CIS Chemical Industry News

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RUSSIA

Russian government's outlook for the chemical industry in 2015

The Russian government has forecast a 0.5% fall in chemical sector production in 2015, following 0.1% growth in 2014. Consumption is expected to fall by more than the decline in production, and closer in line with GDP falls. Certain sectors and products are more resilient to economic forces, and may even be able to thrive in the adverse conditions. Investments in the chemical industry will almost inevitably be lower this year due to the slowing economy, the impact of sanctions on borrowing and low oil prices, etc. Another factor is that the big projects such as Tobolsk-Polymer and RusVinyl have now been completed and there are no major pending projects to be completed this year. As a result, based on known projects the Russian Ministry of Industry has forecast a 9.2% fall in 2015 against 2014.

Russian Chemical Production (unit-kilo tons)

Product	*Jan-Feb 15*	*Jan-Feb 14*
Caustic Soda	184.2	170.0
Soda Ash	513.0	430.0
Ethylene	433.0	455.0
Propylene	252.8	254.0
Benzene	205.4	211.0
Xylenes	99.2	91.8
Styrene	112.3	110.3
Phenol	20.2	48.3
Ammonia	2,400.0	2,600.0
Nitrogen Fertilisers	1,400.0	1,500.0
Phosphate Fertilisers	500.0	600.0
Potash Fertilisers	1,200.0	1,400.0
Plastics in Bulk	1,177.0	1,055.0
Polyethylene	285.0	314.0
Polystyrene	88.3	83.8
PVC	157.3	111.9
Polypropylene	232.0	146.9
Polyamide	22.6	24.0
Synthetic Rubber	278.0	231.0
Synthetic Fibres	20.2	21.5

Regarding product sectors, production in polymers is already benefiting from the rising utilisation levels at Tobolsk-Polymer and RusVinyl, in addition to expanded PVC capacity by Bashkir Soda Chemistry at Sterlitamak. Stavrolen is expected to restart petrochemical production at some stage in 2015, which would lead to an increase in HDPE production. Chemical plants that were closed last year included the chlorine and PVC producers Khimprom at Volgograd and SIBUR-Neftekhim at Dzerzhinsk.

In the rubber sector, Nizhnekamskneftekhim plans to increase capacity production of butyl/halobutyl rubbers to 200,000 tpa in 2015. However, overall synthetic rubber production is expected to fall due to a significant reduction in demand for the product on domestic and foreign markets. Negative trends are expected in 2015 in the production of styrene polymers, synthetic rubber, fibres, and threads as well as caustic soda.

Production of mineral fertilisers in Russia is forecast to rise 2.7% in 2015. Expansion of production of mineral fertilisers is being carried out by Evrokhim which is increasing capacity of ammonium nitrate to 600,000 tpa in 2015, coupled with partial decommissioning of outdated facilities, and Uralkali which is increasing existing capacity by up to 800,000 tpa in 2015.

Russian Chemical Commodity Exports

Product	*Jan-15 Kilo tons*	*Jan-15 USD Mil*	*Jan-14 Kilo tons*	*Jan-14 USD Mil*
Ammonia	304	154	138	56
Methanol	135	39	202	81
Nitrogen Fertilisers	634	155	800	203
Potash	699	190	604	173
Mixed Fertilisers	548	199	659	211
Synthetic Rubber	67	114	78	174

Russian chemical trade, Jan 2015

As anticipated, imports of chemical products dropped sharply in January due principally to the weakness of the rouble. Russian imports of polymers and rubber fell by 28.3% in January against January 2014, whilst perfumes and cosmetic products fell by 5.2%. The value of exports of chemical exports decreased by 18.8% and in physical terms by 9.7%. The decline in exports took place as many domestic producers focused more on the internal market, not simply to meet government wishes but to take advantage of higher prices. Export volumes of fertilisers decreased by 9.6% in January, organic chemical compounds by 29.4%, and methanol by 33.4%. At the same time ammonia exports increased by 71.1%, and plastics by 26.9%. The share of chemical products in total Russian exports amounted to 4.9% in January (in January 2014 it was 4.3%).

Russian petrochemical projects

SIBUR credit agreement for Zapsibneftekhim

SIBUR signed an agreement with a consortium of European banks in December 2014 under guarantees of export credit agencies for long-term financing for the construction Zapsibneftekhim (Zapsib-2). SIBUR is not included o the international list of Russian companies subjected to sanctions. Confirmed lines of credit to the value of €1.575 billion under the coverage of export credit agency Euler Hermes (Germany) have been made open to SIBUR to finance contracts with Linde AG and ThyssenKrupp Industrial Solutions. The loan will be paid in equal installments every six months for 10 years after project completion.

SIBUR also stated that it had agreed with the French export credit agency Coface financing under contract with the Technip for construction of a polyethylene plant. SIBUR has estimated that around $9.5 billion is required to support the construction of Zapsib-2, and requiring a construction period of 5.5 years.

SIBUR Investments (million roubles)

Location	Description	2014	2013	Date Completion
Feedstock and Energy				
Transportation infrastructure development				
West Siberia	Purovsky-Pyt-Yakh-Tobolsk pipeline	11,168	19,789	Completed
Tobolsk	Expansion of railway infrastructure	2,194	1,030	2015
Gas fractionation capacity modernisation and expansion				
Yamal-Nenets Autonomous Area	APG processing capacity expansion at Vyngapur GPP	6,102	2,443	2015
Tobolsk	Second GFU	3,229	6,726	Completed
Petrochemicals				
Tobolsk	Zapsibneftekhim (ZapSib-2)	21,135	2,838	2020
Tomsk	Expansion of PP and LDPE production	2,292	689	2016
Dzerzhinsk	Reconstruction of ethylene oxide plant	2,243	555	Completed
Kstovo	Steam cracker upgrade	1,812	2,015	Completed
Novokuibyshevsk	Expansion of BOPP-film production	402	715	Completed
Tobolsk	Propane facility to reduce meOH content	340	843	Completed
Blagoveshchensk	Expansion of PET production	261	759	Completed

Rosneft-Samara petrochemical project

Rosneft completed the acquisition of 100% equity in SANORS (Novokuibyshevsk Petrochemical Company) in March. The acquisition of SANORS facilitates the integration of oil and gas production and processing facilities of Rosneft with the petrochemical holding SANORS. Rosneft and SANORS agreed to establish a parity joint venture last year, based mainly on the gas processing assets of the Orenburg and Samara regions. Rosneft hopes to reach a decision about the timing of the Samara Region petrochemical complex by the end of 2015. The project involves capacities of 2.5 million tpa of polymers, 480,000 tpa of feedstocks and 250,000 tpa of organic synthesis products. Investment in the project could reach more than 290 billion roubles.

SIBUR-Financial Results (million roubles)

	2014	*2013*
Revenue	361,000	269,814
Energy products	217,233	144,716
Petrochemical products	132,513	116,018
Other	11,254	9,080
EBITDA	102,767	78,862
EBITDA margin, %	28.5%	29.2%
Net Profit	25,071	45,458
Capital expenditures	(67,707)	(70,010)

Russian petrochemical producers & markets

SIBUR 2014

SIBUR Holding's main highlights from 2014 included an increase in processing of associated gas by 6.3%, a 20.1% rise in the supply of natural gas liquids from Tobolsk and an increase in sales by 34.7%. Revenues for the group increased by 34% against 2013, including a 50% rise in revenues from energy products. Revenue from sales of basic polymers increased by 68.3%, largely attributable to operations at Tobolsk-Polymer whilst sales of synthetic rubber decreased by 14.1%. The group's EBITDA increased by 30% to more than 100 billion roubles, whilst the net profit decreased by 44.8% due to exchange rate fluctuations.

SIBUR Production & Sales		
Production	***2014***	***2013***
APG processing (000 cm)	20,834,647	19,600,139
Natural gas (000 cm)	17,989,399	16,908,508
NGL fractionation (kt)	6,315,299	5,256,760
Basic polymers (kt)	655,590	403,252
Synthetic rubber (kt)	353,257	418,147
Plastics/organic chemicals (kt)	900,118	858,970
Intermediates/other chemicals (kt)	4,232,671	4,207,925
Sales volumes	***2014***	***2013***
Natural gas sales (000 cm)	16,004,874	11,841,787
NGLs sales (kt)	6,469,868	4,802,073
Petrochemical sales (kt)	2,246,660	2,127,895

In 2014 SIBUR's gas processing plants (GPPs) processed 20.8 billion cubic metres of associated gas, an increase of 6.3% over 2013. As a result, production of natural gas rose by 6.4% to 18 billion cubic metres. NGL fractionation volumes increased by 6.6% to 5.2 million tons. In 2014 SIBUR increased sales volumes of the majority of its energy products. Sales volumes of petrochemical products totalled 2.2 million tons, an increase of 5.6%, including sales volumes of 397,700 tons of polypropylene, a 1.9 times increase over 2013.

SIBUR-energy product sales

Revenues from sales of energy products increased for SIBUR by 50.1% in 2014 to 217.233 billion roubles from 144.716 billion roubles in 2013 primarily on a significant increase in sales volumes in addition to an increase in the average prices. Energy products sales were affected by a substantial expansion of trading activities following the launch of the Ust-Luga transhipment facility at the end of 2013.

