

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 149, 7 May 2003

Features from the May 2003 issue

- Chemopetrol recorded a pre-tax loss of Kc 86 million in the first quarter, which was an improvement from the loss of Kc 158 million seen in the same period last year. Kaucuk posted pre-tax profit of Kc 86.7 million against Kc 13.8 million last year. Spolana saw its loss widen to Kc 123.7 million in Q1 compared with Kc 56 million in Q1 last year. Revenues from the sale of own products and services fell by Kc 35 million to Kc 1.34 billion.
- BorsodChem posted net profits of Ft 2.91 billion (€11.86 million) on sales revenues of Ft 34.25 billion in the first quarter this year. Sales rose 20.4% on the same period last year and net profit increased 1.5%. Operating profits rose 40% to 4.58 billion in January-March 2003. Strong sales of PVC and TDI were the reasons behind the rise in operating profits. The company had EBITDA of Ft 6.72 billion, up 27.6% on the same period in 2002.
- Fitch Ratings has maintained its rating for PKN Orlen at the investment level (BBB and F3). This means that the company's credit risk is low and stable. At the same time, Fitch changed the outlook for the company. This is due to the large projects being undertaken by PKN Orlen, such as the acquisition of a network of service stations in northern Germany, the launch of a joint venture with Basell and possibly the planned acquisition of shares in Rafineria Gdańska.
- As from 16 April the Ministry of Trade of China introduced antidumping measures for deliveries of synthetic rubber from Russia, Japan and South Korea. The Ministry of Trade made the decision to introduce these measures as part of the antidumping investigation, which started 19 March last year. For the first two months of this year Chinese imports of Russian polymers and petrochemicals were up with the exception of PVC.
- The start-up of the new polystyrene plant at Nizhnekamsk is approaching and the final warehouse arrangements are being made with the silos ready for storage. Catalysts have been bought from Germany and production is scheduled to start in June.
- In the first quarter SIBUR-Neftekhim's position on chemical production improved considerably compared to the same period in 2002, showing a 29% increase. The Kstovo plant managed to reduce its energy consumption in March by 5% in steam, 15% in natural gas, and 4% in electric power. SIBUR-Neftekhim has stopped buying steam from Nizhnovenergo as part of the company's cost saving campaign. The heat balance has also been revised with the steam parameters changed at some units.
- Metrafrax's development strategy stipulates that before 2005 up to 255,000 tons, out of one million tons of methanol production per annum, will be processed by in-house facilities and by 2010 that figure should grow to 433,500 tons.
- Technip Coflexip is currently participating in the tender for construction of plants for production of chlorine, sodium hydrate, and PVC at LUKOR's Kalush complex. In 2003, LUKOR plans to invest €13.7 million in the reconstruction and modernisation of its production facilities. One of the aims is to purchase and to assemble a new plant for chlorine production at Kalush using the membrane method.

CENTRAL EUROPE

Czech Republic

(Czech crown, Kc, May 2, \$1 = 30.2291, €1 = 31.3446)

Unipetrol

Unipetrol reported a first-quarter pre-tax profit of Kc 1.4 million, up 17% from Kc 1.2 million in the same period last year. Net profits were Kc 468 million compared with last year's loss of Kc 200 million. Total assets of Unipetrol were worth Kc 70.4 billion at the end of March, or around Kc 16.5 billion less than last year.

Amongst the subsidiaries Ěeská rafinérská exceeded the 1Q 2002 physical production by 1.2% in the first quarter. The refinery division of Unipetrol in the first quarter achieved a pre-tax profit of Kc 878 million, on a turnover of Kc 12.5 billion. In the same period of 2002, the company posted a pre-tax loss of Kc 677 million, from a turnover of Kc 9.3 billion.

From the start of May Ěeská rafinérská will take on a new role as a re-processing refinery under the Unipetrol umbrella. As part of this process Unipetrol has set up a new subsidiary called Unipetrol Rafinerie which will handle oil purchasing and marketing activities.

Chemopetrol recorded a pre-tax loss of Kc 86 million in the first quarter, which was an improvement from the loss of Kc 158 million seen in the same period last year. Kaucuk posted pre-tax profit of Kc 86.7 million against Kc 13.8 million last year. Spolana saw its loss widen to Kc 123.7 million in Q1 compared with Kc 56 million in Q1 last year. Revenues from the sale of own products and services fell by Kc 35 million to Kc 1.34 billion.

Hungary

(Hungarian forint, Ft, May 2, \$1 = 227.308 €1 = 235.659)

MOL

MOL will be required to pay as much as \$140 per thousand cubic metres of imported natural gas in Q2 2003 to fill up its exhausted reserves, up from \$122 per thousand cubic metres in Q1. The cold winter depleted the company's gas reserves.

TVK

TVK Rt has completed the expansion of the PP-IV polypropylene plant from 140,000 to 182,000 tpa. The Ft 3 billion cost of the project was lower than the originally estimated Ft 3.2 billion. The main technology supplier for the project was Tecnimont. The PP-IV plant project is a cornerstone of TVK's three-year petrochemical development programme launched last year.

MOL holds a direct stake of 34.48% in TVK and an indirect holding of 17.85% via a 9.83% stake held for MOL by Matura GmbH, a member of the Deutsche Bank Group, and an 8.02% stake held by Hungarian Foreign Trade Bank (MKB). CE Oil & Gas GmbH has a 15.99% shareholding in TVK while BorsodChem holds a 15.4% stake.

TVK's AGM in April approved the board's proposal against paying a dividend and decided to retain the company's after-tax profit of Ft 3.66 billion (€14.9 million) in 2002. The board argued that the company needs the cash to finance its three-year €430 million petrochemical development programme which is scheduled to end in 2004. TVK last paid a dividend on 1998's profit.

Preliminary signs for the first quarter's results indicate that margins were tight due to high oil prices, but the position is expected to improve in April. Profitability was low last year due to the high cost of raw materials and low product prices.

The TVK group had a total output of 600,000 tons last year, which is a record high, up on 552,000 tons in 2001. TVK plans to raise revenue per employee from €200,000-250,000 in 2002 to €400,000-450,000 by 2005. This will be achieved by increasing production and improving efficiency.

