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MONTHLY NEWS

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

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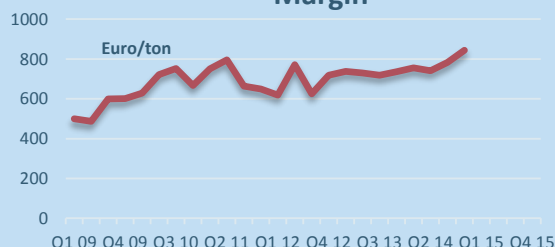
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CENTRAL & SOUTH EAST EUROPE

Petrochemicals

PKN Orlen's Model Petrochemical Margin



Petrochemical margins benefit from lower oil prices

Orlen's petrochemical margin reached €871 per ton in December, the highest level since October 2008. This made it possible to achieve a record average petrochemical margin in the fourth quarter. The previous occasion when margins peaked was in October 2008 when €895 per ton in October 2008. However, margins dropped sharply thereafter in 2008 in response to the global banking crisis. The rise in late 2014 looks more sustainable and could extend into the first half of 2015. The average level of petrochemical margin for Orlen in the fourth quarter amounted to €844 per ton, the highest in the group's

history. For the four quarters of 2014 the margin averaged €780.25 against €730.25 in 2013.

PKN Orlen Group Breakdown (zł thousand)		
	Jan-Dec 14	Jan-Dec 13
Total Revenues	106.8	113.6
EBITDA	5.2	3.1
Group EBITDA		
Orlen	2.9	2.1
Unipetrol	0.5	0.3
Orlen Lietuva	-4.4	-0.3
Other	355.3	0.7
Divisional EBITDA		
Downstream	4.2	2.4
Retail	1.4	1.3
Upstream	-0.2	0.0
Corporate	-0.6	-0.6

PKN Orlen Q4 2014 & 2014

Revenues for the Orlen Group totalled zł 106.832 billion in 2014 against zł 113.597 billion in 2013, whilst the operating profit (EBITDA) rose from zł 3.096 billion to zł 5.213 billion. The operating profit was offset by the impact of the drop in oil prices on inventories which created an overall loss. Other factors contributing to the loss for the Orlen Group in 2014 included impairment allowances for Orlen Lietuva, Unipetrol, Rafineria Jedlicze and Spolana.

The fourth quarter was very successful for Orlen in that there was an increase in operating profit of zł 668 million over the same period in 2013, and amounted to zł 1260 million. The negative decline of falling crude oil prices on inventory valuation in the fourth quarter amounted to zł 1593 million.

By individual country, PKN Orlen recorded an EBITDA of zł 839 million in 2014 for the whole of 2014, which was higher than 2013 by zł 209 million. Overall for 2014, PKN Orlen recorded an EBITDA of zł 2.920

billion against zł 2.074 billion in 2013.

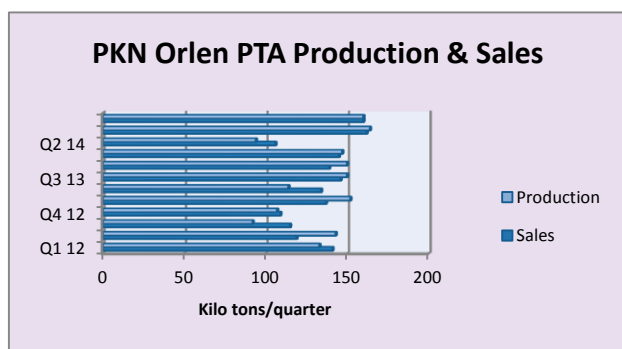
PKN Orlen Group Chemical Sales (unit-kilo tons)		
Product	Jan-Dec 14	Jan-Dec 13
Monomers	837	673
Polymers	592	510
Aromatics	413	380
Fertilisers	1143	1034
Plastics	418	423
PTA	571	556

In Lithuania, Orlen Lietuva continued to record losses whilst in the Czech Republic Unipetrol increased profitability to zł 478 million in 2014 against zł 255 million in 2013. An increase of sales volume of refinery products on the Czech market resulted from increased production capacity after the acquisition of 16.3% of shares in Ceska Rafinerska from Shell.

Sales of petrochemical products for the Orlen Group increased on both the Czech and Polish markets. Higher sales on the Czech market resulted from the improvement in market demand combined with uninterrupted production against the maintenance shutdowns that took place in the third and fourth quarters in 2013.

Growth of sales on the Polish market also benefited from the lack of shutdowns of polyethylene installations by Orlen subsidiary BOP at Plock. In the fourth quarter in 2013, BOP limited the sales volume of polyolefins due to maintenance. Regarding fertilisers, the Orlen Group increased sales in 2014 by 109,000 tons over 2013 to 1.143 million tons. Even so, lower sales of fertilisers in the fourth quarter last year was primarily due to Spolana from the Anwil Group selling less on the Czech market.

PTA production for PKN Orlen totalled 561,000 tons in 2014 against 556,000 tons in 2013. Sales increased in 2014, and by using some inventory allowed Orlen to ship 571,000 tons in total for the whole year. Distribution of PTA



exports from Wloclawek changed in 2014, with much less product shipped to Russia. Whereas in 2013 Orlen's exports of PTA to the EU comprised only around 50% of volumes this increased to 80% in 2014. Reduced exports to Russia resulted principally from lower purchases made by Alko-Naphtha at Kaliningrad, where PET production was much lower last year.

Unipetrol Q4 2014

The major event for Unipetrol in 2014 was the acquisition of Ceska Rafinerska from Shell and the subsequent

increase in refining volumes. Largely as a result of this transaction revenues rose from Kc 99.415 billion in 2013 to Kc 124.229 billion in 2014. Profitability was affected by the cost of the acquisition leaving the company with a net loss of Kc 556 million for the whole year. The net profit would have been much worse had it not been for a highly successful fourth quarter which recorded an operational profit (EBITDA) of Kc 2.618 billion and a net profit of Kc 598 million.

Unipetrol achieved high petrochemical margins in the fourth quarter last year, helping the company to increase profits from the petrochemical division. In addition to petrochemicals other divisions showed good performance in the fourth quarter. Unipetrol increased revenues by 15% in the last three months in 2014 against the same period

Unipetrol Q4 2014 Overview

- Revenues increased by 15% to Kc 28.9 billion
- A 44% increase in crude oil processed in Q4 (vs Q4 2013) to 1.302 million tons
- Refining utilisation ratio reached 88%, high steam-cracker utilisation at 90% in Q4

in 2013 to Kc 28.939 billion. In the last quarter in 2014 Unipetrol managed to maintain a high utilisation of its production units, including 88% for refineries and 90%

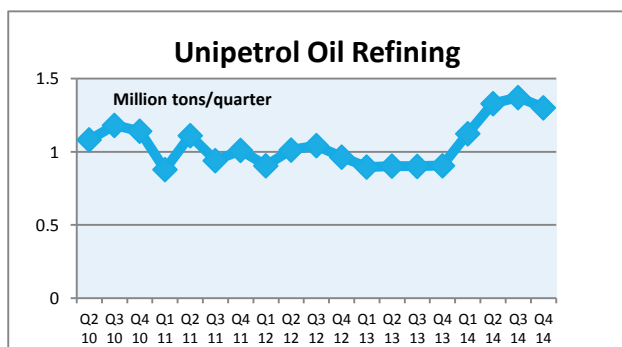
for the steam cracker at Litvinov.

Unipetrol's Petrochemical Sales (unit-kilo tons)		
Product	Jan-Dec 14	Jan-Dec 13
Ethylene	162	140
Propylene	45	31
Benzene	228	189
Urea	0	5
Ammonia	213	186
Butadiene	64	58
HDPE	322	280
PP	270	232
C4	86	79

Due to stable production, Unipetrol was able to use the favourable economic conditions in late 2014 into higher sales volumes, both for petrochemical and refinery products. The profitability of downstream division was supported by higher margins helped significantly by declining prices of crude oil, but also by weaker rate of Czech crown against the US dollar.

In the downstream division, now renamed to include refinery and petrochemical activities, the company recorded an EBITDA of Kc 468 million in the fourth quarter in 2014 which measures favourably against a loss of Kc 1.210 billion for the whole year. The results in the division were influenced by better margins (both refining and petrochemical). In the refinery part of the downstream division, the volume of crude oil processed in Q4 amounted to 1.302 million tons, which represents 44% growth over Q4 2013.

The petrochemical sector for Unipetrol achieved an operating profit or EBITDA of Kc 2.213 billion in fourth quarter in 2014. Petrochemical sales increased 4% to 439,000 tons, helped by higher demand. The sales of polyethylene increased by 13% and polypropylene by 12%.

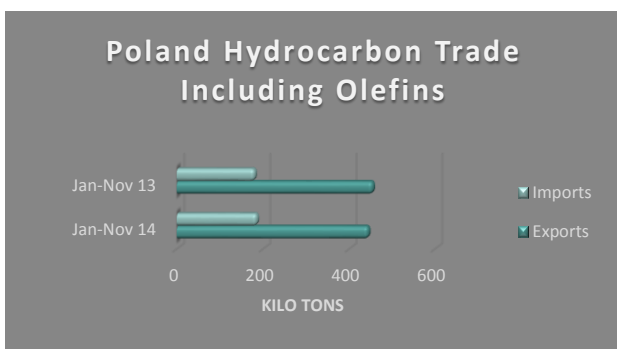


Lotos Q4 2014

Grupa Lotos was affected in the fourth quarter by the impact of low oil prices on inventory valuation. Although margins rose in the final months of 2014 falling oil prices overall created problems for the group. Unlike Orlen and Unipetrol that both produce olefins Lotos has been unable to gain much from the lower oil values.

Lotos-Azoty project

A final decision on the petrochemical jv between Grupa Azoty and Lotos at Gdansk is still awaited, and there are hints of insufficient collective motivation to progress the project to the construction stage. The decision on which facilities would be constructed was intended to be known by the end of 2014, but this has been deferred until early 2015. Indications are that Grupa Azoty and Lotos are both undertaking their own investment strategies in their core activities and building a joint petrochemical complex may not represent the main priority for either party.



That still leaves the issue of the deficit in chemical and petrochemical trade facing Poland. The country is faced with a deficit (nearly zł 17 billion in 2013) in chemical trade, constructing a new complex involves many aspects including site location, finance, common commercial interest, etc.

One deficiency of the project idea for Gdansk is the lack of support from elsewhere in Poland; for example Orlen is not participating whilst Synthos has opted not to be involved although would buy products from the finished complex. Should the decision be approved the

construction of the complex would take place in the period 2016-2018, with its launch planned for 2019. The

construction project would require in the range of 5,000 people for construction and zł 12 billion in capital.

Swinoujscie LPG terminal

Construction of the LNG terminal in Swinoujscie is close to an end, which could culminate in gas supplies arriving from Qatar. Grupa Azoty buys around 2.3 billion m³ of gas per annum for its four plants, accounting for around one sixth of Polish consumption. The question regarding the new terminal is the price of imported gas which would have to compete against Russian sources. Liberalisation of the Polish gas industry is evolving step by step of which Swinoujscie represents a key part. However, the main milestone for liberalisation of the Polish gas sector will not take place until 2022 when PGiNG will finish the present gas deal with Russia.

PGiNG has started producing more oil than its own gas. In the first two quarters of last year, PGNiG pumped about 230,000 tons of oil, whilst it has now exceeded 300,000 tons per quarter. In the medium term PGNiG plans to increase domestic production of crude oil and condensate by about 20%, raising volumes to around 1 million tpa.

Oltchim starts to restructure

Despite the failure of the privatisation process the recent financial improvements by Oltchim indicate positive signs for the profitable reorganisation of the company. Revenues have increased since the Oltchim entered insolvency (February 2013) from €5.4 million per month to around €16 million in the few last months in 2014.

