

EAST Europe & C.I.S CHEMICALS BRIEFING

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CENTRAL EUROPE

Oil refining

MOL Rt reported consolidated net profits for the first half of 1999 14.24% lower than expected. Net profits fell to Ft 18.688 billion in the period January to June 1999 from Ft 29.059 billion in the same period of 1998. In addition to high crude prices which impacted on margins, the Kosovo conflict was blamed for a reduction in the company's natural gas transit.

MOL has signed a letter of intent to merge with INA in Croatia. If the merger proceeds it could lead to the creation of a major energy company in the Central European region, with an estimated market value of more than \$3.6 billion. From INA's perspective opportunities are restricted and the company believes that it can only survive against multinational oil companies if it merges with a strategic partner. Other than MOL potential strategic partners could include OMV, or Petrol of Slovenia. Negotiations between MOL and INA are reported to be at a preliminary stage and the process could be quite complex and long.

For MOL a merger with INA would reduce Hungary's dependence on Russian oil supplies while allowing the company a chance for quick expansion in the developing Croatian service station market. In 1998, MOL produced 1.26 million tons of oil and 3.87 billion cubic metres of natural gas while achieving revenues of Ft 634.2 billion and a profit of Ft 54.2 billion. During the same period INA produced 1.69 million tons of oil and 1.57 billion cubic metres of natural gas with 9.9 billion kuna in revenue and profit of 116 million kuna.

On August 16 the Czech Finance Ministry stated that it would draw up proposals to allow foreign investors to buy into subsidiaries of Unipetrol a.s. in 2000. The plan would be carried out by the National Property Fund, and would be followed by the sale of a 63% stake in the holding company. The full Cabinet will need to approve the latest plan. In addition to full ownership of Chemopetrol and Kaucuk, Unipetrol subsidiaries include 51% of the refinery group Ceska rafinerska.

Olefins

High feedstock costs, combined with slowly increasing derivative prices, threaten to show poor yields for Central European producers in the second half of this year. The first half of 1999 has thrown up disappointing results for all the commodity producers and this trend seems unlikely to change. Prices for naphtha in August were approximately double than those seen back in March. The average cost of ethylene production has passed through \$600 per ton barrier in August. The price increase for polymers has tended to follow this increase in costs rather than keep pace. As result, margins have suffered.

Feedstock cost volatility has been one of the main factors incurring lower profits for producers. Chemopetrol at Litvinov ended the first six months this year with an interim loss of Kc 307 million, compared to a net profit of Kc 1.22 billion in the first half of 1998. The early part of the year was characterised by low polymer prices, and although these prices rose in the second quarter they were offset by the hikes in raw material costs.

In late August Unipetrol forecast a drop in profits and revenues for the whole of 1999, due to a combination of effects from the Czech recession and rising fuel/energy costs. The company has forecasted a

consolidated profit before tax of Kc 2.7 billion, down from Kc 3.15 billion in 1998. Revenues are forecast to fall to Kc 42 billion from Kc 51 billion last year. The expected drop in profits is linked to higher costs in the petrochemical and agrochemical divisions, coupled to financial costs linked to heavy investments.

In Hungary TVK's production figures for petrochemical activity in the first six months of 1999, were behind significantly of those of the same period last year. Despite an increase in turnover to Ft 49,794 million from Ft 41,110 in the first half of 1998, TVK's net profits fell to Ft 3,356 million this year against Ft 7,782. The increase in turnover was due to primarily to the acquisition of Unterland, whilst profitability was affected by the significant drop in average product prices and an extended shutdown at Tiszaújváros.

A fall in production was recorded resulting mainly from the olefin capacity expansion which involved the shutdown of the cracker and the polymer plants for an extended period. In fact, during April and May the cracker was out of operation for 52 days which was longer than had been expected. The longer outage was affected by a technical error in the olefin plant made by the local gas subsidiary Linde causing TVK a Ft 300 million loss. Compensation may be sought from Linde.

TVK's first half year profits were hurt by low global market prices and expenditures on the modernisation of its olefin plant. The standstill of the olefin cracker for about 8 weeks was a major factor affecting profits. Notwithstanding, following the expansion and upgrade the more favourable yield factors and the more favourable feedstock composition should mean that at least part of the production outage will be made up before the end of the year.

In the first half of 1999, TVK's olefin plant produced 115,000 tons of ethylene and 60,000 tons of propylene. This compares to 153,900 tons of ethylene and 83,100 tons of propylene in the same period in 1998. Feedstock consumption in 1999 included the processing of 348,000 tons of naphtha, and 39,000 tons of gas oil, compared to 406,600 tons of naphtha and 90,600 tons of gas oil last year. Capacity utilisation of the olefin plant was only 77.5% in the first half of the year, which had an impact on the production of polymers.

There was a gain on feedstock pricing with the average price of the naphtha purchased by TVK from MOL being \$122 per ton, a \$23 per ton reduction compared to last year. The gas oil price also fell in the first half of 1999, averaging \$108 per ton. These prices may have been very low at the start of the year, but with the strength in oil prices since April it looks as if feedstock costs will be much higher in the period July-December.

To supplement ethylene production at Tiszaújváros TVK purchased 24,300 tons of ethylene in the first half of 1999 from Oriana in Ukraine, against 24,500 tons in the same period last year. 31,100 tons of ethylene were sold by TVK to BorsodChem against 30,500 tons in 1998. For TVK as a whole, expenses grew rapidly in 1998 culminating in a shareholders' decision in April this year to restructure the company into three main divisions, consisting of petrochemicals, plastics and environmental technologies. TVK's first-half investments amounted to Ft 19.6 billion including the refurbishing of its olefin plant at a cost of Ft 5.8 billion. TVK spent Ft 12.7 billion in the first half on its new polypropylene plant, to be completed by December.

Polyolefins An accident occurred on August 18 at the Polski Koncern Naftowy (PKN), formerly Petrochemia Plock, complex at Plock putting one of the two LDPE units out of action temporarily. The accident was caused by a leaking reactor, but fortunately only minor injuries were incurred. Last year, 155,000 tons of LDPE were produced at Plock, from a total of 171,000 tons in Poland with the other production undertaken at Blachownia.

With LDPE very short in Europe due to various outages, this latest event might make it difficult for local consumers to buy product depending on how long Plock is out of action. A full report will be published by the company on September 1. If interested please contact me for a copy. Prices for LDPE are at present in the range of DM1.6 per kg and there is even speculative talk of numbers rising to levels of DM2.0. By contrast, polypropylene prices are in fairly static mode with numbers of DM1.2-1.3 per kg being noted for homopolymer grade. As a result of these conditions producers are expected to achieve much better margins for polyethylene than polypropylene in the third and fourth quarters this year.

