CIREC
MONTHLY NEWS
Chemical Industry News for Central Europe, South East Europe and Eurasia
Edited by Andrew Sparshott | Tel +44 (0)20 8669 5126 | Email enquiries@cirec.net | Web www.cirec.net
Czech Republic | Slovakia | Hungary | Poland | Bulgaria | Romania | Croatia | Slovenia | Yugoslavia | Baltic States | Russia | Belarus | Ukraine | Transcaucasus | Central Asia | Kazakhstan
Issue 158, 5 February 2004

Features from the February 2004 issue

- The Czech National Property Fund (FNM) has narrowed the selection process to three bidders, consisting of Shell, MOL and PKN Orlen for the 62.99% stake in Unipetrol. However, it is possible that other bidders may be re-admitted for the second tender. From the seventeen bidders that initially applied in December the list was soon narrowed to seven, then to six, before the final short list was approved.
- Duslo saw sales fall by SKK 500 million to SKK 8.2 billion in 2003, while its preliminary gross profit fell by around half to SKK 105 million. Duslo blames the results on the strengthening of the Slovak crown against the US dollar. In addition, world chemical prices and rising energy costs had a negative effect on the company's 2003 results. The company expects a SKK 108 million profit on sales of SKK 8.4 billion in 2004.
- Linde AG has received an order from BorsodChem Rt for the long-term supply of oxygen and nitrogen. In order to fulfill the order, Linde will build an on-site air separation plant in Kazincbarcika valued at around €22 million and is due to begin operation in 2005. The Linde group is also currently investing €33 million in a second steam reformer for BorsodChem, which will also be completed in 2005. Linde has concluded gas supply contracts with BorsodChem worth around €250 million, which is fixed for a fifteen-year period.
- The new bottle-grade PET pellet plant at Torun is scheduled to be opened on 7 March this year. The new plant will have a capacity of 72,000 tpa. Currently, the two operating SSP plants at Elana-produce 48,000 tpa. Elana's total combined capacity after the new plant is started will thus be 120,000 tpa.
- Russian aggregate chemical output increased 4.4% in 2003 with production in almost all sectors of the industry seeing higher volumes. Paint and varnishes witnessed a fall of 11.4% and synthetic dyes of 7%, but these were exceptions rather than the rule. Production of polystyrene and copolymers of styrene rose 21% over 2002 from 108,000 tons to 131,000 tons.
- Kazanorgsintez increased profits by 14.7% to 1.6 billion roubles in 2003, with a strong growth in exports as one of the main factors behind the improvement. Around 40% of the polyethylene produced at Kazanorgsintez in 2003 was exported. Kazanorgsintez is now firmly focused on the investment programme up to 2007, which is expected to cost in the range of $845 million. This will allow the company to increase output by as much as two-fold.
- Tecnimont plans to participate in the tender for new polyethylene project at Nizhnekamskneftekhim, which is expected to take place in the next month. Apart from Tecnimont three other foreign companies will take part in the tender. The winner of the tender will be declared in the middle of the current year. The design capacity of the polyethylene plant will be 200,000 tpa with a cost of $130 million.
- Polypropylene production at the Turkmenbashi refinery (TKNPZ) has become an important source of export revenue for Turkmenistan and there are now plans to expand capacity. In the near future a new installation for catalytic cracking which will enable an increase in polypropylene capacity from 90,000 tpa to 160,000 tpa. In the early part of 2004, the Turkmenbashi refinery plans to start the production of polypropylene bags, films and pipes. These materials will be produced by Turkmenplena. It will considerably expand Turkmenplena's range of products.

CENTRAL EUROPE

Czech Republic

(Czech crown, Kc, Jan 29, $1 = 26.42, €1 = 33.16)

Unipetrol
The Czech National Property Fund (FNM) has narrowed the selection process to three bidders, consisting of Shell, MOL and PKN Orlen for the 62.99% stake in Unipetrol. However, it is possible that other bidders may be re-admitted for the second tender. From the seventeen bidders that initially applied in December the list was soon narrowed to seven, then to six, before the final short list was approved.

Shortlisted bidders for a second round have already started performing due diligence on Unipetrol. Binding bids are to be submitted in April, having been extended from the original deadline of the end of March. The deadline was extended after bidders asked for more time to carry out due diligence and finalise consortium arrangements.

The initial bids of the three finalists ranged from Kc 7 billion to Kc13 billion, although there were other bids that had been higher. Price is not the only factor in the selection of the winner according to the Czech Finance Ministry. The bids, in fact, ranged from Kc 7 million to Kc 16 million. Bidders that were not selected include KazMunaiGaz and the Deutsche Bank consortium (which is supposed to have offered the highest price), Tatneft and Norex Petroleum, and the Czech-Slovak financial group Penta. Orlen made a bid for Unipetrol, in addition to the potential purchase of 9.76% of the share capital of Spolana, currently held by CKA. Orlen, which has its sights firmly fixed on regional expansion, stated that the price it has offered for Unipetrol is subject to change since it is based on limited information and data gathered in an early phase of negotiations.

KazMunaiGaz said that it had been misled by the Czech government and hopes to be allowed to participate in the second stage of the tender. The Kazakh government owns 100% of shares in KazMunaiGaz, which is a vertically integrated company providing a full range of upstream and downstream services.

Spolchemie
The government is in the process of sell its majority stake in Spolek pro chemickou a hutni vyrobu (Spolchemie), according to the Czech bailout agency CKA. The deadline for bids is set for 27 February. Interested investors must pay a deposit of Kc 50 million.

Spolchemie has undergone many changes in recent years, the aim of which has been to achieve a global competitiveness in specified sectors, i.e. in synthetic resins, inorganic products and organic dyes. Within this strategy the company has reduced the non-core business activities by selling daughter companies, and has concentrated on the most effective products. One aspect of this new strategy is to ensure access to high technologies.

The government owns 53.7% of Spolchemie through the CKA subsidiary Ceska financni, and another 12% through the National Property Fund (FNM). Fores, the successor to the failed Foresbank bank, claims to own one-third of Spolchemie. Ceska financni gained a majority in Spolchemie in 1996, under the so-called stabilisation programme for smaller Czech banks. According to the most recent results, Spolchemie posted a Kc 1.9 million profit in the first six months of 2003, down from Kc 10 million in the same period a year earlier.

