Chemical Information Resources for East Europe and CIS

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

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- Unipetrol's ethylene unit was back at full output on 30 April after completion of a five-month repair of its cooling system.
- Spolchemie recorded an audited profit worth Kc 243 million in 2007, up from Kc 81.8 million in 2006. Sales grew to Kc 4.6 billion last year from Kc 4.34 billion in 2006.
- Synthos has set out plans to increase full-year revenues by more than 3-fold to around €1 billion by 2012, helped by synergies at its new Czech subsidiary and investment in production.
- Russian chemical production rose 3.7% in the first quarter of 2008 against the same period in 2007, with plastics and resins growing 30.4%.
- Gazprombank has agreed in principle to sell control of SIBUR-Holding for a total of $5.4 billion to SIBUR's managers, giving a generous grace period for the cash component.
- SIBUR has reported that a number of the banks, which are holders of bonds in Kazanorgsintez, have consulted over the possible acquisition and what impact that would have upon the company.
- The Federal anti-monopolistic service has reported that Gazprom Processing has made an approach to purchase the full shares of Salavatnefteorgsintez.
- Surgutneftegaz is assessing the prospect of constructing a polyolefin and fertiliser complex in West Siberia, at a value of around $800 million.
- Nizhnekamskneftekhim plans to increase ethylene sales to Kazanorgsintez by 47% in 2008 against 2007, raising the total to 300,000 tons.
- Tobolsk-Neftekhim expects to reach its full design capacity at its gas fractionation unit in 2009 for the first time, thus processing 3 million tons of SHFLU.
- Polypropylene prices in Russia have risen sharply following the accident at Budyennovsk.
- Kuibyshevazot has signed a protocol with Magnitogorsk Metallurgical Combine over the creation of a jv for benzene production at Togliatti.
- At Nevinnomyssk, Evrokhim intend to spend €175 million on the construction of a 50,000 tpa melamine plant, which is expected to be completed by the start of 2011.
- Samaraorgsintez is progressing with its revamp of the acetone and phenol plants, aimed at improving the technology and increasing the capacity for production
- Uzbekneftegaz expects to continue the technical and feasibility studies for the construction of the Ustyurt gas-chemical complex until 1 October this year.

CENTRAL & SOUTH EAST EUROPE

Petrochemicals

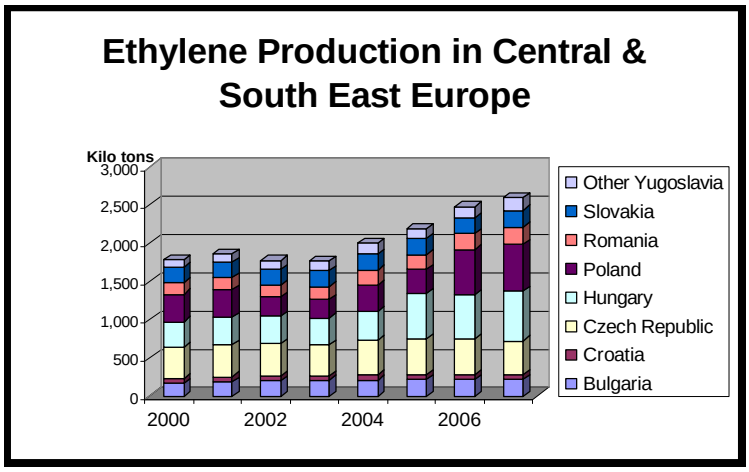
Oil supply from the Odessa Brody pipeline

Ukraine could start pumping Caspian oil from the Black Sea coast to Slovakia and Central Europe via the Odessa Brody oil pipeline, as early as this year according to reports. Somewhere between 7-9 million tpa of oil could be pumped this year via the Odessa Brody-Slovakia-Czech Republic pipeline. Ukrtransnafta, the operator of the Ukrainian oil pipeline system, has already signed a deal with Transpetrol to pump oil for Ceska Rafinerska to Kralupy and Litvinov, with a total handling capacity of 8 million tons of oil. The Czech oil pipeline operator MERO CR has also confirmed its readiness to transport Caspian oil to the Kralupy and Litvinov oil refineries.

Unipetrol-ethylene plant running at full capacity

Unipetrol's ethylene unit was back at full output on 30 April after completion of a five-month repair of its cooling system. The company estimated the impact of the cooling system's outage on first quarter earnings (EBIT) at around Kc 30 million ($1.85 million). Benzene production was interrupted for one day during the installation of the coldbox; after the installation began at the end of March. The production of ethylene and propylene was not interrupted during the coldbox process according to Unipetrol. The problem dates back to October 2007 during the start-up of the ethylene unit after the extended shutdown. As a result, the ethylene unit had been in operation without the part of the cooling system since December.

Since December, the production of ethylene had been stabilised on a pro rata basis of 512,000 tpa, while the production of benzene was reduced to 80 90% of the 200,000 tpa capacity between December and March. Following the installation of the coldbox, the production of all products has gradually climbed up to the designed production capacity. Partly due to this factor, Unipetrol stated that petrochemical sales showed a 3% drop in the first quarter against 2007, while fuel retail sales rose 5% and wholesale sales of motor fuels dropped 2%. The company reported a zl 557 million loss in the final three months of last year. Moreover, Unipetrol posted a worse-than-expected Kc 405.7 million net profit for the first quarter this year, down from Kc 1.56 billion in 2007.



Ethylene in Central & South East Europe

Unipetrol is the only producer of ethylene in Central & South East Europe expected to see an increase in production volumes in the next 12 months. Ethylene production in Central and South East Europe rose 69% between 2000 to 2007, as illustrated by the graphic opposite, with Hungary and Poland witnessing the largest rises. With production currently, around 2.5 million tpa and utilisation levels almost running at maximum levels, significant changes are not expected short term. PKN Orlen is the most likely producer to add new capacity in the next few years, although some debottlenecking might be expected at other locations.

PKN Orlen-

PKN Orlen's first-quarter earnings soared above expectations. Net profit at Orlen jumped almost 13-fold to zl 626 million. Aside oil, chemical earnings were also very good. After a good first quarter, production halts at two of PKN Orlen's installations are expected to weigh on second quarter results, though the impact could be offset by an expected rise in profits at PKN's Lithuanian division Mazeikiu Nafta. PKN Orlen issued short term bonds to its subsidiary Anwil on 7 April. The bonds were issued in accordance with the Bond Issue Programme signed by PKN Orlen and a syndicate of six banks in November 2006. PKN Orlen intends to use the financial resources provided by the bond issue for financing its current activities. The bonds were purchased by Anwil in order to manage its short term liquidity.

PKN Orlen is continuing to meet the 2008 national bio-fuel target. The company has signed a contract for supplies of esters for diesel production and for distribution as a self-contained fuel. Between 16 April and 31 December 2008, the selected companies will supply approximately 180,000 tons of esters. The key supplier for PKN Orlen in 2008 will be Trzebinia Refinery from the Orlen Group.

Chemicals

Spolchemie increases profits

Spolchemie made an audited profit worth Kc 243 million in 2007, up from Kc 81.8 million in 2006. Sales grew to Kc 4.6 billion last year from Kc 4.34 billion, whilst the group's consolidated profit rose to Kc 297 million from Kc 111 million. Spolchemie last year continued to work on development projects at Usti nad Labem, investing a total of Kc 1.19 billion for the year. The company launched into operation a new facility producing epichlorhydrin based on glycerin, whilst in the autumn 2007 it launched the Epispol II facility, which enabled it to double the capacity of epoxy resins production to 52,000 tpa.

As a result, Spolchemie became the third largest epoxy producer in Europe and a global producer on the market for synthetic resins. The company will complete its extensive modernisation by 2012 when it will switch to a membrane form of alkaline lye and chlorine production.