In addition, SIBUR saw an increase in LPG and naphtha production following the launch of integrated transportation and fractionation capacities, which enabled SIBUR to process increased volumes of available NGL feedstock.

SIBUR-LPG Usage & Sales
(unit-kilo tons)

	Jan-Dec 14	***Jan-Dec 13***
Captive sales to petrochem division	880.4	659.0
Domestic sales	909.7	852.5
Exports	2558.6	2133.3
Total	4348.7	3644.8

SIBUR-Naphtha Usage & Sales
(unit-kilo tons)

	Jan-Dec 14	***Jan-Dec 13***
Captive sales to petrochem division	691.6	644.7
Domestic Sales	36.6	281.1
Exports	2350.6	846.2
Total	3078.9	1772.0

The acquisition from Rosneft of a 49% stake in the jv Yugragazpererabotka in March 2014, resulted in consolidation of 100% of natural gas volumes produced at the gas processing plants.

SIBUR achieved 36.5% of energy product sales on the domestic market against 48.6% in 2013. The increased share of exports was attributable to higher naphtha and LPG seaborne sales following the launch of the Ust-Luga transhipment facility. In 2015, SIBUR ceased naphtha trading operations via the Ust-Luga terminal and replaced them with transhipment services maintaining the facility's capacity load.

SIBUR's petrochemical division 2014

SIBUR's revenues from petrochemical sales increased by 14.2% in 2014 to 132,513 billion roubles from 116,018 billion roubles in 2013. This was attributed to mainly higher revenues from sales of bulk polymers, plastics and organic chemicals, which was offset by lower revenue from sales of synthetic rubber.

The growth in revenue from sales of basic polymers was primarily attributable to higher polypropylene production following the launch of Tobolsk-Polymer in the second half of 2013. The growth in revenue from sales of plastics and organic synthesis products was mainly attributable to capacity expansions in PET and BOPP-films.

SIBUR-Intermediates 2014

SIBUR's revenues from sales of intermediates and other chemicals increased by 6.8% in 2014 to 20.496 billion roubles from 19.185 billion roubles in 2013. The increase was primarily attributable to higher revenue from sales of styrene as a result of lower internal use following the divestment of Plastik that consumed styrene for polystyrene and ABS plastics production.

Other factors included higher revenue from sales of propylene due to the increase in production at Kstovo in 2014. These factors were partially offset by lower revenue from sales of PTA as a result of higher internal use at Blagoveshchensk.

SIBUR's Monomer & Intermediate Production (unit-kilo tons)

Product	*Jan-Dec 14*	*Jan-Dec 13*
Benzene	125.2	134.2
Styrene	171.5	159.7
PTA	252.4	259.7
Propylene	608.6	310.4
Ethylene Oxide	204.7	134.1
Butadiene	189.4	208.8
Isoprene	70.1	26.9
Isobutylene	161.7	63.9
Ethylene	516.7	533.3
Other Intermediates	1220.7	800.0
Other Chemicals	711.7	686.1
Purchases from 3rd parties	11.3	4.9
Total	4244.0	3321.8

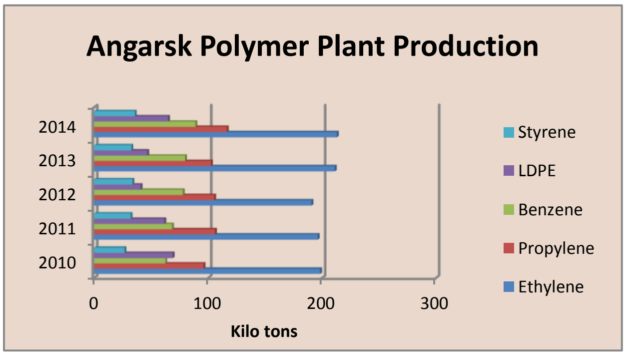
In 2014, SIBUR also recorded revenue from sales of ethylene, which marked the launch of RusVinyl. Out of 4.2 million tons of intermediates and other chemicals produced in 2014, approximately 89.5% was used internally for further intercompany processing compared to 89.2% in 2013.

Rosneft-Angarsk plants 2014

Angarsk Polymer Plant increased net profits in 2014 by 72.5% to 972.49 million roubles against 563.59 million in 2013. Cost of sales increased by 14% to 4.81 billion roubles, whilst gross profit rose by 68.7%, amounting to 1.87 billion roubles. Profit before tax amounted to 1.25 billion roubles against 723.22 million roubles.

Angarsk Polymer Plant has been part of Rosneft in 2007, having being procured mysteriously through the state seizure of assets owned by YUKOS. The company produces ethylene, propylene, and benzene. Raw materials for the production of olefins, naphtha and hydrocarbon gases, are supplied mainly by the Angarsk refinery. In addition to producing ethylene for its own needs the plant also supplies olefins to Sayanskkhimplast by pipeline for VCM production.

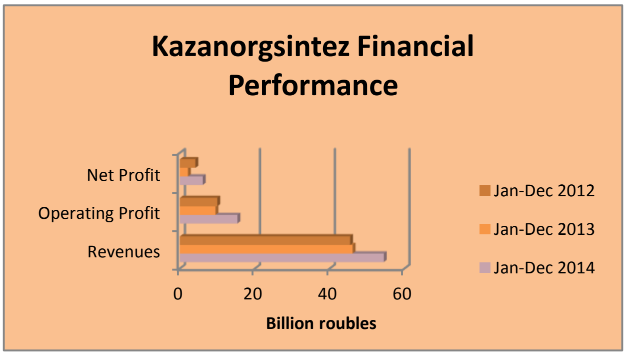
Angarsk Petrochemical Company increased its net profit by 3.6% for 2014. The company's revenue increased by 7.4%. The net profit earned in the last year amounted to 9.01 billion roubles. The company's revenue increased from 28.56 billion roubles in 2013 to 30.69 billion roubles. More than 94% of revenue was received from the sale of oil products and petrochemicals. Gross profit increased by 7% to 13.7 billion roubles. Profit from sales amounted to 12.52 billion roubles, profit before tax 11.48 billion roubles.



Angarsk Petrochemical Company produces automotive gasoline, diesel fuel, jet fuel, oil, bitumen, coke electrode, fuel oil, butanol, sulphuric acid, and methanol. Capacity of the complex is 11 million TPA. The company is owned by Neft-Aktiv, a subsidiary of Rosneft.

Kazanorgsintez 2014

Kazanorgsintez increased revenues by 18% in 2014 whilst production costs rose 8.89%, resulting in a fairly positive nominal cash flow for the company. Financial performance improved overall for Kazanorgsintez, even if polyethylene production was lower by 12,700 tons. Prices for polymers rose significantly in 2014 due largely to devaluation, allowing Kazanorgsintez to increase revenues by 8.4 billion roubles over 2013. Converted into other currencies shows that the company's performance was similar to the previous two years.

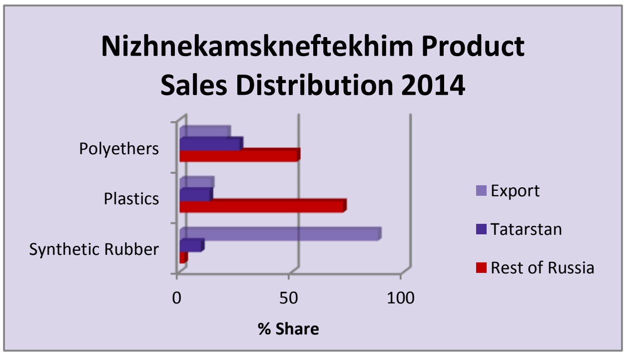


Polyethylene prices averaged 49,903 roubles per ton in 2013 but rose to 65,621 roubles per ton in 2014. Regarding projections for 2015, the state of the economy and the anticipated recession are the main concerns for Kazanorgsintez. In addition, the company's operations may be affected by the resumption of production of HDPE by Stavrolen in the second half of the year.

Nizhnekamskneftekhim 2014

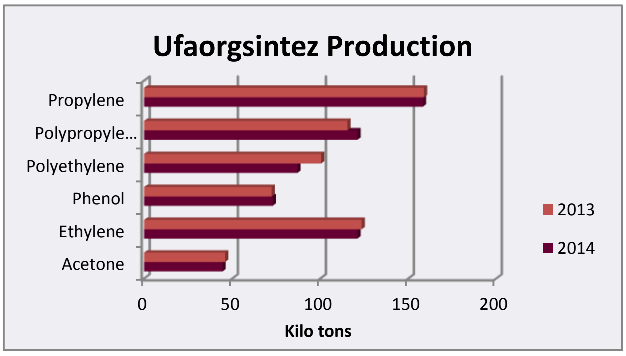
Revenues for Nizhnekamskneftekhim exceeded targets in 2014 by 9.8%, amounting to 133 billion roubles. The net profit in 2014 was 9 billion roubles, a third more than planned, against 6.2 billion roubles in 2013.

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.

The devaluation of the rouble is expected to further help profits in 2015 and based on current rates the company predicts another rise in profits by 2.8 times in dollar terms up to $524 million compared to 2013, and fivefold in rouble terms up to 31.4 billion roubles. The company's EBITDA could subsequently grow by 2.5 times compared to that of 2013 up to $702 million. These forecasts are based on the estimate that the rouble averages around 60 to the dollar through the year. From the company's production, the largest share of synthetic rubber sales go to export markets whilst plastics are sold mostly on the domestic market. Since 2011, the profitability of rubber production has been under constant pressure from falling prices, dropping 2.5 times by dollar prices by 2014.



