Chemical Information Resources for East Europe and CIS

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MONTHLY NEWS

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

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CENTRAL & SOUTH EAST EUROPE

Petrochemicals

PKN Orlen Group Chemical Sales (unit-kilo tons)

Product	*2011*	*2010*
Ethylene	291	299
Propylene	208	204
Polyethylene	440	469
Polypropylene	379	407
Ethylene Oxide	28	17
Ethylene Glycol	73	65
Butadiene	107	92
Phenol	36	36
Acetone	22	22
Benzene	336	282
Toluene	22	37
Orthoxylene	6	6
PVC	331	283
PTA	336	0

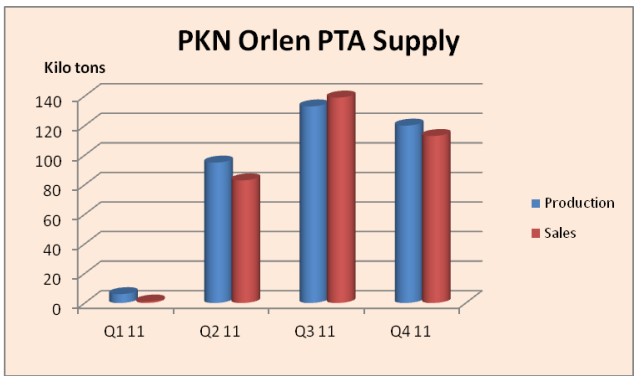
Orlen 2011

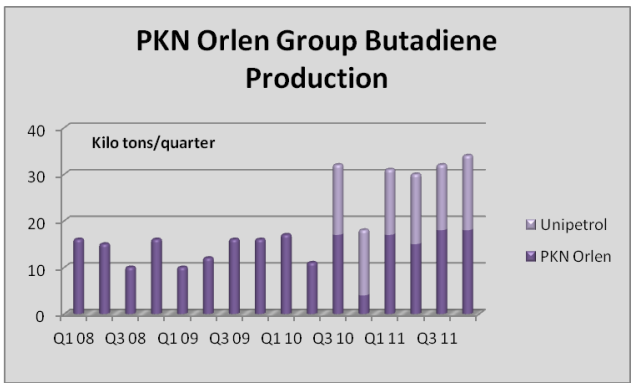
The Orlen group of companies experienced a difficult year in refining in 2011 due to lower margins, higher oil prices and a weaker domestic currency. The only product division that recorded a significant increase was petrochemicals, where volumes increased due in part to higher utilisation rates and the impact of the new PTA and butadiene plants.

In 2011, PKN Orlen total sales volumes increased by 4% to a record level of nearly 35.5 million tons. High oil prices and the weakening of the zloty against other currencies, work to Orlen's disadvantage, but sales in the refining division increased in 2011 by 3% compared to 2010. The operating profit for the group increased in the petrochemical division by 120% in 2011 to zl 1 billion.

The petrochemical division achieved good results on the one hand by installing new plants for the production of paraxylene and PTA, and on the other hand sales of PVC. Volume sales were up overall for the petrochemical division by 7% whilst the model petrochemical margin allowed an increase of 120% in operating profit to zl 1.07 billion. The profits would have been even higher were it not for maintenance outages affecting polymer sales.

Despite the strong performance for petrochemicals in 2011 fourth quarter performance declined against previous quarters in 2011, due mainly to margins and operating activities. Inventory valuations held up strongly, whilst lower margins in petrochemicals were compensated by higher margins in paraxylene and butadiene. Overall for 2011 petrochemical revenues increased to zl 17.657 billion from zl 13.607 billion in 2010. The EBITDA increased from zl 1.223 billion. One of the features of revenues from 2011 was the higher captive sales, mainly due to the start of paraxylene production and its sale for processing in PTA at Wloclawek.





The development of upstream activities and power generation forms a central cornerstone of Orlen's long term strategy. In 2011, PKN Orlen completed its first vertical drilling for shale gas in Lubartow and Wierzbica which is seen as a potentially huge direction for the group. Environmental approval was achieved last year for construction of a new gas power plant with a capacity of 450-500 MW at Wloclawek. PKN Orlen also signed an agreement connecting to the grid, and signed a contract with GAZ-SYSTEM for the construction of the pipeline connection.

Unipetrol 2011

Unipetrol's results in the fourth quarter were influenced mainly by ongoing negative economic trends coupled with a reduction in output due to cyclical turnaround in Chempark Litvinov. Refinery processing for Unipetrol dropped 11% against the fourth quarter in 2010, down from 1.141 million tons to 1.010 million tons. Performance of the refinery division was also negatively affected by higher differential between Brent and other sweet crude oils which almost doubled against 2010. The EBIT in Unipetrol's petrochemical division amounted to Kc 696 million in Q4 2011. Group sales of petrochemical products declined by 15% against Q4 2010, mainly due to polymers sales

(15 % down) and agrochemical products (25% down). Sales of ethylene from Litvinov were only 3% down whilst performance was influenced by lower combined petrochemical margins.

Serbian-EU Trade (unit-kilo tons)

Serbian Exports

Product	*2009*	*2010*	*2011*
Propylene	39.49	46.35	26.11
Acetic Acid	13.74	62.33	5.05
Methanol	4.88	95.33	27.76
Benzene	3.88	2.47	0.29
HDPE	28.73	37.92	46.90
LDPE	28.84	42.65	39.96
Polypropylene	1.01	8.28	11.95

Serbian Imports

Product	*2009*	*2010*	*2011*
DINP	4.08	7.02	6.53
DOP	1.14	1.07	1.73
2.-EH	0.55	1.31	0.52
Ethylene Glycol	2.83	0.91	1.26
HDPE	23.31	28.78	30.80
Isocyanates	2.20	2.32	2.45
Isopropanol	0.51	0.47	0.73
LDPE	21.23	20.74	22.61
Methanol	1.79	0.49	3.03
Phthalic Anhydride	0.39	0.77	0.27
Polypropylene	33.92	29.22	36.76
Polystyrene	25.07	25.11	25.26
Propylene Glycol	0.66	0.61	0.71
PVC	32.71	35.45	38.56
Styrene	0.25	2.79	1.82
Toluene	0.57	1.87	1.41

Petrohemija-suspends production for maintenance

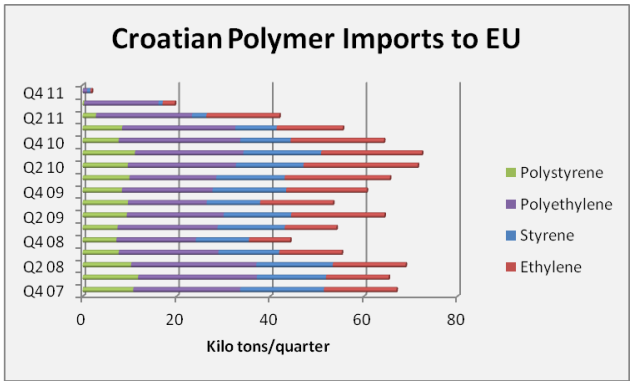
HIP-Petrohemija began overhauling production units on 27 February, with the outage expected to last until late March or early April. Production was halted in mid February when adverse weather conditions in Serbia forced the Petroplast LDPE and fittings plant to suspend production followed by other petrochemical units at Pancevo.

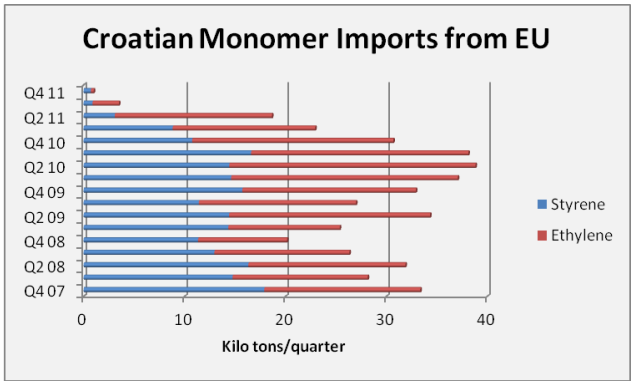
During the overhaul Petrohemija has suspended all petrochemical production, aside the synthetic rubber plant at Elemir. Maintenance at Elemir will be completed at a later stage. The restart date for the ethylene and polyethylene plants will depend on how the repair activities progress at the next door Pancevo refinery.

The decision to halt production of LDPE and petrochemicals in the middle of February was made after the repeated requests from Electrovojvodina for further cuts in power consumption in the factory, despite a reduction of 25% being achieved with the first stoppage. By 15 February nearly all of Petrohemija's plants had been stopped. The purpose of these measures in the company was to protect the energy system in Serbia after the country suffered extreme weather. Petrohemija operates two polyethylene plants at Pancevo, including 57,000 tpa of LDPE and 76,000 tpa of HDPE.

Oltchim 2011

Oltchim ended 2011 with a loss of €63.6 million, against a loss of €53 million in 2010. The company's short term debt also went up to €364 million at the end of last year, from €278 million reported at the beginning of 2011. Oltchim's turnover reached almost €362 million in 2011, which was up from €311 million in 2010. The main problem is that the company is losing around €7 million a month, and banks have been reluctant to offer credit to support raw material purchases. The company has the capability to concentrate on niche product areas such as polyols and polyurethanes, but the current management prefers to focus on mainstream petrochemicals where it is unable to make a profit.

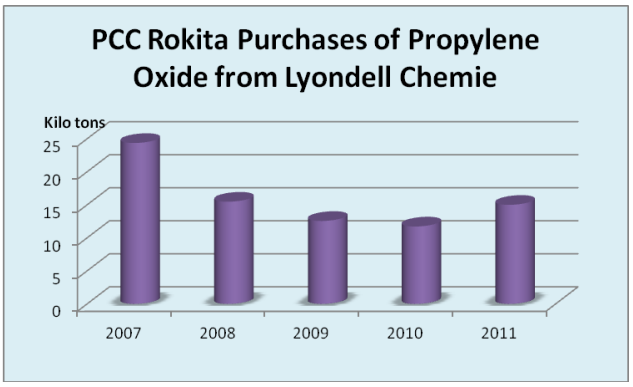




Dioki-restructuring

Dioki's holding group Advance is in negotiations with creditors for a comprehensive restructuring of Dioki. In 2011, Advance fell into difficulties over Dioki in relationships with financial creditors and suppliers, the result of which meant that ethylene imports stopped in the latter part of year. The stoppage in raw material flows to the Odzaci petrochemical plant has meant that Croatian polyethylene exports also came to a standstill. Proposed restructuring for Dioki by Advance includes a planned conversion of debt for equity capital. The procedure would be followed by creditors for their claims receive adequate shares of nominal value are reduced to fair value of the company. The production cycle is not yet ready to restart and as the graphics above illustrate both monomer imports and polymer imports have been equally affected in the past few months.

Chemicals



PCC Rokita-LyondellBasell agreeement for PO

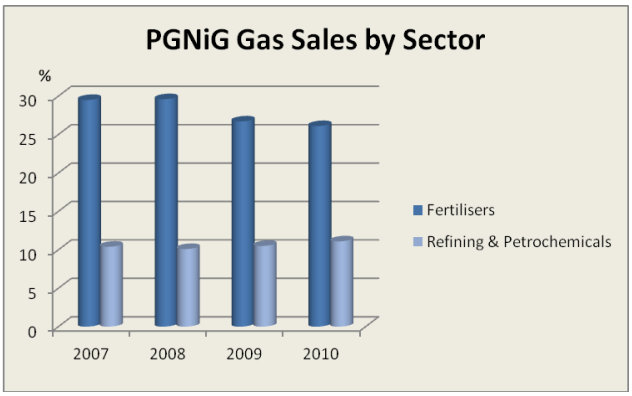
PCC Rokita has reached agreement for the supply of propylene oxide from Lyondell Chemie in the Netherlands. The agreement was concluded for the period up to 31 December 2015, with the possibility of extension for another three years. The value of the agreement during its duration is estimated at €108 million. Propylene oxide is a key raw material for PCC Rokita for polyols production. Poland has imported propylene oxide from the Netherlands in the past few years, totalling 15,000 tons in 2011.