Spolchemie plans consolidated profit worth Kc 305 million on sales worth Kc 5.8 billion in 2008. Investment should amount to Kc 1.2 billion this year, if all plans materialise. The company will continue to work on solving environmental problems that have emanated largely from mercury chlorine production.

Sales of synthetic resins made up 71% of the total gross sales of Spolchemie in 2007, while sales of inorganic products accounted for 23%. Overall, sales rose by Kc 263 million against 2006, with exports making up 83% of total sales. Spolchemie employed 983 people at end-2007, of which 43 staff worked in the Epispol division. The company's majority owner is Via Chem Group, which also holds a stake in chemical producer Setuza.

Polish Chemical Production (unit-kilo tons)

Product	*Q1 08*	*Q1 07*
Caustic Soda	23.3	23.4
Soda Ash Light	87.0	90.8
Soda Ash Heavy	216.6	204.3
Ethylene	163.0	149.5
Propylene	106.6	104.3
Butadiene	16.4	13.9
Toluene	39.6	32.0
Phenol	13.7	12.3
Caprolactam	41.1	41.5
Polyethylene	103.7	101.8
Polystyrene	31.8	21.9
PVC	70.1	76.3
Polypropylene	67.1	86.3
Synthetic Rubber	33.3	31.8
Pesticides	12.3	11.1

Synthos

Synthos, formerly Dwory, has set out plans to increase annual revenues by more than 3-fold to around €1 billion by 2012, helped by synergies achieved between Oswiecim and Kralupy. Synthos reported revenues of zl 1.13 billion zlotys for 2007, or around €330 million. The company is planning investments that could raise the quantity of polystyrene capacity by around 40%, building on its €195 million purchase of Kaucuk in July last year. It also said the company would benefit from restructuring that would unify the two companies' sales and accounting operations. Synthos says it will streamline business processes, from financials and manufacturing to quality management, and improve customer service, when it goes live with IFS Applications.

Ciech to focus on investments

Ciech may skip its dividend next year to boost spending on investments and acquisitions. In a strategy unveiled last year, Ciech said it planned to spend up to zl 4.8 billion on a series of investments and acquisitions at home and abroad in a bid to triple net profit by 2011. TDI represents a key area of focus for the group. Ciech stated that its first-quarter net profit fell 22% due to higher financial costs. Net profit dropped to zl 94.5 million from zl 121.2 million than in 2007. First-quarter sales increased 12% to zl 1.03 billion.

ZCh Police, ZAP and PGNiG

Zaklady Chemiczne Police and Zaklady Azotowe Pulawy have agreed to join forces in order to meet the challenge of soaring costs of natural gas and other natural resources used in production. The 'strategic alliance' between two state-controlled companies could help to boost their influence in negotiating lower costs for natural gas supplies from the country's dominant distributor PGNiG. The two companies are Poland's largest consumers

of natural gas and their costs are rising after the local energy market regulator last month agreed to a 14.3% increase in gas prices. This was due to growing costs of imports from Russia, which limited PGNiG's profits in the first quarter.

The companies are also planning acquisitions among suppliers of natural resources including gas, potash or sulphur at home and abroad with some potential targets already in line. Zaklady Azotowe Pulawy has stated that it wants to work with PGNiG on setting up a liquefied natural gas (LNG) terminal on the Baltic coast to help find cheaper supplies of gas. PGNiG is aiming to build an LNG terminal in Swinoujscie by the end of 2011, with the intention of buying 2.5 billion cubic metres of liquefied gas per annum to reduce Poland's dependence on imports from Russia.

Zaklady Azotowe Pulawy reported an 82% jump in fiscal third-quarter net profit and lifted its full-year earnings guidance thanks to soaring fertiliser prices. Net profit at Poland's largest producer of nitrogen fertilisers climbed to zl 125.1 million from zl 68.6 million in Q1 2007. Demand for fertilisers is rising as stockpiles of staple crops such as wheat and maize worldwide remain low thanks to soaring food demand from developing countries.

Chimiplast-pipe plant-Bulgaria
A new plant for the production of polyethylene and polypropylene pipes was opened in April at Vratsa in northwest Bulgaria. The name of the venture is Chimiplast, which is a joint project through the Italian company Chimicom and its Bulgaria partner Himremontstroy. The high tech assembly lines of the plant were produced by the Italian company Plasco.

Orgachim
Orgachim, the traditional leader on the Bulgarian paints and varnish market, reported 20% higher net income for the first quarter, totalling 25.568 million leva during the first three months of the year. Orgachim is also the sole producer of phthalic anhydride in Bulgaria. The company has strengthened its sales' positions on certain foreign markets such as Turkey, Romania. Greece, Central Europe and ex-Soviet countries. The share of the company's export reached 64% of the total company sales, which is an 11% increase over the same period last year.

The upturn follows a fall in Orgachim profits in 2007 which was attributed to the investments made in production installations, the expansion of the production base and entrance into new market positions. In contrast with the sales growth of 27% to 124 million leva for 2007 compared to 2006, the profit dropped down by 30%t to 5.6 million compared to 2006 when it was 8.1 million leva.

Sillamae
The Sillamae port was affected last year by the diplomatic fallout with Russia, with the petrochemical terminal TankChem shut for more than six months. The port hopes for a revival of activity over the course of 2008. TankChem was opened by the Russian chemical holding Evrokhim on 6 December 2006, so it had hardly had chance to function prior to the political fall-out. According to Evrokhim, the terminal fits all modern environmental requirements and is one of the most modern in the region. The range of petrochemical products to be transhipped at the terminal includes methanol, acetic acid, vinyl acetate, butyl acetate, toluene, and MEG. TankChem has the advantage of favourable natural conditions of Port of Sillamae and the port's proximity to the EU-Russia border.

The planned annual capacity of the chemical terminal for total processing of chemical products is up to 1 million tpa. The terminal project includes 3 reservoirs for methanol (12,500 m3 each), 2 reservoirs for various chemical products (3,000 m3 each), 2 pumping stations (500-700 m3/hour per line), 22 tank car capacity railway platform for tanking various products and 5 pipelines to piers. The biggest problem for the Port of Sillamae is that is owned principally by Estonian capital and as a result Russian cargo has been transferred from Sillamae to Tallinn-Muuga harbour which is controlled by Russian business interests.

Fertiliser sector
The Estonian fertiliser producer Nitrofert is building its own power station due to fears of rising electricity prices. Although the company is currently benefiting from high fertiliser prices and profits in the world market, the situation could change at any time, should gas or electricity costs rise. Nitrofert consumes about 270 million kilowatts of electric power per annum, i.e. as high as 5% of total electric power consumed in Estonia, and about

210 million cubic metres of natural gas, i.e. as high as 25% of total amount of natural gas sold in Estonia per annum.

Nitrofert is the only producer of fertilisers in Estonia, whose major activity is processing natural gas into ammonia and prilled urea. Gas for processing is delivered from Russian Federation through the gas network of AS "Eesti Gaas". Outputs of ammonia and urea can be flexibly adjusted depending on price levels on the fertiliser world market. Working simultaneously at their maximum load, ammonia and urea plants are capable of producing of more than 100,000 tpa of saleable liquid ammonia and 180,000 tpa of prilled urea per annum.

Nitrofert is part of the OstChem Holding group, based in Austria, and owns a wide range of assets in Central and East Europe. Other companies in the group include Crimean Titan and Rivneazot.

