production of polyamide-6 rose 7.5% to 77,600 tons, technical threads rose 16.7% to 5,800 tons and cord fabrics by 28.4% to 4,800 tons. Kuibyshevazot invested 2.896 billion roubles in 2008, 11.5% higher than in 2007.

Other aromatic/derivative news

Koks at Kemerovo increased coke production by 6.7% in 2008 to 158,400 tons. Benzene production rose 2.3% over 2007. Magnitogorsk Metallurgical Combine (MMK) and Kuibyshevazot have suspended the jv to construct a benzene plant in the Samara region. The jv MMK Benzol is majority owned by MMK, and this could be taken over by Kuibyshevazot which wants to continue with the project.

Phenol production at Samaraorgsintez (kilo tons)

2008	2007	2006
38.4	29.1	42.3

Samaraorgsintez reduced production in December and has introduced a four day week since the start of January. Shchekino Khimvolokhno in the Tula region is introducing new units for spanbond production for the end of January, with a capacity of around 10,000 tpa.

Methanol & gas based chemicals

Ammonia-Mendelevsk

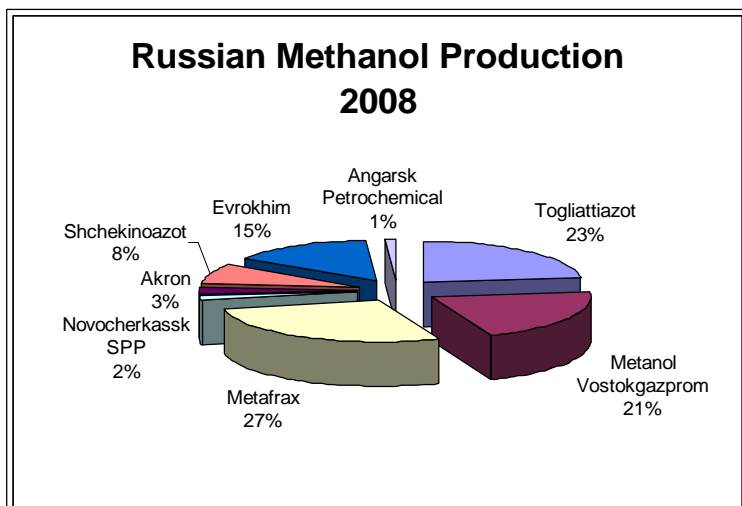
Construction of the ammonia and methanol complex at Mendelevsk in Tatarstan is expected to start in March 2009. The project is being constructed as part of a Tatar-Japanese jv, and equipment deliveries will soon start to be made to the site. Finance for the project is being provided by the Japanese bank Sumitomo Mitsui Banking Corporation (SMBC). Capacities include 717,000 tpa of ammonia, 230,000 tpa of methanol and 717,000 tpa of urea. Mitsubishi Heavy Industries is the contractor, Haldor Topsoe the licensor, and the total project cost estimated at \$927.7 million. The co-coordinator of the project is Sojitz Corporation, whilst raw materials are to be supplied through Tatgazinvest, which is the regional operator of Gazprom.

Uralalkali

Uralkali reduced its production of potassium chloride in 2008 due to lower global demand for potash fertilizers. The lower demand for potassium chloride in a number of markets necessitated a considerable reduction in the company's output in November and December 2008. In December 2008, Uralkali produced around 129,900 tons of potassium chloride, which is 3.5 times lower than in December 2007 (around 456,600 tons). The company's overall output in 2008 was around 4.8 million tons of potassium chloride, a 6.4% decline on 2007 (around 5.119 million tons).

Metafrax-2008

Metafrax produced 962,000 tons of methanol in 2008, 0.4% down on the previous year. Formaldehyde production fell 5% to 268,413 tons, whilst urea-formaldehyde production dropped 6% to 183,726 tons. Pentaerthritol increased 9% (see Statistical Database at www.cirec.net). For 2008, Metafrax estimates that it achieved 7.8 billion roubles in turnover and a net profit of 1.447 billion roubles.