Ufaorgsintez to increase ethylene capacity

Ufaorgsintez is considering the possibility of expanding ethylene capacity by 20-30%, which would increase production to levels of 180-200,000 TPA. Ufaorgsintez is part of United Petrochemical Company, which previously was considering the construction of a one million tpa cracker at Ufa. This project idea has effectively been rolled into the long grass due to a number of political reasons, and thus Ufaorgsintez has decided to examine how to expand the existing plant. In the past year, Ufaorgsintez increased productivity of existing ethylene complex by 25%. Work to expand the capacity up to 150,000 tpa was completed in August last year.

Cracker feedstocks, Jan-Feb 2015

NGL shipments to the Russian domestic market amounted to 263,880 tons in February 23% less than in January and down from 307,160 tons in February 2014. Reductions in sales by SIBUR and Gazprom fell 20% to 122,250 tons and 50% to 39,490 tons. Lukoil and Rosneft also reduced NGL sales by 11% and 3% to 51,460 tons and to 50,170 tons respectively. In February, the supply of gas liquids to gas processing plants decreased and amounted to 169,710 tons. Nizhnekamskneftekhim was the largest petrochemical buyer of gas liquids in 2014. LPG sales to the Russian petrochemical industry in 2014 totalled 1.393 million tons against 1.404 million tons in 2013. Overall sales of gas liquids on the Russian market totalled 3.87 million tons against 3.88 million tons in 2013.

Petrochemical plants also reduced consumption of natural gas liquids, falling 36% against January to 93,910 tons. Sales in the Russian market totalled 605,250 tons in the first two months in 2015, 4% down on 2014. Kazanorgsintez consumes 25,000-28,000 tons per month of LPGs, 80% of which it sources under long-term contracts with producers. Kazanorgsintez held a tender on 23 March for offers for 2,160 tons of propylene fraction and intends to purchase 2,640 tons of propane-propylene fractions for delivery in April 2015.

In February, shipments of naphtha in the domestic market increased by 7% to 129,300 tons. Deliveries to the petrochemical sector remained virtually unchanged and amounted to 44,400 tons. Domestic shipments totalled 250,500 tons in the first two months in 2015, 23% down on 2014.

Russian monomers, Jan-Feb 2015

Russian ethylene production amounted to 203,400 tons in February, 11% down on the same month last year. Gazprom neftekhim Salavat reduced production by 3% to 27,700 tons and SIBUR-Kstovo reduced production by 35% to 19,400 tons. Other producers recording reductions included SANORS and Tomskneftekhim, which produced 6,300 tons and 20,900 tons respectively, or 16% and 11% down. Production totalled 433,400 tons in the first two months in 2015, 5% down on 2014.

Propylene production dropped 10% in February to 119,600 tons. SIBUR-Kstovo reduced monomer production due to maintenance by 35%, whilst SIBUR-Khimprom reduced production by 20% to 4,500 tons. Titan at Omsk reduced production by 12% to 17,800 tons. Production for the first two months this year totalled 252,800 tons, unchanged from last year.

Russian Propylene Domestic Sales (unit-kilo tons)		
Producer	***Jan-Feb 15***	***Jan-Feb 14***
Angarsk Polymer Plant	15.4	14.3
Omsk Kaucuk	3.0	0.0
SIBUR-Kstovo	15.3	12.4
Akrilat	1.7	3.2
LUKoil-NNOS	28.3	28.3
Tomskneftekhim	0.0	0.1
Gazprom Neftekhim Salavat	0.8	4.7
Nizhnekamskneftekhim	2.0	0.0
SIBUR-Khimprom	0.0	0.5
Stavrolen	0.0	3.3
Tobolsk-Polymer	4.7	0.0
Ufaorgsintez	2.8	0.0
Total	73.8	66.9

Russian propylene sales on the domestic market decreased by 23% to 31,300 tons in January. Downtime for maintenance at SIBUR-Kstovo in January resulted in a reduction of 45% in merchant sales to 5,400 tons. In addition, Tobolsk-Polymer reduced sales by 43% to 1,700 tons, Angarsk Polymer Plant 10% to 7,300 tons. Omsk Kaucuk increased its supply by 2.4 times by February to 2,100 tons. In the first two months in 2015 Russia sold Russian export volumes of propylene increased by 5.9 times in February over January to 5,900 tons. SIBUR-Kstovo was the sole exporter, with shipments sent to Poland and the Netherlands. Russian exports totalled 6,900 tons in the first two months in 2015. For 2014 Russian propylene exports totalled 22,700 tons which was 14% down on 2013.

Exports of Russian propane-propylene fractions increased in February by 20% to 5,400 tons. The Ryazan refinery was the sole exporter in February, increasing its shipments by 24% over January. Exports totalled 9,800 tons in the first two months in 2015. Exports of propane-propylene fractions increased by 8% in January to 4,443 tons. The Ryazan refinery increased exports by 1.5 times to 4,300 tons. The only other exporter was the Moscow refinery with 143 tons. Propylene imports from Azerbaijan rose 2.4 times in February, from 900 tons up to 2,000 tons. Stavrolen was the main consumer of Azeri propylene.

Russian styrene, Jan-Feb 2015

Domestic sales of styrene increased by 26% in February to 6,700 tons. Gazprom neftekhim Salavat reduced sales 28% against January to 3,800 tons whilst Angarsk Polymer Plant increased sales by 25% to 403 tons. For the first two months in 2015 Russian deliveries amounted to 15,700 tons to the domestic market, 44% more than the same period in 2014.

Russian Styrene Production (unit-kilo tons)		
Producer	***Jan-Feb 15***	***Jan-Feb 14***
Nizhnekamskneftekhim	47.5	43.8
Angarsk Polymer Plant	6.1	6.1
SIBUR-Khimprom	20.6	21.0
Gazprom Neftekhim Salavat	30.8	30.5
Plastik, Uzlovaya	7.4	9.0
Total	112.3	110.4

Styrene production amounted to 53,900 tons in February, 8% less than in January. SIBUR-Khimprom reduced monomer production by 17%, to 9,300 tons, Gazprom neftekhim Salavat and Plastik at Uzlovaya reduced production each by 10% to 14,600 tons and 3,500 tons respectively. In the first two months in 2015 Russian styrene production totalled 112,700 tons, which is 4% more than in the same period of 2014.

Russian styrene exports amounted to 11,000 tons in January, the same as in December 2014. Angarsk Polymer Plant resumed delivery of the product to foreign markets and exported 2,000 tons. At the same time shipments by Gazprom neftekhim Salavat decreased to 8,800 tons which is 15% down against December. Styrene exports totalled 121,200 tons, 9% less than in 2013.

Bulk Polymers

Russian HDPE market, Jan-Feb 2015

Russian HDPE production declined by 28% in the first two months of 2015 against the same period in 2014 and amounted to 143,000 tons. The continued outage at Stavrolen is the main cause of the decline. Production amounted to 70,000 tons in February against 73,000 tons in January. Kazanorgsintez provided the largest share of HDPE production in the first two months in 2015, producing 90,000 tons against 85,100 tons in the same period in 2014. Nizhnekamskneftekhim increased production to 36,000 tons against 33,700 tons, whilst Gazprom neftekhim Salavat produced 17,000 tons versus 17,600 tons last year. Gazprom neftekhim Salavat was forced to stop temporarily in February due to technical problems.

Russian HDPE Production (unit-kilo tons)		
Producer	***Jan-Feb 15***	***Jan-Feb 14***
Kazanorgsintez	90.0	85.3
Stavrolen	0.0	47.9
Nizhnekamskneftekhim	36.0	34
Gazprom neftekhim Salavat	17.0	17.6
Total	143.0	184.8

Russian imports of HDPE totalled 28,800 tons in the first two months in 2015, 25% lower than in the same period in 2014. The outage at Stavrolen in normal economic conditions would have resulted in an increase in imports, but a combination of credit problems and the devaluation of the rouble made imports unprofitable for Russian refiners.

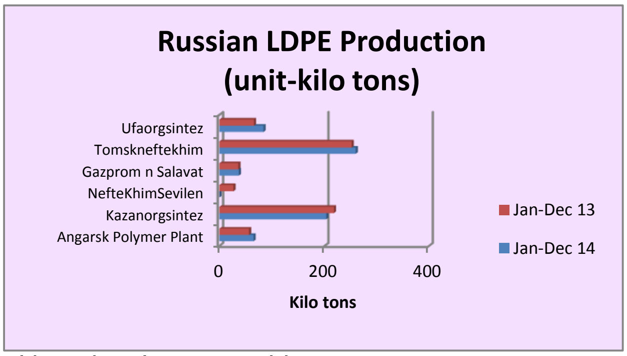
Imports of HDPE pipe grade increased in February to 3,300 tons against 920 tons in January. The increase was due to efforts by some local producers of pipes to create additional inventories of raw materials due to low prices in Europe, as well as the limited supply of coloured PE100 from Russian producers. Even so, pipe grade imports were down 40% in the first two months in 2015 against the same period last year. Other sectors in HDPE imports were also down.