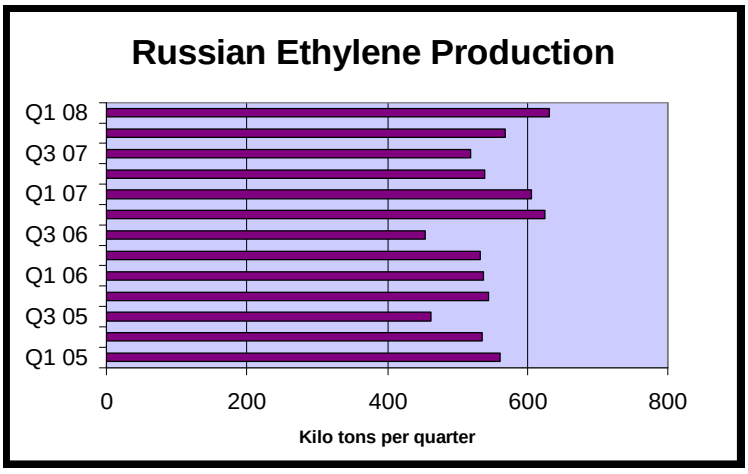
Romania's largest chemical fertilisers producer Azomures reported a first-quarter net profit of 54.98 million lei ($23.0 million/€14.9 million), compared to a loss of 7.5 million lei in the same period last year. Aside mineral fertilisers, Azomures are the sole producer of melamine in Romania. Production was suspended at the start of the year.

Croatian mineral fertiliser producer Petrokemija reported a non-consolidated unaudited net loss of 28.7 million kuna ($6.1 million/€3.9 million) in the first quarter of 2008, versus a 2.3 million kuna net profit in 2007. The change is due to higher imported chemical material prices and suspended production in January. Petrokemija, d.d. Fertiliser Company was founded in 1965, although one of its businesses, carbon black production, dates from as far back as 1926. The headquarters of the company is in Kutina, Aleja Vukovar

RUSSIA

Russian chemical production Q1 2008

Russian chemical and petrochemical production rose 3.7% in the first quarter of 2008 against the same period in 2007, with plastics and resins growing sharply. Falls were noted for fibres (11.5%) and agrochemical products (18.3%). The production of synthetic resins and plastics totalled 1.149 million tons in the first three months of the year, 6.1% up on January-Match 2007. Polyethylene output rose 7.4% to 343,200 tons, polypropylene 6.6% to 155,200 tons. Synthetic rubber production fell 0.3% to 325,000 tons, due largely to feedstock problems encountered from divinyl and isoprene.



Ethylene production totalled 639,000 tons in the first quarter of 2008, a quarterly record. Additional output from Nizhnekamskneftekhim was the main factor behind the increase. The forecast for ethylene production in 2008 was set at 2.5 million tons at the start of the year, and that figure should be achieved unless prevented by enforced outages.

In terms of trade, exports to China continue to represent an important part in maintaining decent utilisation levels at numerous Russian plants. However, whilst the totals of organic chemicals and polymer exports to China were similar for the first quarter of 2008 against 2007 the composition is continually evolving. For instance, there were no PTA exports from Polief to China in the first quarter this year against 16,100 tons in the same period in 2007. Polyethylene exports increased by around 50% in the first quarter of 2008, due largely to expansion at Kazanorgsintez and this trend is expect to continue in light of new plants being constructed at Nizhnekamsk and Salavat. Whilst China provides an expedient outlet for current production, it also provides a stimulus or factor for projects in the planning stage. Overall, Russia is seeing something of an increase in revenues from exported chemical products. The main products for 2007 consisted of mineral fertilisers (34.5%), synthetic rubbers (8.5%), plastics and synthetic resins (5.5%). Whilst the emphasis remains on low value commodities, higher

hydrocarbon prices have driven up values whilst fertiliser prices have been boosted by the global demand for increased food production.

Russian Chemical/Polymer Exports to China (unit-kilo tons)

Product	*Q1 08*	*Q1 07*
Acetone	3.4	5.8
Bisphenol A	13.8	12.2
Butyl Acetate	1.6	9.2
Caprolactam	16.1	13.6
Epichlorohydrin	4.2	5.8
Polyethylene	30.6	20.9
Butanols	36.4	19.1
Orthoxylene	0.0	2.9
Paraxylene	0.0	0.0
Perchloroethylene	2.6	0.0
Phenol	4.0	1.4
Phthalic Anhydride	30.5	47.7
Polyamide	8.5	5.6
PTA	0.0	16.1
PVC	1.1	1.6
Styrene	0.0	2.9
Trichloroethylene	7.2	0.0
Total	160.4	167.2

Petrochemicals

Surgutneftegaz-chemical investment plans

Surgutneftegaz is assessing the prospect of constructing a polyolefin and fertiliser complex in West Siberia, at an estimated value of around $800 million. The project is undergoing the latter stages of evaluation and may require some fine-tuning if construction is to start in 2009.

A partner is expected to be sought for the project, possibly SIBUR or from abroad although that is only likely to be from Japan. News is already circulating that a provisional agreement between SIBUR and Surgutneftagaz has been reached over the joint construction of the petrochemical complex, but this may be premature particularly in view of possible changes following the management buy-out (see below). For SIBUR, however, it might represent a source of conflict to build a polyethylene plant with Surgutneftegaz which would compete against its own units. The idea for a fertiliser complex seems to have been driven by recent high prices on fertiliser markets, which may not continue indefinitely. Surgutneftagaz has talked of polyolefin investments previously, and the dependency on finding a partner may prove the key challenge to fulfilling the current set of plans.

Feedstocks available from Surgutneftegaz will include 600,000 tpa of NGLs. propane-butane, etc, and 6.5 billion cubic metres of dry hydrocarbon gas. Feedstocks would be supplied by pipeline from the existing gas production division belonging to Surgutneftegaz. An extended feasibility study has already been conducted by Mitsubishi for a petrochemical project, although it is not clear how recent this is. The current goals are to define the range of products and production capacity based on analysis of the chemical product market and hydrocarbon feedstock use. Grades of chemical products are aimed to be in line with requirements of the Russian market and markets in countries of the Asia and Pacific region.

Third refinery at Nizhnekamsk could be 12 million tpa

The third refinery project planned for construction at Nizhnekamsk, aimed at providing a processing outlet for small oil companies in Tatarstan, could see its original capacity raised from 7 million tpa to 12 million tpa. Increases projected in oil production in Tatarstan will mean extra processing capacity is required. The third refinery, or NPZ-3, is planned especially for the refining of heavy petroleum, which is produced predominantly in Tatarstan. The sum of investments, according to the plan developed by Technip, amounts to around $6.5 billion.

The third refinery is planned for completion by 2012, following the Taneko 7 million tpa project which is scheduled to start in 2010. That will mean that by 2012, refining capacity at Nizhnekamsk will total 26 million tpa. This will be set against an annual output figure of 30 million tpa in Tatarstan.

Gazprom-Salavatnefteorgsintez

The Federal anti-monopolistic service has reported that Gazprom Processing has made an approach to purchase the full shares of Salavatnefteorgsintez. Gazprom, which is the main feedstock supplier of natural gas, gas condensate and ethane for Salavatnefteorgsintez, has managed the state-owned stake in the company since 1999. Attempts to take full control at Salavatnefteorgsintez contrast with the decision to offload SIBUR-Holding. At present, Gazprom through its pension subsidiary owns 53.92% of shares in the company, and is seeking to purchase the remaining shares from the Bashkortostan government. The move by Gazprom is aimed at integrating Salavatnefteorgsintez into Gazprom Processing, which will utilise raw materials.

In the first quarter this year, Salavatnefteorgsintez kept production levels similar to 2007. The next significant increase from the petrochemical division will come from the introduction of the new polyethylene plant, scheduled for Q1 2009.