The company recorded gross profits of €580,000 in October and November 2014, although paying wages still represents a

problem. Oltchim's turnover grew last year by around 25% to €141.190 million, based on preliminary data, mainly due to higher exports.

Polish synthetic rubber trade, Jan-Nov 2014

Poland exported 168,419 tons of synthetic rubber in the period January to November 2014, against 168,370 tons in the same period in 2013. Imports increased from 172,522 tons in 2013 to 190,028 tons in January to November 2014. Due to lower prices revenues and expenditure both declined. Average export revenues per ton dropped from €1710/ ton in 2013 to €1490 in 2014, whilst import revenues declined from €2142 per ton in 2013 to €1840 in 2014. Import costs exceed export revenues due to the import of specialised high grade rubbers which are not available domestically.

Poland Synthetic Rubber Trade (unit-kilo tons)		
Exports	Jan-Nov 14	Jan-Nov 13
Total	168.419	168.37
Central-East Europe	1.857	1.643
EU	82.396	81.356
Other	84.166	85.371
Imports	Jan-Nov 14	Jan-Nov 13
Total	190.028	172.522
Central-East Europe	7.9841	7.1672
EU	74.65	71.16
Other	107.3939	94.1948

Synthos-Brazil project

Synthos hopes to start construction of its synthetic rubber plant at the Triunfo Petrochemical Complex in Brazil in March or April this year, depending on decisions regarding butadiene costs taken in February. The project would require about two years for construction to be completed. This feedstock issue between Petrobras and Braskem has delayed the Synthos design in over a year.

The plant's capacity has been set by Synthos at 80-90,000 tpa of polybutadiene but initial project cost estimates of about \$340 million have almost doubled to around \$640 million. The project is

expected to generate around 500 jobs during construction and 120 in operation.

The input supplier to the unit at Triunfo is Braskem, which in turn is in discussions with Petrobras. In late August of last year, Braskem signed an amendment to the state naphtha contract valid until the end of February 2015. However, so far, companies have not reached a final agreement solution on prices beyond this date.

Czech Rubber Trade Balance (Thousand €)		
Product	Jan-Nov 14	Jan-Nov 13
SBR latex	-19,638	-22,055
SBR	51,631	72,552
Butadiene rubber	70,598	50,465
Butyl rubber	-3,302	-2,507
Halogenated butyl rubber	-16,547	-13,806
Chloroprene latex	-190	-147
Chloroprene rubber	-3,239	-2,944
Acrylonitrile-butadiene rubber latex	-36	-34
Acrylonitrile-butadiene rubber	-6,172	-6,080
Isoprene rubber (-14,510	-20,264
EPDM	-50,541	-44,226

largest import category, whilst butadiene rubber represents the largest category for exports, followed by SBR.

Czech Rubber Trade, Jan-Nov 2014

The Czech net trade balance for synthetic rubber declined from €13.519 million in the period January to November 2014 to €12.809 million in the same period in 2013. Export revenues declined from €231 million in January to November 2013 to €214 million in 2014, whilst imports declined from €219 million to €200 million in 2014.

In terms of imports, Russia is the largest source of shipments into the Czech Republic which accounted for 33% in 2014. Most of the synthetic rubber shipments from Russia to the Czech Republic consist of SBR and polybutadiene. Czech exports of synthetic rubber are well diversified. The largest destination was Spain accounting for 13.9% of shipments in January-November 2014. EPDM is the

Chemicals

Polish Chemical Production (unit-kilo tons)		
Product	Jan-Dec 14	Jan-Dec 13
Caustic Soda Liquid	297.0	311.5
Caustic Soda Solid	76.8	80.0
Soda Ash	1053.0	1052.1
Ethylene	471.0	487.2
Propylene	339.6	351.6
Butadiene	56.3	52.3
Toluene	12.7	17.7
Phenol	30.7	35.7
Caprolactam	168.0	160.0
Acetic Acid	8.6	8.2
Polyethylene	337.0	342.3
Polystyrene	53.1	56.2
EPS	74.9	76.9
PVC	275.0	306.0
Polypropylene	224.0	254.0
Synthetic Rubber	192.0	193.1
Ammonia (Gaseous)	1320.0	1294.8
Ammonia (Liquid)	1331.0	1217.6
Pesticides	31.6	21.0
Nitric Acid	2364.0	2278.0
Nitrogen Fertilisers	1943.0	1826.0
Phosphate Fertilisers	408.0	367.5
Potassium Fertilisers	301.0	299.5

Duslo Sala-new ammonia project

At the start of 2015 the European Commission approved state aid of €58 million for the modernisation of Duslo's ammonia plant at Sala in Slovakia. The project is aimed preserving about 1,800 jobs at the plant and hundreds of other jobs in local companies which supply the plant. The company plans a new investment into a new ammonia plant by 2017 worth up to €300 million, which would be followed by a period of tax relief for ten years until the total amount of tax liability of €58 million was repaid. The new plant is to be designed at a capacity of 1,600 tons of ammonia per day. Ammonia production accounts for nearly half of production for Duslo Sala, currently producing 1,300 tons per day.

Poligal, BOPP project Poland

Spanish BOPP film manufacturer Poligal has started a €30 million investment project for the installation of its next BOPP extrusion line in a new greenfield plant in Poland. The new plant will initially include an 8,7m wide 5-layer Brückner BOPP extrusion line with a production capacity of 40.000 tpa of BOPP film. The line is expected to be fully operational in Q3 2016. Further investment options to add metallization capacity to the plant are currently under consideration.

The plant will be located in Skarbimierz, 60 km south of Wrocław. This new line will allow Poligal to develop its competitiveness in certain product segments like label films, and will strengthen its capabilities in the development of films for specialty applications. It will also allow Poligal to offer to top European converters and end

users a strong European-wide coverage. Existing plants are located in Spain and Portugal.

PCC Rokita-Thai jv

PCC Rokita has concluded a jv with a Thai company IRPC Polyols in Bangkok, from where PCC Rokita aims to develop market share not only in Thailand but also south-east Asia, China and India. The jv has been formed on a 50/50 basis and will be engaged in the sale of polyols and polyurethane systems, which are currently in the portfolio company IRPCP. Moreover IRPCP will produce new products based on technology licensed from PCC Rokita. IRPCP is a manufacturer and distributor of polyols in Thailand and south-east Asia. PCC Rokita has a leading position in the Central European market and alkali polyols and is a major supplier of phosphorus compounds and naphthalene derivatives. At the end of February last year, Rokita subsidiary PCC Exol formed a jv with United Coconut Chemicals in the Philippines.

RUSSIA

Russian Chemical Production (unit-kilo tons)

Product	Jan-Dec 14	Jan-Dec 13
Caustic Soda	1,070.0	1,041.0
Soda Ash	2,548.0	2,453.0
Ethylene	2,395.3	2,697.5
Propylene	1,354.9	1,331.8
Benzene	1,150.0	1,205.0
Xylenes	500.0	498.0
Styrene	645.0	609.5
Phenol	228.3	289.6
Ammonia	14,600.0	14,400.0
Nitrogen Fertilisers	8,200.0	8,200.0
Phosphate Fertilisers	3,000.0	3,100.0
Potash Fertilisers	8,400.0	7,000.0
Plastics in Bulk	6,386.9	6,134.0
Polyethylene	1,591.0	1,861.0
Polystyrene	537.0	457.0
PVC	712.0	653.0
Polypropylene	1,035.0	856.8
Polyamide	145.0	137.0
Synthetic Rubber	1,319.0	1,482.0
Synthetic Fibres	128.0	119.1

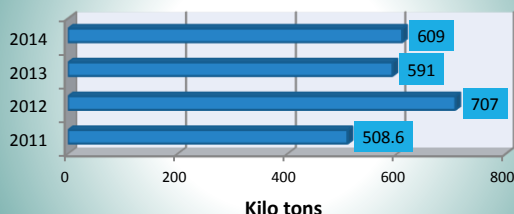
Russian chemical industry, Jan-Dec 2014

Russian chemical production increased 1.5% in 2014 over 2013. Despite the economic mounting problems in Russia some companies in the chemical industry are performing relatively well, particularly those that are able to benefit in export trade from the currency devaluation. Regarding internal consumption, certain products showed increases in 2014 over 2013 where domestic processing became more attractive.

In the aromatics sector both toluene and orthoxylene purchases in the domestic market rose in 2014 from a diverse range of applications including industrial explosives, fuels and paints, whilst benzene demand was slightly lower. Paraxylene consumption rose due to higher PTA production at Polief. For organic chemicals butanols consumption rose in 2014, although phenol and acetone saw falls. Consumption of bulk commodity plastics in Russia slowed in 2014, despite increases polystyrene and polycarbonate.

Nizhnekamskneftekhim was able to report strong results for the fourth quarter and surpassed its net profit in the whole of 2014 against 2013. The company exports around half of its production and benefited significantly from the huge fall in rouble value in the fourth quarter despite the fact that global synthetic rubber prices remained in the doldrums. Profitability in 2015 is expected to continue to benefit from the currency, although investment projects have been delayed until the economic situation improves.

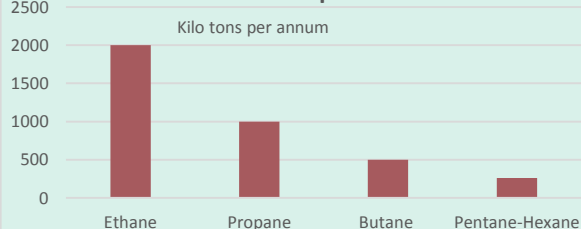
Russian Plastic Pipe Production



Production of finished goods made from polymers in Russia grew by 11.8% in 2014. Production of polymer films, plates, sheets, etc. totalled 1.136 million tons in 2014 which was 33.1% higher than in 2013. Production of pipes rose 2.4% to 609,000 tons although this was lower than the peak of 707,000 tons in 2012.

Russian petrochemical projects

Amur Gas Processing Plant Planned Capacities



Amur gas processing plant-to start March 2015

The first phase of construction of the Amur gas processing plant is scheduled for March 2015, where basic infrastructure requirements will be set up such as design of roads, and the construction of temporary housing village for construction workers. The project is not expected to be completed until 2019 at the earliest, and quite possibly may run into the next decade. Design capacity includes 2 million tpa of ethane and 1 million tpa of propane, about 500,000 tpa of butane and 260,000 tpa of pentane-hexane fraction. The project framework also includes the creation of a large helium

production plant with a capacity of 60 million cubic metres per annum.

VNKH-Nakhodka slow project progress

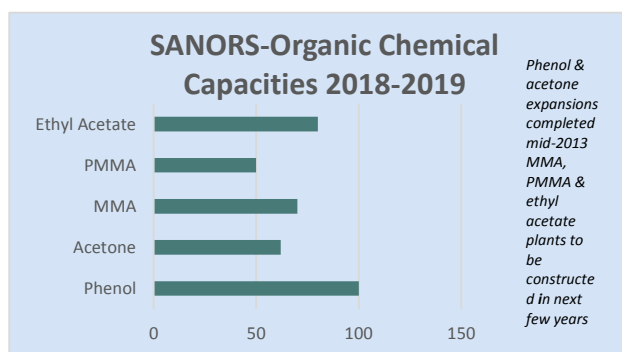
The Russian leadership has become concerned over the lack of progress in the project at Nakhodka for the Eastern Petrochemical Company (VNKH). The project was even prior to sanctions encountering problems, but now faced

by funding difficulties and has in effect become a victim of Russia's foreign policy. The Ministry of Energy has been instructed to prepare and submit a draft regulation by 3 February regarding measures how to revive the project.

