Chemical Information Resources for East Europe and CIS

CIREC MONTHLY NEWS

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

Edited by Andrew Sparshott | Tel +44 (0)20 8669 5126 | Email enquiries@cirec.net | Web www.cirec.net

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Issue 258, 29 May 2012

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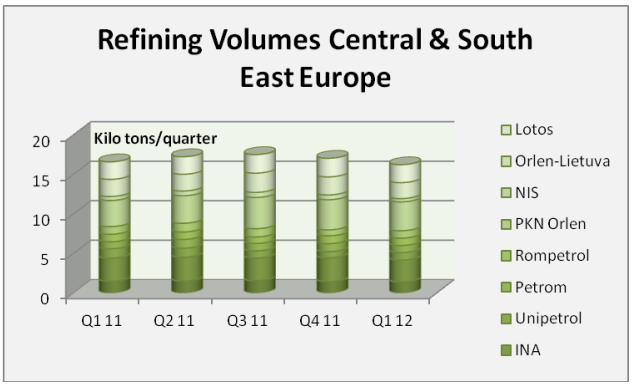
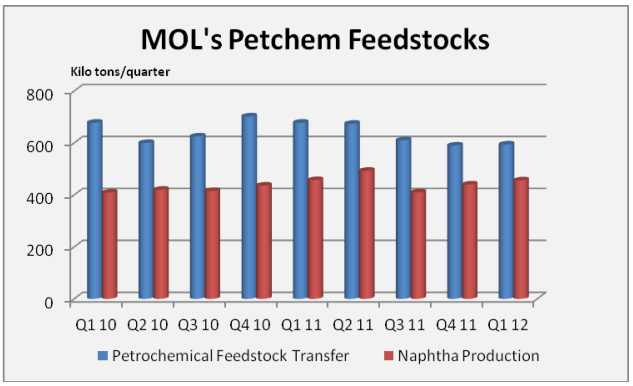
Petrochemicals



Central & South East European refineries

Regional refining volumes were down in the first quarter due to several outages. Orlen Lietuva suffered an accident in early March during maintenance on the fluid catalytic cracker, resulting in two fatalities. The Lithuanian refinery resumed full capacity in mid-March. The profit from operations of Orlen's refining division for the first quarter in 2012 amounted to zl 732 million, which was lower by zl 296 million against 2011.

In Serbia, NIS noted a large drop in consumption in naphtha as a result of a two-month overhaul at Petrohemija. In Romania Rompetrol Rafinare reported a turnover of $1.1 billion in the first quarter of this year, a 2% increase compared to the first quarter of 2011 although higher losses were recorded. Rompetrol Rafinare is engaged in the increase of capacity for the Petromidia Refinery, from 3.8 million tpa to over 5 million tpa which should be completed this year. The company posted losses of $252 million in 2011, up from $199 million posted in 2010. The group is controlled by KazMunaiGaz from Kazakhstan.



MOL processed 1.44 million tons of oil at the Bratislava refinery in January-March 2012, which was 3% less than the same period last year. The refinery sector was at the beginning of 2012 for MOL still under pressure; gasoline production over the first three months of 2011 were down by 5% to 331,000 tons. The decline in the first quarter also saw the production of petrochemical products.

MOL has launched a cost cutting drive aimed at boosting profitability, as the suspension of production in Syria drove a year-on-year fall in first-quarter profits. MOL said it aimed to boost operating profits at its downstream business by $500-$550 million by 2014, with about 60% of that improvement coming from cost cuts. Among a broad range of initiatives, the group plans to make efficiency improvements at five refineries and two petrochemical units TVK and Slovnaft.

MOL, Q1 2012

The MOL Group increased net sales in the first quarter 2% to €1.11 billion, but operating profits were down by 68% to €9,000,000. The outlook for the rest of this year remains difficult to estimate, and thus the group is focused on cost-cutting for this year. The drop in profits this year was attributed to lower demand for motor fuels and primary plastics in Europe, in addition to adverse weather conditions.

MOL's Olefin & Polyolefin Sales (unit-kilo tons)

Product	*Jan-Mar 12*	*Jan-Mar 11*
Ethylene	179	210
Propylene	94	105
LDPE	54	65
HDPE	88	112
PP	127	141

An improved performance from the downstream business helped MOL to report a smaller-than-expected fall in first-quarter net profit to Ft 73.7 billion ($324 million). That was down from Ft 92.7 billion in the same period in 2011. 2012 is expected to be a challenging year especially when considering the announced 'force majeure' in Syria or the tough refinery and petrochemical environment. MOL's Croatian unit INA suspended its activities in civil war-torn Syria in February and MOL cut its 2012 output projection in March.

MOL plans to carry out investments in the amount of several hundred million euros in the next few years. The most important projects include the construction of new petrochemical units to produce polyethylene at Bratislava and a strategic project to modernise and increase the transport capacity of the pipeline link between

the Slovakia and Hungary. Investments in the petrochemical division at Slovnaft are focused on preparation for the steam cracker reconstruction and the construction of the new LDPE-4 production unit. At present Slovnaft's cash flow is strongly weighted in favour of refinery products, but the company is trying to increase the role of petrochemicals. Last year the steam cracker at Bratislava produced 194,000 tons of ethylene and 96,000 tons of propylene in 2011. The polypropylene plant produced 257,000 tons representing an increase by 16,000 tons versus 2010, whilst polyethylene production reached 178,000 tons, 18% up on 2010.

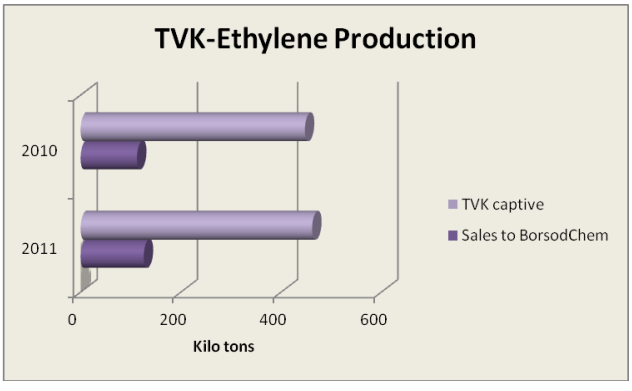
TVK's Sales' Revenues (Ft million)		
Exports	***Jan-Mar 12***	***Jan-Mar 11***
Olefin	7,673	6,593
LDPE	3,661	3,969
HDPE	25,628	32,603
PP	13,856	13,985
Domestic	***Jan-Mar 12***	***Jan-Mar 11***
Olefin	32,615	33,248
LDPE	2,806	3,251
HDPE	3,159	3,563
PP	10,842	10,489
Total Sales	***Jan-Mar 12***	***Jan-Mar 11***
Olefin	40,288	39,841
LDPE	6,467	7,220
HDPE	28,787	36,166
PP	24,698	24,474
Total	100,240	107,701

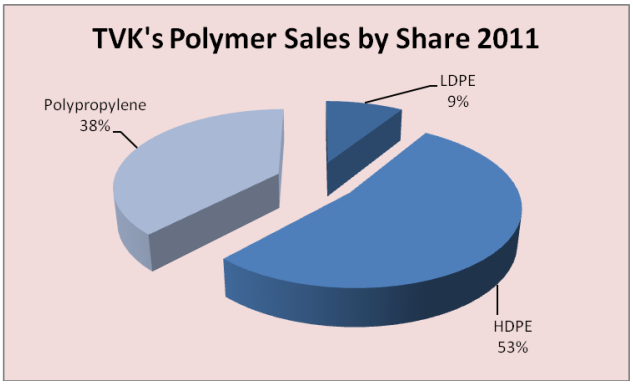
TVK's capacity utilisation in Q1 2012 showed an upturn of almost 10% over Q4 2011 due to the increased inventories necessary for the maintenance works planned for the second quarter. Polymer production was 13% higher than in the previous quarter but still 13% lower than in Q1 2011. Polymer sales were 5% lower than in Q4 2011, and 18% lower compared to the same period of the previous year.

TVK recorded a negative EBITDA in the first quarter due to higher prices of feedstock and finished goods. The effect of the increase in polymer inventories amounted to over Ft 6 billion. In Q1 2012, TVK Group net loss was Ft 3,014 million compared to the profit of Ft 1,385 million in Q1 2011. The operating profit/loss in April 2012 is expected to be more favourable than Q1 average, due to the significant improvement of the integrated petrochemical margin. The utilization of both monomer and polymer production capacities and the composition of polymer production by product types in April remain in harmony with the Q1 average.

During the second quarter, periodical maintenance works are scheduled for the Olefin-1, LDPE-2, HDPE-1, and PP-3 Plants. The last cyclical maintenance breakdown was carried out in 2009. The Olefin-1 plant at Tiszaujvaros will be stopped for 45 days, but pre-planned inventories will mean that the polymer plants at TVK and the VCM plant at BorsodChem will run unaffected. However, external propylene and C4 sales may be restricted forcing customers such as Slovnaft and Synthos Kralupy to buy from other sources.

TVK sold 20,000 tons to Slovnaft Petrochemicals in 2011 in addition to other external customers. For C4s, the company maintains an agreement with Synthos Kralupy and sold 39,000 tons to this end-user in 2011. In addition to these agreements MOL Group uses the cracking co-products of TVK such as isobutylene, benzene-toluene, C8 and C9 fractions to produce MTBE and benzene or as components in blended gasoline and heating oil. Quench oil is utilised as feedstock for making carbon black by Tiszai Columbian Koromgyártó located in the TVK industrial site. In 2011, pyrolysis feedstock supply was insured by exclusively MOL Group companies. Polypropylene sales their share of polymer sales in 2011 from 35% in 2010 to 38% whilst HDPE fell from 56% to 53%.





TVK-BorsodChem ethylene agreement

TVK and BorsodChem's owners Wanhua have signed a long term ethylene agreement for the supply of 120,000 tpa of ethylene over the next ten years. This represents a key supply agreement for BorsodChem in relation to its production of PVC at Kazincbarcika. In 2011, shipments from Tiszaujvaros to Kazincbarcika totalled 126,000 tons from a total of 588,000 tons production by TVK. Shipments to BorsodChem were last year 12% up on 2010.

PKN Orlen Petrochemical Sales (unit-kilo tons)

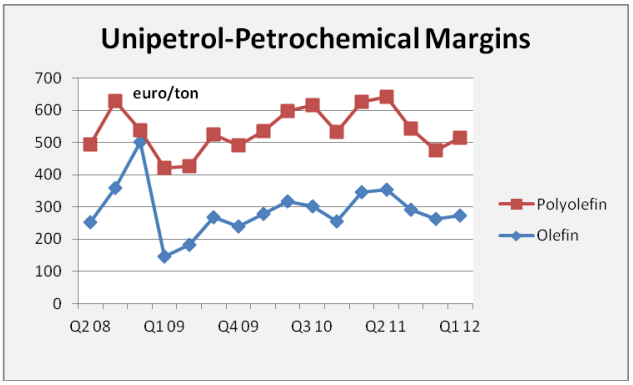
Product	*Jan-Mar 12*	*Jan-Mar 11*
Ethylene	79	81
Propylene	56	54
Polyethylene	116	114
Polypropylene	102	100
Ethylene Oxide	8	7
Ethylene Glycol	18	20
Butadiene	34	31
Phenol	12	10
Acetone	7	7
Benzene	87	82
Toluene	2	16
Orthoxylene	1	0
PVC	86	88
PTA	141	1

PKN Orlen, Q1 2012

Operational profits from Orlen's petrochemical division amounted to zl 346 million in the first quarter, down zl 39 million on the same period last year. Prices of petrochemicals were higher this year meaning that the valuation of inventories was higher by zl 8 million. However, the impact of lower petrochemical margins reduced the operational profit by zl 277 million against last year.

Petrochemical revenues for the Orlen group increased by zl 286 million in the period January-March 2012, due mostly to the production of PTA which was only commenced in the second quarter last year. Other factors included higher sales of olefins, polyolefins and fertilisers. In the first quarter the capital expenditure in Orlen's petrochemical division amounted to zl 48 million which was zl million down on 2011. The most significant investments were concentrated on the phenol and olefin plants at Plock, and the fertiliser complex at Wloclawek.

