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MONTHLY NEWS

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

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FEATURES FROM THIS ISSUE

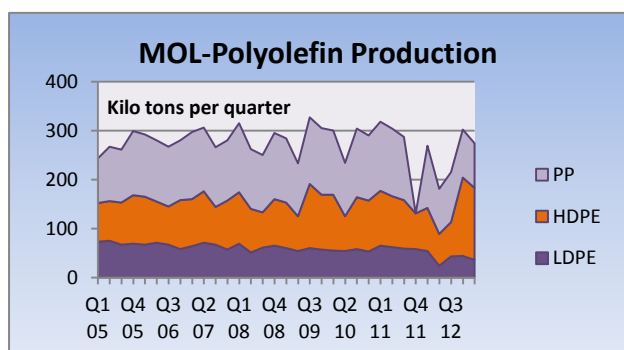
- *TVK SEEKS PARTNERS FOR BUTADIENE PROJECT AT TISZAUJVAROS*
- *MOL'S OLEFIN AND POLYOLEFIN PRODUCTION DECLINES AGAIN IN THE FIRST QUARTER*
- *SYNTHOS INCREASES REVENUES FROM STYRENE PLASTICS, BUT SEES DECLINE IN RUBBER*
- *GRUPA AZOTY INCREASES REVENUES AND PROFITS IN FIRST QUARTER*
- *RUSSIAN CHEMICAL COMPANIES FACE HIGHER COST PRESSURES IN FIRST QUARTER*
- *NIZHNEKAMSKNEFTEKHIM SUFFERS REVENUE DECLINE DUE TO WEAK RUBBER SALES*
- *SIBUR RECORDS INCREASE IN PROFITABILITY IN Q1, BUT MORE MODEST THAN IN RECENT YEARS*
- *RUSSIAN PE IMPORTS TOTAL 236,000 TONS IN JAN-APR 2013, 60,000 TONS UP ON 2012*
- *KUIBYSHEVAZOT SEES LOWER PROFITS IN FIRST THREE MONTHS DUE TO WEAK MARGINS*
- *RUSSIAN HDPE PRODUCTION TOTALLED 339,500 TONS IN JAN-APR 2013*
- *VORONEZH-SINTEZKAUCUK PREPARES FOUNDATIONS FOR NEW THERMOELASTOMER PLANT*
- *LUKOIL AND FRENCH COMPANY SNF MAKE PROGRESS WITH POLYACRYLAMIDE PLANT AT SARATOV*
- *KHIMPROM TO CONSTRUCT NEW CALCIUM CHLORIDE PLANT AT VOLGOGRAD*
- *LUKOIL AIMS TO RESTART KARPATNEFTEKHIM IN THE NEAR FUTURE*
- *SHCHEKINOAZOT CONSIDERING NEW METHANOL & AMMONIA PROJECT*
- *TOGLIATTIAZOT ACHIEVES RECORD PROFITS IN 2012 DESPITE AMMONIA TRANSPORT PROBLEMS*
- *EFREMOV SYNTHETIC RUBBER PLANT COULD CHANGE OWNERSHIP*
- *KHIMVOLOKNO AT GRODNO OPENS NEW POLYAMIDE PLANT*
- *NAVOIAZOT PLACES TENDERS FOR SEVERAL NEW PROJECTS, INCLUDING PVC, AMMONIA AND METHANOL*
- *UZBEK GAS-CHEMICAL PROJECTS PROGRESSING TO SCHEDULE FOR COMPLETION IN 2016-2017*

CENTRAL & SOUTH EAST EUROPE

Petrochemicals

MOL, Q1 2013

MOL registered a net profit of Ft 32.3 billion (\$142.5 million) in the first quarter of 2013, compared with a Ft 73.9 billion profit in the same period last year. MOL's net debt rose to Ft 784 billion in 2013 from Ft 749 billion at the end of 2012, driven by a weaker forint. The company posted earnings a share of Ft 327 in the first quarter, versus Ft 706 in the same period in the previous year.



In the petrochemical division MOL noted a decline due to lower LDPE production by TVK and weak market conditions. MOL's polymer production totalled 247,000 tons in January to March this year against 269,000 tons in the same period in 2012 and 268,000 tons in October to December.

As the graphic opposite indicates, MOL polymer production has not increased since 2005 and in fact has shown signs of falling particularly after the closure of TVK's oldest LDPE plant. MOL's other petrochemical subsidiary is constructing a new polyethylene plant,

whilst TVK's primary investment plans are focused on butadiene.

In the oil sector, MOL's average daily hydrocarbon production was 110 million barrels equivalent in the first quarter this year, down from 134 million in 2012 due to lower crude-oil production across MOL's fields and a decline in natural gas production in Hungary. This was partly offset by increasing offshore natural-gas output. Other key factors pulling down MOL's profits include lower revenues from Hungarian domestic gas transmission due to relatively mild weather and a cut in tariffs. At the same time MOL saw improving performance in its downstream division, supported by an improved gasoline crack spread and efficiency.

TVK's Sales' Revenues (Ft million)

Exports	Jan-Mar 13	Jan-Mar 12
Olefin	1,268	7,673
LDPE	39	3,661
HDPE	30,910	25,628
PP	12,907	13,856
Domestic	Jan-Mar 13	Jan-Mar 12
Olefin	34,396	32,615
LDPE	1,293	2,806
HDPE	3,158	3,159
PP	10,987	10,842
Total Sales	Jan-Mar 13	Jan-Mar 12
Olefin	35,664	40,288
LDPE	1,332	6,467
HDPE	34,068	28,787
PP	23,894	24,698
Total	94,958	100,240

TVK, Q1 2013

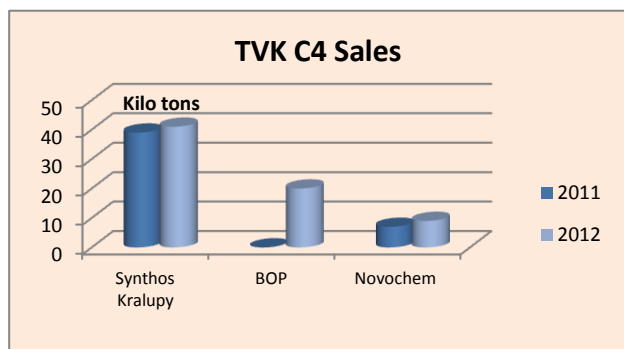
TVK's profitability improved in the first quarter, totalling Ft 5.761 billion against Ft 3.926 billion in the previous quarter and a loss of Ft 0.961 billion in the same period last year. In addition to the rise in EBITDA TVK's operating cash flow increased to Ft 3.2 billion. During the quarter, margins for most polymer products for TVK improved even if volumes declined for all products aside HDPE.

The capacity unitisation rate for the whole of TVK decreased by 8.5% to 80.6% in the first quarter this year. The main reasons for the decrease was lower volume sales in and the production shortfall of the LDPE-2 unit. A fire incident at the LDPE-2 plant took place on 31 October 2012, and repairs are ongoing. Polymer production fell by 10% against the same period in 2012, while polymer sales were lower by 5% due to the reduced market demand and the stoppage of the LDPE-2 unit.

TVK's polymer production amounted to 622,600 tons in 2012, 112,000 tons less than in 2011. Production was lower in all of the product groups. One of the reasons for lower production last year is that in all polymer plants

undertook planned preventive maintenance in 2012. Furthermore due to a fire accident in October, the LDPE plant at Tiszaujvaros did not produce in the last two months of the year. Due to market circumstances HDPE capacity was reduced. Overall TVK's olefin and polyolefin sales amounted to 627,000 tons which was 124,900 tons down on 2011.

TVK sold 70%, or 438,900 tons, on export markets and 188,100 tons on the domestic market. The largest domestic consumer was BorsodChem, using ethylene for PVC production at Kazincbarcika. TVK's net income from polymer sales amounted to Ft 228 billion in 2012 against Ft 254 billion in 2011.

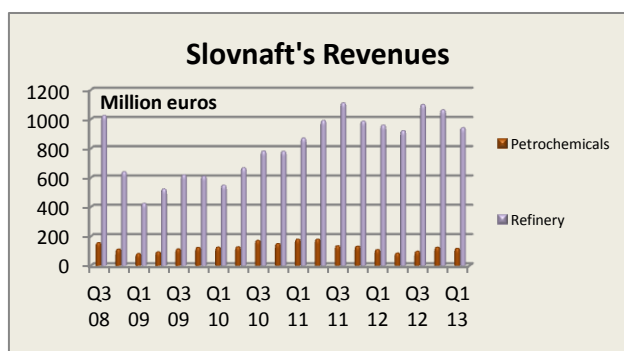


TVK-butadiene project

TVK is undertaking talks with potential partners in the plan to construct a butadiene plant at Tiszaújváros could attract other investors that use the component of synthetic rubber as feedstock. Negotiations have been underway recently in China in recent months with the aim of bringing equipment to Tiszaújváros. MOL has stated that it will spend about Ft 30 billion to build a butadiene plant at Tiszaújváros.

In order to implement the main technical part of the project TVK signed a letter of intent in October last year with the consortium LURGI/OTF, before reaching the final agreement on 15 November. From 2015, the new butadiene plant will play an important role in improving TVK's product portfolio and profitability.

At present TVK sells its C4s to Poland and the Czech Republic, in addition to selling a small amount to Novochem in Hungary. The objective of TVK is now to further process olefin by-products and increase added values. As a result TVK has developed a strategic project entitled Butadiene Recovery from C4 Fraction, closely cooperating with MOL.



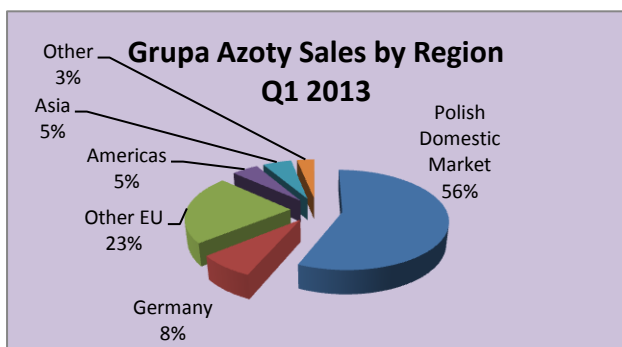
Slovnaft, Q1 2013

Total domestic sales for Slovnaft decreased by 9% in the first quarter due to lower demand for refinery and petrochemical products. However, Slovnaft's export sales increased by 8% in Q1 2013 in comparison with Q1 2012. In total, sales revenues for Slovnaft declined by 1% in Q1 2013 due primarily to lower prices of final products.

Slovnaft processed 1.367 million tons in the first quarter, 5% down on the same period last year. Volumes were down due to a planned shutdown and maintenance of several production units. In Q1 2013, motor gasoline production decreased by 2% and reached 325,000 tons. Motor diesel production decreased by 6% to 691,000 tons in comparison with the same period of the previous year.

Slovnaft's monomer and polymer production fell 4% in the first quarter due to the effect of the above mentioned planned turnarounds and insufficient availability of raw materials. Total product sales volume increased by 3% in Q1 2013 in comparison with Q1 2012 mainly due to increased activity on export markets. In 2012, Slovnaft produced 128,000 tons of ethylene against 194,000 tons in 2011. Propylene dropped to 68,000 tons from 96,000 tons. As a result of lower olefin production Slovnaft has been forced to purchase monomer feedstocks on the merchant market.

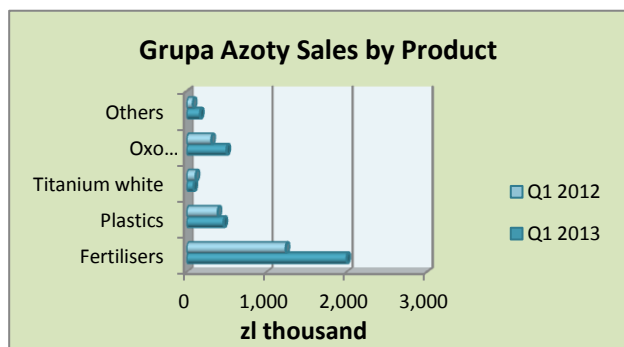
In the next few years Slovnaft, together with the MOL Group, plan to increase investment activities and spend around €400 million on new projects at Bratislava. The largest amount will be invested in the construction of a new polyethylene plant which will help the company develop the interface between the petrochemical and refinery divisions. Also critically in relation to feedstocks Slovnaft and the MOL Group will participate in a project to modernise and increase the capacity of the Friendship-1 pipeline between Hungary and Slovakia.



Chemicals

Grupa Azoty, Q1 2013

Revenues were boosted for Grupa Azoty in the first quarter, largely from the ongoing effects of consolidation, and rose from zł 1.905 billion (€456.5 million) to zł 2.677 billion (€641.5 million). Grupa Azoty achieved a net profit of zł 379.2 million in the first quarter this year, of which zł 161 million was attributable to parent company ZA



Tarnow. Grupa Azoty recorded a gain from a purchase of shares in ZA Pulawy to the amount of zł 174.3 million. The group operating profit for the period increased to zł 419.1 million from zł 240.7 million last year.

ZCh Police, Q1 2013

ZCh Police recorded a net profit of zł 32.2 million in the first quarter this year against zł 49.5 million in the same quarter in 2012. The industry is reflected in the economic downturn and bad weather. The former meant that fewer (and more important at lower prices) do traditional customer purchases of chemical products

as automotive and construction. ZCh Police's operating profit fell to zł 39.6 million from zł 61.8 million in 2012.