Russian LLDPE

LLDPE imports rose to 16,800 tons in February against 10,300 tons in January. Imports totalled 27,100 tons in January and February this year against 25,200 tons in 2014. The most popular form of LLDPE imported into Russia is film grade which amounted to 25,000 tons in the first two months in 2015 against 23,000 tons last year. Other applications include rotational moulding where imports amounted to 470 tons in February against 27 tons in January. Imports totalled 507 tons in the first two months against 820 tons in 2014.

Russian LDPE market 2014

Due to supply constraints for ethylene in 2014 LDPE production in Russia fell slightly last year to 647,000 tons from 654,000 tons in 2013. Due to the accident at Stavrolen and the impact on HDPE availability, Kazanorgsintez responded to market demand by to increase HDPE production at the expense of LDPE. Kazanorgsintez produced 203,000 tons of LDPE in 2014, 10% less than in 2013. Ufaorgsintez reduced production by 10% to 87,000 tons, whilst Angarsk Polymer reduced production by 25% to 64,000 tons. Tomskneftekhim remained the leader in production of LDPE in Russia, producing 259,100 tons in 2014.



LDPE imports into Russia declined by 10% in 2014 to 93,000 tons. The main importing countries were Belarus, Germany and the Netherlands. The share of the Belarusian LDPE increased slightly in the market to 65%, amounting to 62,000 tons. Around 80% of this volume was taken up by film brands LDPE 158 and 108. Other sources of import in 2014 included Ineos and ExxonMobil, which shipped 12,000 tons and 7,600 tons of LDPE respectively.

Exports of LDPE from Russia decreased in 2014, although volumes to China rose 30% to 76,000 tons. More than 50% of exports were sourced from Angarsk Polymer Plant, amounting to 40,000 tons. The second-largest consumer of Russian LDPE in 2014 was Kazakhstan where deliveries rose by 17% to 24 000 tons. Deliveries to the Ukrainian market fell 55% to 21,000 tons.

Russian Polypropylene Imports (unit-kilo tons)		
Category	***Jan-Feb 15***	***Jan-Feb 14***
Homopolymers	7.1	11.9
Block	4.5	6.3
Random	4.7	4.1
Other	4.1	4.7
Total	20.4	27.0

Russian polypropylene, Jan-Feb 2015

Imports of polypropylene to the Russian market rose slightly in February, although for the first two months in 2015 imports were down 25% against the same period last year to 20,400 tons. Imports amounted to 11,700 tons in February against 8,700 tons in January. The rouble devaluation is partly due to the fall in imports this year, but the main cause has been due to the increase in domestic production.

Production of polypropylene rose 46% in the first two months in 2015 to 224,000 tons. As a result of increased production Russian polypropylene exports amounted to 57,000 tons in the first two months in 2015, 31% up on the same period last year. In February, exports amounted to 34,000 tons against 23,100 tons in January. China and Turkey represented the largest consumers of Russian polypropylene in the first two months in 2015. Of the Russian producers, Tobolsk-

Polymer accounted for 36,000 tons from the 57,100 tons exported in January and February, whilst Polyom exported 8,300 tons and Nizhnekamskneftekhim 3,500 tons.

Russian PVC trade, Jan-Feb 2015

PVC production increased 31% in the first two months in 2015 to 157,300 tons, the main reason for which was the higher utilisation rates at RusVinyl. Imports of PVC into Russia continues to decline rapidly, dropping to 300 tons in February from 708 tons in January. At the same time, a weak rouble allows producers to maintain high exports. The combination of increased Russian production, the weak rouble and weak demand have impacted sharply on imports. By contrast, exports amounted to 5,000 tons in February, excluding deliveries to Belarus. Imports of PVC into Russia are likely to all but disappear in the next few months.

SIBUR polyolefins 2014

SIBUR's revenues from sales of bulk polymers increased by 68.3% in 2014 to 38.393 billion roubles from 22.818 billion roubles in 2013. The increase was largely attributable to higher polypropylene sales volumes, in addition to higher selling prices for polyolefins due to Russian rouble depreciation.

SIBUR Polypropylene Sales (billion roubles)		
	Jan-Dec 14	***Jan-Dec 13***
Domestic Sales	14,018	8,062
Exports	9,048	2,748
Total	23,066	10,810
SIBUR LDPE Sales (billion roubles)		
Sales	***Jan-Dec 14***	***Jan-Dec 13***
Domestic Sales	10,348	6,912
Exports	4,979	5,097
Total	15,327	12,009

Revenue from sales of polypropylene increased by 113.4% in 2014 to 23,067 billion roubles from 10,809 billion roubles in 2013 on an 86.5% increase in sales volumes and a 14.4% increase in average prices. Internal consumption of polypropylene was higher in 2014 due to capacity expansion at BOPP-film production sites at Tomsk and Novokuibyshevsk.

LDPE sales increased in 2014 by 27.6% to 15.326 billion roubles against 12.009 billion roubles in 2013. This was based on a 21.8% increase in average prices supported by the Russian rouble depreciation and a 4.8% growth in sales volumes. The increase in LDPE sales volumes was largely attributable to a 3.7% growth in production volumes due to a shorter maintenance shutdown at our production site at Tomsk. In 2014, domestic sales accounted for 67.5% of total LDPE revenues, while 32.5% was attributable to export sales.

SIBUR Polyolefins (unit-kilo tons)		
Production	***Jan-Dec 14***	***Jan-Dec 13***
LDPE	260.3	250.9
Polypropylene	395.3	152.4
Purchases from third parties	141.2	180.7
Total	796.9	583.9
Sales	***Jan-Dec 14***	***Jan-Dec 13***
LDPE	255.2	245.6
Polypropylene	393.7	211.1
Total	648.9	456.7

Russian polycarbonate

In January and February 2015 imports of polycarbonate into the Russian market fell by 81% against the same period last year and amounted to only 1,300 tons. The reduction of imports is due primarily to an unstable exchange rate. According to traders, due to the deteriorating economic situation and credit issues consumers are trying to avoid purchasing imports whilst all market players try to avoid the accumulation of stocks. Exports were not carried out in the first two months this year and the total production of 11,600 tons was sold on the domestic market.

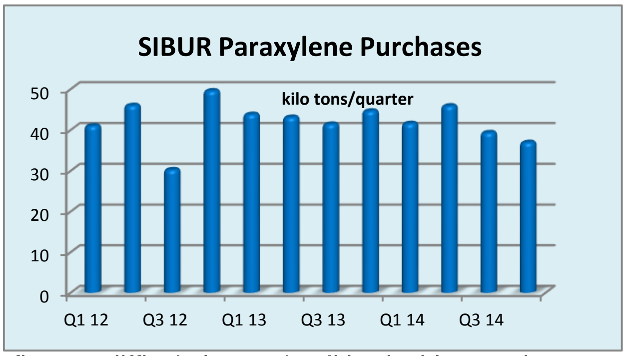
PTA/PET & Fibres

Russian PET, Jan-Feb 2015

In January-February imports of PET into Russia fell five times compared to the same period in 2013 and amounted to 8,140 tons. The supplier on the Russian market remains the Chinese company Shanghai Hengyi Polyester. The Lithuanian group Neo supplied 600 tons to the Russian market in January, and only 122 tons in February. The devaluation of the rouble means that imports into Russia will be made more difficult this year and significant falls are expected.

SIBUR-paraxylene supply

Paraxylene purchases for SIBUR by dropped slightly in the fourth quarter last year, and totalled 163,729 tons for the whole of 2014 against 169,116 tons in 2013. SIBUR purchases paraxylene from third parties, mainly Ufaneftekhim and Gazprom Neft, for the production of PTA at Polief in Bashkortostan. The construction of PTA/PET facilities under the aborted RusPETF jv would have posed a threat to future paraxylene supply



from Ufaneftekhim, which would have redirected its deliveries away from Polief. Alpek has now withdrawn from the RusPETF jv, which it had created with United Petrochemical Company (UPC) due primarily to internal changes inside Bashneft.

A reasonable amount of work, involving feasibility studies and FEED documents, had been undertaken under the RusPETF jv. Alpek estimates that it cost around $9 million, whilst Bashneft may even lose more. Aside the question of sanctions which made finance difficult, internal politics inside Russia seem to have been a major factor in swaying Alpek to pull out. Since the start of this year the President of United Petrochemical Company was replaced and Bashneft has in effect taken over the assets belonging to the group. Bashneft was less interested in the project than UPC and in Alpek's view there seemed little point in continuing with the jv.