| BorsodChem's Sales' Revenues (Hungarian Forint, Ft, May 2, \$1 = 266.9 €= 243.9) | | |
|--|--------------------------|--------------------------|
| | Q1 03 (Ft mil) | Q1 02 (Ft mil) |
| <i>PVC resin</i> | | |
| Domestic | 957.5 | 903.8 |
| Export | 8,198.3 | 6,439.9 |
| Subtotal | 9,155.8 | 7,343.7 |
| <i>PVC compounds</i> | | |
| Domestic | 199.7 | 187.3 |
| Export | 833.5 | 877.6 |
| Subtotal | 1,033.2 | 1,064.9 |
| <i>MDI products</i> | | |
| Domestic | 11.5 | 43.7 |
| Export | 4,780.4 | 4,552.8 |
| Subtotal | 4,791.9 | 4,596.58 |
| <i>TDI products</i> | | |
| Domestic | 312.4 | 240.2 |
| Export | 6,874.5 | 3,741.7 |
| Subtotal | 7,186.9 | 3,981.9 |
| <i>Caustic soda</i> | | |
| Domestic | 660.9 | 1,051.2 |
| Export | 562.1 | 732.8 |
| Subtotal | 1,223.0 | 1,784.0 |
| <i>Aniline</i> | | |
| Export | 1,214.5 | 966.5 |
| <i>Plastic semi-finished and finished products</i> | | |
| Domestic | 1,020.2 | 911.3 |
| Export | 1,236.0 | 1,266.5 |
| Subtotal | 2,256.2 | 2,177.8 |
| <i>Other products</i> | | |
| Domestic | 2,062.8 | 2,253.1 |
| Export | 5,322.6 | 4,266.4 |
| Subtotal | 7,385.4 | 6,519.5 |
| Total sales | 34,246.9 | 28,434.8 |
| Domestic sales | 5,225.0 | 5,590.6 |
| Export sales | 29,021.9 | 22,844.2 |

tons, MDI output rose 6.3% to 15,100 tons and TDI production increased 41.71% to 15,300 tons in Q1, all compared with 2002. The volume of VCM fell 18.3% to 38,800 tons, due to increased TDI production and the company's aniline production was unchanged from 22,000 tons.

In value terms, PVC production accounted for 26.7% of its total revenue, up 1.1% on 2002. The second largest component was TDI, which accounted for 21% of revenue, compared to 14% in the previous year.

The majority of BorsodChem's shares are held by CE Oil and Gas Beteiligung und Verwaltung AG, part of Vienna Capital Partners (VCP), 59.23%. Milford Holdings Ltd had held 27.96% of shares, but sold them to VCP on 16 April. BorsodChem no longer holds any treasury shares.

From 17 January, after the Hungarian National Bank successfully intervened into redressing the strength of the Hungarian Forint that has helped promote export activities.

A major development for BorsodChem in the first quarter was the framework agreement signed on 29 January to purchase power from Entrade, a regional power company owned by the Swiss group Atel. Thus, from the beginning of February BorsodChem has been acquiring imported electricity and expects to take as much as 50% via this route in 2003. BorsodChem has its own power plant, which generated 313.9GWh in 2002, but was forced to make up the remainder of demand through domestic purchases of 505.8GWh. The access to imported energy will help significantly to reduce production costs, particularly as the company expands

| BorsodChem Production (unit-kilo tons) | | | | | |
|---|------------|------------|------------|----------------|------------|
| <i>Output</i> | <i>PVC</i> | <i>VCM</i> | <i>MDI</i> | <i>Aniline</i> | <i>TDI</i> |
| Q1 02 | 62.1 | 47.5 | 14.2 | 22.0 | 10.8 |
| Q1 03 | 66.2 | 38.8 | 15.1 | 22.0 | 15.3 |

its production capacities. In 2004, for example, the company expects to start a 100,000 tpa electrolysis unit, which will require substantial energy supplies.

BorsodChem Q1 2003

BorsodChem posted net profits of Ft 2.91 billion (€11.86 million) on sales revenues of Ft 34.25 billion in the first quarter this year. Sales rose 20.4% on the same period last year and net profit increased 1.5%. Operating profits rose 40% to 4.58 billion in January-March 2003. Strong sales of PVC and TDI were the reasons behind the rise in operating profits. The company had EBITDA of Ft 6.72 billion, up 27.6% on the same period in 2002.

Consolidated revenue from exports comprised 84.7% of total net revenue of Ft 34.25 billion, 4.4% more than a year earlier. Domestic and Central-Eastern Europe together accounted for 50.2% of the company's sales and West Europe for 45.2%.

According to BorsodChem, petrochemical and chemical companies had stocked up in the first quarter due to uncertainty about the pending war with Iraq would start and end, increasing demand for BorsodChem products. As a result of this extra demand, production quantities were raised for all main products.

PVC production rose 6.6% to 66,200

Pannonplast

US financial group Britton Capital and Consulting (BCC) has strengthened its control of Pannonplast. BCC has secured three seats on Pannonplast's six-strong executive board, in effect giving it control of the company. BCC is one of three main shareholders in Pannonplast.

This year Pannonplast expects to post net profits of Ft 588 million (€2.4 million) on sales of Ft 28.6 billion. This would represent an improvement of more than 5% on last year.

Poland

(Polish zloty, zł, May 2, \$1 = 3.8542 €1 = 3.9964)

In the first quarter this year the production of plastics and resins increased in Poland by 16.4% over 2001. Fibres were up 25% in the first quarter whilst detergents rose 18.1%.

PKN Orlen

Fitch Ratings has maintained its rating for PKN Orlen at the investment level (BBB and F3). This means that the company's credit risk is low and stable. At the same time, Fitch changed the outlook for the company. This is due to the large projects being undertaken by PKN Orlen, such as the acquisition of a network of service stations in northern Germany, the launch of a joint venture with Basell and possibly the planned acquisition of shares in Rafineria Gdańska.

To meet the challenge, PKN Orlen has stated that it needs to strengthen its structure internally and to achieve higher efficiency in its activities. PKN Orlen is interested in the privatisation of Unipetrol, possibly in a consortium with Agrofert. Competition is very strong for this acquisition.

Polish restructuring

Nafta Polska has proposed to terminate the privatisation process of Rafineria Gdańska (RG). According to unconfirmed sources the proposal submitted to the Treasury Ministry outlined the most probable consequences of selling RG to the consortium of PKN Orlen and Rotch Energy. Nafta believes that the purchase would lead to a total takeover of RG by PKN Orlen. Furthermore, Rotch would enter the structure of PKN at the expense of the Treasury's stake.

The proposed solution envisages formation of the Lotos Group, which will incorporate RG, the three minor Polish refineries Jaslo, Czechowice, Glimar, and the oil exploration company Petrobaltic. Privatisation of Lotos would then be carried out through a public share offering or a merger with PKN Orlen, which would strengthen the Treasury's stake in Orlen.

PKN Orlen sees its role as a of leader of consolidation in the oil sector. The company is also keen to gain hold of Petrobaltic in order to gain access to the extraction of oil. In the chemical sector Orlen is interested in much greater co-operation with the chemical companies such as Dwory at Oswiecim, Rokita at Wroclaw and ZAK at Kedzierzyn-Kozle.

Rafineria Gdańska

A project to construct an integrated gasification combined cycle (IGCC) system at the Rafineria Gdańska (RG) has been accepted as part of the F-16 offset programme. The investment, worth around \$540 million, will allow the company to conform to EU quality standards to come into force after 2005. Companies interested in the investment include Shell and MW Kellogg. The value of orders is estimated at around €350 million and the Internal Rate of Return of the project is expected to amount to 15% -17%.