Azoty Group Sales Revenues (zł billion)

Producer	Jan-Mar 2013	Jan-Mar 2012
Grupa Azoty	2.7	1.9
ZAP	3.0	2.9
ZCh Police	0.7	0.7

ZA Pulawy, Jan-Mar 2013

The entrance of ZA Pulawy to Grupa Azoty has expanded the group, increasing the scale of production, revenue, and expanding product range. The incorporation of ZA Pulawy into Azoty is only in the early stages and so the company's results are reported as a separate entity. Although Grupa Azoty is

effectively taking over ZA Pulawy, the latter company actually achieves higher sales revenues particularly in relation to the parent company ZA Tarnow.

ZA Pulawy achieved a net profit of zł 163.3 million in the period January to March 2013, which is the company's third quarter in its financial year. Sales revenues amounted to zł 1.1 billion, whilst the operating profit reached zł 190 million. ZA Pulawy reported a 16.6% increase in the production of melamine in the period January to March this year, with other increases in the chemical division reported for hydrogen peroxide (9.8%), AdBlue (6.2%) and caprolactam (2.3%). However, ammonia production dropped 2.2% and fertilisers dropped by 5%.

Sales of melamine, hydrogen peroxide and AdBlue were higher than in the same period in 2012 whilst caprolactam declined by 10%. The chemical division accounted for 30.5% of revenues for ZA Pulawy, the agrochemical sector 64% and energy 2.2%. The chemical division saw an increase in the contract price of melamine at the start of the quarter of about 10% in the European market. Caprolactam prices have also increased in Asia and Europe, whilst the US market fluctuated. There was a reduced demand for caprolactam in the Asian market, due to the expectations of the April price drops in benzene. Also the company expects a rapid increase in new production capacity of caprolactam in Asia.

Ciech Revenues-Organic Division (zł thousand)

Product	Jan-Mar 2013	Jan-Mar 2012
TDI	553.9	427.0
Resins	467.5	469.0
Polyurethane foams	193.0	208.2
Plastics	42.2	65.0
EPI	57.4	89.7

Ciech Revenues-Soda Division (zł thousand)

Product	Jan-Mar 2013	Jan-Mar 2012
Soda Ash Heavy	1094.6	968.8
Soda Ash Light	344.0	313.1
Salt	151.6	147.0
Sodium Bicarbonate	119.8	108.2
Calcium Chloride	21.1	34.1

ZA Pulawy has made a conditional offer to purchase 98.85% of Organika-Sarzyna from Ciech. Organika-Sarzyna became part of Ciech in December 2006 and is engaged in plant protection products, epoxy and polyester resins.

Ciech-soda ash expansion & Q1 2013

Ciech plans to increase soda ash capacity at Janikosoda, having signed a contract with Polish engineering company Prochem worth zł 12.6 million for technical documentation and purchasing services. The project is planned to be completed over a period of 20 months by 2015, increasing soda ash capacity by 200,000 tpa from 1,200,000 tpa at present.

N plans exist to stop or reduce the scale of production at Janikosoda whilst the project is undertaken. After substantial restructuring and reduced organic chemical production Ciech intends to concentrate both in the production of soda ash, and evaporated salt.

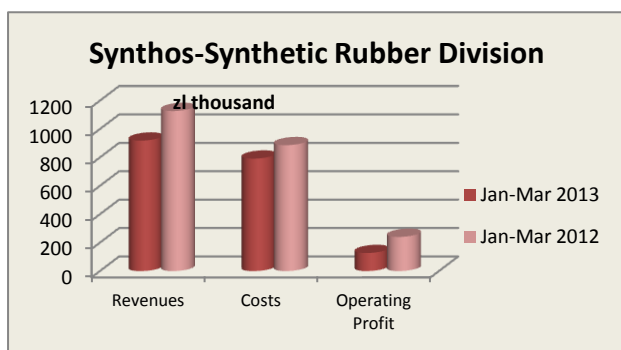
Ciech's revenues amounted to zł 993 million in the first quarter this year compared to zł 1020 million in the fourth quarter in 2012 and zł 1172 million in the first quarter in 2012. Net income was zł 45 million, compared to a zł 68 million loss last quarter and zł 10 million in the first quarter of last year. The soda ash division accounted for 75%

of the company's operating profit, rising sharply to the divestment in the organic chemical sector. The situation of Ciech's Romanian soda ash plant is a new challenge which may require restructuring.

PCC Rokita, Q1 2013

PCC Rokita generated at net profit in the first quarter this year of zł 22.3 million, 91.2% up on the same period last year. The Group achieved a growth in profitability at all levels, whilst the gross profit margin was 19.1%. The Group significantly reduced its debt in the first quarter. The surfactant subsidiary PCC Exol recorded zł 120 million in consolidated revenues in the first quarter and zł 2.7 million in net profit. In the first three months in 2013, PCC Exol achieved zł 119.9 million in sales of which the largest proportion of the revenue (43.6%) came from the sale of non-ionic surfactants.

PCC Exol exported 53.7% of its sales and through its subsidiary PCC Chemax Group it wants to increase its commitment to the North American market. There is also another subsidiary based in Istanbul responsible for developing direct sales in Turkey and the countries in the Middle East and Africa.



Synthos, Q1 2013

Group net profit for Synthos fell in the first quarter of 2013 to zł 134.9 million from zł 234.9 million in 2012. Operating profit declined to zł 152.9 million from zł 279.7 million, whilst group revenues fell to zł 1.433 billion from zł 1.632 billion.

The dispersions and plastics division for Synthos was affected by the weakness in the construction industry. The synthetic rubber division, which accounts for around 70% of revenues for the Synthos Group, showed reductions in both costs and operating profits.

Polish Chemical Production (unit-kilo tons)		
Product	Jan-Apr 13	Jan-Apr 12
Caustic Soda Liquid	107.8	102.8
Caustic Soda Solid	31.9	20.9
Soda Ash	345.9	358.3
Ethylene	161.6	186.1
Propylene	114.1	124.4
Butadiene	17.6	21.2
Toluene	5.4	6.9
Phenol	10.3	15.0
Caprolactam	57.7	57.4
Acetic Acid	3.1	3.1
Polyethylene	112.7	129.0
Polystyrene	19.4	16.0
EPS	22.4	19.6
PVC	102.5	99.6
Polypropylene	84.2	91.7
Synthetic Rubber	65.2	66.6
Ammonia (Gaseous)	449.0	464.0
Ammonia (Liquid)	465.0	476.0
Pesticides	9.1	9.1
Nitric Acid	827.0	853.0
Nitrogen Fertilisers	673.0	666.8
Phosphate Fertilisers	119.8	158.5
Potassium Fertilisers	87.5	118.3

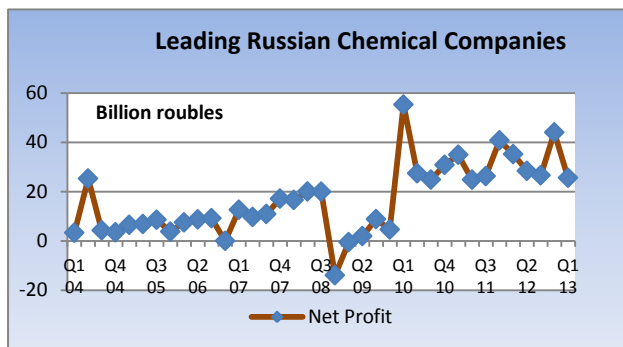
The first quarter was characterized by weak demand in the European market for replacement tyres. Sales of replacement tyres in Europe fell by 12% in Q1 in comparison with 2012, i.e. to 45.6 million units from 53.2 million units. Demand in northern Europe remained stable but the Group experienced a considerable reduction in the southern European countries. The decline in demand for tyres in Europe has led to Synthos targeting sales markets in Asia.

Despite weak results in the first quarter the outlook is promising for Synthos. In the first few months this year Synthos increased polybutadiene rubber production, following a trend in 2012 and the process of obtaining approval of the specification in major tyre customers. The most important use for polybutadiene rubber is tyres (mainly the tread and side walls), which account for around 70% of global consumption. Structural market changes are taking place increasing the demand for polybutadiene rubber, including the shift towards green tyres with lower rolling resistance.

Preliminary work has also started at Oswiecim on the construction of solution styrene butadiene rubber (S-SBR) unit. In February this year building permits were issued by the authorities for a 90,000 tpa plant. The planned start of the production unit, using Goodyear technology is to take place in 2015. The recipients of S-SBR rubber are expected to consist of leading tyre manufacturers. S-SBR rubber is used in production of modern tyres for both summer and winter with improved properties performance in terms of rolling resistance, wet grip and traction. The market for these tyres is expected to grow at a rate higher than traditional tyres, partly connected with regulations in the advanced economies on energy

conservation and the reduction of CO₂ emissions. The plant will also be able to produce polybutadiene rubber lithium used for the modification of plastics (ABS, PS).

RUSSIA

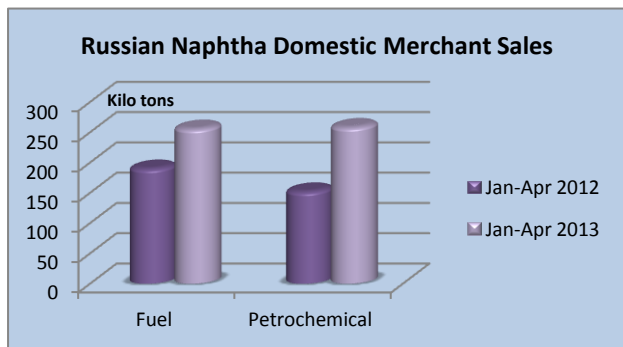


Russian chemical company performance 2013

First quarter results from the major Russian chemical companies continue the trend emerging in the past year of higher revenues coupled with slower rises in net profits. The major fertiliser producers continue to report high profits; whilst costs have been rising revenues have been growing at a faster rate. However, the gap between higher costs for energy and raw materials and the rise in revenues has been much narrower for petrochemical and organic chemical producers.

The graphic opposite illustrates the pattern of net profits for fourteen leading chemical producers in Russia. In the financial crisis of 2009-2009 the industry endured a sharp nosedive in revenues, profits, etc, but recovered very strongly in 2010. Since then margins have come under pressure star performers such as Kuibyshevazot and Nizhnekamskneftekhim which previously reported impressive levels of profit almost quarterly, have reduced profit levels not only due to higher production costs but also flatish market conditions at home and possibly even weaker conditions abroad. SIBUR performed relatively well in the first quarter this year, but only slightly ahead of 2012 whilst Gazprom Neftekhim Salavat shows little sign of being able to generate anything more than modest profits. In the petrochemical sector Kazanorgsintez has been the stand-out company for profits in recent months. This has been due mostly to higher ethane deliveries from Orenburg and Minnibayevo which provide better margins for olefin output at Kazan than propane-butane.

Feedstocks & Petrochemical Producer News



Russian C4s Jan-Apr 2013

C4 sales from domestic plants in Russia amounted to 28,100 tons in April, 6% less than in March. Kazanorgsintez reduced shipments in April by 39% to 1,900 tons due to maintenance work in the second half of the month. Ufaorgsintez reduced shipments by 27% to 1,900 tons and Angarsk Polymer Plant by 7% to 6,400 tons. Despite the decline of C4 domestic sales Tomskneftekhim increased shipments 12% over March to 7,700 tons. For the first four months in 2013 C4 deliveries to the Russian domestic market totalled 16,400 tons, 30% higher than in 2012. The major buyers have comprised Togliattikaucuk (50% of total purchases) and Nizhnekamskneftekhim (34%).

The market in May for C4s has been affected by low demand for synthetic rubber. From 1 May to 21 May 21 domestic sales amounted to 8,900 tons or 20% less than in April. Kazanorgsintez resumed C4 shipments after repairs were carried out on the EP-200 unit on 18 May. C4 prices have subsequently dropped by producers in response to lower volumes.

Russian naphtha, Jan-Apr 2013

Russian shipments of naphtha on the domestic market totalled 198,400 tons in April, 15% more than in March. The rise was due mainly to an increase in naphtha production at the Khabarovsk refinery. The volume of purchases by petrochemical plants declined by 2% to 85,900 tons.

Tomskneftekhim purchased 37,000 tons of naphtha, 18% lower than in March, due to increased volumes of alternative feedstocks. Stavrolen increased its purchases of naphtha by 27% to 44,300 tons. For the first four months in 2013 naphtha deliveries to the Russian domestic market, 48% up on 2012. The increase in deliveries was due to the increased processing of naphtha for petrochemical plants and in particular Stavrolen.

Russian gas feedstocks

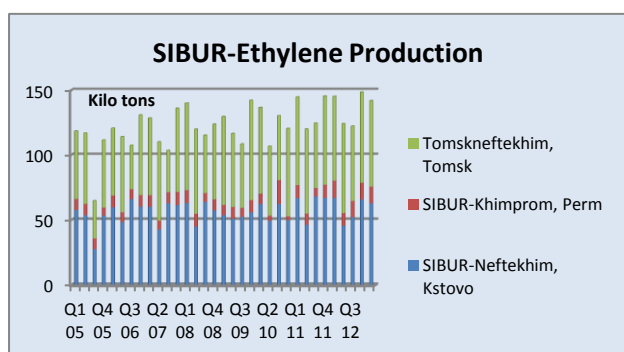
Russian manufacturers shipped 27,060 tons of isobutane in April against 27,110 tons in March. Ektos-Volga and Omsk Kaucuk increased consumption of isobutane by 77% and 14% respectively in April for the production of MTBE. For the first four months in 2013 Russian companies shipped 120,380 tons of isobutane, 9% lower than in 2012.