Slovakia

(Slovak crown, Kc, Jan 29, $1 = 32.29, €1 = 40.52)

Duslo
Duslo saw sales fall by SKK 500 million to SKK 8.2 billion in 2003, while its preliminary gross profit fell by around half to SKK 105 million. Duslo blames the results on the strengthening of the Slovak crown against the US dollar. In addition, world chemical prices and rising energy costs had a negative effect on the company's 2003 results. The company expects a SKK 108 million profit on sales of SKK 8.4 billion in 2004. Duslo invested almost SKK 1 billion in 2003, and plans to invest SKK 450 million this year. Most of the funds will go into expanding production. Duslo is majority-controlled by Prezan and has a wide product range including polyvinyl acetate dispersions. Other products include dispersive adhesives and special organic products such as diphenylamine, phthalimide, cyclohexane, cyclohexanthiol, isopropyl alcohol, etc.

Slovnaft
MOL has raised its stake in Slovnaft to 98.5%, after acquiring 5.86 million shares in the second half of January for SKK 8.087 billion (€200 million). The purchased stake was equivalent to 28.4% of Slovnaft, of which 15% was reportedly sold by the J&T group. In a compulsory buy-out conducted between 23 November 2003, and 23 January 2004, MOL purchased shares from Slovnaft's minority shareholders for the price of SKK1.379 a piece, raising its stake to 98.5%. After taking a majority stake in Slovnaft in March 2003, MOL was obliged to bid for the rest of the equity. Part of this process included the purchase of the EBRD's 8.3% stake.

Slovnaft's refinery division could benefit from Hyundai's plans to build a new Kia car plant in Slovakia. Poland is still a potential location as nothing has been decided yet with the process only now reaching its final stage. Hyundai's top management plans a visit to Slovakia in February to hold talks with the director general of Slovnaft.

Hungary

(Hungarian forint, Ft, Jan 29, $1 = 211.10 €1 = 264.91)

BorsodChem
BorsodChem has announced that it has bought 60,000 of its own shares at €52.98 each on the Budapest bourse. In December 2003 shareholders of the company have commissioned its board to redeem up to 10% shares in BorsodChem, before carrying out of the general annual assembly of shareholders in 2005. BorsodChem is majority owned by Vienna Capital Partners with 88.97% of the total shareholding.

BorsodChem Rt is being linked with a strategic partnership with Zaklady Azotowe Tarnow (ZAT), with the aim of expanding its PVC interests. As a further step in consolidating its position on Hungary's freight forwarding market, Hungarian State Railways Rt (MÁV) is expected to sign a three-year delivery contract with BorsodChem Rt within weeks. The contract will include the transportation of one million tons of goods per annum for BorsodChem.

Linde AG has received an order from BorsodChem Rt for the long-term supply of oxygen and nitrogen. In order to fulfill the order, Linde will build an on-site air separation plant in Kazincbarcika valued at around €22 million and is due to begin operation in 2005. The Linde group is also currently investing €33 million in a second steam reformer for BorsodChem, which will also be completed in 2005. Linde has concluded gas supply contracts with BorsodChem worth around €250 million, which is fixed for a fifteen-year period.

Since 2001, Linde has been supplying BorsodChem with hydrogen and carbon monoxide from its own steam reformer. By linking the two steam reformers in one process, BorsodChem will be able to ensure a particularly high level of supply security.

BorsodChem requires additional hydrogen and carbon monoxide to expand its production of isocyanates. The air separation plant will supply the oxygen and nitrogen required to produce VCM. The air separation plant will have a liquefying capacity of 200 tons/day to enable it to supply the general gas market with liquid oxygen, nitrogen and argon. It will also be able to supply gas consumers in neighbouring Slovakia and Romania.

Poland

(Polish zloty, zl, Jan 29, $1 = 3.83 €1 = 4.81)

PKN Orlen
PKN Orlen is prepared to implement the provisions of the Biofuels Act, effective in Poland from 1 January 2004, even if it believes that the priority is to solve the question of quality standards for the fuels with bioadditives. The Biofuels Act is changing the Polish fuels market by requiring the producers to add to gasolines and diesel fuels specific quantities of biocomponents. However, secondary legislation has not been enacted yet (e.g. there is no directive on the bioadditives quality standards and quality control), which is a source of concern for both fuel producers and customers.

According to the Act, the biocomponent to be added to gasoline may be either bioethanol, obtained in the process of dehydration of raw spirit, or ethyl tert-butyl ether (ETBE). The current Polish legal regulations clearly favour ethanol despite all the qualities of ETBE. The biocomponent added to diesel fuel will be methyl ester of higher fatty acids, obtained in processing of oilseed rape. The minimum amount of esters required under the Directive of the Council of Ministers in the fourth quarter of 2004 will be 0.11%. The plant in Rafineria Trzebinia, to start operation in early

October this year, will probably be the first such operation in Poland. PKN Orlen is responsible for the construction of the biodiesel production plant at Rafineria Trzebinia, and is considering an equity participation in a bioethanol production venture that would ensure stable long-term supplies.

Chinese Imports from Poland (unit-tons)

Product	*Jan-Dec 2003*	*Jan-Dec 2002*
2-Ethylhexanol	30,696	7,951
n-Butanol	5,832	-
Caprolactam	32,986	10,275
PVC	2,049	1,947

PET

The new bottle-grade PET pellet plant at Torun is scheduled to be opened on 7 March this year. The new plant will have a capacity of 72,000 tpa. Currently, the two operating SSP plants at Elana-produce 48,000 tpa. Elana's total combined capacity after the new plant is started will thus be 120,000 tpa.

The Polish market demand for bottle grade polymer in 2004 is estimated to reach a level of around 140,000 tons, of which Elana will meet around 40%. The cost of the new plant purchased from Bûhler amounted to zl 40 million, being Elana's first major investment project for many years.

Polish Chemical Output (unit kilo tons)

Product	*Jan-Nov 03*	*Jan-Nov 02*
LDPE	144	154
Polypropylene	131	130
PVC	235	232
Caustic Soda	347	358
Nitrogen Fert	1461	1165
Phosphate Fert	492	478
Synthetic Fibres	91	88

Elana's strategic problem could be thought to be a lack of melt phase feedstock. The Torun fibre operation (100,000 polycondensation melt phase) has no further surplus to supply this expansion. There is some speculation that DMT-based chips are being supplied by Kosa in Germany which are being diverted from their fibre operations where they have a surplus.

SOUTH EAST EUROPE

Serbia

(Yugoslav Dinar Jan 29, $1 = 57.90, €1= 72.65)

Zupa

The Serbian Privatisation Agency has signed the agreement with the buyer Vektra on the sale of a 70% stake in the Zupa chemical plant at Krusevac. The buyer will pay €3.8 million for the company, and will invest €6.4 million over the next three years, which will enable Zupa's survival and stable growth in first few years after the privatisation. The buyer has accepted the social welfare programme for the protection of workers. Vektra M is a consortium of the Midland Resources Holding Ltd (UK), Carnex from Vrbas, Tomis (Germany) and the consortium of Zupa employees. Zupa is one of Serbia's most important agrochemical companies which specialises in the production of pesticides and cattle feed additives.

