

# CIREC

## MONTHLY NEWS

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

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Issue no 207, 22 Feb 2008

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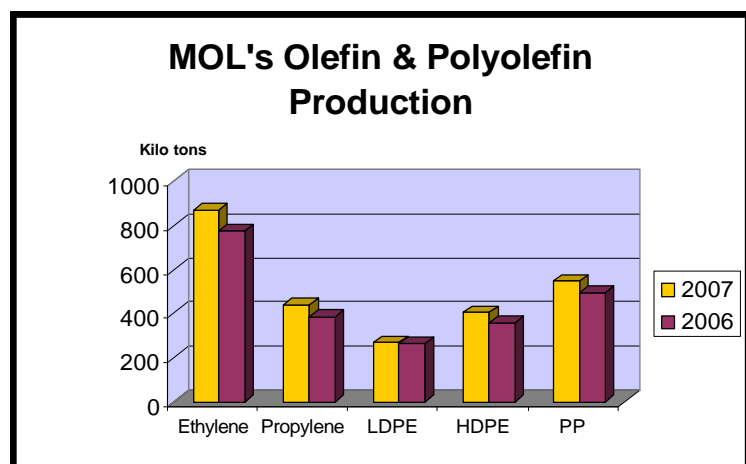
- ✚ MOL's petrochemical division's annual operating profit achieved a historical peak in 2007, with the EBIT increasing by 74% to Ft 40.6 billion
- ✚ Unipetrol is likely to unveil its mid-term strategic plan by early April, detailing plans for acquisitions as the company looks to raise its debt levels which are seen as too low.
- ✚ A process of integration of KazMunaiGaz and Rompetrol has started after Rompetrol transferred 75% of stocks to KazMunaiGaz
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- ✚ Nizhnekamskneftekhim plans to increase ethylene production around 11-13% in 2008, to reach around 570,000-580,000 tons
- ✚ Imports of polymers increased sharply from China into Russia in 2007, fuelled mainly by demand for PET and PVC
- ✚ In December 2007, Uhde Inventa-Fischer was awarded a third major contract by Kuibyshevazot to construct a further polyamide 6 plant
- ✚ Discussions are being carried out between Tatarstan and Gazprom over the partial transfer of shares in Kazanorgsintez by the middle of 2008
- ✚ The Volgograd region has reached agreement with LUKoil-Neftekhim over the supply of polyethylene and polypropylene to the new chemical park on the site of Kaustik
- ✚ Benzene supply continues to represent a problem for non-integrated consumers in Russia, particularly for producers of caprolactam and cumene.
- ✚ Around 30 small-scale projects are to be developed in the Nizhnekamsk Industrial Zone in the period 2008-2012, on the basis of products supplied by Nizhnekamskneftekhim
- ✚ The Republic of Tatarstan is drafting laws on tax preferences for residents of the Khimgrad industrial park which is being built at Kazan
- ✚ Togliattiazot has achieved the fastest rate of growth amongst Russian methanol producers over the past eight years
- ✚ Azot at Severodonetsk achieved a record volume of adipic acid production in 2007, with most of the product being exported to the EU, East Asia and Russia
- ✚ Azerkhimya will be restructured into a joint-stock company this year in a move to attract investments from foreign companies

# CENTRAL & SOUTH EAST EUROPE

## Petrochemicals

### MOL 2007

MOL's petrochemical division's annual operating profit achieved a historical peak in 2007, with the EBIT increasing by 74% to Ft 40.6 billion. The results were mainly driven by higher production and sales volumes. In Q4 2007, operating profit declined by 62% compared to Q4 2006 due to raw material price fluctuations.



The integrated petrochemical margin improved by 7% in 2007 over 2006. The price of naphtha in USD increased by 20%, although this was offset by the increase of euro polymer prices by only 6-10%.

Both monomer and polymer production increased significantly (by 12% and 9%) in 2007 compared to the previous year. The high capacity utilisation of TVK's new steam cracker led to a record ethylene production figure of 870,000 tons for both TVK and Slovnaft. The high capacity utilisation of the new PP and HDPE units at both companies contributed moreover to the production of 1.2

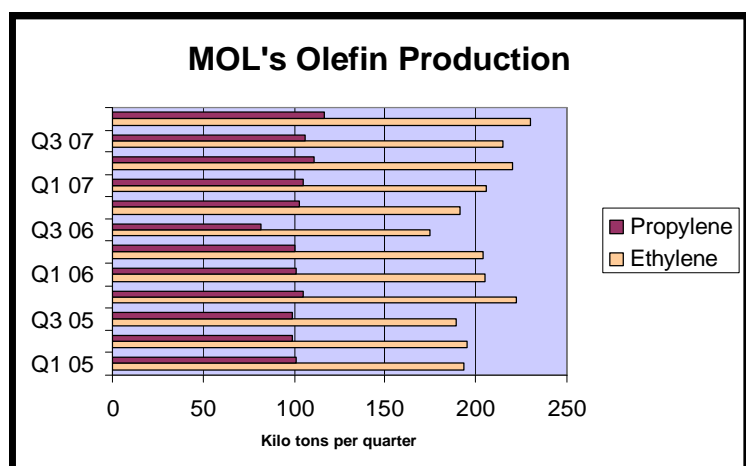
million tons in 2007, the group's best ever performance. .

| TVK's Sales Distribution (Ft million) |         |        |
|---------------------------------------|---------|--------|
| Export                                | 2007    | 2006   |
| Olefin                                | 9,400   | 4,810  |
| LDPE                                  | 15,674  | 18,591 |
| HDPE                                  | 108,122 | 88,200 |
| PP                                    | 41,090  | 38,214 |
| Domestic                              | 2007    | 2006   |
| Olefin                                | 94,687  | 85,362 |
| LDPE                                  | 13,622  | 13,446 |
| HDPE                                  | 11,136  | 12,950 |
| PP                                    | 36,472  | 39,857 |

TVK group level material costs reached Ft 256,408 million, which was higher than in 2006 due to feedstock and energy costs. The higher cost of feedstock was largely the result of higher volumes being processed and to a lesser extent the rise in costs, even if they were compensated marginally by shifting exchange rates. Energy costs were up as a result of the price hike and higher volume of energy consumption. In-house consumption of olefins rose in tandem with higher production volumes.

As the data in the table illustrates export income from HDPE sales and domestic income from olefin sales were the noticeable changes for 2007 over 2006. Ethylene sales were increase to BorsodChem, and the main loser from that change has been Karpatneftekhim at Kalush which has been dependent on ethylene sales to Hungary to maintain reasonable

cracker rates.



Slovnaft saw increases in 2007 for monomer production of 14%. The steam cracker ran at high utilisation, whilst polyolefins achieved record numbers due mainly to utilisation of the PP3 polypropylene unit.

Polymer sales' volumes increased by 10.3% to 426,800 tons, which was higher by 39,800 tons over 2006. The company's main markets were Germany, the Czech Republic, Italy and Poland. In 2007, ratio of polypropylene sales increased to 61% with LDPE falling to 39%. Amongst polypropylene sales, the share of advanced copolymers reached the level of 23% compared to 16% in 2006.

### **Unipetrol-strategic plans**

Unipetrol is likely to unveil its mid-term strategic plan by early April at the latest, detailing plans for acquisitions as the company looks to raise its debt levels which are seen as too low. Unipetrol is targeting a debt to equity ratio of 30%, which at current valuations would be equivalent to around Kc 12 billion. The company is virtually debt-free at present and plans to raise the ratio through acquisitions, investments in organic growth, as well as dividend payments. The company could raise debt by Kc 12 billion (\$682.6 million) to reach targeted capital structure. The cash could be used for acquisitions, investment into organic growth or dividends. For 2007, profit performance looks to have been damaged to some extent due to the extended shutdown in the fourth quarter, although full results are not yet available.