Russian producers have reduced the volume of propane supply to the domestic market in April by 19% to 56,360 tons due to lower consumption. Refineries reduced purchases of propane by 40% to 10,870 tons. Supplies of propane to the fuel sector in April amounted to 45,500

tons, 11% down on March. In the petrochemical sector Kazanorgsintez reduced propane purchases by half to 3,510 tons due to repairs on the pyrolysis unit EP-200. Tomskneftekhim also reduced purchases in April by four times to 1,700 tons, whilst SIBUR-Neftekhim in turn increased the consumption from 2,900 tons in March to 5,280 tons. For the first four months in 2013 Russian domestic deliveries of propane to the domestic market totalled 247,070 tons, 10% less than in 2012.

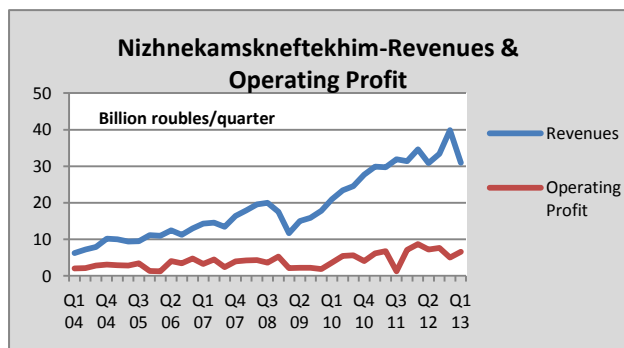
SIBUR, Q1 2013

SIBUR increased turnover by 5.7% to 63.1 billion roubles in the first quarter this year, and costs rose at slightly less at 3.6% to 37.3 billion roubles. Gross profits rose 9.5% to 25.770 billion roubles. Although the results did not reflect a significant improvement they at least remained positive.



SIBUR believes that the new Tobolsk-Polymer polypropylene plant, together with the newly opened thermoelastomer plastic at Voronezh, will help to drive revenues in the second half of the year. Revenue growth is less of concern, however, with costs for raw materials, energy and distribution showing an upward trend affecting profits. In addition to the costs of gas and other energy sources the group occasionally encounters shortages of raw material fractions which mean that plants are unable to run at full capacity. These shortfalls are cited by SIBUR as affecting profitability as much as product-pricing, if not more.

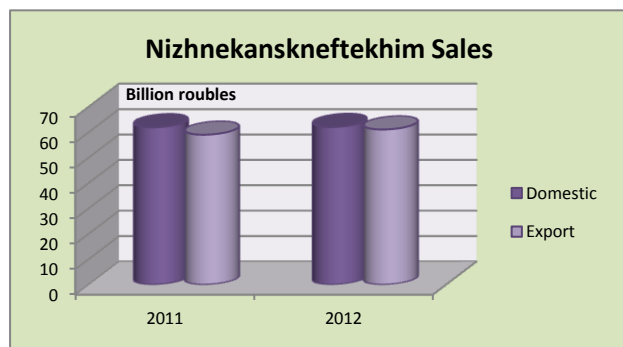
In recent months SIBUR has taken a number of actions aimed at minimizing the potential impact of industry-specific risks. In particular, the company is investing heavily in the infrastructure for collecting, processing and transportation of raw materials in order to consolidate flows of hydrocarbons in West Siberia and providing reliable access to a growing resource base. SIBUR emphasises the need to develop projects for products that are highly competitive globally. The short to medium aim of the SIBUR group is to maintain a stable position against increasing competition and falling demand both in Russia and in key export markets.



Nizhnekamskneftekhim Q1 2013

Nizhnekamskneftekhim reduced its net profit by 38.5% in the first quarter versus the same period in 2012, down to 3.128 billion roubles. Total revenues for the company fell by 10.7% to 30.916 billion roubles in the first quarter. Synthetic rubber sales were the main cause of the fall, totalling 13.728 billion roubles and 23.7% less than the same period last year. Helping to offset the decline in rubber sales, Nizhnekamskneftekhim increased revenues from plastics and synthetic resins by 16% to 11.289 billion roubles. Organic chemical sales remained similar to last year.

Nizhnekamskneftekhim's gross profit fell by 24.6% in the first three months to 6.55 billion roubles, whilst the operating profit dropped 33% to 4.29 billion roubles. Profit before tax reached 3.96 billion roubles, down by 1.6 times compared to January-March 2012. Production costs decreased by 6% to 24.36 billion roubles, measured against a 10.7% drop in revenues.



Nizhnekamskneftekhim observed a lack of optimism and confidence among foreign consumers in the first quarter, leading to reduced demand and lower prices. Market participants are operating in a challenging market environment characterized by price volatility and fluctuations in demand. Nizhnekamskneftekhim is concerned over the state of the European tyre market which could affect synthetic rubber sales this year.

Sales' revenues for Nizhnekamskneftekhim are fairly evenly balanced between domestic and exports, as

illustrated in the graphic for 2012 and 2011. Over the long term the emphasis of the company is targeted towards the domestic market, but exports will continue to represent an essential component of the marketing strategy. Nizhnekamskneftekhim supplies its products to 51 countries; the main share of production is shipped to countries in Europe, Asia and the CIS.

The company intends to increase the capacity of 2014 for the production of butadiene rubber SKD-N up to 150,000 tpa. Total capacity for the production of butyl and halobutyl rubber is being increased up to 200,000 tpa and the capacity for isoprene rubber (SKI-3) up to 280,000 tpa. These projects are taking place in advance of the construction of the new one million tap cracker and related polyolefin plants. Nizhnekamskneftekhim's ownership remains unchanged and is divided between Svyazinvestneftekhim, Telecom Management and TAIF. All of the shareholders are located in Tatarstan.

Key Financial Data for Kazanorgsintez (billion roubles)		
	Q1 13	Q1 12
Revenues	12.3	11.1
Operating Profit	2.8	2.4
Net Profit	1.0	0.9
Production Costs	9.5	9.3

Kazanorgsintez Q1 2013

Kazanorgsintez reported higher net profits and operating profits in the first quarter. The main stimulus to improved performance has been the increase in ethane supply and subsequent reduction of propane-butane feedstocks. The feedstock position has been helped by Gazprom supplying ethane from Orenburg, and also the expansion of ethane capacity at Minnibayevo. These developments are key factors for profitability at Kazanorgsintez.

Kazanorgsintez-Raw Material Purchases (unit-kilo tons)				
Product	2009	2010	2011	2012
Ethane	460	436	485	523
Ethylene	232	230	181	174
Propane-Butane	213	213	224	265
Benzene	54	64	66	69
Ethylene Oxide	0.8	17	21	22
PPF	17	23	18	12

Last year the company bought 523,000 tons of ethane against 485,000 tons in 2011 and 436,000 tons in 2010. This has allowed a reduction in the amount of ethylene purchased from Nizhnekamskneftekhim and other sources. Although propane-butane feedstocks rose in 2012, volumes are expected to be lower this year.

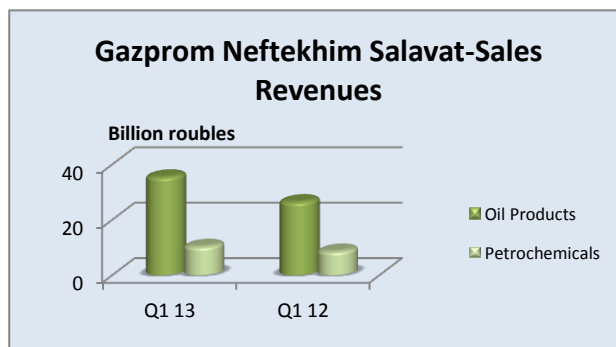
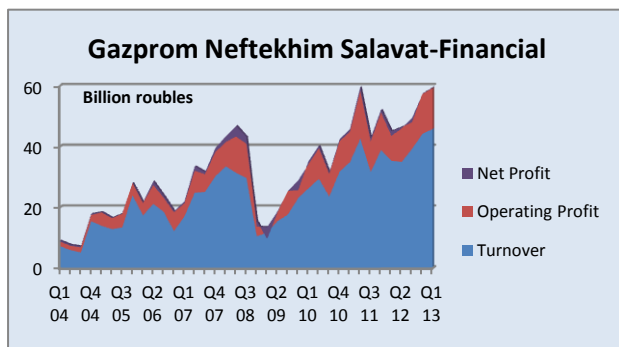
After a relatively successful first quarter Kazanorgsintez has found itself able to reduce its total liabilities by as much as 5.5% to 26.96 billion roubles. Moreover, the amount of long-term debt at the end of the quarter had declined 1.7% to 23.04 billion roubles, most of which is owed to Sberbank. Kazanorgsintez was facing a dire financial outlook in 2008-2009, due to problems with servicing its debt after

undertaking large-scale development programmes. The realistic possibility had started to arise that company could be sold off to Gazprom or SIBUR. Since then the position has gradually improved, not only allowing Kazanorgsintez to generate better financial results but also to allow it to repay debts.

Development plans for Kazanorgsintez focus on technologies that provide energy and resource conservation, replacement of fixed assets, and technical re-equipment of production facilities. The development of measures for enhancing power efficiency is a priority for Kazanorgsintez, minimizing energy consumption per unit of production and maximizing the use of secondary and renewable resources.

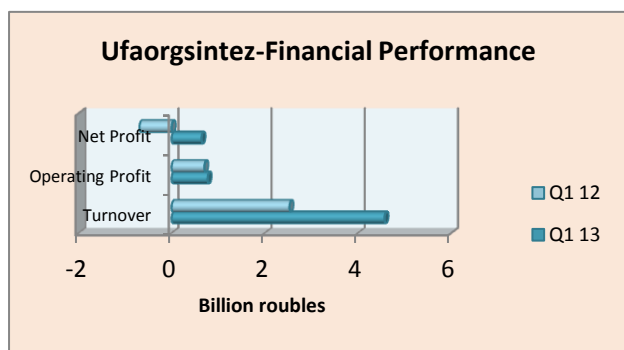
Gazprom Neftekhim Salavat, Q1 2013

Gazprom Neftekhim Salavat recorded a drop in net profit of 7.9 times in the first quarter this year, down to 194.3 million roubles. This drop occurred despite revenues increasing by 30% to 45.779 billion roubles. The cost of production for the period totalled 32.256 billion roubles against 27.050 billion roubles in the same period in 2012. Gross profit fell by 18% to 29.371 billion roubles. Gazprom subsidiary Gazprom processing owns 97.86% of Gazprom Neftekhim Salavat.



The trends in the first quarter continue the declines seen last year for the company, and subsequently Gazprom Neftekhim Salavat reduced its net profit 8.8 times in 2012 to 450 million roubles. Revenues increased by 1.2% to 182.248 billion roubles, but operating profits fell by 3.3 times to 2.811 billion roubles. The net profit of Gazprom Neftekhim Salavat dropped 32 times to 127.263 million roubles.

Gazprom Neftekhim Salavat has been granted a loan of \$127 million by the Russian state bank Gazprombank to support investments. Although the company is planning to construct an additional capacity for 1 million tpa of ethylene, the current focus is on the modernisation of the EP-300 cracker and expansion to 380,000 tpa. The aims of the project are to meet the captive demands for Gazprom Neftekhim Salavat. Production volumes have risen slightly already although the entire project is not intended to finish by 2015.



Ufaorgsintez Q1 2013

Ufaorgsintez recorded a net profit of 640.2 million roubles in the first quarter this year, against a loss of 690 million roubles in 2012. Revenues for Ufaorgsintez for the three months amounted to 4.569 billion roubles, exceeding the first quarter of last year by 1.8 times. The production cost has doubled up to 3.797 billion roubles, while gross profit increased by 10% to 771.7 million roubles.

Revenue growth has been generated largely from the restructuring taking place in the controlling owners for Ufaorgsintez. In addition to Ufaorgsintez Bashneft also includes the Tuimazinskoye Shkapovsk and gas processing plants which will all be consolidated in the first half of the year under the United Petrochemical Company. In early February, Bashneft increased its stake in the United Petrochemical Company (PMC), from 74.99% to 100%. It is further assumed that 100% of the PMC will be bought by AFK System (which controls Bashneft) to develop the petrochemical industry. It is yet to be decided which name might be used for the group, but in terms of project plans the group is considering investments in olefins (an ethylene plant of one million tpa has been tentatively mentioned) in addition to a large-scale PET plant.

Russian Domestic Sales of Petrochemicals 2013 (unit-kilo tons)				
Product	Jan	Feb	Mar	Apr
Benzene	69.8	65.4	61.8	51.1
Propylene	29.6	27.4	30.3	24.1
Orthoxylene	3.1	3.2	3.2	4.1
Paraxylene	15.0	13.0	15.8	12.0
Toluene	13.4	5.7	11.0	9.0
Methanol	128.4	123.0	120.3	99.7
Butanols	5.8	4.7	6.4	4.7
Styrene	8.4	7.9	7.9	9.8
MTBE	60.1	68.7	70.7	61.6

Russian petrochemical sales, Jan-Apr 2013

Domestic sales of petrochemicals have been stable in the first four months this year, although falls were noted for benzene, propylene, methanol and MTBE. Domestic propylene sales on the merchant market totalled 24,600 tons in April, 19% down on March. This was due largely to LUKoil-NNOS undertaking a cat-cracker outage and thus reducing supplies by 40% against March to 7,500 tons.