Russian Ethylene Production (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Angarsk Polymer Plant	213.8	211.2
Kazanorgsintez	508.4	527.3
Stavrolen	53.6	336.1
Nizhnekamskneftekhim	610.0	605.7
SANORS	76.5	77.7
Gazprom N Salavat	294.3	268.8
SIBUR-Kstovo	197.9	241.0
SIBUR-Khimprom	49.3	46.9
Tomskneftekhim	270.0	259.3
Ufaorgsintez	121.7	123.6
Total	2395.3	2697.5

VNKH, owned by Rosneft, is included among the five priority areas of priority development for the Primorsk region and is aimed at boosting production of petrochemical products principally for Asia-Pacific markets.

Last year Rosneft revised its start-up operations of the refinery complex to the end of 2020, and the associated petrochemical plants by 2022, but even these targets are subject to change. Aside capital, Rosneft has been confronted by immense difficulties in building the necessary infrastructure, and in particular the pipeline connections with the East Siberia Pacific Ocean (ESPO) which is managed by Transneft. Rosneft has stated that it is prepared to build a connection with the ESPO pipeline to the oil and petrochemical complex. In addition to pipeline supplies to VNKH Rosneft has also been examining the possibility of supplying raw materials by sea.



SANORS-completion of feedstock base

Rosneft also took over SANORS in 2014 which has just completed its large-scale development programme, involving the modernisation of the gas fractionating plant at Novokuibyshevsk. Total investment by SANORS from 2011 to 2014 totalled to more than 8 billion roubles. SANORS has undergone a major upgrade of the Novokuibyshevsk complex for processing of liquefied gases, resulting in an increase in design capacity to 1.3 million tpa.

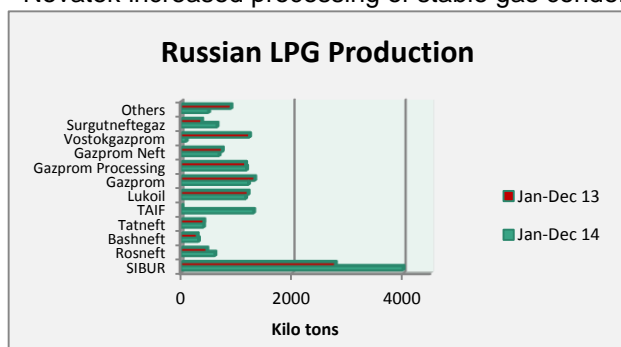
Reconstruction of existing production facilities provides the basis for further development in petrochemical projects for SANORS. Current production levels of ethylene at Novokuibyshevsk are modest, only SIBUR-Khimprom in Russia produces less. Thus, the merger into Rosneft is important for increased access to feedstock availability. Whilst no timeframe has been set SANORS envisages a project to build new large-scale facilities for the production of ethylene and polyolefins at Novokuibyshevsk in two phases.

Regarding organic chemicals SANORS is involved in a number of projects. Agreements for the purchase of MMA and PMMA technology have already been signed, in addition to a memorandum for the ethyl acetate process with Johnson Matthey Davy Technology. Other than organic chemicals there has been some consideration of producing microsuspension PVC grade, which is not produced in Russia at present. However, the market is small, rated at around 27,000 tons per annum.

Russian petrochemical producers & markets

Novatek increases processing of gas condensate at Ust Luga 2.5 times in 2014

Novatek increased processing of stable gas condensate on the complex in Ust-Luga port 2.5 times in 2014 to 4.7 million tons from 1.87 million tons in 2013. The complex was first introduced in June 2013 and has the capacity to produce 6 million tpa of gas condensate, naphtha and other oil products.



Cracker feedstocks, Jan-Dec 2014

SIBUR's increased production of LPGs in 2014 by 43% over 2013, due primarily to the expansion of gas fractionating capacity at Tobolsk. The increase in production has not resulted in an increase in usage by domestic petrochemical plants, and the extra volumes

have been channelled into exports largely through SIBUR's terminal at Ust-Luga. Nizhnekamskneftekhim was the largest petrochemical buyer of gas liquids in 2014.

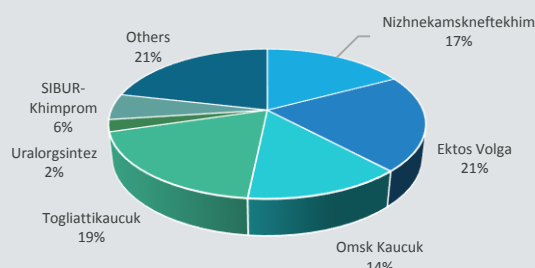
Russian Naphtha Sales (unit-kilo tons)		
Sector	Jan-Dec 14	Jan-Dec 13
Fuel	1179.7	971.7
Petrochemical	710.4	1077.5
Exports	12750.9	10773.0
Total	13461.3	11850.5

LPG sales to the Russian petrochemical industry in 2014 totalled 1.393 million tons against 1.404 million tons in 2013. In December SIBUR-Kstovo reduced purchases of gas liquids 1.8 times against November to 30,130 tons. Overall sales of gas liquids on the Russian market totalled 3.87 million tons against 3.88 million tons in 2013.

Merchant naphtha sales declined to the Russian petrochemical industry in 2014, due to the outage at Stavrolen which reduced demand, but sales were up to the Russian fuel sector and export activity. Exports were helped by increased shipments through the Ust-Luga terminal, mostly

by SIBUR and to a lesser extent Novatek. On the domestic market SIBUR-Kstovo took delivery of 17,500 tons of naphtha in December against 6,900 tons in November whilst Tomskneftekhim increased deliveries in December to 42,000 tons against 6,300 tons in the previous month. Overall for 2014, naphtha sales on the Russian domestic market totalled 1.89 million tons, 8% down on 2013. The merchant petrochemical sector accounted for 37% of deliveries last year. Tomskneftekhim and SIBUR-Kstovo were the main naphtha buyers in the petrochemical sector in 2014, although Stavrolen is normally active when operational. Nizhnekamskneftekhim rarely buys naphtha on the open market and is sourced captively inside the TAIF

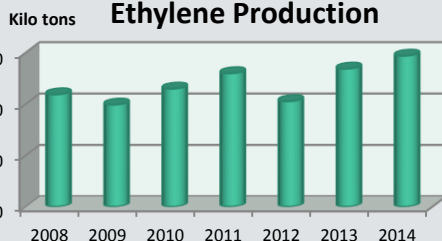
Russian Isobutane Purchases 2014



group.

Isobutane sales to the domestic market, consumed mostly by MTBE producers, totalled 487,660 tons in 2014 which was 14% more than in 2013. Propane sales to the domestic petrochemical industry declined in 2014 to 144,000 tons from 153,000 tons in the same period in 2013. The decline was due predominantly to reduced purchases by Kazanorgsintez as demand for propane was lower as the company was able to access greater ethane supply, the preferred feedstock.

Gazprom neftekhim Salavat
Ethylene Production



Gazprom neftekhim Salavat-2014 & 2015

Gazprom neftekhim Salavat increased hydrocarbon processing by 11% in 2014 to 8.268 million tons. Ethylene production rose 6% to 294,000 tons, HDPE 27% to 93,000 tons and polystyrene by 32% to 33,000 tons. Gazprom neftekhim Salavat is increasing ethylene capacity in 2015

to 330,000 tpa in 2015, allowing production loads of up to 1,000 tons per day. The company made significant improvements in the ethylene plant last year, not only adding a new modern furnace but also replacing the heat exchangers. In 2015, the EP-300 cracker at Salavat is scheduled for an overhaul, involving a replacement reactor for hydrogenation.

The feedstock balance at Salavat has been aided by the Orenburg gas processing plant, which has increased supply of ethane. The cracker is versatile and can run on different forms of raw materials, including natural gas liquids, gasoline fractions, and now ethane. The commissioning of the new pyrolysis furnace in the third quarter, F-04 type SRT-VI which was supplied by ABB Lummus Global, has also been an important factor. This furnace has a high efficiency (91-92%), whereas the previous type of furnaces SRT-I only give 73%. The new furnace can produce up to 110 tons per hour. Gazprom neftekhim Salavat has been able to reduce usage of ethane in ethylene production to 1-3 tons per hour.

Russian propylene Jan-Dec 2014

Propylene sales on the domestic market amounted to 33,400 tons in December, 8% up on November. After completion of maintenance Lukoil-NNOS increased sales by 41% to 11,500 tons. In addition, Gazprom neftekhim Salavat increased shipments by 14% to 1,900 tons and Angarsk Polymer Plant by 12% to 8,200

tons. Sales on the domestic market totalled 360,200 tons in 2014, 9% more than in 2013. Gazprom neftekhim Salavat increased shipments 11.4 times over the previous year.

Russian Propylene Domestic Sales (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Angarsk Polymer Plant	84.3	65.3
Omsk Kaucuk	2.4	2.8
SIBUR-Kstovo	77.9	114.0
Akrilat	8.2	2.0
LUKoil-NNOS	135.5	132.1
Tomskneftekhim	8.7	0.2
Gazprom neftekhim Salavat	26.4	3.1
Nizhnekamskneftekhim	5.6	2.4
SIBUR-Khimprom	1.1	6.1
Stavrolen	3.4	0.0
Tobolsk-Polymer	6.8	0.0
Total	360.4	327.9

Regarding propane-propylene fractions, sales amounted to 16,000 tons in December, 13% less than in November. For the twelve months in 2014, sales totalled 160,700 tons which was 17% less than in 2013. One of the main reasons for the decline was extended maintenance at Slavneft-Yanos.

Nizhnekamskneftekhim-2014 preliminary results

Revenues for Nizhnekamskneftekhim exceeded the plan in 2014 by 9.8%, amounting to 133 billion roubles. The net profit in 2014 was 9 billion roubles, a third more than planned, against 6.2 billion roubles in 2013. The share of exports in the company's total sales amounted to 47%, with synthetic rubber accounting for 75% of export volumes. Plastics accounted for 12% of exports and organic chemicals 13%.

In 2014, Nizhnekamskneftekhim entered into a new long-term agreement for the supply of synthetic rubber until 2019 with companies Goodyear, Pirelli, Bridgestone and Michelin. Nizhnekamskneftekhim has also entered into contracts with large processors of polymer products: including companies' Penoplex, Technonikol, Jokey and established supply polystyrene company Multipack in Belarus.

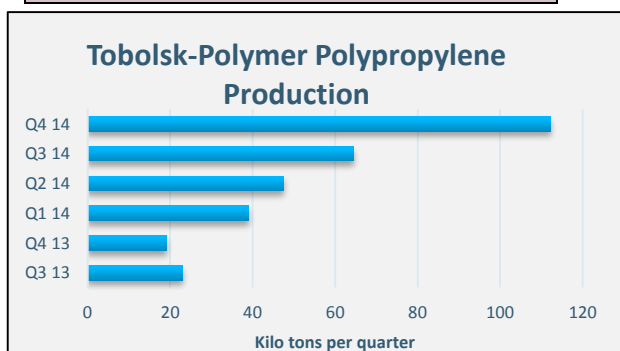
Bulk Polymers

Russian Polypropylene Production (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Ufaorgsintez	121.5	115.4
Stavrolen	42.0	125.0
Moscow NPZ	100.5	121.0
Nizhnekamskneftekhim	213.2	208.7
Polyom	168.0	116.1
Tomskneftekhim	126.8	127.6
Tobolsk-Polymer	263.0	43.0
Total	1035.0	856.8

Russian polypropylene, Jan-Dec 2014

Russian polypropylene production totalled 1.035 million tons in 2014 against 856,800 tons in 2013. Despite lower production by Stavrolen, due to the accident which disabled the plant at the end of February, both Tobolsk-Polymer and Polyom showed significant increases. Tobolsk-Polymer started production in late 2013 whilst Polyom started in the earlier part of the year. Other producers recorded minor differences between 2014 and 2013.