Metafrax operated at around 50% of overall capacity in December, with the pentaerythritol plant down. Methanol ran at 50%, whilst formaldehyde ran at 60%. The working week has been reduced by the company to four days for the immediate future, with the company incurring losses in the current climate. Methanol is the biggest challenge for the company. Production costs are \$105-120 per ton in addition to transport costs of \$75, and this does not allow exports to be made. As a result, Metafrax is focusing heavily on the domestic market, but other producers are pursuing the same approach. The Russian domestic market

for methanol is estimated at around 900,000 tpa from a production level of 4 million tpa. Metafrax is hoping for a reduction of transport costs to around \$35 per ton, which would at least allow exports to be made on a non-loss basis.

Other methanol news

In 2008, SIBUR-Holding sold shares in Sibmetakhim in order to withdraw from the methanol market. This was due to the natural gas orientation of the methanol business, which contrasts with SIBUR's main interest in petrochemicals based on associated gas and gas condensate. The 33.46% stake in Sibmetakhim was sold to Metafrax, leading to a restructuring of the organisation. Vostokgazprom will manage Sibmetakhim in future.

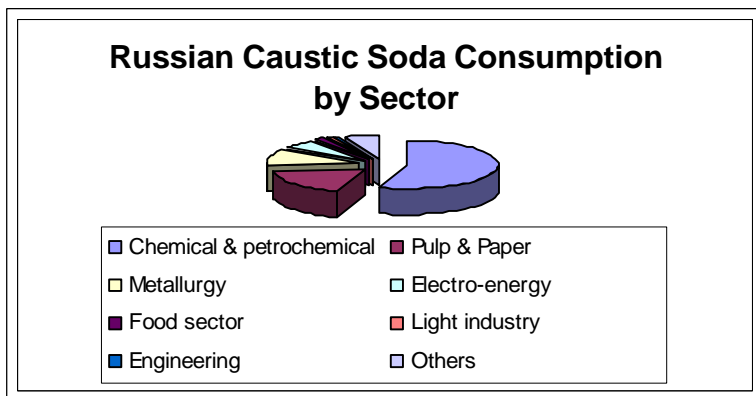
Uralkhimplast and Itera have put back the construction of a gas processing and methanol plant for 8-10 months due to the change in economic conditions. Financing was expected to be received for the project in the autumn of 2008, but has been put on hold. The project involves the construction of a methanol plant, with a capacity of 450,000 tpa, at Nizhniy Tagil. A large part of the output was intended for usage by Uralkhimplast in the production of formaldehyde.

Novatek plans to expand its methanol capacity at its Purovsk deposit to 40,000 tpa. Sberbank will participate in the financing of projects in Shchekinoazot, including the new methanol unit with a capacity of 450,000 tpa at a cost of €146 million.

Chlorine

Berezniki heavy soda ash production

Soda at Berezniki plans to start the production of heavy soda ash in September 2009, with a capacity of 500,000 tpa. The investment totalled 992 million roubles; currently, Soda produces only light soda ash, but has seen a rise in demand for heavy product. The largest soda ash producer in Russia is Soda at Sterlitamak. The ownership of Soda at Berezniki is thought to have been transferred to Bashkiria Khimya. The value of the share capital in Soda is estimated at \$50 million.



Russian caustic market

Russian consumption of caustic soda was 2% less in the period January-November 2008 than the previous year. Production was also down 1% to 1.123 million tons due to demand, which was affected in the pulp and paper industries.

As the result of lower domestic consumption, exports increased slightly over 2007. Amongst the producers, Azot at Novomoskovsk saw the biggest fall down to 54% of 2007 volumes, and this was due to a reduction

of activity in the chlorine sector. Other reasons for the reduction in caustic production in 2008 was the lower consumption of merchant chlorine in the internal market. Caustic soda is consumed in Russia in the manufacture of washing-up liquids, chemical fibres and threads, chlorine products, pulp and paper industries, etc. The graphic opposite illustrates the market shares.