SIBUR-Holding in discussions with Kazanorgsintez over ownership

SIBUR has reported that a number of the banks, which are holders of bonds in Kazanorgsintez, have consulted over the possible acquisition and what impact that would have upon the company. SIBUR aims to integrate Kazanorgsintez into the existing structure of the petrochemical holding, with discussions being held with TAIF. However, SIBUR was not happy with the decision by Kazanorgsintez to increase the number of shares in the company by 35 fold from 720 million to 25 billion, as it feels that this might make the purchase of Kazanorgsintez more expensive. Even so, it should not prevent SIBUR from purchasing 50% plus one share in Kazanorgsintez.

SIBUR-Holding-Gazprombank sale and management buy-out

Gazprombank has agreed, in principle, to sell control of SIBUR-Holding for a total of $5.4 billion to SIBUR's managers, giving a generous grace period for the cash component. The deal is part of the bank's strategy to offload non-core assets. Gazprombank said in a statement that the deal's total valuation comprised a cash component of 53.5 billion roubles ($2.27 billion), plus 25% of SIBUR's 2007 net profit. The new owners will pay that to Gazprombank in addition to the assumption of SIBUR's heavy debt. The cash component has been agreed to be split into 16.6 billion roubles that should be paid immediately, another 11.9 billion payable within three months with the rest to be paid within three years.

SIBUR-Holding's Main Petrochemical Capacities (as of 1.1.2008)

Product	Subsidiary/Location	Capacity (unit kilo tons)
Benzene	Uralorgsintez, Chaikovskiy	110
Benzene	SIBUR-Neftekhim, Kstovo	140
Butadiene	Tobolsk-Neftekhim, Tobolsk	180
Butadiene	Togliattikauchuk, Togliatti	120
Butanols	SIBUR-Khimprom, Perm	50
Butyl Rubber	Togliattikauchuk, Togliatti	60
Caprolactam	Azot, Kemerovo	124
Caustic Soda	SIBUR-Neftekhim, Dzerzhinsk	282
Ethylbenzene	SIBUR-Khimprom, Perm	100
Ethylene	SIBUR-Neftekhim, Kstovo	331.6
Ethylene	SIBUR-Khimprom, Perm	44.8
Ethylene	Tomskneftekhim, Tomsk	300
Ethylene Oxide	SIBUR-Neftekhim, Dzerzhinsk	240
Ethylhexanol	SIBUR-Khimprom, Perm	120
Isoprene	Togliattikauchuk, Togliatti	120
PET	SIBUR-PETF, Tver	52.4
PVC plasticizers	SIBUR-Neftekhim, Dzerzhinsk	48
Polyethylene	Tomskneftekhim, Tomsk	220
Polypropylene	Tomskneftekhim, Tomsk	105.2
Polystyrene	Plastik, Uzlovaya	20
Propylene	SIBUR-Neftekhim, Kstovo	148
Propylene	SIBUR-Khimprom, Perm	46
Propylene	Tomskneftekhim, Tomsk	100
PVC	SIBUR-Neftekhim, Dzerzhinsk	42
Styrene	SIBUR-Khimprom, Perm	100
Styrene	Plastik, Uzlovaya	20
Synthetic Fibres	SIBUR-Volzhskiy, Volzhskiy	30
Synthetic Rubber	Togliattikauchuk, Togliatti	177.2
Synthetic Rubber	Voronezhsintezkaucuk, Voronezh	195.2
VCM	SIBUR-Neftekhim, Dzerzhinsk	33.2
Total		3,659.6

The chemical and petrochemical capacities, which form the basis of SIBUR's production capacity, totalled 3.6 million tpa at the start of 2008. This figure excludes capacity in the tyre and fertiliser sectors.

Gazprombank is the banking arm of Gazprom and announced plans to sell SIBUR Holding as part of a drive to offload non-core assets. The sale was among recommendations from investment bankers advising Gazprombank on the initial public offering planned for 2009. Gazprombank controls 70% of SIBUR, valued by analysts at $7-8 billion. Managers of SIBUR have plans to attract up to $2 billion to buy out the company's stake from Gazprombank. A request was made by the managers to the anti-monopoly service to allow the buyout through their newly formed company Hidron Holdings based in Cyprus. Managers include Dmitry Konov, Vladimir Razumov, Vitalius Baranov, Aleksey Filippovskiy and Mikhail Karisalov.

Gazprom played the key role in creation and development of SIBUR, but has decided that it does not form a basis for the gas company's development. The new strategy for SIBUR is likely to be a continuation of the old strategy for at least the immediate future, but divestment would seem to be a possible option in view of the need to increase profitability ratios. It seems reasonable to expect some fundamental changes in SIBUR's goals in time, and the possibilities are wide ranging. For the immediate term, the objective for

the management buy-out would be to pay-off outstanding debts through a dividend policy and the possible attraction of new investors.]

Tobolsk-Neftekhim, full capacity in 2009 for SHFLU

Tobolsk-Neftekhim expects to reach its full design capacity at its gas fractionation unit in 2009 for the first time, thus processing 3 million tons of SHFLU. This year the plant expects to process around 2.8 or 2.9 million tons. Last year, the Tobolsk complex produced 100,000 tons of MTBE, 192,000 tons of butadiene and 35,000 tons of isobutylene. Further modernisation will be carried out on the gas fractionation unit this year, whilst also investment is planned for the butadiene unit from 1 June to 23 June.

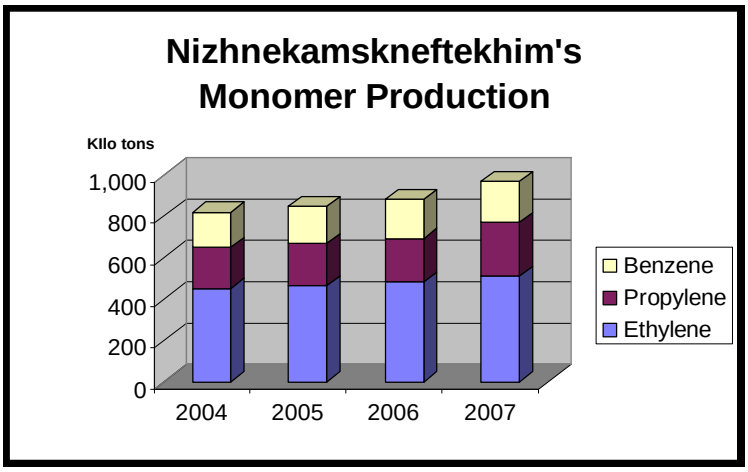
Tobolsk is seen as a key part of SIBUR's expansion plans, not only as source of feedstocks for other petrochemical plans but its own development as a major petrochemical centre. The gas fractionating plant separates the wide fraction of light hydrocarbons ([SHFLU]), obtaining liquefied hydrocarbon gases butane and propane. Butane enters the dehydrogenation stage, whilst propane until has been sold but will soon be used for the production of polypropylene at Tobolsk-Polymer.

The major advantage of Tobolsk area compared to Tomsk, for example as a site for polymer production, is the relative proximity of Tobolsk to the main sources of raw material, the developed transport infrastructure, and other favourable factors such as water supply, energy power, etc. The development of Tobolsk area for petrochemical production consists of two main stages, the first of which involves the production of polypropylene at Tobolsk-Polymer. This is expected to be followed by a second stage, involving ethylene and polyethylene although this is still only in the planning stage.

Nizhnekamskneftekhim-financial options for investment

Nizhnekamskneftekhim is addressing the possible options of finance for its large scale petrochemical plans up to 2012. The entire investment programme is valued by the company at around 125 billion roubles, which will contribute to achieving an annual turnover of around 130 billion roubles per annum by around 2013. The key part to the company's expansion programme is an increase in ethylene capacity from 600,000 tpa at present to 1.6 million tpa by 2012. For derivatives, plastics are set to rise to 1.8 million tpa and synthetic rubber to 750,000 tpa.