### **Rompetrol-KazMunaiGaz**

A process of integration of KazMunaiGaz and Rompetrol has started after Rompetrol transferred 75% of stocks to KazMunaiGaz. The company is ready to render its services in oil production and processing, and attract highly qualified specialists. In its turn, KazMunaiGaz considers the construction of new sea quays, development of a network for distribution of oil products, and a launch of a new hydrofining plant as priority directions of the joint activity. According to Rompetrol, the Romanian company's main task is to establish communications between the administrations of the two companies with the purpose of more effective entrance of KazMunaiGaz into the European market. Possible synergies exist for the two companies in the petrochemical sector.

For 2007, Rompetrol's downstream division Rompetrol Rafinare registered a turnover of \$3.2 billion 24% more than in 2006, whereas the operational profit (EBITDA) increased by 16%, reaching \$141 million. The net result registered at the end of last year was \$66 million less than 2006. This year Rompetrol expects to complete the construction of the Midia Marine Terminal, with a capacity of 16 million tpa of oil, located offshore the Black Sea, in the area of Petromidia Refinery. With an investment necessity of \$90 million, the project could allow Petromidia Refinery a reduction in approximately \$3/ton of the oil transportation cost. At the same time, by purchasing the Batumi terminal by KazMunaiGaz, Petromidia Refinery may become an important point of the alternate route for providing raw material resources for Europe.

### **Dioki-2007**

Dioki's financial performance is reported to have improved in the final quarter of 2007 as the company starts to benefit from the close alliance with Petrohemija at Pancevo. At the end May 2007 the two companies agreed a contract which includes the monthly delivery of 1,500-2,000 tons of ethylene to Dioki from Petrohemija, in exchange for virgin naphtha. Dioki had reported losses for period up to September 2007, despite an increase in turnover against 2006.

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## **Intermediates/Chemicals**

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### **BorsodChem-isocyanate expansions**

BorsodChem has stated that it has achieved significant advance in the technologies for the production of MDI following its intensive R&D programme which was initiated more than five years ago. Technical changes are gradually being introduced into production scale allowing capital-efficient debottlenecking of the existing MDI plants at Kazincbarcika to 300,000 tpa over the next 2-3 years. One of the key developments is a more efficient phosgenation process which results in a cleaner reaction with fewer undesirable side products. Due to its efficiency it also has the potential for better capital utilisation in future plants.

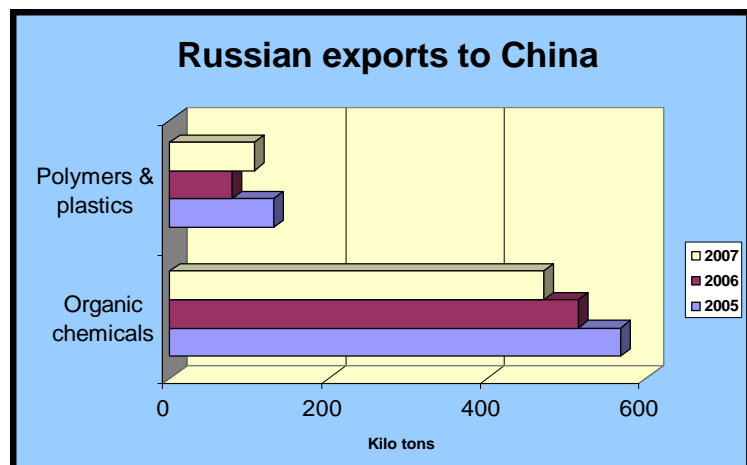
BorsodChem already has well established operating technologies for aniline, continuous MDA, pure MDI refining and aqueous effluent management. The combination of all these proprietary technologies has enabled BorsodChem to design world scale capital efficient MDI complexes which convert benzene to differentiated MDI variants at rates in excess of 400,000 tpa. BorsodChem also confirmed the execution of its current TDI-2 project. The new state-of-the-art 200,000 tpa DNT-to-TDI chain is scheduled to come on stream by 1 July 2009.

### **Zakłady Azotowe Kedzierzyn-investments**

ZA Kedzierzyn (ZAK) plans to invest around zł. 600 million on modernisation and development of production by 2010, whilst the company is also analysing a multi-billion zloty project of sourcing gas from coal in cooperation with the Southern Energy Concern (PKE). In 2007, ZAK designated zł 211 million for investments, while over the next two years expenditures will amount to roughly zł 180 million annually. The plant aims to construct a new installation to produce nitrogen acid, as one of the currently utilised facilities must be shut down by the end of 2010 due to environmental regulations. Investments will be financed from

own funds and loans, but the company will also apply for EU subsidies and it might raise some funds from the bourse. Some reports have even suggested that the company is ready to debut on the stock market this year. The State Treasury (which holds an 80% stake via the liquidated Nafta Polska) wants to retain its controlling stake in the first stage, whilst the second stage of privatisation could take place in 2009 when private owners could take control over the company.

## RUSSIA

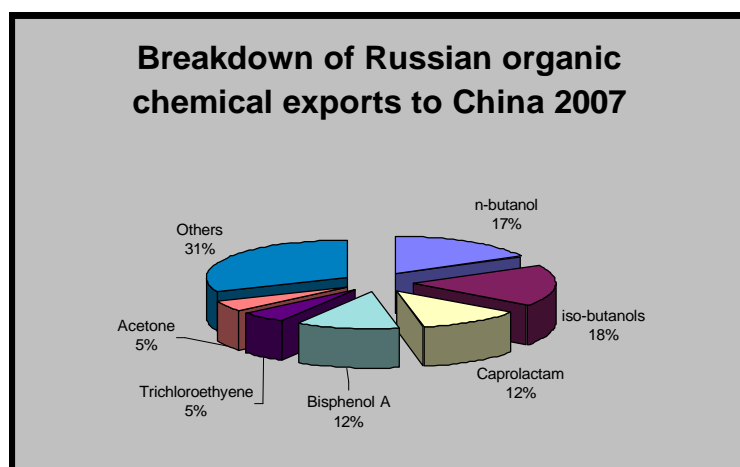


### Russian-Chinese Trade 2007

Chemicals accounted for 5.4% of total Russian exports in 2007 which was slightly up on 2006. Imports of chemicals were valued at £14.3 billion in 2007, 31% up on 2006. China is the most important end-destination for Russian chemical exports, with Finland following closely behind although mainly as a transit route.

Imports of polymers increased sharply from China into Russia in 2007, fuelled mainly by demand for PET and PVC. Both products are waiting for new capacity to be introduced in Russia and these markets for at least now

provide good opportunities for exporters. Exports of polymers from Russia to China actually increased in 2007 slightly over 2006, with HDPE shipments restarted after the expansion at Kazanorgsintez and also increases in polyamide sales from Kuibyshevazot (for its Shanghai JV). For organic chemicals, Russian exports were down from 515,000 tons in 2006 to 470,000 tons in 2007, due mainly to greater demand in the domestic market.



PTA exports, for example, dropped substantially. Butanol exports remained stable, for both normal and iso, whilst bisphenol A exports noted a sharp rise with more volume coming out of Ufa and the marginal effects of the new plant at Kazan. As the graphic opposite illustrates, exports of organic chemicals from Russia to China are dominated by three product groups, butanols, caprolactam and bisphenol A. Organic chemical exports from China to Russia increased from 78,000 tons to 103,000 tons in 2007, which is still relatively small but rising. Most of the organic products being shipped from China to Russia are not large-volume and thus are

unlikely to see any significant fluctuation.

## Feedstocks/refinery news

### Russian ethylene pipeline sales 2007

Ethylene volume transportation by the Volga-Urals pipeline, which is managed by Nizhnekamskneftekhim, was the highest in 2007 since the pipeline system was first introduced in the mid 1970s. Around 370,000 tons of ethylene from Nizhnekamskneftekhim and from Salavatnefteorgsintez were shipped via the pipeline, 22.5% more than in 2006. The growth was generated by rising demand for ethylene at Kazanorgsintez, and the ethane supply conflict with Gazprom in the first half of the year which slowed ethylene production.