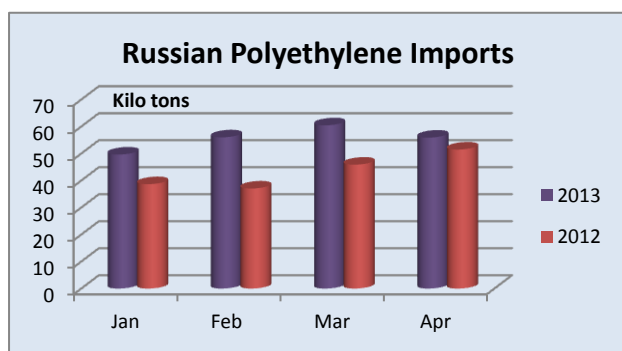
Angarsk Polymer Plant also reduced propylene sales by 22% to 5,600 tons in April due to related downtime at the butanols plant. In the first four months in 2013 domestic companies shipped 111,900 tons of propylene monomer, 10% less than the same period of 2012. Whilst domestic merchant sales have fallen, due largely to the restart of the Stavrolen cracker, exports of propylene rose 18% in January

to April to 16,500 tons. Poland accounted for 63% of Russian propylene exports.

For propylene-propane fractions domestic sales of propylene-propane fractions amounted to 12,600 tons in April, 23% less than in March. The main reason for a fall in deliveries was the lower purchasing by SIBUR-Khimprom. For the first four months in 2013 sales of propylene-propane fractions totalled 50,800 tons which is 2% up on 2012. Russian exports of propane-propylene fractions also dropped in April, amounting to 3,300 tons or 29% less than March. The main reason for the reduction of exports was low demand in Belarus from the Naftan which did not purchase any Russian propane-propylene fractions or propylene. For the first four months in 2013 exports of propane-propylene fractions totalled 15,600 tons, or 39% more than the same period last year.

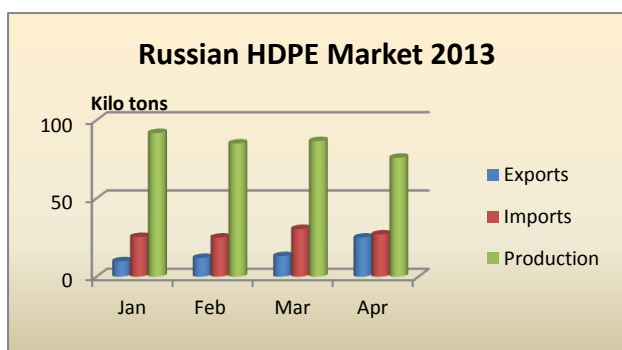
Domestic sales of styrene increased in April by 24% to 9,800 tons against March, stimulated mainly by the rise in demand from Pidgy Prof at Kirishi of 1.5 times in April. Furthermore, Gazprom Neftekhim Salavat shipped 4,500 tons in April, 2.2 times up on March whilst Plastik increased deliveries 27% to 2,700 tons. In the first four months Russian domestic deliveries of styrene totalled 34,000 tons, 3% up over the same period in 2012.

Bulk Polymers

**Russian polyethylene imports**

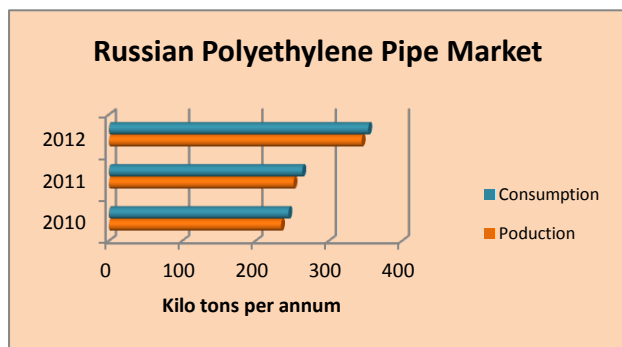
Imports of all types of polyethylene into the Russian market in period January-April rose 13% against 2012 to 236,000 tons. For the first quarter imports rose 16% and amounted to 175,000 tons. In April imports of polyethylene fell by 7% to 61,400 tons due to low demand for finished products combined with large stocks of inventory. Despite reports of slower demand and increased domestic production, particularly from Stavrolen and Kazanorgsintez, in each of the first four months imports this outstripped volumes from 2012.

In 2012, the total consumption of polyethylene in Russia remained almost the same as in 2011 and amounted to 1.689 million tons. Production totalled 1.406 million tons which was 9.3% down on 2011. The decline in production for HDPE was 136,700 tons and for LDPE 9,200 tons. Kazanorgsintez and Nizhnekamskneftekhim increased volumes of HDPE production by 23.3% and 3.3% respectively. The decline in the production of LDPE was mainly due to lower output by NeftekhimSevilen at Kazan (41.2% less than 2011), followed by Angarsk Polymer Plant (29.2% less), and Ufaorgsintez (3.8% less). Offsetting these declines Kazanorgsintez increased LDPE production by 5.5%, Tomskneftekhim by 3.3%, and Gazprom Neftekhim Salavat by 8.7%. Kazanorgsintez plans to increase the production of polyethylene from 700,000 tons to 900,000 tons this year due to improved feedstock deliveries. Two thirds of the company's production is HDPE.

**Russian HDPE market**

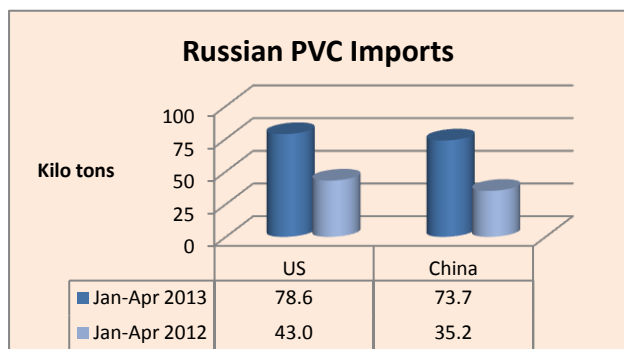
Russian HDPE production amounted to 76,000 tons in April, 14% down on March. The decline in production was due mainly to the reorientation of Nizhnekamskneftekhim in April towards LLDPE. HDPE imports into Russia declined 12% in April against March to 27,000 tons. The largest decrease occurred in the supply of HDPE for extrusion coating for large diameter steel pipes and for blow moulding. The reduction was 25% and 27% respectively, equating to 4,700 and 3,500 tons.

Imports of HDPE into Russia started to decline in the second quarter due to the availability of product from Stavrolen and increased supply from Kazanorgsintez. For the period January-April 2013 imports of HDPE in Russia amounted to 107,000 tons, 2% less than the same period last year. Exports of HDPE in January-April amounted to 60,000 tons against 32,700 tons in 2012. Exports of HDPE in April increased by 90% compared to the same month last year, amounting to 25,000 tons. Low demand for HDPE in the domestic market coupled with a high level of capacity utilisation led to a significant rise in exports in April. Stavrolen shipped 14,300 tons, 2.5 times more than in March whilst Kazanorgsintez doubled shipments to 9,300 tons. China accounted for 63% of Russian HDPE exports, followed by Ukraine with 16%. Pipe grade accounted for 77% of Russian HDPE exports in April.

**Russian polyethylene pipes 2012**

Consumption of polyethylene pipes in Russia in 2012 amounted to 354,000 tons, rising 34.1% over 2011. The rise in consumption was serviced largely from higher domestic production, rising 36.8% compared with 2011 and amounting to 345,000 tons. The main producers of polyethylene pipes in Russia include GC Polyplastic, Kazanorgsintez and ZAO Tehstroy.

The share of Kazanorgsintez in production fell from 10.9% in 2011 to 7.0% in 2012 due to the increase in production from main competitors GC Polyplastic (Moscow), and ZAO Tehstroy (Kazan). The share of imports in consumption of polyethylene pipes in Russia dropped by 5.4% in 2011 to 3.1% in 2012. At the same time exports also dropped by 35.8% versus to 2011 and amounted to 2,000 tons.

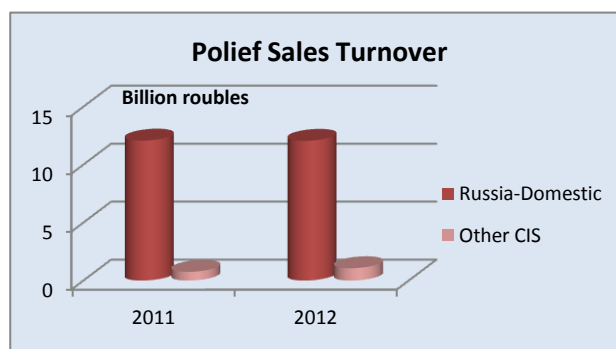
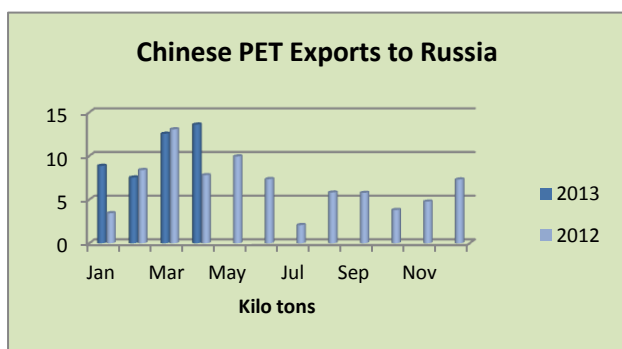


Russian PVC market, Jan-Apr 2013

Russian imports of suspension PVC fell in April by 8% against March and amounted to 53,600 tons. The main fall in supply was from the US, 25% down against March to 19,000 tons. Imports from China, by contrast, totalled 28,800 tons.

Imports totalled 170,000 tons in the first four months in 2013, 44% up on the same period last year. The two main sources of PVC remain the US and China, accounting in total for 152,300 tons. The two Chinese suppliers of PVC to the Russian market in April included

Xinjiang Zhongtai which shipped 20,600 tons and Xinjiang Tianye which shipped 8,200 tons in April. In the continued absence of Ukrainian imports the other sources of PVC into Russia include Europe and South Korea.



Russian PET market, Jan-Apr 2013

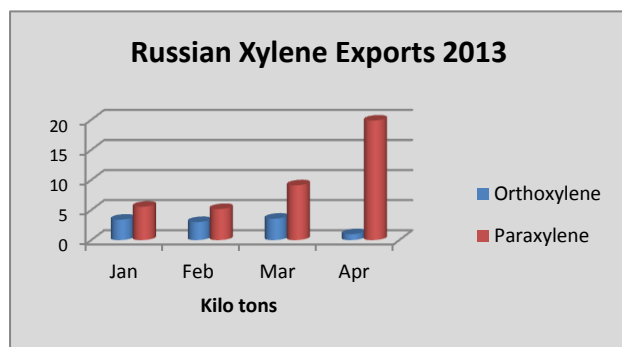
Imports of PET in Russia in April rose by 67.5% compared with March to 24,600 tons. In comparison with the same period last year, the volume of imports grew by 12.5% in the first four months in 2013. Deliveries of Chinese PET granulate increased to 13,600 tons in April, whilst another 2,000 tons came from Lithuania received under the trademark Neopet. The total volume of imports of PET in Russia in January-April amounted to 64,500 tons, which is 1.6% higher than in 2012.

The only full integrated Russian PET producer Polief recorded a net loss for 2012 of 1.098 billion roubles compared with a net profit of 192.82 million roubles in 2011. The company's revenues fell by 0.76% to 12 057 million roubles whilst production cost increased by 12.17% to 11.203 billion roubles. The main shareholder of Polief is SIBUR-PET (64.5%). The company is currently in the process of increasing PET capacity from 140,000 tpa to 210,000 tpa.

Aromatics & derivatives

Aromatic monomers

Russian rail deliveries in April amounted to 8,960 tons, 18% less than in March, and 22% lower than in April 2012. The reduction in supply was due to the increased processing capacity of toluene directly to the companies producing it. In the first four months in 2013 Russian shipments of toluene amounted to 39,070 tons, 17% less than in the same period in 2012.



Paraxylene exports totalled 39,692 tons in the period January to April this year, against 28,496 tons in the same period last year. Higher exports have been allowed by increased production at the three refineries Omsk, Ufa and Kirishi. Aside exports outside of the CIS sales of paraxylene to Polief in Russia and Mogilevkhimvolokno in Belarus amounted to 55,800 tons in the first four months this year, similar to levels in 2012.

In contrast to paraxylene, orthoxylene exports dropped 27% in the first four months this year to 11,060 tons.

Russian domestic sales of orthoxylene in the first four months in 2013 also fell by 14% to 41,580 tons. A significant reduction in deliveries for export took place in April due to shortages in the domestic market.

Russian benzene market, Jan-Apr 2013

Sales of benzene on the Russian domestic market amounted to 51,100 tons in April, 17% down on March. A number of outages affected availability, including the suspension of production by Slavneft-YANOS for nearly the whole month. As a result shipments from the Yaroslavl refinery fell 18.7 times to 288 tons, whilst the Ryazan refinery also reduced output 4.7 times to 553 tons and Ufaorgsintez by 38% to 4,100 tons. At the same time SIBUR-Neftekhim increased sales by 15% to 7,500 tons. For the first four months in 2013 domestic shipments of benzene amounted to 248,000 tons, 6% up on the same period last year.