Pancevo refinery

LUKoil is particularly interested in purchasing the Pancevo oil refinery but that this would depend on anti-monopoly legislation, which has not yet been introduced. LUKoil has already purchased 20% of the local market through its investment in Beopetrol and plans to expand its sales network. Thus, it may become vulnerable to the new legislation.

Romania

Final bids for Petrom are required to be submitted by 1 April, although the deadline was the end of February under the initial plan. LUKoil is interested in buying some of Petrom's assets, but will not bid for them during its privatisation. LUKoil will wait until after the result of the privatisation of about a third of Petrom before approaching the winning bidder for assets. Bids must be submitted by April and the winner will have a chance to increase its stake to 51%.

However, Romanian's government may amend the sell off of Petrom in a move to maintain the company's integrated structure after the completion of the privatisation process. This would affect LUKoil's plans, and also mean that the petrochemical subsidiaries Arpechim and Petrobrazi would stay under Petrom rather than being sold off separately. The companies still competing for the Petrom stake are: Occidental Oil and Gas, Gazprom, PKN Orlen, Hellenic Petroleum, MOL, OMV, and Glencore.

EURASIA, COMMONWEALTH OF INDEPENDENT STATES

Russia

(Rus rouble Jan 29, $1 = 28.49, €1= 35.75)

Russian aggregate chemical output increased 4.4% in 2003 with production in almost all sectors of the industry seeing higher volumes. Paint and varnishes witnessed a fall of 11.4% and synthetic dyes of 7%, but these were exceptions rather than the rule. Production of polystyrene and copolymers of styrene rose 21% over 2002 from 108,000 tons to 131,000 tons. This was due largely to the start-up of the new Nizhnekamsk plant. Synthetic fibres and threads increased 15.9% to 185,000 tons. Production of fibres and threads has grown due to an increase in demand both internally and externally, and also due to an improvement of production operations. Tyre output was up 9.5% and 7.9% for cars and lorries, respectively.

Russian Chemical Production (unit-kilo tons)

Product	*Q1-Q3 2003*	*Q1-Q3 2002*
Ammonia	8,089	7,431
Caustic Soda	794	848
Soda Ash	1,733	1,743
Methanol	2,153	1,543
Acetic Acid	116	124
Ethylene	1,493	1,461
Propylene	764	747
Benzene	765	693
Orthoxylene	121	160
Paraxylene	110	112
Styrene	307	248
Phenol	138	112
Acetone	93	76
Phth Anhydride	66	66
Butadiene	255	239
Isoprene	261	231
Synthetic Rubber	781	672
Polyethylene	734	718
Polypropylene	207	186
Polystyrene	93	77
PVC	398	387
Caprolactam	196	195
Aniline	38	33
Plasticizers	105	75
Carbon Black	448	389
Totals e	**20,259**	**18,564**

Production of synthetic resins and plastics grew by 4.7% over 2002 which was due, apart from Nizhnekamskneftekhim's new polystyrene plant, to good utilisation levels at Tomskneftekhim, Kazanorgsintez, Ufaorgsintez, and Plastkard. Polyethylene increased 2.6% in 2003 to a total of 1.026 million tons, whilst polypropylene increased 6.3% to 277,549 tons. PVC production totalled 547,000 tons against 528,000 tons in 2002, perhaps surprising in view of lower exports. Production of mineral fertilisers totalled 13.960 million tons, showing a 3% increase.

Russian export revenues from chemicals increased by 17% in 2003 to reach a total of $6.5 billion. Improved market conditions for a number of products such as ammonia, methanol, synthetic rubber, mineral fertilisers, etc, all contributed to the increase in revenues. At the same time PVC and caprolactam exports were down due to the introduction of antidumping duties by China.

Regarding finances, Russian chemical companies experienced an improvement in debt ratios in 2003, although costs for 1 rouble of production increased by 1.5% to 90.7 kopecks. As a consequence profitability of production fell across the board by 12% to 10.2%. The reasons are due to the deterioration of the main production assets with obsolete equipment being evident throughout large parts of the chemical industry. The high cost of the credit is also a factor outstripping the rise in product prices of production. The problem of poor solvency amongst domestic consumers continues to affect deliveries and cash flow for some producers, but probably nowhere near the scale of several years ago.

Chinese Imports from Russia (unit-tons)

Product	*Jan-Dec 2003*	*Jan-Dec 2002*
n-butanol	105,545	105,688
iso-butanols	68,027	63,215
2-EH	3,768	5,306
PVC	132,627	237,921
Product	*Jan-Nov 2003*	*Jan-Nov 2002*
HDPE	30,389	56,096
LDPE	97,282	90,723
PP	19,035	29,022
Caprolactam	67,534	94,474

Investments for the chemical industry increased by 5% in 2003 over 2002, amounting to 30.2 billion roubles. However, in many companies this is still felt to be insufficient in order to turn the industry into a more streamlined and efficient sector.

In 2003, companies introducing new plants included Novomoskovsk Azot in the Tula region, which brought on stream a new 300,000 tpa methanol unit, Nizhnekamskneftekhim, which started up a new polystyrene, plant and Salavatnefteorgsintez which started a new ethylbenzene unit.

In 2004, the government has predicted an increase in production by 4-4.5%. Petrochemicals have been increasing

at higher levels than the industry as a whole, as shown in the following detailed table for the first three quarters. Only xylene isomers and caustic soda saw a fall. New plants this year include the HBR plant at Nizhnekamsk.