Prior to the increase in ethylene capacity at Nizhnekamskneftekhim plant and the production of HDPE at Kazanorgsintez, throughput on the Nizhnekamsk-Kazan ethylene pipeline was increased to 290,000 tpa compared with original design capacity of 240,000 tpa. This was subsequently expanded to its current level, thus allowing higher shipments to be made.

The arbitration court of Tatarstan has upheld the decision to force Nizhnekamskneftekhim to repay the illegally obtained income of 71 million roubles from the transport of ethylene. The case has been dragging on since 2006 following the sale of ethylene to Kaustik at Sterlitamak via the ethylene pipeline. Nizhnekamskneftekhim did not agree with the decision taken by the anti-monopoly commission and took the matter to the arbitration court of Tatarstan but this effort also failed.

### SIBUR-Holding, profit concerns

SIBUR's AGM in March will examine the contract for benzene supply from Gazprom Neft at the Omsk refinery. SIBUR expects to see its profits reduced this year through the decision of the government to liberalise prices for associated gas. Accordingly, the price for associated gas in 2007 was 1,400 roubles (or \$50) per thousand cubic metres, which is viewed at less than the cost of production of around \$65. Thus, since the liberalisation of prices from 2008, the prices for this year seem likely to reach \$75-80 per thousand cubic metres which would be the minimum level in order to cover production and transport costs and still make a small profit. Although this means that transfer prices between Gazprom and SIBUR will rise, SIBUR supports the decision of the government about liberalisation as being beneficial to the long term development of the market.

### Nizhnekamskneftekhim-2007

Nizhnekamskneftekhim plans to increase ethylene production around 11-13% in 2008, to reach in the range of 570,000-580,000 tons. The company does not expect the full 600,000 tpa capacity to be reached until 2009. After full operation of the new HDPE plant, consumption requirements for ethylene at Nizhnekamskneftekhim will rise to around 590,000 tpa which will effectively rule out large volumes of merchant sales. The project programme for Nizhnekamskneftekhim for this year and the near-term is laid out in the following table. Aside the introduction of the new HDPE plant the additional polystyrene plant will erode export capability of styrene monomer.

| <b>Current Projects at Nizhnekamskneftekhim</b>   |  |
|---|--|
| <i>Construction of an HDPE plant, completion date 2008, capacity 230,000 tpa</i>  |  |
| <i>Construction of a third polystyrene line, completion date 2008, capacity 50,000 tpa which raises total capacity to 150,000 tpa</i>                                       |  |
| <i>Construction of an ABS plastics plant, completion date 2010, capacity 70,000 tpa. Contracts for licensing signed and the base engineering has already been completed</i> |  |
| <i>Expansion of butyl rubber &amp; HBR capacity to 120,000 tpa. Project to be completed in 2008.</i>  |  |
| <i>Expansion of isoprene capacity, based on the single stage process, to 175,000 tpa. Project to be completed in 2008.</i>  |  |

### LUKoil-gas processing Kalmikya

LUKoil plans to start the construction of a gas processing plant at Kalmikya in the next few months, which ultimately will provide feedstocks for the Budyennovsk petrochemical complex. The cost of the processing plant will be in the range of \$3 billion, with volumes of up to 14 billion cubic

metres per annum based on North Caspian despoits.

### Titan-Omsk regional development

The Omsk based holding company Titan is developing a wide range of petrochemical interests from polypropylene to MTBE. Titan also plans to produce bioethanol at Omsk and Krasnodar. Titan has spent around \$40 million on acquiring Omskpolimer over the past year, and will need to invest substantially to complete unfinished projects. In 2005, the management of Omskpolimer planned to invest \$100 million, including a restart of the units for ion-exchange resins and phthalic anhydride. Omskpolimer awarded RolleChim Impianti SpA the revamp of the oxidation unit of phthalic anhydride plant which was scheduled to be concluded in March 2007. However, this project remains uncompleted.

In addition to Omskpolimer, Titan took control of Omsk Kaucuk in late 2007 after increasing share emissions by 0.69% to 90.87%. Titan intends to restore the solvency of Omsk Kaucuk, which is under bankruptcy until 2009. Until now, Omsk Kaucuk has remained outside the structure of Titan, with 50% of the company resting in the hands of the director general. Omsk Kaucuk has been Titan's strategic partner, but now it is expected to play a more integral role in Titan's strategy. Titan plans to expand capacities at Omsk Kaucuk in the next few years for synthetic rubber (by 11,200 tpa, phenol (by 5,700 tpa, and merchant propylene (by 40,000 tpa). The largest project to be located on the Omsk Kaucuk site is the 180,000 tpa polypropylene plant (see polyolefin section).

### Gazprom-gas processing plans & petrochemicals

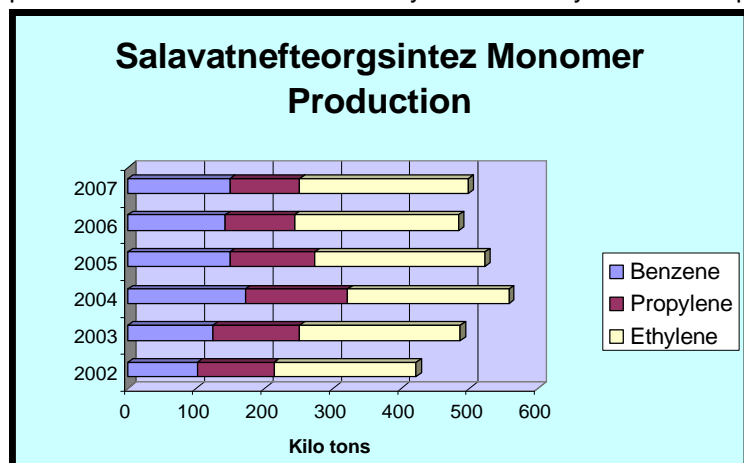
KazMunaiGaz and Gazprom are altering changing the main economic principles of the Kazakh-Russian JV Orenburggazprom. The reason for the change is due to the increases in production at the Karachaganak field in north west Kazakhstan. This will allow for the processing of up to 16 billion cubic metres per annum as opposed to the previous limit of 15 billion cubic metres. With an increase in processing, the JV is also considering the prospect of ethanol production. Gazprom plans in the 2010-2012 period to bring utilisation of



associated gas processing to 85% and eventually to 95%, from the current level of 56%. The current level is offset by the low processing rate in the Gazprom-Neft division, formerly Sibneft, which only processes around 35%. SIBUR-Holding plans to increase processing of associated gas to 22 billion cubic metres per annum by 2011. Surgutneftgaz currently shows the best record of processing up to 95% of its associated gas. A major incentive for increasing processing shares could take place if the market for associated gas is liberalised and producers can secure higher prices.

Gazprom has expressed interest in adding value to its gas processing through investments in petrochemicals and claims it is ready to invest 400 billion roubles prior to 2015. The group is looking at setting up separate divisions for ammonia, methanol and fertilisers, and polymers and rubbers. How these plans will interact with SIBUR-Holding's strategy is unclear, but the group claims that its strategy involves an increase in the production of mineral fertilisers by 2.5 times by 2015. Gazprom states that it is examining new promising

projects for the creation of gas-reprocessing and gas-chemical enterprises in East Siberia and in the Far East. The separation of the gas-chemical business of Gazprom is envisaged, and this strategy is under review at present. One of the key parts of the strategy is that ethane supply should be increased 15-fold from current levels.



#### Salavatnefteorgsintez-monomer increase 2007

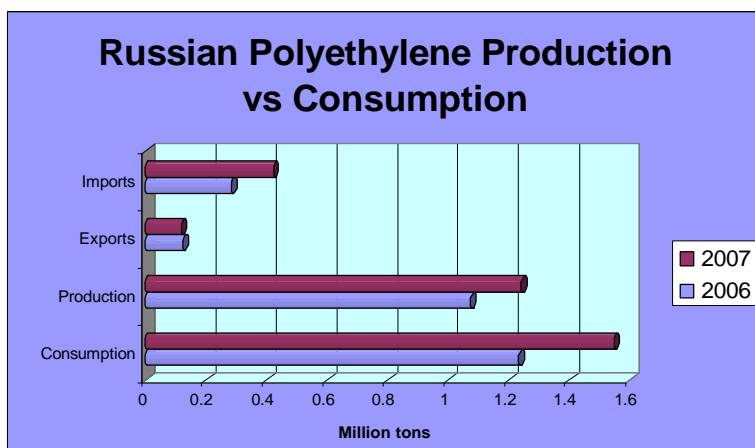
In 2007, the monomer division at Salavatnefteorgsintez increased output by 10.9% with record volumes being achieved for ethylene, ethylbenzene and benzene.