Polish power plants

A number of energy projects for the Polish chemical industry are under consideration or planning at present, all of which intend to use gas as the feedstock source. By the end of March the Tarnow group aims to decide on which type and technology will be selected for ZAK's new power plant at Kedzierzyn. ZAK needs a new power plant as the current plant is obsolete, and this needs to be replaced by 2016. The Tarnow group has to replace all of its power plants, but the Kedzierzyn unit needs the most urgent attention. The capacity of the new power plant is expected to be in the range of 170-200 MW, based on gas although it is not yet clear where this will be sourced. Also in the Tarnow group ZCh Police has already agreed a deal for a construction project for an on-site power plant based on gas, and this could cost in the range of zl 1.5-2.0 billion. The current exploratory talks with PGE are aimed at construction beginning in 2013 and being completed in 2016.

ZA Pulawy has agreed to sell PGE half of the share capital of a company which to deal with the construction of the Pulawy Power Plant. The project to build a power plant with a capacity of 840 MW could cost up to zl 3 billion and is planned to use natural gas based on a combined gas-steam system. The power plant is to be built together with PGE.

One of the major investments planned by Anwil Group for the period 2011-2015 includes the construction of a new power plant based on the gas-steam block. The maximum level of cogeneration is intended to cater for the demand for heat of all production plants in Anwil, (including Orlen's PTA plant and the Indorama PET plant), and the bigger part of the electricity demand of Anwil itself. The construction and start-up of this block should significantly lower the production cost of heat and electricity, consequently, reducing production costs.



Gas deliveries to Poland

Production at several chemical plants in Central Europe were affected by the impact of adverse weather conditions in February. Gas deliveries from Russia to Poland were reduced in February due to weather conditions whereby PGNiG was forced to reduce the transmission of gas to its largest customers.

PGNiG, at the request of GAZ-System, reduced gas supplies to ZCh Police, PKN Orlen and ZA Pulawy. Fertilisers is the largest end-use application for gas sold by PGNiG, followed by refining and petrochemicals but consumption can interrupted in adverse weather conditions such as took place this year.

ZA Pulawy has agreed a contract for methane natural gas from PGNiG with an estimated value of zl 1.15 billion in 2012. Overall, chemical companies in Poland are concerned that PGNiG will not reduce prices, but may even increase them by 10-20%. Although supplies are being diversified using the Interconnector, PGNiG remains the key gas supplier for most of the chemical industry.

ZCh Police-gas & ammonia

In the Tarnow Group ZCh Police was the only division to encounter problems with gas supply in February, which affected ammonia production. ZCh Police reported that the supply of fuel gas from PGNiG dropped to 47,000

cubic metres per hour between 31 January until the end of February. By the start of March gas supplies had not been resumed. Reducing the supply of natural gas resulted in a reduction of ammonia production by around 35% on two production lines. Other producers in the Tarnow Group t Tarnow and Kedzierzyn were not affected by the gas reductions and were working normally. In future the Tarnow Group wants to coordinate gas purchases that would allow gas to be distributed amongst the three producers. This centralisation of gas purchases could include both purchases from Russia through PGNiG and the new sources available through Germany.

In addition to the new Interconnector pipeline a direct gas pipeline from Germany to the ZCh Police plant has also been under consideration by InterTransGas, a subsidiary of PGNiG and VNG German. Due to its location near the border ZCh Police could reduce costs significantly. The potential pipeline would have a diameter of 500 million cubic metres per annum with a view to later expansion to 2.5 billion cubic metres.

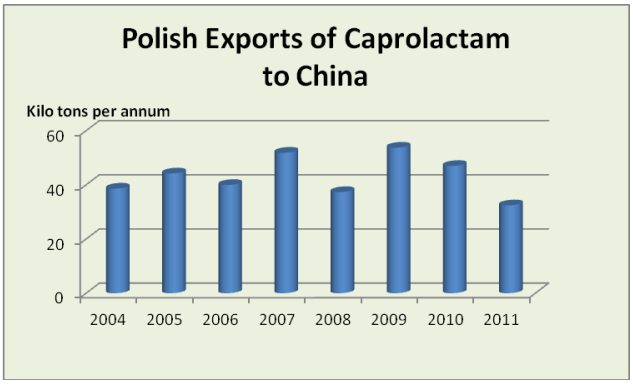
Dr Wollner buys ZCh Rudniki

Dr Wollner Holding GmbH & Co, based at Ludwigshafen, has agreed to buy ZCh Rudniki, after the Treasury had been trying to find a buyer for several months. Dr Wollner had previously dropped out of the tender process and Ciech looked to be the most likely winner which would fit into the chain of production. The Dr Wollner group produces silicates in France, Austria and Germany and for ZCh Rudniki it represents more of horizontal integration rather than the vertical form as planed under the Ciech offer. Germany currently imports silicates from Poland.

Organika-Malbork

Organika Malbork plans to increase its sales by 10% to €110 million in 2012. The company also aims to invest about €1 million to increase PU foam production capacity. Organika is one of the most important producers in Poland of polyurethane foam, with revenues totalling zl 230 million in 2011 and expected to exceed zl 250 million in 2012. Last year's profit for MZCh was about zl 9 million. The main end-use industry for polyurethane foam is furniture, and in addition to the two plants in Poland the company runs two plants in Russia.

Other plants are located in the Czech Republic and Belarus. The Russian market is among the ones with the highest growth potential, and the company aims to increase its PU foam output in the Kuznieck and Aleksandrov plants. In late 2011, Organika signed a letter of intent with an unnamed Russian chemical company to jointly set up a polyether polyols plant at Kemerovo in Siberia.



ZA Pulawy-ZAT caprolacatam project

ZA Puławy and ZA Tarnow are due to discuss plans to build a caprolactam production plant in China. The two companies have already signed a preliminary agreement concerning a possible jv, based on the premise that locating in China would give the companies access to commodities and energy as well as a ready local market. China has an estimated shortage of 500,000 tons per annum of caprolactam, in addition to around another 300,000 tons in Taiwan. If the Polish producers decide to proceed with the plans it may be at least another three to four years before the facility is built.

ZA Puławy currently exports around 90% of caprolactam output to Asian countries, including Thailand, India and Indonesia. In 2012, a 3% global increase in demand for caprolactam is expected, but demand from China alone could be around 8% according to ZA Puławy.

Tarnow Group investments 2012

The Tarnow Group intends to invest around zl 460 million in 2011 targeted on replacement investments, renovation and modernising production processes. Larger expenditures are planned for subsequent years, when the group will begin to adopt energy projects and the caprolactam plant in Asia will undergo construction. This year's investments will be divided between zl 200 million being channelled in ZA Tarnow, zl 170 million for ZCh Police and zl 90 million for ZAK at Kedzierzyn.

The group is currently preparing for the energy project at ZAK which involves a gas power plant with a capacity of 200 MW, which is expected to come onstream by 2016. The draft for the project should be completed by 2014. The next stage involves the energy block at ZCh Police, whilst a similar project may be applied at Tarnow. The caprolactam project being considered in conjunction with ZA Pulawy represents a major new direction for the Tarnow Group. Previously there had been offers from Asia to buy caprolactam technology from Poland, but ZA Pulawy and ZA Tarnow rejected these offers and come up with the plan to build their own plant. This year the companies are expected to take a final decision, on if and how to undertake the investment. It has been stated by the two companies that the aim would be to build a 120,000 tpa plant for caprolactam which could cost in the range of $1 billion.

RUSSIA

Feedstocks & Petrochemicals

Russian chemical trade 2011

Russian exports to China declined across the board of main chemicals and polymers in 2011, as Russian producers applied more focus to the domestic market. The lack of new capacity in Russia added in recent years has meant that as the domestic market slowly develops the surplus in production subsequently erodes. Caprolactam and butanol exports remain very strong, whilst polyamide shipments from Kuibyshevazot have been very stable. Although data is not available anecdotal reports suggest that synthetic rubber exports to China from Russia are dominated by isoprene rubber. In January this year Russia exported 7,200 tons of synthetic rubber to China, via the border crossing point Zabaikalsk in Manchuria. Chinese importers who buy products in Russia, the chemical industry and rubber, are private companies, most of which are located in Heilongjiang Province.

Russian Chemical Exports to China (unit-kilo tons)

Product	*Jan-Dec 11*	*Jan-Dec 10*
HDPE	0.1	49.3
LDPE	87.0	191.7
n-butanol	100.0	94.0
iso-butanols	81.2	68.8
PVC	1.2	2.3
Phthalic Anhydride	13.0	38.0
2-EH	12.5	17.2
PP	3.3	44.5
Acrylonitrile	7.4	17.0
DOP	0.0	2.5
Caprolactam	141.4	115.5
Polycarbonate	15.4	21.2
Styrene	12.2	10.0
Orthoxylene	1.0	40.1
Paraxylene	10.0	19.9
Trichloroethylene	0.0	6.5
Perchloroethylene	0.0	0.2
MEG	0.0	10.0
Phenol	0.0	0.6
Acetone	10.7	9.5
Epichlorohydrin	0.0	11.2
Bisphenol A	26.8	27.3
Polyamide	56.1	54.7
Polystyrene	0.4	3.2

Overall, Russia's foreign trade turnover in chemicals grew by 34% in 2011 against 2010, with imports in certain higher added value areas showing strong rises. The share of exports in chemical turnover equalled 53% (about $27.5 billion), while imports equalled 47% ($25 billion). Exports are dominated by fertilisers and lower value commodity chemicals. The value of exported chemicals for 2011 increased by 28%, whilst imports rose by 40% boosted by demand for a range products not produced in Russia. HDPE exports to China almost stopped completely last year whilst LDPE dropped by more than a half against 2010. Other features of trade in 2011 included a decline in PET imports into Russia, but at the same time a big increase in PTA imports. Russian surpluses in butadiene, MEG, styrene and phenol dropped in 2011, leading to the emergence of imports to support non-integrated consumers of those products, whilst supply and availability was assisted by the start-up of LUKoil's 150,000 tpa plant at Kstovo. The outlook for trade is fairly similar for 2012 insofar no new capacity is coming onstream for the products under supply pressure. Polypropylene capacity is expected to increased this year with the start-up of the Omsk plant, but this is not expected to take place at least until the middle of the year. Polymer trade is more likely to be affected next year by the introduction of new large-scale plants for PVC at Kstovo and polypropylene at Tomsk, in addition to the new thermoelastomer plant at Voronezh.