For Unipetrol olefin margins dropped by 21% in the first quarter in 2012 against 2011, as the spreads on ethylene, propylene and benzene came under pressure. Polyolefin margins dropped by 15% due to lower polypropylene-propylene and polyethylene-ethylene spreads. Margins started to increase towards the end of March in readiness for the seasonal uplift expected in the second quarter.

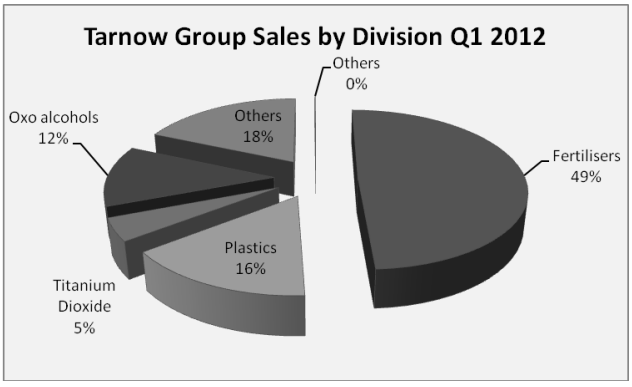


Petrochemical sales for Unipetrol totalled 440,000 tons in the first quarter in 2012, 2% down on the first quarter in 2011. Monomers were down 6% while polymers recorded an increase of 6%. Polyethylene and polypropylene sales volumes proved the most successful area of chemical sales.

Petrohemija restarts cracker

Petrohemija restarted petrochemical production at the end of April after a two month outage and is operating without any problems. Three pillars of recovery for Petrohemija are based on financial restructuring, the investment programme and the change management system. For 2012-2013, the company plans to invest €62 million against state guarantees in the reconstruction of the polyethylene facilities at Pancevo. However, with elections undertaken at the start of May and a new government in the throes of formation it is not clear that the investment programme will receive renewed endorsement. The company recorded losses in 2011 and in the first quarter in 2012, despite the restructuring, and debts continue to rise. Options are few to resolve the situation, and probably the only feasible solution seems to consist of being taken over by NIS.

Petrochemicals



ZA Tarnow-Akron offer

Akron has bid for a two thirds majority in ZA Tarnow, although it is unlikely to be accepted. Akron said stated that it was prepared to pay more than $465 million for a 66% stake, the management of the Tarnow Group decided that the offer was too low. Akron said that joining the two companies could create synergies by giving the Tarnow Group better access to raw materials. Although the Polish government wants to sell its majority stake in the Tarnow Group, the prospect of a Russian buyer taking over the assets was not previously considered. Thus, it may need Akron to increase its price and the

Polish government to change its thinking for any deal to materialise.

Polish Chemical Production (unit-kilo tons)

Product	*Jan-Apr 12*	*Jan-Apr 11*
Caustic Soda Liquid	102.8	94.1
Caustic Soda Solid	20.9	16.4
Soda Ash	358.3	330.7
Ethylene	186.1	185.4
Propylene	124.4	121.9
Butadiene	21.2	22.8
Toluene	6.9	45.3
Phenol	15.0	14.2
Caprolactam	57.4	57.8
Acetic Acid	3.1	3.5
Polyethylene	129.0	127.0
Polystyrene	37.7	42.9
PVC	99.6	92.1
Polypropylene	91.7	78.6
Synthetic Rubber	66.6	61.7
Ammonia (Gaseous)	464.0	421.0
Ammonia (Liquid)	476.0	385.9
Pesticides	9.1	9.6

Tarnow Group, Q1 2012

The Tarnow Group net achieved a net profit of zl 179 million in the first quarter in 2012, against zl 70 million in 2011. The largest share of the group profits came from fertilisers, which were bolstered by the incorporation of ZCh Police in 2011. The oxo alcohol division, managed by ZAK at Kedzierzyn, recorded an operating profit of zl 26.473 million in the first quarter against zl 46.423 million in the same period in 2012. Weaker margins were the main cause of lower profits from oxo alcohol sales. The European market for caprolactam and polyamide was profitable and the Tarnow Group also benefited from high prices in Asia.

One of the key raw materials used by ZAK is propylene and shortages in Europe in the past few months have adversely affected margins for oxo alcohols. Moreover, propylene prices increased due to the increase in crude oil prices and continued high energy costs. Gas prices affected ZAK as with other members of the Tarnow Group.

Sales in the first quarter of 2012 for the oxo alcohol division were up by 17% in the first quarter to zl 310,691. The difference resulted from increased sales in both quantitative terms as well as higher sales prices. The first quarter of 2012, for the European market for oxo alcohols and plasticizers was favourable for the group, with an upward trend in consumption. The main sectors that drove the demand for oxo alcohols were for 2-EH in nitrate esters and fuel additives, and butanols acrylates, acetates, and paint and varnish industry. Strong demand for plasticizers was mainly due to low inventories at the start of 2012 and the need to restock impacted on prices. In the case of DEHP limited availability was seen due to an outage at Arkema (the other main producer besides ZAK) leading to a climb of prices and reducing the gap against higher plasticizers (DINP, DPHP).

ZAK is now producing 150 tons/month of DOTP (di-Octyl-terephthalate), and aims to increase capacity to 7,000 tpa before expanding up to 30,000 tpa. This phthalate free general purpose plasticizer is growing fast in volume and is taking share from DOP but also increasingly from DINP. ZAK ended last year very good results. Net profit was zl 192 million and sales volume reached 2 zl 193 million. Similarly, in 2010 net profit amounted to zl 30 million on sales of zl 1 759 million. The paint and varnish industry is not only important for oxo alcohol sales for the Tarnow Group, but also titanium white produced by ZCh Police.

ZCh Police, Q1 2012

In the first quarter of 2012 ZCh Police increased profits by 17% despite the problems with gas supply. The management has consistently pursued a number of external measures, aimed at optimising costs and this has helped a large extent to neutralising emerging adverse market conditions. This allows the company to become more resistant to economic fluctuations. Sales revenues from titanium dioxide increased in the first quarter, whilst Ad Blue and ammonia sales increased its share of chemical revenues from 2% to 11%.

Seasonal demand for titanium white falls in the winter period, but this year consumption has been even more affected by the economic slowdown. It is estimated that due to the economic slowdown in the sales of paint and varnish dropped about 10-15% in the first quarter although in March there was a slight recovery in demand. Another problem for ZCh Police this year is that there has been a two or even three-fold increase in commodity prices for ilmenite from January 2012, significantly increasing production costs of titanium white. The market for titanium dioxide is expected to stabilise in the second quarter with higher prices. However, the suspension of customs duties of 6.5% for imported titanium dioxide from China may have a negative impact on the market.

ZCh Pulawy, Q1 2012

ZA Pulawy recorded improved results in the quarter January to March 2012 due largely to higher prices for fertilisers and urea. The company also started to sell products from Gdansk Fosfory and Azot Adipol from Chorzow. In the period from January to March 2012 revenues from export sales dropped by 2.7%, even though revenues from domestic sales recorded a growth of 43.6%. The main products in the chemical division at ZA Pulawy include melamine, caprolactam, hydrogen peroxide, urea and AdBlue. Gdansk Fosfory produces

sulphuric acid and sodium bisulphite, whilst Azot Adipol produces technical potassium nitrate, and food potassium nitrate.

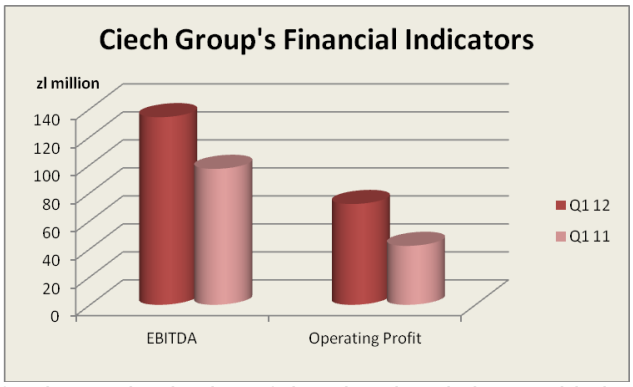
Low demand for melamine affected ZA Pulawy's chemical sales in the first quarter. Lower prices were also influenced by the influx of melamine from Trinidad and Qatar at competitive prices. There was less demand for melamine in the woodworking industry (for production of MDF and wood panels). Azot at Nevinomyssk in Russia has started a 50,000 tpa plant for the production of melamine adding to the competition.

Ciech's Revenues (zl million)

Product	*Jan-Mar 2012*	*Jan-Mar 2011*
TDI	127.078	119.597
Resins	126.298	121.637
PU foams	55.161	54.126
Plastics	14.919	20.041
EPI	18.524	28.429

ZA Pulawy (ZAP) has agreed to accept the feasibility study of construction of a gas and steam block with a capacity of 800-890 MW. The project will be implemented within the company's division Melamine III. The main issue for ZA Pulawy is the price of gas determined to some extent by the rate of economic growth in the euro area, the demand for LNG in Asia, and weather conditions.

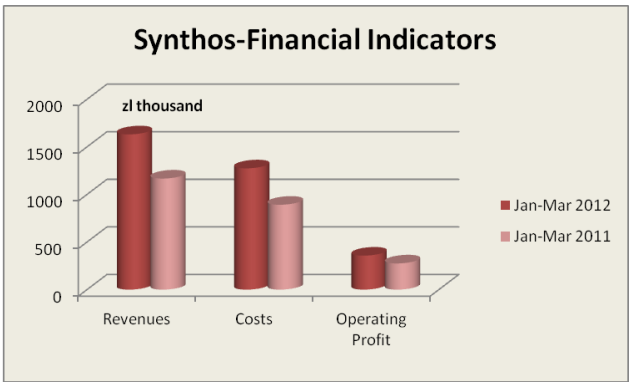
European average contract prices for natural gas rose in the first quarter this year by 3.8% to $11.77/MMBtu as compared to October to December. ZA Pulawy expects gas prices to peak in the fourth quarter this year reaching $12.82/MMBtu, while the spot price could reach $12.87/MMBtu. ZA Pulawy signed a contract with the Entrada Group at the end of 2011 for gas supplies, but this will only account for around 5% of the company's consumption. The main supplier of natural gas is still PGNiG, and gas mostly comes from the Yamal-Nenets region.



Ciech, Q1 2012

Ciech experienced a good first quarter due mainly to growth of domestic chemical industry sales. A significant acceleration was recorded in domestic sales of construction chemicals, whilst in export markets the group benefited from a 6-9% increase in soda ash prices against the first quarter last year.

The organic division saw a good recovery in the first quarter, where TDI margins improved helping revive financial performance at Zachem. Ciech has put up Zachem for sale, but has still allocated zl 176 million for the modernisation of the plant in relation to chlorine conversion and the introduction of new technology for epichlorohydrin. One of the main projects includes the expansion of the TDI plant to 90,000 tpa. For Organika-Sarzyna, Ciech has allocated zl 130 million for the construction of a plant for a pesticide MCPA, including the infrastructure).



Key investment projects in the first quarter included an expansion of sodium bicarbonate at Janikowo from 70,000 tpa to 90,000 tpa, construction of new technology for epichlorohydrin production at Zachem with bio-glycerine and construction of MCPA and MCPP units at Organika-Sarzyna.

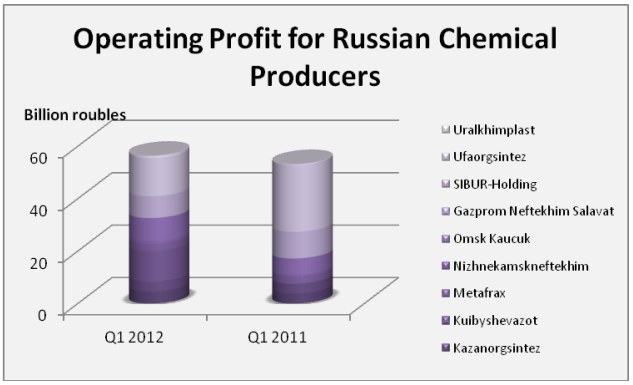
Synthos, Q1 2012

The Synthos Group increased revenues and operating profits in the first quarter by 40% and 30% respectively over the same period in 2011, although costs were up by 42%. Prices for butadiene in the first quarter of 2012 were characterized by high volatility, although the price spread with synthetic rubber remained positive.