Russian Benzene Domestic Sales 2013 (unit-kilo tons)				
	Jan	Feb	Mar	Apr
Altay-Koks	3.2	2.6	2.5	1.9
Angarsk Polymer Plant	5.7	5.7	4.7	4.5
Gazprom Neft	8.4	9.1	8.4	7.7
Zapsib	5.3	4.5	4.6	4.9
Kinef, Kirishi	6.1	5.0	5.9	3.0
Moskokos	0.6	0.8	0.9	0.8
Koks	2.9	2.9	3.0	3.2
Magnitogorsk MK	5.1	3.2	4.1	4.5
Nizhniy Tagil MK	1.0	1.2	1.1	1.0
Novokuznetsk MK	0.5	0.5	0.5	0.6
Novolipetsk MK	2.4	2.6	1.1	1.9
Ryazan NPZ	2.4	2.6	2.6	0.6
Severstal	4.0	2.9	3.0	2.6
SIBUR-Neftekhim	8.1	7.9	6.6	7.5
Uralorgsintez	5.1	6.0	6.7	4.1
Ural Steel	0.2	0.5	0.1	0.4
Chelyabinsk MK	1.3	1.3	0.7	1.7
Slavneft-Yaroslavlorgsintez	6.0	5.3	5.4	0.3
Gazprom Neftekhim Salavat	0.8	0.5	—	0
Others	0.5	0.6	0.1	0
Total	69.8	65.4	61.8	51.1

Stavrolen started supplying benzene to the domestic market from 13 May, the first shipment since the fire in December 2011. The Budyennovsk plant delivered 334 tons of benzene to Kuibyshevazot. Prior to the accident, the monthly volume of output at the Stavrolen ranged from 5,500 tons to 6,000 tons. The resumption of production of raw materials at the plant should have a positive impact on the domestic market of benzene and will help to reduce the deficit of the product.

Stavrolen's benzene capacity stands at 7,500 tpa and May production was targeted at 6,000 tons. For the whole year Stavrolen has set a target to process 954,000 tons of raw materials, almost all of which should be naphtha. This should yield 300,000 tpa of ethylene and allow the company to produce around 46,000 tons of benzene.

Benzene imports into Russia in April rose 1.8 times over March to 6,600 tons. Samaraorgsintez imported 1,600 tons of benzene, 3.2 times up over March, whilst at the same time reducing purchases in the domestic market. Kuibyshevazot increased imports of the product 1.6 times to 4,700 tons, mainly from Ukratnafta in Ukraine but also from Kazakhstan.

ArselorMittalTemirtau sold 650 tons of benzene on the Russian market in April, 1.5 times more than in March. Kuibyshevazot purchased 420 tons and Kazanorgsintez 230 tons. In the period January to April shipments of benzene from ArselorMittalTemirtau to the Russian market totalled 1,400 tons or 33% up on 2012.

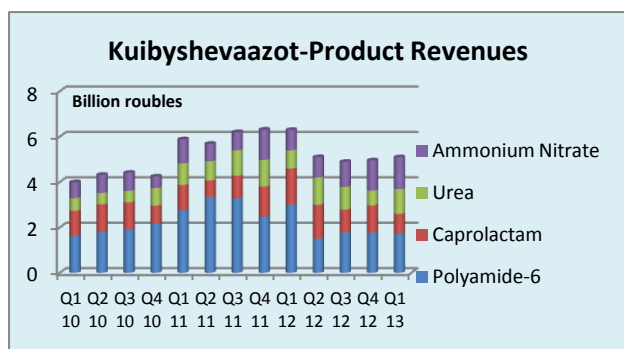
In the first four months in 2013, Russia imported a total of 13,800 tons of benzene, 15% less than in 2012. Ukrainian producers Ukratnafta supplied 45% of total imports and Yasinovsky Coke 32%.

Russian phenol market, Jan-Apr 2013

Samaraorgsintez undertook a scheduled maintenance stoppage in mid-May, lasting between 18 to 21 days. In the first quarter Samaraorgsintez produced 21,300 tons, representing 30% of total Russian production. In April, the sales volumes of phenol on the Russian domestic market showed an upward trend. Sales rose almost 15% over March to 12,800 tons, of which Samaraorgsintez supplied 43% or 5,500 tons. Kazanorgsintez supplied 1,100 tons in April, Ufaorgsintez 2,000 tons and Omsk Kaucuk 4,200 tons.

Kuibyshevazot, Q1 2013

Kuibyshevazot achieved a net profit of 817.95 million roubles in the first quarter this year, representing a fall of 37% against the same period last year. The company's revenues in January-March fell by 12% up to 7.187 billion roubles, whilst production costs only fell by 5% to 5.097 billion roubles. Consequently the gross profit fell by 25% to 2.089 billion roubles, and profits from sales decreased by 31% to 1.367 billion roubles. On 28 May Kuibyshevazot and Linde signed an agreement to create a JV for the production of ammonia and hydrogen.

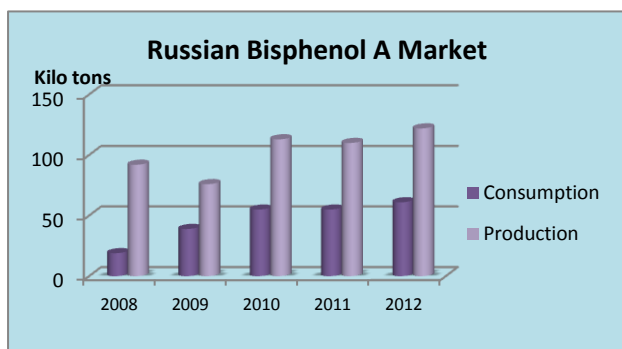


commissioning a new plant for the impregnation of cord fabric.

Kuibyshevazot Capacities 2013	
Product	Capacity (ktpa)
Caprolactam	190
Cyclohexanone	140
Polyamide-6	150
Industrial Yarn	18.8
Tyre Cord Fabric	6.7
Ammonia	660
Ammonium Nitrate	585
Ammonium Sulphate	360

As part of a long-term strategic programme to increase caprolactam processing Kuibyshevazot purchased Balashov Textiles (Baltex) in 2010. Baltex, which had previously been idle, has since restored the production of polyamide and mixed fabrics. Baltex adds to Kursk Khimvolokno which Kuibyshevazot acquired several years before. In 2011, Kuibyshevazot acquired another new asset STFG Filamente GmbH in Germany, which produces textile polyamide yarns for industrial use.

Also in 2011, Kuibyshevazot reinforced its presence in the growing domestic market for compounds through the creation of a jv DSM Engineering Plastics (DEP). Other non-Russian assets for Kuibyshevazot include the jv Kuibyshevazot Engineering Plastics (Shanghai) in China, which was commissioned in 2007. Production of engineering plastics at Shanghai in 2012 totalled 6,800 tons, served by polyamide exports from the main company in the Samara region.



up on 2011, and Ufakhimprom increased production by 8.0% to 53,900 tons. Exports of bisphenol A from Russia amounted to 61,300 tons in 2012, 11.1% more than in 2011. Kazanorgsintez in 2012 exported 14.4% of its bisphenol A production.

Kazanorgsintez is the sole producer of polycarbonate in Russia, producing 65,400 tons in 2012 against 58,000 tons in 2011. Exports of polycarbonate from Russia amounted to 29,800 tons, or 45.6% of total production. More than 80% of the total polycarbonate exports of Kazanorgsintez went to China. Imports of polycarbonate into Russia totalled 56,900 tons and increased by 22.1% compared to 2011. Polycarbonate consumption rose from 90,000 tons in Russia in 2011 to 93,000 tons in 2012.

Kuibyshevazot plans this year to invest around 6 billion roubles, after investing 3.4 billion roubles last year. In June 2012, Kuibyshevazot reported the launch of a comprehensive programme of modernisation extending up to 2016, during which total investment will amount to 23.4 billion roubles. The main targets of the programme include converting the cyclohexanone plant to an energy-efficient system of production, using a patented DSM license. The project will also increase the production capacity for cyclohexanone. Goals for Kuibyshevazot this year include reducing the cost of production and sale of finished goods, in addition to

Russian BPA & Polycarbonate 2012

Consumption of bisphenol A on the Russian market in 2012 amounted to 61,000 tons against 55,000 tons in the previous two years. Polycarbonate is the primary application in Russia followed by epoxy resins and phenol-formaldehyde resins. In 2012, 85% of total production of bisphenol A Kazanorgsintez was consumed in the production of polycarbonate.

Total production of bisphenol A in Russia increased by 11% compared to last year and amounted to 122,000 tons. Kazanorgsintez produced 68,100 tons, and 14.1%

Synthetic Rubber

Russian synthetic rubber production

Synthetic rubber exports from Russia totalled 234,000 tons in the first quarter this year, achieving a higher volume than any of the four quarters in 2012. Production totalled 417,000 tons in the first quarter this year against 390,000 tons in 2012. Despite the rise in production and exports, most producers have reported weak margins due principally to a lack of confidence in the tyre markets.



at Voronezhsintezkaucuk will comprise 85,000 tpa. The project for the new thermoplastic elastomer unit began in July 2011 and has cost in the range of 4.5 billion roubles.

Construction of the new complex is aimed at meeting the growing demand for thermoplastic elastomers in the domestic market. Large consumers of thermoplastic include Gazprom Neft, Technonikol etc, which produce polymer-bitumen binders and which have significant potential in Russia in road construction. Growth has been sluggish in this sector in the past few years, but in view of the large-scale federal programmes on road construction across Russia the prospects for significant increases in consumption appear promising. As a result, a number of producers are investing in polymer-bitumen binders, influenced by the demand prospects and the availability of TEP.

Voronezhsintezkaucuk-Financial Performance (Billion roubles)		
	Q1 2013	Q1 2012
Revenues	2.2	2.1
Production Costs	1.6	1.8
Gross Profit	0.6	0.4
Net Profit	0.3	0.2

Voronezhsintezkaucuk, Q1 2013

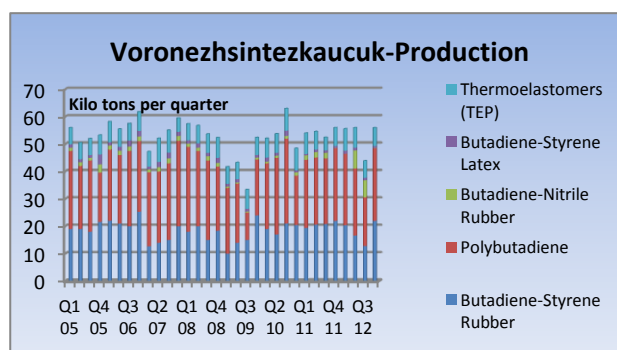
Voronezhsintezkaucuk performed relatively well in the first quarter, increasing both revenues and net profit. The company relies less on the tyre market for its sales which has allowed it to maintain a reasonable performance. For the whole of 2012 the net loss for Voronezhsintezkaucuk increased by 134.06 times to 15.420 million roubles. At the same time the company's sales increased by 14.61% to 7.880 billion roubles. Gross profit increased 2.51 times to 1.02 billion roubles against a 406.85

million roubles for 2011. Voronezhsintezkaucuk finished 2012 with a profit before tax of 35.56 million roubles compared to a loss of 8.89 million roubles in 2011.

Voronezhsintezkaucuk has started construction on a new plant for the production of styrene-butadiene rubber with a capacity of 30,000 tpa. This type of rubber conforms to the new wave of green tyres and meets the requirements of the global manufacturers. In other investments at Voronezh, work continues on the replacement of the air separation plant in the shop number 20.

The thermoelastomer plant, TEP-50, is in the process of start-up which should increase revenues and profits. The company completed installation work in the tank farm in the fourth quarter in connection with the TEP-50 plant, aside completing pipeline connections and relevant cables. The new TEP plant followed by the new SBR plant will provide a boost to production at Voronezh which has remained largely unchanged for many years.

The main objectives for Voronezhsintezkaucuk this year include an increase in the production of rubber and latex, continued measures to reduce production costs and energy consumption, and to examine methods of improving product quality.



Krasnoyarsk Synthetic Rubber Plant, Q1 2013

Krasnoyarsk Synthetic Rubber Plant (KSZK), also part of SIBUR, increased sales by 14% to 1.35 billion roubles in 2012 from 1.18 billion roubles in 2011. The cost of production amounted to 991.700 million roubles compared to 864.920 million roubles in the previous year. KSZK finished 2012 with a net profit of 65.30 million roubles compared with a loss of 36.57 million roubles in 2011. The company is the main producer of butadiene-nitrile

rubber production in Russia is currently expanding its plant as part of a JV with Sinopec. Capacity will be increased from 42,500 tpa to 56,000 tpa.

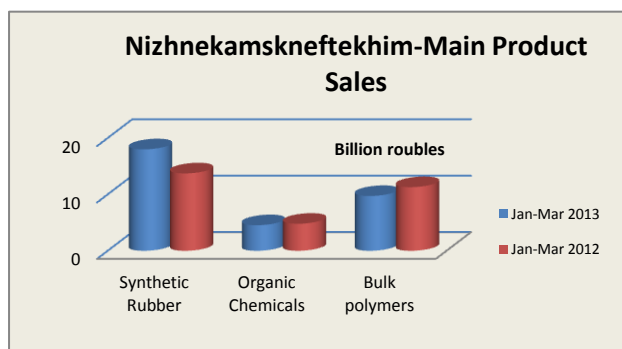
Nizhnekamskneftekhim Product Sales (%)			
Q1 2012	Tatarstan	Other Domestic	Export
Isoprene rubber	18.8	21.0	60.1
Butyl rubber	0.7	3.7	95.7
Styrene	1.7	54.9	43.4
Q1 2013	Tatarstan	Other Domestic	Export
Isoprene rubber	19.5	19.7	60.7
Butyl rubber	2.2	3.3	94.5
Styrene	3.2	3.2	93.6

Nizhnenkanskneftekhim, Q1 2013 and new plants

Nizhnekamskneftekhim reported a sharp decline in revenues from synthetic rubber sales in the first quarter this year, dropping from 17.995 billion roubles in January to March 2012 to 13.728 billion roubles. The other two divisions, organic chemicals and plastics, both reported better performance.