SIBUR's PX, PTA & PET Matrix (unit-kilo tons)

Product	*Jan-Dec 14*	*Jan-Dec 13*
Paraxylene Purchases	163.7	172.9
PTA Production	252.9	259.0
PTA Domestic Sales	0.7	2.3
PTA Exports	0.6	0.4
PET Production	279.9	192.8

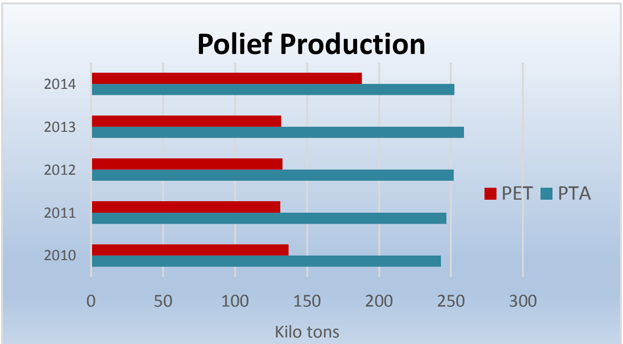
SIBUR-PET 2014

SIBUR's revenues from PET sales increased by 40.0% in 2014 to 13,627 billion roubles from 9.734 billion roubles on a 40.1% increase in sales volumes and relatively flat average prices. The increase in sales volumes was primarily attributable to a 45.2% growth in production following the completion of a PET capacity expansion at Blagoveshchensk (increasing capacity from 140,000 tpa to 210,000 tpa). Average prices in 2014 largely reflected negative dynamics in the international market prices, which was substantially compensated by Russian rouble depreciation. In 2014, domestic sales accounted for 99.7% of total PET revenue, with only 0.3% was attributable to export sales.

SIBUR's PET Production & Sales (unit-kilo tons)

	Jan-Dec 14	*Jan-Dec 13*
Production	279.9	192.8
Total Sales	268.7	191.7
Domestic	267.9	191.2
Exports	0.8	0.6

SIBUR-PETF reduced revenues by 4.7 times in 2014 to 690 million roubles against 3.271 billion roubles in 2013. The net profit of SIBUR-PETF fell to 44 million roubles in 2014 against 118 million roubles in 2013. Prior to 1 October 2013, the company operated as a single entity, but after this date SIBUR-PETF has operated on tolling arrangements and thus revenues have been subsequently affected.



Polief 2015

Polief (included in SIBUR) achieved a net profit of 164.4 million roubles in 2014 against a net loss of 1.082 billion roubles in 2013. Increased capacity for PET production helped the company increase revenues in 2014 by 26.8% over 2013 to 13.9 billion roubles. At the same time costs rose 22.6% to 12.1 billion roubles.

The company increased revenues through sales to the CIS countries to 652 million roubles from 337 million roubles. In the Russian market Polief sold products worth 13.2 billion roubles against 10.6 billion roubles in 2013. Profit from sales amounted to 982.4 million roubles, 3.6 times higher than 2013. In 2014, Polief did not attract loans for investment but did repay loans of 12.06 billion roubles.

Russian MEG, Jan-Feb 2015

MEG imports into Russia increased significantly in February due to the resumption of purchases by Ecopolymer. The company was responsible for 3,500 tons of the 3,600 tons imported in February against only 23 tons in January. At the same time exports in February exports rose 60% over January to 15,300 tons. SIBUR-Neftekhim accounted for 86% of shipments, or 13,100 tons.

Nizhnekamskneftekhim significantly reduced exports in February to 2,000 tons, which is 45% less than in January. Belarus took 31% or 4,700 tons of Russian exports in February, whilst another 30% or 4,500 tons was bought by consumers in Lithuania. Ukraine took 560 tons and Kazakhstan 195 tons.

SIBUR's MEG Production & Sales (unit-kilo tons)		
	Jan-Dec 14	*Jan-Dec 13*
Production	197.7	248.8
Captive	84.6	76.5
Total Sales	113.1	172.3
Domestic	85.4	118.1
Exports	27.7	54.1

SIBUR-glycols 2014

SIBUR's revenues from sales of glycols decreased by 30.4% in 2014 to 4.795 billion roubles from 6.893 billion roubles in 2013. This resulted from a 34.3% decrease in sales volumes despite a 5.9% growth in average prices. The decrease in sales volumes was largely attributable to a 20.6% decrease in production volumes due to the shutdowns at production sites in Kstovo and Dzerzhinsk in the first half of 2014. Additionally, SIBUR recorded higher internal use following the PET production capacity expansion. In 2014, domestic sales accounted for 74.7% of total glycols revenue, while 25.3% was attributable to export sales.

Russian Benzene Sales (unit-kilo tons)		
	Jan-Feb 15	*Jan-Feb 14*
Synthesis Total	105.6	104.9
Angarsk Polymer Plant	8.6	11.6
SIBUR-Neftekhim	6.2	2.6
Severstal	6.3	5.9
Uralorgsintez	14.9	14.0
Kirishinefteorgsintez	9.9	6.3
West Siberian MC	10.3	9.6
Ryazan NPZ	6.6	4.4
Slavneft-Yanos	11.9	8.4
Gazprom Neft (Omsk)	21.6	15.8
Gazprom neftekhim Salavat	6.3	9.6
Stavrolen	0.0	12.9
Ufaneftekhim	2.2	3.3
Zaporozhkoks	0.0	0.0
Ukrtatnafta	0.0	0.0
Yasinovsky Coke	0.0	0.0
ArcelorMittal	0.7	0.5
Nitration Total	7.5	7.6
Novolipetsk MK	5.5	5.3
Chelyabinsk MK	2.1	2.3
Crude	17.1	23.9
Altay-Koks	0.5	5.6
Koks	6.3	5.8
Magnitogorsk MK	7.1	7.5
Nizhny Tagil MK	2.9	2.1
Novokuznetsk MK	0.0	0.8
Moskoks	0.1	1.1
Ural Steel	0.3	1.0
Full Total	130.3	136.5

Aromatics & derivatives

Aromatic duties March 2015

The rate of export duty on aromatic hydrocarbons was reduced almost by 7% in March to $50.7 per ton. In February, the duty rate was set at $ 54.1 per ton, in January it was $81.6 and in December $183.1 per ton.

One unintended consequence of the changes may be an increase in export parity in aromatics that could lead to an uncontrolled increase in prices of petrochemical raw materials in the domestic market.

The 2015 rate of excise duty for benzene, paraxylene and orthoxylene is set at 2,300 roubles per ton, in 2016 3,000 roubles, in 2017 3,500 roubles per ton. The law on tax manoeuvre entered into force in 2015. It establishes a gradual increase in mineral extraction tax on oil while reducing export duties on oil and oil products.

Russian benzene, Jan-Feb 2015

Benzene sales on the Russian domestic market dropped 6% in February against January to 53,500 tons. Due to repairs at SIBUR-Kstovo sales from the plant fell 27% to 2,600 tons. In addition, the supply of benzene from Angarsk Polymer Plant and Gazprom Neft both fell by 19%, to 3,800 tons and 9,700 tons respectively.

Conversely Gazprom neftekhim Salavat increased shipments by 14% to 3,400 tons. For the first two months in 2015, domestic sales of benzene totalled 130,300 tons, slightly down from last year. Benzene exports from Russia from synthesis plants resumed in February for the first time since July 2014, when Kirishinefteorgsintez shipped 994 tons to Finland.

Russian toluene, Feb 2015

Russian toluene production amounted to 30,100 tons in February, 10% less than in January but 21% higher than in February 2014. Gazprom Neft accounted for 27% of production (8,190 tons), Ufaneftekhim 23% (6,890 tons), Slavneft-Yanos 15% (4,590 tons), Lukoil-Permnefteorgsintez 9% (2,600 tons), Ryazan refinery 8% (2,470 tons), Kirishinefteorgsintez 7% (1,980 tons), and Gazprom neftekhim Salavat 6% (1,950 tons).

Other producers included Severstal with 2% of production (540 tons), West-Siberian MK 2% (520 tons) and Novolipetsk Steel 1% (360 tons). In the first two months this year Russian toluene production amounted to 63,550 tons, 12% more than in the same period last year.

Russian Orthoxylene Exports (unit-kilo tons)		
Producer	***Jan-Feb 15***	***Jan-Feb 14***
Gazprom Neft	0.0	3.6
Ufaneftekhim	3.0	4.5
Kirishinefteorgsintez	3.7	1.0
Total	6.7	9.1

Russian orthoxylene, Jan 2015

Exports of orthoxylene from Russia amounted to 2,670 tons in February, 33% less than in January. Kirishinefteorgsintez accounted for 63% of gross exports in February 2015 (1,680 tons) and Bashneft 37% (990 tons).

Orthoxylene exports amounted to 3,990 tons in January, 38% less than in December and almost two times lower than in January 2014. Ufaneftekhim, through its holding company Bashneft, accounted for half of the exports and the other half by Kirishinefteorgsintez. All products were exported to Finland.

Sales of orthoxylene on the domestic market amounted to 12,340 tons in February, four times more than in January. Kamteks-Khimprom increased consumption of raw materials compared to January by more than seven times to 9,040 tons. In addition, Gazprom neftekhim Salavat resumed purchases and amounted to 710 tons. Other consumers included Russian manufacturers of paints where purchases increased by 72%, to 1.550 tons. Manufacturers of fuel, agrochemical, pharmaceutical and other products purchased 670 tons, whilst another 370 tons were shipped to trading companies.

Gazprom Neft, through the Omsk refinery, sold 4,900 tons in February, 40% of Russian supplies. Kirishinefteorgsintez sold 3,840 tons and Ufaneftekhim 3,600 tons. For January and February 2015, sales of orthoxylene on the domestic market totalled 15,420 tons, 37% down on the same period in 2014.