This year the monomer division will start the new polyethylene plant, based on Hostalen licence, with a capacity of 120,000 tpa.

The company plans to produce 29 different grades of polyethylene. Plans up to 2012 comprise an increase in capacity, but most importantly investments to ensure that full operating rates are achieved. The installation of the ELOU AVT-6 will lead to higher volumes of light feedstocks, whilst the catalytic cracking unit will make it possible to increase the rate of processing. In the petrochemical division, Salavatnefteorgsintez is set to focus on impact polystyrene.

#### Angarsk Polymer-Sayanskkhimplast

Problems over ethylene supply from Angarsk Polymer Plant resurfaced in February, with the dispute even threatening a temporary stoppage. Both companies have little gain from a protracted dispute, having worked together closely via the 216 km ethylene pipeline for around 22 years. Angarsk Polymer Plant is only one of three companies in Russia selling merchant ethylene, the others being Nizhnekamskneftekhim and Salavatnefteorgsintez. Angarsk Polymer Plant claims that it has dropped the price of ethylene in the past year, but now wishes to restore the former higher price. Prices were being charged 12.5% lower than elsewhere in Russia, yet Sayanskkhimplast has requested a huge drop of 38% below the normal Russian market price. Sayanskkhimplast buys around 120,000 tpa of ethylene from Angarsk on current VCM production levels.



#### Polyolefins

##### Russian polyethylene market

With imports of polyethylene into Russia rising by 140,000 tons in 2007 over 2006, totalling 422,000 tons, interest in polyethylene projects is extremely buoyant. The domestic market was also boosted in 2007 by more than an additional 160,000 tons of production, which can be attributed in part to increased production at Kazanorgsintez and also in part to the weak quarter experienced amongst Russian

producers in Q3 2006. Taking production and trade into account, consumption amounted to around 1.54

million tons in 2007 against 1.23 million tons in 2006. Whether this market growth can, however, justify multiple polyethylene projects at Astrakhan, Orenburg, Tobolsk, etc, not to mention projects near completion at Nizhnekamsk and Salavat remains to be seen. With 350,000 tpa of new capacity to come on stream at Nizhnekamsk and Salavat in the next twelve months, it would seem probable that import volumes are set to fall.

The major area of polyethylene growth is for HDPE where imports rose 24% in 2007 to 814,000 tons. In summary, it means that Russia is a net importer of HDPE and net exporter of LDPE. The largest importers include Basell, Ineos Polyolefins, and Borealis etc. Imports of LLDPE, the smallest volume outlet, increased 48% in 2007 and totalled 87,000 tons, with the major suppliers including .Dow, Exxon Mobil, Borealis, Shurtan Gas Chemical Complex, and Hyundai Petrochemical.

In addition to the rising imports, polyethylene production rose 15.8% in 2007; reaching 1.243 million tons (see [www.cirec.net/report](http://www.cirec.net/report) for production by plant). The biggest increase was recorded at Kazanorgsintez, with 27.9% growth over 2006. Stavrolen increased production by 12.7% and Ufaorgsintez increased by 10.6%.

Much debate is being channelled into which proposed polyethylene projects will be taken to the construction stage, and which types of product will be preferred. The old Novy Urengoy polyethylene project still is the subject of interest for Gazprom, although finding a partner has thus far proved difficult and that is unlikely to change. Orenburg's name comes up frequently as a potential site for a world scale complex for polyolefins, despite having a weak geographical position. Astrakhan possesses more an advantage over several other locations, but it is close to Atyrau in Kazakhstan where a world scale polyolefin complex is already in the planning and construction stage. Gazprom is developing the gas reserves and usage in the Astrakhan region and this would provide a platform for SIBUR's polyethylene plant. Overall, the perceptions towards polyethylene projects may undergo some change of attitude if the two projects start on time this year as this could mean that exports exceed imports next year.

#### **Russian polypropylene market**

Polypropylene production in Russia increased 57.9% in 2007, reaching 491,131 tons (full producer breakdown at [www.cirec.net/report](http://www.cirec.net/report)). The main factor behind the increase was the full operation of the Nizhnekamskneftekhim plant, which started production in 2006. The Stavrolen plant produced 19,752 tons in 2007, but that figure should rise to over 100,000 tons in 2008.

#### **LUKoil-Kaustik**

The Volgograd region has reached agreement with LUKoil-Neftekhim over the supply of polyethylene and polypropylene to the new chemical park on the site of Kaustik at Volgograd. Kaustik is part of Nikokhim, which has been considering constructing its own polyolefin plans, For the time being at least, the new Volgograd chemical park will rely on polyolefin deliveries from Budyennovsk, in addition to other chemical products supplied by LUKoil.

#### **SIBUR-Holding, Tomsk special economic zone**

In the Tomsk Special Economic Zone, SIBUR is creating a research organization as part of SIBUR-Tomskneftekhim (NIOST LLC) that will be designated as lead organisation for chemical processes and technologies in the near future. NIOST's principal functions will be to analyse the latest international developments in its field; to draw up forecasts and integrated research and development programmes for SIBUR-Holding, etc. NIOST should be in operation by 2008. Tomskneftekhim has recently introduced new types of polyethylene production, brands of LDPE 15303-003 and 15803-020, which can be used in packaging, pipes, film, fittings and other technical articles.

#### **Titan-polypropylene project**

Titan's polypropylene project at Omsk is scheduled to start in 2009, but there are fears that the project could be hampered over feedstock supply. At the start of the project in 2005, Titan agreed with gas supplier Novatek on creating a partnership for the polypropylene plant and other products, but this alliance seems to have been affected by Novatek's subsequent agreement with SIBUR-Holding regarding the polypropylene plant at Tobolsk. As a result, despite ongoing construction through Tecnimont, and the credit line having been opened with the Italian bank Inteza, the project at Omsk could be heavily disadvantaged if it needs to turn to the open market for propylene purchases.

The total cost of the project is \$160 million, with the plant capacity of 180,000 tpa. In view of the potential surplus of polypropylene in the Russian market by 2010, and the impact of supply over domestic prices,

Novatek seems to have indicated that it is not ready to support both projects at Omsk and Tobolsk with feedstock supply. Novatek's memorandum with Titan was signed in 2005 and provided for the development of a modern petrochemical facility and the expansion of Titan's existing capacity. The petrochemical facility, to be developed by Novatek and Titan, was to produce polypropylene, butadiene and synthetic rubbers through deep processing of liquefied petroleum gas.

With the feedstock source in question Titan is examining propylene production from a cracker. Lummus Global has accordingly been studying the options at Omsk. Titan believes that the polypropylene plant, being constructed by Tecnimont, will be ready at some stage in 2009. Should the 180,000 tpa plant start in 2009-2010, the company will be focusing on selling product in the Omsk region and also exporting some volumes to China in order to achieve full utilisation. This product is likely to be shipped via Mongolia and Zaibakalsk on the Chinese border, rather than through Kazakhstan. The Omsk region could account for a maximum of around 50,000 tpa of polypropylene under current market conditions, and thus the company would need to depend on exports in view of competition from Nizhnekamsk, Tobolsk, etc.