Bank Ochrony Œrodowiska (BOŒ), the National Fund for Environmental Protection and Water Management (NFOŒ iGW) and Ekofundusz have declared their interest in helping to finance the project.

The EBRD and the European Investment Bank (EBI) will also grant loans for the successful completion of the investment.

RG is holding talks with US-based KBR, a unit of Halliburton, regarding potential participation in the rebuilding of Iraqi oil fields. Nafta Polska was hoping to visit Kuwait very soon to seek other business opportunities in Iraq.

RG posted a zł 60 million net profit in the first quarter of 2003 against a year-earlier loss of zł 17.8 million. RG, controlling about 20% of the Polish fuel market, could also report a 40% growth in sales volumes in the first quarter on a year-on-year basis. The company plans to record a net profit this year of zł 75 million, against nearly zł 100 million recorded the previous year.

Forthcoming events

The Chemical and Petrochemical Industries of Russia, the CIS and CEE, 22-23 May 2003

Location: Frankfurt, Germany

Conference organiser: Global Business Forums

4th Conference on Central Europe, Russia & CIS PET markets, 11-12 June 2003

Location: Renaissance Hotel, Moscow

Conference organiser: Centre for Management Technology, Singapore

2nd Conference on Central Europe, Russia & CIS Coatings Markets, 18-19 June 2003

Location: Renaissance Hotel, Moscow

Conference organiser: Centre for Management Technology, Singapore

Web links for the events can be found at www.cirec.net

SOUTH EAST EUROPE

Croatia

| Croatian Chemical Output (unit-tons) | | |
|--------------------------------------|---------|---------|
| Product | 2002 | 2001 |
| Ammonia | 285,845 | 315,392 |
| Nitric Acid | 249,993 | 257,536 |
| Other Inorganic Acids | 172,633 | 157,416 |
| VCM | 19,987 | 82,674 |
| Carbon Black | 19,386 | 21,180 |
| Plant Protection Agents | 6,287 | 6,811 |
| Urea | 288,705 | 279,682 |
| Compound Fertilisers | 469,172 | 407,254 |
| Polyethylene | 112,771 | 113,157 |
| Synthetic Resins | 65,089 | 64,461 |
| Detergents | 55,939 | 52,884 |

OMV has been in talks with the Croatian Economy Ministry to discuss the offer for INA. MOL still has hopes for the purchase of the stake, as does Rosneft also.

The process has been heavily debated in the Croatian parliament INA is currently examining the award of contracts for modernisation of the Sisak and Rijeka refineries to ABB Lummus Global after a complaint was submitted by UOP and Shell.

For 2002, chemical output in Croatia was similar to the previous year although there was a notable decline in the production of VCM.

Romania

(Romanian lei May 2, \$1 = 33,380.0 €1 = 34,611.7)

Rompetrol Group

Rompetrol Group NV (TRG), 25.1% owned by OMV, plans to invest \$31 million in construction of a new oil terminal, 7 km off Midia. This is in a bid to increase crude imports and reduce handling costs. The proposed terminal is the first stage in a two-stage process that will also see the Romanian company eventually developing facilities to increase its exports of refined products.

TRG already owns the existing oil terminal at Midia, acquired as part of the Petromidia refinery TRG purchased in 2000. TRG has since invested \$87 million to upgrade the refinery and \$2.5 million to increase the capacity of the port. Romania's refining capacity far exceeds domestic demand for petroleum products, positioning the country to export a wide range of oil products and petrochemicals. But nearly all Romanian refineries are under-utilised because of a lack of crude oil supplies, and the majority remain in the government's hands, running at 50% of capacity or less and needing repair.

TRG owns the Petromidia (Navodari) and Vega (Ploiesti) refineries, with a joint production capacity of 110,000 b/d.

LUKoil

LUKoil started the modernisation of the Petrotel refinery on 25 April, involving investments of \$60 million. In the spring of 2002 LUKoil closed the Petrotel refinery for reconstruction, to bring its products up to EU standards. The modernisation of Petrotel should be finished in not more than 10-12 months.

LUKoil is interested in participating in the privatisation of Petrom as an extension of its growing foothold in Central and East Europe. Petrom is widely seen as the top prize in the Romanian economy as it is one of the few companies to be making good profits.

The future of the refineries and petrochemical plants at Arpechim and Petrobrazi also depends on a successful outcome of the Petrom sale. It is not clear at this stage whether the government will wait until after Petrom is sold before trying to implement plans to restructure the country's petrochemical sector.

Bulgaria

(Bulgarian lev May 2, \$1 = 33,380.0 €1 = 34,611.7)

LUKoil-Neftochim

The Bourgas-based oil-refinery reported a loss in amount of 5,000 leva for the period January-March 2003. The long-term debts of the LUKoil-Neftochim are in the range of 103 million leva, with the payment of the debt to the former State Reconstruction and Development Fund of 55.2 million leva postponed for the time being. The US government bought fuel from LUKoil-Neftochim during the course of the Iraq war worth \$6.2 million.

Vidachim

Three Siemens technology lines will be bought by Vidachim for its pneumatic tyre plan to be launched at the end of May. The production lines yield sulphur, ecobriquettes and carbon. At the end of April the plant planned to release the first rubber mixtures. Two more lines will be installed, the first for used tyres recycling with a capacity of 40 tons of tyres per 24 hours, and the other for organic waste recycling.

Serbia

(Yugoslav Dinar May 2, \$1 = 33,380.0 €1 = 34,611.7)

| Serbian Foreign Trade (unit-tons) | | |
|-----------------------------------|-------------------|-------------------|
| Exports | | |
| Product | Jan-Dec 02 | Jan-Dec 01 |
| SBR | 39,317 | 30,622 |
| Propylene | 2,345 | 548 |
| Methanol | 2,306 | 15,061 |
| Acetic acid | 4,337 | 9,416 |
| Polyethylene | 70,960 | 44,084 |
| Polypropylene | 8,679 | 10,693 |
| Imports | | |
| Product | Jan-Dec 02 | Jan-Dec 01 |
| Crude | 2,412,000 | 1,737,000 |
| Fertilisers | 312 | 489 |
| Carbon Black | 10,979 | 9,591 |
| Polyethylene | 35,834 | 30,619 |

The IFC is supporting the Serbian government's initiative to set up a secretariat at the Ministry for Energy and Mining that would coordinate the construction of the Constanta-Pancevo-Omisalj oil pipeline. The secretariat will aim to co-ordinate the work of the governments of Romania, Croatia and Serbia.

The IFC is interested in providing the necessary support to the Serbian government in restructuring the Serbian Oil Industry (NIS) that would lead to finding a true strategic partner, as well as to setting up a centre for managing major infrastructure projects in the region.