TVK's Production (unit-kilo tons)		
Product	Jan-Jun 1999	Jan-Jun 1998
Ethylene	115.6	153.9
Propylene	60	83.1
LDPE	43	53.1
HDPE	65	93.8
Polypropylene	55	71.3
Source: TVK		

In the first half of this year TVK's polyolefin plants experienced a downturn in production compared to 1998. This was due largely to the 52 day cracker shutdown during April and May. Amongst the polyolefin units the LDPE 2 plant was closed for 37 days, the HDPE plant for 44 days, the polypropylene 2 plant for 36 days, and the polypropylene 3 plant for 34 days.

Construction of TVK's new polypropylene plant is

reported to be on schedule. The investment so far has amounted to Ft 14.7 billion. The project's trial production is to start at the end of the year with commissioning expected in January 2000.

Propylene derivatives

In the markets, a number of maintenance shutdowns in Central Europe have been completed. Tightness of propylene monomer in Central Europe has made it more difficult to secure product. Eastman Chemical may purchase a 73.74% stake in Chemicke zavody Sokolov a.s. (CHZS) from the Czech National Property Fund in return for a payment of Kc 150 million, and assumption of debts of Kc 1.12 billion to Komerční banka. However, the deal must still be finalised according to Eastman. CHZS has been the subject of much speculation for several years, with the outstanding debts being the main factor that has deterred Czech investors.

PVC

In the first half of the year BorsodChem's profit before taxation and income amounted Ft 3,702 million, representing a 36.7% fall from Ft 5,848 million in the same period last year. During the second quarter of this year BorsodChem experienced a decline in revenue, mostly from PVC sales. However, at the latter end of the second quarter in June, increasing Far East demand helped to drive up prices. Levels increased approximately 25% from March.

BorsodChem's Product Income (Forints)		
As of Aug 23 \$1 = Ft 238.620, 1 euro = Ft 254.071		
Product	1st H 98 Ft million	1st H 99 Ft million
PVC resin		
Domestic	2,933.10	1,658.60
Exports	13,436	10,889.80
Total	16,369.10	12,548.40
PVC compounds		
Domestic	1,032.40	988.1
Exports	1,621.10	1,115
Total	2,653.50	2,103.10
MDI products		
Domestic	158.3	54.2
Exports	6,651.20	7,750.50
Total	6,809.50	7,804.70
Caustic soda		
Domestic	1,098.70	1,427.80
Exports	1,053.70	1,054.10
Total	2,152.40	2,481.90
Plastic finished and semi-finished products		
Domestic	1,733.50	1,704.60
Exports	1,721.90	1,535.10
Total	3,455.40	3,239.70
Other products		
Domestic	2,039.00	2,048.30
Exports	3,245.80	3,203.00
Total	5,284.80	5,251.30
Total domestic	8,995.00	7,881.60
Total exports	27,729.70	25,547.50
Total sales	36,724.70	33,429.10

Source: BorsodChem

Despite feedstock shortages and adverse currency fluctuations, BorsodChem managed to protect its cost competitiveness against other PVC producers, and subsequently achieved a profit during the first half of 1999 in the VCM, PVC and compounds chain.

VCM stocks have been tight for BorsodChem due to the fall in VCM production at Kazincbarcika (which resulted from TVK's ethylene shortage), a stoppage of VCM supplies from Pancevo due to NATO bombing, and also the problems of financing production at Oriana at Kalush. Capacity utilisation of the entire PVC chain at BorsodChem was badly affected by an unscheduled additional stoppage at TVK in May. This was following a capacity expansion at the Tiszaujvaros cracker.

VCM was mainly substituted by BorsodChem from West European sources in volumes that helped maintain levels of PVC production at Kazincbarcika. Sometimes, however, it can prove difficult to secure the necessary volumes. During the third quarter this year BorsodChem's VCM production capacity is being expanded by 30,000 tpa to 220,000 tpa, thus reducing but not eliminating the dependency of imports. Production statistics are displayed in the table below:

BorsodChem's Production (unit-kilo tons)			
Period	MDI	PVC	VCM
Jan-Jun 1999	21,392	123,947	94,685
Jan-Jun 1998	19,500	125,269	98,390

Source: BorsodChem

The average list price of PVC resin in Q2 was DM1.003 per kg. By contrast, the average operating PVC price level went down to a minimum of DM0.9 per kg, which left little profit margin. Whilst the average cost per ton of ethylene fell 18.1% from 1998 to DM704, the fall in average market prices for PVC meant that earnings were restricted.

Attributable in part to low PVC prices, BorsodChem has this year seen the proportional share of PVC product in the company's sales' revenues decrease noticeably from 44.6% to 37.6%. Downstream PVC compounds have also taken less share from total sales. By contrast, MDI has gained 11.6% more weight in the company's revenues due to growing sales' volumes. It accords with BorsodChem's long term strategy which aims at a more dynamic growth of MDI and isocyanate production compared to PVC.

BorsodChem's sales' revenues from PVC resin decreased by 23.3% compared to the same period last year, with a 5% drop in volume and a major drop in price. The increase of sales' revenues from MDI products was 14.6%, with a 11.6% rise in sales volumes. This rate shows that there has been a slight drop in foreign

currency price of MDI products, but these markets were largely protected from commodity type fluctuations. The price structure for MDI is quite different from PVC, quite often three or four times greater. For example, the average list price for crude MDI in the second quarter this year was DM3.059 per kg and the average price for pure MDI was DM4.277 per kg.

Average operating profit margin on PVC compounds sales was as high as 14.6% partially due to low prices of PVC resin. However, there was a trend whereby PVC processing companies purchased cheap PVC resin instead of compounds. Subsequently the demand for compounds significantly decreased. Demands for compounds, plastic semi-finished and finished products has declined both in domestic and CEFTA markets compared to last year. A slight decrease was also experienced in demand for other products of BorsodChem.

Plastics processing The Hungarian plastics' processing company Pannonplast's achieved sales' revenues in the first half of 1999 of Ft 8,767, 3% higher compared to the same period of 1998. Second quarter sales exceeded Q1 by 21%. However, this was lower than the forecast which was due to the drop in demand felt since latter part of 1998, which had an impact across most of the separate divisions (packaging, building industry and infrastructure, injection moulding). The assessment was that the reduced domestic food consumption, and indirect export, are behind the reduction in sales in packaging operations.

Pannonplast's packaging units in Romania and Ukraine performed according to expectations and in some areas slightly better. The domestic revenues accorded with the expectations in the building materials market (film, foam and flooring), whilst lower exports were due mainly to delayed or cancelled orders from West Europe. In the plastic pipe sector the improvement in June came too late to affect the fall in the first five months, which was caused by external factors such as extreme weather conditions and the temporary limitations in infrastructure project financing.

From January to June 1999 TVK's four plastics' processing units in Hungary produced 13,500 tons with 59% capacity utilisation. TVK has made an important addition to its plastics processing facilities at Tiszaújváros with the start up of its third BOPP plant. TVK has become a more prominent player in plastics' processing since the acquisition of a 74% stake Unterland in Austria in January this year. The acquisition contributed to an improvement in total group sales in the first half of the year to Ft 49,794 million from 46,019 in 1998. Unterland produces mostly seasonal products and particularly following the winter months its sales increased constantly. As from the beginning of July TVK's Flexofol division and the Romanian subsidiary, Plastico S.A. now operate under the control of Unterland which is fully integrated into TVK Group. As TVK's largest subsidiary Unterland's performance has become an important factor in total group sales.