Tobolsk-Polymer suffered an accident at its polypropylene plant on 30 December, but SIBUR restored production quickly after the several day outage. Production of propane dehydrogenation was not suspended. The plant, which uses Oleflex technology, according to UOP has now attained its full capacity of 510 000 tpa. Polypropylene technology was supplied by Ineos for a capacity of 500,000 tpa.



Russian HDPE 2014

Russian HDPE production declined 19% in 2014 to 817,000 tons, despite the fact that three of the four producers increased operating rates. Kazanorgsintez increased production by 5% to 489,500 tons, whilst Nizhnekamskneftekhim increased production by 15% to 186,800 tons. Gazprom neftekhim Salavat increased production by 26% to 92,800 tons.

These increases were not sufficient to compensate for the reduction in HDPE production by Stavrolen where volumes declined from 309,000 tons in 2013 to 47,900 tons in 2014.

Russian HDPE Production (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Kazanorgsintez	489.5	468.0
Stavrolen	47.9	309.0
Nizhnekamskneftekhim	186.8	171.0
Gazprom n Salavat	92.8	73.4
Total	817.0	1021.4

Russian HDPE Imports (unit-kilo tons)		
Category	Jan-Dec 14	Jan-Dec 13
Extrusion	64.0	72.3
Pipe	83.9	67.7
Film	38.1	43.8
Blow	53.0	37.9
Injection	47.9	43.9
Other	13.7	19
Total	300.6	284.6

The accident which took place at Stavrolen at the end of February last year has required a large-scale repair and modernisation programme which is still not completed. Due mainly to the Stavrolen outage Russian HDPE imports grew by 6% in 2014 to 300,600 tons. In terms of product sectors the largest increase in imports was recorded in blow moulding and pipe, whilst extrusion saw a decline.

Russian LLDPE

The Russian LLDPE market has risen rapidly for the past decade, although the first signs of slowdown were seen in 2014. This was not due principally to a lack of demand or that LLDPE consumption has reached maturity, but primarily to the economic situation in Russia

where the devaluation of the currency made imports more difficult.

Russian LLDPE Market (unit-kilo tons)		
	2014	2013
Production	21.7	26.6
Exports	0.0	0.0
Imports	212.5	210.4
Market Balance	232.1	236.7

Production is minimal in Russia and the market is dependent heavily on imported LLDPE, mainly from Europe and the Middle East. The butene polymer brand remained the most popular among processors. Imports of LLDPE totalled 212,500 tons in 2014 against 210,400 tons in 2013. Key consumers and drivers of growth in demand for LLDPE saw a small drop in growth last year. Important importers included SABIC and Lotte.

Russian PVC, Jan-Dec 2014

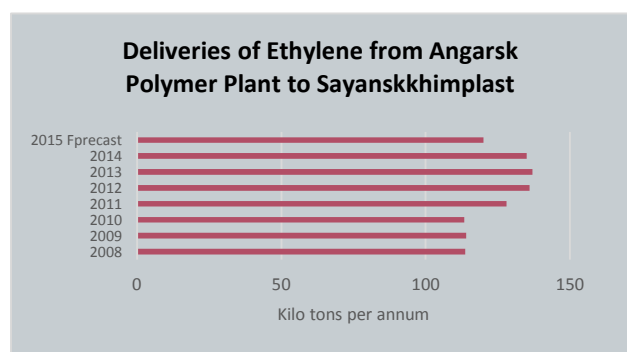
Russian imports of PVC totalled 282,400 tons in 2014, 21% down on 2013. A combination of increased domestic production and softer demand helped to reduce the need for imported product. The start-up of the RusVinyl complex in September added to the sharp devaluation in the latter months in 2014 saw imports fall. Even so imports from China rose in 2014 to 175,600 tons against 133,600 tons in 2013. By contrast, imports from the US declined from 170,500 tons in 2013 to 59,900 tons in 2014.

Russian PVC Imports (unit-kilo tons)		
Source	Jan-Dec 14	Jan-Dec 13
US	59.9	170.5
China	175.6	136.3
Europe	33.0	36.5
Others	13.7	15.2
Total	282.2	358.6

Sayanskkhimplast shortens working week

Sayanskkhimplast and a number of its subsidiaries will move to a shorter four-day working week from February to June 2015. The decision comes as a surprise as Sayanskkhimplast has been one of the few Russian companies to benefit from sanctions, allowing sales to increase on the domestic market. The reasons for the shorter week and the impact on

production volumes are attributed to expected raw material shortages from Angarsk, although whether this is due to technical or other factors remains unclear.



Sayanskkhimplast has been waiting more than a decade for a pipeline connection to the Kovytko gas condensate field, that would allow it construct its own ethylene facilities, and is dependent on supplies from Angarsk Polymer Plant.

In recent years, the company has been systematically modernising its production by introducing new components and assemblies. The company reached a capacity of 300,000 tpa of PVC on 2014 meticulously carried out a multi-year modernisation of the plant. In November 2013, Sayanskkhimplast successfully

completed phase of the reconstruction of the VCM plant. Over the past eight years, investment in the reconstruction amounted to 8.5 billion roubles including an increase in chlorine and caustic soda capacity to 190,000 tpa and 215,000 tpa respectively. In 2014, Sayanskkhimplast produced 283,000 tons of PVC and 205,000 tons of caustic soda. The main problem for the company's future expansion plans is the question of ethylene supply.

Russian polycarbonate, Jan-Dec 2014

Kazanorgsintez reduced polycarbonate production in 2014 by 9% to 61,600 tons. The decline was due to frequent stops for repairs, some of which were not planned in advance. Last year, Kazanorgsintez increased the share of polycarbonate sheet extrusion in production by 14%, whilst injection grades were reduced by 13%. The company produced 54,200 tons of extrusion polycarbonate motivated by the aim to replace as much imports of extrusion

grades as possible. At the same time demand for injection moulding grades in the domestic market is minimal at 800-900 tons per month and this is seen as a less priority product. The 65,000 tpa polycarbonate plant at Kazan is not capable of meeting full demand for the Russian market, estimated at 100,000 tpa.

Russian Polycarbonate Imports (unit-kilo tons)		
Sector	Jan-Dec 14	Jan-Dec 13
Sheet Extrusion	26.3	25.3
Bottle	2.6	3.2
Casting	6.0	8.2
Total	34.9	36.6

Imports of polycarbonate into Russia declined 8% in 2014 to 34,900 tons, affected by the weakness of the currency. The largest reduction of imports was seen in the casting industry where volumes fell 36% to 6,000 tons. In addition, imports of bottle polycarbonate fell 23% to 2,600 tons down to lower demand. Imports of sheet extrusion polycarbonate rose 4% in 2014 to 26,300 tons.

Exports of polycarbonate fell 64% in 2014 to 7,000 tons, of which 6,000 tons comprised injection grade and the remainder sheet extrusion. Kazanorgsintez reduced exports in 2014 in order to concentrate on the domestic market, but at the same time exports did rise sharply in December when the rouble's sharp decline made foreign trade very profitable. This year Kazanorgsintez is expected to continue focusing on the domestic market

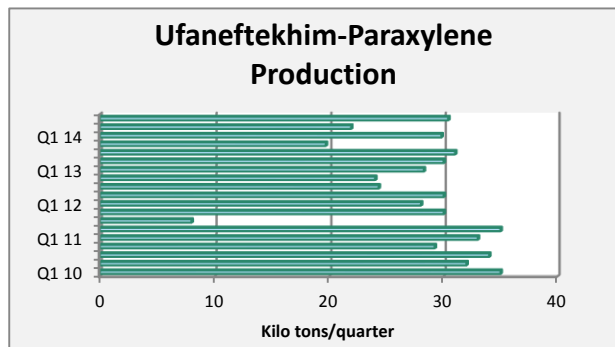
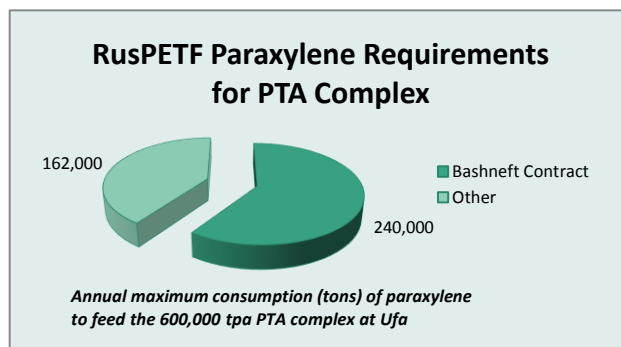
PTA/PET & Fibres

Russian Paraxylene Domestic Sales (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Gazprom Neft	65.9	60.1
Ufaneftekhim	105.5	97.7
Kinef, Kirishi	0.2	0.2
Total	171.6	158.0

Russian paraxylene market 2014

Paraxylene sales in the Russian domestic market totalled 171,600 tons in 2014 against 158,000 tons in 2013. The main consumer of paraxylene in Russia is Polief which increased PTA production in 2014. Ufaneftekhim and Gazprom Neft both increased paraxylene sales last year, whilst Kirishinefteorgsintez (Kinef) sent most of its production for exports.

The major event in 2014 included Bashneft signing a contract for paraxylene supply with the jv RusPETF on 15 October. The contract with RusPETF (jv between United Petrochemical Company and Alpek) requires that Bashneft supplies around 240,000 tpa of paraxylene for a proposed PTA/PET complex in Bashkortostan. However, the financial challenges facing Russia following the introduction of sanctions on capital lending throw doubt about the RusPETF project that it will go ahead on schedule.



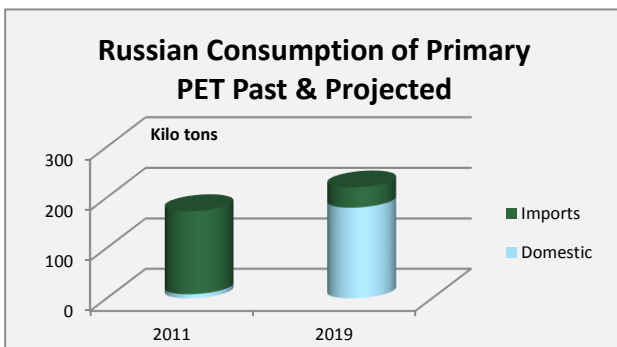
The basis of the agreement consists of paraxylene to be delivered from Ufaneftekhim, where capacity currently stands at 155,000 tpa but can be raised to 260,000 tpa after modernisation. In addition to the supply contract, additional paraxylene supplies would be required by United Petrochemical Company to meet the demands of the proposed PTA plant. The options for supplementary paraxylene include Gazprom Neft at the Omsk refinery and KazMunaiGaz at the Atyrau refinery where the new aromatics complex has started the process of commissioning.

Alko-Naphtha-Nizhnekamskneftekhim

Alko-Naphtha has failed to appeal the decision of the Arbitration Court of the Kaliningrad region on recovery in favour of Nizhnekamskneftekhim 326 million roubles. Nizhnekamskneftekhim appealed to the Court of Arbitration of the Kaliningrad region in May 2014 with the requirement to collect from the company's debt for delivered raw materials.

The contract for the supply of 20,000 tons of MEG was concluded between the parties in March 2012. From September 2013 payments for raw materials stopped coming to the manufacturer. According to the results of the proceedings the court has decided to collect 326.238 million roubles (or €4.13 million) from Alko-Naphtha in favour

of Nizhnekamskneftekhim. The defendant was given the opportunity to appeal the decision to the Thirteenth Arbitration Court of Appeals.