Russian chemical production 2012

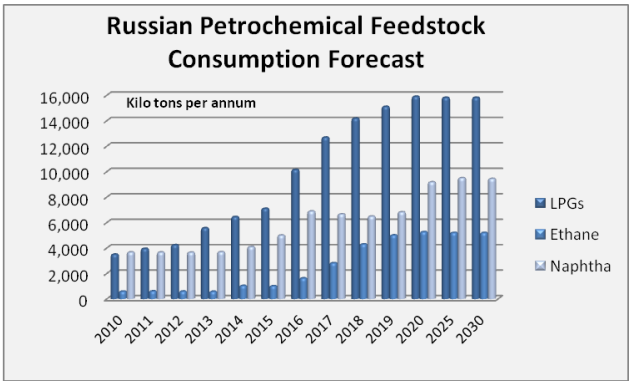
The index of chemical production in January 2012 was 3.2% down compared to January 2011. The drop was influenced to some degree by lower mineral fertiliser production of 12.6% against 2012 down to 1.464 million tons. In particular, the production of nitrogen fertilisers in January decreased by 2% to 730,000 tons of phosphate fertilisers by 4% to 282,000 tons, and potassium by 29% to 452,000 tons. In related areas ammonia production fell by 8% in January to 1.167 million tons. However, production of sulphuric acid increased by 4% to 1.003 million tons, soda ash rose 5% to 252,000 tons and caustic soda rose 3% to 93.700 tons.

Ethylene production was down 8% against January 2011 to 205,000 tons due largely to the Stavrolen outage. Production of propylene was also down by 10% to 119,000 tons, and benzene by 5% to 89,100 tons. The production of xylenes at the three refineries Omsk, Kirishi and Ufa increased by 11% to 48,900 tons, whilst styrene rose 8% to 48,500 tons and phenol rose 3% to 23,300 tons. Production of polyolefins was equally affected by the Stavrolen outage, but polystyrene production increased by 8% to 31,900 tons and PVC by 6% to 62,100 tons. In total, the production of plastics in primary forms fell in January by 2.3% and amounted to 452,000 tons, whilst synthetic rubber dropped 1% to 127,000 tons. Rubber producers have been running at high utilisation rates, with butadiene supply proving the main issue.

Feedstocks & Petrochemical Projects

Russian petrochemical sector strategy up to 2030

Several ministries in the Russian government have combined to endorse the strategic programme for the Russian petrochemical industry up to 2030. The Governmental Commission on fuel and energy has approved the main provisions of the plan for the development of the gas and petrochemical industry in Russia, based on six main clusters or regions. The implementation of the plan will aim to make full use of light hydrocarbons in Russia. The ministries envisage growth in domestic demand for petrochemical products, increasing the competitiveness of the domestic petrochemical products and the efficient use of increasing amounts of raw materials.



The ministries have estimated that the demand for petrochemicals could increase around three-fold from levels in 2010 by 2030, whilst production of petrochemicals will rise by around twice. For ethylene and propylene the increase will be much greater. LPGs and ethane consumption in petrochemical production are expected to rise sharply in the next decade after which a period of consolidation is expected. The main emphasis of the plan devised by the ministries is on the formation and functioning of industrial clusters. This is based on the interaction between business, science and the state covering the West Siberian, Volga, Caspian, North-West, East Siberian and Far Eastern regions.

The Ministry of Energy has published its list of projects for petrochemicals in the Volga-Urals and West Siberian clusters as shown below. Most of these projects are well known about, with some well advanced in the construction stage and others still in the planning stage. Some projects no doubt could depend on investments into pipelines and other infrastructure developments.

Russian Petrochemical Projects in Volga-Urals and West Siberia

Company	Project	Location	Capacity	Feedstocks	Plan
Privolzhskiy (Volga-Urals) Cluster					
SIBUR-Neftekhim	Reconstruction of EP-300	Kstovo	Ethylene x 160	LPGs, naphtha	2013
Gazprom Neftekhim Salavat	Reconstruction of EP-300 and new LLDPE plant	Salavat	Ethylene x 80, Propylene x 86	Gas liquids, naphtha	2014
Rosneft	New ethylene and polyolefin plants	Novokuibyshevsk	Ethylene 389	Naphtha, gas liquids	2016
Nizhnekamskneftekhim	New olefin complex	Nizhnekamsk	Ethylene 1000, Propylene 400	Naphtha, butane, LPGs	2017
Gazprom Neftekhim Salavat	New olefin complex	Salavat	Ethylene 600	Naphtha, C2 fractions	2017
West Siberian Cluster					
Tobolsk-Polymer	Polypropylene	Tobolsk	Propylene 500	Propane	2013
Gazprom	New ethylene and polyethylene plants	Novy Urengoy	Ethylene 420	Ethane	2013
Tomskneftekhim	New polyolefin	Tomsk	Ethylene x 80, Propylene x 86	Naphtha, gas liquids	2015
Tobolsk-Neftekhim	New olefin complex	Tobolsk	Ethylene 1500	C2 fractions from	2017

The region facing the biggest challenges over feedstocks is the Volga-Urals, where pipeline investments are required to provide access to gas liquids at lower logistical costs than rail. Pipeline transportation for gas liquids is estimated at least 30% cheaper than by rail, but the cost of the pipeline would require 90-100 billion roubles and critically the government has indicated that it does not intend to use public funds. Other regions are less developed than the Volga-Urals and the government has pledged considerable sums towards supporting infrastructure projects. However, republics such as Tatarstan and Bashkortostan form the basis of the traditional and current petrochemical industry in Russia and the government recognises the need to preserve these regions. Under the Ministry plan, the Volga cluster should undertake large-scale expansions in the next twenty years including new million ton crackers at both Nizhnekamsk and Salavat. Yet to improve the competitiveness these crackers need one or perhaps two large sources of raw materials such as gas liquids, and this remains an

unresolved issue.

Russian Chemical Imports (unit-kilo tons)		
Product	Jan-12	Jan-11
ABS	1.5	1.8
Phthalic anhydride	0.0	0.0
Benzene	3.4	0.0
Titanium dioxide	0.0	5.6
Synthetic rubber	4.5	3.3
PTA	12.0	10.1
Acetic acid	0.9	1.2
PET	6.8	14.8
Plasticizers	0.4	1.0
PVC films	4.1	3.8
PP films	1.9	2.0
PE films	4.7	6.3
Polyamide	0.6	0.8
PVC	24.1	21.0
Polypropylene	12.9	10.0
Polystyrene	6.3	6.1
LDPE	3.1	5.5
LLDPE	6.8	6.6
HDPE	21.2	23.6
Soda ash	0.0	21.9
Caustic soda liquid	2.8	2.2
Caustic soda solid	2.9	2.2
Toluene	0.0	0.0
Phenol	0.0	0.0

LUKoil-Caspian project

LUKoil has recently begun construction of offshore oil and gas field facilities in the Caspian Sea, including the installation of an ice-resistant stationary platform. Associated gas is intended to be transported to Budyennovsk for the new gas processing plant which could be launched in 2015. The main raw material for the gas chemical complex will be sourced from LUKoil's field developments in the Russian sector of the Caspian Sea. LUKoil has recently increased the proven reserves of gas in the Sarmatian deposit in the Caspian Sea by 46% up to 160 billion cubic metres.

The first stage of the gas processing plant consists of 2 billion cubic metres per annum of associated gas. This will be followed in 2017 by the second stage comprising a capacity of 4 billion cubic metres per annum in conjunction with ethylene capacity of 225,000 tpa and polyethylene capacity of 255,000 tpa. LUKoil revised its ethylene and polyethylene units down by around a half against original plans four years ago due to concerns that too much capacity was being built elsewhere in Russia.

Zapsibneftekhim-feedstock provision

The Tobolsk based petrochemical complex Zapsibneftekhim being planned by SIBUR is expected to require additional feedstocks in order to run the cracker with a capacity of 1.5 million tpa. SIBUR estimates the available resources of associated gas in West Siberia at 23-25 billion cubic metres per annum, which is only 5-7 billion cubic metres more than that company already recycles. Thus Zapsibneftekhim will require more feedstocks for delivery to Tobolsk and is considering the use of ethane from condensate processing at Novatek's Purovsky plant.

SIBUR has recently concluded a long-term contract with Gazprom up to 2021 for the supply of gas liquids from the Surgut condensate stabilisation plant to Tobolsk-Neftekhim. In the period from 2012 to 2016 annual deliveries to Tobolsk will increase from 440,000 tons to over 1 million tons of NGLs. The contract provides for formula pricing with reference to market conditions, product processing and NGL cost of transportation and fractionation.

The feedstock from Surgut is intended to support the gas liquids produced in the Yamal-Nenets region, where SIBUR operates six gas processing plants. At the end of last year the group completed a major project linking the gas processing plants together via a loading rack at Noyabrsk. Total investment in the project amounted to 8.6 billion roubles, allowing the creation of a single production network of gas processing. Tobolsk-Neftekhim is now working on the construction of the second stage of gas fractionation plant with bringing total capacity to 6.6 million tpa of NGLs. Prior to the end of 2012 SIBUR hopes to complete the Tobolsk-Polymer polypropylene project.

Tobolsk-Neftekhim-new gas processing plant

Russian company Premium Engineering has won a tender to supply equipment for SIBUR's new gas processing facility at Tobolsk. SIBUR plans to expand the complex processing of NGLs in Tobolsk. The project involves construction of a new line of central gas fractionation plant (TSGFU-2), which will further refine 2.8 million tpa of NGLs. After the project is the total capacity of gas fractionation plant Tobolsk-Neftekhim will reach 6.6 million tpa of NGLs. Completion of the project is scheduled for late 2014. By 2016, Tobolsk-Neftekhim plans to complete work on the programme for increasing the reliability and safety. This programme will enhance safety and environmental businesses, to create a comfortable workplace and improve the culture of production. This investment strategy is aimed at both the gas fractionating unit and the butadiene unit, although plans for the latter are not yet known.

Gazprom Neftekhim Salavat-ethylene investments in 2012

Gazprom Neftekhim Salavat has set aside plans to invest around 1.2 billion roubles in 2012 on continuing modernisation of its ethylene capacity. The investments this year will be concentrated on the replacement of naphtha furnaces with modern furnaces producing better yields of ethylene. Previously, Salavatnefteorgsintez

had replaced by three furnaces from the total nine involved in ethylene and propylene production. Also during the overhaul of the EP-300 plant this year Gazprom Neftekhim Salavat plans to adjust feedstock pipelines. One of the company's aims is to use refinery gases, which contain a high content of ethane, to provide additional feedstocks for the EP-300 cracker.

The company will be able to replace up to 8 tons per hour of natural gas liquids from raw materials that previously went to the fuel company's network, allowing significant savings and reduce costs for the purchase of raw materials. By 2020, Gazprom Neftekhim Salavat estimates that gas feedstocks from refinery sources could reach 242,000 tons per annum. For these purposes, the company will build about 4,000 metres of new pipeline to supply natural gas and NGL removal, which it hopes to implement in 2012. In the mid-term Gazprom Neftekhim Salavat aims to complete the expansion of the EP 300 cracker to 380,000 tpa by 2015.

Gazprom Neftekhim Salavat-Petrochemical Production (unit-kilo tons)

Product	*2011*	*2010*
Benzene	107.0	102.7
Butanols	141.4	123.4
Ethylene	259.1	229.9
Polyethylene	82.0	60.5
Propylene	98.0	79.3

Gazprom Neftekhim Salavat-production & sales 2011

Deliveries of petrochemical products in 2011 for Gazprom Neftekhim Salavat were shipped to all regions inside the country, whilst externally shipments were distributed to China, Finland, Turkey and CIS countries. The company relies heavily on traders for external business, and as a rule exports are more complicated than internal sales. More stringent environmental regulations in the EU may lead to difficulties with the European market in future and thus Gazprom Neftekhim Salavat is continuing to work to improve the quality of products. The general product goals for the company are to bring quality into line with international standards of environmental safety and to comply with Ro EACH.