SIBUR/Gazprom

SIBUR subsidiary output (unit-kilo tons)

Tomskneftekhim

Product	*2003*	*2002*
Ethylene	172.2	158.7
Propylene	70.6	88.4
Butane-Butylene Fractions	51,4	47.1
Polypropylene	105.5	98.8
Polyethylene	162.0	149.3
Formaldehyde	122.	103.5
Urea-formaldehyde resins	90.0	80.6

Azot Kemerovo

Product	*2003*	*2002*
Caprolactam	102.5	106.6
Urea	488.4	471.4
Ammonia	859.1	822.1
Ammonium nitrate	784.6	703.7
Ion exchange resins	0.7	0.6
Dimethylformamide	6.2	4.6
Diaphen	3.9	3.7
Sulphenamide	4.6	4.2
Sulphuric acid	211.6	211.1

Tobolsk-Neftekhim

Product	*2003*	*2002*
Feedstocks	1760.0	1396.8
Butadiene	185.6	166.1
Concentrated isobutylene	33.7	23.4
MTBE	69.1	59.3

Voronezsintezkaucuuk

Product	*2003*	*2002*
Synthetic rubber	178.4	149.9
Latex	5.5	5.0
Thermoelastomers	20.6	15.5

SIBUR-Khimprom

Product	*2003*	*2002*
Propylene	88.0	82.0
Benzene	74.0	46.0
MTBE	22.0	21.0
Ethylbenzene	96.0	60.0
Butanols	106.0	97.0
Methanol	8.7	7.6

Uralorgsintez

Product	*2003*	*2002*
MTBE	77.3	44.5
Isobutylene	63.7	33.0
Benzene	32.0	69.0

SIBUR's consolidation

Gazprom has recommended to SIBUR to focus heavily on its long-term development programme and concept of being the major driving force behind the Russian chemical industry. For the short term Gazprom is keen to see special attention paid to resolving issues related to the assets controlled by the company. Press reports claim that Gazprom has paid Yakov Goldovsky, the ex-president of SIBUR, $90 million in exchange for disputed stakes in the SIBUR's subsidiaries. Gazprom is yet to confirm this transaction, although does not deny that it has been fighting very hard to recover control over SIBUR in the past two years. If confirmed, the pay-off will increase Gazprom's ownership in SIBUR by 20.4% up to 96.1%.

The next problem to be resolved is SIBUR's debt settlement for which a moratorium will expire in September 2004. By this time SIBUR's subsidiaries will be required have to have repaid their debts, but this will have a negative effect on the funds designated for development. In April this year Gazprom's board will review SIBUR's financing of investment programmes and debt-servicing.

SIBUR 2003

In 2003, SIBUR achieved 61.761 billion roubles turnover, compared to 27.822 million roubles in 2002. Profits for 2003 amounted to 5.907 billion roubles. The improvements in 2003 were due mainly to Gazprom providing sufficient short-term financing, and also increasing deliveries of raw materials for petrochemical production.

Also last year SIBUR optimised raw material streams, and reduced costs through the transition to centralised logistics' management. A strengthened control over costs of the production companies improved the profit flow.

The financial plan for 2004 forecasts that turnover will increase by around 27%, which would equate to a total of 78.290 billion roubles. On the basis of the same calculations total profits are expected to reach 11.758 billion roubles.

SIBUR-Neftekhim

SIBUR-Neftekhim increased turnover in 2003 by 9.6% over 2002, reaching a total of 3.86 billion roubles. The volume of hydrocarbon processing increased by 14.6% to 553,156 tons.

Other SIBUR subsidiaries

Azot at Kemerovo increased total production in 2003 by 2% over 2002. The only products to see a decline in volume at the complex were caprolactam and urea. Through the use of turbogenerators Azot produced 140 million in kwh per hour of electricity, comprising 30% of all energy consumption.

During 2003, Azot conducted large scale modernisation at a total cost of 450 million roubles, of which 100 million roubles were provided by SIBUR. The average plant utilisation at Kemerovo in 2003 was 88.1%, which was 3.1%

higher than in 2002. In 2004, SIBUR plans to invest a total of 284.852 million roubles in the further modernisation of Azot.

In 2003, Tobolsk-Neftekhim processed 1.76 million tons of hydrocarbons, 26% up over 2002. Uralorgsintez (Tchaikovsky) produced more than 567,000 tons of hydrocarbons in 2003, including 455,700 tons of liquefied gases. The company states that it has mastered the production of methanol which it hopes to commercialise , and that it has also started the production of polybutylene oils. 2003 was the first year for a decade that Uralorgsintez was able to pay off its debts completely and this was due largely due to the involvement of SIBUR.

SIBUR-Neftekhim's Production at Kstovo & Dzerzhinsk (unit-tons)

Product	*2003*	*2002*
Ethylene	169,458	153,334
Ethylene Oxide	57,292	47,816
MEG	139,195	123,227
DEG	16,322	14,106
TEG	990	884
Propylene	87,124	75,866
Benzene	56,367	37,472
BBF	44,144	39,440
C5	22,743	18,967
C9	11,565	8,716
EDC	74,958	79,485
PVC	32,441	31,354
Trichloroethane	4,312	-
Caustic Soda	85,862	84,594
Chlorine	23,910	18,738
Plasticizers	34,457	25,440
E chlorohydrin	9,546	8,657

SIBUR-Khimprom at Perm processed 749,000 tons of hydrocarbons in 2003, 24% more than in 2002. The gas-fractionating unit at Perm processed 307,000 tons in 2003 vs 224,000 tons in 2002. Voronezsintezkaucuuk produced a total of 204,300 tons in 2003, 20% up on 2002. 89,000 tons (or 43.6% of total production) was exported.

Tatarstan

Tatneft has increased its holding in the tyre manufacturer Nizhnekamskshina from 50% to 75%. The oil company is aiming to find a strategic investor for Nizhnekamskshina, which could mean either one of SIBUR or Amtel. However, SIBUR is thought unable at present to have the kind of funds required to invest in Nizhnekamskshina, whilst Amtel tends to focus on in-house investments.

Nizhnekamsk-NPZ

Nizhnekamsk-NPZ increased processing by 26% in 2003, at the primary crude distiller ELOU-AVT-7), up to 3.18 million tons. The capacity utilisation rate of the unit was 88%. New environmentally-friendly oil products such as hydrogenated diesel fuel and kerosene, vacuum gasoil and granular sulphur yielded a 25% increase in the light fractions inflow. Last year, the refinery also recorded a 25% growth of straight-run naphtha shipments to Nizhnekamskneftekhim for ethylene production.

The operating profit of Nizhnekamsk NPZ for 2003 is expected to amount to 149.5 million roubles. Shareholders plan to increase charter capital by $600 million by the additional issue of ordinary shares for construction of a petrochemical facilities.

Nizhnekamsk NPZ was registered in 1997 with an authorized capital in 10 million roubles. Co-owners include Tatneft (which holds 63% of shares), Nizhnekamskneftekhim (25% of shares), TAIF (7,5%), Tatneftekhiminvest-holding (2,5%) and Moscow Neftek-techno (2%). Nizhnekamsk NPZ can process up to 7 million tpa of crude.

Tatar-Korean Petrochemical Management Co

LG from South Korea, Nizhnekamskneftekhim, Tatneft, and Svyazinvestneftekhim have established the Tatarstan-Korean Petrochemical Asset Management Co (TKNK). This venture has been set up to construct and operate a refining and petrochemical complex at the Nizhnekamsk refinery.