Russian Synthetic Rubber Exports (unit-kilo tons)		
Country	***Jan-Dec 14***	***Jan-Dec 13***
Belgium	117.4	168.8
Canada	22.7	4.9
China	52.1	86.7
Czech Republic	25.2	30.4
Finland	5.2	4.5
Germany	21.3	26.6
Hungary	69.3	77.4
India	32.8	13.3
Italy	6.6	9.0
Japan	11.8	9.2
Latvia	13.6	40.0
Poland	105.2	91.7
Portugal	6.9	6.7
Romania	40.7	30.7
Serbia	5.8	2.3
Slovakia	31.6	29.2
Spain	10.3	10.4
Turkey	34.4	36.7
Ukraine	20.5	29.1
US	54.5	52.8
Others	138.2	183.4
Total	826.1	943.6

Synthetic Rubber.

Russian C4s, Feb 2015

Russian C4 imports rose 1.9 times in February against January to 9,300 tons. Omsk Kaucuk increased its purchases of 2.6 times to 3,800 tons. In addition, Nizhnekamskneftekhim increased demand for imported raw materials by 1.5 times to 5,300 tons. In the first two months in 2014 Russian C4 imports amounted to 14,300 tons which was almost the same as in 2013.

C4 deliveries to the domestic market amounted to 23,400 tons in February, 15% down on January. SIBUR-Kstovo reduced sales by 35% to 4,500 tons due to maintenance. Tomskneftekhim reduced sales by 15% to 5,800 tons and Angarsk Polymer Plant by 6% to 6,400 tons. In the first two months in 2015 sales of C4s totalled 50,700 tons down 8% in the same period in 2014.

Russian synthetic rubber market

Russian synthetic rubber exports fell in 2014 to 826,100 tons from 943,600 tons in 2013, influenced by the global climate for these products. In 2015 there is no sign that natural rubber production might fall, allowing more opportunity for sales by synthetic rubber producers. Global production of natural rubber is forecast to increase from 10.63 million tons (in 2014 to 11.18 million tons in 2015. In response to weak markets for synthetic rubber the Indian government is considering the introduction of 25% duties on imports.

Nizhnekamskneftekhim completed repairs on stopping the production of rubber in the middle of March. By the early months of the workshops synthetic rubber plant suspended work for routine prophylaxis. In April, Nizhnekamskneftekhim plans to hold a series of stops repairs in many units, which also involves the reconstruction of the production schemes. Last year Nizhnekamskneftekhim 617,600 tons of synthetic rubber against 639,800 tons in 2013.

SIBUR-Synthetic Rubber Market 2014

SIBUR's revenues from synthetic rubber sales decreased in 2014 by 14.1% to 27.847 billion roubles from 32.432 billion roubles in 2013. The decrease was attributable to lower revenue from sales of commodity rubbers and specialty rubber sales, while the revenue from thermoplastic elastomers sales increased. Voronezhsintezkaucuk reduced production by 13% in 2014 to 180,900 tons and finished the year with a loss. Overall SIBUR reduced synthetic rubber production by 5.5% in 2014.

SIBUR-Synthetic Rubber Production (unit-kilo tons)

	Jan-Dec 14	*Jan-Dec 13*
Commodity Rubber	229.0	286.9
Speciality Rubber	86.6	89.3
Thermoplastic elastomers	37.4	41.9
3rd part purchases	3.3	7.3
Total	356.4	425.5

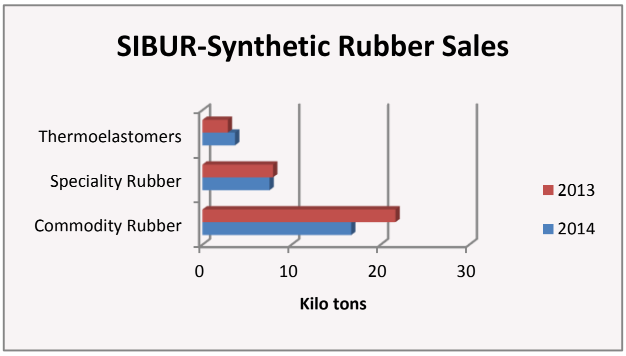
Commodity rubbers

Revenues from sales of commodity rubbers declined by 23.1% in 2014 to 16.678 billion roubles from 21.676 billion roubles in 2013 on a 26.1% decrease in sales volumes partially compensated by a 4.1% increase in the average price. Sales volumes of commodity rubbers declined on a 20.1% decrease in production on the back of the unfavourable market environment. In 2014, domestic sales accounted for 41.7% of total commodity rubber revenue, while 58.3% was attributable to export sales.

Speciality rubbers

Revenue from sales of specialty rubbers decreased by 5.0% in 2014 to 7.516 billion from 7.912 billion roubles in 2013. This resulted largely from a 7.6% decrease in average prices despite a 2.8% growth in sales volumes. Average prices for specialty rubbers decreased by 7.6% in Russian rouble terms in 2014 (a decrease of 23.4% in US dollar terms) following the decline in Asian market prices for nitrile-butadiene rubber (NBR) and butyl rubber (IIR). SIBUR's specialty rubber sales volumes increased by 2.8% on inventory sales in 2014 compared to marginal inventory accumulation in 2013.

Production of specialty rubbers fell 2.9% last year due mostly to lower NBR production. This was partially compensated by higher butyl rubber production at Togliattikaucuk following completion of an investment project at the end of 2013. This resulted in an increase in butyl rubber capacity to 60,000 tpa from 48,000 tpa. In 2014, domestic sales accounted for 13.8% of total specialty rubber revenue, while 86.2% was attributable to export sales.



Thermoplastic Elastomers

SIBUR's revenues from sales of thermoplastic elastomers (SBS) increased by 28.5% in 2014 3.653 billion roubles from 2.844 billion roubles in 2013. Sales volumes of thermoplastic elastomers increased by 22.8% on inventory sales in 2014 compared to a substantial inventory accumulation in 2013. Average prices for thermoplastic elastomers increased reflecting the negative dynamics for butadiene prices and positive dynamics for styrene prices, supported by the Russian rouble depreciation. In 2014, domestic sales accounted for 59.2% of total thermoplastic elastomers revenue, while 40.8% was attributable to export sales.

Russian Methanol Consumption (unit-kilo tons)

Consumer	*Jan-Feb 15*	*Jan-Feb 14*
Nizhnekamskneftekhim	40.8	39.4
Togliattikaucuk	14.1	16.2
Uralorgsintez	11.6	13.3
SIBUR-Khimprom	1.8	1.8
Tobolsk-Neftekhim	5.9	7.8
Ektos-Volga	8.6	7.3
Omsk Kaucuk	15.0	14.0
Novokuibyshevsk NPZ	5.8	9.5
Uralkhimplast	5.6	4.5
Slavneft-Yanos	3.3	2.1
Others	144.5	119.2
Total	257.2	235.0

Methanol

Russian methanol exports 2014

Domestic sales of methanol increased in Russia in the first two months in 2015 to 257,200 tons from 235,000 tons in the same period last year. Nizhnekamskneftekhim remained the largest individual buyer, purchasing 40,800 tons in the first two months against 39,400 tons in Jan-Feb 2014. Nizhnekamskneftekhim uses methanol in the production of MTBE and isoprene.

Regarding trade of methanol exports amounted to 105,100 tons in February which is 12% less than in January. Sibmetakhim accounted for 26% of exports, Shchekinoazot (22%), Tomet (15%) and Metafrax (23%). The maximum reduction in exports in February showed the company Tomet: at the end of the month it sold in foreign markets 16,000 tons of methanol, which is 35% less than in January. Azot from Novomoskovsk shipped 14,300 tons to foreign markets which is 15% more than the previous month. Sibmetakhim exported 27,500 tons of methanol, 10% lower than

January whilst Shchekinoazot reduced exports by 17% to 23,600 tons. Metafrax in February exported 23,800 tons, 2% less than in January.

Finland accounted for 47% of Russian methanol exports in February or 49,800 tons, down 5% from January. Other destinations included Poland (12%, or 12,600 tons), Slovakia (14%, or 14,500 tons) and Romania (18%, or 19,100 tons). Thus consumers Romania and Poland in February increased their purchases of Russian methanol compared to January by 54% and 18%, respectively, whilst Slovakia has reduced demand by almost 30%.

Metafrax-Production (unit-kilo tons)		
Product	*Jan-Dec 14*	*Jan-Dec 15*
Methanol	971	1016
Formaldehyde	347.1	309.4
UFC	200.5	188.2
Pentaerthyitol	21.9	21.0
Hexamine	27.3	21.0

Metafrax 2014

Metafrax increased net profit by 45% in 2014 to 4.7 billion roubles. Revenues increased by 6.9% to 13.14 billion roubles. The share of exports in total sales comprised 39% versus 41% in 2013. Production of methanol amounted to 971,000 tons which is 4.9% lower than in 2013. Formaldehyde production totalled 347,100 tons, 12% up on 2013, whilst urea formaldehyde concentrate increased by 6.6% to 200,500 tons. In other products hexamine production rose by 31% to 27,300 tons and pentaerythritol rose 4% to 21,900 tons.

Metafrax is preparing a feasibility study for the construction of its own power station, reviving earlier plans. Metafrax planned to build its own generation plant in 2012, estimated at 450 million roubles and comprising a capacity of 8 MW. This would allow Metafrax to supply around 75% of electricity needs of the chemical plant where the total power consumption is 20-22 MW).

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.