Nizhnekamskneftekhim experienced a challenging market environment for the rubber division in the first quarter, characterised by price volatility and fluctuations in demand.

Due to the weak market conditions Nizhnekamskneftekhim believes that it needs to improve on a range of factors including market research, improving relationships with customers, reducing production and distribution costs, etc. These goals are particularly important in view of the capacity expansions taking place in the rubber division at Nizhnekamsk. These projects include an expansion of isoprene rubber to 280,000 tpa, butyl and halobutyl rubber to 200,000 tpa and polybutadiene neodymium to 150,000 tpa. These capacity expansions are expected to be completed in 2014 or 2015.



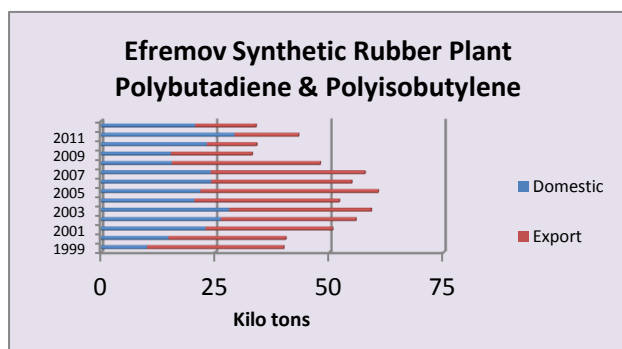
A major factor behind the lower revenues for synthetic rubber sales stemmed from the weak market conditions predominantly in the export sphere but also to a less extent in the domestic economy.

Nizhnekamskneftekhim staged its opening on 18 April for the commissioning of two new production lines. This included a line for the isolation and drying of polybutadiene rubber on lithium catalyst (SKD-L) and the line for the production of ABS plastics. The production capacity of the new SKD-L unit is 50,000 tpa. Consumers of the SKD-L line include the polystyrene

plant of Nizhnekamskneftekhim, in addition to Russian and foreign companies producing high-impact polystyrene. Nizhnekamskneftekhim also this year has commissioned an additional reactor for the synthesis of isoprene.

Efremov Synthetic Rubber Plant to be purchased

The Federal Antimonopoly Service (FAS) has granted the Swiss investment company Herculis Partners the right to acquire 100% of the voting shares of Efremov Synthetic Rubber Plant (EZSK) in the Tula Oblast. At present 100% of the shares in EZSK belong to the Cyprus company Cemoro Commercial Ltd. Prior to 2006, EZSK was part of a Tatneft, which in 2001 had consolidated the 75.57% stake in the company.



EZSK is one of Russia's three producers of polybutadiene rubber. The company also produces high and low molecular weight polyisobutylene. In 2012 the company produced 34,900 tons of rubber, including 31,200 tons of polybutadiene. The decline in production was 20.5% due to shortages of butadiene from normal suppliers Nizhnekamskneftekhim and SIBUR. Until the supply chain problems can be resolved capacity looks set to remain under-utilised. Herculis Partners SA is a Swiss investment company, founded in 2009, and traces its origins to the Russian group Uralsib.

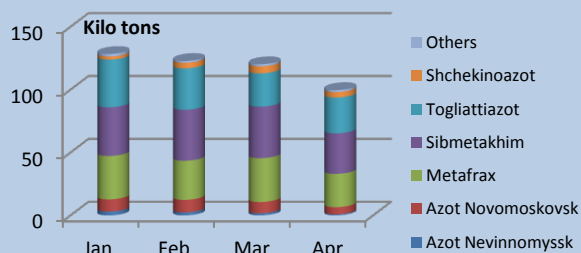
Omsk Kaucuk Q1 2013

Omsk Kaucuk, owned by the Titan Group, reduced the net profit in the first quarter to 738,000 roubles from 150,000 roubles last year. Revenues decreased by 1% to 1.2 billion roubles, and gross profit by 6% to 129.4 million roubles. Production costs fell by 11.5% to 1.08 billion. For the whole of 2012 Omsk Kaucuk recorded a net profit of 645.5 million roubles, 14 times higher than in 2011. Revenues increased by 15.4% to 5.64 billion roubles, whilst gross margin increased by 1.3 times to 1.32 billion roubles.

Capacities were underutilised for a number of products for Omsk Kaucuk in 2012, i.e., synthetic rubber capacity operated at 49.3%, MTBE by 88.3%, alphasethylstyrene by 46.5%, and cumene by 82.4%. The current priorities of the company include a stage reconstruction of the phenol-acetone units and expansion of capacity to between 70,000 tpa and 80,000 tpa. Other activities are being carried out include installing separate propane-propylene fraction facilities for propylene polymerisation requirements, linked to the Polyom polypropylene plant, and the reconstruction of the cumene plant. For the rubber division, Omsk Kaucuk plans to carry out a radical reconstruction in order to improve technology and competitiveness, but there are no plans to expand capacity.

Methanol & Ammonia

Russian Domestic Methanol Sales 2013



April, 17% down on March.

Russian methanol, Jan-Apr 2013

In the first four months in 2013 sales of methanol on the Russian domestic market increased by 15% against the same period last year, and amounted to 471,000 tons. Despite the overall increase sales volumes in April evidenced a downward trend due in part to the end of the heating season and in part due to high prices of methanol on foreign markets which attracted greater export activity. Metafrax and Sibmetakhim increased exports compared to March by 11% and 25%, respectively. As a result, the supply of products to the domestic market declined. A total of 99,700 tons was sold on the domestic market in

Russian Domestic Methanol Purchases 2013 (unit-kilo tons)

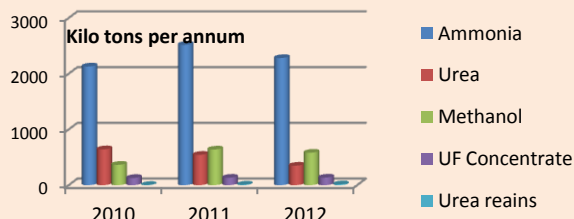
Purchaser	Jan	Feb	Mar	Apr
Nizhnekamskneftekhim	24.9	19.5	21.1	13.2
Togliattikaucuk	13.8	8.7	7.0	8.4
Uralorgsintez	5.5	6.7	7.4	3.9
SIBUR-Khimprom	1.0	1.2	1.3	1.4
Tobolsk-Neftekhim	3.0	3.5	3.7	4.0
Ektos-Volga	4.3	4.6	3.6	3.7
Omsk Kaucuk	9.2	8.0	9.0	6.4
Novokuibyshevsk NPZ	6.0	6.3	5.5	4.8
Uralkhimplast	2.3	1.3	2.0	3.1
Others	58.4	63.2	59.7	50.8
Total	128.4	122.9	120.3	99.7

Metafrax and Sibmetakhim reduced sales of methanol in April to Russian consumers by 24% and 21%, respectively. Metafrax sold 26,500 tons of methanol and the Sibmetakhim about 32,000 tons. By contrast TOMET at Togliatti increased shipments 8% with March, rising to 28,600 tons.

Exports of methanol amounted to 117,500 tons in April, 5% less than in March. Sibmetakhim shipped 35,000 tons, 25% above March whilst Metafrax increased shipments by 11% to 39,000 tons. TOMET's exports stayed the same at 25,000 tons. Producers that reduced exports included Shchekinoazot which dropped by 60% and Azot at Novomoskovsk by 80% to 2,500 tons.

Finland accounted for 63% of Russian methanol exports in April. Russian methanol producers exported 22,300 tons through the Odessa in May, 40% higher than the targets, and 6% higher than in April. TOMET plans to increase shipments of methanol in the Black Sea countries, compared with April almost 20% and ship around 19,000 tons of methanol. Using the Odessa ICC, TOMET exported 11,400 tons to Turkey, 8,400 tons to Romania and 3,500 tons to Bulgaria.

Togliattiazot-Production



Togliattiazot, Q1 2013

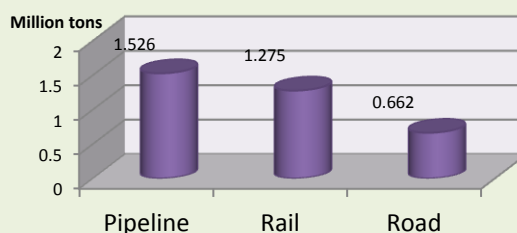
Togliattiazot's net profit in 2012 rose by 25.4% to 9.12 billion roubles, and revenues by 8.3%, to 35.15 billion roubles. Togliattiazot reduced production of ammonia in 2012 by 9.4% to 2.281 million tons. The drop in production was due to suspension of the ammonia unit in order to carry out major repairs and preventative maintenance in 2012. Moreover, from December 2011 to 18 January 2012 four ammonia plants were in hot standby due to the ban on transport of ammonia via the pipeline through Ukraine to the Odessa port.

Last year urea production for Togliattiazot dropped from 544,500 tons to 350,000 tons. For the whole of 2012 the first area unit was affected by maintenance whilst the second unit was stopped for short-term repairs. The

production of urea-formaldehyde concentrate in 2012 was increased by 2% to 136,600 tons, and resins by 48.2%, to 15,800 tons.

In 2012 the company exported 1.66 million tons of ammonia and 132,900 tons of urea, against 1.74 million tons and 241,900 tons respectively in 2011. Togliattiazot achieved 3.257 billion roubles of net profit in the first quarter, 5.7 times up on last year, representing one of the largest rises recorded in the chemical industry in 2013. Revenues totalled 9.695 billion roubles, an increase of 1.9 times over the same period in 2012. Production costs increased by 45% to 4.025 billion roubles, whilst gross profit also increased by 2.5 times to 5.669 billion roubles.

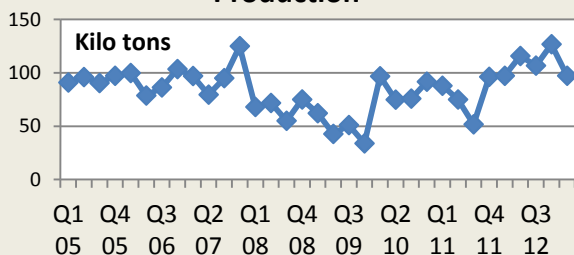
Togliattiazot-Ammonia Deliveries 2012



Shchekinoazot-new methanol project under review

Shchekinoazot is currently working on the assessment of a new project involving the construction of a second production unit for methanol, combined with the production of ammonia. The total capacity of the plant could range between 600,000 tpa to 800,000 tpa and is intended to have a significant synergistic effect with the current M-450 unit.

Shchekinoazot-Methanol Production



In the third quarter of 2013, Shchekinoazot intends to adopt the best option for the project, which would require at least three years to be put into practice. Despite the complexity of the domestic methanol market in Russia, Shchekinoazot believes that this project could yield a reasonable payback period, primarily due to the benefits associated with the company's site. Advantages cited include professional staff, good logistics, own rolling stock of methanol tanks and most importantly experience in undertaking similar projects incurring much lower costs than industry peers.

Evrokhim, Q1 2013

Evrokhim in the first quarter in 2013 reduced the net profit by 65% to 4.8 billion roubles. Evrokhim attributed the fall in net income due to losses from the depreciation of the rouble against the dollar. Group revenues in the reporting period amounted to 46.7 billion roubles, an increase of 30%. The EBITDA increased by 9% to 12.4 billion roubles despite a 15% increase in domestic gas prices. Sales volumes of nitrogen fertilisers increased by 35% to 2.054 million tons, helped by the acquisition of Evrokhim Antwerp and Evrokhim Agro respectively. In April 2012, Evrokhim purchased the production of fertilisers at Antwerp from BASF. The cost of the transaction amounted to €830 million, including deferred payment of \$130 million, to be paid from 2013 to 2016.

The most significant improvement for the first quarter growth was recorded in the sales of complex fertilisers, rising three times to 396,000 tons. Gas prices for Azot at Novomoskovsk and Azot at Nevinomyssk amounted to 3,608 roubles (\$115.6) per thousand cubic metres and 3,808 (\$122) respectively. Evrokhim operates its own gas company Severneft Urengoy which supplied 188 million cubic metres to Azot Novomoskovsk.

Organic Products

Russian Butanol Exports (unit-kilo tons)

	Jan-Apr 13	Jan-Apr 12
N-Butanol	35.6	27.6
Isobutanol	30.9	27.9
Total	66.5	55.5

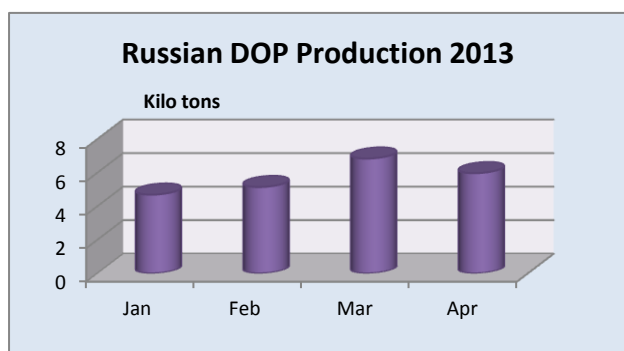
Russian butanols, Jan-Apr 2013

Gazprom Neftekhim Salavat resumed butanol production after scheduled maintenance on 20 May. The resumption of production of 2-ethylhexanol, phthalic anhydride and DOP are not expected before the beginning of June. The company stopped production at these units at the end of April. Domestic sales of butanols amounted to 5,230 tons in April, 30% less than March but 5% higher than in April 2012.