Rosneft-feedstock source guranteed for Nakhdoka petrochemical project

At the start of February Rosneft and Sberbank signed an agreement regarding the acquisition of a 35.3% stake in the company Taas-Yuryakh Neftegazodobycha which holds the production licences for the Srednebotuobinsk oil and gas condensate field. The significance of the deal is that the field is located 160 km north of the Eastern Siberia-Pacific Ocean pipeline (ESPO) pipeline in the Russian Far East that will supply feedstocks to Rosneft's petrochemical project at Nakhodka under its subsidiary Eastern Petrochemical Company.

Recoverable oil reserves of the Srednebotuobinsk field are estimated at 90.9 million tons of C1 and 38.9 million tons of C2 fractions. The acquisition is a major step forward in strengthening Rosneft's reserve base in East Siberia and ensuring deliveries to the ESPO) After closing the deal with Sberbank, Rosneft will be working with other shareholders of Taas-Yuryakh Neftegazodobycha to ensure the success of the project.

Russian Petrochemical Trends & Performance

SIBUR-Trans, rail agreements and Ukrainian rail cars

At the start of 2012 Russian Railways (RZD) and SIBUR signed a three-year agreement on cooperation in the field of transportation. Under the agreement, SIBUR is to arrange for the transportation of 6 million tons of gas feedstocks in 2012 from companies located in the Tyumen Region through the Sverdlovsk railway. The parties recorded the readiness to establish a strategic partnership in the sphere of railway transportation of petrochemical products, increasing the capacity and the modernisation of the rail links with the gas processing plants controlled by SIBUR. SIBUR has previously encountered problems with the transportation of feedstocks from Tobolsk-Neftekhim.

SIBUR-Trans is responsible for organising the transportation of raw materials and products for SIBUR, as well as management of rail infrastructure company enterprises. From the end of last year SIBUR-Trans became capable of supplying 1.5 tpa of NGLs from the Noyabrsk-2 railway station to Sverdlovsk. SIBUR-Trans provides transportation within Russia and for export.

A recent problem facing SIBUR-Trans is the decision to ban the operation of the Ukrainian manufacturers of railcars which could lead to serious difficulties in the supply of raw materials and export of petrochemical products. Currently about one third of cars under management of SIBUR-Trans are manufactured in Ukraine by Azovzagalmash. Rail cars sourced from Ukraine have been the cause of several emergencies on the Russian railways in recent years. As an alternative, there is only one supplier in Russia and there is concern to find a resolution to the problem.

SIBUR's Gas and Petrochemical Production (kilo	2011	2010	2009
Natural gas liquids (NGL)	4,176	3,955	3,585
Stable natural gasoline	759	761	806
LPGs	3,625	3,398	3,349
Monomers, liquid fractions	2,116	2,130	1,903
Synthetic rubbers	428	434	339
Polymers	565	592	595
Organic synthesis products	1,172	1,055	969
Fuel components	743	631	691
Other	839,6	571,9	528,4
Total:	**14,422**	**13,526**	**12,765**

SIBUR production 2011

SIBUR's gas processing plants received more than 18 billion cubic metres of associated gas (in 2011, a 3.3% increase on 2010 (17.5 billion cubic metres). Production of dry stripped gas totalled 15.8 billion cubic metres, 2.9% above 2010. Total volumes of petrochemical products for SIBUR produced in 2011 exceeded 14.4 million tons, 6.7% higher than 2010 (13.5 million tons), mineral fertilisers increased by 3% to 3 million tons whilst tyre production increased 54% to 13.4 million units. As fertiliser and tyre assets were sold at the end of 2011, they will be not included in the results for 2012.

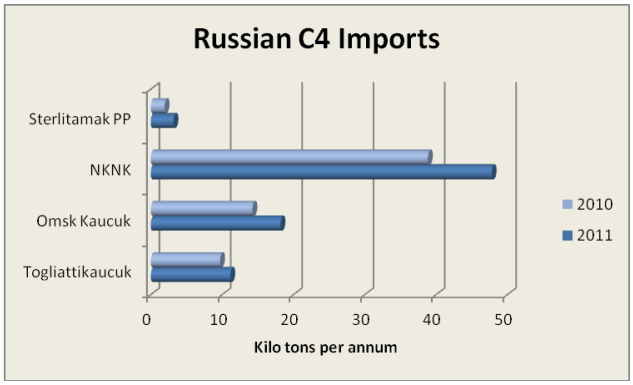
SIBUR's total investment allocated for the modernisation and construction of new facilities exceeded 58.6 billion roubles in 2011. Major completed projects last year included the launch of a pipeline network in the Yamal-Nenets region consisting of a commissioning of a railway complex for NGL storage and loading at Noyabrsk. Other projects included road geotextile production lines both in the Kemerovo and Tula Regions. Construction of the polypropylene project at Tobolsk and the PVC project at Kstovo received considerable sums of investment in 2011. Smaller capacity projects were undertaken at Perm (expandable polystyrene) and Voronezh (thermoelastomers). At the end of 2012 SIBUR and Siberian Business Union entered into an agreement for the sale of 100% shares of SIBUR- Fertilisers. At the time of the transaction at the perimeter of the SIBUR-Mineral Fertilisers consists of Azot (Kemerovo), Angarsk Nitrogen fertiliser plant and OOO Biisk car repair business.

Russian olefins, Jan 2012

Tomskneftekhim processed 13% more feedstocks in January than December to 75,700 tons. The increase was made possible through more liquids, rising from 11,600 tons in December to 23,900 tons in January. At the same time naphtha fell by 1,700 tons to 50,700 tons. The rise in gas liquids processing has resulted in additional production of C4s, rising 10% over January.

Hopes that Stavrolen could restart partly production in late February, earlier than they expected, seem not have materialised. LUKoil has been exploring the possibility of organising the supply of propylene for polypropylene production, but as yet has not found a suitable source. Rostekhnadzor has determined that the most likely cause of the fire was the depressurisation of the connecting elements involved in the separation of propane-propylene fraction. In turn, depressurisation was caused by corrosion of structural changes that have occurred during the operation of the equipment. The cost of damaged and destroyed property at a petrochemical plant is estimated at about 812 million roubles and full resumption of production is expected before or by 1 April 2012. Despite the incident Stavrolen finished 2011 well, with production exceeding 2010 levels by more than 10%.

Russian merchant sales of propylene fell 4% in January against February due to the Stavrolen outage and totalled 29,500 tons. For propane-propylene fractions shipments totalled 17,100 tons, 8% less than a month ago. Production of propylene dropped 4% in January against December 2011 to 101,400 tons. Stavrolen did not produce, whilst other plants ran normally.



Russian ethylene production totalled 205,400 tons in January, 8% lower than December. The outage at Budyennovsk was the chief reason for the decline, whilst at the same time Angarsk Polymer Plant reduced production by 6% to 17,700 tons, and Tomskneftekhim by 4% to 23,200 tons. SIBUR-Khimprom increased production by 10% to 4,600 tons.

Russian butadiene production 2011

Nearly all butadiene producers increased production in 2011 in response to strong demand for butadiene rubber. Total consumption amounted to 523,000 tons, which was 8% up on 2010. Production was supplemented by imports from Iran; imports are expected to continue in 2012 and should exceed volumes in 2011. Feedstocks for butadiene production in Russia have been under

more pressure resulting in an increase of 23% in imports of C4s in 2011 and totalling 79,660 tons. Nizhnekamskneftekhim purchased 60% of the C4 imports, with Omsk Kaucuk, Togliattikaucuk and Sterlitamak Petrochemical Plant accounting for the remainder. With butadiene plants running at high capacity rates the crackers in Russia have not been able to provide sufficient C4s. Around 327,000 tons of C4s were sold domestically from the crackers in 2011 which was the same as in 2010.

Russian Polyethylene Market (unit-kilo tons)

HDPE	***Jan-Dec 11***	***Jan-Dec 10***
Production	868.3	829.3
Exports	99.2	43.1
Imports	274.9	268.8
s/d balance	1044.0	1055.0
LDPE	***Jan-Dec 11***	***Jan-Dec 10***
Production	663.2	662.7
Exports	171.9	181.1
Imports	98.4	94.5
s/d balance	589.7	576.1
LLDPE	***Jan-Dec 11***	***Jan-Dec 10***
Production	57.2	51.1
Exports	1.0	0.4
Imports	104.6	107.2
s/d balance	93.7	73.5
PE Aggregates	***Jan-Dec 11***	***Jan-Dec 10***
Production	1588.7	1543.1
Exports	272.1	224.6
Imports	478.0	470.5
s/d balance	1727.4	1704.5
Polypropylene	***Jan-Dec 11***	***Jan-Dec 10***
Production	680.4	630.3
Exports	63.9	63.9
Imports	155.0	133.4
s/d balance	771.4	699.7
Polystyrene	***Jan-Dec 11***	***Jan-Dec 10***
Production	310.7	288.2
Exports	40.7	50.2
Imports	152.1	163.8
s/d balance	422.2	401.8
PVC	***Jan-Dec 11***	***Jan-Dec 10***
Production	574.9	537.9
Exports	3.3	14.5
Imports	502.3	454.7
s/d balance	1074.0	978.0
PET	***Jan-Dec 11***	***Jan-Dec 10***
Production	360.0	301.9
Exports	72.7	8.7
Imports	248.9	265.6
s/d balance	536.2	558.9

Nizhnekamskneftekhim has been investing in its C4 capability to try and reduce the dependency on purchases from other Russian crackers and imports. Overall though Russia's problem with butadiene is two-fold, firstly the lack of new capacity being brought on stream to meet demand from the tyre industry and secondly the shortage of C4 feedstocks. Of the current producers, only Tobolsk-Neftekhim has plans to expand capacity although Nizhnekamskneftekhim may follow suit in line with its new cracker plans. As for grassroots facilities, Rosneft is the sole company planning a butadiene unit as part of its Nakhodka petrochemical project, but this is located too far away to help the synthetic rubber producers.

Kazanorgsintez 2011

Kazanorgsintez exceeded 37 billion roubles of revenues in 2011, 10% up on 2010. Kazanorgsintez has estimated a profit of 4.2 billion roubles in 2011 against 4.1 billion roubles in 2010. The company in 2011 reduced the volume of production at constant prices by 2.2% compared with 2010. In addition, the company repaid 500 million roubles to Sberbank in advance of conditions laid out for its loan. Previously Kazanorgsintez had only paid interest on its debt of 25.792 billion roubles (as of September 2010), but is now in a stronger position to repay debts. Kazanorgsintez depends not only on ethane and LPG purchases for ethylene production, but also a range of chemical products such as propylene, propane-propylene fractions, benzene and methanol.

Bulk Polymers

Russian polymer production 2011

Production of polymers exceeded volumes in 2011 over the previous year in all categories. HDPE production was again the largest polymer in terms of volume, rising by 6% over 2010 due to increasing capacity utilisation by Gazprom Neftekhim Salavat and Nizhnekamskneftekhim. These increases compensated for the lower production by Kazanorgsintez in 2011 due to feedstock shortages, and the accident at Stavrolen in mid-December. Production of LLDPE rose 11% at Nizhnekamskneftekhim to 56,700 tons, whilst overall the polyethylene plant ran at 85% of capacity. The average rate of capacity utilisation in at Russian polyethylene plants was 78% last year.