The production of polybutadiene rubber (PBR Nd) at Kralupy increased in the first quarter, after start-up took place in the third quarter in 2011. PBR is the second largest type of synthetic rubber produced by the company behind SBR. PBR's most important application is tyres, mainly tread and sidewalls, which account for 70% of global consumption. Other applications include PBR technical products (hoses, belts, soles for shoes, etc). West Europe is seeing a significant increase in demand for PBR produced using neodymium technology, which is used by Synthos.

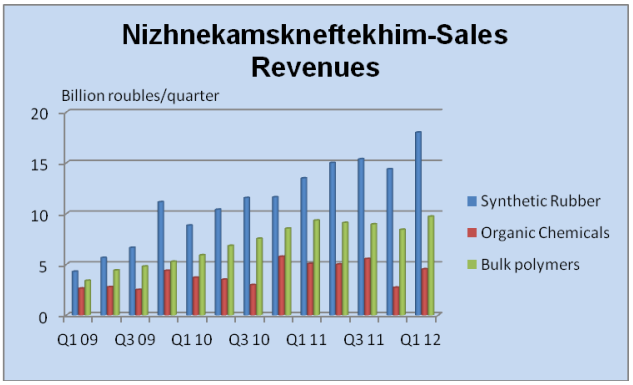
Other procedures undertaken by Synthos in the first quarter this year included the expansion of EPS capacity at Synthos Dwory. The group has undertaken an investment process of building a new reactor for polystyrene at Synthos Dwory to expand the capacity from 80,000 tpa to 100,000 tpa. Due to the investment, the group will be able to start production new varieties of polystyrene. In the dispersions sector Synthos has introduced new products this year, particularly for acrylic dispersions and widening the product range on offer. New dispersions will be introduced as raw materials for construction and other chemical products.

RUSSIA



Russian chemical companies, Q1 2012

Russian chemical producers reflected a varied picture in relation to operating profits in the first quarter, with some companies showing improvements and others recording falls due to higher costs. The largest chemical group in Russia SIBUR Holding reduced its net profit in the first quarter by 27% over the same period last year to 14.583 billion roubles. Revenues for SIBUR rose 5.4% to 59.669 billion roubles, but the cost of production increased by 16% up to 36.145 billion roubles. As a result of these figures the group's gross profit dropped by 7.7% to 23.524 billion roubles.



By contrast, Nizhnekamskneftekhim increased its net profit by 1.5 times in the first quarter up to 5.1 billion roubles. Revenues rose 16% to 34.62 billion roubles whilst costs were up by around 8%. Sales of synthetic rubber provided 52% of revenue for Nizhnekamskneftekhim in the first quarter, sales of plastics and synthetic resins amounted to 28%, and organic products 13%. Nizhnekamskneftekhim is undertaking projects to increase the production of butadiene rubber SKD-N up to 150,000 tpa by 2013, butyl rubber halobutyl up to 200,000 tpa by 2014, and isoprene rubber SKI-3 up to 280,000 tpa by 2013.

The net profit for Kazanorgsintez rose in the first quarter to 911.6 million roubles against 522.8 million roubles in the same period last year. Revenue rose by 24% to 11.620 billion roubles. By running the E500 plant at high capacity rates Kazanorgsintez was able to significantly increase the net profit in the first quarter this year. The rise in financial performance has led to a reduction in total long-term debt by approximately 2% to 28.13 billion roubles. Polymer revenues increased across the board with HDPE showing the largest rise.

The net profit of Gazprom Neftekhim Salavat dropped 1.97 times in the first quarter against 2011 to 1.54 billion roubles. Whilst revenues rose 1.2% in the period January-March to 35.290 billion roubles, production costs rose by 9.13% to 27.050 billion roubles impacting on profits. Revenues were affected by capacity underutilisation for a number of products. Gazprom Neftekhim Salavat plans to launch a new turbine in October this year at the monomer division that that will reduce energy costs in the production of ethylene. The project will provide for a more rational use of high-pressure steam in the EP-300 cracker which has been a problem for the company. In addition to the new turbine facilitating higher capacity utilisation at the cracker, it will also provide the steam necessary for new capacities for ethylene and propylene which are under planning at Salavat.

Russian chemical production, Jan-Apr 2012

Production of plastics in primary forms fell by 4.6% in Russia in the period January-April 2012, against 2011 and was down to 1.723 million tons. The production of polyethylene has fallen by 15.2% and amounted to 471,400 tons, and polypropylene fell by 12.1% to 211,100 tons. PVC rose by 15.5% to 218,800 tons. Polyolefin production was down due to the Stavrolen outage. Russian synthetic rubber producers in the first four months in January-April 2012 increased production by 2.4% up to 454,700 tons. Production of polyesters, polycarbonates, alkyd and epoxy resins decreased by 1.9% to 171,300 tons, and polyamides by 24.6% to 37,700 tons. Production of amino-formaldehyde resins increased by 3.1% to 305,700 tons.

Russian Chemical Production (unit-kilo tons)		
Product	***Jan-Apr 12***	***Jan-Apr 11***
Acetic Acid	51.4	43.4
Ammonia	4,360.1	4,934.9
Benzene	391.7	400.8
Butanols	87.2	85.8
C Black	252.1	238.2
Caustic Soda	353.8	313.1
Ethylene	783.3	846.1
Methanol	1,164.9	1,062.4
PET	138.5	101.8
Phenol	0.0	86.1
Phthalic Anhydride	33.5	0.0
Polyethylene	471.4	543.0
Polypropylene	202.5	224.5
Polystyrene	98.8	110.8
Propylene	405.2	461.9
PVC	218.8	191.3
Soda Ash	968.6	910.9
Styrene	188.7	175.6
Synthetic Rubber	454.7	420.8
Urea	1,989.7	1,588.8

In the monomer sector ethylene production fell by 8.6% to 783,300 tons, propylene by 14% to 405,200 tons and xylenes by 4%, to 184,300 tons. Olefin volumes continue to be affected by the uncompleted repairs being undertaken at Budyennovsk. Production of benzene in Russia increased by 0.9% to 373,600 tons due partly to additional coal benzene availability, whilst styrene rose by 2.6% to 180,100 tons and phenol rose by 4.6%, to 96,200 tons.

Feedstocks & Petrochemicals

Bashkortostan NGL pipeline

Agreements have been reached between the various regions for development of the Yamal-Privolzhskiy (Volga) gas liquid pipeline, that will link West Siberia and the Volga-Urals region. Bashkortostan, Tatarstan and the Yamal-Nenets Autonomous Okrug signed a memorandum of understanding in May to cover the transportation of hydrocarbons, including NGLs and gas condensate. Whilst the federal government has thus far indicated that it will not support such a project, the excess of gas liquids in West Siberia combined with the deficit in the Volga region provides a strong pretext in favour of constructing a new feedstock pipeline.

The cost of the project is estimated in the range of 80 to 120 billion roubles. The aim is not to restore the old product pipeline, which exploded in the 1980s, but to build a new pipeline which is thought to be safer and economically more viable. Preparations for the new project could be ready by 2013, depending on the feasibility study. It has already been accepted that constructing a pipeline in the Volga region is far more complicated than in West Siberia due to population density.

Funding could represent the largest challenge, and may need to be sourced from a variety of sources including regional governments, local petrochemical companies, etc. Participation in the project is open to Gazprom and banks VEB and Sberbank, whilst SIBUR would have to be involved as the provider of the gas liquids. It is unlikely that SIBUR would want to commit too much to financial support in view of other commitments such as building a pipeline between Purovsky and Tobolsk.

Other investors may be attracted as West Siberia could possess a huge surplus of associated gas by around 2020 and at the same time could have insufficient processing capacity. Thus, possessing a pipeline outlet to the Volga-Urals region would provide good economic usage of these feedstocks. At the same time Tatarstan and Bashkortostan both face pending shortages in gas liquids and such restrictions provide a significant obstacle to the development of chemical and petrochemical industries.

Purovsky Plant-Tobolsk-Neftekhim

SIBUR plans to introduce a two product pipeline section Purovsky Plant-Tobolsk-Neftekhim by Q3 2014. The Purovsky Plant is owned by Novatek and will be linked with Tobolsk by a pipeline of 1,097 km in diameter from 500 to 700 mm. The project consists of three parts, the first linking Purovsky processing plant condensate and the Noyabrsk overpass. The second part will run from the Noyabrsk overpass to the Yuzhniy Balyk pumping station (STS), whilst the third part provides the connection with Tobolsk-Neftekhim.

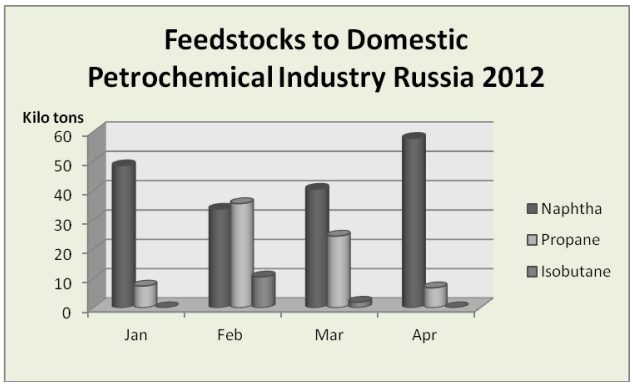
The first two parts of the pipeline are intended for completion in the third quarter in 2014, with the final connection to Tobolsk ready by Q4 2015. The capacity of the pipeline is being designed to deliver 8-14 million tpa with the prospect of expanding to 19 million tpa by 2018. By constructing the Purovsky-Tobolsk pipeline, SIBUR may decide to abort plans for

a gas liquid connection between West Siberia and the Baltic coast known as the Chord pipeline.

In addition to the pipeline project, SIBUR-Trans has approved investment projects for developing the infrastructure at Tobolsk. The project involves the construction of not less than 25 km of track, associated engineering works and utilities, buildings, etc. This decision will allow the export of products from Tobolsk and the new petrochemical faculties under construction and under planning. In late 2012 or early 2013 Tobolsk-Polymer expects to be capable of shipping polypropylene.

Possibly by the second half of this decade Tobolsk will become a significant location for petrochemical production, covering the full chain from gas liquids to polymers. The start-up of the polypropylene plant at Tobolsk-Polymer in 2013 represents the first key stage to be followed by the Zapsibneftekhim project in 2016-2017. This could involve up to 1.5 million tpa of ethylene in addition to other monomers and derivatives. The British company ERM Eurasia has undertaken a number of environmental audits at Tobolsk to ensure that the site complies with stringent international standards in terms of emissions, recycling of industrial waste, etc.

Tobolsk-Neftekhim is currently in the process of expanding its capacity for gas fractionating (TSGFU) to a total of 5.8 million tpa. In the next few years the flow of hydrocarbons to Tobolsk industrial centre could grow significantly, particularly if infrastructure connections are formed with Novatek's gas condensate plant at Purovsky as planned.



Russian petrochemical feedstocks, Jan-April 2012

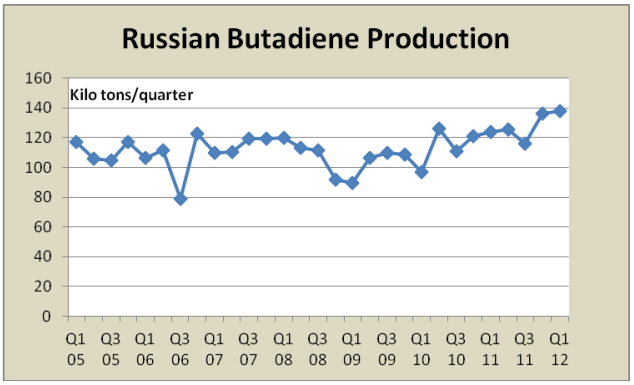
Naphtha purchases by Russian petrochemical plants rose 43% in April over March to 57,700 tons. Higher purchases of naphtha by Russian petrochemical plants in April impacted on propane sales, which were down 72% against March to 6,800 tons. SIBUR's petrochemical plants increased their purchases of naphtha and natural gas liquids, while reducing the processing of other types of pyrolysis feedstock. Overall, Russian naphtha sales to petrochemical plants totalled 482,100 tons in the period January-April 2012, 30% down on the same period last year. Lower consumption of naphtha in petrochemical production was due in part to alternative feedstocks and in part due to the Stavrolen outage.