Ivregionsintez PET project

Ivregionsintez is seeking to raise 2 billion roubles in the form of private financing for the construction of the PET complex at Ivanovo. Accordingly some offers have been received from foreign banks' lending contracts to supply equipment for the complex. However, it is not clear if the finance will be hampered by sanctions. Ivregionsintez plans to submit a credit application to Vnesheconombank in the first quarter this year. A major problem is that the weakening of the rouble only increases the volume of lending. Ivregionsintez, controlled by the government of the region, plans to launch in the Ivanovo region complex

for the production of PET textile industry in 2017. Construction work on the original plan to begin in the first half of 2015, but this may be delayed.

Russian MEG market 2014

Russian domestic sales of MEG totalled 113,000 tons in 2014, 3% more than 2013. SIBUR-Neftekhim accounted for 85% of domestic market sales, followed by Nizhnekamskneftekhim with 13%. The remainder comprised small volumes from Kazanorgsintez and Gazprom neftekhim Salavat. SIBUR-Neftekhim increased sales in 2014 whilst Nizhnekamskneftekhim reduced sales by 30%.

Russian Benzene Sales (unit-kilo tons)		
	Jan-Dec 14	Jan-Dec 13
Synthesis Total	560.3	608.9
Angarsk Polymer Plant	59.9	49.9
SIBUR-Neftekhim	36.2	72.0
Severstal	35.2	35.5
Uralorgsintez	77.6	62.8
Kirishinefteorgsintez	62.1	54.9
West Siberian MC	60.2	55.9
Ryazan NPZ	26.8	28.5
Slavneft-Yanos	61.5	54.8
Gazprom Neft (Omsk)	91.8	106.7
Gazprom neftekhim Salavat	11.8	9.6
Stavrolen	14.3	38.3
Ufaneftekhim	16.0	11.5
Zaporozhkoks	0.0	5.4
Ukrtatnafta	0.0	10.3
Yasinovsky Coke	3.2	9.8
ArcelorMittal	3.7	3.1
Nitration Total	34.8	38.8
Novolipetsk MK	21.2	24.1
Chelyabinsk MK	13.5	14.7
Crude	128.5	150.9
Altay-Koks	28.1	34.1
Koks	31.2	32.6
Magnitogorsk MK	44.9	48.9
Nizhny Tagil MK	12.5	15.7
Novokuznetsk MK	1.9	6.5
Moskoks	6.7	8.0
Ural Steel	3.1	5.1
Full Total	723.6	783.9

The main consumers of domestic MEG in Russia in 2014, the company remained Polief, which accounted for almost 63% of Russia's total and Senezh with a 17% share. Polief increased its purchases of marketable MEG compared with 2013 by 55%, while Senezh, on the contrary, was reduced by nearly 15%. Other consumers include Antifreeze-Synthesis at Dzerzhinsk and domestic traders.

Aromatics & derivatives

Russian duties on xylenes & aromatics

Russian export duties on benzene, toluene and xylenes are scheduled to fall by a third from 1 February. The duties will be set at \$54.1/ton in February and at 48% of those for crude oil, down from last year's 66% ratio. In January, following the revamp of the country's tax regime, aromatics export duties were already reduced by 55% to \$81.60/ton. Lower export duties and the depreciation of the rouble have made exports of aromatics from Russia to Europe.

Russian benzene, Jan-Dec 2014

Russian benzene producers, excluding coal-based, shipped 56,400 tons to the domestic market in December which was 9% up on November. Gazprom Neft from the Omsk refinery increased sales 2.6 times to 10,500 tons, whilst shipments by Kirishinefteorgsintez increased 1.5 times to 6,600 tons.

ArcelorMittal resumed sales of benzene from Kazakhstan to the Russian market in December, although it was only 120 tons all of which was bought by Kazanorgsintez. In

2014 ArcelorMittal exported 4,000 tons of benzene to Russia, 18% up on 2013.

Russian Benzene Consumption 2014

Product	Kilo tons
Caprolactam	277.6
Phenol	142.1
Styrene	121.3
Explosives	33.7
Others	125.9
Exports	65.4

Reduced sales were recorded by SIBUR-Kstovo in December to 4,300 tons which was 33% down against November. In 2014, Russian companies sold 723,600 tons on the domestic market against 783,900 tons in 2013.

Coke-benzene plants

Evrast NTMK at Nizhniy Tagil is to invest around 50 million roubles in the modernisation of its unit for processing crude benzene. The new equipment will carry a sealed shipment of crude benzene in the tank and ship it to the Evrast West Siberian Metallurgical Plant without pre-processing. The complex will be launched before July 2016. NTMK produces 15,000 tpa of crude benzene. Altai-Koks (part of the NLMK Group) increased production of dry coke by 4% in 2014 to 4.067 million tons. Capacity utilisation achieved 95%. The

company produced 93,157 tons of crude benzene in 2014 and 93,157 tons of ammonium sulphate.

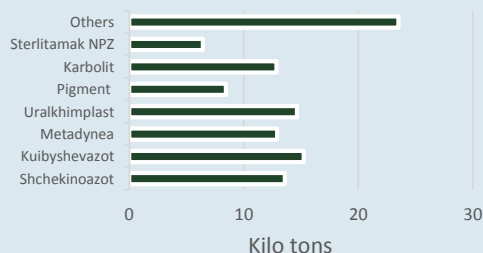
Russian Toluene Production (unit-kilo tons)

Producer	Jan-Dec 14	Jan-Dec 13
Kinef	26.7	33.4
Gazprom n Salavat	15.1	9.8
Slavneft-Yanos	58.8	49.6
LUKoil-Perm	35.8	44.1
Gazprom Neft	79.1	93.2
RN Holding	40.7	42.7
Ufaneftkhim	32.4	50.9
Others	22.5	22.3
Total	311.2	346.0

Russian toluene, Jan-Dec 2014

Toluene production amounted to 30,500 tons in December, 0.5% less than in November. For the whole of 2014 Russian toluene production totalled 311,200 tons which is 11% less than in 2013. Domestic sales of toluene amounted to 12,310 tons in December, 11% less than in November but 3% higher than in December 2013. The largest suppliers included Slavneft-Yanos with 33% or 4,040 tons, Gazprom Neft with 25% or 3,030 tons, Lukoil-Permnefteorgsintez with 22% or 2,660 tons and Kirishinefteorgsintez with 13% or 1,650 tons. Other suppliers included Severstal with 3% or 350 tons, Novolipetsk Steel with 2% or 250 tons, West Siberian MK with 1% or 170 tons and Ufaneftkhim with 1% or 120 tons.

Toluene consumption is quite diversified and includes industrial explosives, paints, fuel and lubricants and synthetic rubber. Domestic sales of toluene totalled 145,700 tons in 2014, 8% higher than in 2013. The largest suppliers included Slavneft-Yanos (31% of Russian supplies, or 44,620 tons), Lukoil-Permnefteorgsintez (24%, or 34,880 tons), Kirishinefteorgsintez (19%, or 26,990 tons) and Gazprom Neft (18%, or 26,890 tons).

Russian Phenol Consumers 2014**Russian phenol, Jan-Dec 2014**

Phenol production in Russia amounted to 20,700 tons in January, 2% up on November. Ufaorgsintez increased production 3% to 6,600 tons, whilst Samaraorgsintez and Kazanorgsintez both reduced production by 1% to 7,600 tons and 6,600 tons respectively. For the whole of 2014 Russian phenol production totalled 241,000 tons which was 15% down on 2013, which was due to the accident at Omsk Kaucuk in early March and subsequent outage for the rest of the year. Samaraorgsintez produced 90,300 tons which is 8% higher, whilst Omsk Kaucuk produced only 10,700 tons which was only 18%

of the volume achieved in 2013.

Due to domestic demand, Samaraorgsintez suspended exports of phenol in December although exports were resumed in January. The low value of the rouble against other currencies makes it profitable to export rather than sell exclusively on the domestic market.

Russian orthoxylene, Jan-Dec 2014

Orthoxylene sales on the domestic market amounted to 10,700 tons in December, 17% less than in November and 10% lower than in December 2013. The Omsk refinery shipped 4,790 tons in December, Kirishinefteorgsintez 3,140 tons and Ufaneftkhim 2,760 tons. Kamteks-Khimprom in December bought 6,050 tons or 57% of Russian consumption, whilst the smaller phthalic producer Gazprom neftekhim Salavat did not buy orthoxylene as its plant was

Russian Phenol Sales by Supplier (unit-kilo tons)

Producer	Jan-Dec 14	Jan-Dec 13
Omsk Kaucuk	10.9	53.3
Samaraorgsintez	48.2	39.9
Kazanorgsintez	14.0	10.4
Ufaorgsintez	35.2	25.2
Neftekhimya	0.0	0.2
Sterlitamak NPZ	0.0	0.1
LUKoil-VNPZ	0.1	0.1
Borealis	2.1	2.2
Total	110.5	131.3

down and only resumed in mid-January. Russian manufacturers of paints in December reduced purchases of orthoxylene by 23% against November to 1,540 tons or 14% of consumption.

Russian Orthoxylene Domestic Sales (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Gazprom Neft	61.9	57.0
Ufaneftekhim	36.4	30.5
Kinef, Kirishi	45.2	38.9
Total	143.6	126.4

Manufacturers of fuel, agrochemical, pharmaceutical and other products purchased 2,250 tons of orthoxylene (21% of consumption). Another 850 tons or 8% was shipped to trading companies.

Sales of orthoxylene on the domestic market totalled 143,600 tons, 15% more than in 2013. The largest suppliers in 2014 comprised Gazprom Neft from Omsk with 43% of total supply, or 62,570 tons, Kirishinefteorgsintez with 32%, or 45,920 tons and Ufaneftekhim with 56% of Russian consumption, or 80,940 tons and Gazprom neftekhim Salavat with 6% of purchases, or 8,160 tons.

25% or 36,410 tons.



Rosnano-Kuibyshevazot caprolactam modernisation

Rosnano intends to invest 1.25 billion roubles or 16.7 million euros in a project to modernise the production of caprolactam at Kuibyshevazot. This represents around 20% of the total planned to invest at Kuibyshevazot where the aim is to increase capacity from 190,000 tpa to 210,000 tpa in the first phase, before rising to 260,000 tpa. It is also planned to introduce nanostructured catalysts technology supplied by DSM. This is aimed by Kuibyshevazot at reducing the cost of production of caprolactam by around 12%. At the same time it should increase energy efficiency, environmental and industrial safety of production.

Kuibyshevazot-polyamide expansion

Kuibyshevazot has been granted approval from the government authorities to receive loans to expand the production of polyamide, having been identified as a priority project. Kuibyshevazot currently produces polyamide for subsequent processing into textile yarn technology/fibres and compounding. Production capacity for polyamide is currently 150,000 tpa.

Kuibyshevazot has reached agreement with Polymer Engineering (Germany) for equipment, costing 1.6 billion roubles and comprising a capacity of 160 tons a day or 58,000 tpa. The new plant will produce polymer for the production of engineering plastics, films and fibres. After starting the specified line in the first half of 2016, the total capacity of Kuibyshevazot for polyamide-6 will increase to 208,000 tpa.

Other projects underway for Kuibyshevazot include the installation of impregnation cord fabric technology, supplied by Benninger Zell (Germany). This will be used at sites Togliatti and Kursk. The construction of a new nitric acid plant is entering the final stage of completion whilst the company continues construction and installation on the new energy efficiency in the production of cyclohexanone based on DSM technology. Regarding ammonia, Kuibyshevazot is constructing a new plant as part of a JV with Linde. In addition, cooperation with Praxair for air separation products is continuing.