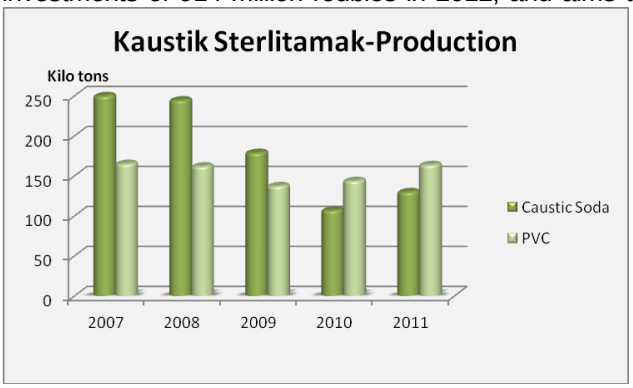
Polypropylene consumption increased more than polyethylene in 2011, with exports identical but both production and imports higher than in 2010. Production rose 50,100 tons in 2011, due mainly to extended downtime in 2010. All producers increased production in 2011, with the Moscow showing the highest rise of 17%.

PVC production rose 5% in 2011 to 574,900 tons, assisted by a 21% increase by Kaustik at Sterlitamak which itself was facilitated by an increase in ethylene deliveries from Salavat. Despite the increase, imports continued to rise to 502,300 tons against 454,700 tons in 2010. For polystyrene Russian production rose 9% in 2011 to 310,700 tons. The increase was due to primarily to higher operating time at SIBUR-Khimprom, as well as

increased production by Penoplex and Gazprom Neftekhim Salavat. Omsk-Polymer hardly ran last year whilst Angarsk Polymer Plant reduced production in 2011.

Kaustik Sterlitamak 2011

Kaustik experienced a much better year in 2011 than 2010, due largely to the higher deliveries of ethylene from Salavat. Revenues totalled 9.75 billion roubles in 2011 against 7.025 billion roubles in 2010. Kaustik plans capital investments of 914 million roubles in 2012, and aims to increase production main products of PVC and caustic soda solid.



Capital investment in 2011 totalled nearly 350 million roubles in 2011, during which Kaustik increased the capacity of solid caustic soda to 50,000 tpa from 35,000 tpa. Other projects included an increase in productivity and reduction of costs in VCM production and the start of a new more advanced furnace for EDC.

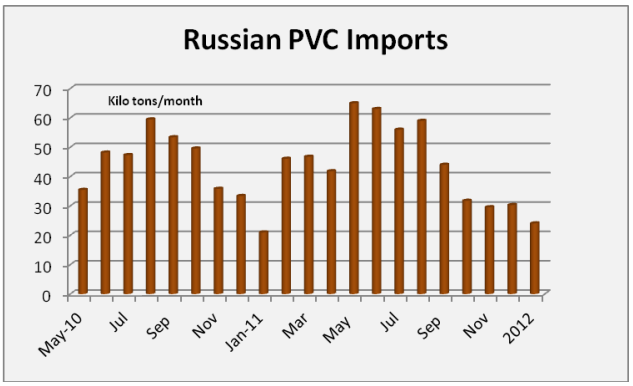
RusVinyl project update

The Nizhny Novgorod administration approved benefits worth more than 5 billion roubles to the RusVinyl project in late December, including the offset of interest on commercial loans amounting to 274 million roubles for five years. The agreement on granting of privileges must be approved by the legislative assembly of Nizhny Novgorod region. Other benefits include tax credits.

Towards the end of last year RusVinyl received the first batch of large-scale equipment for the construction of the PVC plant at Kstovo. Storage tanks for VCM were transported by water, keeping in line with the project schedule. The new PVC plant represents the most significant addition to Russian PVC capacity in the next three to four years.

Solvay is concerned over the infrastructure position for the RusVinyl project, and has had to incur additional costs for railway connections. Russian Railways has refused to pay for the rail link to the plant under construction even though it is to benefit from the transhipment of products for which the jv will have to pay normal transit rates. The infrastructure needs to be expanded as the current Zeletsino station is thought to incapable of coping with the additional flow of goods when the RusVinyl complex is completed. Russian Railways is unwilling to support the costs directly and has referred to similar scenarios involving other companies where investments were made on formula basis allowing repayment over a set period.

RusVinyl expects to see the emergence of a local cluster of processors after the PVC plant starts production in 2013, and could quite easily account for 45-50% of output. The cluster could conceivably comprise processors involved in mouldings, pipes, waterproofing membranes, stretch films, etc. One large window profiler could be capable of consuming in the range of 20-30,000 tpa of PVC, highlighting that the prospects for local consumption are quite considerable and there may not be much availability for other parts of Russia.



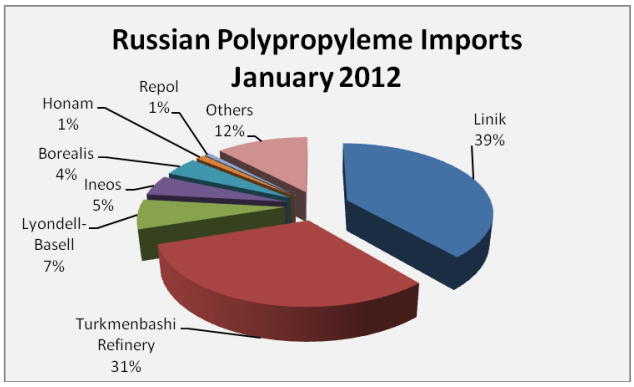
Russian PVC price collusion?

The Russian FAS has initiated a check for a possible violation of antitrust laws for PVC sales in Russia. Together with law enforcement authorities have conducted an audit of FAS at Kaustik at Sterlitamak during which documents were checked. As yet there is no proof of Kaustik or other producers having done wrong, but the investigation is continuing. Previously the FAS has examined cartel pricing in caustic soda and chlorine pricing, in addition to PVC plasticizers and chlorinated paraffins. However, in contrast to these other product areas a cartel on PVC would be much harder to implement taking into account the strong dependency of the Russian market on imports. In 2011, imports accounted for more than 40% of the Russian PVC market. Whilst prices have risen in recent months, this is connected more with global trends than an isolated price hike in Russia.

Russian polypropylene imports/production Jan 12

Russian imports of polypropylene dropped in January and were down 29% against December to 13,140 tons. Lower demand in the first month of the year resulted in less purchases from traders. Ukraine and Turkmenistan decreased deliveries to the Russian market by 21% and 27% respectively against December.

Estimated consumption of polypropylene in Russia in January 2012 amounted to 56,000 tons which was 12% down on December. Lower demand is due to some extent due to seasonal factors, whilst at the same time production from domestic producers dropped 11%. Only Ufaorgsintez increased production in January, 11% up on the previous month. All other plants have cut production, particularly Stavrolen which has been idle since mid-December.



Novy Urengoy LDPE project

In the latter part of 2011 Novy Urengoy Gas Chemical Complex started talks to raise a five year club loan for $270 million in order to complete the final stages of the ethylene-polyethylene plant. The deal involves the Bank of America, Merrill Lynch, WestLB and HSBC. Funds have been sought to finance the remaining part of the capital expenditure under the guarantee of Gazprom. The decision to build the gas-chemical complex was adopted back in 1993, but has been disrupted on numerous occasions due to lack of funding.

Kuznetsk Steel continues to supply steel structures for Novy Urengoy Gas Chemical Complex and construction is now well advanced. In part this is due to the loan obtained in September 2009 from the Russian bank VTB worth $400 million. This was followed by two loans worth about $750 million from JP Morgan and Deutsche Bank. The Novy Urengoy plant is expected to start production in 2013 with a capacity of 400,000 tpa of LDPE. The second and larger stage of the complex is under review, which could see polyethylene capacity rise to 1.2 million tpa.

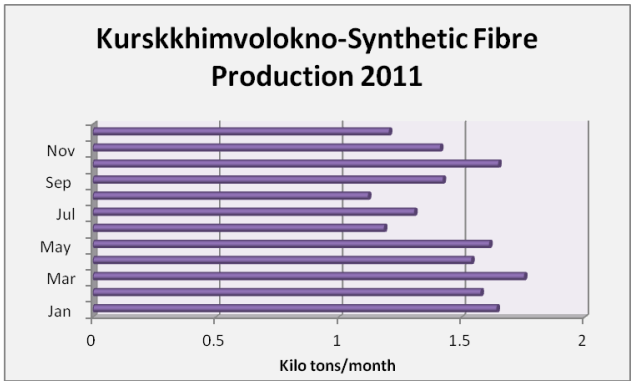
Aromatics & derivatives

Kuibyshevazot-Production (unit-kilo tons)

Product	*Jan-Dec 11*	*Jan-Dec 10*
Polyamide-6	141.9	113.1
High Tenacity Tech Yarns	6.7	3.9
Tyre Cord Fabric	3.1	6.4
Caprolactam	95.3	174.1
Ammonia	318.7	235.6
Urea	176.4	294.1
Ammonium Nitrate	279.8	496.0
Ammonium Sulphate	234.4	439.4

Kuibyshevazot, 2011

Kuibyshevazot increased sales by 48% in 2011 over 2010, totalling 31.2 billion roubles. In terms of comparative turnover, the company is graduating from a mid-sized Russian chemical producer to an important player in the industry. Net profit increased by 3.4 times in 2011 and amounted to 5.9 billion roubles. Revenues and profits were helped by increased production, particularly polyamide-6, and higher product prices. The only product to record a reduction for Kuibyshevazot in 2011 was tyre cord. In terms of cost management, the company undertook a number of measures last year to reduce consumption of natural gas and hydrogen in the production of caprolactam.



Over 2011 a number of measures to modernise production facilities were applied by Kuibyshevazot, whilst in 2012 the company plans to build energy-efficient production unit for cyclohexanone. Kuibyshevazot has already begun design work on the construction of the cyclohexanone unit, for which the license has been provided by DSM. The company aims to start production in 2014-2015. Kuibyshevazot established and started two jvs with DSM this year involving cyclohexanone and engineering plastics.

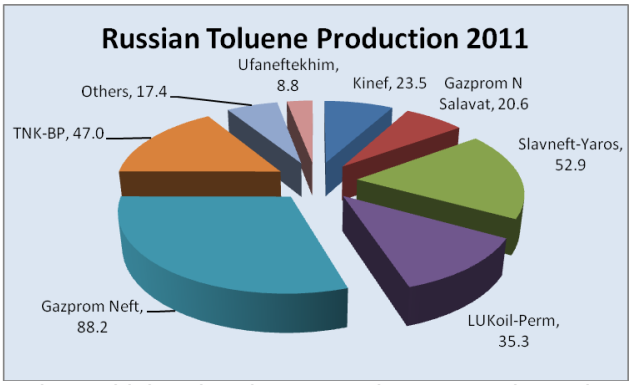
In January this year Kuibyshevazot increased purchases of benzene by 14%, to 12,060 tons. Of this amount, 2,800 tons of products were imported from Ukraine which was twice more than in December. The main suppliers

of benzene for the company in January were Gazprom Neft at Omsk (3,950 tons), Slavneft-YANOS (2,970 tons), Yasinovsky Coke (1,430 tons) and Zaporozhkoks (1,370 tons).

Kurskkhimvolokno-reconstruction and increased profits

Kurskkhimvolokno (owned by Kuibyshevazot) this year plans to invest around 200 million roubles in modernisation. The company expects to increase production in 2012 at least 4%. Currently, reconstruction of production includes a shift from caprolactam to polyamide, changing technology of chemical fibres and filaments, etc.