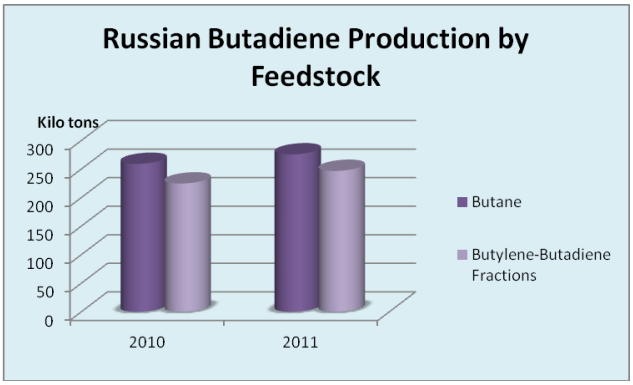
For the period January to April 2012, Russia imported 41,600 tons of butylene-butadiene fractions which was 3.1 times higher than the same period last year. Whilst April imports increased sales of domestically produced butylene-butadiene fractions dropped 1% against March to 20,500 tons in April. Togliattikaucuk reduced its purchases after an accident that took place on 22 April which kept the plant down until early May.

Total domestic sales of butylene-butadiene fractions amounted to 89,400 tons in the period January-April 2012, which 28% up on the same period in 2011. Tomskneftekhim reduced the supply of butylene-butadiene fractions by 20% over March to 5,200 tons, and SIBUR-Neftekhim reduced by 10% to 4,800 tons. At the same time the Angarsk Polymer Plant increased shipments to the domestic market by 9% to 6,300 tons.

Russian butadiene market, Q1 2012

Butadiene production totalled 138,000 tons in the first quarter in 2012, 4% higher than the same period last year.





Production slowed in the latter part of the first quarter this year, dropping 3% in March against February down to 45,400 tons. This was after production increased 6% in February over January. The largest domestic producer of butadiene is Tobolsk-Neftekhim, which it does not use captively but sells to rubber producers. The other major producers include Nizhnekamskneftekhim which has recently received delivery of equipment for heat-exchange at its subsidiary Nizhnekamskneftekhim-Butadiene.

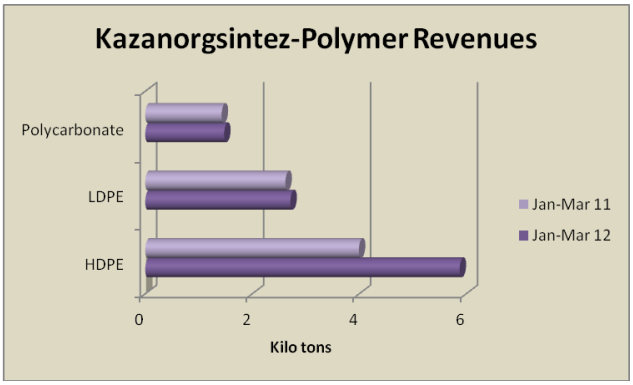
Nizhnekamskneftekhim-butadiene was established in 2004 as a sub-division of Nizhnekamskneftekhim. As part of the latest project, Promtehnokom installed two heat exchangers at Nizhnekamskneftekhim-butadiene to optimise the production process.

Russian styrene market

Russian styrene production amounted to 137,200 tons in the first quarter this year, 1% more than the same period in 2011. Prices are expected to rise in the near term due to a combination of higher costs for raw materials and tight supply in the Russian market. Gazprom Neftekhim Salavat is to undertake a shutdown of the plant in the middle of June for a period of 55 days and Plastik at Uzlovaya in early June for a period of 30 days.

The production of styrene in Russia increased by 3% in 2011 to 486,200 tons. SIBUR-Khimprom increased styrene production significantly after modernisation, which was instigated to meet demand for the new polystyrene units. Last year Plastik at Uzlovaya underwent a shutdown that resulted in 7% less production than in 2010. The main obstacle to further capacity expansions of styrene in Russia is raw material shortages, particularly benzene and to a lesser extent ethylene. Most of the producers produce both ethylene and benzene, but do not possess a sizeable surplus to feed higher capacity. For example, Gazprom Neftekhim Salavat can process the crude benzene and receive raw materials for the synthesis of styrene, but the company is faced by ethylene shortages.

Total sales of styrene on the merchant market amounted to 87,100 tons in 2011, 4% lower than in 2010. Nizhnekamskneftekhim is effectively the sole seller of styrene on the merchant market. The main domestic consumers comprise three companies Pizhi Prof (40% of gross consumption), Voronezhsintezkaucuk (34%) and Kaucuk at Sterlitamak (10%). Producers continue to focus on export activity which helps to keep the domestic market tight. In 2011, export amounted to 118,400 tons against 158,700 tons in 2010. The launch of the second EPS unit at SIBUR-Khimprom will help to squeeze styrene supply further.



Kazanorgsintez, Q1 2012

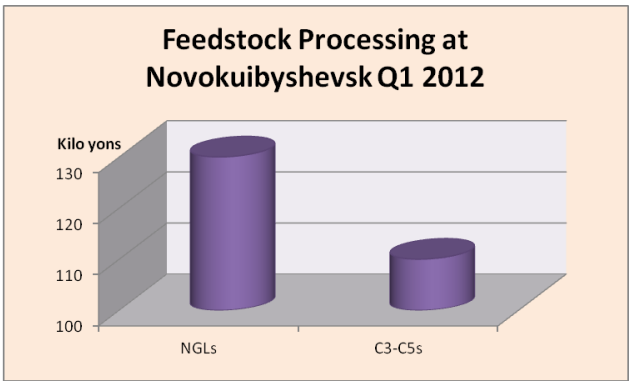
Kazanorgsintez recorded a profit of 911.580 million roubles in the first quarter in 2012, 1.7 times higher than in the same period in 2011. The improvement signals a major change for the petrochemical company that has struggled with feedstocks and finances in recent years, nearly driving itself into bankruptcy.

The financial improvement this year was helped by the completion of the E-500 ethylene plant. The company's revenue grew 24% to 11.6 billion roubles of which more than 50% of revenues (5.9 billion roubles), were provided through the sale of HDPE, 23.4% for LDPE and 12.7% for polycarbonate. Most of the company's sales went to Russia and the CIS. In 2011, Kazanorgsintez exported products worth 8 billion roubles to more than 30 countries. Debts of an enterprise at the end of first quarter amounted to 28.5 billion roubles, which is 20% lower than at the same juncture in 2011.

Novokuibyshevsk raw material supply picture changing

NGL processing at Novokuibyshevsk exceeded 130,000 tons in the first quarter this year, after feedstock supplies were resumed by Rosneft to the SANORS holding. This is the first time the gas fractionating plant at Novokuibyshevsk has run close to 100% of capacity since 2004. The gas fractionating plant at Novokuibyshevsk was developed originally in the period between 1967 and 1980 when several units were introduced to produce a total for 500,000 tpa of isopentane, isoprene and butadiene. SIBUR decided to sell the plant to SANORS in 2011 as it was not compatible with its main product direction, and since SANORS has attempted to resume processing levels which had declined in 2009 to 2011.

Feedstock flows have been helped by the Stavrolen outage, as Rosneft has suspended agreements with LUKoil to supply Budyennovsk and has sent the gas to Novokuibyshevsk instead. In the first quarter in 2012 the Novokuibyshevsk gas fractionating plant (TSGFU) produced about 110,000 tons of C3-C5 gases from a quarterly capacity of 150,000 tons. Theoretically, the capacity of the TSGFU-3 could be fully loaded with raw materials from Rosneft, but Rosneft depends on TNK-BP for associated gas supplies and that position could change.



TNK-BP is reconstructing its Zaykinsk gas processing plant which it hopes to complete in 2012 which will reduce the volume of associated gas available to Rosneft, whilst TNK-BP aims to produce its own products such as ethane. TNK-BP will increase its capacity at Zaykinsk for associated gas produced by Orenburgneft from 1.1 billion cubic metres to 2.2 billion cubic metres. Supplies from Rosneft's gas processing plants at Otradnenskoye and Neftegorsk will start to decline and then SANORS may find itself competing with Stavrolen for the same type of feedstocks. Thus, finding a reliable long term source of supply presents the major challenge to SANORS.

Samaranefteorgsintez-modernisation plans

SANORS intends a gradual transition to the processing of naphtha and increase the capacity of ethylene to 200,000 tpa at its Neftekhimya division, as part of a wider restructuring programme. Samaranefteorgsintez (SANORS) was created in the first half of 2011 on the base of Samaraorgsintez, Neftekhimya at Novokuibyshevsk and Novokuibyshevsk Petrochemical Company. SANORS is now planning to modernise not only its existing facilities at each of the three subsidiaries, but also add new units in an investment programme covering the period up to 2015.

At the parent company of the SANORS group Samaraorgsintez is planning the reconstruction of the phenol plant that will result in an expansion of capacity to 90,000 tpa. In addition the company aims to introduce the production of benzene content fractions with the subsequent production of benzene and naphtha. The group has already overhauled the ethanol plant and is now producing 96%, and increasing monthly output, in addition to the reopening of the gas fractionation plant (TSGFU-3) being reopened in 2011.

Bulk Polymers

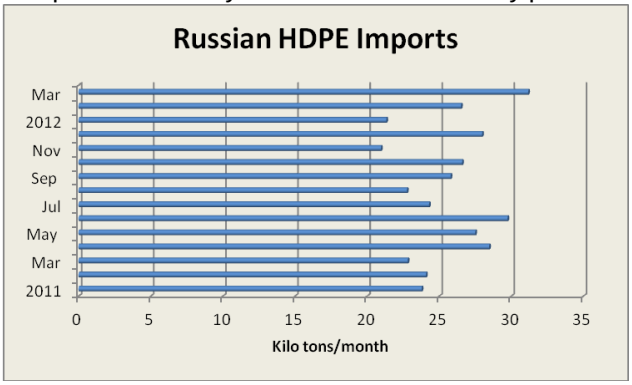
Russian Polypropylene Production (unit-kilo tons)

Producer	*Jan-Apr 12*	*Jan-Apr 11*
Ufaorgsintez	37.8	30.8
LUKoil-Neftekhim	11.5	40.8
Neftekhimya	36.4	38.2
Nizhnekamskneftekhim	70.7	70.7
Tomskneftekhim	46.1	44.0
Totals	202.5	224.5

Russian polypropylene market, Jan-Apr 2012

Imports of polypropylene into Russia totalled 12,880 tons in April, 64% up on March. The major importer was the Turkmenbashi refinery from Turkmenistan which shipped 5,290 tons, followed by LyondellBasell with 2,210 tons. SIBUR has started to import basic grades of polypropylene to reduce the existing deficit in the Russian market. A pilot batch of 500 tons was bought in May with a subsequent increase up to 2,000 tons per month and above.

Nizhnekamskneftekhim produced 17,860 tons of polypropylene in April, 2% less than in March. Capacity utilisation for the polypropylene plant at Nizhnekamsk was 108%, 2% less than in March, although production was the same for the first four months in 2012 as last year. The main factor affecting the Russian market is that the cracker outage at Stavrolen and the raw material problems at Lisichansk have squeezed supply. Purchases by SIBUR of polypropylene are being made in the markets of China, India and the Middle East. Broadly speaking, the commissioning of Tobolsk-Polymer cannot come quick enough for SIBUR, although product from the plant is not likely to be seen until the early part of 2013.



Russian HDPE market,Jan-Apr 2012

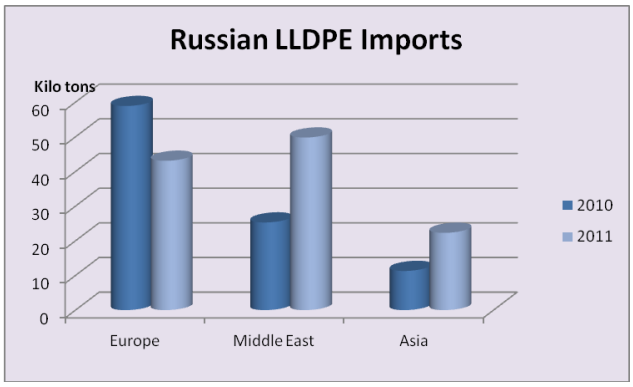
As expected, HDPE imports into Russia have increased since the Stavrolen plant went down in December last year but probably not as much as might anticipated taking into account how much production has been lost. In 2011 Stavrolen was the largest supplier of HDPE for Russian consumers. The company sold 121,000 tpa of HDPE to the domestic market in 2011, mostly for pipes and fittings, which represented 41% of the total production volume. The force majeure at Stavrolen this year has forced other

producers to alter their structure of production and reduce export activity.