The Danish plastics' company Rosti has opened a new processing plant at Białystok, Podlasie province in Poland. The plant will employ 80 people. Rosti manufactures plastic elements for companies in the electronics and computer industries. Rosti is a subsidiary of the A P Møller oil and synthetics concern which also runs plants in the UK, Denmark, Holland, the USA, Mexico and Thailand.

Intermediates/End-use industries The parent company of Henkel Magyarország Kft has approved a development program of Ft 100 million, under which a new detergent powder production facility is to be built at the company's factory in Barcs in southern Hungary. In the paint industry, Coates-Lorilleux, which is the inks' subsidiary of Total, plans to absorb the Polish paint manufacturer Warszawská Fabryka Farb Graficznych in 2000. Both companies plan to build a new paint plant. Miko of Belgium has bought 87.5% of Modern Conditioning Operations (MCO) at Bydgoszcz, which produces plastic bottles.

The Slovak chemical producer Istrochem, a.s., located at Bratislava, reported losses of Sk 23.259 million in the first half of 1999, compared to losses of Sk 84 million in the same period of last year. Operating profit in the first two quarters totalled Sk 1.329 million, but the company suffered losses from financial operations amounting to Sk 23.416 million. Despite the lowering of viscose silk output, Istrochem managed to reduce its losses by Sk 60.9 million year-on-year. Istrochem reported sales of its own products and services of Sk 816.251 million, down more than 16%. Of the total sales, chemical production made up 81% and exports accounted for 72%.

The operation of the company was affected by the withdrawal of the National Property Fund (FNM) from the privatisation contract from December 1996, although the FNM has now reasserted control from Chemické závody.

Aromatic derivatives At Valasské Meziříčí in the Czech Republic Deza is planning to expand its production facilities for natural phenol, xylene and cresol. Current capacity for

phenol stands at 8,000 tpa and there are plans to expand this to 25,000 tpa, using Deza's proprietary technology. The additional capacity is expected on stream in mid 2000.

Central Europe-currencies Aug 23rd 1999

Country	Currency	\$1=	EURO =
Czech Republic	Koruna	34.19	36.38
Hungary	Forint	238.620	254.071
Poland	Zloty	3.9650	4.2218
Slovakia	Koruna	41.889	44.588

Polimex Cekop in Poland has licensed its technology for epoxy resins and bisphenol A to the German company Salzgitter for a project in Iran with National Petrochemical Co. The capacities for the new units will be 10,000 tpa and 30,000 tpa respectively.

Industrial gases

In August, the German company Linde stated that it had bought the Polish industrial gases business of American group Airgas Inc. The acquisition covers six companies, mostly in north and central Poland, with combined annual sales of about 20 million euros. It is claimed that the deal makes Linde the leading producer of industrial gases in Poland, supplying a whole range of customers in the chemicals and metalworking sectors, in addition to the major shipyards in Gdansk and Gdynia. Linde has been active in Poland since 1993 via its unit Linde Gaz Polska.

The industrial gases market in Central Europe has also seen this year a partnership agreement being forged between Air Products and Unipetrol. The agreement strengthens Air Products' position within the Czech refining and petrochemical market and provides a framework for future projects in the region. The agreement follows several projects undertaken by Air Products for Unipetrol. These include the construction of the largest air separation plant in East Europe, completed in 1996, for Chemopetrol, the supply of a nitrogen generator for Kaucuk at Kralupy, and an investment in oxygen and nitrogen generation equipment for Chemicke zavody Sokolov.

Inorganic chemicals

In Hungary, Nitrokemia Rt's efforts to sell its subsidiary, Varion Ioncserele Gyanat Gyarto Kft, which manufactures ion exchange materials, have not been successful after no bids were submitted. The company is in the process of deciding whether to sell the business through negotiations, or conversely to make the activity more profitable.

The Czech producer of titanium dioxide Precheza is planning to increase capacity to 35,000 tpa from 28,000 tpa. Precheza, located at Prerov, is investing \$36 million in the project, including an expansion of the sulphuric acid and iron oxide production facilities. The International Finance Corporation is providing around \$8 million in support of the project.

Fertilisers

The Czech fertiliser producer Lovochemie has decided this year not to grant dividends to shareholders, in order to concentrate on new investments. The Kc 11 million gross profit achieved in 1998 is being channelled into a new nitric acid plant, in total worth about Kc 1.2 billion. Other plans for investment consist of improving NPK technology and to internal logistics.

The main source of finance will stem from a capital increase of Kc 250 million in Agrobiochemie which owns a 53.3% stake in Lovochemie. A 39.8% stake is owned by Proferta Lovosice. Lovochemie plans a major restructuring over the next five years to improve competitiveness, including staff reductions.

SOUTH EAST EUROPE

Oil refining

The Bulgarian Privatisation Agency has approved LUKoil as the preferred buyer of a 58% stake in Neftochim, and will allow LUKoil to inspect Neftochim's financial state of affairs. LUKoil has started its own four week due diligence, but the pledge for \$107 million for the stake and \$300 million in investments may be in question if Neftochim's debts are higher than the expected \$434 million. A concession contract on the oil deposit fields in northern Siberia will be considered as part of Neftochim's assets. As a result, out of the 7.5 million tpa of crude which the refinery processes, 700 000 tons will be derived from Neftochim's own resources.

In addition to Neftochim in early August Bulgaria's Privatisation Agency signed a deal selling 51% of the domestic fuel retailer Petrol to International Consortium Bulgaria for \$52 million. International Consortium consists of YUKOS which holds 50% plus two shares, and OMV and local Petrol Holding with 25% minus one share each.

In Romania, a number of developments have been taking place in the past few weeks which could ultimately have a positive effect on domestic refining levels. Possibly the most significant involves the national oil company SNP Petrom which sent letters to potential investors August 19, with invitations to participate in the first phase of the privatisation of the company. The evaluation report at Petrom was drafted by the privatisation consultant, ABN Amro-Rothschild, which at present is working on the privatisation memorandum.

The first phase of the privatisation of Petrom is planned to end in September with an increase in the company's capital. The second phase of the privatisation is to consist of a public offer of shares on the internal and international market. The funds resulting from the expansion of capital will lead to an increase in the value of shares, and it will also have effects in the activity of the company. Originally, the government intended to maintain a 51% majority holding in Petrom. However, major changes have taken place in the global oil industry which has raised the possibility that a foreign player could take over the main share in the company.

The second phase of privatisation will involve the sale of the shares and the listing at an international stock exchange. It may start earlier than September 2000, if Petrom is able to present a history of the financial situation during the last three years of its existence. Petrom's legal structure has not changed since September 1997.