The ratio of n-butanol in the total amount of the butanols sold on the domestic market amounted to 90% in April. SIBUR-Khimprom accounted for 2,310 tons on the domestic market, Gazprom Neftekhim Salavat 1,800 tons, Angarsk Petrochemical Company 820 tons and Azot at Nevinomyssk 300 tons. Aktilat purchased 1,900 tons of

butanols, accounting for 36% of consumption in April. Dmitrievsky chemical plant purchased 1,680 tons, partly for usage in butyl acetate production and partly for export on behalf of Gazprom Neftekhim Salavat. Other consumers of butanols included Volzhskiy Orgsintez (350 tons, or 7%) and Sredneuralskiy copper smelter (130 tons, or 2%), the latter using butanols in the production of flotation reagents. From January to April 2013 Russian producers sold 24,000 tons on the domestic market, unchanged from 2012.

Exports of butanols in April of this year amounted to 18,300 tons, 71% more than in March, but 11% lower than in April 2012. Gazprom Neftekhim Salavat increased shipments abroad by 48% (from 7,800 tons to 11,500 tons). The share of normal butanol in total butanol exports in April 2013 was 54%, and isobutanol 46%. Gazprom Neftekhim Salavat accounted for 63% of total deliveries. The share of SIBUR-Khimprom in Russian exports accounted for 21% and the Angarsk Petrochemical Company 16%. From January to April 2013, exports of butanols from Russia amounted to 66,500 tons, 28% higher than in 2012. The rise was driven by strong demand for butanols in Europe and an increase in production in Russia.



* A fire occurred at the butanols plant at Salavat on 27 May, being caused by propylene. No injuries were reported, but the butanols plant was shut temporarily which may affect production for a few days or possibly longer.

Russian DOP, Jan-Apr 2013

DOP production in Russia amounted to 5,970 tons in April, 13% less than in March. The decline was due to a maintenance stoppage by Gazprom Neftekhim Salavat which began on 20 April, thus reducing production at Salavat by 32% against March to 1,810 tons. The

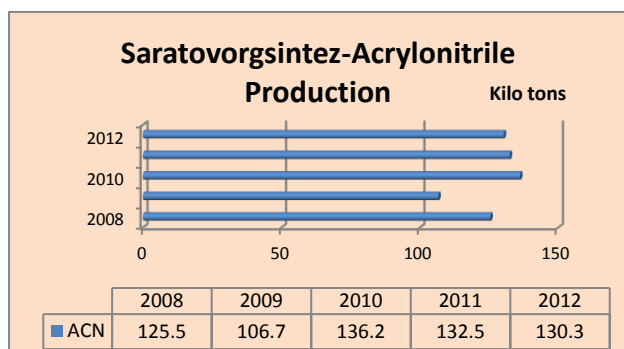
capacity for the production of DOP on the Ural Plant of Plasticizers remains idle. Gazprom Neftekhim Salavat resumed DOP production on 20 May.

Russian pentaerythritol, Jan-Apr 2013

In April, Metafrax produced 1,950 tons of pentaerythritol which is 5% less than in March, and 1% lower than in April 2012. From January to April 2013 pentaerythritol production in Russia amounted to 7,900 tons, 3% lower than in 2012. Metafrax is the sole producer and sells pentaerythritol both on domestic and export markets. The company is currently evaluating prospects for an expansion of capacity at Gubakha.

Russian phthalic anhydride, Jan-Apr 2013

Exports of phthalic anhydride from Russia in April 2013 increased 18% against March, up to 7,800 tons. It was also 3.3 times more than in April 2012. The maximum volume of phthalic anhydride in April 2013 was shipped from Russia to Turkey (30% of total Russian exports), China (26%), India (16%), Ukraine (13%), Finland (5%) and Poland (5%). The sole exporter remains Kamteks-Khimprom which increased shipments by 39% to 27,900 tons in the first four months this year.



LUKoil-SNF polyacrylamide project

LUKoil and the French company SNF SAS have agreed to establish the base for the production of acrylamide and polyacrylamide at the Saratovorgsintez site at Saratov. SNF SAS plans to undertake the project in two phases, involving 50,000 tpa of acrylamide and 30,000 tpa of polyacrylamide. Production is scheduled to start production in the first quarter of 2016.

In the second phase SNF SAS plans to expand the production of polyacrylamide to 60,000 tpa whilst if the market proves extremely robust there will be

consideration to expand polyacrylamide to 100,000 tpa.

Saratovorgsintez, the largest producer of acrylonitrile in the CIS and Central-East Europe will provide the raw materials, supplying up to 20,000 tpa in the first phase. LUKoil is exploring the possible use of polyacrylamide which is used for water purification, in the manufacture of fertilisers, drilling mud in the oil industry, etc.

Russian Chemical Production (unit-kilo tons)

Product	Jan-Apr 13	Jan-Apr 12
Caustic Soda	361.8	366.6
Soda Ash	866.0	964.8
Ethylene	917.0	873.1
Propylene	439.7	415.1
Benzene	398.8	401.6
Xylenes	168.7	169.8
Styrene	217.2	201.5
Phenol	98.8	98.6
Ammonia	4,622	4,625.6
Nitrogen Fertilisers	2,906	2,911.8
Phosphate Fertilisers	1,055	1,081.3
Potash Fertilisers	2,033	2,181.4
Polyethylene	607	568.1
Polystyrene	145.5	134.7
PVC	227.6	223.6
Polypropylene	260.8	246.2
Polyamide	45.7	43.5
Synthetic Rubber	535	505.4
Naphtha	4,500	4,517.1

Other Products

Kamenskhimvolokno 2012

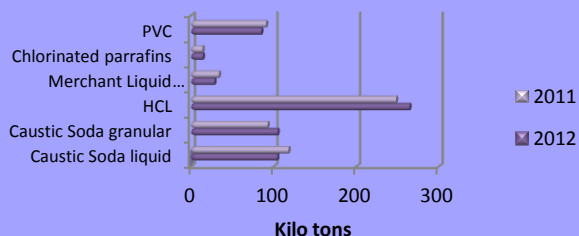
Kamenskvolokno reduced profit 2.6 times in 2012 over 2011 to 85.485 million roubles. Turnover fell for the most of the products produced by the company despite the huge potential in fibre development in Russia. The potential for growth in consumption of aramid fibres could be stimulated by the reconstruction needs of fibre-optic communication lines. By 2020, demand in Russia could potentially reach around 800-1,000 tpa. Another sector involves the application of aramid fibres into the manufacture of body armour, which accounts for around 150-200 tpa. The main consumers in the sector are planning to supply the ambitious programme of the Russian army.

Plant Sintanol starts polycarboxylate production

Plant Sintanol at Dzerzhinsk started production of polycarboxylates in May. In January to March this year the plant completed product testing and made the first sale to Russia. One emerging end-use for polycarboxylates includes concrete mixes for the construction industry. In April Plant Sintanol started design on a new plant for the production of polycarboxylates. The company is a leading producer of surfactants and was founded in 2003 based on the now dismantled Kaprolaktam site at Dzerzhinsk. Plant Sintanol will invest more than 1.5 billion roubles in the construction of innovative products in the next two years.

Chlorine

Kaustik Volgograd Production



Kaustik Volgograd 2012

Kaustik at Volgograd, managed by Nikokhim, achieved a 43% increase in the production of marketable products in 2012 over 2011 up to 9.998 billion roubles. The company attributed the growth rate of addition of Plastkard to Kaustik. The Plastkard division produced 85,300 tons of PVC in 2012. In addition to the Plastkard amalgamation Kaustik increased production of hydrochloric acid by 6.5% to 264,700 tons, and granular caustic soda by 13% to 105,000 tons. The production of chlorinated paraffins increased by 2.4% to 14,500 tons.

Kaustik reduced the production of commercial liquid chlorine by 19.2% to 28,450 tons and liquid caustic soda by 13.5% to 104,630 tons. In February this year, Nikokhim completed the unification under its management of Kaustik including Plastkard and the European chemical company EHK. Nikokhim also possesses a 50% stake in the jv Soligran with Solvay.

Khimprom Novocheboksarsk Q1 2013

Khimprom at Novocheboksarsk reduced revenues in the first quarter 4.4% to 1.25 billion roubles. The gross profit of the company totalled 312.6 million roubles, down by 5%. In 2014 Khimprom plans to put into operation a new production facility for hydrogen peroxide with a capacity of 50,000 tpa. The total investment in the project is more than \$87 million.

Khimprom reduces chlorine production in May

Khimprom at Volgograd was forced to reduce the production of chlorine in May due to the limitation of the steam supply to the plant from the Volgograd hydroelectric power station (part of the LUKoil-Volgograd Energo). Due to the limitations of the steam being provided by the power station Khimprom has been forced to limit the consumption of steam units, the main consumer of which is chlorine electrolysis. Khimprom has sufficient inventory to cover the immediate market requirements, but reports that it is in talks with the owners of the Volgograd hydroelectric power station to resolve the situation.

The supply of industrial steam to Khimprom has been reduced from 80 to 20 tons per hour due to technical issues at the power station. The position does threaten continued chlorine and related chemical production at Khimprom. The Federal Agency for State Property Management owns 51% of the capital stock in Khimprom, whilst about 35% of the shares are owned by Renova Orgsintez.

Khimprom-calcium chloride project

Khimprom at Volgograd plans this year to finalize its draft for a project to produce granular calcium chloride (HKG), based on recycled chlorine-organic waste. The project for HKG is considered within the confines of environmental measures as a way of disposing of waste by recycling. Khimprom has accumulated up to five tons of organochlorine waste production for the needs of the defence complex over a period of several decades.

Plans to establish a new production unit for granulated calcium chloride have been under consideration since 2009, although the project has been delayed by the financial crisis and the availability of funds. The capacity of the intended plant is 55,000 tpa. In terms of ownership the FAS owns 51% of the share capital of Khimprom whilst 35% of the shares belong to Renova Orgsintez.

Ukraine

Ukrainian Benzene Exports 2013



Ukrainian benzene market

Ukrainian sales of benzene In April amounted to 5,600 tons in April, 42% more than in March. Yasinovsky Coke increased sales by 2.5 times in April to 2,600 tons whilst Ukratnafta increased exports of benzene by 15% up to 3,000 tons.

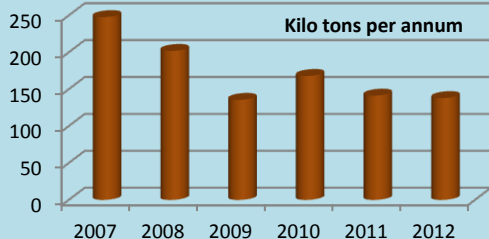
For the first four months in 2013 Ukrainian companies exported 15,500 tons, 26% less than in 2012. The main factor accounting for the drop is the continued inactivity of the Kalush which has not run since September last year. Export opportunities to Russia are likely to be affected in

view of the restart of the Stavrolen plant.

Amongst domestic consumers of benzene in Ukraine Zarya at Rubezhnoye which bought around 2,500 tons of benzene in the period January to April 2013. Caprolactam production at Cherkassy totalled 2,060 tons in April, producing a total of 13,920 tons in the first four months requiring a total of 15,312 tons of benzene. Azot at Cherkassy restored production of caprolactam in late April after closing in March for maintenance.

However, the company varies production quite sharply depending on the shape of the world market, and as a result benzene purchases by Azot almost fluctuate on a monthly basis. Earlier this year Azot stopped production due to the price of benzene, which comprise 30-35% of the cost of production. Moreover, production was suspended at Cherkassy last year due to low profitability and the high price of benzene.

Ukrainian PET Consumption



Ukrainian PET market

The Ukrainian PET market has been in decline in recent years due to a number of factors. PET containers were introduced in Ukraine in the early 1990's and investment in the sector was extremely active in the early 2000s. By 2007 the PET market was the most productive of the polymers in Ukraine and consumption peaked at 247,800 tons, having been only 49,000 tons in 2000. Since 2007 the market has declined year by year. Exports of PET preforms to other countries in the CIS started to decline as local production, particularly in Russia, increased. At the same time PET packaging for

beer has been in decline, whilst there have been technical changes in the weight of preforms affecting Ukrainian producers.

Ukraine does not have its own facilities for the production of PET and these are unlikely to appear in the foreseeable future. The country does not produce xylenes and would have to import PTA in order to produce PET

and any ideas of investment are not on the horizon. China is the main source of imports to Ukraine. The rate of import duty on PET into Ukraine is 1% for Asian countries and zero duty for PET produced in the CIS).

**Ukrainian Domestic Methanol Sales 2012
(unit-kilo tons)**

Company	Location	Consumption
Azot	Severodonetsk	120.0
Stirol	Gorlovka	20.0
KarpatSmol	Kalush	12.0
Ukrtatnafta	Kremenchug	5.7
Others		2.4
Total		160.1

Ukrainian methanol market

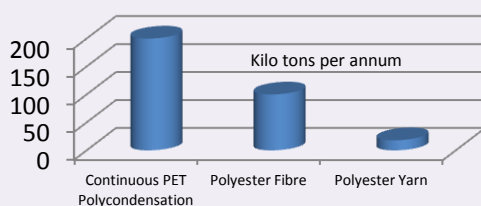
Azot at Severodonetsk reduced methanol sales on the domestic market in April mainly due to the end of the heating season. Sales totalled 1,600 tons, 15% down on March. Resin producer KarpatSmol at Kalush, bought 380 tons from Azot in April.