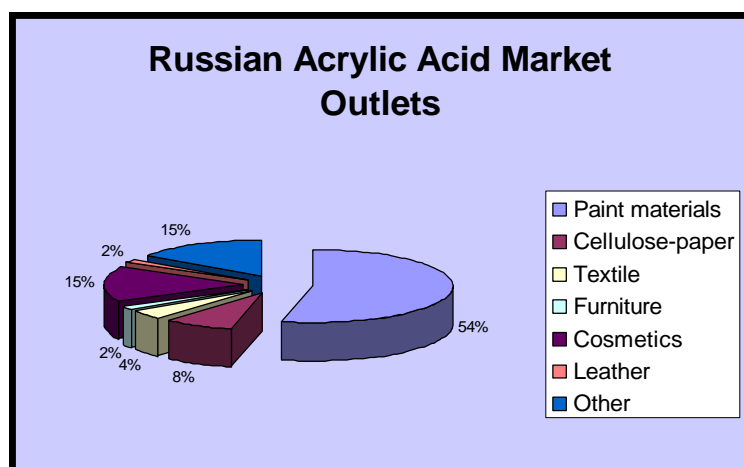
### Gazprom-Kazanorgsintez

Discussions are being carried out between Tatarstan and Gazprom over the partial transfer of shares in Kazanorgsintez by the middle of 2008. It remains unclear how much the Tatar government would retain, in order to ensure that Kazanorgsintez is able to secure the maximum volume of feedstocks from Gazprom subsidiary Orenburggazprom. A provisional figure of 10-12% ownership has been mentioned for Gazprom, which would allow it entry into Kazanorgsintez without affecting the dominant position of the Tatar government. Gazprom has expressed interest in taking part in the modernisation and expansion of the Kazan complex. Other plants in Tatarstan where Gazprom may take an interest include the methanol and ammonia plants planned at Mendelevsk, which will consume around 650 million cubic metres per annum.

It seems though that Gazprom, as in the case of Salavatnefteorgsintez, will not be satisfied by the blocking packet being offered by the Tatar government, but will attempt to obtain complete control over Kazanorgsintez. This will be much cheaper than building a world scale polyolefin complex at Orenburg. TAIF has been successful to date in keeping Gazprom away from Kazanorgsintez, but such is the dependency on feedstocks from Orenburg that it seems inevitable that a deal will be done at some stage. The main question that may need to be resolved is over price. The major raw material costs for Kazanorgsintez involve ethane, propane-butane fractions and benzene, all of which Gazprom can supply on a long term basis.

Kazanorgsintez invested 10.6 billion roubles in 2007, including the expansion of phenol and HDPE capacity and the introduction of the new bisphenol A plant (which produced 2,388 tons in Q4 2007.). Due to increased volumes in 2007, turnover increased 28.5% to 21.358 billion roubles with pre-tax profit in the range of 3.313 billion roubles.

### Propylene derivatives



### Akrilat

Akrilat at Dzerzhinsk has embarked on a main goal to improve current production efficiency and costs. The company has carried out an analysis of the complete technological process and plans to introduce new technical measures, which will help towards the reduction in production costs and will help eventually to improve the profitability of the plant. A feature of the new measures includes the possibility of recovering around 300-400 tpa of butanols. Other measures include the reduction of effluents, whilst trying to reduce the amount of plant downtime which has cost the company in the past.

Akrilat continues to export most of its production, but the domestic market is growing albeit from a small base. The main product it exports to the European market is butyl acrylate, whilst ethyl acrylate and methyl acrylate are sold in smaller volumes. The structure of the small internal market in Russia differs significantly from the



global structure as shown above, and superabsorbents which is the main global outlet is yet to get off the ground. The chief problem and challenge facing Akrlat is over propylene supply. The company has completed its own storage facilities, which allows it to hold greater volumes of propylene, and this is viewed as helpful but not enough to provide full feedstock guarantee. Other options are thus being assessed for propylene supply. Akrlat is carrying out research into acrylic-maleic copolymers and with maleic anhydride playing an important part in the company's raw material requirements. The idea to construct its own plant is still under review and ultimately will depend on finance.

Competition for Akrlat has intensified from southeastern Asia, China and South Africa, where producers benefit from integrated production and can therefore charge lower prices. At the same, there has been strong competition from European producers in selling to small and mid-sized dispersion producers. Akrlat has been hampered by higher costs for butanols over the past year, rising €65 per ton on average over 2006, whilst propylene increased €125 per ton. Prices for acrylic acid and esters have not reflected these raw material increases.

The Russian market at present accounts for a small share of Akrlat's production, taking 11.8% of volume in 2007 and 14.9% of turnover. The market possesses considerable potential due to the size of the imports of products where acrylates are used. In 2005, Akrlat's sales on the domestic market comprised only 5.7% of physical production and 7.8% of turnover so there are clear signs of growth from a very small base. At the same time Imports of acrylate esters have been rising, particularly for ethyl acrylate where Akrlat produces only small volumes. Akrlat is attempting to find a line where it can survive in the market, as it is heavily disadvantaged by its lack of integration and dependency on merchant purchases of propylene.

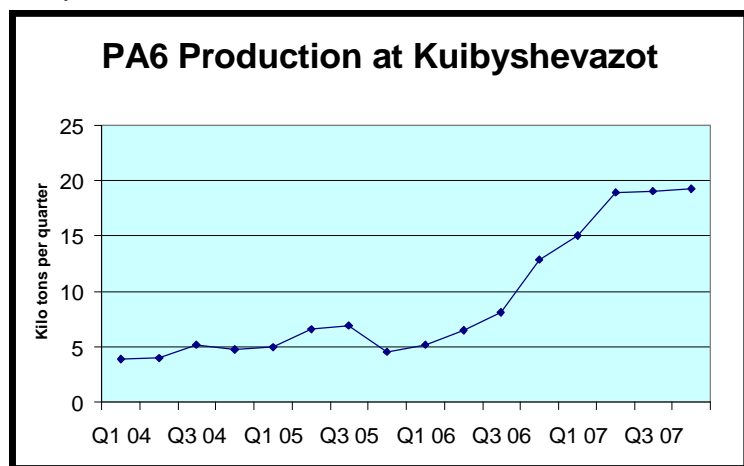
## Aromatics derivatives

### Volzhskiy Orgsintez

Volzhskiy Orgsintez will close for a shutdown from 20 March to 25 April for aniline and MMA production. Due to the shutdown the company expects a temporary reduction in production and availability for the market. Due to the sharp price in the cost of raw materials for N-methylaniline production, Volzhskiy Orgsintez announced an increase in prices from 1 March to 63,000 roubles per ton. Volzhskiy Orgsintez is the main producer of aniline in Russia.

### Kuibyshevazot-turnover increase in 2007, new polyamide plant to added

Kuibyshevazot increased turnover 35.2% in 2007 over 2006, due largely to increased production volumes, reaching 17.2 billion roubles. Profitability increased 7.1% to 19.5%, which is considered to be very high by Russian chemical company standards, with the net profit totalling 1.950 billion roubles. Caprolactam production increased 13.5% over 2006 due to improved domestic benzene supply, whilst mineral fertiliser production increased 13% to 400,500 tons and ammonia 12.7% to 570,000 tons.



The most important area of growth in 2007 was for polyamide-6 which increased 2.2 fold to 72,200 tons, and was the main reason for the increased turnover. Textile thread production rose 18.7% to 4,900 tons and

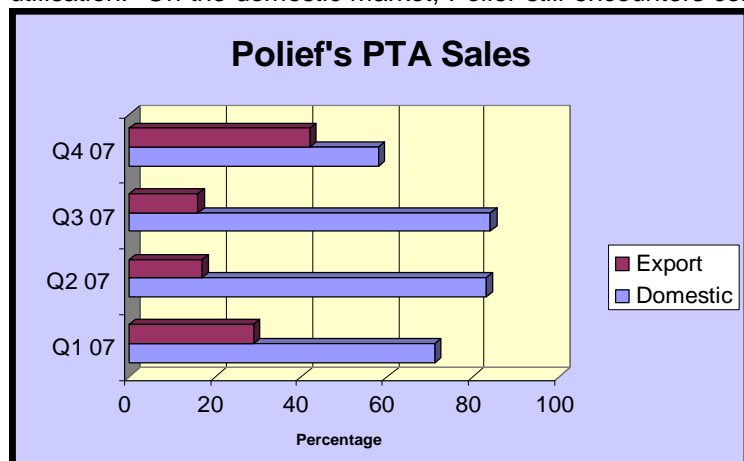
cord fabrics by 47.1% to 3,700 tons. Aside further increases in polyamide capacity in 2007, the company finished the reconstruction of the second urea line thus increasing capacity by 3%. New equipment has been installed in the ammonia plant, increasing production to 1,740 tons per day. Other investments in 2007 included water treatment at the Samara site and the development of engineering plastics production at Shanghai in China. In 2007, the company became the first domestic chemical producer to obtain certificates for three standards: ISO 9001:2000, ISO 14001:2004, and OHSAS 18001:1999.