In addition to Petrom, the Vega, Rafo and Petromidia refineries in Romania have all been subject to new management and commercial conditions recently which may help to reverse lacklustre production trends. For the Vega refinery at Ploiesti, Rompetrol SA purchased a majority stock package in August. The Vega refinery is one of three in Ploiesti, the others being Petrotel and Astra. In addition, the Petrobrazi refinery is located nearby. Rompetrol has pledged to invest over \$20 million in the next three years for the modernisation of the refinery. By acquiring Vega, the Rompetrol group has added an essential link to its structure of exploitation and production. The Vega refinery will continue its activity under the name of Ropetrol Rafinare, but keeping the industrial mark of Vega along with companies included in Rompetrol.

Rafo, located at Onesti, restarted refining activity in August. This was after the external creditors of the company, Glencore and Mansfield, and the Romanian authorities came to an agreement on the refinery. According to the negotiations, Glencore and Mansfield have been asked to deliver 180,000 tons of oil per month for the next six months in order to give the refinery chance to repay the debts of \$20 million. Additional supplies are to be provided by SNP Petrom, as a result of an association contract.

The idle Petromidia refinery was expected to restart in August, dependent on the closing of a commercial contract for the processing of 50,000 tons of crude extracted by Petrom from the Black Sea. Akmaya, the Turkish company that has been ruled out of the Petromidia privatisation by the SOF, has not given up hope that it could still take control of the plant.

The 50,000 tons per month being provided by Petrom will mean that Petromidia is functioning under the profitability limit of 280,000 tons of crude, but at least it can pay the outstanding debts to Societe Generale, which amount to \$27 million. The intention is that the refinery is to manufacture liquefied oil gas and other products that will be exported, taking advantage of good international prices. Other products should include polypropylene which Petromidia produces for approximately \$540 per ton, considered to be competitive against international standards.

Petrom is looking to supply oil for Rafo and Petromidia because they are situated near the oil deposits and sometimes processing at near-by refineries is more convenient than at its own refineries, Arpechim and Petrobrazi. At present, Petrom is increasing the import of crude due to an increase in demand for oil products on the market. Of significance, Petrom is planning to extract from crude from Kazakhstan within a few months. Moreover, Petrom is to become the main owner of the exploitation rights of the Tasbulat deposit in Kazakhstan for a period of twenty five years, the owner of the exploration license for a period of five years and the development and production licenses for a period of twenty years for the Aktas Turkmenoy blocks.

These rights were established from a contract that Petrom closed on July 12 with Lisburne Holdings Ltd, as seller of the Tasbulat company Oil Corporation and guarantor for the Kazakhstan Mineral Corporation. According to Petrom the three oil deposits contain substantial reserves, which will be extracted initially at a rate of 3,000 tons of oil per day. Hence, the opportunities for increasing Romanian refining levels could be assisted greatly by the exploitation of these deposits.

In Slovenia, the future of the Nafta refinery and methanol plant is uncertain. The options consist of shutdown or re-nationalisation with a view to selling the company off to a foreign partner. Due to consistent low capacity utilisation Nafta has been incurring losses for several years. A modernisation programme is required but the finance would have to be provided by a strategic partner. At present, Petrol.d.d is the majority owner of Nafta Lendava and uses the refinery for oil processing. However, it is not dependent exclusively on Lendava for product. There have been various conflicts this year between the government and Petrol over how Nafta should be run. Nafta's methanol capacity stands at 165,000 tpa and there are also production facilities located at the site for formaldehyde.

Olefins HIP Petrohemija, located at Pancevo in Serbia, after suffering extensive damage in NATO's

three month air war, stated on August 5 that it planned to restart production by the middle of August. The company said that it would be able to restart production on August 15 if stable electricity and gas supply were secured, and also that 31,000 tons of raw materials were received. However, this start up was not possible as the raw material requirement was not met, particularly for gas. International sanctions on Serbia mean that it is very difficult to obtain gas supplies for anything more than humanitarian reasons.

Petrohemija needs at least 15.7 million kilowatt hours of electricity a month, and about 15.9 million cubic metres of gas a month in order to operate at base levels. Agreements are being sought but it is not possible to say when the complex might start. Another main problem is the refinery, but already the energy installation for the complex has been restarted. The refinery could conceivably resume operations in October.

Damage to the petrochemical complex at Pancevo is estimated initially at approximately \$448 million. Three of its eight plants were completely destroyed and three were damaged in the bombing. The olefin complex and polyethylene facilities are intact, but the VCM/PVC facilities have been badly damaged and will need investment. Another barrier is finance. Foreign suppliers were ready to reschedule, and even forgive old debts, but new deliveries will have to be paid for right away which makes raw material purchasing exceedingly difficult. In 1998, Petrohemija produced about 800,000 tons of base chemicals, 175,000 tons of polymers, 4,700 tons of pipes and 270,000 fittings. The value of its 1998 production was estimated at DM394 million.

Plastics processing

Processing company Plastico S.A., TVK's Romanian subsidiary, has started to break even which is a positive sign that restructuring is taking effect. Plastico is located at Sfantu Gheorghe, Covasna. The company expects this year to make a 2.4 lei billion profit. Probably half of it will come from the sale of Plastico's own products, and the other half from the re-sale of the products made by other divisions of TVK. TVK acquired Plastico S.A in November 1997 and at the beginning it seemed that "distance-control" from Hungary would be sufficient. However, after a number of problems came to surface, TVK's management decided upon on site involvement which has clearly had an impact.

South East Europe-currencies August 23rd 1999

Country	Currency	\$1=	EURO =
Bulgaria	Lev	1,8234	1,9488
Croatia	Kunar	7.1365	7.5808
Macedonia	Dinar	57.8400	62.441
Romania	Lei	16110	17153.1
Slovenia	Tolar	184.429	196.382
Yugoslavia	New Dinar	10.9201	11.6304

From the start of July, Plastico was incorporated into the Unterland division of TVK. At present, Plastico has the capacity to produce 2,100 tpa of products. This month, September, an increase in the number of shifts from three to four has been introduced which could increase capacity to 2,500-2,600 tpa. Reconstruction of Plastico's production facilities started in November 1998. The

objectives were to construct the necessary service systems for the machines transferred by TVK, to improve the deficiencies of infrastructure, and also to improve marketing. Plastico could be the beneficiary of more efficient machines transferred from other TVK divisions Unterland and the Flexofol. In particular, stretch film equipment is seen of great importance. No Romanian company yet produces this type of film.

Fertilisers

At the end of July the Bulgarian Privatisation Agency closed a tender for a 63% stake in Agropolichim from two bidders MDK Union Miniere and IBE Trans, the latter which has agreed the purchase of Chimco. Union Miniere has placed its bid through a consortium Acids and Fertilisers, together with a US company Hartland. Agropolichim went into liquidation in July, and paradoxically restarted the production unit for tri sodium phosphate using phosphate rock supplied by Union Miniere. The problem for Agropolichim is gas supplies, Bulgargaz has discontinued supplies of gas to Agropolichim due to outstanding debts and will probably need reassurances before it resumes supply. Thus, of the two bidders Union Miniere and IBE Trans, the eventual outcome will depend on the ability to secure a good price for natural gas from Bulgargaz.