The stock capital of the venture equals $220,000 with Tatneft holding 45.7% of the new company, Nizhnekamskneftekhim holds a stake of 36.3%, Svyazinvestneftekhim 8.1%, and LG 9.9%. LG has started work on the feasibility report which could lead to finance coming from the Korean import-export bank by this summer.

Nizhnekamskneftekhim

Performance in 2003

Nizhnekamskneftekhim achieved a turnover of 23.3 billion roubles in 2003, 20.6% up on 2002. Physical volumes grew by 5% in 2003. Costs were reduced for 1 rouble of commodity output, from 83.1 kopecks in 2002 to 78.2 kopecks in 2003. Production increased in nearly all products including isoprene by 24%, butyl rubber by 6%, divinyl by 22%, styrene by 4%, polyethers by 6%, and neonols by 23%. A number of older units were phased out or mothballed, which explains why the aggregate increase was 5% and not higher.

The company recorded the highest ever volume of styrene production at 253,700 tons and also neonols at 88,000 tons. The new polystyrene plant produced 17,400 tons after its start-up in July. In 2003, the SKI plant at Nizhnekamskneftekhim produced 175,500 tons of isoprene, which was 30,000 tons more than in 2002.

The expected balance profit for 2003 is 3.9 billion roubles. In the first nine months the company's balanced profit totalled 2.417 billion roubles. The main problem of Nizhnekamskneftekhim, according to some internal sources, is hydrocarbon raw material supply. Nizhnekamskneftekhim's main shareholder continues to be the state-run Svyazinvestneftekhim (35.2%), whilst TAIF holds 10% and Tatneftekhiminvest Holding 3%.

Last year the ethylene plant at Nizhnekamsk substantially reduced the consumption of electric power, vapour, and fuel gas. Costs are being gradually being managed more economically at the complex, but the company still maybe short of being described as competitive on a global scale. Monthly wages grew by 28% in 2003, and although the average wage is still only 7,780 roubles ($266) per month, the company employs a total of 19,850 people. That means the total wage bill equates to $63.4 million for last year.

Nizhnekamskneftekhim Production (unit-tons)

Product	*2003*	*2002*
Ethylene	445,400	434,537
Propylene	197,500	197,441
Styrene	253,700	245,121
Polystyrene	17,400	-
Propylene Oxide	62,735	59,405
Isoprene	175,900	142,429
Butyl Rubber	72,100	68,083
MEG	127,400	122,382
Neonols	88,000	71,545

Investments in 2003 totalled $60 million, of which $35 million came from foreign banks for the modernisation of the synthetic rubber, ethylene and other units. At the end of December an agreement was signed with Citibank granting Nizhnekamskneftekhim credit of $150 million for the construction of the new polypropylene unit. The credit has been allocated for nine years at 4% per annum. Construction of the new unit will be started this year and will be finished by 2006.

Tecnimont plans to participate in the tender for new polyethylene project at Nizhnekamskneftekhim, which is expected to take place in the next month. Apart from Tecnimont three other foreign companies will take part in the tender. The winner of the tender will be declared in the middle of the current year. The design capacity of the polyethylene plant will be 200,000 tpa with a cost of $130 million. A start-up date of 2006 is planned.

Turnover for 2004 for Nizhnekamskneftekhim is forecast to reach a total 23.9 billion roubles, with a 0.3% increase on physical volumes over 2003. Over this year, the reconstruction of the ethylene cracker will continue with the replacement of pyrolysis furnaces with the SPT-VI furnace supplied by ABB Lummus Global. Profits are forecast to fall to 2.91 billion roubles this year due to higher costs for power resources, combined with the expectations of more stable prices for petrochemicals in export markets.

Nizhnekamsk plant news

A 10,000 tpa plant to produce synthetic polyalphaolefin-based oils has been opened at the oligomer division at Nizhnekamsk. Tatneft (with 74%) and Nizhnekamskneftekhim (with 26%) are the co-founders of the plant. The production process has overcome the low quality of local Tatar crude. The cost of the synthetic oil products to be produced in Tatarstan will be around 30-40% lower than that of imported products.

Nizhnekamskneftekhim is carrying out research into the production of freon grades of polystyrene which used in the manufacture of refrigerators. Already the company has found consumers, which are ready to buy up to 2,000 tons/month of this product.

In 2003, Nizhnekamskneftekhim produced 17,400 tons of polystyrene of which 8,400 tons were general purpose and 9,000 tons were shock-resistant polystyrene. Thus far, there have been higher quality reports of polystyrene produced by Nizhnekamskneftekhim in comparison to other plants in Russia, such as Omsk and Salavat.

Kazanorgsintez

Kazanorgsintez increased profits by 14.7% to 1.6 billion roubles in 2003, with a strong growth in exports as one of the main factors behind the improvement. Around 40% of the polyethylene produced at Kazanorgsintez in 2003 was exported. Kazanorgsintez is now firmly focused on the investment programme up to 2007, which is expected to cost in the range of $845 million. This will allow the company to increase output by as much as two-fold.

Kazanorgsintez is aiming that by 2010 the company will have achieved an annual turnover of around $1.3 billion, with

profit levels in the range of $300 million. The plan for 2004 is that turnover will total 10.45 billion roubles, against 8.77 billion in 2003, and profits will be 1.67 million roubles, against 1.56 billion roubles.

Kazanorgsintez is running at full capacity due largely to the co-operation with Gazprom, which has resulted in stable and sufficient supplies of ethane feedstocks. In 2004, Kazanorgsintez expects to produce 394,000 tons of ethylene vs 370,400 tons in 2003, 386,000 tons of polyethylene vs 383,200 tons, and 38,000 tons of polyethylene pipes vs 26,900 tons. The pipe sector is of particular importance and forms one of factors behind the investment plans.

In 2004, modernisation of the LDPE facilities will start which will increase polyethylene capacity to a total of 440,000-450,000 tpa from around 370,000 tpa at present. The additional capacity will become available in the first quarter of 2005. Also modernisation of the ethylene facilities will increase capacities up to 480,000 tpa which would make the company self-sufficient at current levels of captive consumption. The aim is to eliminate the dependency on additional ethylene supplies via pipeline from Nizhnekamskneftekhim. However, further projects will put pressure on the need to develop more ethylene capacity.

The company is planning to construct a 250,000 tpa linear low density polyethylene plant, and also a 200,000 tpa bimodal polyethylene plant is under consideration. Thus, Kazanorgsintez is aiming to increase ethylene production capacity eventually up to 940,000 tpa to meet the captive demand. In other product development areas Kazanorgsintez plans the production of phenol-A, in order to produce polycarbonate.