For the whole of 2011, HDPE production totalled 852,500 tons which was 6% up on 2010. Kazanorgsintez was the largest producer, producing 43%, down from 45% in 2010, due to ethylene restrictions. This is despite higher consumption of ethylene, which was supported by purchases from Nizhnekamskneftekhim. Although the production of HDPE was launched at Gazprom Neftekhim Salavat in March 2010, the plant has incurred problems and has not operated close to full capacity.

Kazanorgsintez has significantly increased production volumes in 2012, mainly due the increase of use of pipe brands. The company's domestic market share in the first quarter this year rose to 62% for pipe grade HDPE, whilst also increasing their production volumes of moulding grade polyethylene. The production structure of Nizhnekamskneftekhim has changed in a similar fashion, producing more pipe grade HDPE at the expense of film grade. The increase in production at Russian plants has compensated partly for the shutdown at Budyennovsk imports have risen whilst the volume of exports has declined. Imports of HDPE have increased from Ukraine in 2012 at the expense of West European product, mainly determined by price. Whilst the supply from Ukraine increased from 13% of total imports in Q1 2011 to 28% in Q1 2012, the share of Middle East imports has risen to 9% from 4%.

In terms of market applications HDPE pipe grade is expected to continue to growing this year due to a number of large-scale infrastructure projects. Several sporting events including the Winter Olympics at Sochi in 2014 are helping to drive demand in addition to numerous state projects which are part of the programme to modernise the existing infrastructure. The growth of consumer HDPE film in 2012 is expected to be less rapid than that of polyethylene pipe, but still a 6-7% growth rate can be expected. Consumption of HDPE for blow moulding and injection moulding will also increase for the year, but growth will be relatively low and is only expected to be around 3% more than in 2011.



Russian LLDPE market, Jan-Mar 2012

LLDPE imports into Russia increased in the first quarter this year, particularly due to the absence of domestic production. In recent years, consumption of LLDPE in Russia has increased significantly. Purchases by consumers amounted to 155,000 tons in 2010 which rose to 182,100 tons in 2011. The two Russian producers alternate with HDPE production and HDPE represents the current focus.

The leading supplier of LLDPE to Russia is SABIC, which delivered 42,200 tons in 2011 and 7,400 tons in the first quarter this year. European imports have declined in the past year, partly to price issues and partly to SABIC's LLDPE being considered to meet more of technical criteria required by Russian consumers. Imports from European suppliers into Russia totalled 43,100 tons in 2011 against 58,900 tons in 2010. Major European suppliers traditionally include Dow and ExxonMobil.

Russian LLDPE Market (unit-kilo tons)

	Jan-Mar 12	*Jan-Mar 11*	*Jan-Dec 11*	*Jan-Dec 10*
Production	0	0	56.5	51.4
Exports	0	0	1	2.7
Imports	30.9	26.5	126.6	107.3
Market Balance	30.9	26.5	182.1	156.0

Other important importers include the Korean company Honam», where LLDPE is used in rotational moulding, and Uzbek company Shurtan MCC which is the cheapest in the Russian market.

Consumption of LLDPE in Russia is expected to exceed levels achieved in 2011 by around 10%. The bulk of LLDPE is purchased for the production of stretch films, films for laminating and shrink. SABIC is expected to retain its dominant position in the market this year whilst Shurtan MCC is building up market share. Regarding domestic producers, Nizhnekamskneftekhim has restarted production in May and should produce around 25,000 tons before reverting to HDPE production.

Russian PVC market, Jan-April 2012

Russian production of PVC totalled 49,000 tons in April, 9% lower than in March. Emulsion grade PVC production by Khimprom at Volgograd amounted to 820 tons in April, 2.3 times lower than in March which was due to a combination of maintenance and problems with steam supply. Suspension grade PVC production was

down across the board due to high inventories in the marketplace that had built up in the first quarter. Kaustik at Volgograd, which now incorporates Plastkard, reduced production due to maintenance in the first half of April.

Russian PVC Production (unit-kilo tons)

Producer	*Jan-Apr 12*	*Jan-Apr 11*
Kaustik	74.0	46.8
Plastkard	23.1	32.4
Khimprom	5.5	0.0
Sayanskkhimplast	74.9	7.4
SIBUR-Neftekhim	9.2	93.7
Total	177.5	180.3

Imports of PVC suspension grade from the US continue to decline this year; volumes totalled 39.819 tons against 84,657 tons in the same period last year. The reduction in imports is primarily due to higher selling prices of North American plants and insufficient supply as a result of growing demand in the domestic US market. However, prices of US product were lower in May and June leading to a slight revival in orders. Imports of emulsion grade PVC dropped by 24% in April against March to 2,770 tons. Shortages of product in West Europe accounted for the lower imports. The main buyer in the Russian market is plasticizer producer Tarkett, accounting for 49% of imports in April.

Aromatics & derivatives

Russian benzene market, Jan-Apr 2012

Benzene production in Russia totalled 89,700 tons in April, 13% down on March. A maintenance shutdown took place at Omsk in April which resulted in a 40% reduction in production to 7,100 tons. As a result of tight market supply, imports of coal based benzene from Ukraine and Kazakhstan increased to consumers such as Kazanorgsintez and Kuibyshevazot. In the first four months this year Russian benzene production totalled 391,700 tons against 400,800 tons in the same period.

Imports of benzene dropped 8% in April against March to 4,830 tons, due primarily to the fact that Samaraorgsintez significantly reduced purchases from abroad. In contrast Samaraorgsintez increased purchases of domestically produced benzene by 1.7 times, thus reducing imports by 31% to 1,270 tons. In addition, Kazanorgsintez imported 354 tons which is 26% less than in March. Kuibyshevazot was the only consumer to increase imported benzene purchases in April, buying 3,200 tons which is 10% than in March. In total for January-April 2012 Russian imports of benzene amounted to 16,290 tons which represents a 63% increase over the same period last year. The main reason for the increase is due to the ongoing outage at Stavrolen which is not expected to be resolved until August at the earliest.

Kuibyshevazot-Electrical Energy Per ton of Production (kw/ton)

Year	*Ammonia*	*Urea*	*Caprolactam*
2000	139	209	2409
2001	138.9	191	2256
2002	137.7	265	2294
2003	139.6	190	2179
2004	127.8	175	2082
2005	118.4	171	1961
2006	134.7	175	1966
2007	123.9	174	1853
2008	122.7	171	1838
2009	123.2	165	1720
2010	127.8	169	1816
2011	107.4	166	1713

Kuibyshevazot, Q1 2012

Kuibyshevazot increased the sales of marketable products by 8.8% in the first quarter in 2012, compared against 2011, up to 8.2 billion roubles. Production of caprolactam increased by 3%, industrial yarns by 2.5%, but polyamide-6 dropped 20.3% and tyre cord fabric 6%. Reduced production of polyamide was due to plant maintenance. Ammonia and urea production increased 4% and 1.3% respectively.

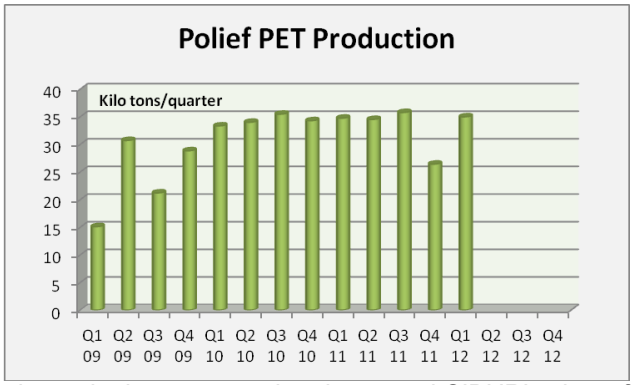
In recent years the company has focused on reducing electrical energy used in all of its production range, with the main products shown opposite. For ammonia, urea and caprolactam there has been a steady improvement in costs per ton of production helping to maintain profitability. In the long-term strategic programme Kuibyshevazot aims to increase the processing of caprolactam and reduce the dependence on exports and domestic merchant sales. The acquisitions of the Balashov textile plant in 2010 has given access to polyamide and mixed fabric facilities, whilst in 2011 German company STFG Filamente GmbH was acquired. Engineering plastics are another downstream area of polyamide 6 processing which Kuibyshevazot is developing. In 2007 the company started production at the jv Kuibyshevazot Engineering Plastics (Shanghai) in China. In 2011 the production at Shanghai amounted to 5,500 tons of engineering plastics.

SIBUR-Gazprom Neft-PTA proejct

SIBUR Holding and Gazprom Neft are currently negotiating a jv for the production of PTA at the Omsk refinery. Production capacity of the potential plant has been initially set at 350,000 tpa and the jv could be arranged on 50/50 basis. At the end of 2010 the two companies signed a memorandum to cover the development of PET

and PTA plants, but it is unlikely that PET project will be pursued. The shortage of MEG in Russia makes it difficult tom consider building its own PET plant, but by producing PTA the jv could be capable of supplying several PET plants.

The PTA project is seen as part of Gazprom Neft's efforts to reorganise its petrochemical production. Gazprom Neft is considering two options either to strengthen the structure within the directorate, or to create a commercial entity that will operate for the benefit of Gazprom Neft's joint petrochemical assets. In the current format Gazprom Neft's petrochemical business is linked integrally with the refinery division. However, products such as xylenes, benzene and propane-propylene fractions are sold into the petrochemical market and Gazprom Neft wishes to differentiate these products from refinery products.



Polief PET expansion

Chemtex Italia has signed a contract with Polief for the expansion of the PET plant at Blagoveshchensk from 120,000 tpa to 210,000 tpa. Also Chemtex and its Indian subsidiary will supply equipment for the installation of liquid-phase polymerisation and perform commissioning.

The Federal Antimonopoly Service (FAS) has allowed SIBUR to increase its share in Polief up to 100%. According to the FAS, SIBUR-PET has applied to buy 35.5% stake Polief. This together with the existing shares in the company has increased SIBUR's share from 64.5% to 100%. In October 2011, the FAS granted SIBUR to acquire 82.5% shares in Polief and issued a number of provisions aimed to ensure competition in the PTA market in Russia and the prevention of monopolistic activities.

National Industrial Park-Blagoveshchensk First Phase Development		
Product	**Capacity**	**Investment (roubles)**
PET tape	2,500 tpa	97 million
PET sheet	1,932 tpa	10 million
Recycled PET	4,000 tpa	15 million
PET preforms	197,030 tpa	75.96 million

Polief-chemical cluster

Polief's development programme in the next few years is closely aligned with the National Industrial Park at Blagoveshchensk which will host a number of polymer processing plants. Preparations have been completed for the application for registration of the park, which will cover an area of around 27,000 square metres and is being created in cooperation with the government of Bashkortostan.

Polief possesses the necessary criteria for effective functioning of the industrial park. In relation to transport the company is served closely by an airport, good rail, road and water links, whilst in terms of infrastructure facilities steam, gas, water, electricity, and sewage treatment are available. The priorities of industrial park will be focused on low-tonnage chemistry and processing of polymers. In the first phase residents in the park will concentrate on the production of PET preforms, ribbon strap, PET sheet and PET recycling of waste. Polief has a capacity for PTA of 250,000 tpa and two lines for PET with a total capacity of 120,000 tpa. The investment program of polyester complex is planned to increase by mid-2013 production capacity of PET to 200,000 tpa. The total investment in the project should comprise 1.6 billion roubles.

Russian Phenol Production (unit-kilo tons)		
Producer	***Jan-Apr 12***	***Jan-Apr 11***
Ufaorgsintez	24.92	23.55
Kazanorgsintez	23.70	22.85
Samara	24.79	24.78
Omsk Kaucuk	22.69	20.69
Total	96.10	91.87

Russian phenol market, Jan-Apr 2012

The seasonal increase in demand for phenol in April led to an increase in purchases from domestic producers. The largest increase in the supply of product to the domestic market came from Samaraorgsintez, rising 45% over March to 5,700 tons. Omsk Kaucuk remains the largest supplier to the domestic market, supplying 6,000 tons in April. The temporary suspension of production of phenol by Kazanorgsintez is not expected to affect the supply of product to the domestic market in May

Synthetic Rubber

SIBUR-Sinopec

SIBUR and Sinopec have signed their cooperation agreement to create a jv for the production of butadiene-

nitrile rubber at Krasnoyarsk. In addition to creating a new company it is planned that Sinopec will acquire 25% plus one share in Krasnoyarsk Synthetic Rubber Plant. The final decision on the jv will be taken by the end of 2012. The provisional agreement between the two companies was signed in October 2011. The partnership with Sinopec will help to increase the capacity of Krasnoyarsk plant to 56,000 tpa, whilst constructing a plant to produce 50,000 tpa at Shanghai.