The US company IBE Trans has agreed terms with the Bulgarian Privatisation Agency for buying a 57% stake in Chimco, the fifth occasion (not fourth as mentioned previously) it has attempted to sell the urea and ammonia producer. The fee agreed is 1,000,001 leva, with the buyer undertaking to invest \$51 million in working capital and to maintain certain staff levels. The Bulgarian Privatisation Agency has given IBE Trans six months to reach accommodation with Chimco's principal creditors, including Bulgargaz. At the end of March this year Chimco's debts totalled 71,500 million leva.

Chimco was put up initially for privatisation in 1996, and has been courted by potential buyers Stellar Global Corporation of Canada and Daewoo of South Korea, eventually ending in failure. Not much is known about the new buyers, but there is hope that the decision will be helpful to the reinvestment and restructuring of the ammonia and urea facilities owned by Chimco at Vratsa. Already an agreement has been signed with

Bulgargaz for gas supplies and meeting the outstanding debts. Lower priced gas than elsewhere in Bulgaria will be received by IBE Trans, largely to do with the result of an agreement reached with Gazprom. After stopping production in May Agrobiochim at Stara Zagora was expected to restart at the end of August. The plant was shut down in May due principally to the lack of ammonia. Agrobiochim is believed to owe outstanding sums to Bulgargaz for gas deliveries. Staff have been given unpaid leave. The company is still trying to attract a buyer or buyers, with the caprolactam unit having received the best interest. A total of 79% in Agrobiochim has been slated for cash privatisation in self-contained parts.

Last month, it was reported that EP Commerce Bourgas, part of a Russian-Bulgarian consortium dominated by Neftochim and by LUKoil, had outbid Romania's national oil company Petrom by a narrow \$75,000 for a stake in Doljchim at Craiova. The buyer accepted very harsh debt payment conditions, with \$6 million worth of debt to two Romanian banks to be paid back within a week and the rest due very soon afterwards. In fact, this deal fell through in August, with EP Commerce Bourgas failing to meet the demands of the creditors. This has allowed Petrom to take the 76.12% stake in Doljchim, taking on responsibility for its debts. This is seen as a positive development insofar that Petrom has surplus gas to sell and Doljchim is a major consumer of gas. Doljchim's fertiliser capacities include 600,000 tpa of ammonia, 300,000 tpa of urea and 300,000 of ammonium nitrate.

Fibres The Bulgarian polyester fibre producer Yambolen at Yambol has restarted production operations after an extended shutdown. Yambolen will produce approximately 1,500 tons per month for the next few months, with contracts received not only from the domestic market but also the UK, France, Belgium and the Netherlands. A 67% stake in Yambolen was sold to an offshore company called Chimimport at the end of April this year. Chimimport has undertaken to clear the debts of Yambolen, plus to invest in the modernisation of the production facilities.

The shareholders in the Romanian fibre producer Melana Savinesti sanctioned an operational shutdown of the company on August 16. The management committee of the Bucharest State Ownership Fund (SOF) discussed this prospect with the view of putting the company up for privatisation on the Rasdaq Secondary Market. No investor was interested in the privatisation by the open outcry auction that took place between June 10-17 this year. The SOF owns 39.99% of the share capital, the Financial Investment Company (SIF) 0.338%, and the Mass Privatisation Program distributed 59.6% of the Melana shares. The first price at the sale by auction in June was of 6.809 lei per share, the value of the entire stock amounting to 6.43 billion lei.

Melana produces and sells acrylic fibre, and products of natural and synthetic fibre. Although there are chances that the shareholders General Meeting sanctions the operational shut down, should the shareholders not meet on Monday August 16, a second meeting of the shareholders is to take place on Tuesday, August 17.

Further negotiations are taking place over the future of the fibre producer Fibrex, also located at Savinesti, with the Italian company Radici and the SOF. The possibility is that a mixed Romanian-Italian mixed company may be formed. There are four main areas of production including adipic acid, caprolactam, wires and technical networks, and textile threads. Fibrex Savinesti is on the list of the thirty three Romanian companies that the Ministry of Finance has seen fit to sell to reduce the country's budget debts. The company's future may eventually be decided through an exchange of debts for shares.

BALTIC STATES

Baltic States-currencies August 23rd 1999

Country	Currency	\$1=	EURO =
Estonia	Kroon	14.694	15.649
Latvia	Lats	0.5956	0.6271
Lithuania	Litas	4.001	4.2801

Mazeikiu Nafta has continued to face oil supply problems from Russia, with suggestions that due to the crisis in Dagestan supplies destined for Lithuania had been re-routed to Russian refineries. As a result of previous disruptions in oil supply from Russia, the Mazeikiu Nafta was shut down in February and May

for a total of 26 days, suffering losses of one million litas per day. Subsequently, in the first half of 1999 Mazeikiu Nafta posted a loss of 47.24 litas. Lithuania is negotiating the sale of shares in Mazeikiu Nafta with the US oil company Williams International.

COMMONWEALTH OF INDEPENDENT STATES

Russia

According to the Russian State Statistics Committee industrial output increased 4.5% on a yearly basis in the first seven months of this year, as domestic industry has continued its "rouble ride". Pricing the competition out of the market has been very fruitful for Russian producers. The low valued rouble may, however, act as a preventative shield against important restructuring steps which are clearly necessary to raise domestic

standards to global standards. Thus, although positive growth may continue until the end of the year. or thereabouts, there are concerns that some producers have deferred tough decision making, the need for which will resurface at some stage next year. There is a division of views over how long the devaluation will feed through positive effects to the economy. One side of the fence suggests that it may not continue much longer whilst other views suggest that sustained growth could go through to next summer.

The 'success stories' from devaluation have been led by the so-called biochemical industry which surged 72.7% on a yearly basis by the end of June, followed by light industry (25.6%) and the chemical industry (24.1%). However, gross domestic product was down 2.9% in the first half of the year indicating that the overall economy is not so well placed. An increase in industrial output has not outweighed a slump in both agriculture and the service sectors.

Olefins Russian oil refining fell to 79.456 million tons in the first half of 1999, a 0.2% fall against the same period last year. Lower emphasis on domestic oil sales at the expense of exports has contributed to a shortage of gasoline in many parts of Russia. Gasoline prices increased almost 90% in the first seven months this year due to the shortages. Producers of crude have started to make pledges to the government that they will try to meet domestic demands from their output.

On August 4 the Russian Tax Ministry stated that Russian oil companies will have to pay taxes in cash from the start of August rather than the original date of November 1 this year. Gazprom has also been informed that it will have to pay taxes in cash before the agreed starting date of June 2000.