Sevilen

The polyethylene producer Sevilen at Kazan has been renamed NefteKhimSevilen after a venture was formed with Nizhnekamskneftekhim. Sevilen relies on ethylene supplies from Nizhnekamskneftekhim, via the pipeline, and thus there seems good economic and commercial logic in uniting interests behind the same company. In 2002, Sevilen produced 21,000 tons of polyethylene and in the first three quarters of 2003 the volume was 19,600 tons. Sevilen was created in 1991 as a spin-off from Kazanorgsintez. The company specialise in the production of polyethylene films and in total produces 12 different grades of polyethylene. Sevilen also produces VAM. Last year Sevilen achieved a turnover of 480 million roubles, with a profit of 54.7 million roubles.

LUKoil-Neftekhim

LUKoil-Neftekhim is reviewing the construction of the outstanding polypropylene project at Budyennovsk. This project has never been completed due largely to factors such as finance, but since LUKoil-Neftekhim took over Stavrolen the company's position has been transformed. At present, propylene produced from the cracker, which amounted to 89,500 tons for the first three quarters in 2003, is shipped elsewhere in Russia (to the acrylonitrile plant at Saratov for example) for processing. The 80,000 tpa polypropylene plant at Budyennovsk has a very long history, but whether LUKoil-Neftekhim revives the project is under question at the moment.

Azot Nevinnomyssk Production (unit-tons)

Product	*2003*	*2002*
Methanol	128,800	64,100
Acetic Acid	158,600	152,700
VAM	187,000	172,192
Acetaldehyde	37,500	29,904
Butyl Acetate	20,200	17,627

Evrokhim

Azot at Nevinnomyssk achieved a total of 4.96 billion roubles turnover for 2003, a growth of 10.8% over 2002. Production of organic products increased for 69.7% in comparison with the previous year. Methanol increased from 64,100 tons to 124,800 tons. Reconstruction of the methanol plant has meant that the company now has a surplus for merchant sale. Only polyvinyl acetate dispersions and polyvinyl alcohol saw a reduction at Azot in 2003, by 36.9% and 2.4% respectively, and this was induced by falls in demand.

Bashkortostan

Revenues from chemical output in Bashkortostan fell by 4.9% in 2003, although the petrochemical sector as a subsector saw an increase of 7% due partly to the start-up of the new ethylbenzene/styrene plant at Salavat. Although the year ended well, 2003 overall was not an outstanding year for the chemical industry in the republic. Production of synthetic rubber, carbon black, benzene, ethylene and styrene were the strongest products.

Salavatnefteorgsintez-Tecnimont

A contract was signed on 5 February between Salavatnefteorgsintez and Tecnimont for a new polyethylene line. The project will take 35-37 months to complete and will result in a capacity of 120,000 tpa. The existing plant of 40,000

tpa will probably closed once the new unit is in operation. The project raises questions about the ethylene supply at Salavat and the need for a cracker expansion.

Salavatnefteorgsintez

Salavatnefteorgsintez (SNOS) increased production by 10.8% in 2003 over 2002, reaching a total turnover of 29.41 billion roubles. This takes SNOS above Nizhnekamskneftekhim as the second largest company in the petrochemical sector, after SIBUR, in Russia. However, in contrast to Nizhnekamskneftekhim, which is totally dependent on petrochemicals, SNOS is a joint refining and petrochemical company. Processing of hydrocarbons at Salavat grew by 7.1% up to 6.218 million tons in 2003, although oil refining was reduced by 13% to 2.853 million tons. Gas condensate production grew 33.1% to 3.365 million tons. The net profit of Salavatnefteorgsintez for 2002 was 1.639 billion roubles, and the company expects a similar level for 2003. Nearly all products recorded an increase, with ethylbenzene showing the largest percentage lift after the start-up of the new unit in September 2003.

Salavatnefteorgsintez Production (unit-kilo tons)

Product	*2003*	*2002*
Ethylene	234.9	230.3
Propylene	126.3	122.3
Benzene	95.9	84.3
DOP	32.9	31.1
Normal Butanol	95.3	96.0
Isobutanol	43.3	42.9
Ethylbenzene	64.5	45.2
Styrene	51.9	39.6
Ammonia	328.9	289.0
Urea	461.8	378.6
Polystyrene shock-proof	21.0	23.0
Polystyrene suspension	8.9	8.7
Polystyrene GPPS	8.6	8.3
Polyethylene	45.2	44.3

Kaustik

Transsamara from Cyprus recently purchased a 37.52% stake in Kaustik at Sterlitamak and has informed other shareholders of its intention to increase its share in the chartered capital of the company up to 85%. Transsamara represents the interests of Sovlink and the Petrotech group. The purchase seems part of the ongoing battle, or dispute, with Gazprom over the control of the Sterlitamak based producers Kaustik and Kauchuk. Gazprom is trying to establish its control over the two plants, via Salavatnefteorgsintez, with a view to taking a leading role in the petrochemical industry in Bashkortostan.

Polief

The Russian government is pressing for the acceleration of the completion of the Polief PTA complex at Blagoveshchensk. After years of delays, interruptions and slow progress the project is seen to being close to being finished. The costs of construction have been huge, in 2001 1.1 billion roubles was spent; in 2002 1.8 billion roubles and a similar amount for 2003. The PTA capacity when completed will be 230,000 tpa, plus 120,000 tpa of PET which will eventually follow. However, the PET plant is only partially completed at present.

Polief's plant engineers have undertaken 45 days of training at Sinopec's Shanghai Petrochemical Plant in China for the start-up of the PTA plant at Blagoveshchensk. Sinopec has increased the annual capacity of its PTA plant from 225,000 tpa up to 300,000 tpa and have essentially improved initial technical and economic parameters of the plant. Sinopec will co-operate with Polief over the start-up of the new plant.

Samara

The Samara region saw strong growth in the petrochemical sector in 2003, recording a 28% increase overall and a 36% increase in the combined production of isoprene, ethylene, and phenol. The major producers in the region include Kuibyshevazot, and the companies, which are part of SIBUR-Samara such as Togliattikauchuk and Novokuibyshevsk Petrochemical Combine. Reductions in fertiliser output resulted in the aggregate growth rate for the chemical industry being 10% above 2002. The production of synthetic resins and plastics increased by 14,7%, whilst plastics products were up on 8.6% and ammonia up 5.5%.

Kuibyshevazot

Kuibyshevazot's turnover for 2003 was 6.4 billion roubles, or 40% up on 2002. Ammonia production increased by 17% and totalled 558,600 tons. Urea production increased by 11.4% to 213,500 tons, ammonium sulphate by 8.4% to 22,400 tons and caprolactam by 9.6% to 116,500 tons.