Shchekinoazot-caprolactam process

Modernisation of production of caprolactam is one of the main stages of the strategic development of the Shchekinoazot involving a phased technical re-equipment programme. In 2014, the company completed a radical reconstruction of the cyclohexane oxidation shop, whilst for all departments of production an automated production management system was introduced. Production of caprolactam was put into operation by Shchekinoazot in 1966 with an original design capacity of 22,000 tpa, in addition to producing ammonium sulphate as a by-product. The plant was reconstructed in the period 1975-1976, increasing capacity to 50,000 tpa.

Synthetic Rubber.

Russian synthetic rubber market 2014

Russian synthetic production totalled 1.319 million tons in 2014 against 1.482 million tons in 2013. Domestic consumption declined by around 12%, in line to some extent with global trends but also affected negatively by the Russian economy in the second part of the year. From 2009 to 2013, demand for synthetic rubber in Russia increased by 25.5%, from 1.2 to 1.6 million tons, and thus consumption suffered a setback in 2014. From 2009 to 2013, the share of exports increased from 51.5% to 60.5%. The share of domestic sales volume of demand, on the contrary, decreased from 48.5% to

39.4%.

Russian C4 Supplies (unit-kilo tons)		
Supplier	Jan-Dec 14	Jan-Dec 13
Angarsk Polymer	72.7	60.0
Krasnoyarsk Synthetic Rubber	0.4	0.5
Kazanorgsintez	31.9	29.1
Stavrolen	12.7	68.8
SIBUR-Kstovo	46.7	55.9
Gazprom neftekhim Salavat	6.4	0.0
Tomskneftekhim	69.8	71.3
Ufaorgsintez	27.6	26.3
Naftan (Belarus)	49.2	44.6
SANORS	0.5	0.0
Azerkhimya	22.9	13.8
Efremov Synthetic Rubber	0.2	0.3
Iran	4.7	3.3
France	2.0	0.0
Slovakia	2.2	0.0
Turkey	13.0	0.0
Total	362.7	373.9

Russian C4s. Jan-Dec 2014

C4 sales from domestic producers amounted to 27,700 tons in December, 4% more than in November. Angarsk Polymer Plant increased its delivery of the product to the domestic market by 15%, to 6,800 tons and Kazanorgsintez by 5% to 3,900 tons. At the same time shipments from Ufaorgsintez decreased 15% to 2,700 tons and Tomskneftekhim by 13% to 6,800 tons. For 2014 sales from domestic plants dropped 13% to 280,400 tons, the main reason for the fall consisting of the extended outage by Stavrolen at Budyennovsk.

In January C4 prices in the Russian market were in decline despite the fall in currency values. Cheaper raw materials were due to continue on two factors: a decrease in butadiene prices in Europe and the low demand for refined products. It is expected that C4 prices may fall again in February, in particular due to the ongoing reduction in price of butadiene in Europe.

Russian tyre news

Altai Tyre Plant (ASHK) increased production by 12% in 2014, introducing 16 new types of tyres. The share of production in the Russian market increased for ASHK in all sectors. The largest increase was recorded in the industrial tyre sector (+10.7%) and agricultural tyres (+9.3%) tires.

Russian C4 Sales by Consumer (unit-kilo tons)		
Consumer	Jan-Dec 14	Jan-Dec 13
Omsk Kaucuk	75.6	76.8
Nizhnekamskneftekhim	150.0	132.9
Togliattikaucuk	134.7	158.4
Sterlitamak NPZ	8.1	5.2
Efremov SR Plant	1.2	0.0
Ya Sintez	0.0	0.0
Total	368.3	373.4

domestic market.

In March 2014, the company announced plans to invest 1.3 billion roubles in the expansion of production of large-sized tyres and agricultural tyres. Total revenue from the company sales last year amounted to about 8 billion roubles. By the end of 2015 the company expects to increase this figure by 12.5%, or 1 billion roubles. Altai Tyre Plant was founded in 2004 through the merger of Altai Tyre Company Barnaul with the local carbon black plant. The company sells 75% of the

Russian Tyre Production (unit-mil pieces)		
Product	Jan-Dec 14	Jan-Dec 13
Car Tyres	34.6	34.1
Lorry tyres	6.8	7.2
Agricultural tyres	1.3	1.4
Total	42.7	42.9

major trends in 2014 was the decline in demand for passenger car tyres in all price categories and increased competition.

Tyre consumption for cars fell in 2014, but by demand cycles has the potential to improve in 2015 depending on the ability of customers to pay. The tyre manufacturers suggest that due to car purchasing cycles, that demand should rise by about 30% over 2014 but solvency restraints could mean that much lower modest growth is the most realistic outlook. Demand for cheaper tyres may be seen in 2015 and competition for market share is likely to intensify as manufacturers devise elaborate pricing strategies. One of the

In 2015, sales of new cars are expected to fall which will affect primarily the demand for premium winter tyres. The situation in the market of summer tyres will be more stable, and there is expected high demand for tyres produced by Continental at Kaluga. The main channel sales of passenger car tyres in the Russian Federation is the secondary market, about 80%, and this is where it is hard to gauge potential growth this year.

Methanol

Russian methanol exports 2014

Methanol exports from Russia amounted to 131,600 tons in December, 21% up on November. Sibmetakhim accounted for 30% of exports in December, Shchekinoazot 25%, Tomet (19%), Metafrax (17%) and Azot (9%). In total for 2014 Russian methanol exports amounted to 1.51 million tons against 1.4 million tons in 2013.

Russian Methanol Exports (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Azot Nevinnomyssk	16.3	0.0
Azot Novomoskovsk	181.8	135.7
Akron	4.9	11.9
Metafrax	299.5	340.4
Sibmetakhim	413.6	370.9
Tomet	218.8	259.1
Shchekinoazot	375.5	284.3
Total	1510.3	1402.3

Finland was the main end-destination, accounting for 671,000 tons of Russian shipments, although this was down 3% against the previous year. Other important consumers included Poland and Slovakia. Exports totalled 1.510 million tons in 2014 against 1.402 million tons in 2013.

Exports via the Odessa terminal were expected to amount to 8,800 tons in January, almost less than December when 17,200 tons were shipped. Exports in January were sent through Odessa to Bulgaria, Israel, Romania and Turkey with Tomet the sole Russian producer to use this route.

Russian Methanol Domestic Sales (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Azot Nevinnomyssk	24.9	34.8
Azot Novomoskovsk	123.3	103.9
Metafrax	395.0	413.3
Sibmetakhim	394.6	415.8
Togliattiazot	413.2	358.7
Shchekinoazot	2123	47.1
Others	24.1	15.0
Total	1390.8	1388.7

Russian methanol market, Jan-Dec 2014

Russian methanol production amounted to 334,300 tons in December, 10% up on November. Metafrax, Sibmetakhim and Tomet accounted for 75% of production. Sibmetakhim produced 816,000 tons of methanol which is the best result in the plant's history since start-up in 1983.

For the whole of 2014 Russian methanol production totalled 3.542 million tons against 3.502 million tons in 2013. The largest increase in production was recorded by Shchekinoazot which increased production to 476,000 tons from 426,800 tons. Metafrax recorded a fall of 4% to

966,300 tons.

Methanol sales to the domestic market rose 1% in December over November to 133,400 tons. Metafrax, Sibmetakhim and Tomet accounted for about 85% of the total sold in December. For the whole of 2014 domestic sales totalled 1.391 million tons against 1.389 million tons in 2013. In terms of consumption, the MTBE and gas sectors accounted for 53% of domestic sales. Other important application areas included formaldehyde and formaldehyde derivatives.

National Chemical Group-Nakhodka Project

National Chemical Group (NHC) has applied to receive additional financial support from the Russian government for the construction of its fertiliser complex at Nakhodka. The NHC complex includes work in several phases, including 1 million tpa of methanol and ammonia, and up to 2 million tpa of urea in the first phase. Natural gas consumption will comprise 3.2 billion cubic metres per annum.

Russian Methanol Consumption (unit-kilo tons)		
Consumer	Jan-Dec 14	Jan-Dec 13
Nizhnekamskneftekhim	247.0	250.4
Togliattikaucuk	108.8	107.5
Uralorgsintez	67.7	73.2
SIBUR-Khimprom	13.2	11.9
Tobolsk-Neftekhim	50.0	46.2
Ektos-Volga	49.6	51.3
Omsk Kaucuk	74.2	85.0
Novokuibyshevsk NPZ	48.6	61.3
Uralkhimplast	26.4	27.6
Slavneft-Yanos	12.2	1.8
Others	703.5	678.8
Total	1401.4	1395.1

The first marketable products are planned for January 2018, and full commissioning by March 2019. The first phase of the complex includes construction costs of around 240 billion roubles. In infrastructure projects including the construction of the gas pipeline capacity of 6.1 billion cubic metres per annum, and construction of the railway capacity of 150,000 tpa, creating a social infrastructure for the factory workers.

NHC completed the feasibility study of the project last year and continued to search for co-investors and negotiations with Russian and international lenders. Begin construction in the village near the port of Kozmino East expected in a few months. National Chemical Group was registered in October 2011. According to market participants, the NHC belongs Arkady Rotenberg, with his business partner Ukrainian businessman Dmitry Firtash.

Akron 2014

Akron increased production by 2% in 2014 to 6.267 million tons due to increased output of apatite concentrate and non-organic compounds. Production of mineral fertilisers was down 3.1% in 2014 to 5.091 million tons due to the planned overhaul of the Dorogobuzh plant's main workshops in September and October. The fourth quarter also

Akron Production (unit-kilo tons)		
Product	Jan-Dec 14	Jan-Dec 13
Ammonia	1822	1916
Urea	646	656
Methanol	83	88
Formaldehyde	144	130
Urea-formaldehyde resins	174	164
Calcium Carbonate	383	253
Hydrochloric Acid	136	97

saw a planned overhaul at the Chinese subsidiary Hongri Akron, resulting in a large drop production. With stable supplies of phosphate raw materials, Akron was able to maximise its capacity at Novgorod and boost output 5.1%.

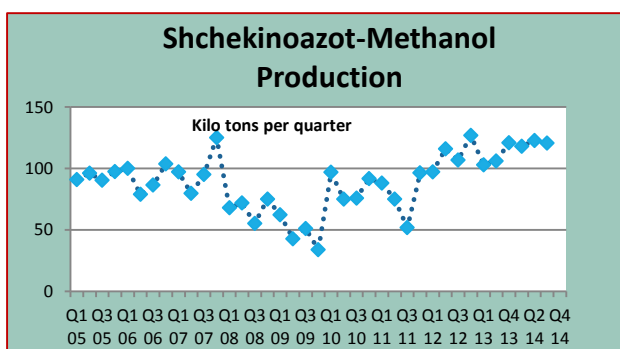
In 2014, the Akron Group continued to increase its output. The first stage of the Oleniy Ruchey Mine will soon reach capacity of 1.1 million tpa of apatite concentrate. The Ammonia-4 project at Akron's site at Novgorod is scheduled for commissioning in late 2015. The plant is the first new ammonia unit to be completed since Soviet times. Ammonia-4 will be

capable of producing 700,000 tpa.

Shchekinoazot-methanol & ammonia project

Shchekinoazot is continuing to set the foundations for its project of building the complex for methanol and ammonia, with respective capacities of 450,000 tpa and 135,000 tpa. The company Haldor Topsoe (HTAS), which is the licensor of the technology, has completed basic engineering whilst 80% of purchase tenders for equipment have been identified. In December 2014, HTAS signed a contract for compressor equipment from Mitsubishi Corporation,

in addition to a steam reforming furnace equipment from Kirchner Italia. The designer of the complex is Orgkhim from Severodonetsk in Ukraine which is close to completing the development of project documentation.