Kurskkhimvolokno increased turnover in 2011 by 46.2% over 2010 to 2.898 billion roubles in current prices by 46.2% more than in 2010. The production of chemical fibres and fabrics was up 3.2% to 18,000 tons. For the first time in a long time the company recorded a decent profit of 400 million roubles. Several years ago Kurskkhimvolokno faced serious trouble but was later rescued when Kuibyshevazot bought the assets in December 2007. This is consistent with long-term strategic programme of Kuibyshevazot to increase the recycling of caprolactam in Russia.



Russian toluene market 2011

Production of toluene in Russia in 2011 amounted to 294,000 tons, an increase of 9% over 2010. Growth in output was due to increased consumption of these products on the domestic market. Gazprom Neft at Omsk was the largest producer with 30% of output, Slavneft-YANOS with 18%, TNK-BP at Ryazan 16%, LUKoil-Perm Refinery 12%, Kirishinefteorgsintez 8%, Gazprom Neftekhim Salavat 7%, and Ufaneftekhim 3%.

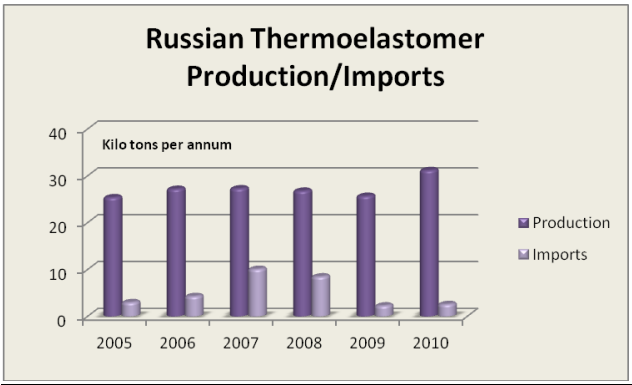
In January 2012 Russian plants produced 29,600 tons of toluene which is 4% more than in December 2011 and 32% higher than in January last year. The major producers in the first month of 2012 were Gazprom Neft at Omsk (40%), Slavneft-YANOS (16%), TNK BP at Ryazan (15%) and LUKoil-Permnefteorgsintez (14%).

Shchekinoazot-caprolactam modernisation

Shchekinoazot increased chemical sales by 26.5% in 2011 over 2010 to 11.225 billion roubles. The total investment in new production and introduction of modern technology to Shchekinoazot in the strategic development program for 2011-2014 is planned at $425 million. In October 2011 a line was introduced for methanol production at a value of €150 million. In 2012, the company is implementing two major investment projects. Shchekinoazot intends to complete the creation of hydrogen with a capacity of 26,000 tpa, whilst completing reconstruction of the oxidation unit on the caprolactam production plant. As a result, the existing production capacity will be increased from 51,600 tpa to 60,000 tpa.

The hydrogen equipment is expected to achieve a significant reduction in the consumption of steam, electricity, recycled water and benzene per unit of output. Shchekinoazot also stated that the company has produced a prototype of a new product dimethyl adipate, which is used as an additive for paints. Aside the modernisation of the existing unit Shchekinoazot plans to build a new 100,000 tpa plant for caprolactam, although no project dates are available.

Synthetic Rubber



Voronezhsintezkaucuk-new thermoelastomer plant

Regarding the new thermoelastomer (TEP) plant at Voronezh, Voronezhsintezkaucuk has installed large distillation columns which are intended for the drying of water from butadiene. Voronezhsintezkaucuk is building a new plant for the production of TEP with a capacity of 50,000 tpa at a cost of 3.8 billion roubles. Construction is scheduled for completion before the end of 2012. As part of the SIBUR group, Voronezhsintezkaucuk is the sole Russian producer of thermoplastic elastomers used in road construction, roofing materials, mastics,

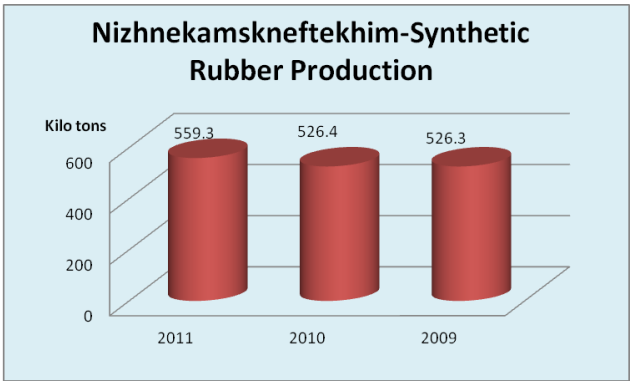
adhesives and sealants. The company already produces 35,000 tpa, and the new plant may provide a challenge to the imports entering the country. SIBUR intends to use the new TEP plant to provide raw materials for polymer binders to be used in the domestic road construction programme.

Kazan Synthetic Rubber Plant

Kazan Synthetic Rubber Plant (KZSK) has invested 430 million roubles in the past year for the modernisation of its Thiokol division, which is aimed at reducing production costs and improving the ecological standards related to the production process. At present, the company consists of five independent divisions and produces 160 different products, which are exported largely to Europe. The export share of total revenues of the company was 39% in 2011. KZSK occupies about 18% of the world market for Thiokol and plans to increase its capacity in 2012.

Nizhnekamskneftekhim-rubber production 2011

Production of synthetic rubber by Nizhnekamskneftekhim was up in 2011 over 2010, due to strong demand and capacity utilisation rates being increased. Polybutadiene production has seen the largest increase in the past two years. Currently, Nizhnekamskneftekhim produces seven types of synthetic rubber, and is continuing to modernise production and improve the consumer properties of rubber. Nizhnekamskneftekhim is operating a new pilot plant for ethylene propylene rubber aimed at producing elastomers and high-purity chemical products. The company has commissioned a second line for halobutyl rubber at the butyl rubber plant, and is increasing capacities to 100,000 tpa and 200,000 tpa respectively. About 93% of halobutyl rubber produced at Nizhnekamsk is exported. Nizhnekamskneftekhim cooperates with the largest foreign tyre companies such as Michelin, Goodyear, Pirelli, Continental, Bridgestone and Belshina (Belarus).



SIBUR-Reliance butyl rubber jv

SIBUR and India's Reliance Industries have agreed to establish a jv entitled Reliance SIBUR Elastomers. This follows the initial agreement between the two sides at the end of 2010. SIBUR will receive 25.1% in the jv whilst the share of Reliance Industries will be 74.9%. The jv aims to invest $450 million towards building a new complex for the production of butyl rubber with a capacity of 100,000 tpa at Jamnagar. It is expected that the new company will be commissioned in mid 2014, later than the original date of 2013. The new complex will become the first Indian producer of butyl rubber and the fourth largest in the world. Along with the agreement the two sides signed a license agreement which provides for a jv owned by SIBUR patented production of butyl rubber. SIBUR will develop the basic design of the new complex and will conduct training on a similar plant at Togliatti.

Methanol & related chemicals

Russian methanol consumption, Jan 12

Russian exports of methanol to Ukraine rose slightly in January as traders attempted to complete transactions prior to the anti-dumping duty taking impact in late February. On the Russian domestic market, MTBE producers and gas companies accounted for 57% of the 97,000 tons of methanol purchases made internally. In the other parts of the domestic market product purchases in January fell for synthetic rubber producers by 12% against February, oils and additives by 25% and formaldehyde by almost 45%.

Shchekinoazot has been threatened with suspension of methanol production for 90 days due to court measures after checks by the authorities showed that the new plant did not comply with regulations and industrial safety. The new plant started in September and October. Sales volumes of methanol from Shchekinoazot showed a drop in December and January after the rapid increase in October and November last year. The closure of the older plant was the cause behind this reduction, and it remains not clear what Shchekinoazot has for this plant.

In the derivative markets, MTBE exports from Russia have been rising in recent months as domestic sales have been falling. In January Russian producers of MTBE exported 32,000 tons which was 60% up on December. The largest importer of Russian MTBE in January was Finland, accounting for 60% of shipments.

Togliattiazot-profits affected by Odesssa pipeline stoppage

Togliattiazot's net profit for 2011 was affected by the problems of ammonia transhipment to Odessa from December onwards. Total revenues in 2011 amounted to 19.7 billion roubles, whilst the net profit was 1.76 billion roubles. In mid-December last year, the owner of the Ukrainian part of the Togliatti-Odessa pipeline Ukrhimtransammiak stopped pumping ammonia from Togliattiazot. Ammonia from other producers such as Rossoshanskiy Fertilisers and Stirol was pumped in full, but pipeline deliveries were only restarted at Togliattiazot on 18th January. The loss over the month long interruption to exports was estimated at more than 600 million roubles. Togliattiazot remains the largest producer of ammonia in Russia, producing 2.511 million tons in 2011.

Russian Ammonia Production (unit-kilo tons)

Producer	*Jan-Dec 11*	*Jan-Dec 10*
Akron	1,159.0	1,108.2
Azot	1,018.9	983.2
Azot	1,010.1	1,042.9
Drogobuzh	577.0	1,186.0
Azot, Nevinomyssk	1,046.2	1,574.4
Azot, Novomoskovsk	1,600.2	1,117.5
Kirov-Chipetskiy CC	1,114.2	520.4
Kuibyshevazot	649.0	1,058.3
Minudobrenya-Rossosh	1,064.5	583.4
Minudobrenya-Perm	504.1	0.0
Gazprom N Salavat	496.4	429.9
Azot Kemerovo	1,070.8	957.5
Togliattiazot	2,511.1	2,137.9
Others	63.3	0.0
Total	13,884.8	12,699.6

SIBUR sells SIBUR-Mineral Fertilisers

Siberian Business Union has acquired 100% shares in SIBUR-Mineral Fertilisers, which includes Azot at Kemerovo and Angarsk Nitrogen Fertiliser Plant. The transaction is subject to approval at the next board meeting of SIBUR Holding. Azot at Kemerovo provides about 80% of the supply of ammonium nitrate to agricultural and industrial consumers in Siberia and the Far East. It is also one the three Russian caprolactam producers. Selling the assets is part of SIBUR's restructuring programme and concentration on main core petrochemicals. Siberian Business Union is Russia's third-largest producer of coal for power stations.

The new name for SIBUR-Mineral Fertilisers is SDS Azot. In other deals Uralchem (Russia's second-largest producer of nitrogen fertilisers) is in talks with SIBUR to buy 51% of Perm Mineral Fertilisers from SIBUR with a view towards helping double urea production. Uralchem values the Perm unit in the range of $550 million.

Fosagro expects higher production in 2012

Fosagro expects to increase production between 3-10% in 2012, although much depends on the planned start-up of the new urea plant in May and how it might perform for the rest of the year. Fosagro has recently requested Gazprom to supply additional gas supplies by 2015 in order to support a new ammonia unit under construction at Cherepovets. The capacity of the new unit is around 2,200 of tons per day, which would require around 2 billion cubic metres per annum. Other projects are also being assessed at Cherepovets, including the construction of a gas separation unit that can separate gas liquids. This is part of the wider evaluation of a petrochemical complex at Cherepovets together with the co-operation and participation of SIBUR. The project on creation of the Cherepovets gas-chemical complex would entail the development of related industries, small and medium-sized businesses, industrial parks, etc.