The first marketable products are intended for January 2018, and full commissioning by March 2019. As usual with Russian projects, these dates tend to be best case scenarios rather than strict deadlines. The first phase of the complex includes construction costs of around 240 billion roubles. Infrastructure projects include 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. Construction in the village near the port of Kozmino East is expected in a few months.

Organic Chemicals

Russian butanol market, Jan-Feb 2015

Butanol production in Russia amounted to 20,460 tons in February, similar to January and 24% up on February 2014. The proportion of n-butanol in production of butanol was 61%, and isobutanol 39%. Gazprom neftekhim Salavat produced 10,040 tons (49% of Russia's total), SIBUR-Khimprom 5,710 tons, Angarsk refinery 3,090 tons and Azot Nevinnomyssk 1,610 tons. In the first two months in 2015 Russian butanol production totalled 40,840 tons, 15% up on 2014. The proportion of n-butanol in gross production was 61%, and isobutanol 39%.

Russian Butanol Exports (unit-kilo tons)		
	Jan-Feb 15	*Jan-Feb 14*
N-Butanol	12.1	4.9
Gazprom n Salavat	8.7	4.1
SIBUR-Khimprom	0.2	2.8
Angarsk Petrochemical	3.2	0.1
Azot Nevinnomyssk	0.0	1.2
Dmitrievsky Chemical Plant	0.3	0.0
Isobutanols	5.0	8.6
Gazprom n Salavat	1.8	1.9
SIBUR-Khimprom	1.3	5.7
Angarsk Petrochemical	1.9	1.0

Domestic sales of butanols amounted to 4,810 tons in February, 34% less than in January and 15% lower in February 2014. The share of n-butanol in sales comprised 80%, and isobutanol 20%. SIBUR-Khimprom provided 3,060 tons (64% of Russian sales), Gazprom neftekhim Salavat 1,410 tons (29%), Azot Nevinnomyssk 280 tons (6%) and Angarsk refinery 60 tons (1%).

Regarding consumers, Akrilat reduced purchases by 10% in February to 1,780 tons (37% of Russian consumption), whilst Dmitrievsky Chemical Plant reduced purchases in February by 16% to 1,170 tons. Other major buyers included Volzhskiy Orgsintez, which took 450 tons. In the first two months in 2015 sales on the domestic market amounted to 12,150 tons which was 15% more than in 2014.

In January 2015 Russian suppliers exported 12,250 tons of butanols, 3% more than in December last year and 2.2 times higher than in January 2014. The proportion of normal butanol in January 2015 was 78%, and isobutanol 22%. The largest volume of butanol was shipped to China (82% of deliveries), and Finland (8%). Gazprom neftekhim Salavat shipped 6,790 tons to foreign consumers, 55% of Russia's supply, Angarsk Petrochemical Company exported 4,410 tons (36%), and SIBUR-Khimprom 1,050 tons (9%).

Russian 2-EH market, Jan-Feb 2015

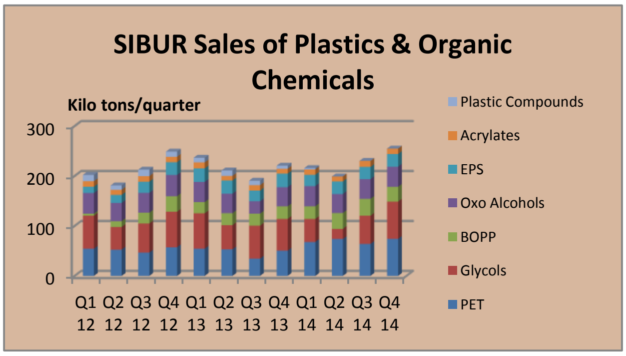
Domestic sales of 2-EH amounted to 1,005 tons in February, 92% more than in January. Supplies to the domestic market were divided 60/40 for SIBUR-Khimprom and Gazprom neftekhim Salavat. Kamteks-Khimprom resumed the purchase of 2-EH in February, buying 304 tons. In the first two months of 2015 sales of 2-EH on the domestic market totalled 1,527 tons which was five times less than in 2014. The reduction in supply was due to the temporary suspension of shipments of raw materials for producers of plasticizers.

In early March, Kamteks-Khimprom resumed production of DOP due to improved demand. However, the cost of DOP has not changed much and is now 100,000-102,000 roubles per ton including VAT. DINP is produced by Roshalsky Plant of Plasticizers and sold at 115,000 roubles per ton including VAT.

Russian phthalic anhydride Jan-Feb 2015

Production of phthalic anhydride in Russia amounted to 4,970 tons in February, 9% less than in January and 46% lower than in February 2014. Kamteks-Khimprom produced 4,070 tons and Gazprom neftekhim Salavat 900 tons. In the first two months in 2015 phthalic anhydride production totalled 10,430 tons, 46% lower than the same period last year.

Russian exports of phthalic anhydride amounted to 4,460 tons in February, 73% more than in January but 39% lower than February 2014. Market destinations included India (19% of Russian supplies), Pakistan (15%), Uzbekistan (15%), China (11%), Turkey (11%) and Poland (7%). In the first two months in 2015 exports totalled 7,030 tons which was twice lower than the same period in 2014.



SIBUR-plastics and organic chemicals 2014

SIBUR's revenues from sales of plastics and organic chemicals increased by 10.1% in 2014 to 45.777 billion roubles from 41.583 billion roubles in 2013. The increase was primarily attributable to higher sales volumes of PET and BOPP-films following the capacity expansions, as well as to higher revenue from sales of acrylates, alcohols and expandable polystyrene.

This was partially offset by lower sales of glycols due to lengthy shutdowns at our production sites in Kstovo and Dzerzhinsk in the first half of 2014. Additionally, SIBUR deconsolidated PVC cable compounds and ABS from the product portfolio following the divestments of the respective production sites in April 2014 and December 2013.

SIBUR's Organic Chemical Sales (unit-kilo tons)

Domestic	*Jan-Dec 14*	*Jan-Dec 13*
Acrylates	22.6	16.8
Oxo Alcohols	80.6	68.8
Export	*Jan-Dec 14*	*Jan-Dec 13*
Acrylates	26.9	27.4
Oxo Alcohols	54.0	70.6

SIBUR-acrylates 2014

SIBUR's revenues from acrylate sales increased by 21.8% in 2014 to 3.409 billion roubles from 2.800 billion roubles in 2013. This was predicated on an 11.9% increase in sales volumes and an 8.8% increase in average prices. Sales volumes increased on a 5.6% increase in production, which was attributable to longer maintenance shutdowns in 2013 and inventory sales. Higher average prices reflected the decrease in the market prices mitigated by the Russian rouble depreciation. In 2014, SIBUR increased the share of domestic sales of acrylates to 48.7% of total revenue from 41.7% in 2013, while 51.3% and 58.3% was attributable to export sales. SIBUR specifically focused on the more attractive domestic market in 2014, where prices are higher than on export markets.

SIBUR-oxo alcohol sales 2014

Revenues from oxo alcohol sales increased for SIBUR increased by 9.0% in 2014 to 6.087 billion roubles from 5.583 billion roubles in 2013. Sales volumes increased by 6.9% and prices by 2.0%. The increase in alcohols sales volumes was attributable to an 11.1% increase in production. This itself was due to the biennial maintenance shutdown in 2013 at SIBUR-Khimprom in line with the two-year maintenance cycle, as well as propylene feedstock shortage in 2013. In 2014, SIBUR's share of domestic sales increased to 58.5% of oxo alcohols revenue against 47.9% in 2013. Consequently exports declined to 41.5% of total sales against 52.1% in 2013.

Other Products

Russian polyurethane market 2014

Russian imports of polyurethanes totalled 221,400 tons in 2014, 5% lower than in 2013. The most significant fall was seen in imports of polyols which dropped by almost 10% to 66,200 tons, the same as in 2012). The fall of the rouble has not yet resulted in a significant fall in imports. This is due to the inability to quickly replace imported material from domestic supplies. Consequently, the increase in the cost of production of PU systems and products has already occurred, and in 2015 the market capacity will be determined by how resilient domestic demand will react to higher prices.

Russia's import duty on finished polyurethanes currently stands at 7.7%, and from September 2015 should drop to 6.5%. The current duty on polyols (6%) to fall to 4% for isocyanates (currently 0%) are liabilities on the rates of import duties applicable at the time of entry of the Russian Federation to the WTO.

Promsintez-Bashkir Soda consider MDI project

Promsintez and Bashkir Soda are considering an MDI project, to be located at Sterlitamak in order to reduce or remove the dependency of Russia on imports. The project capacity has been proposed at 100,000 tpa and a feasibility study is currently underway. The most difficult aspect of this project would be to secure a technology licence, which would have to be sourced from outside the country. A capacity size of 300,000 tpa has been suggested as the optimal plant, but Russian requires much less and exporting from a location such as Sterlitamak would not be conducive to exports.

Tyumen iodine

The Tyumen region is examining the prospect of producing commercial batches of pure iodine by 2018, and could become a global player in the product. The Tyumen region has unique reserves of thermal water with a high concentration of iodine and bromine. In 1965 a project plan was devised for 600 tpa rising to 6,000 tpa, but never progressed. Resources have been know about for many decades, and previous projects have been abandoned. In 1988 Tobolsk-Neftekhim created a jv with Pressindustria called Sovbutital to build a 90,000 tpa plant for butyl rubber, which would have required iodine and bromine, but this project was cancelled after the collapse of the USSR. The crash of the rouble has made imports very expensive and it has become cost-effective to produce domestically. A plant of 5,000 tpa is being considered.