Russian Olefin Output (unit-kilo tons)		
Product	Q1 1999	Q1 1998
Ethylene	479	340
Propylene	180	130

In the first quarter this year Russian olefin output increased noticeably against levels in the corresponding period in 1998. The major producer was Nizhnekamskneftekhim which produced 107,000 tons in the first quarter. Total ethylene output in Russia increased 41% in the first quarter, which is attributable directly to the rouble's devaluation thus hitting imports and helping exports simultaneously. Propylene output

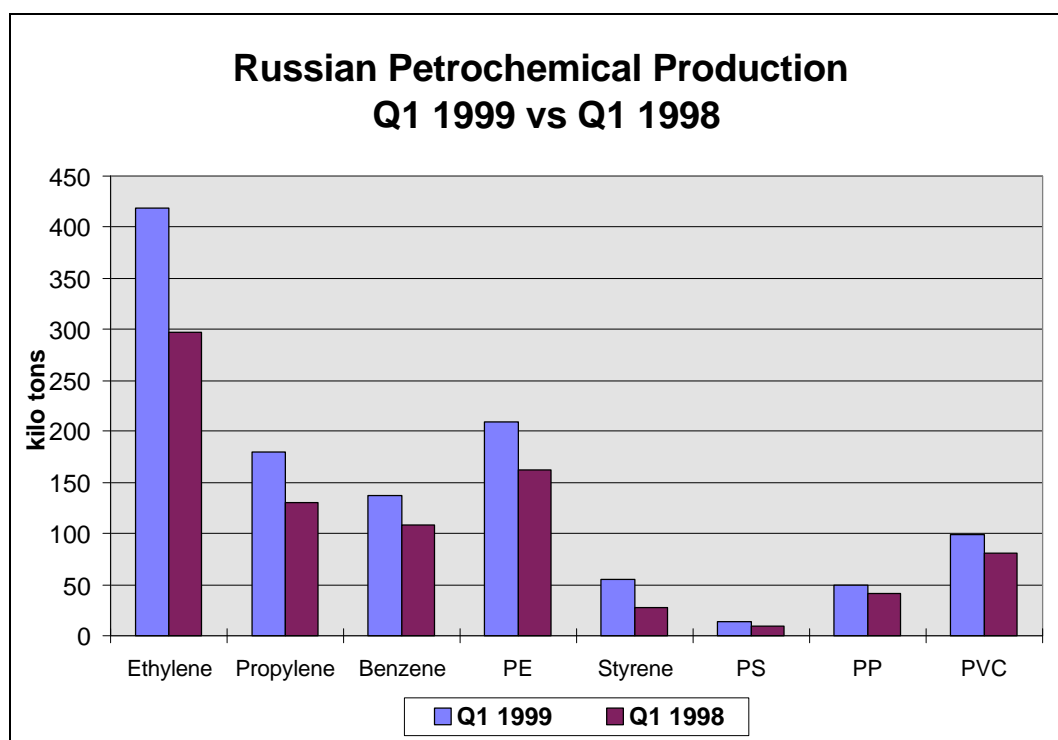
followed ethylene trends, with almost a 40% increase in the first quarter.

Nizhnekamskneftekhim Production (unit-kilo tons)					
<i>Product</i>	<i>Capacity</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>
Ethylene	420	268.5	240.7	300.3	360
Propylene	181	129.7	120.5	147.1	169
Styrene	263	121.1	118.1	144.6	171
Mono ethylene glycol	n a	61.1	119.1	134.9	145
Ethylene oxide	320	135.4	138.0	168.3	179
Propylene oxide	50	30.6	31.2	32.7	45
Benzene	200	100.9	99.8	101.8	131
Butadiene	360	89	92	49.6	n a.
Isoprene	n a.	126.5	146	134	n a
Polyisoprene	450	105.5	143.1	129.5	195
Butyl rubber	60	40.6	42.5	50.6	52

Kazanorgsintez was the second largest producer of ethylene in the first quarter this year with 86,000 tons, against 72,800 tons in the period January-June 1998. Whilst current production rates represent good utilisation levels production is still insufficient to meet captive requirements and thus purchases, mostly from Nizhnekamsk, are necessary. Last year, ethylene production at Kazan was lower than in 1997. Kazanorgsintez has plans to revamp the largest of its ethylene crackers, the EP-200, with a view to increasing capacity to 260,000 tpa. Roughly \$35 million is required for the project, which probably is not available from the company's own resources.

Kazanorgsintez Production (unit-kilo tons)					
<i>Product</i>	<i>Capacity</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>
Ethylene	544	281.9	263.2	289	258
Propylene	52	n.a	24	28	22
LDPE	196.9	133	141.3	166	158
HDPE	182	146.3	147.8	169	178
Polyethylene tubes	47.7	15.7	17.9	17.1	16.8
Phenol	50	23.2	27	21.2	19.2
Acetone	36	14.9	17.4	13.5	11.9

In East Siberia, Angarsknefteorgsintez continues to experience feedstock shortages, although ethylene production increased marginally to 36,000 tons in the first quarter compared to about 29,000 tons in the same period last year. For the whole of 1998 Angarsknefteorgsintez produced only 94,000 tons from a total design capacity of 300,000 tpa.



Polyolefins

Polyethylene prices in the export market have been strong in recent weeks, with levels of DM1.6 per kg being heard in Europe. An LDPE outage at Poland has squeezed availability which should create short term openings for Russian exporters. Polypropylene prices, by contrast, are struggling to climb above levels of DM1.2 per kg for homopolymer grades. There have been efforts to try and move polypropylene from Tomsk to West Europe, but after transport costs margins are minimal. In general Tomsk Petrochemical Combine is looking for direct buyers of methanol, LDPE, polypropylene, and urea-formaldehyde resins both in domestic and export markets. For domestic sales the company is prepared to consider all forms of payment. Further details available from: Irina N. Knira, Head of Marketing Group, OAO "Tomsk Petrochemical Combine", Tel +7 3822 73 01 77, Fax +7 3822 73 01 06, E-mail: tnk@mail.tomsknet.ru.

Trading company AngarskPolimerPlast is offering LDPE produced by Angarsknefteorgsintez at a current price of 17,900 roubles per ton. Further details: Igor Chizhikov, AngarskPolimerPlast, Tel +7 3951 532709, Fax +7 3951 532785, E-mail: ig_green@chat.ru. Prices are on the way up. The lowest price for LDPE in August was about 17,000 roubles from Kazanorgsintez. HDPE prices are climbing more quickly with prices of 18,700 roubles per ton from Kazanorgsintez for larger buyers. Enquiries for polyethylene from Kazan can be addressed to RSK "Rizalit", Tel +7 095 745 8451, Fax +7 095 401 5223, E-mail: rizalit99@mail.ru. Regarding buyers, OOO "Torgovliy Dom Khimicheskoy Produktii" is seeking up to 200 tons per month of HDPE at a lowest price of 19,500 roubles per ton. Further details: Aleksey Yarkin, Tel +7 8442 67 01 01, Fax +7 8442 67 01 11, E-mail: vce@avtlg.ru.