Kuibyshevazot carried out a number of major projects in 2003, the most significant of which was the start-up of the new polyamide-6 unit. In addition, construction continued at the unit for high-strength technical strings and cord fabrics. The automated power complex, that should allow the company to reduce energy by around 4%, has started operations.

In other matters, Kuibyshevazot has taken out a loan of 600 million roubles to support further modernisation. Anti-dumping duties for caprolactam exports into China were reduced by 50% during 2003, which has helped for the short term, even if the company's main focus has been on the processing of caprolactam. Hitherto, caprolactam from Kuibyshevazot has been sent mainly for export.

Polyamide-6 is produced through the closed cycle, which means a conversion rate of 1 ton of caprolactam to 1 ton of polyamide, thus keeping wastage at a minimum. Capacity of the unit will be 27,500 tpa and will consume around a sixth of total caprolactam production. The predicted volume of polyamide production for 2004 is around 16,000 tons.

Polyamide-6 of similar quality is not produced in Russia currently, according to Kuibyshevazot. The new unit will enable the production of polyamide in two main areas, for manufacturing engineering plastics and for cord fabrics. The production unit for cord fabrics for the tyre industry is expected to be completed in early 2004. The main supplier of cord fabrics to Russia, at present, is the Azot plant at Grodno in Belarus. Kuibyshevazot is in talks already with Nizhnekamskshina for deliveries of cord fabrics.

Exports will form an important part of the polyamide-6 project and will account for around 60% of production. Potential clients include manufacturers of composite plastics, technical and cord strings, textile and carpet strings, and also film manufacturers.

Saratov

Chemical output in the Saratov region grew by 10% in 2003 over the previous year. The output of fibres and threads increased by 35.1% over 2002, detergents increased by 5.9% whilst paints and varnishes decreased by 17.9%. The largest chemical plants in the region, such as the Balakovo Chemical Fibres (124% increase), Henkel-Yug (110% increase), and Balakovo Mineral Fertilisers, reported stable results. The rate of growth at the resin producer Balakovorezinotechnika reduced production due to the stoppage of the main consumer AvtoVAZ in Q1 2003. Kapron also reported fall in polyamide production, seen by the company as due to the low competitive ability of the technology.

In 2003, three major chemical producers in the Saratov region undertook large-scale investment projects. Balakovo Mineral Fertilisers put into operation two stages of its heat power utilisation workshop, which allowed the enterprise to meet around 50% of its own demand for power and also to reduce production costs by 9%. Balakovo Chemical Fibres started the production of dull textile yarns. Henkel-Yug put into operation new facilities for Texapon N70, the main component for cosmetic cleansers production. The product line capacity amounts to 1.3 tons/month after €1.6 million was invested in the project.

Pokrovsk Ether

Acetic anhydride producer Pokrovsk Ether in the Saratov region increased production 3.5 fold in 2003. Pokrovsk Ether was established in 2000 on the basis of old Acetate Chemical Plant of Russia. During the period 2001-2002 Pokrovsk ether expanded and increased sales of acetic anhydride under tolling arrangement with Acetate Chemical Plant. In 2002 the company acquired acetic anhydride production facilities which allowed it to be able to take direct operational control of the production and develop export opportunities. Reconstruction of production facilities and cost control facilitated high quality production in addition to improved margins.

Pokrovsk ether is the major producer of acetic anhydride in Russia with a capacity of 24,000 tpa. The company supplies acetic anhydride, not only for the internal market but also for export to West Europe.

Metafrax

Metafrax increased methanol production by 17% in 2003 to reach an unconfirmed total of 903,250 tons. The company aims to increase annual production in the near future to 1 million tons. In other product areas, Metafrax produced 244,000 tons of formaldehyde in 2003, 5% up, 11,000 tons of pentaerythritol, 212 tons more than in 2002), and 15,500 tons of urotropin, 4% up. Other products included sodium formiate where around 5,000 tons was produced, and polyamide about 700 tons.

Metafrax started CFC production in July 2003 based on Perstorp technology. By the end of the year it had produced 23,000 tons. Two new CFC units will be added in 2004, in addition to expansion of the formaldehyde plant and the continued expansion of the methanol plant.

Product/Company News

PET
In 2004, Mega-Plast plans to double its PET preform capacities at its Moscow based Mega-Layer plant, which was first opened in 1997. Currently, the company operates forty-two HUSKY G 300 PET units. Aside the Moscow plant, Mega-Layer owns regional plants including Mega-layer Siberia at Novosibirsk; Mega-layer Volga at Togliatti; Mega-layer Irtysh at Omsk; and Mega-layer Mongolia at Ulan Bator. Warehouses of finished goods of the company are located at Voronezh, Tambov, and Saransk. The major consumers of the company include the breweries Bulgarpivo, Brau Service, the Orenburg Brewery, the Voronezh Brewery, and the Syktyvkarsky Brewery.

Plastics
A new flexible film production line is to be opened in the Chelyabinsk region at PZSM Polystrom, one of the oldest companies in the region. The line will produce mainly three-layered co extrusion polymer (polyethylene and polypropylene) film, including three-layered co extrusion polyethylene film for lamination. The BIELLONI extruder will allow Polystrom to produce up t 200 tons/month of film.

Penoplex, a subsidiary of the KINEX-Holding, plans to commission new facility in May for partial processing of polystyrene, produced by another Penoplex plant based at Kirishi. The new department will be based on the capacities of the recently bankrupted Lenenergo-Remont, located next to the operational Penoplex plant. The new department will produce annually 500,000 cubic metres of extrusion materials. The raw materials will be supplied by the Penoplex plant, which produces 50,000 tpa of polystyrene. Up to 40% of this production will go for processing and the rest will be sold to external customers.

Ethyl and Butyl Acetate
Karbokhim in the Nizhniy Novgorod area, which is part of the Ural wood-chemical company, plans to reduce ethyl acetate production in 2004 with a concomitant increase butyl acetate production. The reasons are falling demand in the world market for ethyl acetate. In 2003, Karbokhim planned to produce 28,000 tons of ethyl acetate, but due to falling world prices and demand the company produced only 12,500 tons in the first eight months of last year. Total production for the whole year was expected to exceed 20,000 tons, but only by a small quantity. Almost all production is exported to countries such as the USA, Finland, and Germany. Russian demand for ethyl acetate is quite small due to the cutbacks in solvent production in the 1990s.

From 2003 Karbokhim started the production of butyl acetate and now the company plans to produce 5,500 tons this year. Ethyl acetate is expected to stick at a level of 20,000 tons at maximum. Karbokhim is the largest producer of ethyl acetate in Russia, in all of which there are five producers.