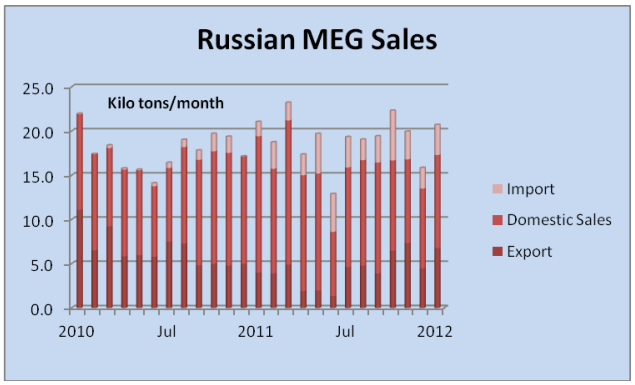
Fosagro continues to consider the construction of large-scale ammonia plants based on feedstock sources from the Stockman gas field in the Barents Sea. The group is also considering restructuring its subsidiaries Ammophos and Azot at Cherepovets by merging them. The reorganisation involves the creation of a new company which could be finished in July-August 2012. A merger of assets will simplify the group structure and thus reduce the administrative costs of maintaining separate legal entities. It will also simplify the process of moving goods, which is important due to the fact that a significant portion of production in Azot is used within the group. Fosagro owns 93.76% shares of Ammofos and controls Azot at Cherepovets. After the merger products will combine under one legal entity, providing advantages in raw material purchases and other synergies.

Organic chemicals & plastics

Russian organic chemicals

DOP production in Russia declined in January by 32% against December to 5,000 tons. Due to low demand for DOP in the domestic market, Gazprom Neftekhim Salavat opted not to produce, whilst SIBUR-Khimprom reduced volumes by 6%. Russia produced 8,700 tons of phthalic anhydride in January, which is 13% higher than in December, but 11% lower than the same period in 2011. Kamteks-Khimprom was the sole producer, whilst Gazprom Neftekhim Salavat was idle due to low demand for plasticizers. Production at Salavat is expected restart in March.

Russian plants produced 24,700 tons of total butanols in January, 10% up on December but 12% less than in January 2011. The proportion of n-butanol in gross production in January 2012 amounted to 63%, whilst isobutanol was 37%. Gazprom Neftekhim Salavat accounted for 46% of total butanol production in line with normal shares, followed by SIBUR-Khimprom with 28%, Angarsk Petrochemical Company 20%, and Azot Nevinomyssk 6%.

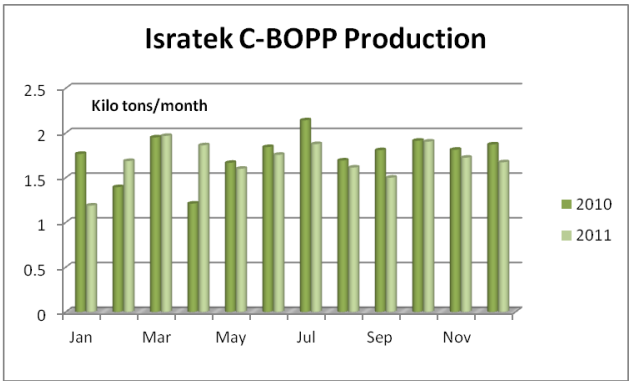


MEG exports from Russia totalled 6,800 tons in January, up 51% against December. Belarussian purchases increased in January as opposed to buying from the Middle East. The main supplier of MEG from Russia in January 2012 was SIBUR-Neftekhim, which accounted for 60% of the gross volume sold abroad. The remaining 40% was shipped from Nizhnekamskneftekhim. Belarus uses MEG in the production of PET at Mogilev.

In January, Russia imported 1,170 tons of phenol produced in Finland by Borealis, 60% lower than in December 2011. Reduced purchases by Russian consumers of phenol was primarily due to more availability of the domestic supply. Imports remain an important factor in the recent rise in price of Russian phenol, which in turn was the result of increasing benzene prices. The average cost of phenol shipped from Finland to Russia in January 2012 increased almost 10% against December. The major Russian buyer of Finnish phenol in January was Karbolit, which it uses for phenol-formaldehyde resins, followed by MetaDynea.

Russian polymer film supply

The Biaksplen group reduced BOPP production by 11.7% in 2011 against 2010, producing 80,700 tons against 91,500 tons in 2010. Biaksplen, which is part of SIBUR, reduced operating rates due largely to a lack of competitiveness against imported BOPP. The plants belonging to Biaksplen rely mostly on domestically produced polypropylene, although some imports were purchased last year from Ineos, LyondellBasell and SABIC. In 2011 the company started producing a new kind of stretch film. For the production of this product the group uses mainly domestic raw materials.



Another BOPP producer in Russia Isratek C produced 20,400 tons in 2011, which is 3.4% less than in 2010. The company largely uses domestic raw materials, but did increase the consumption of imports by 2.7 times in 2011 (from 1,200 tons). Around 90% of the imported polypropylene was purchased from LyondellBasell. Isratek C's share of imported polypropylene in total consumption was 5.6% last year against 3% in 2010.

Imports of PVC films in Russia for 2011 increased 9% against 2010, the 9% and amounted to 75,800 tons. The growth came largely from the supply of ordinary films by 8% to 46,100 tons. The main suppliers of PVC film to Russia include Zhangjiagang FTZ Changlong New Material», Quick Pack Pacific», Linpack» and P.V.Ran. Klöckner Pentaplast produced 10,200 tons of rigid PVC films in 2011, 14.3% more than in 2010. The company purchased 71% of its PVC suspension grade from abroad last year, up from 57% in 2010. This equated to 7,200 tons in 2011 and 5,100 tons in 2010. Formosa Plastics from Taiwan was the main supplier in 2011, although the US producer Shintech became a more significant supplier due to price.

Inorganic & chlorine products

Khimprom-perchloroethylene

Khimprom at Volgograd plans to launch perchloroethylene production in March 2012. The project was started in 2011 based on a separation chlorohydrocarbons and located at the idle benzyl alcohol unit. Already experiments have yielded 15 tons of product. The only other producer of perchloroethylene in Russia is Kaustik at Sterlitamak.

With demand rising in Russia a market opportunity has arisen for a new source which might compete with comparative brands are produced by Dow and Solvay.

Russian soda ash exports

Russian soda ash exports totalled 601,800 tons in 2011, 27% more than in 2010. Total production amounted to 2.822 million tons, which was 6% up on 2010. Last year, Russian shipped 66% of its gross exports to Kazakhstan, 7% to the USA and 7% to Belarus. Russian soda ash production totalled 252,100 tons in January, 6% more than in December 2011, with half of the plants running at high utilisation rates. Pikalevo Soda and Soda at Sterlitamak recorded increases of 19% and 10% respectively. The Achinsk alumina refinery and Berezniki Soda Plant reduced production by 2% and 1% respectively.

Bashkhim seeks to combine assets at Sterlitamak and Berezniki

Bashkhim has stated that it plans to jointly develop its assets Kaustik and Soda at Sterlitamak and the Berezniki Soda Plant, by investing in calcium chloride and heavy soda ash. The group wants to increase heavy soda ash capacity to 1.3 million tpa by 2014, in addition to developing new sources of limestone and building its own power station. The main advantages of combining assets at Sterlitamak and Berezniki under Bashkhim include linking businesses, optimising feedstock logistics, etc, and creating a single energy source based on the Sterlitamak sites. Bashkhim aims to invest in the range of 25 billion to 35 billion roubles in the combined assets, including the expansion of PVC capacity at Kaustik up to 350,000 tpa. This expansion would require in the range of 10 billion roubles and be completed by 2017. An even larger expansion of PVC is planned for 2019 up to 670,000 tpa, but this seems slightly optimistic in view of unresolved ethylene issues.

Bashkhim Production 2011 (unit-kilo tons)

Product	*Kaustik Sterlitamak*	*Soda Sterlitamak*	*Soda Berezniki*
NaOH	145	0	0
PVC	173.9	0	0
Na_2CO_3	0	1596.1	596.4

Soda at Sterlitamak is scheduled to begin development of a new source of limestone, as well as build the station office filtering distilled liquid for 0.5 billion roubles. The company plans also to increase heavy soda ash capacity by 2014 to 1.3 million tpa. Bashkhim also intends to invest 5 billion roubles in 2017 to increase production capacity of soda ash grade B at Berezniki to 1.2 million tpa, in addition to the construction of its own energy source.

Belarus

Belarussian Chemical Imports (unit-kilo tons)

Product	*2011*	*2010*
ABS	7.4	6.9
Synthetic Rubber	21.0	79.2
MEG	73.1	75.5
PET	8.7	10.3
PVC	41.6	12.9
Polypropylene	56.1	55.7
Polystyrene	60.6	59.6
LDPE	10.8	9.6
HDPE	51.1	53.2
Soda Ash	137.5	119.2
Caustic Soda Liquid	71.0	58.2
Caustic Soda Solid	11.7	9.7
Carbon Black	55.9	52.3

Belneftekhim increases exports

Belneftekhim increased chemical trade in 2011, including export and import, by 81.9% over 2010. In 2011 Belneftekhim almost doubled the revenue from exports, with strong performance from the fertiliser sector. Belarus remains heavily dependent on imports of a range of commodity products. PET feedstocks, i.e., MEG and paraxylene, are key raw materials whilst polymer imports are gradually increasing each year. Soda ash consumption is rising and Belarus plans to build a plant to meet demand, but for most other products listed opposite imports will continue to be sole source of supply.

Azot & Khimvolokno Grodno complete merger

Azot at Grodno increased its turnover by 15.7% in 2011 over 2010. Caprolactam production amounted to 131,400 tons, 2.8% up on 2010, methanol was 80,600 tons (2.6% down), chemical fibres and filaments 42,100 tons (4.2% down), and polyamide 22,700 tons (39.5% up. The growth rate of labour productivity for the year reached 197.6%.

Azot continues to implement a long-term development programme which includes the modernisation of existing technologies and the replacement of worn-out equipment. Last year Azot conducted quality tests on ammonia, methanol, nitrogen fertilisers, caprolactam, hydroxylamine, carbon dioxide, etc. Shops were tested for methanol, cyclohexanone-2-caprolactam 2.

In 2011 Azot started the merger process with Khimvolokno at Grodno in order to integrate the links between caprolactam and polyamide produced by Azot and the polyester yarns and fibres produced by Khimvolokno. The reorganisation of the two companies and merger into one is expected to be completed this year. Khimvolokno itself has project programme that involves commissioning of complete process plants combined

spinning, stretching and winding of polyamide (PA-6) industrial yarns. Its completion is planned for the third quarter in 2012. After the full development of capacities, this will help to develop the production of high-strength fibres and increase output by 30 tons per day. Reconstruction of the twisting plot twisting and weaving shop represents further sub-project as part of the reconstruction of polyamide industrial and cord yarn. Over time Azot and Khimvolokno will strive to integrate activities providing a link from caprolactam right through to end-use fibres.

Mogilevkhimvolokno-investment plans 2012

Mogilevkhimvolokno plans to invest around 220 billion Belarussian roubles in modernisation in 2012, following three major projects in the 2010-2011 period. Last year the company completed three major investment projects to develop the production of nonwoven materials, renovation of shop assembling plant and twist polyester fibres and yarns, as well as upgrading the plant for the production of DMT. In the fourth quarter in 2012 Mogilevkhimvolokno has scheduled a start-up for its new unit for methyl esters of fatty acids with a capacity of up to 50,000 tpa. These products can be used as fuel for diesel engines. This year the company will also begin a project to increase the production of PET edible grades, rising to 160,000 tpa which would be around three times more than at present.