Previously, the company considered seeking the finance for this programme through additional emissions of shares, but this option has been blocked by the Federal Service for Shares in Moscow and an IPO in the current global financial climate does not appear a feasible idea. Nizhnekamskneftekhim is expected to be not the only Russian petrochemical producer that could face finance problems as a result of the credit crunch. Ultimately though, it is thought that Western banks will provide the main part of the finance needed and with this goal in mind a representative from Swiss company Ipco Trading has been appointed to the board of Nizhnekamskneftekhim. The share issue planned was valued at 25.8 billion roubles which the company believed it was the only method of securing the necessary finance for the investment programme. Thus, other routes to finance will have to be sought.



In 2008, Nizhnekamskneftekhim has earmarked 6.7 billion roubles of investment, which will be directed towards the increase in the capacities of polystyrene, halobutyl and polybutadiene natural rubbers, and also the construction of the HDPE plant with a capacity of 230,000 tpa. The company is currently examining needs for electrical and thermal energy, and also the quantity of harmful emissions into the environment.

The company is paying close attention to monomer production, which as shown in the graphic opposite, has expanded gradually over the past few years. However, major investments are seen as necessary in order to increase monomer production sufficiently to meet derivative investments.

Nizhnekamskneftekhim-to increase ethylene sales to Kazanorgsintez

Nizhnekamskneftekhim has agreed to increase ethylene sales to Kazanorgsintez by 47% in 2008 against 2007, raising the total to 300,000 tons. A total of 208,000 tons was shipped to Kazanorgsintez in 2007 via the pipeline, the largest share of which was delivered in the first half of the year after the conflict erupted between Kazanorgsintez and SIBUR. Whilst the expansion of capacity at Nizhnekamskneftekhim to 600,000 tpa facilitates an increase in availability, this picture will change with the start-up of the new HDPE plant at Nizhnekamsk.

Nizhnekamskneftekhim expects net profits to increase 4.9% in 2008 over 2007, having forecast a profit of 4.3 billion roubles. Turnover should increase 7.5% to 63.1 billion roubles. Aside setting a target of 570,000 tons of ethylene, the company hopes to produce 250,000 tons of propylene and 220,000 tons of benzene.

Nizhnekamskneftekhim has invested in an additional after-cooler for the ethylene pipeline system between Nizhnekamsk and Kazan to help increase the amount of ethylene that will be transported. This will help cooling the additional flow of ethylene, transported to Kazanorgsintez.

Possible ideas for a gas chemical complex at Chayandinsk (Yakutia)

The Russian government is examining the possibility of developing the Chayandinsk hydrocarbon deposits in Yakutia. The Chayandinsk deposit has been included in the list of strategic resources which means that only a Russian company can bid for its development. The most likely company to manage the deposit is Gazprom. Suggestions have been put forward for Chayandinsk for the construction of a gas chemical complex, using local ethane, propane and butane and transform them into polyolefins.

Ufaorgsintez-financial improvements

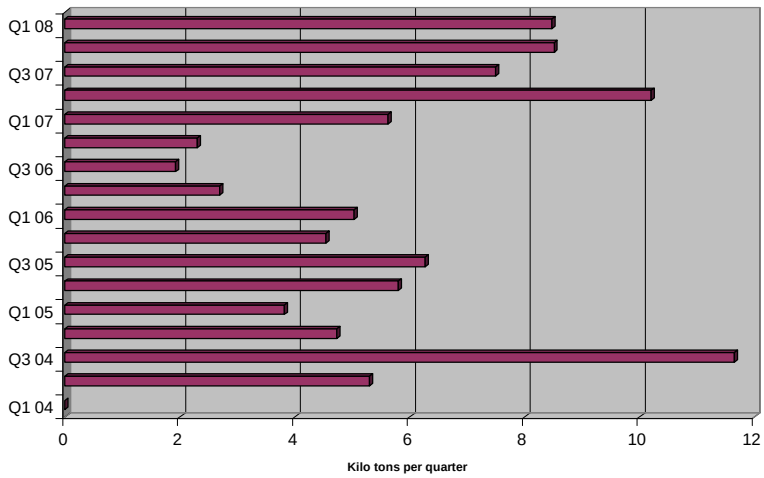
Ufaorgsintez increased its turnover by 15.9% in 2007 over 2006, reaching a total of 8.324 billion roubles. The gross profit for 2007 totalled 2.167 billion roubles, showing a growth of 30.2% over the previous year, whilst net profits rose 25% to 1.186 billion roubles. The main product areas of Ufaorgsintez include olefins and polyolefins. In the first quarter of 2008, turnover remained stable at 2.036 billion roubles, with gross profit at 306.2 million and net profit at 166.6 million roubles.

Rosneft-Angarsk

The Angarsk Petrochemical Company, part of Rosneft, processed 3.313 million tons of crude in the first four months of 2008, which was 9.6% higher than last year. The chemical division produced 20,070 tons of butanols, 3,194 tons of amines, 2,664 tons of MTBE and 7,010 tons of methanol.

Since acquiring the assets from YUKOS Rosneft has examined possible petrochemical investments at Angarsk but is yet to formulate a strategy. In the Russian Far East, Rosneft expects to complete the construction of the first line of the Eastern Refinery in the Prmorsk Kray by 2012. The refinery will eventually have two lines, with a total capacity of 20 million tpa.

Russian Polyamide Exports to China



Aromatics & derivatives

Kuibyshevazot-increases in turnover

Kuibyshevazot increased turnover by 35.5% in the first quarter of 2008 over 2007, reaching 5.51 billion roubles. Profits increased 2.2 fold to 1.534 billion roubles. Ammonia production rose 12.2% and caprolactam 16.6%. The most significant growth was reserved for polyamide-6 at 57.9% and technical threads at 35.9% and cord fabrics at 45.8%. The company has started the project for a fourth line for polyamide-6 with a capacity of

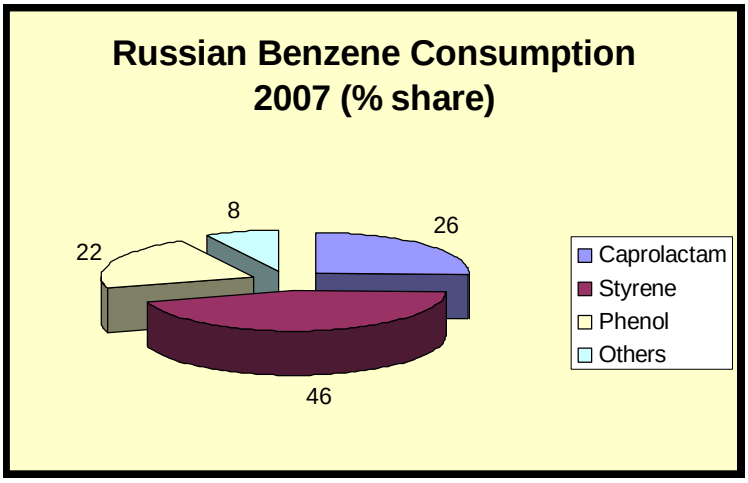
50,000 tpa, raising total capacity to 150,000 tpa. Construction of a third line for caprolactam is also underway.