In December 2007, Uhde Inventa-Fischer was awarded a third major contract by Kuibyshevazot to construct a further polyamide 6 plant. The total capacity of this plant is 54,000 tpa, which would add to the existing plants raising the total to 150,000 tpa. The first contract was signed for a polyamide 6 plant in June 2004 with an

annual capacity of 54,000 tons. This project was completed in the summer of 2006 and since then has been in operation very successfully, running at a capacity above the contractual amount. The second project between the partners was signed in March 2006; it was started-up successfully at the end of 2007, followed by the Plant Acceptance in mid-January 2008. The planned and guaranteed capacity of 24,000 tons per year for high viscosity polyamide 6 has been reached with product of high quality. After these investments KuibyshevAzot now is by far the largest producer of polyamide 6 in the CIS and East Europe.

#### **Polief-Q4 2007**

In 2007, Polief increased PTA production by 16,640 tons over 2006, but capacity still fell short of 100% utilisation. On the domestic market, Polief still encounters competition from Asian producers which generally have better technologies, but at the same time face high transport costs and import duties.



Polief's exports actually increased in Q4 last year to 42% of production to some surprise considering the increased demand on the domestic market. The reasons speculated were that Polief had expected its PET plant to be ready by late 2007 and the domestic consumers had already agreed alternative supplies in apprehension. As a result, Polief had to seek other buyers outside of Russia. In the fourth quarter of 2007, bulk containers accounted for 37% of total sales. The main

shipments were sent to Mogilevkhimvolokno and the Neo Group of companies at Klaipeda. The PET plant is expected to start production in early March, but this project has suffered a long sequence of delays so it is hard to make any assumptions. When it does start, effectively it will cancel any PTA surplus available for export. Regarding future projects, the President of Bashkortostan met with SIBUR-Holding and LUKoil-Neftekhim on 23 January to consider the future development of Polief.

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### **PVC/Chlorine**

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#### **PVC producer goals 2008**

Kaustik at Sterlitamak plans to invest 1.57 billion roubles in 2008, of which 1.1 billion will be directed into the reconstruction of the VCM-PVC plants. The project is planned for completion towards the end of 2009. Other projects this year include the introduction of energy-saving programmes which will cost 56.7 million roubles. In 2007, Kaustik produced 249,800 tons of caustic soda (full caustic producer results available at [www.cirec.net/report](http://www.cirec.net/report)), whilst PVC production rose 1.3%.

Sayanskkhimplast aims to produce 250,000 tons of PVC in 2008, which would represent an increase of 1.2% over 2007. A slight fall was noted in 2007 due to the accident that took place in the VCM unit in August. Sayanskkhimplast signed a contract in December 2007 with Chemieanlagenbau Chemnitz for the expansion of chlorine and caustic soda to 260,000 tpa. This will include two stages, and will include the installation of three additional electrolyzers. The chlorine expansion is part of the strategy to increase PVC capacity to 400,000 tpa by 2011, with the VCM plant probably to be revamped by Uhde. Ultimately though, the expansion in VCM-PVC is dependent on the construction of an ethylene plant with a capacity of 200,000 tpa based on ethane.

#### **Khimprom Volgograd, investments**

Khimprom at Volgograd is being forced to seek investment support from other parties after its holding owner Renova-Orgsintez has stated that it is not ready to finance the development of the chemical complex. Renova-Orgsintez owns 34% of the shares in Khimprom, which could be rescinded to the State if the holding company refuses to participate in the investment programme. Khimprom is located close to the Kaustik complex at Volgograd, which is owned by Nikokhim, and possibly not being part of Nikokhim is seen in some circles as detrimental to its future prospects.

#### **Nikokhim-magnesium oxide**

Nikokhim has received authority from the local Volgograd establishment to progress with the creation of a production unit for magnesium oxide and magnesium hydroxide. The plant is to be completed by 2010 and is

being constructed with the help of Magnifin of Austria and ICL of Israel. In addition to magnesium oxide and hydroxide, the company aims to expand magnesium chloride production to 300,000 tpa and calcium chloride to 50,000 tpa. In 2007, Nikokhim started up its first line for the production of magnesium chloride at the Kaustik production site, which was the first in Russia.

### Methanol/gas chemicals

#### Itera-Gail

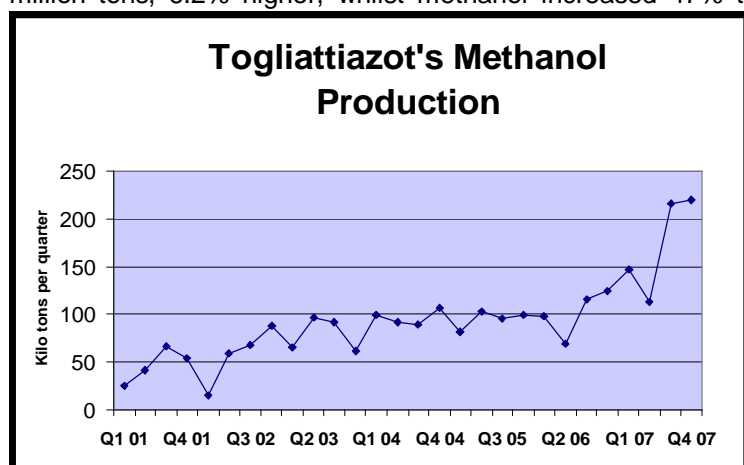
Gas supplier Itera has signed a contract with the Indian company Gail over co-operation in the production of raw materials in Russia and the CIS. Itera is an independent gas-extraction company managing 26% of Sibneftegaz, and is the only supplier of gas into Sverdlovsk region (through Uralsevergaz). Itera, together with Uralkhimplast has already begun the construction of a gas-chemical complex at Nizhniy Tagil under the jv UralMetanolGroup. The project will first comprise a methanol plant, whilst consideration is still being given to a possible propylene and polypropylene unit.

#### Yamal methanol project

Final preparations are underway for the start of the construction of the new methanol plant at Labitnang in the Yamal region of West Siberia. The gas processing plant will start construction in 2008 and lay the basis for the methanol unit which will have a capacity of 500,000 tpa. The methanol plant is expected to be up and running by 2011.

#### Methanol plant round-up

Akron produced 4.187 million tons of fertilisers in 2007, 5.2% up on 2006. Ammonia increased to 1.690 million tons, 6.2% higher, whilst methanol increased 47% to 203,800 tons. This was due largely to the additional production from Akron's plant in China. In other product areas, formaldehyde rose 23% to 183,900 tons, with urea-formaldehyde resins increasing 51% to 203,000 tons.



Azot at Novomoskovsk increased the production of nitrogen fertilisers by 3% in 2007. Ammonia remained the same as in 2006, totalling 1.516 million tons, whilst urea dropped 2.8% to 824,690 tons. Methanol saw the largest increase of 13.1%, totalling 370,720 tons.

Togliattiazot increased methanol production by 71% in 2007 to 696,000 tons, whilst urea rose 6% to 800,000 tons. Urea-formaldehyde resin production rose 59.9% to 60,000 tons, although ammonia fell 8.6% to 2,408 tons. Togliattiazot has been the main climber in methanol production in Russia over the past 7-8 years, and is now challenging more established producers such as Metanol and Metafrax for the label of biggest producer in the country.