Ukraine

Ukrainian Chemical Production (unit-kilo tons)

Product	*Jan-12*	*Jan-11*
Acetic Acid	10.0	14.0
Ammonia	420.5	458.1
Benzene (-95%)	12.6	15.4
Benzene (+95%)	18.7	14.1
Caprolactam	5.9	5.7
Caustic Soda	10.8	12.7
Ethylene	16.7	16.6
Formaldehyde	2.4	2.4
Methanol	13.9	14.3
Polyethylene	9.4	8.7
Polypropylene	8.2	9.0
Polystyrene	0.0	1.5
Polyvinyl Acetate	0.3	0.2
PVC	9.4	0.0
Soda Ash	42.8	61.5
Titanium Dioxide	12.6	12.8
Toluene	0.5	0.6

Karpatneftekhim-propylene supply

Karpatneftekhim exported 5,960 tons of propylene in January, 47% up on December. Exports were divided between Poland (3,500 tons) and Romania ((2,460 tons). For the whole of 2011 Karpatneftekhim exported 79,160 tons of propylene, of which Poland bought 73% and Romania 16%. Other buyers included China 6%, Russia 3% and Belarus 2%.

In January, Russian shipments of normal butane to Karpatneftekhim totalled 26,700 tons for ethylene production. A growth in supplies has been made possible due to the increase of shipments of normal butane from Tobolsk-Neftekhim. SIBUR accounted for 13,400 tons of shipments, whilst LUKoil supplied 4,400 tons from its Korobkovsky gas processing plant. Other suppliers included Nizhnekamskneftekhim with 4,000 tons, Novokuibyshevsk Petrochemical Company 3,900 tons, and Tatneftegazpererabotka 1,000 tons.

Karpatneftekhim records losses in 2011

Karpatneftekhim recorded a loss of $120.3 million in 2011 against a projected profit of $ 35.5 million. The drop in profits was attributable to rises raw material and energy costs, as well as the delayed start-up of the PVC plant from January to May. Gas oil and naphtha costs rose 43% and 35% respectively which led to a decrease in revenues of almost $176 million At the same time the rise for finished products only rose between 10-30%, with VCM and PVC showing little if any gain. The main goal in 2012 for Karpatneftekhim is to reach break-even operations.

LUKoil plans to invest around $60 million in Karpatneftehim in 2012. The company plans to start production in PVC window designs and to renovate and build its own boiler at the plant. Karpatneftekhim in May 2011 launched the production of PVC suspension with a capacity of 300,000 tpa, and this year expects to start 30,000 tpa of PVC paste.

Ukrainian benzene market

Imports of benzene into Ukraine increased by 13% in January to 1,640 tons, the entire volume of which was shipped from Poland to Rivneazot for adipic acid production. Imports declined in December as Azot at Severodonetsk stopped adipic acid production, whilst Rovnoazot reduced operating rates. The only other importer of benzene in Ukraine is Azot at Cherkassy, which is used for the production of caprolactam. Adipic acid production at Severodonetsk totalled 32,376 tons in 2011 which was 2.1% down on 2010. Rivneazot produced 29,119 tons of adipic acid in 2011, which was 46.8% up on the previous year. Cyclohexanone production was up

59.7% to 6,049 tons.

Azot at Severodonetsk has stopped adipic acid production until March or later due to demand, and this is affecting benzene purchases. Whilst Ukraine needs to import benzene above 96% purity, it produces large volumes of benzene under 96%. Paradoxically, whilst Azot at Cherkassy imports, Russian caprolactam producer Kuibyshevazot imports benzene from Ukraine from Yasinovsky Coke. The accident at Stavrolen in December has limited availability in Russia and this has led to renewed purchases from Zaporozhkoks in addition to Yasinovsky Coke.

Ukrainian Chemical Exports

Product	*2011*	*2010*
Ammonia	220.2	764.8
Titanium Dioxide	138.7	120.3
Caprolactam	60.0	52.4
Urea	3465.3	2604.7
Acetic Acid	83.7	49.5
Polypropylene	62.9	50.6
Polyethylene	73.8	58.5
Polystyrene	5.5	3.5
Propylene	64.0	21.3
Soda Ash	398.6	461.2
Caustic Soda Liquid	37.4	10.9

Ukrainian methanol supply

After the decision to impose anti-dumping duties on imports of methanol from Russia, strong buying activity from Russia took place in February prior to the duties coming into force on 23 February. The largest users of Russian methanol in 2011 were LINIK for MTBE and Tar Carpathians for formaldehyde. Shchekinoazot is the major exporter of Russian methanol to Ukraine, and accounted for 80% of shipments in 2011. Azot at Severodonetsk shipped 6,400 tons of methanol to the domestic market in January, of which around 60% of the methanol was purchased by the gas industry followed by formaldehyde.

In terms of production costs Azot is benefiting from its holding company Ostchem's strategy on gas purchases from Central Asia. By purchasing gas from companies controlled by Ostchem Holding Azot together with other fertiliser producers are securing supplies at 13% lower than that of Naftogaz. Ostchem buys fuel from Gazprom division Germania, which supplies Central Asian gas to Europe.

Ukrainian DOP market (unit-kilo tons)

	2011	2010
Production	12.5	7.7
Exports	3.7	1.0
Imports	11.2	8.4
Market Balance	20.0	15.1

Ukrainian DOP imports

DOP imports into Ukraine totalled 11,200 tons in 2011 which was 32% more than in 2010. The growth in imports was due to increased consumption of plasticizers in the Ukrainian market, whilst at the same time competing well against domestically produced DOP. Domestic consumers found imports more cost-competitive, sourced mainly from Central European producers such as ZAK in Poland and Deza in the Czech Republic.

Ukrainian Polypropylene Imports (unit-kilo tons)

Country	*2011*	*2010*
Russia	9.6	8.0
Slovakia	8.4	6.4
Hungary	6.7	3.8
Germany	5.8	5.9
Romania	4.9	2.3
Poland	4.8	6.5
Saudi Arabia	4.3	1.0
Italy	4.3	2.3
Belgium	3.3	3.2
Egypt	3.2	0.0
Serbia	2.6	0.0
Czech Republic	1.9	1.4
South Korea	1.8	0.9
Turkey	1.7	0.2
Others	6.2	3.6
Total	69.5	45.4

DOP exports from Ukraine totalled 3,700 tons in 2011, 3.8 times more than in 2010. The increase in exports was due to higher production. The main volume of products shipped abroad by Lizinvest. At the end of last year with the company to foreign markets was delivered 2.94 tons of plasticizer, which is 79% of gross exports. The company Polycom exported 760 tons of DOP in 2011. The main direction of the supply of plasticizers Ukrainian origin was the Russian market, accounting for 94% of gross exports. Other products are shipped to Belarus and Kazakhstan. Exports of DOP from Ukraine in January this year amounted to just 38 tons which were shipped to Russia and Belarus at $1852/ton (20 tons) and $1982/ton (18 tons respectively.

Ukrainian phthalic anhydride, Jan 12

Ukraine imported 251 tons of phthalic anhydride in January, almost twice than in December of 2011. The largest consumers of phthalic anhydride in January were Impulse, a manufacturer of semi-finished alkyd paints, and Polikem which produces DOP. Kamteks-Khimprom accounts for 72% of imports, followed by Lakokraska in Belarus with 20% and Deza from the Czech Republic with 8%.

Ukrainian polypropylene trade

Ukrainian exports of polypropylene increased 35% in 2011 over 2010, totalling 48,940 tons. Nearly all exports (87% or 42,470 tons) were shipped to Russia. At the same imports into Ukraine totalled 69,490 tons which was 53% higher than in 2010. Around four-fifths of imports came from Europe and Russia. Overall the Ukrainian market for polypropylene consumption increased by 25% in 2011 to 118,690 tons, with the share of imports amounting to 62%. Production at Lisichansk increased 13% in 2011 to 93,960

tons, which was mainly homopolymer and hence the need for imports. The main problem facing Linik now is that the refinery has reduced operating rates and as a result propane-propylene fractions need to be sourced from Russia.

Ukrainian Soda Ash Market (unit-kilo tons)		
	2011	2010
Production	747.5	705.2
Exports	375.2	394.9
Imports	25.7	15.5
Market Balance	398.0	325.7

Ukranian soda ash market 2011

Consumption of soda ash increased in Ukraine by 22% in 2011 against 2010 and reached 397,900 tons. Both domestic production and imports increased last year, with production at Crimean Soda rising to levels of pre-crisis levels. At the beginning of 2012 domestic demand in Ukraine for soda ash has been slack due to high stocks built up by consumers before the end of 2011.

Crimean Soda is now the sole producer in Ukraine with the other producer Lisichansk Soda having been declared bankrupt and having not operated since 2009. The largest consumers of soda ash in the domestic market comprise the glass manufacturers which account for around 70% of consumption. Other consumers include the steel and chemical industries, which account for around 14% and 11% of the market. Exports accounted for around a half of soda ash sales from Crimean Soda last year, with sales to Belarus increasing 47% to 87,670 tons. Exports to Russia amounted to 39% of shipments, Belarus 23% and India 14%. The share of imports in the market is negligible, with Romania providing around 33% of shipments in 2011.

Crimean Titan is investing in a gas turbine with a generator power of 14.4 MW per hour, which will be completed by the end of 2012. This will allow Crimean Titan to provide electricity to its own production facilities, and combined with an existing steam turbine will allow the company to produce around 90% of its own electricity requirements. The company is also developing a new plant for sodium bicarbonate with a capacity of 20,000 tpa, which should be completed in 2012. Part of the equipment has been sourced from the idle plant at Lisichansk Soda.

Central Asia

Uzbek MTO project

Uzbek chemical holding Uzkhimprom has started a pre-feasibility study for the production of 500,000 tpa of methanol linked to 192,000 tpa of ethylene and propylene. In addition Uzkhimprom aims to build PVC facilities with a capacity of 150,000 tpa and caustic soda with a capacity of 90,000 tpa. Following the preparation of a preliminary feasibility study Uzkhimprom hopes to begin negotiations in the second half of 2012 with licensors of technology for an MTO project with a view towards starting construction in 2013. Funding for the project, the costs of which are estimated at $1.27 billion, is expected to be financed by foreign loans and investments, including loans from the Reconstruction and Development Fund of Uzbekistan.

Uzbekistan-CTL project

Uzbekistan plans to construct a plant for production of synthetic liquid fuels from coal by 2016. The CTL-power plant will be located based at the coal mine Apartak in the Tashkent region. For gas to liquids Uzbekneftegaz and Sasol of South Africa will provide $110 million towards construction of synthetic fuel producing plant in Kashkadarya region.

Kazakh soda ash project

Turkish company Enkim has received an order from Kazakhstan to build a plant for the production of soda ash. The capacity of the plant has been set at 400,000 tpa in the first phase before later expansion to 600,000 tpa. Total project costs have been estimated in the range of $300 million, and investors are currently studying Zhambyl and Atyrau deposits of raw materials. Kazakhstan does not yet produce soda ash and relies solely on imports. The country imported 397,930 tons in 2011 of which 98% is from Russia.

Relevant Currencies

Czech crown. Kc. $1= 20.85. €1 = 25.5671: Hungarian Forint. Ft. $1 = 223.5. €1 = 274.065: Polish zloty. zl. $1=3.1135. €1 =4.065: Bulgarian leva: $1 = 1.5956. €1= 1.9596: Romanian Lei. $1 = 3.4151. €1= 4.187: Croatian Kuna HRK. $1 = 5.9239. €1= 7.2641: Ukrainian hryvnia. $1 = 7.931. €1 = 9.7253: Rus rouble. $1 = 31.022. €1= 38.0405

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