Kuibyshevazot-benzene

Kuibyshevazot has signed a protocol with Magnitogorsk Metallurgical Combine for the creation of a jv for benzene production at Togliatti. This would consist of 50,000 tpa of capacity, which is lower than the original 100,000 tpa benzene plan examined by Kuibyshevazot. The original plan was based on toluene feedstock, but the new protocol involves coal. The project is planned for start-up in 2011, depending on finance

Main Russian Benzene Merchant Suppliers (unit-kilo tons)		
Producer	2007	2006
Gazprom Neft	146.2	133.0
Slavneft-Yaroslavlorgsintez	47.1	37.4
Ufaorgsintez	43.0	50.6
Angarsk Polymer Plant	42.1	36.3

The Magnitogorsk Metallurgical Combine already has the capacity to produce 65,000 tpa of crude benzene, which is sold mostly to the domestic market. Until the new plant is ready at Togliatti, the metallurgical plant will start to supply Kuibyshevazot with all of its output as part of the jv. This will help to maintain stable production levels of caprolactam, which have been restricted in recent years due to a lack of availability on the domestic market.



In 2007, merchant benzene availability increased in Russia due to higher output at several plants, but the market situation is finely balanced could change at any time due to a short unplanned outage. The graphic opposite shows the main outlet areas for benzene consumption in Russia, with styrene accounting for almost half of all benzene sales in 2007. The main difference between styrene production and the other two main outlets caprolactam and phenol, is that nearly all the styrene comes from integrated production. Producers of caprolactam and phenol are nearly all dependent on raw material purchases on the open market.

Samaraorgsintez-modernisation

Samaraorgsintez is progressing with its revamp of the acetone and phenol plants at Novokuibyshevsk, aimed at improving the technology and increasing the capacity for production. As a result of the modernisation, productivity for acetone will increase to 5,000 tons per month against the current level of 3,300 tons. Phenol production could rise to 8,000 tons per month, to become effective from 2009.

Russia produced 233,100 tons of phenol in 2007 and 151,600 tons for acetone. Samaraorgsintez produced 24,500 tons of phenol and 19,700 tons of acetone.

Bulk polymers

Russian Polyethylene Supply/Demand (unit-kilo tons)			
	2007	***2006***	***2005***
Production	1,245	1,074	1,047
Exports	212	165	145
Imports	439	325	174
Market Balance	***1,471***	***1,235***	***1,075***

Polyethylene market trends

Russian polyethylene demand increased sharply in 2007, rising by 15.8% over 2006. Imports jumped by 114,000 tons in 2007 over 2006, whilst production increased 171,000 tons. Exports increased marginally, but were still only half of the amount imported which reached 439,000 tons. In terms of market composition, the market for LDPE rose 14% in 2007 to 647,900 tons, whilst HDPE rose 23% to 823,000 tons.

Kazanorgsintez –polyethylene changes

Kazanorgsintez has scheduled a reduction in the output of polyethylene grade 277-73 from 1 July and is replacing it by polyethylene grade 222-12, which is produced through the gas-phase method. This year

Kazanorgsintez is initiating the second stage of its six year investment programme, which in total is costing around $3 billion. The first stage of modernisation covered the period 2004 to 2007 involved investments of 32.3 billion roubles, including 28.9 billion roubles solely on new projects. The first stage effectively finishes after start-up of the polycarbonate plant in the next few months. These investments helped to increase the turnover of Kazanorgsintez by 5.8 billion roubles in 2007 over 2006, to reach a total of 21.5 billion roubles. Net profits increased from 2.2 billion roubles to 2.6 billion roubles, showing a profitability ratio of 12.1%.

Kazanorgsintez main project aims to increase ethylene capacity from 430,000 tpa to 640,000 tpa as a man plank of the second investment stage covering 2008-2010 or 2011. The main exports partners with Kazanorgsintez include China, Finland and Turkey. On the internal market Kazanorgsintez sold products worth 15.6 billion roubles in 2007, 22% higher than in 2006.

Polypropylene market tight after LUKoil outage

At the start of May Nizhnekamskneftekhim accepted delivery of the first polymerization reactor for the new HDPE plant. The reactor weighed 152 tons and will be installed in the near future. The second reactor will be delivered during the summer, with the aim of starting production later in the year.

Polypropylene market tight after LUKoil outage

Polypropylene prices in Russia have risen sharply following the accident at Budyennovsk. LUKoil-Neftekhim attributed the accident at Stavrolen in April down to human error. The production of polypropylene has been stopped and should be back in operation in the next few weeks. Furthermore, sscheduled suspension of domestic polypropylene units in Kapotnya (Moscow), Ufa, and Budyennovsk sharply cut supply of polypropylene to the market, and, consequently, caused a sharp hike in prices by $250-300/ton. Due to the market conditions, imports are being sought temporarily by some Russian consumers until the Budyennovsk plant restarts. Imports have fallen over the past year due to new capacity being brought on stream.

PVC investments

Kaustik's investment programme at Sterlitamak over the 2008-2009 period comprises around €80 million of capital outlay, part of which will be targeted on energy saving technology. The comprehensive programme of investment, accepted by Kaustik in 2007, provides for investment into VCM modernisation and also the reconstruction of the biological cleansing unit. VCM/PVC capacity will be increased at Sterlitamak to around 200,000 tpa from its current level of 165,000 tpa.

The SIBUR-Solvin jv RusVinyl has rented land at Kstovo for the new complex through the local administration. The documentation for construction has been completed by the jv, setting the basis for the construction of the 330,000 tpa PVC plant.

Uralkhim has created a new holding called Galopolimer, in which plans for PVC production are being considered. The programme of investments within the group could amount up to $450 million over a period of three years. In the first quarter of 2008, Uralkhim increased physical production by 6.4% to 1.022 million tons. Ammonia production increased 2.5% to 518,800 tons, whilst urea increased 20% to 96,382 tons. Uralkhim was created in October 2007 and includes ownership of Kirovo-Chipetskiy Chemical Combine (80.02%) and Azot at Berezniki (81.7%).

Renova-Orgsintez has announced a series of new plant investments in the Novokuibyshevsk area, based on the existing site at Neftekhimya. Project plans include VCM, PVC, caustic and chlorine. However, there is a strong possibility that Renova-Orgsintez may face local opposition based on environmental grounds. Several years ago, the local administration passed decrees stating that any new investments in the chemical industry should be observant of the safety requirements for the local population from all angles, including water supply, etc. Renova-Orgsintez will have the task of convincing the local administration that the new projects will present no danger to people, soil or water. Chlorine production may prove to be the project facing the greatest opposition, even if it will be based on the latest technology

Russian PTA Exports to China			
Unit	***Q1 08***	***Q1-Q4 07***	***Q1-Q4 06***
Kilo tons	0	31.9	68.1

Russian PET markets

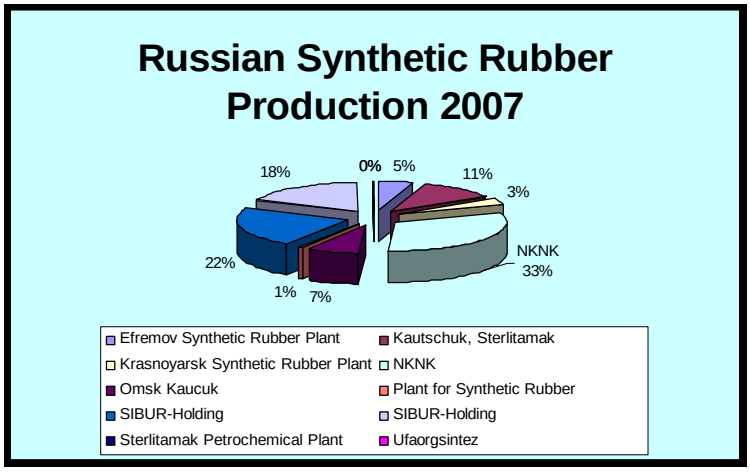
KP Chemical visited Tatarstan in late April to approve the PET project for Alabuga. The project involves the construction of a 300,000 tpa PET plant at a cost of €100 million. The PTA will

be sourced from KP Chemical's new PTA in China. Plans were originally examined for sourcing PTA from Polief. Polief itself has started its PET plant and is currently consuming around half of its PTA production captively. The main export destination for Russian PTA production at Blagoveshchensk over the past two years has been China, but nothing has been shipped since the start of 2008.