Russian Synthetic Rubber Q1 2012 (unit-kilo tons)

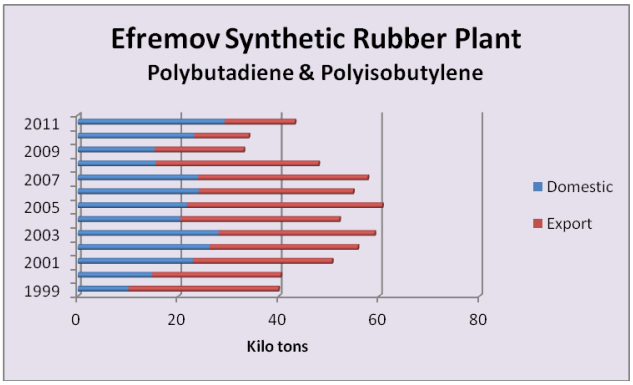
Producer	*Production*	*Exports*
Efremov Synthetic Rubber Plant	9.0	4.6
Sintez-Kaucuk	32.9	20.2
Krasnoyarsk Synthetic Rubber Plant	10.6	5.6
Nizhnekamskneftekhim	154.0	115.0
Omsk Kaucuk	16.0	7.8
Plant for Synthetic Rubber	1.8	0.0
Togliattikaucuk, Togliatti	44.6	27.5
Voronezhsintezkaucuk, Voronezh	62.0	27.4
Sterlitamak Petrochemical Plant	10.9	0.0
Ufaorgsintez	1.0	0.0
Total	342.7	208.1

SIBUR-rubber plants

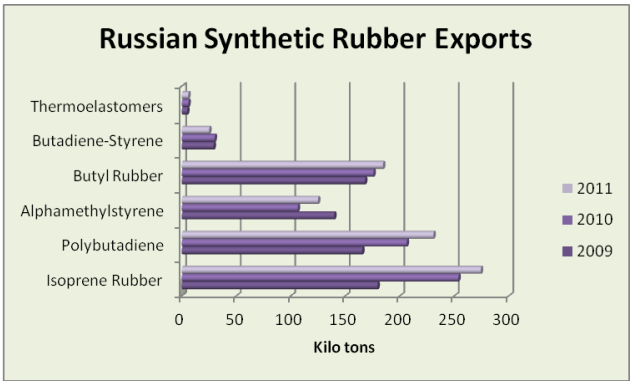
Togliattikaucuk resumed work at four rubber plants in early May after halting production on 23 April following a fire. The restarted plants include isoprene rubber and MTBE. Another two plants restarted on 15 May. The Federal Antimonopoly Service (FAS) has approved the request of SIBUR Holding to acquire 50.0125% of the voting shares of Voronezhsintezkaucuk. As a result, the transaction makes SIBUR the 100% owner of Voronezhsintezkaucuk. SIBUR believes that by owning 100% will increase control and management of Voronezhsintezkaucuk and will subsequently direct profits from the plant towards modernising production and investment projects.

Russian synthetic rubber plants 2011

Efremov Synthetic Rubber Plant produced 42,900 tons of synthetic rubber in 2011, which is 25.3% above the volume in 2010. The production of polybutadiene rubber in 2011 amounted to 39,200 tons which was 28% higher than in 2010. From the total, 28,730 tons was sold on the domestic market and 10,478 tons was sent to export. The plant is still restricted from full capacity utilisation due to a shortage of butadiene. The production of polyisobutylene totalled 3,674 tons in 2011 which was 6.8% over 2010. Exports of polyisobutylene totalled 3,154 tons and domestic sales 520 tons.



The share of exports in total shipments for Efremov Synthetic Rubber Plant amounted to 32.2% in 2011, although the bulk of exports went to the CIS countries. The plans for Efremov Synthetic Rubber Plant include increasing capacity for neodymium polybutadiene to 60,000 tpa, by reconstructing the production of titanium catalyst. The polyisobutylene plant is to be expanded to 5,500 tpa and low molecular weight polybutadiene to 5,000 tpa. In view of the butadiene shortages in Russia the company is examining the prospect of butadiene from ethanol. Other projects include the construction of electrical power stations to reduce energy costs; and reconstructing local sewage treatment plants.



Sterlitamak Petrochemical Plant increased turnover by 32% in 2011 over 2010 to 7.4 billion roubles. Production decreased, however, by 4.4% to a total of 126.200 tons. This includes a 1.1% drop in the production of antioxidants to 17.400 tons, MTBE by 2.3% to 28,600 tons, and rubber copolymers by 1.3%, to 43,500 tons. Sterlitamak Petrochemical Plant has recently started the production of experimental batches of new products of emulsion styrene butadiene rubber SKS-1739. This grade is similar to SBR-1739, which is used in foreign markets. Samples of rubber have been transferred to the tyre companies in Russia, Ukraine, and Belarus for examination.

The net profit for Omsk Kaucuk rose twice in 2011 over 2010 to 46.340 million roubles. Revenue for Omsk Kaucuk rose by 1.6 times to 4.887 billion roubles, whilst the gross profit from sales increased by more than 7 times to 254.033 million roubles. Synthetic rubber production at Omsk, mainly butadiene-styrene, totalled

54,432 tons in 2011 against 44,600 tons in 2010. The cost of sales increased by 22% to 3.8 billion roubles last year. In 2012, the company plans a significant increase in output, due in part to the new polypropylene plant and the processing plant for normal butylenes.

Russian Chemical Exports (unit-kilo tons)

Product	*Jan-Mar 12*	*Jan-Mar 11*
Acetic acid	18.5	15.8
Acetone	9.0	7.1
Ammonia	339.0	465.1
Caprolactam	59.1	34.3
Carbon Black	106.7	113.5
Caustic Soda Liquid	73.5	70.4
Caustic Soda Solid	21.4	19.2
MEG	4.3	0.4
MTBE	55.9	39.2
N Butanol	17.3	23.0
Orthoxylene	10.1	13.4
Paraxylene	19.3	24.8
PET	12.4	1.4
Phthalic anhydride	17.3	14.1
Polyamide	17.8	13.9
Polypropylene	11.3	17.1
Polystyrene	12.1	12.8
Propylene	9.9	5.5
PTA	0.0	0.0
PVC	0.6	1.4
Soda Ash	187.7	153.4
Styrene	37.4	55.2
Methanol	0.0	338.0
LDPE	59.3	18.2
HDPE	24.2	10.6

Russian tyre news

Altay Tyre Plant is to put into operation a line for the production of tyres worth €3.7 million. The new facility will produce tyres of the four compounds, which combine four different functions and thus affect the quality of the product. Altay Tyre Plant was founded in 2004 through the merger of the Altay tyre company with the Barnaul plant of carbon black. The plant produces a total of 67 models of tyres for domestic and import vehicles and agricultural machinery. In addition, the product range includes 38 models of plant aircraft tyres for civil and military aviation. The company sells 75% of production in the domestic market, 25% is exported.

Avtovaz and Tatneft have signed a strategic partnership agreement in March to last until 2015. Trade house Kama will supply passenger car tyres for Lada cars and the volume of shipments from Nizhnekamskshina in 2012 will amount to 2.5 million tyres, increasing to 3 million in 2013 and 3.5 million in 2014.

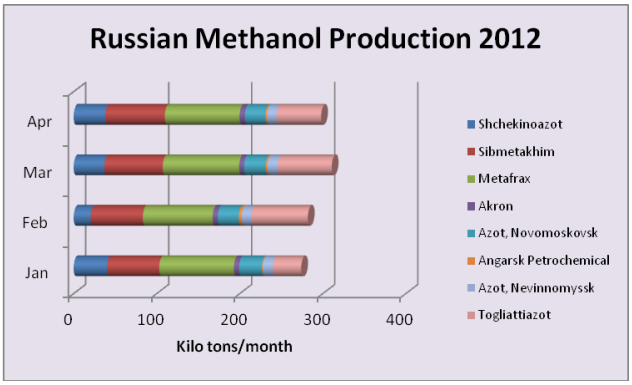
Tatneft expects to be running its plant at Nizhnekamsk for the production of solid steel tyres at full capacity by the end of 2013, where the capacity is 1.2 million units. Last year the Nizhnekamsk plant produced 188,000 tyres and in 2012 a target of 450,000 tyres has been set. The plant for the production of all-steel tyre technology was provided by Continental was opened 2 December 2009.

Orgkhim-investments

Orgkhim is planning to start units in September for the production new components for synthetic rubber and rubber compounds. The company is located in Uren in the north of the Nizhny Novgorod region. The project has required investment of 901 million roubles and started in 2009. The two first sections are operating already producing around 50,000 tpa and by starting the third and fourth lines capacity will be increased to 100,000 tpa. The products from the plant include oils, fillers, non-carcinogenic components that are used in the manufacture of synthetic rubber and rubber compounds.

Orgkhim was created in 2001 on the basis of wood chemical plant in the Nizhny Novgorod region at Uren. Orgkhim specialises in the design and manufacture of resins and emulsifiers for synthetic rubber industry, as well as the production of pine pitch and rosin production. In addition to the above project the Nizhny Novgorod administration has recommended approval for an agreement between Plant Sintanol and Orgkhim. Tax breaks will be allocated for an investment project.

Methanol & related chemicals

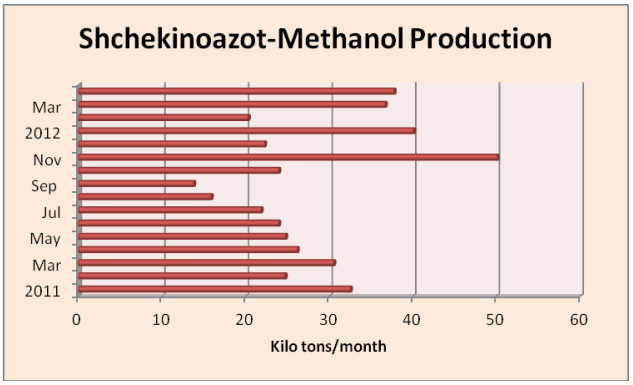


Russian methanol market, Jan-Apr 2012

Methanol exports from Russia totalled 133,000 in April, which is 2% higher than March in response to positive demand. The main Russian exporters of methanol in April comprised Metafrax, Sibmetakhim and Shchekinoazot accounting for 75% of total shipments. Sibmetakhim accounted for 30% of methanol shipments in April, whilst Togliattiazot and Shchekinoazot reduced sales volumes of methanol outside the country by 20% each. Akron and Azot Nevinomyssk did not export in April.

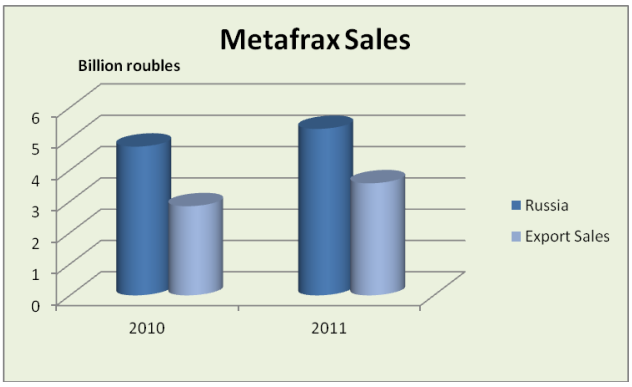
The largest import destination of Russian methanol continues to be Finland, which accounted for 55% of the total shipments in April. The volume of purchases by Finnish consumers and re-exporters rose in April by 12% over March. Turkish consumers resumed purchases of Russian methanol in April. The largest increase in purchases of Russian methanol in April was recorded in Hungary when 1,600 tons was transhipped From January to April 2012 the export of methanol from Russia amounted to 476,500 tons, which is 5% above the same period last year. Exports in May continued to rise, but the outlook picture for the market is uncertain.