Stoppages in Ukraine last year increased export possibilities for Russian caustic producers, increasing volumes by 40% in the period January-November 2008 to 197,500 tons. Exports to Kazakhstan from Russia rose 27% to 61,400 tons, due to increased production of aluminium. Liquid caustic exports from Russia totalled 225,600 tons in Jan-Nov 2008, up 7% on 2007. Solid caustic exports dropped 21% to 46,500 tons, due mainly to falls to Germany, Uzbekistan and Turkmenistan. Liquid exports are expected to increase further to Ukraine in 2009, but a slight decline in domestic consumption is foreseen.

Plastics

Russian PS/ABS sheet market

In the first three quarters of 2008, consumption of polystyrene and ABS based sheets rose 12-15% against 2007. However, this rise in consumption fell back to 2% for the period January-November 2008, following

Polystyrene & ABS sheets (kilo tons)				
	2007	2006	Jan-Nov 08	Jan-Nov 07
Production	22.3	19.4	20	20.4
Imports	6.2	4.5	6.1	5.6
Exports	1	0.5	0.4	1.0
Balance	27.5	23.4	25.7	25.0

the collapse in demand in the fourth quarter. The main consumers of ABS sheets are the car plants, such as AvtoVaz, Kamaz, etc, which reduced orders sharply after September. As a result, the production of sheets was reduced by

around 2% in the period January-November 2008, down to 20,000 tons. This is despite increases in capacity by several of the sheet manufacturers, including Salavatnefteorgsintez. Producers have scaled back operations for the short term, in order to minimise losses.

Imports of polystyrene sheets account for around 20% of the market, with Germany the main supplier followed by Lithuania and the Czech Republic. Importing companies include Klockner Pentaplast, Metzeler Plastics, Quinn Plastics, etc. The ABS sheet market is mostly supplied from domestic production.

In the period January to August 2008, prices for impact-resistant and general purpose polystyrene in Russia rose 9-12%, but this was balanced against a 22% drop in prices from November to the end of December. ABS plastic sheets are used extensively in computers, office and home appliances. A reduction in demand is expected this year, especially for ABS plastic sheets in the motor industry. The market for polystyrene and insulation materials may face further difficulties in the next few months, and there could be a fall in consumption in 2009 of around 15%. Put into context, however, this follows a number of year where the growth in HIPS has exceeded 30% so some cooling off may have been expected. HIPS accounts for only 6% total insulation materials.

Biaksplen-dominating position in BOPP market

Biaksplen started production at the end of December of a nine layered line for multilayered barrier film with EVOH. The product is aimed at replacing traditional barrier laminates. Biaksplen's main product focus is BOPP, and after concluding a number of deals in 2008 which has made it the leading producer in Russia. Until 2007, Biaksplen operated only one BOPP plant, located in the Nizhniy Novgorod region, with a capacity of 2,000 to 2,500 tons per month. After 2008, Biaksplen now controls two of the other four producers and is close to finalising the purchase of a third. If concluded, Biaksplen would control 81% of Russian BOPP capacity, but even if it falls through it will control 63% of Russian capacity.

The first plant purchased by Biaksplen in 2008 was Grinn Plastik at Kursk, being finalised in February after the deal was initiated at the end of 2007. The company has been renamed Biaksplen-Kursk. The BOPP unit at Kursk was constructed in 2005 at a cost of €80 million, and includes two lines with a total capacity of 34,500 tpa. Grinn Plastik was forced to sell due to a lack of co-operation with the local authorities.

In September 2008, Biaksplen embarked on the purchase of Rosevroplast's BOPP plant at Zheleznogorsk in the Moscow region. The plant has been renamed Biaksplen-M. There is one line with a capacity of 18,000 tpa, which was constructed in 2005. The third BOPP producer to be targeted by Biaksplen is

Novatek-Polymer in the Samara region, which has a capacity of 25,500 tpa. Novatek has been attempting to exit the polymer packaging sector, and its division Novatek-Polymer not only produces BOPP but also polyethylene pipes.