Synthetic rubber

AO "Kautschuk" at Sterlitamak is one of the largest producers of synthetic rubber in Russia, focusing mainly on isoprene and butadiene rubbers. Further details: Marat R Galiev, AO "Kautschuk", Tel +7 3473 33 42 06, Fax +7 3473 33 42 06, E-mail: kauchuk@str.bashnet.ru.

The tyre manufacturer Yaroslavlshina is aiming to produce 26.9% more output in 1999 against 1998, with all types of tyres expected to see an increase. This follows an increase in 1998 of 10.1% against 1997. The board of directors of AO Yaroslavlshina have replaced the General Director in part due to the plant's poor performance in 1998 which brought it to the brink of bankruptcy. The plant suffered a net loss of 49.641 million roubles in 1998 on a pre-tax profit of 114 million roubles.

The Kirov Synthetic Rubber Plant at Kazan is planned to be transformed into a joint-stock company before the end of this year. The charter capital is planned at 101.318 million roubles. At the first stage, 97.6% will remain state property, the state also reserves the right to maintain a golden share as long as it wishes.

Aromatic monomers & derivatives

Unlike the olefin sector aromatic producers in Russia have seen little effect from the devaluation of the rouble, with production showing little change on the basis of the first quarter. Benzene production increased at the crackers but refinery based production changed little. This is largely the result of lower refining volumes which have been influenced by oil companies exporting more to take advantage not only of high global prices, but also the need to secure hard currency. Xylene isomer production has been down this year, indicating that a low valued rouble does not solve all problems. Moreover, paraxylene is almost 100% export oriented and with international prices low and internal transport costs high there is very little way that producers in Omsk and Ufa can make profits.

Russian Aromatic Production (unit-kilo tons)						
	Benzene		Orthoxylene		Paraxylene	
	Q1 1999	Q1 1998	Q1 1999	Q1 1998	Q1 1999	Q1 1998
Kinef (Kirishi)	5	2.2	8	7.5	7	5
LUKoil-Permnefteorgsintez	1	6.7	-	-	-	-
Nizhnekamskneftekhim	41	21.9	-	-	-	-
NORSI (Kstovo)	3	4.4	-	-	-	-
Omsknefteorgsintez	31	25	11	17.93	11	17.82
Salavatnefteorgsintez	10	10.8	-	-	-	-
Ryazan NPZ	7	4.2	-	-	-	-
Ufaneftekhim	40	34.1	20	16.9	24	18
Totals	138	109.2	39	42.33	42	40.82

Benzene prices in the domestic market have been climbing which is consistent with international market trends. Furthermore, shortages of product have helped to put pressure on pricing. Back in February the average price for benzene was 3,500 roubles per ton. By May, numbers had reached 4,500 roubles but in August prices of higher than 6,000 roubles were being heard for large volumes. Amongst traders, prices for benzene in deliveries of 1,000 tons were being quoted by SKS at 9,000 roubles per ton in August. Further details: Vyacheslav Tatarinkov, SKS & Metal Inter Project, Tel +7 3832 79 58 85, Fax +7 3832 77 22 24, E-mail: sibks@online.nsk.su.

In the first half of 1999 South Korea imported 18,722 tons of caprolactam from Russia against 37,831 tons in the same period last year. Although volumes have been effectively halved aggregate sales have been compensated by sizeable increases in exports to both mainland China and Taiwan. In the first half of 1999 mainland China imported 39,190 tons from Russia compared to 12,121 tons in the same period last year. There has been an increase in domestic consumption of caprolactam, but a tightening of feedstock supply has restricted capacity utilisation rates. In the markets, the Russian branch of the US trade company Saron Co is offering 350 tons of flaked caprolactam at a price of \$980 per ton FOB St Petersburg. Further details: Eli Mogilansky, Saron Co, E-mail: agrones@sonnet.ru.

In the technology sector Petrov Institute for Polymers in Russia has licensed its technology for polycarbonates to the German company Salzgitter for a project in Iran with National Petrochemical Co. The capacity of the plant will be 25,000 tpa.

Methanol & fertilisers

Methanol is available in quantities of 12,000 tons per month from Shchekino in the Tula Oblast from a trading company called Pekh. It is also selling hexamine and calcium chloride. Hexamine produced at Shchekino is available in volumes of 700 tons per month. Calcium chloride is available in volumes of 1,500 tons per month.

Regarding the export of methanol the procedure is not straightforward. In accordance with Russian legislation it is necessary to obtain a license for each contract. Normally, it takes from one month to six weeks to obtain the licence and costs \$500. Pekh is discounting the price for volumes of methanol more than 6,000 tons per month. Further details: Oleg Gorobchuk, Pekh, Tel, +7 095 234-34-28, 745-55-37, Fax +7 095 234-34-28, 745-55-37. E-mail: gob@binvm.rtsnet.ru.

CIS- currencies August 23rd 1999

Country	Currency	\$1=	EURO =
Azerbaijan	Manat	3942	4197.24
Belarus	Rouble	315,000	335398.5
Kazakhstan	Tenge	131.400	140.334
Russia	Rouble	24.9650	26.5816
Ukraine	Hryvnia	4.4000	4.6850
Uzbekistan	Sum	625.00	665.499

In the fertiliser market the Russian company ZAO "Nika" is offering products from Korund in the Dzerzhinsk region, with prices claimed at lower than directly from the plant. Products include di-sodium phosphate, tri-sodium phosphate, ammonium chloride and calcium carbide. Further details: Irina Burkina, ZAO "Nika", Tel +7 8312 49 77 30, 49 77 23, E-mail: info@zaonika.nnov.ru.

Russia is trying to defend its interests against the USA imposing anti-dumping duties on imports of nitrogen fertilisers from Russia. The problem is connected with ammonium nitrate which Russia exports in large volume. US producers claim that the Russian product is driving down local pricing, which has resulted in pressure on the government to introduce duties.

Russian potash fertiliser producers have performed well over the past year with world markets having been strong. Total Russian potash fertiliser production amounted to 3.575.5 million tons in 1998 against 3.487 million tons in 1997. The main producer Uralkali at Berezniki increased output from 2.065 million tons in 1997 to 2.315 million tons in 1998, and increased pre-tax profits by 114%.

Amongst the companies, the phosphate producer Fosforit in the Leningrad region has prepared a number of investment projects aimed at maximum use of local raw materials in fertiliser production. These include an increased range of products, better quality and greater concern for the environment. In July, a 22.22% stake in the fertiliser producer Nevinnomyssky Azot was placed at a special auction by the Federal Property Fund, but only 5.84% was sold. Of the shares on sales only 26.2% were taken up.

Olefin derivatives Kaprolaktam at Dzerzhinsk has won two large long-term contracts for exports to Germany. OstWest is planning to purchase approximately \$720,000 of EDC over the next year. Uralkhimprom is offering EDC produced by Kaustik at Sterlitamak and PVC which is quoted at 13,200 roubles per ton, including VAT. Further details: Aleksey V. Khorkov, Uralkhimprom, Tel +7 3432 70 72 40, Fax +7 3432 70 72 41, E-mail: chimcom@emts.ru.