Whilst exports have been on an upward trend production dropped slightly in April against March. A total of 298,000 tons was produced in April which is 4% down on March, due mainly to lower production at Togliattiazot. The largest increase in methanol production in April was recorded by Akron: whilst little change was recorded by other producers. Shchekinoazot and Sibmetakhim increased their operating time by 3% and 2%, respectively, whilst Metafrax Azot Novomoskovsk and Azot Nevinomyssk reduced production by 2%, 5% and 7%, respectively. In the first four months of 2012 Russian production of methanol amounted to 1.164 million tons, up 9% over the same period in 2011.



Shchekinoazot-methanol production stabilises

Shchekinoazot increased the production of methanol by 6.8% in the first quarter this year against the same period in 2012, which was due to the commissioning of the new M-450 unit. Ammonia and caprolactam rose 1.2% and 0.8% respectively. Shchekinoazot this year has re-started production of hexamine and concentrated formaldehyde for use in phenol-formaldehyde resins. This is produced under the jv Hexion-Shchekinoazot. In the second half of 2012 Shchekinoazot plans to install a new hydrogen unit that will reduce the cost of hydrogen and ammonia by almost double. The company also hopes that after the completion of modernisation of the caprolactam unit, costs for the production of caprolactam could drop by around 25%.



Metafrax plans to updgrade methanol plant

Metafrax has stated plans to upgrade the methanol plant by the end of 2013 to increase capacity by 10%, or to a total of 1.1 million tpa. In addition to increasing capacity, modernisation is aimed at reducing the cost of methanol production and to improve product quality. The aim of the expansion is in essence to support captive processing in derivatives, on products such as formaldehyde, pentaerythitol, etc, rather than exports where the company is dependent on fluctuating global prices. Metafrax exports a range of its products, but methanol is by far the largest commodity.

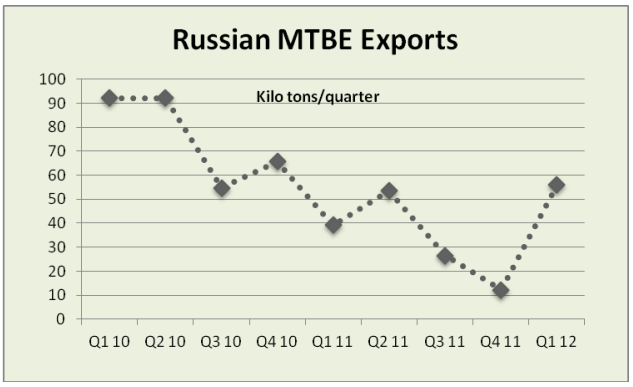
Exports of products for Metafrax in the first quarter of 2012 amounted to 38.5% of total sales. Methanol was supplied to Kazakhstan, Ukraine, as well as foreign countries through the Finnish ports. In other product areas Metafrax delivered methenamine to markets including Australia, Brazil, Germany, Spain, India, etc. Pentaerythritol was supplied to Belgium, Germany, India, Netherlands, and also to Belarus, Uzbekistan, Ukraine and Kazakhstan. Urea-formaldehyde concentrate was delivered to Belarus, Uzbekistan and Ukraine, whilst formaldehyde was supplied to Azerbaijan, Belarus, Latvia, Uzbekistan, and Ukraine. Metafrax is examining prospects for exporting hexamine due to limitations of the Russian market.

Azot-Nevinomyssk melamine plant

Azot at Nevinomyssk started its new melamine plant on 24 May. Urea is produced by Azot as the feedstock for melamine production, where capacity of the new plant is 50,000 tpa. The launch of the melamine plant will reduce emissions from the urea plant due to the fact that part of the urea will be transferred to the production of melamine. This also solved the environmental problems of the production complex of the company as a whole. The start of the plant is expected to affect imports of melamine into Russia which currently comprise around 35,000 tpa.

Adnoc-Krasnodar methanol plant

Abu Dhabi National Oil (Adnoc) has held talks in Russia over the construction of a methanol plant in the port area of Taman, near Krasnodar. Adnoc has stated a requirement for four billion cubic metres of gas citing Taman as a suitable position for export. However, previous attempts to build chemical plants or terminals in Taman, near to a number of resorts, encountered vigorous protests. Thus, it is not clear if the plant would be given the approval to undergo construction, but Adnoc remains interested in Russia and possible chemical opportunities.

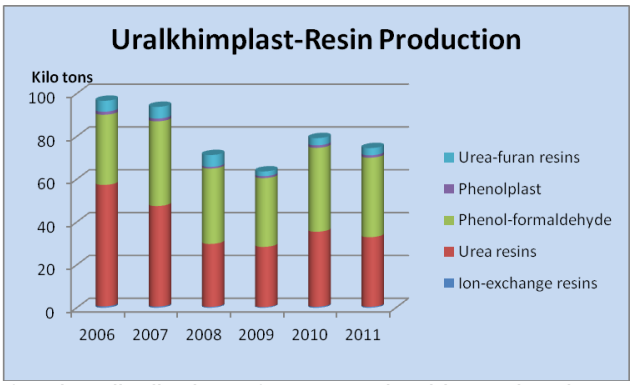


Russian MTBE market

In the first quarter of 2012 Russian exports of MTBE amounted to 51,000 tons, a decrease of 35% against the same period last year. Domestic sales increased 2% in April over March to 57,200 tons due to seasonal factors. The leaders in terms of end product sales in the domestic Russian market are still Uralorgsintez and Omsk Kaucuk, which accounts for more half of commercial shipments. Smaller amounts of MTBE are shipped from Nizhnekamskneftekhim and Kaucuk at Volzhskiy.

Uralkhimplast 2011

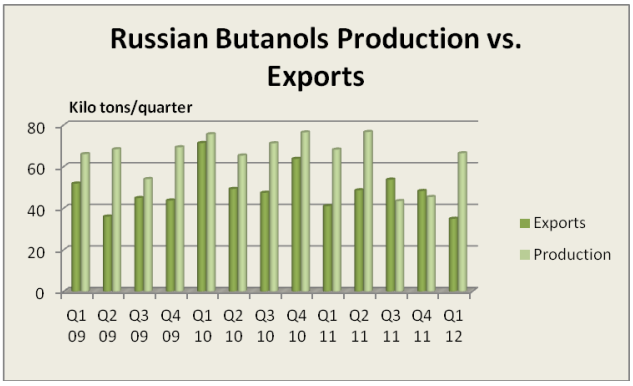
Uralkhimplast plans to increase its turnover in 2012 compared to the current year by around 25% to €125 million. The company is currently focused on the construction of the new methanol plant, in conjunction with Itera, and a plant for production casting resins. Moreover, the creation of a chemical park at Nizhniy Tagil is intended to become an important consumption outlet for the methanol and derivative plants.



Uralkhimplast in 2011 achieved 15.5 million roubles of net profit in 2011, which is more than five times higher than in 2010. Proceeds of the plant increased by 11% to 3.98 billion roubles, whilst the gross profit rose by 8% to 694.516 million roubles. The group plans to invest 4.5 billion roubles in 2012, partly directed towards the methanol project with Itera and partly to begin construction of foundry resins. This year Uralkhimplast is starting the production of a 50,000 tpa formaldehyde plant.

SI Group (USA) and Uralkhimplast have created a jv for the distribution of tyres and rubber, abrasive and friction products. The jv comes under the name Uralkhimplast SI Group. The company will be the exclusive supplier of these products and the production of SI Group Uralkhimplast in the CIS countries. Uralkhimplast SI Group will be located at Nizhny Tagil and will offer a full range of products to meet market demand in Russia, Ukraine, and Belarus. Uralkhimplast SI Group could have potential clients such as Nokian, Michelin, Yokohama, etc.

Organic chemicals & plastics



Russian butanol market, Jan-Apr 2012

Low prices for butanols in the world market and low consumer activity in Russia resulted in reduced production in the first quarter this year. Demand started to improve at the beginning of the second quarter, particularly in Asia, and Russian production has responded accordingly. Focus on export activity in the April and May has to some extent resulted in lower availability in the Russian domestic market. The Chinese market continues to be important for Russian producers. Total exports for normal butanols for the period January-April 2012 amounted to 27,645 tons which was 7% down on the same period last year. Combined with isobutanol, total butanol exports amounted to 55,500 tons in the first four months in 2012, 29%

down on the same period last year. The share of exports to China from January to April of 2012 was 52%, and Finland 37%. Gazprom Neftekhim Salavat accounted for 52% of exports, Angarsk Petrochemical 25%, SIBUR-Khimprom 22%, and Azot at Nevinomyssk 1%.

Russian domestic sales of butanols amounted to 5,000 tons in April, 45% lower than in March and 25% down on April 2011. N-butanol sales accounted for 89% of sales in April this year which is consistent with market trends. The largest share of butanols were shipped to Akrilat (1,620 tons or 32% of total consumption). The company uses butanols as a raw material in the production of butyl acrylate. In addition, 1,600 tons were delivered to Dmitrievsky chemical plant, which uses butanols for the production of butyl acetate.

Russian projects-organic chemical sector

Nizhnekamskneftekhim signed a contract with Linde to introduce a new technology expand the capacity of the alpha olefins plant, based on primary output of C4-C6 fractions. Production of alpha-olefins includes the production of oligomers.

Gazprom Neftekhim Salavat and the Plant of Sintanol at Dzerzhinsk are considering possible new projects including 50,000 tpa of ethylene oxide and 20,000 tpa of propylene oxide, both located at Salavat. Plant of Sintanol produces surfactants and polyethylene glycol (PEG), and was founded in 2003 based on the old Sintanol division at Kaprolaktam.

Rhodia and SIBUR have taken significant further steps in their project to create a jv in specialty surfactants. The aim of this strategic partnership is to create a surfactant specialty leader in the CIS market focused on the home & personal care and oil & gas markets. Both of these sectors are growing at more than 6% per annum. The two partners have completed studies to set up local production of surfactants at Dzerzhinsk.

In the home & personal care market, Rhodia and SIBUR are working together with customers to build business opportunities to support their growth strategy in this region, where the consumer demand is growing rapidly (CAGR 8%) and moving towards more sophisticated products in categories such as shampoos, conditioners, shower gels, laundry and household detergents.

Plasticizer alcohols, Jan-Apr 2012

Russian production of DOP totalled 21,700 tons in the period January-April this year which was down by 23% over 2011. The Roshalsky and Ural plants both reduced production this year, although Kamteks-Khimprom and Gazprom Neftekhim Salavat have remained stable.

In the phthalic market, exports totalled 19,550 tons in the period January to April 2012 which was 5% down on the same period last year. The main direction of exports were China (40% of total), Turkey (17%), India (12%), Poland (12%) and Ukraine (9%). China was not supplied from Russia in April due to lower demand. As a result Ukraine took the largest share of exports by Kamteks-Khimprom, followed by Turkey and Poland.

SANORS-MMA

SANORS is progressing with its methyl methacrylate (MMA) project with the aim to complete the installation by 2014. Samaraorgsintez in the SANORS holding signed a memorandum of understanding in May 2011 with Mitsubishi Chemical to construct an MMA plant at Novokuibyshevsk. The cost of the investment is estimated at $120-150 million, with the plant's capacity set at 70,000 tpa. Samaraorgsintez originally reached agreement with a Chinese company, before reaching a more affirmative agreement with Mitsubishi Chemical for its proprietary technology which it uses at Nigita in Japan. Samaraorgsintez already produces acetone, and is also considering the construction of a 50,000 tpa bisphenol A plant.

The MMA project intention coincides with the plan to construct a PMMA plant at Novokuibyshevsk, to be constructed by the Chinese state holding company Heilongjiang Group. The plant capacity is to be designed at 50,000 tpa and would supplement the only existing PMMA plant in Russia at Dzerzhinsk owned by Dzerzhinsk Orgsteklo. Traditional competitors include Evonik and Arkema. MMA in demand in Russia comes largely from the automotive industry and electronics industry (manufacturing lamps, screens, monitors, etc.