The only other BOPP producer in Russia is Evrometfilms, based in the Moscow region, and possessing a capacity of 25,500 tpa. Although this is independent at present, there are suggestions that this plant could be acquired at some stage by Biakspen. This would give the company full monopoly over production in Russia, although there could be some difficulty in relation to Russian anti-monopoly law.

Demand for thermoshrinkable films is expected to grow this year in Russia despite a slowdown in comparison to recent years. Despite a fall in the latter part of 2008, strong growth is still expected for 2009. Around 60% of the film market is supplied from domestic sources, and as imports are generally more expensive domestic producers are likely to see higher demand. BOPP films produced domestically have become cheaper due to the devaluation of the currency against the dollar and euro.

Car sales

AvtoVaz, Russia's biggest car manufacturer stated that domestic car sales fell 6% in 2008 to 622,000 vehicles. Exports were little changed at 106,000 cars. AvtoVaz, which sold a 25% stake to Renault in February 2008, faces slumping demand as foreign manufacturers including Toyota Motor and General Motors have moved production to Russia. AvtoVaz stopped its plant from 29 December to 2 February. The government has pledged to spend about 220 billion roubles (\$7.1 billion) in loans and state guarantees to aid the car industry.

Economic development in Tatarstan

Polimatiz has established a centre for spanbond production at Elabuga in Tatarstan, with a capacity of 10,000 tpa. Production is expected to start in the first and second quarters of 2009. Polymer materials will be made for the motor industry, in addition to other applications such as pipelines, etc. Polymatic plans three further lines for construction. Nizhnekamskneftehim will supply polypropylene for spanbond production. ZAO Polimatiz was established in September 2006 to undertake the investment project of manufacturing polypropylene non-woven materials; Polimatiz was registered as a resident in the Special Economic Zone of Alabuga in April 2007.

The Special Economic Zone at Alabuga is expected to see investments of around 60 billion roubles by 2012. Alabuga was first opened in 2007 and comprises a territory of 20,000 square metres. It is based on a customs and business infrastructure, and includes investors from Japan, Germany, South Korea, Denmark, etc. Manufacturing activity is based on automobile, chemicals, and the construction sector. By 2012, between 35 to 40 manufacturing plants will have been established on the Special Economic Zone.

Chemical production in Tatarstan totalled around 150 billion roubles in revenue in 2008, with around 70 billion roubles being achieved at Nizhnekamskneftehim and 23.6 billion roubles at Kazanorgsintez. Nefis Cosmetics at Kazan achieved 5.8 billion roubles through detergent production, 16% up on 2007. Overall, chemical production in Tatarstan rose 5.7% in 2008, although the first three quarters showed growth of 10.4%.

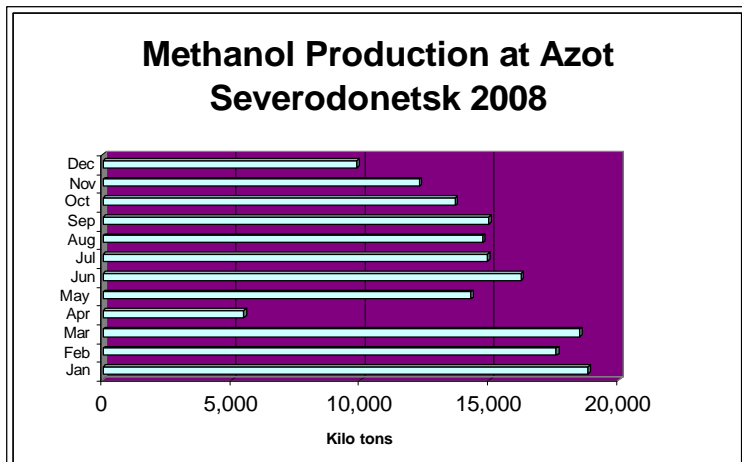
Ukraine

Gas agreement with Russia

Ukrainian gas based chemical producers are likely to face tighter conditions in 2009 following the increase in gas prices from Russia. In 2008, the net price was \$179.50 per thousand cubic metres at the border, but after transport and other costs were added chemical plants paid around \$300. Under the new deal, Russia will sell gas to Ukraine this year at a price based on the "European formula," but with a 20% discount. The tariff Ukraine charges for transit of Russian gas to Europe will remain unchanged from 2008, at \$1.7 per thousand cubic metres for every 100 kilometres. In the first quarter of 2009, Ukraine will pay around \$360 to the border so eventual prices to chemical plants could be in excess of \$450.