BALTIC STATES

The Lithuanian chemical producer Lifosa at Kėdainiai has improved its performance since its take-over by the Russian holding company Evrokhim. In 2002, the enterprise ran profitably for the first time in a number of years, recording nearly \$5.5 million of profit against the previous year's loss of \$24.5 million). The first quarter this year was break-even with about \$198,000 in net profit. The company produced 185,900 tons of its main product dibasic ammonium phosphate in the first quarter. The volume of production of dibasic calcium phosphate increased by 26% to 5,300 tons, and 93,800 tons of phosphoric acid (an increase of 74%). The output of aluminium fluoride increased by 115.9% to 1,200 tons.

EURASIA, COMMONWEALTH OF INDEPENDENT STATES

Russia

(Rus rouble May 2, \$1 = 31.7825, €1= 32.9553)

Russian chemical imports from outside the CIS grew by 20.9% in the first quarter and amounted to \$603.9 million. In March, chemical imports from outside the CIS were higher than by 18.4% compared to March 2002. Among the main product areas pharmaceuticals grew by 33.2%, polymers and rubber by 28.7%, organic and inorganic chemicals by 6.1%, and chemical fibres by 50%.

Chinese Imports from Russia (unit-tons)

| Product | Jan-Feb 03 | Jan-Feb 02 |
|---------------|------------|------------|
| HDPE | 16,474 | 5,178 |
| LDPE | 36,840 | 20,355 |
| n-butanol | 19,963 | 9,975 |
| iso-butanols | 10,704 | 9,328 |
| PVC | 42,216 | 54,116 |
| 2-EH | 1,042 | 476 |
| Polypropylene | 8,010 | 6,674 |

As from 16 April the Ministry of Trade of China introduced antidumping measures for deliveries of synthetic rubber from Russia, Japan and South Korea. The Ministry of Trade made the decision to introduce these measures as part of the antidumping investigation, which started 19 March last year. For the first two months of this year Chinese imports of Russian polymers and petrochemicals were up with the exception of PVC.

Production was up in March for some petrochemicals, with methanol showing the largest increase. In some of the downstream areas plastic products output increased by 22.1% compared to March 2002, reaching a total of 25,900 tons.

Russian Production 2003 (unit-kilo tons)

| Product | Mar-03 | Mar-02 |
|-----------------|--------|--------|
| Polyethylene | 95 | 83.6 |
| Polypropylene | 26.3 | 19.9 |
| PVC | 45.9 | 44.8 |
| Polystyrene | 10 | 8.2 |
| Ethylene | 197 | 170.6 |
| Styrene | 39.7 | 33.1 |
| Methanol | 252 | 130.6 |
| Butanols | 25.5 | 23.4 |
| Phenol | 15.3 | 11.6 |
| Ammonia | 985 | 979.1 |
| Calcium carbide | 13.5 | 13.5 |
| Sulphuric Acid | 771 | 751.5 |
| Soda ash | 177 | 201.6 |
| Caustic soda | 97.3 | 95.6 |

In March 2003, Russia produced 15,400 tons of a polymer films which was 18.5% up on last year. Thermoplastic sheet production grew 8.8% in Q1 whilst the production of compact discs grew by 31.5%. Production of thermoplastic pipes and pipeline fittings fell, however, by 5.2%. First quarter output of plastics increased in total over Q1 2002 by 37.9%.

The production of bulk polymers increased 12.1% in Q1 this year against the same period in 2002, totalling 265,000 tons. Polystyrene production increased by 14.3% over the same period in 2002 whilst polypropylene increased by 32%.

Russian oil production rose 11% in the first quarter from the same period last year to 132.9 million tons. Oil production in April totalled 33.5 million tons, compared with 34.54 million in March. Gas production rose 2.2% over the quarter to 214.95 billion cubic metres.

Russian Polymer Production 2003 (unit-kilo tons)

| Product | Q1-03 | Q1-02 |
|---------------|-------|-------|
| Polyethylene | 259.1 | 247.2 |
| Polypropylene | 74.7 | 62.8 |
| PVC | 135.8 | 136.0 |
| Polystyrene | 28.0 | 24.5 |

YUKOS had the highest output of oil over the quarter at 25.67 million tons, LUKoil produced 25.34 million tons, Surgutneftegaz 17.21 million tons, TNK 13.3 million tons, Sibneft 9.76 million tons and Tatneft 8.09 million tons.

Oil refining/feedstocks

YUKOS and Sibneft have announced that they have agreed in principle to combine the two businesses and assuming it is approved by the anti-monopoly commission could represent the largest-ever industrial transaction in Russia. The combined oil and gas group will not only be the largest in Russia but will also rank as world's fourth largest private oil producer.

The combined group (including Slavneft reserves) would have total reserves of around 19.4 billion barrels of oil and gas equivalent, based upon year-end 2001 reserves.

The combined entity will be named YukosSibneft Oil Company. It is expected that YUKOS will be responsible for the executive management of the new group, while Sibneft propose the chairman of the board of directors. The core shareholders intend that independent directors will constitute a majority of the board.

YukosSibneft Oil Co., will have six refineries, the largest retail chain in Russia and more than 2 million barrels per day of oil production, making it the world's fourth largest private oil producer. Refining assets include six principal refineries in Russia at Omsk, Achinsk, and Angarsk, and three in the Samara region. The six refineries processed slightly more than 420 million barrels of crude in 2002.

LUKoil-Neftekhim

The shareholders of LUKoil-Neftekhim have approved an increase in the authorised capital of the company by placing additional common shares among the shareholders at the expense of the company's net profit. As a result, LUKoil-Neftekhim's authorised capital will increase by a factor of around 400. According to preliminary data, the company's sales comprised 13 billion roubles in 2002.

LUKoil has stressed its commitment to the combined long-term development of gas and chemicals. According to LUKoil, the company will increase its reserves of natural gas of by 2020 to 2.9 trillion cubic metres and 150 million tons of gas condensate.

SIBUR

Synthetic rubber

Voronezsintezkaukuuk produced 52,700 tons of synthetic rubber in the first quarter, which is 36.7% higher than the same period of 2002. In March, Togliattikauchuk produced 30% more than in March 2002 with butadiene-styrene rubber output up by 39.7%, and polyisoprene rubber up by 40.3%. For the first quarter a total of 54,300 tons of rubber were produced by Togliattikauchuk, 6% higher than in the first quarter of 2002.

Isoprene output exceeded the planned figures by 923 tons due to the installation of the unit at the

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

| Product | Q1 2003 | Q1 2002 |
|-----------------|----------------|----------------|
| Ethylene | 42,339 | 33,204 |
| Ethylene Oxide | 9,799 | 12,547 |
| MEG | 39,307 | 26,631 |
| DEG | 4,228 | 3,375 |
| TEG | 256 | 126 |
| Propylene | 22,887 | 16,722 |
| Benzene | 14,015 | 7,172 |
| C5 | 6,610 | 3,233 |
| C9 | 3,035 | 1,726 |
| Chloroethane | 1,435 | 751 |
| PVC | 11,946 | 7,937 |
| Trichloroethane | 981 | 903 |
| Chlorine | 8,346 | 6,297 |
| Epichlorohydrin | 4,000 | 1,916 |

Novokuibyshevsk Petrochemical Company which is owned by Togliattikauchuk. In January this year 2003, the Novokuibyshevsk petrochemical plant received delivery of 185 tons of Shell catalyst. Following commissioning trials at the beginning of February, the plant produced a 1,050-ton test lot of isoprene (using an old catalyst). Togliattikauchuk has invested significant funds into the reconstruction and restoration of the treatment facilities at Novokuibyshevsk, some of which had been damaged. The capacity of the updated production facility is 65,000 tpa which started production on 17 February. Polyisoprene rubber was produced with the first delivery starting on 20 February.