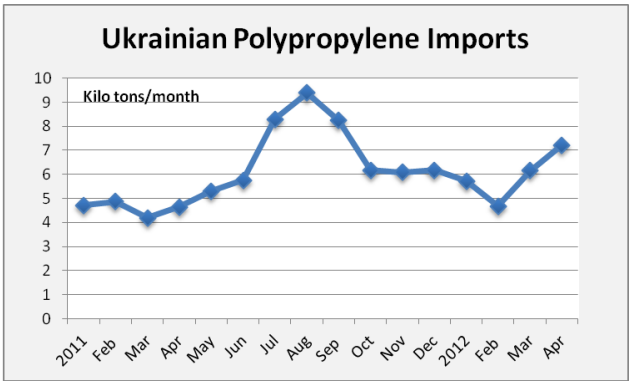
Biaksplen-capacity expansions

SIBUR Holding has approved two BOPP projects at Biaksplen NK at Novokuibyshevsk and Tomskneftekhim, with a combined capacity of 68,500 tpa. Biaksplen NK has already signed a contract to supply new equipment for the production of BOPP film with Bruckner Maschinenbau. This company was previously the supplier of equipment for the construction of the production of BOPP films at Biaksplen NK and Biaksplen M in the Moscow area. The design capacity of the new line for Biaksplen will amount to 30,500 tpa and will be the largest in the Biaksplen group. Start-up is scheduled for the fourth quarter of 2013. At group level this will raise total capacity to 136,500 tpa against 106,000 tpa at present.

The Tomsk BOPP project will be introduced in 2014 and will raise capacity for Biaksplen to 174-175,500 tpa. The advantage of locating a plant Tomsk is to access the polypropylene produced by Tomskneftekhim, thus providing a vertical chain of production.

SIBUR has recently completed a deal to acquire the second 50% of chartered capital in the Biaksplen group. SIBUR bought into Biaksplen's chartered capital initially in 2009, negotiating a deal to purchase 50% of the company, and has therefore become the single owner of the film producer. In 2011, the aggregate production of the Biaksplen Group totalled 82,000 tons, whilst acquiring more than 65,000 tons of polypropylene from SIBUR.

Ukraine



Ukrainian Chemical Production (unit-kilo tons)

Product	*Jan-Apr 12*	*Jan-Apr 11*
Acetic Acid	37.9	51.4
Adipic Acid	0.0	22.1
Ammonia	1560.3	1789.5
Benzene (-95%)	46.4	63.9
Benzene (+95%)	46.4	51.9
Caprolactam	22.7	16.5
Caustic Soda	54.7	47.1
Ethylene	63.2	66.4
Formaldehyde	11.9	11.2
Methanol	55.5	54.4
Polyethylene	36.2	36.4
Polypropylene	23.6	34.6
Polystyrene	0.0	5.8
Polyvinyl Acetate	1.8	1.4
PVC	71.4	0.0
Propylene	28.3	30.6
Soda Ash	205.7	259.2
Titanium Dioxide	50.4	51.2
Toluene	1.4	2.1

Ukrainian polymer markets, Jan-Apr 2012

Linik produced 1,920 tons of polypropylene in April, 70% less than was produced in March. Production was halted on 16 April due to a lack of raw materials. Due to raw material problems at Linik and uncertainty over future production imports of polypropylene into Ukraine have been rising in recent months. However, imports have not risen as much as expected as some consumers are unable to pay for purchases.

As a result, market consumption for polypropylene dropped 10% in April against March to 8,950 tons. Imports totalled 7,210 tons in April which was 17% up on March but still lower than necessary to compensate for lower production at Lisichansk. Further increases in imports are expected over the next few months unless Linik can improve its raw material position. Import sources are expanding, with homopolymer serving as the dominant grade of polypropylene, and both TVK and Slovnaft have increased imports in recent months. TNK-BP is still considering the transfer of polypropylene plant from Lisichansk refinery to Yaroslavnefteorgsintez (YANOS),

PVC consumption increased by one third in April over March and reached 14,700 tons. Imports rose 25% in April over March to 10, 406 tons. At the same time, the share of imports in consumption dropped to 71% (in March 74%). The main supplier to Ukraine in the past two months has been is BorsodChem, followed by material from Oxy Vinyl. It should be noted that imports into Ukraine from the US has increased almost six-fold this year, although still relatively small. Other important suppliers include Anwil, Spolana and Vinnolit.

Ukraine imported 7,977 tons of LDPE in April, down from 10,526 tons in March. Lower purchases were attributed to high inventories. Demand for film grade LDPE was bolstered by seasonal factors, with the largest source of supply coming from Russia (2,400 tons). Large shipments are also imported from Belarus, 2,200 tons in March, and Azerkhimya. The cost of LDPE from Azerbaijan proved to be the lowest in April.

Ukrainian benzene market, Jan-Apr 2012

Karpatneftekhim is currently undertaking maintenance on its benzene plant, which halted production on 25 April due partly to the lack of C6-C8 fractions. As the cracker at Kalush has been using more liquefied gases than naphtha, feedstocks for benzene production have been less abundant. Karpatneftekhim has said that benzene production will be resumed in June.

Ukraine imported 5,340 tons of benzene in April which is 1.9 times higher than March. Azot at Cherkassy increased imports by 4.3 times to 3,160 tons, whilst Rivneazot purchased 2,180 tons which was about the same as in March. For the first four months in 2012 Ukrainian imports of benzene totalled 14,080 tons, which was 36% less than the same period of 2011. Imports have been lower this year due to Azot at Severodonetsk not buying from foreign sources whilst both Rivneazot and Azot Cherkassy have reduced imports by 27% and 24%, respectively.

Belarus

Belarussian Chemical Output (unit-kilo tons)		
Fertilisers	***Jan-Mar 12***	***Jan-Mar 11***
Potassium Fertilisers	1269.0	1443.3
Nitrogen Fertilisers	215.6	207.1
Phosphate Fertilisers	60.6	54.1
Sulphuric Acid	258.4	258.1
Petrochemicals	***Jan-Mar 12***	***Jan-Mar 11***
Ethylene	62.1	36.5
Benzene	37.1	26.1
Caprolactam	34.9	34.3
Polyethylene	37.0	35.3
PET	52.6	43.7

Belarsussan production Q1 2012

Ethylene production at Polymir increased in the first quarter this year due to improved operations. Belarussian benzene production amounted to 11,600 tons in March, which was 10% less than February. Total production for the first quarter amounted to 37,100 tons that was 42% higher than the same period in 2011. The significant increase has been made possible due to the modernisation of the Mozyr and Novopolotsk refineries in May and September last year respectively.

Naftan at Novopolotsk has announced a tender for the supply of propylene in the second half of 2012. Under the terms of the competition, the planned volume of purchases of propylene amounts to 6,000 tons to be deliveries in the period from July to December 2012 equal lots of 1,000 tons.

Belarussian Chemical Exports (unit-kilo tons)		
Product	***Jan-Mar 12***	***Jan-Mar 11***
Phthalic anhydride	1.8	1.8
Caprolactam	17.5	20.5
Urea	19.5	26.2
Sulphuric Acid	24.7	16.0
Methanol	19.0	18.0
PET	14.8	9.0
Polyamide	1.5	0.3
LDPE	25.9	19.8

Phthalic anhydride exports from Belarus to Russia totalled 1,850 tons in the first quarter this year, 2.3 times over the same period last year. Lakokraska at Lida, the sole Belarussian producer, exports to a number of Russian producers including Korund, Empils, and ABC Farben.

Belneftekhim-refinery expansion

The capacity for refining in Belarus in 2015 is expected to increase to 25 million tpa, partly to support the demand for oil products and partly to meet the demand from the chemical industry including Azot at Grodno, Polymir and Mogilevkhimvolokno.

Polymir is considering several investments in petrochemicals, including 150,000 tpa of HDPE and 150,000 tpa of polypropylene. Production of these products will help to build the country's small and medium enterprises for the production of polyethylene and polypropylene products (films, tubes, packaging containers, etc.) which are purchased by imports.

Belarussian Chemical Imports (unit-kilo tons)		
Product	***Jan-Mar 12***	***Jan-Mar 11***
ABS	2.2	2.0
Synthetic Rubber	0.0	21.0
MEG	13.0	22.4
PET	5.3	1.9
PVC	9.1	9.9
Polypropylene	11.3	13.0
Polystyrene	13.3	13.8
LDPE	3.0	2.6
HDPE	9.1	12.9
Soda Ash	32.1	30.0
Caustic Soda Liquid	15.2	18.1
Caustic Soda Solid	2.3	2.7
Carbon Black	15.2	14.5

In other projects Belneftekhim wants to expand ammonia capacity from 450,000 tpa to 700,000 tpa and methanol from 96,000 tpa to 238,000 tpa. Azot at Grodno plans to launch investment projects prior to the end of 2012 for a new major chemical plant, without waiting for a foreign investor. The cost of the new plant has been estimated at $1.1 billion and at present the company is conducting research into engineering contractors.

Central Asia & Kazakhstan

Uz-Kor Silicon-2012 production target

Uz-Kor Silicon is planning to produce 6,000 tons of commercial silicon in 2012, with an estimated value of $15.288 million. Having started production at the end of 2011, Uz-Kor Silicon will increase production of commercial silicon up to 9,000 tons in 2013. The plant's capacity makes up 12,000 tpa. In the second stage of the project investment (2012-2016), the venture is planning to construct a plant on production of polycrystalline silicon with the capacity of 5,000 tpa.

The project will be financed due to resources of the venture founders, loan of Fund for Reconstruction and Development of Uzbekistan, as well as foreign loans. The State Committee on geology and mineral resources of Uzbekistan and NeoPlant created Uz-Kor Silicon in September 2008. Each side holds 50% stake in the venture which received the right to explore quartz and quartzite deposits in the Kashkadarya and Samarkand regions.

Uz-Kor GasChemical--infrastructure

Uz-Kor Gas Chemical and its creditors signed key financial documents on 19 May for project financing to the value of $2.54 billion for the Ustyurt Gas-Chemical Complex. The total project cost is estimated at $3.9 billion. According to the feasibility study, the complex will process 4.5 billion cubic metres of gas, and produce 400,000 tpa of polyethylene and 100,000 tpa of polypropylene, as well as 100,000 tpa of pyrolized petroleum.

The jv Uz-Kor Gas Chemical expects soon to start the construction of the external infrastructure links for the Ustyurt Gas-Chemical Complex at Surgil (north-west Uzbekistan). Recently, Korea Gas Corp bought a $323.04 million stake in a Malaysian registered company, Korus Gas Chemical Investment, to participate in a project in Surgil. After the purchase, Korea Gas Corp holds a 45% stake in Korus, while Honam Petrochemical Corp owns 45% and STX Energy the remaining 10%.

It is planned that the contractors will begin construction in June, and completion of the project is scheduled for early 2016. The signed documents include the provision of financing with limited recourse to the sponsors of the project and the repayment period of 16 years. Debt financing includes direct loans from the Export-Import Bank of Korea, China Development Bank, Asian Development Bank, the Fund for Reconstruction and Development of Uzbekistan and National Bank of Uzbekistan for a total of $1.175 billion. The Surgil deposit was discovered in March 2006, its gas reserves are estimated at 120 billion cubic metres.

SOCAR-olefin & polyolefin expansion

Azerkhimya produced 3,420 tons of propylene in April, 37% less than in March. In the first four months of 2012 Azerkimya produced 17,240 tons of propylene of which the company used 5,020 tons captively and exported 1,630 tons to Russia. Volumes of production of butylene-butadiene fractions last month totalled 1,940 tons (38% relative to March). Azerkimya produced 10,050 tons of butylene-butadiene fractions in January to April 2012 of which 7,070 tons was exported to Russia.

Azerkimya is holding company SOCAR are considering the purchase of a polypropylene plant, which is part of the development programme. Azerkimya already produces propylene and intends to expand capacity prior to the start of polypropylene production in Q4 2014 or Q1 2015. By 2020, Azerkimya will produce up to 165,000 tpa of ethylene, 200,000 tpa of propylene, 160,000 tpa of HDPE and 160,000 tpa of LDPE.

Relevant Currencies

Czech crown. Kc. $1= 18.0764 €1 = 24.8513: Hungarian Forint. Ft. $1 = 215.985. €1 = 296.927: Polish zloty. zl. $1=3.172 €1 =4.362: Bulgarian leva: $1 = 1.4222. €1= 1.9551: Romanian Lei. $1 = 3.152 €1= 4.340: Croatian Kuna HRK. $1 = 5.426. €1= 7.455: Ukrainian hryvnia. $1 = 8.006. €1 = 12.6227: Rus rouble. $1 = 30.914 €1= 42.578

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