Shchekinoazot has completed the modernisation of the phenol-formaldehyde resin unit as part of its jv with Hexion Speciality Chemicals, entitled Hexion-Shchekinoazot. Shchekinoazot plans to reconstruct the production of urea formaldehyde concentrate (UFC). The company is convinced that it is necessary to amend the scheme of the UPC unit to extend the life cycle of the

catalyst and thus reduce the consumption of raw materials.

Kuibyshevazot-ammonia project

The ammonia project under construction for Linde Nitrogen Togliatti has received the approval of Glavgosekspertiza. NIIK at Dzerzhinsk is the developer of the project documentation for which ammonia production capacity of 1,340 tons of product per day. On the site of the future of the enterprise is currently under construction.

The planned date for completion of the plant as part of the facilities of Kuibyshevazot is 2016.

Taman chemical projects

On the Taman Peninsula there are plans to build several large chemical plants for the production of ammonia and mineral fertilizers. The Industrial Cluster on the Taman Peninsula is located on three sites, and includes the construction of the port, the main gas pipeline, power lines, and road and railway approaches.

The capacity of the plant is 760,000 tpa (2,200 tons per day), whilst the contractor is an international consortium of Sojitz Corporation, headed by Mitsubishi Heavy Industries and the licensor Haldor Topsoe.

Fosagro-ammonia project

Glavgosekspertiza has approved design documentation for NIIK for the construction of ammonia plant at Cherepovets on behalf of Fosagro.

Organic Chemicals

Russian Butanol Domestic Sales		
Producer	Jan-Dec 14	Jan-Dec 13
Gazprom n Salavat	26.1	16.1
SIBUR-Khimprom	30.7	16.0
Angarsk Polymer Plant	2.0	10.6
Azot Nevinnomyssk	3.2	19.2
Others	7.0	36.8
Total	69.0	61.8

Russian butanol market, Jan-Dec 2014

Domestic sales of butanols amounted to 10,240 tons in December, 1.5 times more than in November twice more than in December 2013. The proportion of n-butanol in sales in December 2014 was 65%, and isobutanol 35%. SIBUR-Khimprom shipped 7,720 tons (75% of Russian supplies), Gazprom neftekhim Salavat 1,860 tons (18%), Azot Nevinnomyssk 600 tons (6%), and Angarsk Petrochemical Company 50 tons (1%). Regarding domestic consumers, Akrilat at Dzerzhinsk increased its purchases of butanols 1.5

times in December to 3,950 tons (39% of Russian consumption butanol). Dmitrievsky Chemical Plant

increased its purchases of butanol in December by 19% to 1,940 tons. Other important buyers in December included the Plant of Synthetic Alcohol at Orsk which took 1,000 tons or 10% of total sales.

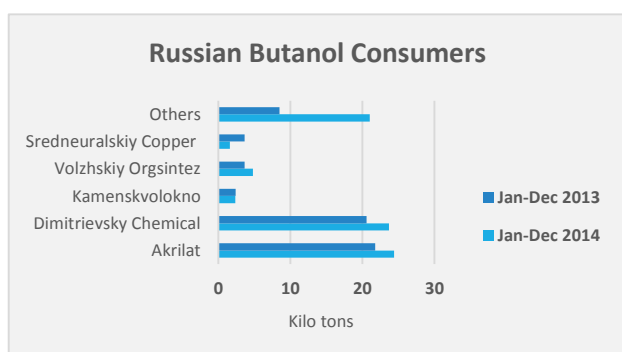
Despite excess capacity in Russia for the production of butanols, and some erosion of traditional demand, domestic producers managed to increase production of butanol in 2014 in addition to increasing domestic sales. The increase in output was made possible by the resumption of the second production line of butanols by Gazprom neftekhim Salavat at the end of August. One of the two lines was halted in May 2013 after an accident occurred at the plant).

Russian Butanol Production (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Angarsk Petrochemical	45.2	48.3
Evrokhim	18.2	16.3
Gazprom n Salavat	96.6	90.1
SIBUR-Khimprom	77.2	55.0
Total	237.2	209.7

Due to market factors from January to October 2014, Russian butanol shipments to foreign markets declined compared to the same period of the 2013. Since the rouble started to witness its heavy devaluation producers have become more interested in export activity.

The largest domestic processor of butanol include the butyl acrylate producer Aktilat and the butyl acetate producer

Dmitrievsky Chemical Plant, which increased their purchases by 2% and 15% respectively in 2014. At the same time consumption of numerous paint companies (including manufacturers of mixed solvents for paints), and plants for the production of dibutyl phthalate increased purchases.



For the whole of 2014 butanol sales on the domestic market amounted to 77,900 tons, 29% more than in 2013. The proportion of n-butanol in deliveries amounted to 76%, and isobutanol 24%. The largest suppliers of butanol to the Russian market in 2014 included SIBUR-Khimprom (59% of total supply, or 46,070 tons), Gazprom neftekhim Salavat neftekhim (34%, or 26,130 tons), Azot Nevinnomyssk (4%, or 3,210 tons), and Angarsk Petrochemical Company (3%, or 2,470 tons). Leading consumers of butanol for the year included Aktilat (31%, or 24,410 tons), Dmitrievsky Chemical Plant (30%, or 23,700 tons) and Volzhskiy Orgsintez (6%, or 4,820 tons).

Russian butanol production, Jan-Dec 2014

Russian butanol production amounted to 22,610 tons in December, 10% more than in November and 16% higher than in December 2013. The share of n-butanol in the total output was 61%, and isobutanol 39%. Gazprom neftekhim Salavat produced 9,540 tons (42% of Russia's production, SIBUR-Khimprom produced 8,490 tons (38%), Angarsk refinery 3,610 tons (16%), and Azot Nevinnomyssk 980 tons (4%). In 2014, butanol production totalled 237,200 tons which is 12% more than in 2013. Similarly to December shares, the proportion of n-butanol in total production was 61% and isobutanol 39%

Russian Phthalic Anhydride Production (unit-kilo tons)		
Producer	Jan-Dec 14	Jan-Dec 13
Gazprom n Salavat	7.7	8.6
Kamteks-Khimprom,	87.4	93.5
Total	95.1	102.2

Russian phthalic anhydride production, Jan-Dec 2014

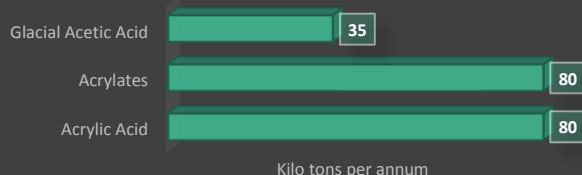
Kamteks-Khimprom produced 6,270 tons of phthalic anhydride in December 2014, 44% up on November. At the same time Gazprom neftekhim Salavat was idle in the last two months in 2014 due to low demand for DOP and the accumulation of significant stocks of plasticizer. The Salavat plant resumed production only in mid-January 2015. For the whole of 2014 Russia produced 95,100 tons of phthalic anhydride, 7% less than in 2013.

Regarding plasticizers, Gazprom neftekhim Salavat resumed production of DOP in the middle of January after halting production due to low demand. Kamteks-Khimprom and Roshalsky Plant of Plasticizers have not yet resumed production of DOP.

Gazprom neftekhim Salavat-acrylate project

Acrylic Salavat, a subsidiary of Gazprom neftekhim Salavat, failed to attract a line of credit worth 24 billion roubles for the project to build the production of acrylic acid. No offers were received and the tender was declared invalid. The capacities of the new complex comprise 80,000 tpa of acrylic acid, 80,000 tpa of butyl acrylate (acrylic acid ester and butanol) and 35,000 tpa of glacial acrylic acid. The loan agreement was sought to purchase equipment, materials, documentation, construction, installation work, etc.

GAZPROM NEFTEKHIM SALAVAT-ACRYLATES COMPLEX CAPACITY



The new complex was planned originally to start in the fourth quarter of 2016, although this seems unlikely to be achieved. The rationale for the project investment is to develop the vertical chain of production from oxo alcohols and propylene, and to reduce the dependency on export activity. Whilst propylene production at Salavat is mostly utilised in oxo alcohol production and the surplus is quite small at present, ongoing cracker modernisation means that propylene availability should have increased sufficiently to cover the needs of the new acrylic acid plant. Gazprom neftekhim Salavat has set up a new company Acryl Investments to manage the acrylates division. Acryl

Investments will be registered in Cyprus, of which 100% is owned by Gazprom neftekhim Salavat.

Other solvents

In December Metafrax produced 2,000 tons of pentaerythritol, 3% up on November. For the whole of 2014 Metafrax produced 21,690 tons, 3% up on 2013. DOS at Dzerzhinsk (DOS, a part of Korund) intends to resume production of methyl methacrylate, which was closed in July 2013.

Discussions are underway with Naftan in Belarus for the supply of possible supply of 1500-1600 tons of acetone cyanohydrin per month, which would comprise the total amount of production. DOS halted production of methyl methacrylate due to expensive imported raw materials, but may be able to restart if a deal can be concluded with Naftan.

Other Products

Khimprom facilities Volgograd to be transformed

The government of the Volgograd region is considering the conservation of four production lines that were operated by Khimprom at Volgograd, by separating them into separate entities. Khimprom as a company has now ceased to exist, but the owning company Rostec coupled with the local administration in Volgograd are now seeking to utilise some of the facilities. These include calcium carbide, plant protection products, Freon and fine chemicals for the needs of the nuclear and defence industries. Khimprom was declared bankrupt in November 2012. More than 85% of the assets of the enterprise are pledged to Rostec and the bank Petrocommerce.

Usolyekhimprom-mercury clean-up

Usolyekhimprom (part of Nitel) has been instructed by the Irkutsk Regional Court to neutralize the slurry tank construction, the mercury content of which exceeds the rate of 238 times. The proper operation of the slurry tank at the site ceased in 2010, after stopping production of chlorine and caustic soda. Usolyekhimprom has the duty to bring the slurry tank and its contents in accordance with the requirements of the law. The company continues to produce products, but on a much smaller scale than up to 2010. The polysilicon plant that was built on the Usolyekhimprom site, under Usolye-Silicon, has now been closed and JV between Rosnano and Nitel has been dissolved.

Ingushetia-plastics plant introduced

Polymer at Karabulak in the Republic of Ingushetia has started operation of a line for the production of plastic pipes and coating materials. Construction of the plant began in 2013 under the Federal Programme and cost around 320 million roubles. In 2015, the volume of production is expected to increase from 7,000 to 20,000 tpa of polyethylene and polyolefin pressure and sewage pipes.

BASF-Polyplastik

BASF and Russian group Polyplastik plan to start commercialisation in the Russian market of jointly developed compounds for the automotive industry in the second half of 2015. Agreement on cooperation between BASF and Russian group Polyplastik was signed on 28 January 2014, in which it proposed to develop formulations of compounds for the automotive industry to meet international quality standards. BASF has developed materials for the exterior and interior of cars, and aims to introduce these products to the Russian market.

Bashkhim faces price enquiry for domestic soda ash sales

The Russian Federal Antimonopoly Service (FAS) has begun checking the legality of soda ash price rises introduced by Bashkhim. From the start of 2015, prices were increased by 20% raising concerns from players in the glass industry which help to create possible deficit in the Russian market. The glass organisation StekloSouz Russia wrote to the FAS highlighting

concerns of domestic prices of soda ash for 2015 and possible shortages in the market due to increases in export activity. The FAS is currently looking into the evidence and will report within three months. Bashkhim operates soda ash production facilities at Sterlitamak and Berezniki.