#### Metafrax-Novgorod

Metafrax plans to invest around €60 million into the construction of a new resin plant, to be located in the Novgorod region. Dynea is expected to take a share in the new venture. Metafrax is based at Gubakha in the North Urals, but is keen to develop a production base in north west Russia. Currently the company is seeking a site around Novgorod, where it aims to develop plants for 200,000 tpa of urea-formaldehyde resins and 30,000 tpa of industrial resins.

#### SIBUR Mineral Fertilisers-Azot Kemerovo

SIBUR-Mineral fertilisers concluded an agreement for processing with Minudobreniya at Perm. Minudobreniya will use the natural gas between 21 January and 30 June 2008. Azot at Kemerovo has been transferred into SIBUR-Mineral Fertilisers, which is part of the ongoing restructuring of the group. Capacity utilisation of Azot last year was 94.5%, which was 4.4% higher than in 2006. Ammonium nitrate rose 18.3% to 905,954 tons, whilst caprolactam rose 0.5% to 117,000 tons. Urea production at Kemerovo increased 12.8% to 531,000 tons, and dimethylformamide 18.3% to 4,100 tons. Azot completed the reconstruction of the ammonia-2 plant last year, increasing capacity from 450,000 tpa to 560,000 tpa. In the caprolactam division, new packaging line for crystalline product has been installed which has made it possible to expand on exports

and reduce costs. SIBUR and Yagokawa have created a technical centre at the Azot complex at Kemerovo, to follow similar centres at SIBUR-Neftekhim and Tobolsk-Neftekhim, and Salavatnefteorgsintez. The work of centre will help control the production processes of the complex.

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### **Plastics**

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#### **Nizhnekamsk industrial zone**

Around 30 small-scale projects are to be developed in the Nizhnekamsk industrial zone in the period 2008-2012, on the basis of products supplied by Nizhnekamskneftekhim. Around 5 billion roubles is to be invested in the industrial zone, with Nizhnekamskneftekhim acting as the main organiser. Some of the projects include the Karpov chemical plant which has started two polystyrene extrusion lines, Kama-Saks wants to start the production of products based on polypropylene fibre. Elastokam will introduce new types of polyurethane systems, whilst Kamplast will start the production of bumpers.

The Nizhnekamsk industrial region, known as the Promokrug, was created in May 2005 with Italian assistance in an effort to create a platform for small and medium sized companies for plastics conversion. The Promokrug was created by Nizhnekamskneftekhim. Tatneftkhiminvest- holding, the investment agency of Nizhnekamsk and the Tatarstan Association of Polymer Processors. The concept of the Promokrug is primarily to provide markets for petrochemical producers, in order to create a self-developing production chain from raw materials to finished products.

Nizhnekamsk company Polimir-NKNK, which is located in the Nizhnekamsk industrial zone, plans the start-up of a line for the production of profile products in the second quarter in 2008. The equipment is being supplied by the German company BERSTORFF. The main aim of the company is to produce components for the automobile and construction industries. In 2007, Polimer-NKNK started a line for the production of drainage pipes from polypropylene and polystyrene produced by Nizhnekamskneftekhim.

#### **Khimgrad industrial park, Kazan**

The Republic of Tatarstan is drafting laws on tax preferences for residents of the Khimgrad industrial park which is being built at Kazan. Khimgrad residents are expected to receive preferences for land, transport, property and income taxes. The Khimgrad industrial park covers an area of 130 hectares, and includes 47 square metres technopark for the development of high technologies in the chemical industry. The industrial infrastructure of the Khimgrad industrial park is being developed with the help of budget allocations and private investments. Future residents are being lured by such incentives as not having to pay anything for the access to electrical power. Capital Management Company, responsible for managing the park, has already started accepting applications from companies that want to become Khimgrad residents. Thus far, it has received 40 applications for placing industrial facilities covering a total of 20 hectares at the site.

#### **Alabuga projects**

Some of the up and coming projects taking place at the Alabuga Special Economic Zone (SEZ) suggest that the region is likely to become extremely important for consuming polymers and rubber. Tatneft's JV with Preiss-Daimler will lead to the production of 19,000 tpa of glassfibre, a market which is currently taken up by 30% of imports in Russia. The new JV is to be called P-D Tatneft-Alabuga Glass Fibre and it will receive the full economic advantages of the Alabuga special economic zone. The conditions of the special economic zone will allow companies to import equipment without the payment of customs duties and VAT, and also to be free of export duties. Investors are also exempt from taxes on property, land and transport. The rate of tax on profits has been set at 20%.

For the glassfibre JV, Preiss-Daimler will take responsibility for production, with around 70% being sold domestically. Raw materials are expected to be supplied from domestic sources. Around 80% of the glassfibre market in Russia is based on imports. Around 30% of the total Russian market is accounted for consumption by URSA Eurasia and 50% by Saint-Gobain. Current capacity of glassfibre production in Russia is around 150,000 tpa, involving around 10 manufacturers and PD Tatneft seems well placed to take market a reasonable market share. The JV will be helped to some extent by the decision of the Ministry of Economy in December last year to impose customs duties on glassfibre imports, thus aiding domestic manufacturers. Since 2003, the share of Russian product in the total consumption of glassfibre in has fallen by around 40% and the profitability of production considerably reduced.

Tatneft and Basell will start production of compounds in the Alabuga SEZ in September 2009. The compounds will be used in the automobile industry and the project is costing 1.2 billion roubles. The JV is

building a plant with a capacity of 42,000 tpa. Tatneft is considering a project for the production of polyolefin pipes

Polimatiz intends to start the production of spunbond in the second quarter of 2008, with the plant to be located in the Alabuga SEZ. The company, a member of the Nizhnekamsk Industrial District association, is to produce a wide range of polymer products and auto components. The programme includes manufacturing polypropylene multifilament yarn, staple fibre, polymer fuel tanks and other materials. The total estimated investment into the Polimatiz programme is around \$81 million. The processing output is projected to be 22,000 tpa of polymer products, based on product supplied by Nizhnekamskneftekhim Inc.

#### **Simpleks-Shurtan**

Simpleks at Nizhniy Novgorod has concluded discussions with the Shurtan Gas Chemical Complex for supplies of HDPE in 2008. Simpleks is planning the production of HDPE films and pipes based on this product.

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### **Synthetic Rubber**

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#### **Nizhnekamskneftekhim-polybutadiene**

Nizhnekamskneftekhim has started the production of merchant polybutadiene from its new lithium catalyst system. It will be able to sell product to internal users, which gives Nizhnekamskneftekhim a full range of synthetic rubber products for sale. In 2007, Nizhnekamskneftekhim produced 378,366 tons of synthetic rubber, which was 6% higher than in 2006. In total, Russia produced 1.190 million tons of synthetic rubber in 2007, 3% down on the previous year.

Amongst Russian synthetic rubber producers in 2007, Togliattikaucuk increased output by 4.1% whilst Voronezhskintezkaucuk reduced volumes by 7.9% to 219,078 tons. Full production numbers can be viewed at [www.cirec.net/report](http://www.cirec.net/report)

#### **Tyre news**

Nokian Tyres plans to invest €250 million by 2011 in the expansion of car tyres at its Vsevolzhsk plant in the Leningrad region. Even by the end of 2008, the company plans to increase production 2.5 times to 10 million tyres per annum. By 2014, Nokian aims to have reached 15-16 million tyres per annum in Russia.

Amtel-Vredestein NV had incurred a stoppage at its Amtel-Povolzhye tyre complex due to a temporary suspension in the supply of raw materials, but resumed production on 15 February. The company said that the situation was resolved by the signing of a raw material supply contract, with extended payment terms, with SIBUR-Russian Tyres and a \$25 million Alfa-Bank credit line, increasing the company's working capital. The company added that the temporary suspension at its Kirov plant, on Feb 11, was used for the completion of planned equipment maintenance and repairs.

Nizhnekamskshina increased tyre production by 6.2% in January against January 2007, producing 855,000 pieces. The company is aiming to produce 12.9 million pieces for 2008, broken down into 4.49 million lorry tyres, 7.544 million car tyres and 241,500 tyres for agricultural vehicles. In 2007, Nizhnekamskshina formed seven new contracts with car manufacturers in Tatarstan and the Urals.