Tobolsk-Neftekhim

Tobolsk-Neftekhim's production of hydrocarbons have been increasing since the start of last year. For 2003, the level of hydrocarbon processing for petrochemicals is expected to reach levels of 1.6-1.7 million tons against 1.39 million tons in 2002. A scheduled major overhaul will be undertaken at the Tobolsk gas-fractionating unit on 10 June.

In the first quarter of 2003 the company produced 49,000 tons of butadiene, 17.5% up on the same period last year. Hydrocarbon processing was up 25% to 417,000 tons. Other products included isobutylene which saw increased production of 25% to 7,100 tons and MTBE which increased by 49% to 17,800 tons.

SIBUR-Neftekhim

In the first quarter SIBUR-Neftekhim's position on chemical production improved considerably compared to the same period in 2002, showing a 29% increase. The Kstovo plant managed to reduce its energy consumption in March by 5% in steam, 15% in natural gas, and 4% in electric power. SIBUR-Neftekhim has stopped buying steam from Nizhnovenergo as part of the company's cost saving campaign. The heat balance has also been revised with the steam parameters changed at some units.

Evrokhim (Eurokhim)

Since 16 April Evrokhim has taken over the main management functions of the chemical companies belonging to the group. The administrative personnel of the Kordovsk chemical plant, Fosforit, Nevinnomyssk Azot, Novomoskovsk Azot and the Belorechensk combine of mineral fertilisers have all been transferred to work under Evrokhim. Thus, the reform of a control system in Evrokhim, began in the autumn of 2002, has now been completed.

In 2002, Evrokhim produced a total of 4.8Ç million tons of fertilisers, representing a growth of 12.26% over 2001. One of Evrokhim's main plans is to build a modern versatile terminal at the Tuapse port with a capacity of 3 million tpa. The new terminal will allow the storage and transport of loose and liquid cargoes. Its start-up will allow Evrokhim to avoid using services of foreign ports and railways and to introduce more economic export routes for fertilisers.

The investment in this project will cost in the range of \$40 million. Evrokhim will spend substantial funds to ensure appropriate level of environment safety in the terminal operations.

Nevinnomyssk Azot

In the first three months of 2003, Nevinnomyssk Azot produced 124,000 tons of mineral fertilisers, which was 6.3% down on the same period in 2002.

The production of urea increased by 34.3% up to 87,000 tons, while the production of ammonium nitrate remained practically flat as compared with 2002 at 178,000 tons (a 0.1% increase).

The plant produced 70,000 tons of urea-ammonia mixture, or 45.9% less than in the first quarter of 2002. This production decline was caused primarily by the fact that Eurokhim has not yet resumed its deliveries to the USA, which were suspended because of antidumping investigation.

The output of methanol at Nevinnomyssk grew by 43.6% to 32,000 tons, while the production of synthetic ammonia increased by 0.5% and amounted to 247,000 tons. Nevinnomyssk Azot raised the production of acetic acid in the first three months of 2003 by 6.2%, bringing it to 42,000 tons.

Novomoskovsk Azot

In the first three months of this year Novomoskovsk-based Azot exceeded the target production figures by 1.1% and manufactured 187,000 tons of mineral fertilisers. That is 4% below the level of the last year.

Urea production amounted to 186,000 tons (5.9% growth compared to the same period of 2002). Meanwhile, ammonium nitrate production shrank by 9.9% down to 276,000 tons (100.5% of the target figure).

Tatarstan

Tatneft

Tatneft expects its pre-tax profit to rise at least 55% in 2003 as the result of drastic cost cutting and layoffs. Tatneft hoped its pre-tax profit would rise to 17 billion to 18 billion roubles this year from around 11 billion roubles in 2002 as it cut costs by 5%. Two contracts of Tatneft were cancelled due to military actions in Iraq, with GP V/O Zarubezhneft for 45 oil wells drilling and with North oil company for 33 oil well drilling.

Tatneft-Neftekhim

In 2002, Tatneft-Neftekhim's turnover totalled 11.5 billion roubles. Nearly the company's entire holding is integrated into one vertical chain of production, with car tyres as the main final product. In 2003, the company will

start up the production of polyalphaolefin based synthetic oils, using decene-1 which is not used elsewhere in Russia.

In 2004 there are plans to introduce a new line for the production of radical tyres. Technologies and the equipment have been bought from foreign companies. The project has been financed by Tatneft. Another area of development includes the production of highly effective radial tyres for jeeps and lorries. Production is expected to start in 2005.

Tatneft-Neftekhim was formed in July 2002. The structure of the company includes 9 enterprises, Nizhnekamskshina, Nizhnekamsk Carbon Black Plant, Elastik, Neftekhimsnab, TD Kama, Neftekhimoiil, Nizhnekamsk mechanical factory, the Eferemov synthetic rubber plant, and Yarpolimer mash.

Nizhnekamsk Refinery

The Nizhnekamsk refinery has shipped its first 100 tons of granulated gas sulphur from a unit with 30,000 tpa of capacity. The product is widely used in the chemical, building, pharmaceutical industries and agriculture.

Tatneft plans to invest about 1 billion roubles into the construction of the advanced oil conversion facility of Nizhnekamsk oil refinery. The base facilities of the Nizhnekamsk refinery were put onstream in 2002 and supplies of diesel and jet fuel, vacuum gasoil, and bitumen have all been delivered to local consumers. The initial plans have, however, been altered towards more emphasis on the expansion of raw material resources for the Tatarstan petrochemical sector. The facility construction is scheduled to be completed in 2008.

Nizhnekamskneftekhim

In 2003, Nizhnekamskneftekhim plans to achieve a turnover of 20.5 billion roubles, a 0.5% increase over 2002. Last year the company produced 448,200 tons of ethylene, butyl rubber amounted to 68,000 tons, styrene 245,100 tons, and polyethers 60,400 tons. Export revenues grew from 9.9 billion roubles in 2001 to 11.1 billion in 2002.

The net profit of Nizhnekamskneftekhim for 2002 was 2.1 billion roubles, having exceeded the net profit of 2001 on 11%. Turnover was 20.66 billion roubles which was 11% more than in 2001 whilst the cost price of production increased only by 3% up to 15.9 billion roubles.