Gas supplies were resumed to Ukraine on 18-19 January after agreements were reached with Russia over prices for 2009. A 20% discount will be granted for 2009 and 2010, with full market prices being introduced

in 2011. Whilst this may seem reasonable, the impact on the gas-chemical sector in Ukraine could be significant and may force producers to restructure. Fertilisers, ammonia, urea and methanol are all likely to be affected, particularly for exports.



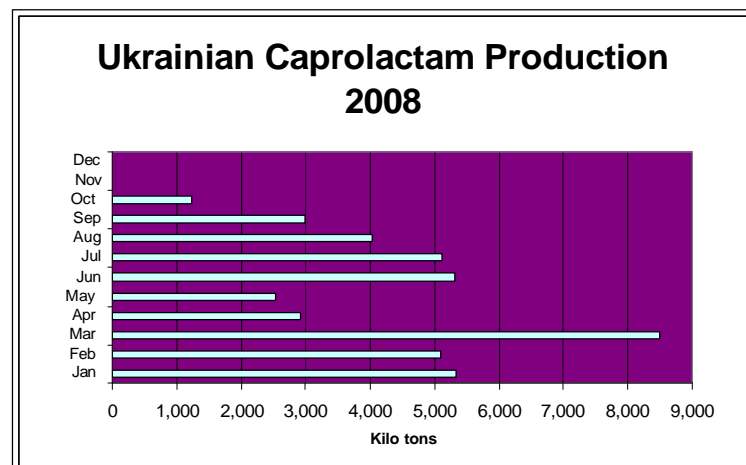
For the short term, most producers are expected to see losses due to the cut-off of gas supplies in the first half of January. Azot at Severodonetsk was forced to halt production at most of its units on 9 January due to the lack of gas. The main gas supplier Naftogaz asked chemical plants to reduce consumption by 50% for a few days until the dispute with Russia was resolved. Other plants affected included Dneprozot, Stirol, and Odessa Portside Plant. Fertiliser producer Rivneazot is to receive regional support in order to cover gas costs.

Odessa Portside Plant restarted production on 22 January at one of its two ammonia plants. The second line will remain down until the natural gas position is fully resolved. As the largest ammonia producer in Ukraine, Odessa Portside Plant is heavily dependent on the export market, which has become less attractive since the fall in global fertiliser prices in the second half of 2008. Other fertiliser plants at Cherkassy, Gorlovka and Severodonetsk also saw gas resumed in January. Deliveries of natural gas to Rivneazot were to be renewed on 1 February, although the price remains unclear.

Ukrainian methanol & toluene markets

Methanol imports into Ukraine continued to be required to supplement production at Azot at Severodonetsk, particularly at present when gas supplies have been cut to Ukraine. This is despite a 3% drop in consumption in the first nine months of 2008 to 157,200 tons. Production increased 13% in this period to 135,500 tons. Around 60% of methanol produced at Azot is processed into formaldehyde and acetic acid. The increase in production in 2008 and slight fall in consumption allowed Azot to export 7,200 tons in the period January-September. Even so imports amounted to 28,900 tons in the same period, nearly all from Russia.

Consumption of toluene in totalled 12,400 tons in the first three quarters in Ukraine, 9% less than in 2007. Production totalled 5,186 tons meaning that imports are necessary to meet full demand. Imports have been more competitively priced than domestic production, and the two Ukrainian plants at Makeevka and Kremenchug have both lowered output in response to imports. A total of 7,200 tons of toluene was imported in the period January-September 2008 for \$6.5 million, 2.3 times greater than in 2007. Poland and Hungary were the main suppliers, accounting for 98% of imports.