Belarus

**Belarussian Aromatic Imports
(unit-kilo tons)**

Product	Jan-Nov 14	Jan-Nov 13
Orthoxylene	5.6	5.6
Paraxylene	19.7	14.5
PTA	40.4	41.0

Belarussian chemical markets

Belarussian benzene production amounted to 9,800 tons in December, 20% less than in November. For the whole of 2014 Naftan at Novopolotsk produced 128,800 tons of benzene against 128,500 tons in 2013. Paraxylene imports into Belarus increased in January to November 2014 to 19,700 tons from 14,500 tons in 2013. PTA imports declined slightly from 41,000 tons to 40,400 tons.

Regarding exports increases were noted for acrylonitrile, rising from 18,680 tons in January to November 2013 to 34,284 tons in 2014, and for phthalic anhydride, rising from 12,831 tons to 17,491 tons. Caprolactam exports declined from 45,579 tons to 30,266 tons, whilst methanol rose from 52,133 tons to 61,631 tons.

**Belarussian Polymer Imports
(unit-kilo tons)**

Product	Jan-Nov 14	Jan-Nov 13
PVC	36.6	40.8
Polypropylene	77.3	75.6
LDPE	49.3	41.4
HDPE	52.0	56.1
Polystyrene	64.7	76.0

Imports of polyethylene into Belarus increased by 3.7% in January to November 2014. HDPE demand fell which was offset by rises in demand for other types of polyethylene. The main suppliers of polyethylene to Belarus include Russia and Saudi Arabia.

Belarusian gas processing plant, which is part of Belorusneft, plans in late 2015 to move to production of the pure fractions of liquefied petroleum gas (LPG). The plant is to start producing technical propane, butane, pentane, isobutane and isopentane fractions. Currently the plant

processes around 480,000 tpa of NGLs, which will be increased to 585,000 tpa. Belarusian Gas Processing Plant, launched in 1976, processes associated gas supplied by Belorusneft and imported raw materials (natural gas liquids) from Russia.

Azot Grodno Production (unit-kilo tons)

Product	Jan-Dec 14	Jan-Dec 13
Methanol	83.0	72.1
Caprolactam	121.8	128.9
Polyamide primary	85.1	75.0
Polyamide filled	10.5	10.2
Ammonia	1062.5	1026.5
Urea	1011.2	967.4
Fertilisers	776.2	760.3
Fibres	36.8	42.8

Regarding chemical production in Belarus, Azot at Grodno reduced production of caprolactam slightly in 2014, but increased production of polyamide. Methanol and urea production both increased. Production of LDPE in Belarus decreased by 1.1% in 2014 to 136,000 tons against 137,500 tons in 2013.

Azot Grodno-nitric project

Azot intends to start construction this year of a new plant for nitric acid with a capacity of 1,200 tons per day. The company plans to acquire approximately 270 billion Belarusian roubles for the development of construction documents, and construction of a zero cycle. Earlier it was supposed to complete the modernization of existing facilities and construction of new nitrogen complex to December 31, 2019. The

design capacity of the complex is 875 thousand. Tons of ammonia and 1.19 million tons of urea per year. Azot is the only producer of nitrogen fertilizers and, as a consequence, the largest consumer of natural gas. Belarus owns 99.97% of the shares Grodno Nitrogen, deals with the operational control of Belneftekhim.

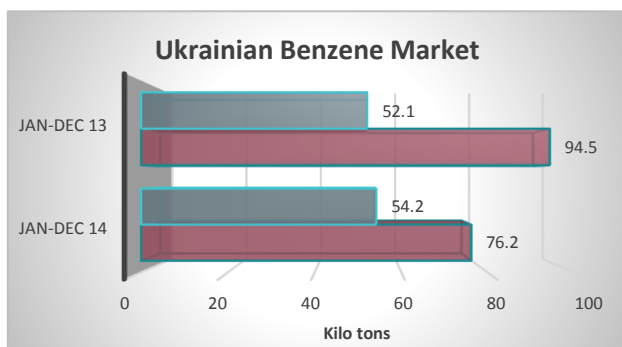
Mogilevkhimvolokno-new PET facilities

Mogilevkhimvolokno is reconsidering investment options into PET and PTA, which it has previously examined with other potential partners without success. The company wants to construct a new PET plant with a capacity of 220,000 tpa.

Without large-scale investments the company has little prospect for economic survival, according to the Belarussian government. Mogilevkhimvolokno reports that it has reviewed proposals for a PET project European and Asian companies whilst SIBUR is also interested although earlier efforts to create a jv did not materialise.

The project to modernise the production of polyester fibre is scheduled for completion in 2017. The project will increase the volume of production, increase profitability, expand the range and improve product quality and introduce modern technologies. In 2016 the company will start the modernisation of Mogilevkhimvolokno, the estimated value of which is \$200 million. After completion of all stages of the company will be able to enter new capacity and become more competitive in the chemical industry.

Ukraine



caprolactam and adipic acid. The largest producer in 2014 was Ukratnafta at Kremenchug with 31,711 tons followed by Yasinovsky Coke with 24,582 tons.

Ukrainian chemical production 2014

Ukrainian chemical production fell across the board in 2014, almost inevitably, but there were exceptions. For example, Kremenchug Carbon Black Plant increased its production by 5.5% in 2014 to 55,200 tons. The company operates in normal mode, five days a week.

Ukrainian chemical markets

Consumer activity in the Ukrainian market for butanols in January was low. The cost of butanol from foreign suppliers has decreased, but fluctuations of the hryvnia against the dollar negate the decline in prices. In January 2015, n-butanol, imported to Ukraine from Russia, was offered at 31,000-32,000 hryvnia per ton, including VAT.

Ukrainian PVC duty reduction

Ukraine established an import duty of 6.5% on suspension polyvinyl chloride from 1 January, which was previously allowed into the country duty-free. For emulsion and microsuspension PVC, where there is no domestic production capacity, the import duty rate remains at zero. The sole domestic producer of suspension PVC, Karpatneftekhim, has been idle since December 2013 but is considering a restart in the spring of 2015.

Central Asia-Caucasus

Uzkimyosanoat-PVC, caustic soda & methanol project

Uzbek government measures were signed in early January in support of the PVC, caustic soda and methanol project under planning at Navoiyazot. The preliminary feasibility study of the project has been approved providing the green light for construction. After direct talks Navoiyazot of Uzkimyosanoat signed a contract with China CAMC Engineering for the construction of the complex including 100,000 tpa of PVC, 75,000 tpa of caustic soda and 300,000 tpa of methanol with a total cost of \$439.8 million.

The Fund for Reconstruction and Development of Uzbekistan will provide \$65.97 million for the project to be issued as a loan to Navoiyazot to finance 15% advance payment of the contract with the Chinese company. To finance the project it is planned to attract preferential long-term foreign loans for \$373.83 million refinanced via Asaka Bank with refinancing margin of the bank for 0.25% APR attracted to finance 85% of the contract. Asaka Bank in cooperation with the Ministry of Foreign Economic Relations Investment and Trade, Ministry of Finance of Uzbekistan and Uzkimyosanoat entrusted to discuss with foreign banks and financial institutions on attracting preferential loans to finance the project. Uzkimyosanoat is responsible for targeted and efficient use of loan resources and timely implementation of the project.

part in financing the modernisation of Pavlodar Petrochemical Plant (PPCP), funded primarily by the club loan from Japanese banks. KDB will provide about 25% of the necessary funding in the form of a loan for up to 10 years for construction and installation works. The aim is to expand the capacity of the refinery for processing the West Siberian oil will be increased from 5 million to 7 million tpa, will be provided with the opportunity of Kazakh oil processing of up to 5 million tpa.

Uzkimyosanoat-2014

Uzkimyosanoat recorded an increase in production by 8.9% in 2014 over 2013, rising to 4.108 trillion soums. The share of industry in total industrial production was 5.5% versus 5.4% the previous year. The company increased production of superphosphate (2 times), fungicides (1.7%), urea (1.2%), sodium nitrate (17.6%), ammonium nitrate (14.6%) nitric acid and sulphonitric acid (14.7%), potassium chloride (13.9%), anhydrous ammonia (8.6%), and sodium cyanide (3.9%).

Uzkimyosanoat is working on a project for the production of polymers and composite materials at Navoi. Capacity of the plant has been suggested at 15,000 tpa at a cost of around \$20 million. This project is linked to plans to build a PVC plant at Navoiyazot with the capacity of 100,000 tpa.

Pavlodar Petrochemical Plant

Kazakhstan Development Bank (KDB) will take

From 2008 to 2013 the volume of production of chemical industry increased by 74.3% to \$184.9 billion. The increase in chemical production is primarily due to the modernisation of old plants. Whereas Kazakh exports of chemical products consist of low value commodities whilst imports are more diverse and higher value products.

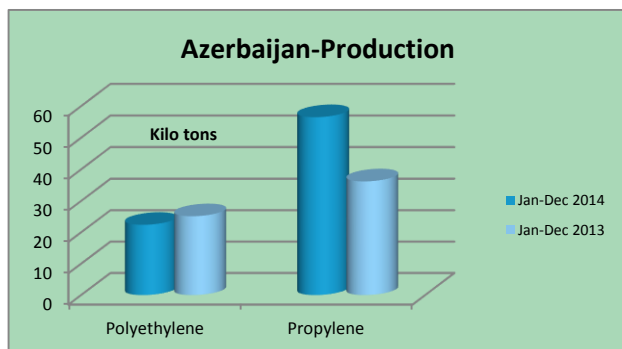
Kazakh polymer markets

Polypropylene imports into Kazakhstan increased 29% in the period January to November 2014 over 2013 to 18,100 tons. Exports of polypropylene, where production takes place at Pavlodar, increased 27% to 19,700 tons. In 2014, imports of homopolymers into Kazakhstan increased whilst copolymers declined.

Kazakh Polymer Imports (unit-kilo tons)		
Product	Jan-Nov 14	Jan-Nov 13
HDPE	77.6	94.0
LDPE	18.7	13.4
LLDPE	5.0	3.8
PVC	63.8	41.8
PET	48.6	48.6
Polypropylene	18.1	14.0

Polyethylene imports into Kazakhstan decreased 9% in the period January to November 2014 over 2013 to 101,300 tons. Consumption of HDPE fell 17% to 77,600 tons against 94,000 tons in 2013, whilst LDPE purchases rose from 13,400 tons to 18,700 tons in January to November 2014. LLDPE imports increased 31% to 5,000 tons.

PVC imports increased by 57% in the period January to November 2014 over 2013 to 63,800 tons. China was the main source of imports whilst a significant share of resin was re-imported to Russia. PET imports remained unchanged at 48,600 tons.



Azerkhimya increases propylene production

Azerkhimya, part of SOCAR, produced 56,500 tons of propylene in 2014 which was 40% more than in 2013. C4 production at Sumgait totalled 30,200 tons, 22% more than the previous year.

SOCAR polyolefin project

Azeri State Committee on Standardization, Metrology and Patents has approved plans for a new complex for SOCAR's oil and gas processing and petrochemical complex. OGPC will be located 60 kilometres from Baku, and consist of three processing plants and power plants

(CHP). The term of the first phase of the project is two years. The total duration of the project in total is eight years. The capacity of the refinery is being designed to process 8.5-9 million tpa of crude, and a gas processing plant of 12 billion cubic metres per annum. Petrochemical production is intended to eventually exceed one million tpa, including 800,000 tpa and polypropylene 300,000 tpa.

Relevant Currencies
Czech crown. Kc. \$1= 20.852. €1 = 27.444: Hungarian Forint. Ft. \$1 = 229.253. €1 = 310.141: Polish zloty. Zl. \$1=3.016. €1 =4.14 Ukrainian hryvnia. \$1 = 15.94. €1 = 18.13: Rus rouble. \$1 = 70.0 €1= 79.2

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