At the recent annual shareholders' meeting it was reinforced that the modernisation plan of the company is centred on the ethylene expansion, which will raise capacity to 600,000 tpa. The modernisation of the isoprene plant has already allowed an increase from 86,000 tpa to 196,000 tpa. This project will cost around \$37 million and will facilitate supplies to Nizhnekamskshina with polyisoprene, manufactured by the one-stage method, and to make the rubber competitive on the world market in terms of quality and price.

Other projects include the new polystyrene plant for HIPS with start-up planned for June 2003. The halobutyl rubber project is also planned to be finished in 2003 and will permit the production of 30,000 tpa of chloro and bromobutyl rubbers. The proposed polypropylene project of 120,000 tpa capacity is also on the list of priorities.

Polystyrene

The start-up of the new polystyrene plant at Nizhnekamsk is approaching and the final warehouse arrangements are being made with the silos ready for storage. Catalysts have been bought from Germany and production is scheduled to start in June.

BASF

In addition to the new polystyrene project Nizhnekamskneftekhim has concluded an agreement with BASF regarding long-term co-operation in the production of polystyrene. The interests are in foam polystyrene, general-purpose polystyrene, and extrusion polystyrene. Consumption levels in Russia are estimated to be no more than a sixth of those in West Europe, and thus there is considerable potential for expansion. Nizhnekamskneftekhim is considering the possibility with BASF of a joint venture for the production of ABS plastics.

Polypropylene

Nizhnekamskneftekhim is yet to decide between Mitsui and Tecnimont as a contractor for the polypropylene project, although Basell's Spheripol process has been selected as the technology. A contract for a feasibility

study has been signed with Tecnimont. The project's total cost is estimated as \$130-150 million. Currently, Tecnimont is developing the energy source for the proposed polypropylene project.

Safety at Nizhnekamskneftekhim

The introduction of the new software system R/3 has been completed which organises the system of the raw materials for the ethylene oxide, ethylene, styrene and oligomer plants. The software helps the variable streams or charges of raw material, auxiliary materials, power resources, etc. Resikon from Severodonetsk in eastern Ukraine has developed the software for simulators at Nizhnekamsk. The programme of a simulator is flexible enough for 170 variations of possible plant emergencies. Butyl rubber and ethylene oxide plants are considered most likely to be prone to accidents.

Ethylene oxide catalysts

Nizhnekamskneftekhim has introduced a new catalyst at the styrene and polyether plant. Previously, the Russian produced Ê-28 catalyst was used at the plant. The operating term was only one year and thus it was decided to switch to another catalyst. The Sud Chemie produces the new German catalyst Styromax Plus. The operation life of the imported catalyst is estimated to run by about two times longer, thus lasting 2 years. The economic benefits of implementing the new catalyst estimated at around 24 million roubles.

Raw materials in 2002

Nizhnekamskneftekhim's expenses for raw materials in 2002 grew by 36.2 million roubles compared to 2001. In general, prices for raw stocks and materials in 2002 increased by 2.4%. In 2002, energy usage grew by 12%, which corresponds to 37.8 million roubles of additional payments monthly.

In 2002, the main suppliers of hydrocarbon raw stock were Tatneft, SIBUR, Surgutgazprom, Sibneft, Metrafrax, and petrochemical plants located in Bashkortostan.

Bashkortostan

Salavatnefteorgsintez

A fire occurred at the Salavat monomer complex in April. The Pyrolysis-1 unit No 55 released a hydrocarbon long distillate through a flange coupling of 150 mm pipeline, which was then ignited. No plant employees were injured.

Prompt measures allowed to reduce the pressure applied to the flare. At the moment the ethylene and propylene production is suspended at the plant.

Samara

Industrial output in the Samara region grew in March in comparison with February in all the industrial sectors. High growth rates were registered in the chemical sector with a 6.3% increase for the first quarter over the same period last year.

The administration of the Samara area completed its first stage of its ecological programme for Togliatti in 2002. Financing of the programme was carried out from the regional budget, from the industrial producers that have made payments for environmental contamination.

KuibyshevAzot

Kuibyshevazot's turnover in Q1 amounted to 1.5 billion roubles, 5.4% above the same period of the last year. Physical production showed a 4% increase in mineral fertilisers, a 9.6% fall in ammonium nitrate, and a 12.1% increase for caprolactam.

In 2002, KuibyshevAzot invested 900 million roubles in plant modernisation and development, the largest part of which was directed to the polyamide 6 and technical yarn units. In 2002, the caprolactam plant was upgraded in order to expand capacity to 120,000 tpa with a further expansion planned to 135,000 tpa.

Tula

The largest consumers of energy in the Tula region, the chemical companies Azot Novomoskovsk, Shchekinoazot and Khimvolokhno, have been incorporated into the Russian federal wholesale market of energy

and capacity (FOREM). This decision will allow the companies to take energy in the wholesale market as from 1 May.

Nizhniy Novgorod

VCM

Since 1 January this year the content of VCM in the atmosphere has been uncontrolled in the Dzerzhinsk area, the result of a decision of the head of Dzerzhinsk city ecological control. The environmental group SPES has protested against this decision to the Nizhniy Novgorod interregional Office of Public Prosecutor on nature protection. Environmental groups in the Nizhniy Novgorod region have mounting action against PVC usage and production.

Dzerzhinsk Orgsteklo (DOS)

Dzerzhinsk Orgsteklo (DOS) achieved 292.2 million roubles of turnover for the first quarter, 50.1% up on the same period in 2001. The company produced 4,746 tons of MMA which was 118% up on volumes in 2001.

Korund

The Korund shutdown was delayed from 25 April to 16 May by owners Nizhnovenergo whilst the sale process gets underway. The plant is expected to be sold in the middle of May and to be restarted under new ownership.

Saratov

In the first quarter of this year plastics and resins in the Saratov region increased 2.5 fold. Chemical threads and filament production grew by 49%. The main reasons for these increases were the constant production at the individual plants.

The investment programme for Saratovorgsintez is a central part of the Saratov region's strategy in the chemical sector. Modernisation at Saratovorgsintez includes the MMA production facility where a fifth synthesis system is to be launched in the middle of this year. The company also has plans for wastewater treatment plant modernisation. The long-term plans include the construction of sodium cyanide facility. The product will be supplied to the domestic market for gold mining.

One of the main concerns of the local residents in the Saratov region is the impact of the chemical industry on the environment. One of the largest plants to be examined has been Saratovorgsintez where there have been suspicions about the effects of production on the atmosphere.

Omsk

A new polypropylene bag line was put into operation at Omsk on 25 April. The region has insufficient supplies of polypropylene bags for packing flour, sugar, cereals and bran. The new plant will be constructed in the settlement of Kormilovka, the place of location of Russia's largest bread combine and Agro-Trust's key enterprises. The investment project, including the purchase of state-of-the-art foreign equipment, is worth about \$500,000.

Irkutsk

Angarsk Petrochemical Company

YUKOS intends to invest \$50 million into the production of oil products at Angarsk Petrochemical Company in the course of the next 6-7 years. The programme of oil production development is aimed more at raising quality rather than output.