Ukrainian caprolactam market

Ukraine consumed 14% less caprolactam in the period January-November 2008 against 2007, down to 17,400 tons. The fall was due to the change in market conditions in the fourth quarter. The collapse of the caprolactam market faced Azot at Cherkassy to stop production, whilst Khimvolokno at Chernigov was reduced to reduce polyamide fibre output. Despite the heavy devaluation of the hryvnia, it remains unprofitable for Azot to produce caprolactam for export. As the graphic opposite illustrates, there was no production in November and December 2008.

Chernigov Khimvolokhno stopped production of polyamide fibres from the start of this year. Production is not expected to be restarted until orders start to be received from tyre plants in Ukraine and Russia. Chernigov Khimvolokhno is the largest Ukrainian fibre producer, dominating the domestic market.

Ukrainian caustic soda market

Caustic soda production totalled 79,000 tons in 2008, 35% less than in 2007. Dneprozot reduced output by 16% to 56,900 tons, whilst Karpatneftekhim reduced production 59% to 22,100 tons. Karpatneftekhim did not produce after July 2008. As a result of lower production, exports have been reduced in 2008 with imports from Russia making up the shortfall.

Karpatneftekhim-PVC plant construction

Karpatneftekhim is to start construction of its PVC plant at Kalush on 1 February. Around 3,600 tons of steel construction is already waiting at the site for work to begin. The capacity of the PVC plant is expected to be 300,000 tpa, with a project cost of €99 million, although the actual start-up date is not confirmed. Originally, LUKoil-Neftekhim aimed to start the PVC plant in 2010, but it is more likely to be 2013 or 2012 at the earliest.

Stirol-2008

Stirol at Gorlovka increased turnover 47.2% in 2008 to 5.264 billion hryvnia. Ammonia production totalled 1.231 million tons, which was 0.7% lower than 2007, whilst urea fell 0.6% to 792,146 tons. Stirol is facing difficult conditions with warehouses empty and production factors unprofitable. The combined effect of low fertiliser prices, higher gas costs from Russia and a devalued Ukrainian currency have all stacked up against Stirol and other fertiliser producers in Ukraine.

Belarus

Belarussian gas processing

The Belarussian gas-processing plant (BGPZ) in the Gomel region plans to increase production in 2009 by around 40%. The feedstocks for the plant will be supplied by Russia in the form of SHFLU. Existing capacity is 160,000 tpa, and this will be expanded to 220,000 tpa. The plans for the expansion of BGPZ were co-coordinated in October 2008 with SIBUR Holding, the main raw material supplier. Over the next three years, SIBUR will deliver around 600,000 tons of SHFLU. Belarusneft and SIBUR have also studied the possibility of joint construction of a gas processing plant with a capacity of 750,000 tpa.

Mogilevkhimvolokno-diversification of markets

Mogilevkhimvolokno is aiming to diversify its fibre sales away from the dependency on the Russian market. Most of the company's strategy until now has been based on selling fibres to the textile industry in Russia, but Russian imports have dropped sharply in the past few months necessitating a change of marketing policy. Due to government support, Mogilevkhimvolokno is undertaking a number of projects that will help improve competitiveness and the product range. Mogilevkhimvolokno increased turnover by 17.5% in the period January-October 2008 over 2007 to 784.5 billion roubles (\$373 million). Exports rose 11% to \$210 million. However, the company now considers market conditions have changed dramatically and that new tactics are required in order to adapt sales.

Recently, Mogilevkhimvolokno started the production of polyesters for roofing materials at the synthetic fibre division as part of the 2008-2012 modernisation programme. The new polyester line has created 35 new jobs, with most of the production to be exported outside of the CIS. The major investment at Mogilevkhimvolokno over the next few years is the PTA plant, to replace the existing DMT plant, but this ultimately will depend on the construction of the new paraxylene plant at Mozyr.