PVC
Russian PVC producers showed growth of 5-6% in 2003, with the domestic market in particular showing increased consumption levels. Plastkard, which is part of the Nikoshim group, increased production by 15% last year, helped to some extent by the displacement of imports. Plastkard produced 75,000 tons of PVC in 2003. The original capacity size of the Plastkard plant, installed in 1972 based on Japanese technology, was 60,000 tpa.

The emergence of jvs with western partners is a factor helping to increase consumption levels in Russia. Total domestic PVC production was around 550,000 tons for 2003, with the domestic consumption market estimated at 304,000 tons. The construction industry is the major driving force behind increases in PVC consumption, in addition to the cable and shoe industries.

Up to the mid-1990s around 80% of production went into exports, but today that level has fallen to around 50%. Sharp growth of internal demand started to be seen in 2001, and now demand is seen to be growing at a faster rate than production.

There is therefore a good argument of considering the expansion of existing capacity to meet the growing demand. Of the existing producers SIBUR-Neftekhim has plans for a new plant at Dzerzhinsk, whilst Plastkard and Sayanskkhimplast are both looking to expand capacity.

Methanol
Construction of the Vostochny methanol terminal in the Russian Far East has been completed with a capacity of 1 million tpa. Methanol will be delivered to the Asian-Pacific region. Preparation is underway for the loading of first vessel and methanol is expected to come mostly from Tomsk, in addition to other producers. Methanol

shipments from Vostochny will help the port achieve the highest ever level of total cargos this year, somewhere in the range of 17.5 million tons.

Belarus

The chemical industry in Belarus increased output by 8% in 2003, totalling 3.760 trillion roubles in value. Around five million tons of mineral fertilisers, were produced, 10,2% up on 2002. Potash and phosphate fertiliser output increased by 11.6% and 18.1% respectively. Sulphuric acid increased by 9.9% to 576,000 tons. Glass fibre production increased 13%, whilst synthetic resins and plastics were 0.5% down on 2002, and fibres were down by 0.8%.

Mogilevkhimvolokhno
Itera has announced plans for investment at Mogilevkhimvolokhno, including the PET jv Belpak. Itera plans to invest about $160-200 million in the development of the Belpak jv at Mogilev. The main raw material question is over paraxylene for DMT, which is either supplied from Omsk or from Rotterdam. Itera is considering the possibility of producing paraxylene at the Mozyr or Novopolotsk refineries. Itera already has the engineering specifications that will allow to reduce the term of construction of a new unit to two years.

Ukraine

(Ukrainian hryvnia, Jan 29, $1 = 5.34, €1 = 6.69)

In 2003, the Ukrainian chemical and petrochemical industry saw output increase by 16.8% over 2002. Base chemical production increased 19.2%, whilst pharmaceuticals rose 12.1%. An increase of 31.5% was seen for plastics processing, while rubber products increased 6.6%. Production of synthetic resins and plastics grew by 23% comprising 339,000 tons.

LUKOR
In 2003, LUKOR increased propylene production by 13.2%; benzene by 3.8%; VCM by 43.4%; and caustic soda by 16.0%. Improvements in raw material streams have helped production levels, with an aggregate increase of 13% for the year. In total, the Kalush complex processed 794,000 tons of feedstocks, 5.9% up on 2002. The average daily production of ethylene was 684 tons against 619 tons in 2002.

The investment programme for the period 2003-2007 is aimed at further improvements in production efficiency, construction of hydrogenation units for C4-C5 fractions, the reconstruction of the chlorine and caustic soda plants, and the construction of a new power unit.

New Ukrainian chemical terminal
Russian environmental groups have petitioned the Ukrainian cabinet of ministers to halt plans by Togliattiazot to build an ammonia terminal on the Taman peninsula, between the Sea of Azov and the Black Sea. Completion of the proposed project would turn the area into one of the largest oil and chemical ports in Europe. In addition to ammonia, the port would process other chemicals including methanol, oil, oil products, caustic soda and sulphur. The construction of an ammonia terminal 15 kilometres from coast of the Crimea is (according to the Russian environmental groups) dangerous for the resort business on the peninsula, the ecosystems of the Kerch peninsula and for the Black Sea.

Uzbekistan

The state commission of Uzbekistan is carrying out tenders for the sale of 57.7% of Dzhizak Plastic and 49% of Elekrokhimsoat, or Elektrokhimprom. Elekrokhimsoat has a starting price of $15.68 million, and Dzhizak Plastic has a starting price of $3.13 million.

Elekrokhimsoat produces around 35 different chemicals, including liquefied technical ammonia, nitric acid, ammonium nitrate and urea. The government will retain a 51% stake in the company. Maxwell Stamp is the financial consultant for the company's privatisation

Dzhizak Plastmass manufactures polyethylene film and polymer pipes, producing up to 30,000 tpa. The government will hold onto 25% in the company, the workforce will hold 8.9% and small stockholders 8.4%. The financial consultant for this sales is the Russian audit-consult firm BDO UniconRuf.

Turkmenistan

Polypropylene production at the Turkmenbashi refinery (TKNPZ) has become an important source of export revenue for Turkmenistan and there are now plans to expand capacity. In the near future a new installation for catalytic cracking which will enable an increase in polypropylene capacity from 90,000 tpa to 160,000 tpa. In the early part of 2004, the Turkmenbashi refinery plans to start the production of polypropylene bags, films and pipes. These materials will be produced by Turkmenplena. It will considerably expand Turkmenplena's range of products.

Japanese companies Itochu Corporation and JDC started research at the end of September 2003 into the expansion of the polypropylene unit. Marubeni, Nissho Iwai and Chiyoda also took part. In 2002 Turkmenistan produced 53,000 tons of polypropylene, and this rose to 75,000 tons in 2003. More than 90% of polypropylene produced in Turkmenistan is exported to Japan on offtake arrangements to repay credits for construction of the plant. The main problem at present is cost. One ton of Turkmen polypropylene currently amounts to makes $650, much above the costs of other producers. TKNPZ also plans to develop new petrochemical capacities such as the production of ethylene from gas.

Kazakhstan

The Aktau Plastics Plant (EPM) in the Mangistau area of west Kazakhstan has agreed for the delivery of styrene from Salavatnefteorgsintez in 2004, in volumes of 4,000 tons/month. The contract between the two companies is planned to be signed in the near future. This is sufficient volume to restart the idle polystyrene reactor at Aktau. EPM produced 3,749 tons of polystyrene in 2003, 44.6% down on 2002. The value of last year's production was $2 million. The plant has not worked since August 2003, apart from October when 267 tons were produced. The project to revive production of polystyrene at Aktau is seen by the government to be a "potentially symbolic turning point" for the petrochemical industry.

Contents Issue No 158