Imports of MDI totalled 113,300 tons in 2014 and TDI 42,000 tons, which were both 4% down on 2013.

TechnoNikol to launch thermal insulation plant at Ryazan in 2015

TechnoNikol expects to launch of production of thermal insulation materials made of rigid foams at Ryazan in the autumn of 2015. Production will be located at a former ZIL factory. The capacity of the plant is 30 million square metres of thermal insulation materials per annum. The production is being targeted for sale on the Russian and CIS markets.

According to TechnoNikol, there are no current producers of insulating panels of hard foams in Russia and all imported products are delivered at high prices. The new plant will create in the Russian market is fundamentally different configuration of insulating materials, bring it closer to international standards and significantly expand the range of insulation. The market share of PIR thermal insulation materials in Russia is estimated at less than 2%, compared to around 17% in Europe.

SIBUR's BOPP Production & Sales (unit-kilo tons)

	Jan-Dec 14	*Jan-Dec 13*
Production	120.4	95.9
Total Sales	118.8	117.9
Domestic	86.3	79.0
Exports	32.4	20.4

SIBUR-BOPP-films

In 2014, SIBUR's revenues from BOPP-film sales increased by 32.8% to 10,756 billion roubles from 8,100 billion roubles in 2013. This was due to a 23.7% growth in sales volumes and a 7.3% increase in average prices. Higher sales volumes were largely attributable to a 25.6% increase in production following the launch of a new BOPP-film production facility at Tomsk in the second half of 2013 (capacity of 38,500 tpa) and the completion of a capacity expansion project in Novokuibyshevsk in May 2014 (increase in capacity to 55,500 tpa from 30,500 tpa). Biaksplen produces BOPP on five sites located at Novokuibyshevsk, Kursk, Balachna (Nizhniy Novgorod region) in the Railway (Moscow region), and Tomsk. In May 2014, the capacity for Biaksplen for the production of BOPP film was increased from 150,000 tpa to 180,500 tpa by launching the new line at Novokuibyshevsk.

In 2014, domestic sales accounted for 74.9% of total BOPP-film revenue, while 25.1% was attributable to export sales. In the second half of 2014 the first batch of new BOPP film from the Kursk area were shipped to Spain, Bosnia and Herzegovina.

Belarus

Belarussian Organic Chemical Exports (unit-kilo tons)

Product	*Jan-15*	*Jan-14*
Acrylonitrile	2.9	2.7
Caprolactam	4.0	6.1
Phthalic anhydride	1.3	1.7
Methanol	6.9	5.8

Belarussian petrochemicals

Naftan produced 11,100 tons of benzene in February, 4% less than in January. The company produced 22,700 tons in the first two months in 2015, 7% less than in 2014. Azot at Grodno increased the production of caprolactam by 8% in February to 10,100 tons. The plant produced 19,400 tons in the first two months in 2014, 15% less than last year.

Ukraine

Karpatneftekhim restart?

Employees of Karpatneftekhim have written to the Ukrainian President to provide support in restarting production at the petrochemical complex. The future of Karpatneftekhim has been the subject of much speculation, if Lukoil may be allowed to restart the plant or if the Ukrainian decides to renationalize the assets. The renationalisation motive comes from an enquiry into how Lukoil secured the Oriana complex in 2000 which led to the creation of Karpatneftekhim. Lukoil has officially denied any illegal activity, but it is a mysterious how it managed to hold the upper-hand with the authorities in Kiev and Ivano-Frankivsk against a Western consortium of plastics producers which was attempting to take ownership of the Oriana complex.

Instead Lukoil paid $100 million to take over Oriana. Whereas Lukoil could not offer the access to international markets that the Western consortium was promising, it could provide some degree of feedstock security which represented a problem for Oriana. Paradoxically, the pledge of feedstock security has been under question in the last few years as the plant has been mostly idle. The significance of this investigation is that if proven that Lukoil had acted illegally the Ukrainian government may have the right to re-nationalise the company.

There are warnings that the nationalisation of Karpatneftekhim could lead to bankruptcy, as the plant would not have the feedstock backing from Lukoil. Oriana ran into difficulties in the mid-1990s due to feedstock costs, and thus being owned by an oil company yields significant advantages. As the plant was idle Lukoil wrote off $411 million in losses on Karpatneftekhim in 2014.

Ukrainian plasticizers, Jan 15

In January 2015, Ukraine imported 49 tons of DOP which is 4.2 times less than in December last year and 7.1 times lower than in January 2014. Plastresurs bought 24 tons, or 49% of total imports and Padana Chemical Compounds (23 tons, or 47%). The main supplier of DOP in Ukraine was a Czech company DEZA (95% of the gross volume of deliveries). In January 2015 the volume of imports of phthalic anhydride in Ukraine amounted to 250 tons, 3% more than in December last year, but almost 5 times lower than in January 2014. Polikem bought 125 tons and Lizinvest 50 tons.

Ukrainian Polymer Imports (unit-kilo tons)

Product	*Jan-Feb 15*	*Jan-Feb 14*
PVC	14.3	11.0
HDPE	12.1	16.7
PP	13.9	14.6
Polycarbonate	0.4	0.4

Ukraine-polymers Jan-Feb 2015

HDPE imports dropped 38% in the first two months in 2015 to 12,100 tons. LLDPE imports dropped 17% to 6,700 tons. In January-February the consumption of polycarbonate in the Ukrainian market declined by 20% against the same period last year and amounted to only 365 tons. Import duties were raised from 0% to 5% from 1 March.

Despite the negative factors affecting the Ukrainian economy, PVC imports in January and February this year imports in Ukraine increased by 30% compared to the same period of 2014 and amounted to 14,300 tons. Polypropylene imports into Ukraine fell 5% in the first two months in 2015 to 13,900 tons. The largest drop in demand occurred in propylene homopolymers.

Central Asia-Caucasus

SOCAR selects Tecnimont for polypropylene project

SOCAR has selected Tecnimont as the EPC-contractor for the construction of polypropylene production facilities for SOCAR Polymer. The selection of a contractor for the planned polypropylene unit for SOCAR Polymer will be announced at a later date. The project is being constructed in the Sumgaiit Chemical Industrial Park, which was founded in 2011. Polyethylene production capacity is intended to comprise 120,000 tpa and the polypropylene 180,000 tpa. Production of polypropylene is expected to begin in 2016. Most of the production is planned to be sent to markets in Turkey and West Europe.

Kazakh polymer imports, Jan 2015

Kazakh imports fell five times in January this year against January 2014 and amounted to about 850 tons from 4,300 tons. Peak external supplies unmixed PVC in Kazakhstan fell in September last year after which imports gradually began to decline. Imports in December amounted to 1,200 tons. The decline in imports of PVC in Kazakhstan is explained as a fall in demand for finished products of local producers and the complete cessation of further re-import resin in Russia.

According to some local processors, in recent months the demand for their finished products made of PVC declined significantly. Due to a serious devaluation of the rouble Russian Kazakh goods cheaper on average by 40%, with the greatest competition from Russian refiners felt in the northern regions of Kazakhstan, bordering Russia. China accounted for 100% of imports into Kazakhstan in January.

HDPE imports into Kazakhstan increased by almost three times in January compared with January 2014 and exceeded 14,000 tons compared to 4,700 tons. The reason for such record imports of large-scale purchases of the local polyethylene pipe manufacturers, with the bulk of deliveries came from Russia. The significant devaluation of the rouble has made Russian HDPE attractive for Kazakh consumers.

Neftekhim Pavlodar

Neftekhim at Pavlodar, the sole Kazakh producer of polypropylene, is preparing to undertake a new project for the production of plastic components for the automotive industry. The company plans to produce lights, seat trim, door handles, panels and plastic stuffing for all cars. With the support of the state, the company has mastered the production of several types of polypropylene at Pavlodar where capacity totals 35,000 tpa. Other units include MTBE where the capacity stands at 20,000 tpa.

Almost 90% of the company's production is exported. At the end of 2014 Neftekhim launched a new unit for the production of polypropylene powder granulation. The project was worth 5.8 billion Tenge, and consists of a capacity of 47,800 tpa of granulated polypropylene.

Uzkhimprom-Mitsubishi

Uzhimprom has selected Mitsubishi Heavy Industries as the general contractor for the construction of a complex for the production of ammonia and urea at Navoiazot. Under the terms of the tender, the Japanese side will build a chemical complex including 660,000 tpa of ammonia and 577,500 tpa of urea. The construction is expected to begin in the second half of 2015 with start-up scheduled for late 2017.

The project cost is estimated at $961.740 million, of which a loan of $320 million is expected from the Bank for Reconstruction and Development of Uzbekistan. This project concept was first developed in 2010 when Uzkhimprom awarded a contract to International Petroleum Investment Co. (IPIC) of the United Arab Emirates. The parties signed an investment agreement and a memorandum on the establishment of the joint venture. However, this project fell through and has now been revived with the contract with Mitsubishi Heavy Industries.

Relevant Currencies

Ukrainian hryvnia. $1 = 16.98. €1 = 19.7: Rus rouble. $1 =56.5 €1= 62.0

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