Grodno Azot

Azot increased turnover by 9.7% in 2008 over 2007 totalling 11.2 trillion Belarussian roubles. In physical terms, production dropped 14.9% in December 2008 against December 2007. Production capacities for Azot include 900,000 tpa of ammonia, 800,000 tpa of urea, 111,200 tpa of caprolactam and 65,000 tpa of methanol. Azot has twice doubled its capacity for biofuel production, which uses methanol and MTBE in the production process. The capacity for biofuel production has now reached 100,000 tpa. The company is

planning to construct an MTBE plant with a capacity of 60,000 tpa. Azot and Khimvolokno at Grodno were both affected by energy shortages at the start of the year.

Kazakhstan & Central Asia

Kazakh petrochemical project at Atyrau

Construction of the Kazakh petrochemical complex was officially started in late January. The integrated gas-chemical complex at Atyrau, based on Kashagan deposits, is being developed by Kazakhstan Petrochemical Industries (KPI). This will lead to capacities of 800,000 tpa of polyethylene and 450,000 tpa of polypropylene, planned for start-up in 2013. The complex will be constructed in the Special Economic Zone at Atyrau, after the feasibility studies were conducted by Shell Global Solutions and Foster Wheeler UK.



The project will consist of three stages. The first stage involves the construction of as The main financial advisors to the Atyrau project include HSBC. In May, 2008, LyondellBasell presented a proposal to participate as a strategic partner, under which it will supply the license agreement and also provide off-take arrangements. The technology for the monomer division are to be selected from ABB/CBI, Linde, Technip, Stone and Webster; UOP, Uhde, and Axens, whilst the polyethylene and polypropylene technologies will be based on technologies from Basell and Borealis. The marketing plan assumes that a large part of the production should be delivered to China, West and East Europe, in addition to supplying the domestic Kazakh market.

Kazakh refineries' investment

Around \$3 billion is planned for investment into the refining industry in Kazakhstan in the next few years. The government is supporting a strategy of reducing dependency on crude exports. The three existing refineries include Atyrau, Shymkent, and Pavlodar. In 2008, Kazakhstan processed 12.3 million tons of crude and whilst the intention is to increase capacity the government also wishes to improve and widen the quality range. Kazakhstan has attracted interest from GAIL India which has the ambition to set up a petrochemical plant along with Indian Oil Corp.

Chemical production in Azerbaijan 2008

Azerbaijan's chemical production rose 34.2% in 2008 against 2007 in revenues. Caustic soda production rose 29.8% to 22,500 tons, propylene rose 33.1% to 35,000 tons, polyethylene rose 38.2% to 64,500 tons, and isopropanol rose 30.7% to 21,700 tons. The prospects for growth in 2009 are limited due to market conditions, but Azerkhiymia is hoping to maintain similar production levels to 2008.

Uzbek petrochemical project

CMAI has won the tender for the technical-feasibility study for the Ustyurt petrochemical project to be located in the Uzbek region of Karakalpakstan. The project is valued in the range of \$1.8 billion and is managed under the jv UzKorGasChemical. The complex is scheduled to be completed in 2012, including capacities of 4 billion cubic metres of natural gas processing per annum, 362,000 tpa of polyethylene and 83,000 tpa of polypropylene.

The development of gas based petrochemicals in Uzbekistan started in 2001 with the start-up of the Shurtan petrochemical complex in the Kashkadarsk region. The Shurtan complex includes 3.9 billion cubic metres of gas processing per annum and 125,000 tpa of polyethylene. In the first few years of operation, the Shurtan plant supplied polyethylene to the domestic market for the cotton industry, but this outlet area has declined due to competition from other materials. . Around half of the polyethylene production from Shurtan is exported to countries such as Italy, Holland, Poland, and Asia.

Relevant Currencies

(Czech crown. Kc. \$1 = 19.711. €1 = 25.397): (Hungarian Forint. Ft. \$1 = 201.29. €1 = 259.24): (Polish zloty. zł. \$2.9864. €1 = 3.8428): (Romanian New Lei. \$1 = 2.9414. €1 = 3.7904). (Ukrainian hryvnia. \$1 = 6.0050. €1 = 7.730): (Rus rouble. \$1 = 27.371. €1 = 35.251)

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