Regarding the Russian PET market, high demand for PET bottles combined with high feedstock costs are helping to drive up prices. Raw material prices for PTA and MEG are both rising, and as a result PET prices are currently 30-50 euros per ton higher than two months ago. In Russia, there are around 65 PET preform manufacturers at present, the largest of which is Retal with around 30% of the market. Other companies include Evroplast with 25%, Alpla with 7%, Petrus 7% and Mega-Plast 5%. Russian preform manufacturers produced 514,000 tons, which was 10% higher than in 2006. Retal plans to increase the volume of capital investments in 2008 to €4 million.

Retal Industries is planning to raise its bioriented PET (BOPET) film capacity at its recently launched Russian plant at Zhukov in 2008. Retal started up the 16,000 tpa Zhukov unit in 2007 and is Russia's first domestic BOPET plant. Initially, the new plant has operating up to a phase one capacity of 14,400 tpa as the first domestic source substituted imported BOPET film. Rising demand in the domestic market means that Retal will need to increase capacity. Other film plants owned by Retal include the APET film unit at Klaipeda with a capacity of 7,500 tpa.

Synthetic Rubber



Nizhnekamskneftekhim-butyl rubber
Nizhnekamskneftekhim is in the process of expanding butyl rubber capacity to 120,000 tpa. Project investments aim to keep Nizhnekamskneftekhim as the leading producer of synthetic rubber in Russia. In 2007, the complex at Nizhnekamsk accounted for 33% of total Russian production as shown in the graphic opposite.

Voronezhsintezkauchuk
In April, Voronezhsintezkaucuk produced 22,563 tons of rubber and latexes, and 85,426 tons in the period January-April. The total for the four months was up 2.3% on 2007. The composition of production in April included 11,591 tons of polybutadiene, and 7,566 tons of butadiene-styrene rubber.

Organic chemicals

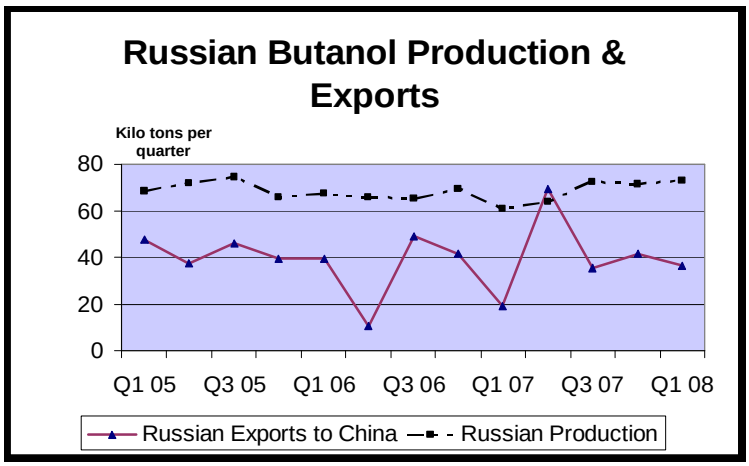
Russian Pentaerythitol Supply/Demand (unit-kilo tons)		
	2007	***2006***
Production	19.1	16.3
Exports	4.0	3.7
Imports	4.9	6.9
Market Balance	***17.2***	***22.3***

Pentaerythitol
Pentaerthyitol is produced in Russia solely by Metafrax and is used widely in the paint industries. The Russian market was estimated at 22,300 tons for 2007. Demand in the first quarter of the year increased by about 20% against the same period last year. Metafrax increased production by around 10% in the first quarter, with imports relatively small scale at around d150 tons.

Russian Acetone Market Q1 2008 (unit-kilo tons)		
	Q1 08	***Q1 07***
Production	33.9	37.3
Exports	2.0	9.1
Imports	0.1	0.1
Market Balance	32.0	28.2

Russian acetone market Q1 2008
Russian consumption of acetone rose 14% in the first quarter of 2008 over 2007. Although production fell slightly, most of the Russian producers increased sales to the domestic market in the first three months with exports dropping significantly. Prices have risen on the domestic market since the start of the year, rising from around 23,000 roubles per ton in January to 30,000 roubles per ton

in April. The market is expected to stay tight this year, with Samaraorgsintez scheduled for a 14 day outage in June and Omsk Kaucuk planning a shutdown in August.



Butanols

The average share of butanol exports to China in total Russian production has amounted to 57% over the past three years, and there is no imminent sign that this pattern is set to change. Domestic consumption is starting to increase, but it is making only slow inroads into the large surplus. Domestic pricing for butanols, both iso and normal, has risen recently from the two main producers SIBUR-Khimprom at Perm and Salavatnefteorgsintez due to high raw material costs and this upward trend is expected to continue for at least the short term.

Sterlitamak Petrochemical Plant

Sterlitamak Petrochemical Plant has carried out reconstruction of the installation for Agidol-2 production, a product which is used by producers of elastomers. Agidol-110 must generate special interest in producers and processors of polyolefins of Russia and countries of the CIS. It will open the possibility for buying domestic antioxidants, competitively priced and requiring less expenditure on transport.

Plastics

Russian PVC Films (unit-kilo tons)

	2007	*2006*	*Q1 08*	*Q1 07*
Production	83	76.9	20	20
Exports	1.2	1.5	0.5	0.25
Imports	52.7	35.1	19.4	9.7
Apparent Consumption	134.5	110.5	38.9	29.5

Russian PVC films

PVC films in Russia are seeing strong growth, imports increasing in order to meet demand. The market rose 21% in 2007 to 134,500 tons, whilst a 33% increase was noted in the first quarter of 2008 against the same period in 2007. PVC film production in Russia is insufficient to meet demand, with the main source of imports in 2007 coming from Germany with 23%, China with 19% and Turkey with 12%. Most of the Russian PVC film producers are small, with Kaustik at Sterlitamak being on of the largest companies in the sector.

Plastic pipes

Plastic pipes consumption in Russia has grown annually by double digit rates over the past few years, and this trend seems set to continue for at least the remainder of the decade. The production of pipes from polyethylene, polypropylene and PVC increased around five fold in Russia between 2000 and 2007, totalling 321,000 tons last year. The total market in 2007 was estimated at around 390,000 tons, thus meaning a shortfall of around 70,000 tons to be made up by imports. Consumption in 2007 rose 32% against 2006. Investments into the infrastructure and general construction suggest further large gains in consumption.

The largest share of pipes in the Russian market stems from polyethylene with 78% of the total. The main producers include Polyplastik and Kazanorgsintez. After polyethylene, polypropylene accounts for 12% and PVC 10% of the total market.

Other plastics news

Uralkhimplast has started a new extrusion line for granulated PVC plasticizers. The plant started running from early May, increasing plasticizer capacity for Uralkhimplast by around 40%. The equipment was provided by BAUSANO & FIGLI SpA (Italy). PVC plasticizer production in Russia totalled 236,290 tons in 2007, 8% up on 2006. Exports accounted for around 5% of production.

The Russian branch of the German company VEKA AG began the production of PVC sheets at its plant in the Moscow region in May. Prior to the end of 2008, VEKA plans to produce up to 20,000 tons of high-quality sheet plastics for the Moscow market.