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### **Belarus**

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#### **Polimir-investment plans**

Polimir at Novopolotsk is expected to submit a new business plan in the near future in conjunction with Linde. Documents are supposed to be ready by 15 March 15 and to be forwarded for consideration of the Belarusian government. According to the source, the company is working on attracting investments for financing large-scale projects and preparations for holding tenders are underway.

The new petrochemical facility is the largest project in Polimir's development programme. The project envisages building an installation able to turn out 400,000 tpa of ethylene an installation designed to produce 150,000 tpa of polypropylene and a plant for 150,000 tpa of HDPE. At the same time, Polimir plans to improve the existing facilities and increase the capacity of the current LDPE plant. A feasibility study will determine the time and cost of building the new facility and the investment project in total.



### Belarussian company news

Khimvolokno at Svetlogorsk produced 24,800 tons of threads in 2007, its highest output figure which was due to new equipment being installed by the German company Barmag. By 2011, Khimvolokno plans to increase production by another 60% of current levels. Glass-fibre manufacturer Stekvolokno at Polotsk doubled its investment in 2007 over 2006, focused mainly on energy consumption and aimed at reducing costs. Stekvolokno produced 39,000 tons of glass-fibre in 2007, of which around 90% was exported.

The Belarussian government owns the company, which has 4,500 employees. At Grodno, Khimvolokno started a plant for cord fabrics at the end of 2007, with a capacity for 2 million metres per month initially, later expanding to 5 million metres. The fabrics will be used in automotive and agricultural tyres. The company hopes to increase sales in Russian and CIS markets. In other areas Khimvolokno is trying to attract interest from engineering companies for joint energy saving projects.

## Ukraine

### Adipic Acid-Severodonetsk

Azot at Severodonetsk achieved a record volume of adipic acid production in 2007, with most of the product being exported to the EU, East Asia and Russia. The technical reequipping of the adipic acid is ongoing, with funds provided by the owners Worldwide Chemical LLC. Further cost savings are planned in the next two years. Although Worldwide Chemical is the majority owner in Azot, there is still the question of a state owned stake to be sold. A price has been set for this stake at 29.48 million hryvnia, which is considered low. However, this takes into account the idle polyethylene plant which has not run since 1996.

### Karpatneftekhim's problems in selling ethylene

Karpatneftekhim's problems in selling ethylene on the merchant market have raised the possibility of cutting back production and even taking a shutdown whilst the market is quiet. The Kalush plant reduced its feedstock processing from the start of the year due to lower sales. After the February shutdown, unless the market position changes the plant will be forced to run at losses. Various options are currently being examined for balancing production against wage demands, or even an extended shutdown and what impact that would have upon the company's market position. In 2007, production was reduced 14.3% in physical volumes over 2006.

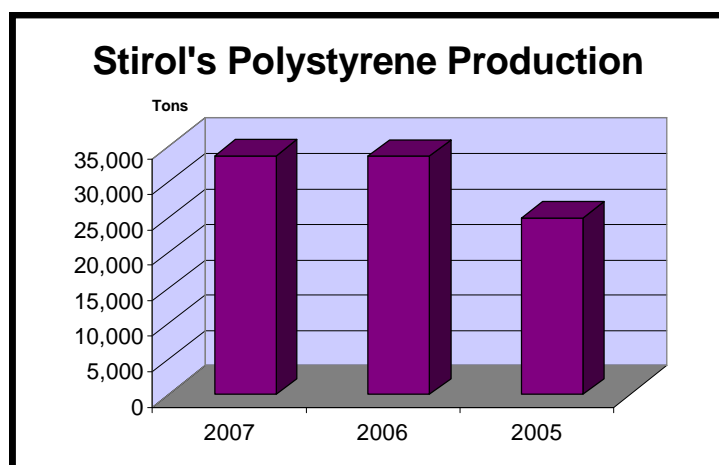
| Karpatneftekhim's Production 2007<br>(unit-kilo tons) |       |       |
|---|-------|-------|
| Product   | 2007  | 2006  |
| Ethylene  | 228.4 | 234.6 |
| Polyethylene  | 102.0 | 96.7  |
| Propylene   | 103.6 | 105.6 |
| Benzene   | 65.3  | 72.0  |
| Caustic Soda  | 45.7  | 70.1  |
| VCM   | 171.5 | 178.7 |

### Stirol

Stirol at Gorlovka has started the production of granulated urea, with the reconstructed plant possessing a capacity of 2,000 tons per day or 700,000 tpa. Output will be targeted on exports to developed market

economies. The project has been carried out by Toyo Engineering.

Stirol increased sales by 45.3% in January 2008 over 2007, reaching 396.552 million hryvnia. In physical volumes ammonia increased 2% to 134,388 tons, whilst urea increased 17.9% to 79,093 tons. Polystyrene output increased 46.9% to 3,328 tons (see graphic opposite for polystyrene production for the period 2005-2007.)



### Other Ukrainian news

Khimprom at Pervomaisk is planning to separate its production units into costing centres, which will help profitability. The main product group is chlorine and caustic soda, with the only other plants in Ukraine being located at Karpatneftekhim and Dneprozot. Khimprom was founded in 1967, based in east Ukraine, and produces a range of chlorine derivatives such as PVC, plasticizers and herbicides.

Sumykhimprom and its trading partner Balford have reached agreement with the Austrian company Gabriel-Chemie Group for the construction of a superconcentrate titanium dioxide plant. The Austrian company,

which possesses rights to technologies, has proposed to create a JV with Balford and Sumykhimprom to construct a 35,000 tpa plant.

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**Transcaucasus**

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**NJT-2000, BorsodChem**

The Azerbaijani company NJT-2000 and BorsodChem have signed a memorandum covering the supply of around 8,000 tons of PVC to Baku in 2008. NJT-2000 is an enterprise based in Azerbaijan with 100% foreign investments. The company manufactures high-quality products from PVC, PP, and PE. This includes pipes and fittings from PVC and PP for hot and cold drinking water, sewerage pipes and fittings from PVC, pipes from PE for natural gas. PVC drainage and deep well pipes, hoses for irrigating systems, plastic panels and their accessories with various patterns for covering walls and ceilings.

**Azerkhimya**

Azerkhimya will be restructured into a joint-stock company this year in a move to attract investments from foreign companies. The company will comprise Surfactants, Ethylene-Propylene, Synthetic rubber, Organic synthesis and Mechanical repair plants. As soon as the restructuring will be completed, Azerkhimya will initiate talks with French, Israeli, Japanese, Italian and Turkish investors. This type of announcement has been made before on many occasions, so there is the need to be circumspect over what might materialise. An accident took place at the ethylene cracker at Sumgait on 28 January, resulting in one fatality. The company recently issued a tender for 28,500 tons of liquid chlorine, 100 tons of acetonitrile and 105 tons of orthophosphoric acid, amongst other products.

**SOCAR-Turkey**

SOCAR's plans in Turkey include the construction of the refinery at Ceyhan and a second oil refinery plant for Petkim. Investments by the alliance SOCAR/Turcas/Injaz for modernising the production capacity of Petkim will be aimed at increasing the company's share in the Turkish chemical market from around 27% at present to around 40%. The investments from the alliance over the next 1-2 years may comprise \$50-60 billion. Turkey currently imports 70-75% of the necessary chemical products, but through developing Petkim it could reduce the dependency on imported products.

## Relevant Currencies

(Czech crown, Kc, \$1 = 18.050, €1 = 26.784): (Hungarian Forint, Ft, \$1 = 173.46, €1 = 257.39): (Polish zloty, zł, \$1 = 2.4832, €1 = 3.6848): (Romanian New Lei, \$1 = 2.4380, €1 = 3.6130), (Ukrainian hryvnia, \$1 = 5.0450, €1 = 7.4863): (Rus rouble, \$1 = 24.329, €1 = 36.102)

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