The chemical producer Sintez, located at Dzerzhinsk, has been in negotiations to export ethanolamines to Indonesia. A preliminary agreement was reached during a visit to the plant of a delegation from Indonesian oil company PERTAMANA. ZAO "LUKoil-Nizhniy Novgorod" has also been offering 120 tons of ethanolamines produced by AO "Sintez" at Dzerzhinsk, one of the leading producers of ethanolamines in Russia. Further details: Nikolai Konstantinovich, ZAO "LUKoil-Nizhniy Novgorod", Tel +7 8312 34-12-37, 30-43-48, Fax +7 8312 30-26-43, E-mail: ed@lucoil.nnov.ru.

In the OXO markets, OAO "Butyl Alcohol Plant" is continuing to seek customers for normal butanol, isobutanol, 2-ethylhexanol, DOP, PVC resins and MTBE. Further details from Mr Andrey B Bikov, Head of Marketing, OAO "Butyl Alcohol Plant", Tel +7 3422 908-920, 908-620, Fax +7 3422 908-116, 908-155, E-mail: main@oilchim.raid.ru.

OOO PKF "Neftekhimprom" is able to deliver DOP from AO "Kamteks-Khimprom" at Perm and AO "Khimplast" at Novosibirsk in cisterns of 38 tons. The company also is offering phthalic anhydride from AO "Kamteks-Khimprom" and butanols, normal and iso from OAO "Interkhimprom-OXOsintez". Further details: Yuri P. Danilov, OOO PKF "Neftekhimprom", Tel +7 3422 64 80 64, Fax +7 3422 64 80 12, E-mail: ensnab@perm.raid.ru.

OOO "Polimer" is quoting 13,000 roubles per ton for neonols, 12,000 roubles per ton for ethyl cellusolve, and 9,500 roubles per ton for styrene, all prices subject to VAT and transport costs. Further details: A Shagurov, OOO "Polimer", E-mail: polimer@tatincom.ru.

Speciality chemicals Khimproekt of Simferopol in Crimea is offering chromic acid from its warehouse in Novomoskovsk in Russia. Further details: Aleksander V. sAleksandrov, Khimproekt Tel/Fax +7 652 24 80 74, E-mail: himproekt@pop.cris.net. As an official distributor of OAO "Volzhsky Orgsintez", "Global Impex" Trade House can supply the following chemical products: sodium sulphate, aniline technical which is used for the production of intermediate products, dyes, pharmaceutical substances, explosive substances, rubber accelerators for vulcanisation, polyisocyanates, dimethylsulphide, etc. Dimethylsulphide is used as a material to produce dimethyl sulphide-oxide and it is used as low temperature solvent of different organic chemicals (hydrocarbons, ethers, alcohol's, etc.), synthetic rubber and different salts of metals. Further details: A L. Richshev, "Global Impex" Tel/Fax +7 8443 31-87-01, 31-87-02 E-mail: cfi@vlink.ru.

Ukraine

Good demand for ammonia from the Far East has increased shipments out of the Ukrainian port of Yuzhnyi, with upward effects on pricing probably lasting until the end of September at least. The major gas supplier to Ukrainian fertiliser producers, Gazprom, has cut the price to state buyers which will aid their ability to operate profitably. The average delivered price per thousand cubic metres has been reduced to \$30, from levels of around \$50 before. Transport costs account for over \$10 per thousand cubic metres in the final price.

Cherkassy State Institute for Technical and Economic Information in chemical industry (NIITEKHIM, Ukraine), is the leading organisation in Ukraine in development of specialised analytical materials, carrying-

out economic and marketing researches in the field of chemical industry of Ukraine and Ukrainian commodity market of chemical products. Information for contact: Tel./Fax: +380-472-47-41-65

Belarus

The Belarussian refineries at Novopolotsk and Mozyr produced 37% in the first seven months of this year compared to the same period in 1998. The Mozyr refinery witnessed the largest rise in processing, recording a 45% increase to 3.343 million tons. The main reason for the increase in throughput is due to the expansion of imports from Russia, by 23%

Transcaucasus

In August, Georgia announced an international auction for a 76% stake in the country's major chemical plant Azot at Rustavi. A Georgian State Property Ministry spokesman stated that the starting price for the stake was \$6.62 million, plus a required investment of \$6 million for re-equipment of the plant over three years. Foreign and domestic bidders have equal rights, and the winner will be judged on offer price in addition to proposed investment plans. The new owner will be expected to pay off the plant's debts. Bids will be accepted until September 16. Azot produces fertilisers and caprolactam at Rustavi, which is about eleven kilometres from Tbilisi. At present the enterprise is working at only a fraction of capacity.

Central Asia

Azot at Fergana has awarded a contract to Krebs-Speichim to revamp a 20,000 tpa sodium chloride plant and 11,800 tpa magnesium chlorate plant. Krebs-Speichim will provide technology, in addition to equipment, and will design the plant. Both units are scheduled to become operational in the middle of 2001. Financing has been provided through a French export credit.

In the Uzbek chemical market Uzprommashimpex is offering ethanol and ammonium nitrate. Further details: Alisher F. Nurillaev, Uzprommashimpex, Tel +3712 687725 Fax +3712 687477, E-mail: nurullaev@hotmail.com.

Kazakhstan

The Shymkentnefteorgsintez (SOOS) refinery and the Canadian company Hurricane Hydrocarbons intend to sign a merger agreement before the end of the year. The merger involves a share swap between Hurricane Hydrocarbons and SOOS, resulting in Hurricane taking a 51% ownership of the refinery. The merger follows an agreement between the two sides in April this year for the marketing of petroleum products which helped the financial position of the refinery. Under this agreement, Hurricane sends crude from the Kumkol deposit to SOOS for refining. By contrast to the SOOS plant which is showing improved performance, the Pavlodar refinery stopped production again after resuming operations in July.

An agreement has been signed between the Kazakhstan company Zemlyane Ltd, which took over management of the Alginsky chemical plant (Aktyubinsk Oblast), and the Iranian company, Iran Industrial Design K, to build a kaolin plant worth \$16m. The new plant will be situated on the territory of the former Alginsky plant.

The Chinese National Petroleum Company (CNPC) has cancelled its plans to build a \$2.4 billion pipeline from western Kazakhstan to western China. In 1997, CNPC offered to study the possibility of building the pipeline when it bought a controlling stake in the then state-run Kazakhstan oil producer AktobeMunaiGas, and won a tender to purchase a stake in Kazakhstan's second largest oil field, Uzen. The latter deal was never finalised. Work on a feasibility study for the pipeline dragged on far past the initial deadlines and was to have been completed in August this year. However, it now seems that the project has been cancelled due to its economic impracticality and high cost.

Forthcoming Events - CenChem 2000

First Conferences is in the process of organising the next CenChem Congress which will be held in Prague. This will be the eighth annual event organised by First Conferences on the chemical industries of Central Europe. April 11-13, 2000 has been designated as the date for next year's CenChem, subject to confirmation. Further details to follow.