Angarsk Petrochemical Company plans to process around 9 million tons of crude in 2003, which would be about a million tons more than in 2002. In the first quarter this year the refinery processed 2.025 million tons.

A tank-car containing 30 tons of dimethyl amine ran off the rails at the Angarsk petrochemical complex on 19 April. Another tank-car was damaged as the result of the accident. The Ministry of Transport and company representatives are conducting an investigation.

Product News

Methanol

Metanol at Tomsk produced 185,000 tons of methanol in the first quarter of 2003 against 91,600 tons in the same period in 2002. Exports totalled 103,752 tons, representing an 80% increase against the January-March 2002 number, whilst domestic sales were 85,360 tons, or 51% up on the same period in 2002.

Consumers in Omsk, Tobolsk, Nizhniy Tagil, Kemerovo, and Novosibirsk use Metanol's output domestically. A major consumer is Gazprom.

Azovproduct

Ecological groups of the northern Caucasus and the city of Azov (in the Rostov area) started to show serious concern in October last year about the construction of the new methanol terminal. These concerns have been relayed to the EBRD in an effort to raise the question about suspending financing of this project.

The terminal complex is designed for the planned export of methanol at 400,000 tpa. The control share holding of Azovproduct belongs to the Italian company Triboldi. The EBRD awarded \$9.2 million for the project in 2000.

Vostochny Port

Vostochny Port plans to increase goods turnover up to 18 million tons in 2003 by expanding its shipping infrastructure and attracting new customers. Taking into consideration the growing demand in Southeast Asia for petrochemical products, Vostochny Port has designed and already started to construct several specialised terminals.

The construction of the methanol transfer complex, with a design capacity of 1 million tpa, has already been through most of the difficult stages of installation. By the beginning of 2003 fire plugs for sea and railroad fronts and a pump station had been constructed and the wastewater treatment plant had been finished. Also four methanol storage tanks had successfully passed hydraulic tests. The launch of the first stage of the methanol transfer terminal with 500,000 tpa capacity is planned for mid-2003.

Metrafrax

Metrafrax's development strategy stipulates that before 2005 up to 255,000 tons, out of one million tons of methanol production per annum, will be processed by in-house facilities and by 2010 that figure should grow to 433,500 tons.

High annual production targets are also set for other products. Pentaerthylol is planned to reach 18,000 tpa, urea-formaldehyde resins up to 100,000 tpa, and urotropin up to 25,000 tpa. The production of concentrated formaldehyde solution, propylene and polypropylene, acetic acid and other chemicals are under consideration.

Polyester

The Russian Ministry of Property will attempt to sell 100% of the shares in Polief at Blagoveshchensk on 23 May. The starting price for the shares is 3.276 billion roubles. The plants, when completed, will have capacities for 230,000 tpa of PTA and 120,000 tpa of PET. Both plants were recently estimated to be 78% and 22% completed, respectively. The other capacities include 60,000 tpa for polyester fibres, nonwoven materials at 22,000 tpa, polymeric dye concentrates with a capacity of 1,500 tpa, and textile auxiliary agents 8,000 tpa.

Polyurethanes

The Chemical Physics Institute of the Russian Academy of Sciences has managed to develop a new shockproof polyurethane based on blocked polyisocyanates which can be processed using the free moulding technique with no solvents. The new polymer is considered 5-8 times more impact-resistant than existing polymer products.

Benzene

Russian benzene supply is quite tight and that picture is unlikely to change in the near future. The majority of benzene producers (such as the Ryazan refinery, owned by TNK, and Slavneft-Yaroslavlnefteorgsintez) operate under long-term obligations, or utilise produced benzene for their own needs. Salavatnefteorgsintez and Stavrolen both have no product for sale at present. In late May Stavrolen plans to suspend its production for two weeks for a scheduled maintenance. The deficit of benzene is expected to grow in May because a number of producers plan to stop their production for repairs. Ufaneftkhim plans to restart its xylenes unit after the scheduled outage by the middle of May.

Ukraine

(Ukr hryvnia May 2, \$1= 5.2900, €1= 4.716035)

Tatneft is ready to buy 43% of shares of Ukrainian-Tatarstan joint venture Ukrtatnafta that controls the Kremenchug refinery. This block of shares is being put up for auction by the Ukrainian government. At present, Tatneft together with Tatarstan government already own 57% of Ukrtatnafta shares.

Ammonia

In March, ammonia production in Ukraine increased by 23% or 80,850 tons in comparison with March 2002. For the first quarter ammonia production increased by 13%, or by 141,760 tons more than Q1 2002 to 1,246,350 tons.

LUKOR

Technip Coflexip is currently participating in the tender for construction of plants for production of chlorine, sodium hydrate, and PVC at LUKOR's Kalush complex. In 2003, LUKOR plans to invest €13.7 million in the reconstruction and modernisation of its production facilities. One of the aims is to purchase and to assemble a new plant for chlorine production at Kalush using the membrane method.

LUKOR stopped the polyethylene and chlorine plants in April for normal maintenance, which was to be completed by 5 May. The largest capital investments for maintenance outlaid were in the reconstruction of the chlorine and caustic soda plants. In 2001, LUKOR invested \$18.5 million in the company and in 2002 more than \$13 million.

Regarding the ownership of LUKOR there is internal opposition to allowing LUKoil to gain more than 50% of shares. The government is anxious not to lose control of the Kalush complex whilst LUKoil sees control as important for fulfilling its investment goals.

According to LUKoil the plans are to spend up to \$230-240 million in the next five years, including the construction of a 150,000 tpa PVC suspension plant, an increase of ethylene capacity to 150,000 tpa, and an increase of polyethylene capacity to 160,000 tpa. A PVC plant is considered essential to account for the VCM, which is produced and shipped on the merchant market.

The Ukrainian government has voted against an increase of the authorised capital of LUKOR, by a ratio of 1.9 fold. Nevertheless, the view is that LUKoil will continue to push the argument for control over LUKOR. The key may be the financial status of Oriana which remains a separate legal company. If declared bankrupt by the regional administration this may present an opportunity for LUKoil to pursue its aims.

Krasitel

Krasitel has started work on reviving the phthalic anhydride unit at Rubezhnoye for consumption in the production of dyestuffs and paint materials. The phthalic plant was stopped in 1996. Krasitel expects to restart the plant in June, the capacity is 60,000 tpa. Utilisation rates will depend on orthoxylene supplies which Krasitel will buy from Russia, either from Kirishi or Ufa. The plan is to use phthalic for plasticizers, including DBP.

In 2002, Krasitel increased production by 665.4% over 2001. In June of last year the creditors appointed Logrus Kemikl to take charge of the company's units which had been standing idle since 1996. Thus, in the second half of last year Krasitel renewed the production of supersoftener ortho phenylene diamine, betanaphthol, and a pesticide dinitro-orthocresol. In addition, the company restarted the production of agents for dyestuffs and plasticizers.