Dzerzhinsk Orgsteklo will soon start the installation of the third extrusion line, based on equipment supplied by the German company Breyer. The delivery of new equipment for the project will start to arrive in June. The installation of the line is intended to begin in July-August 2008, with the start-up planned for the autumn this year. The capacity of the new line will be 11,000 tpa, and will increase the capacity of PMMA extrusion at Dzerzhinsk Orgsteklo by around 50%. The total capacity of the three extrusion lines will amount to 17,000 tpa.

Denmark-based Inter Primo Group is to build a plant on the outskirts of St Petersburg to keep up with growing plastic profile demand in Russia. The plant will be built on a 23,000 m2 industrial site and this follows the launch of Inter Primo's Russian production unit in Vsevolzhsk, the Leningrad region, in 2005. The Copenhagen headquartered company has extrusion and injection-moulding plants scattered across Northern and Eastern Europe.

A company called Em-Plast plans this year to start the construction of a new plant for biaxially- oriented heat-shrink polyolefin five-layer film, designed for packaging. The Volga-Vyatsky branch of Sberbank has granted investment credits worth 330 million roubles to support the project. The equipment will be supplied by the Italian company Tecno Coating, with a capacity of 160 tons per month. Em-Plast was formed in 2007 at the European Russian town of Saransk, based on the existing production site SaranskCable-Optika.

Methanol & gas based chemicals

Evrokhim-investments at Novomoskovsk and Nevinnomyssk

Evrokhim plans to invest $569 million into reconstruction and expansion this year into its two main plants at Nevinnomyssk and Novomoskovsk. At Nevinnomyssk, Evrokhim intend to spend €175 million on the construction of a 50,000 tpa melamine plant, which is expected to be completed by the start of 2011. The project is being undertaken by Lurgi, Urea Casale and NIIK from Russia.

The first stage of the melamine project commenced on 7 May, involving two contracts worth €92.8 million. Lurgi will provide the equipment for the plant, whilst Urea Casale will create the basis for construction. The melamine plant will be built at the same time as the reconstruction of the urea plant. Currently, melamine is not produced in Russia and the Evrokhim project will be targeted on domestic consumption in the wood processing and paint industries. In 2007, Russian melamine imports totalled 19,750 tons which showed a 45% increase over 2006. The main source of imports was the Netherlands with 30%, followed by Austria with 29% and the USA with 15%. High prices for melamine balanced against low natural gas costs suggest that Evrokhim has discovered a very profitable product outlet.

At Novomoskovsk, Evrokhim plans to increase urea capacity by 25% or by 2,000 tons per day. The project will cost $100 million and will undertaken by Stamicarbon, Chemproject (Czech R) and NIIK again. Urea capacity will be further increased to 3,150 tons per day by 2011 based on plant equipment transferred from Serbia.

From an environmental angle Evrokhim is undertaking projects under the framework of the Kyoto protocol with the aim of reducing emissions into the atmosphere of greenhouse gases. The measures are being conducted in partnership with German companies RWE and Uhde. The total volume of financing projects will be $48 million, and be targeted on the production of nitrogen fertilisers.

OMZ-Yakutia methanol project

Cheteng Engineering and OMZ have taken further steps in the foundations for the construction of the methanol and ammonia plants in Yakutia in the Russian Far East. OMZ is the general project contractor, with Cheteng Engineering providing project support. The two companies are working together on a number of other projects, including a hydrocarbon terminal on the Sea of Azov in southern Russia and refineries in Syria.

Metafrax-energy

Metafrax plans to start an energy saving programme in 2008, due to losses incurred from fuel-energy resources. The company has reduced energy costs per ton of methanol, including natural gas and electricity. The company is investing a total of 1 billion roubles in 2008, including the expansion of capacity of pentaerythitol to 25,000 tpa and utropin to 20,000 tpa. Metafrax increased turnover in 2007 by 20% to 7.550 billion roubles, of which 3.2

billion roubles came from exports. Metafrax saw its net profit fall in the first quarter of 2008 by 6.4% against 2007, totalling 662,133 million roubles. Gas prices were the main cause of lower profits.

New Russian urea plant
Voskresensk Mineral Fertiliser plant in the Moscow region agreed a contract at the end of April for the construction of a new urea plant, with a capacity of 200,000 tpa. The project will be undertaken by the Russian institute NIIK, which will allow for an expansion at a later stage to 400,000 tpa. Construction could start later this year and by constructing the plant near to the source of ammonia, it will help to reduce project costs. In 2007, Voskresensk Mineral Fertiliser produced 205,000 tons of ammonia, of which 60% was processed into the production of ammophos and diammonium phosphate, and remaining part sold on the merchant market. The new urea plant will mean that all of the ammonia production is used captively and will help towards profitability. At present, whilst the price of ammonia stands at $465-480/ton FOB Yuzhniy urea prices are much higher at $600-60 per ton.

Other Products

Bashkiria Khimya-Berezniki
Bashkiria Khimya has signed an agreement to take 100% ownership of Berezniki Soda Plant. Bashkiria Khimya already controls Soda at Sterlitamak, and has been seeking another source of limestone. The Berezniki region, located near Perm, is thought to have the potential for developing limestone resources. Russia produced 2.939 million tons of soda ash in 2007, of which 58.3% was supplied by Soda at Sterlitamak. Exports totalled 688,000 tons in 2007, with around a half going into Kazakhstan.

Tambov chemical park
The Hest chemical concern (Germany) and the government of the Tambov Region (Russia) signed a contract to construct the first Russian chemical industrial cluster in the Tambov Region. The contract provides for the development of Pigment's sites in Tambov, the closed chemical plant in Uvarovo and the paint and coating plant in the city of Kotovsk. Also at Tambov, the government corporation Vneshekonombank plans to construct a 250,000 tpa bioethanol plant by 2011.

Belarus

Grodno Azot
Azot increased fertiliser production by 15.3% in the first quarter of 2008. he company produced 20,700 tons of methanol and 34,300 tons of caprolactam, which was 13.2% and 8% higher respectively than last year. Grodno Azot was created originally in 1963 and converted into a joint stock company in 2002.

Central Asia/Transcaucasus

Polyolefins in Central Asia
Uzbekneftegaz expects to continue the technical and feasibility studies for the construction of the Ustyurt gas-chemical complex until 1 October this year. The project will be based on the Surgil gas deposits, at an estimated investment of $2 billion. The petrochemical facilities in the project, which will be managed by the jv UzKorGasChemical, will include 362,000 tpa of polyethylene and 83,000 tpa of polypropylene.

Also in Central Asia, Turkmenistan is in talks with Japanese investors over the possible expansion of polypropylene capacity at the Turkmenbashi refinery.

Nairit-butadiene
In January-February 2008, Nairit reduced rubber output by 42.4% to 460 tons against 799 tons in the same period of 2007. In 2007, Nairit produced more than 8,000 tons of synthetic rubber against 10,000 tons in 2006. Nairit specialises in the production of 2-chlorobutadiene rubber. The company has produced polychloroprenes under the brand Nairit since 1940. In addition, the company manufactures acetylene derivatives and chlor-alkali chemicals, such as carbonic acids, caustic, sodium hypochlorite, carbinol lacquers, etc.

Navoiazot-new nitrogen complex

Uzkhimensoat plans to construct a new nitrogen complex in co-operation with engineers from the UAE. The new complex will include the construction of ammonia and urea at Navoiazot at a cost of $600 million. The main investor in the project is International Petroleum Investment Co (IPIC) from Abu Dhabi. The capacity of the new nitrogen complex, which is planned to be constructed over five years, will include 550,000 tpa of ammonia and 450,000 tpa of urea. The IPIC will utilise state of the art technologies.

Relevant Currencies

(Czech crown. Kc. $1= 18.050. €1 = 26.784): (Hungarian Forint. Ft. $1 = 173.46. €1 = 257.39): (Polish zloty. zl. $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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