RivneAzot

RivneAzot plans to increase its production this year by 47.2% against 2002, taking turnover to around \$71 million. Part of this increase is attributed to plans of Rivneazot to restart phosphate fertiliser production after a three-year stoppage and to increase ammonia production by 6.7% to 300,000 tons. 53.86% of shares RivneAzot still owned by the state, Pulkim in Rovno owns 14.5%, Cheminvest Aktiengesellschaft (Liechtenstein) owns 12.24%, and 15.3% is owned by IBE Trade Corp. (USA).

Azot Severodonetsk

Azot has started the operation of a line of for packing urea in 50-kg bags, with a capacity of 120,000 tpa. Commissioning of the new line cost 1.5 million hryvnia.

Styrol

In the first quarter of 2003 Styrol produced 4,940 tons of polystyrene against 1,544 tons in the same period last year. Styrene monomer was supplied through imports which totalled 4,703 tons in the first quarter versus 1,046 tons in 2002. For the whole of 2002 Ukraine imported 8,240 tons of styrene, down from 24,311 tons in 2001.

Polyfarb

The Polyfarb paint and varnish plant started operating at Dnepropetrovsk on 3 April, based on a jv between Polyfarb and SigmaKalon. Modern equipment costing \$1.5 million was installed with the money being invested by SigmaKalon. The plant will produce paints with a total capacity of 15,000 tpa.

Lischansk Soda

After an extended outage Lisichansk Soda restarted its second line for soda ash production on 19 April. The plant has thus increased its daily production by 75% to 700 tons. In 2002, Lisichansk Soda produced 100,000 tons of soda ash, directing 20,000 tons for export.

Stekvolokhno

The State Property Fund has announced a tender for the sale of the state package (76.18%) of shares in Stekvolokhno, the largest Ukrainian manufacturer of glass fibres located at Severodonetsk. The starting price will be 8.5 million hryvnia and the bidding will be finished by 26 May. The conditions of the sale include that the buyer should carry out the reconstruction of the enterprise with about 1 million hryvnia invested in the plant and facilities. In the first quarter this year Stekvolokhno reduced production turnover by 4.7% against Q1 2002. At the same time physical production of glass fibre increased by 15.5% to 335 tons and glass fibre beads by 6% to 2,228 tons.

Belarus

The Belarussian government's privatisation strategy is aimed principally at attracting foreign investment to support domestic projects. For example, Azot at Grodno needs about \$50 million in foreign investment for modernisation purposes. Belshina at Bobruisk also seeking foreign investment for modernisation, with equipment worth \$72.2 million needed for the completion of three projects to produce different types of tyres.

Naftan has 13 projects ongoing as part of its modernisation process. One of the main projects, yet to start, is the construction of a new sulphuric acid plant and another is the construction of a hydrocracking complex which will cost \$156 million.

Uzbekistan

Chemical enterprises in Uzbekistan recorded a 4.1% increase in the first quarter turnover of 2003. Production of liquid hydrocarbons (oil and gas condensate) by Uzbekneftegaz fell 1.9% year-on-year to 1.763 million tons in the first quarter of 2003. Oil production increased 4% to 1.027 million tons, with gas condensate production down 9.1% to 735,400 tons. Natural gas production fell 1.5% to 14.55 billion cubic metres. The volume of primary oil refining fell 12.9% to 1.353 million tons.

Production of liquid hydrocarbons by Uzbekneftegaz in 2002 amounted to 7.198 million tons, up 0.3% from 2001, with natural gas production up 1.8% to 57.672 billion cubic metres.

Turkmenistan

Modernisation has started at the Turkmenbashi refinery at two coke-chemical units. The cost of the project is \$50 million and is being undertaken by Emerol of Ireland. The order for the equipment, including the furnace, reactor, etc, has been made to Italy. The projects are part of the new investment programme of modernisation at the largest petrochemical enterprise in Turkmenistan.

Other developments in Turkmenistan include an increase in carbon black production of about 30% at Hazar (former Cheleken). Currently, the plant is accelerating the rate of preparation for the start-up of the second line for carbon black production.

Contents Issue No 149

| | |
|--------------------------------------|----------|
| CZECH REPUBLIC | 2 |
| Unipetrol | 2 |
| HUNGARY | 2 |
| MOL | 2 |
| TVK | 2 |
| BorsodChem Q1 2003..... | 3 |
| Pannonplast | 4 |
| POLAND..... | 4 |
| PKN Orlen | 4 |
| Polish restructuring..... | 4 |
| Rafineria Gdańska..... | 4 |
| CROATIA..... | 5 |
| ROMANIA..... | 5 |
| Romp petrol Group..... | 5 |
| LUKoil..... | 6 |
| BULGARIA | 6 |
| LUKoil-Neftochim | 6 |
| Vidachim | 6 |
| SERBIA | 6 |
| RUSSIA..... | 7 |
| Oil refining/feedstocks | 7 |
| LUKOIL-NEFTEKHIM | 8 |
| SIBUR..... | 8 |
| Synthetic rubber | 8 |
| Tobolsk-Neftekhim | 8 |
| SIBUR-Neftekhim | 9 |
| EVROKHIM (EUROKHIM) | 9 |
| Nevinnomyssk Azot..... | 9 |
| Novomoskovsk Azot..... | 9 |
| TATARSTAN | 9 |
| Tatneft..... | 9 |
| Tatneft-Neftekhim..... | 9 |
| Nizhnekamsk Refinery | 10 |
| NIZHNEKAMSKNEFTEKHIM | 10 |
| Polystyrene..... | 10 |
| BASF | 10 |
| Polypropylene..... | 10 |
| Safety at Nizhnekamskneftekhim | 11 |
| Ethylene oxide catalysts | 11 |
| Raw materials in 2002..... | 11 |
| BASHKORTOSTAN | 11 |
| Salavatnefteorgsintez..... | 11 |

| | |
|-------------------------------------|-----------|
| SAMARA | 11 |
| KuibyshevAzot..... | 11 |
| TULA | 11 |
| NIZHNIY NOVGOROD | 12 |
| VCM | 12 |
| Dzerzhinsk Orgsteklo (DOS) | 12 |
| Korund..... | 12 |
| SARATOV | 12 |
| OMSK | 12 |
| IRKUTSK | 12 |
| Angarsk Petrochemical Company | 12 |
| PRODUCT NEWS | 13 |
| Methanol | 13 |
| Azovproduct | 13 |
| Vostochny Port..... | 13 |
| Metrafrax | 13 |
| Polyester | 13 |
| Polyurethanes | 13 |
| Benzene | 13 |
| UKRAINE..... | 14 |
| Ammonia | 14 |
| LUKOR..... | 14 |
| Krasitel | 14 |
| RivneAzot..... | 14 |
| Azot Severodonetsk | 14 |
| Styrol | 15 |
| Polyfarb | 15 |
| Lischansk Soda..... | 15 |
| Stekvolokhno..... | 15 |
| BELARUS..... | 15 |
| UZBEKISTAN..... | 15 |
| TURKMENISTAN | 15 |