The imposition of Ukrainian duties on Russian methanol has made domestic supply more competitive, but this has not stopped imports arriving. However KarpatSmol has still found it necessary to buy Russian methanol after resuming production of urea-formaldehyde concentrate and resin. Partly as a result of this restart Ukraine imported 845 tons of methanol in April, twice higher than in March.

KarpatSmol bought 35% of Russian imports followed by 33% going into lubricants and 26% imported by gas companies.

Belarus

**Mogilevkhimvolokno-PET & Polyester
Projects in Planning Stage**



Belarus asks for information from Kazakhstan regarding the PTA project at Mogilev

The Belarussian government has asked Kazakhstan to quickly decide on a joint project for processing of paraxylene to PTA at Mogilevkhimvolokno. The Belarussian government stresses that it has a very large project to process Kazakh paraxylene to PTA and is still waiting for answers. There is no deadline for project completion, but the Belarussian side would like to have an indication from Kazakhstan over its intentions. Total project costs are estimated in the range of \$600-700 million.

Mogilevkhimvolokno has already developed plans for a new PET/polyester complex. The goals and tasks of construction of the polyester complex for Mogilevkhimvolokno include the transition to a modern energy-saving technology for the production of PET from PTA, the introduction of new technology of polyester fibre by direct moulding, and migration to the production of polyester industrial yarn one-step process. The main raw material for the production of polyester products will be PTA rather than DMT.

Switching to PTA will reduce power consumption and improved the production chain. How much overlap will take place between the projects outlined by Mogilevkhimvolokno and the plans being considered at Belarussian-Kazakh government level are yet to be determined. However, the collaboration with Kazakhstan for paraxylene is essential for the switch to PTA and expansion of the polyester division at Mogilev.

**Azot Grodno Production
(unit-kilo tons)**

Product	Jan-Apr 13	Jan-Apr 12
Methanol	29.8	29.5
Caprolactam	45.7	46.3
Polyamide primary	23.0	16.5
Polyamide filled	3.4	3.6
Ammonia	372.9	361.5
Urea	342.2	333.6
Fertilisers	268.6	264.2

Belarussian chemical production

Azot at Grodno produced 45,900 tons of caprolactam in the first four months in 2013, almost the same as in 2012. Benzene production in Belarus decreased by 10% in April to 10,800 tons. In the first four months in 2013 tons in April benzene production at the Novopolotsk and Mozyr refineries amounted to 48,400 tons, which is practically the same as 2012.

Naftan announced a tender in May for the purchase of acetone for delivery in the third quarter to Polymir. The planned volume of 4,500 tons is divided into two lots of 750 tons and one lot of 3,000 tons. The tender remains open until 18 June.

Exports of potash fertilisers from Belarus in the first quarter of this year increased by 38.8% against 2012 totalling 955,000 tons. Export of nitrogen fertilisers from Belarus in January-March increased 3.5 times to 63,047 tons.

Azot opens new polyamide plant at Grodno

Khimvolokno, part of Azot Grodno, has announced the launch of its 91,000 tpa polyamide 6 production plant. The multi line facility in Grodno is replacing seven old lines that have been closed down and will allow the company to nearly double its production capacity at the site from 140 to 260 tons per day. Most of the pellets produced by the new polymerisation unit are processed into carpet yarn and high quality tyre cord at a spinning mill adjacent to the plant. The remainder is used to produce engineering plastics, or for various other applications in the global market.

Uhde Inventa-Fischer supplied the project's basic and detailed engineering, the know-how licence, in addition to equipment and supervision of the plant's installation and commissioning activities. Piping engineering was carried out by Uhde's Russian affiliate OOO Uhde.

Prochem-Belarusian wax project

Polish company Prochem signed an agreement in Belarus to build a mineral wax plant at a value of €48.2 million. In July last year, Prochem signed an agreement to build a turnkey plant for high purity paraffin, oil and grease, along with the development of energy complex.

Kronospan invests in Belarus

Kronospan (Austria) plans to invest around \$140 million in construction in Belarus for a plant producing oriented strand board (OSB). More than \$30 million will be invested in the plant which will be the first of its kind in Belarus. Plant start-up is scheduled for September 2014. Kronospan is also studying the possibility of building a plant for the production of urea-formaldehyde resins. Investment in the project could amount to \$33 million. The plant would be located in the unused production area of Mogilevkhimvolokno.

The German company Dieffenbacher will supply Kronospan equipment for the OSB plant. Dieffenbacher will deliver the complete plant with a production capacity of 2.8 million m³ of OSB per day. Delivery of the equipment should be completed within seven months.

Belaruskali-potassium hydroxide and HCL projects

Belaruskali plans by the end of the year to start production of potassium hydroxide and hydrochloric acid at Soligorsk. In addition to potassium hydroxide and hydrochloric acid, Belaruskali will produce sodium hypochlorite. The planned capacities include 10,000 tpa of 100% potassium hydroxide, 17,500 tons of 35% solution hydrochloric acid and 4,200 tpa of sodium hypochlorite. The project provides capacity growth in the construction of the second phase of investment to 50,000 tpa of potassium hydroxide. The plant under construction will utilise membrane technology, which should ensure a high level of environmental protection. Belaruskali expects to invest about \$100 million in the project this year.

Polycarbonate processing at Novopolotsk

BelTitan has announced the launch of the project for the production of polycarbonate at Novopolotsk. The plant is scheduled for the 4th quarter of 2013. The supplier of equipment and technology the Italian company Omipa and consists of a production capacity of the first stage of 4,000 tpa.

The product range will include the company's most popular market cellular sheets with a width of 2100 mm, length of 12 m and a thickness of 4 to 20 mm. The products will be sold under the trade name TitanPlast. BelTitan Group, founded in 2006, is a market leader in plastics and packaging in Belarus. Omipa is the inventor of the technology and a world leader in the manufacture of equipment for the processing of polycarbonate.

Central Asia

Azerkhimya-petrochemical production

Azerkhimya reduced propylene production in April by 3% to 4,300 tons of which 1,400 tons was used captively. In the first four months in 2013 Azerkhimya produced 15,600 tons of monomer. Part of the propylene production is exported to Russia to Saratovorgsintez. The volume of butylene-butadiene fractions totalled 2,700 tons, which is 2% more than in March. Since the beginning of the year Azerkhima produced 10,000 tons of C4s.

Uzbekneftegaz-1,4 butanediol project

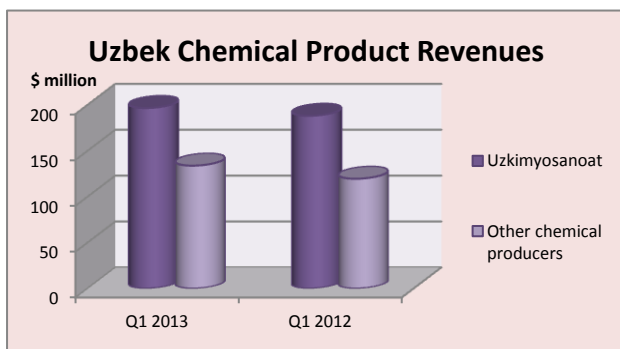
Uzbekneftegaz has announced plans to build a plant for the production of 1,4 butanediol (BDO) in Uzbekistan, and has established a start-up date of 2016-2017. In the second half of this year Uzbekneftegaz will concentrate on a pre-feasibility study, with the aim in the second half of 2014 to approve the funding and start of construction. The project is valued at around \$200 million, including the construction of facilities for production of at least 40,000 tpa of BDO using natural gas and methanol as the feedstock base.

The raw materials will be supplied from the Mubarek Gas Processing Plant in Kashkadarya region in the south of the country. Preparation of the terms of reference for the project is being undertaken by the South Korean company IRED. Initial agreements were reported at the end of 2012. The construction period for the BDO project

has been estimated at two years, assuming licence technology agreements can be reached. Future plans associated with the project involve developing the production of spandex within the confines of the state chemical holding Uzkimyo sanoat (Uzkhimprom).

Uzbekistan-gas chemical production expansion

Uzbekistan has set ambitious targets to increase output of production of gas chemical products by around nine times over the next five years, principally based on the processing of hydrocarbon raw materials at Ustyurt and Mubarek gas chemical complexes. Revenues from the chemical industry are currently small and rising only modestly. However, revenues can be expected to jump sharply when the BDO project and the large-scale polyolefin projects are completed and production is up and running.



In the first quarter this year, revenues from chemical products in Uzbekistan amounted to \$330.570 million which was 7.4% up on the same period in 2012. Production of plant protection agents rose 67.9% in the first quarter to 956.3 tons, representing the largest increase in the industry. Exports from chemicals totalled \$177.2 million in the first quarter, 33.9% up on last year. Of the producers the state holding Uzkimyo sanoat is the most important, accounting for around 60% of revenues and primarily at present focused on fertilisers. In the first three months of 2013, the holding company produced 289,660 tons of mineral fertilisers, including 217,350 tons

of nitrogen fertilisers, 38,630 tons of phosphate fertilisers and 33,680 tons of potash fertilisers. Exports of chemical products grew by 10% in the first quarter of 2013.

Navoi azot-ammonia project tender

Navoi azot announced a tender in May for the construction of a turnkey complex for the production of ammonia. The project includes 900,000 tpa of ammonia and 1 million tpa of urea. Funding for projects worth \$980 million will be financed by Navoi azot's own funds, the Fund for Reconstruction and Development of Uzbekistan, and foreign banks. Project construction is intended to last 38 months and bids for the project will be accepted up till 9 July. Urea production in Uzbekistan increased by 1.7% in 2012 over 2011 to 513,500 tons in bulk.

Navoi azot is the largest producer of chemical products in Uzbekistan and currently has an open tender until 9 July for the construction of a complex for the production of caustic soda, PVC and methanol. The company is planning to invest around \$440 million in this whole project. The project envisages the construction of a complex with capacities for 50,000 tpa of PVC and 32,000 tpa of caustic soda. Construction is being targeted for a period of 31 months.

Relevant Currencies

Czech crown. Kc. \$1= 20.753. €1 = 25.833: Hungarian Forint. Ft. \$1 = 229.448. €1 = 288.154: Polish zloty. zl. \$1=3.414. €1 =4.280: Bulgarian leva: \$1 = 1.5956. €1= 1.557: Romanian Lei. \$1 = 3.555. €1= 4.463: Croatian Kuna HRK. \$1 = 5.998. €1= 7.530: Ukrainian hryvnia. \$1=8.07. €1 = 10.140: Rus rouble. \$1 = 33.192. €1= 41.867

Contents Issue No 270

CENTRAL & SOUTH EAST EUROPE	2
PETROCHEMICALS	2
MOL, Q1 2013	2
TVK, Q1 2013	2
TVK-butadiene project	3
Slovaft, Q1 2013	3
CHEMICALS	3
Grupa Azoty, Q1 2013	3
ZCh Police, Q1 2013	4
ZA Pulawy, Jan-Mar 2013	4
Ciech-soda ash expansion & Q1 2013	4
PCC Rokita, Q1 2013	5
Synthos, Q1 2013	5
RUSSIA	6
Russian chemical company performance 2013	6
FEEDSTOCKS & PETROCHEMICAL PRODUCER NEWS.....	6
Russian naphtha, Jan-Apr 2013	6
Russian C4s Jan-Apr 2013	6
Russian gas feedstocks	6
SIBUR, Q1 2013	7
Nizhnekamskneftekhim Q1 2013	7
Kazanorgsintez Q1 2013	8
Gazprom Neftekhim Salavat, Q1 2013	8
Ufaorgsintez Q1 2013	9
Russian petrochemical sales, Jan-Apr 2013	9
BULK POLYMERS	10
Russian polyethylene imports	10
Russian HDPE market	10
Russian polyethylene pipes 2012	10
Russian PVC market, Jan-Apr 2013	11
Russian PET market, Jan-Apr 2013	11
AROMATICS & DERIVATIVES	11
Aromatic monomers	11
Russian benzene market, Jan-Apr 2013	12
Russian phenol market, Jan-Apr 2013	12
Kuibyshevazot, Q1 2013	12
Russian BPA & Polycarbonate 2012	13
SYNTHETIC RUBBER	13
Russian synthetic rubber production	13
SIBUR-thermoelastomer plant start-up	14
Voronezhsintezkavuk, Q1 2013	14
Krasnoyarsk Synthetic Rubber Plant, Q1 2013	14
Nizhnenkanskneftekhim, Q1 2013 and new plants	15
Efremov Synthetic Rubber Plant to be purchased	15
Omsk Kavuk Q1 2013	15

METHANOL & AMMONIA	16
Russian methanol, Jan-Apr 2013.....	16
Togliattiazot, Q1 2013.....	16
Shchekinoazot-new methanol project under review	17
Evrokhim, Q1 2013.....	17
ORGANIC PRODUCTS	17
Russian butanols, Jan-Apr 2013	17
Russian DOP, Jan-Apr 2013.....	18
Russian pentaerythritol, Jan-Apr 2013.....	18
Russian phthalic anhydride, Jan-Apr 2013.....	18
LUKoil-SNF polyacrylamide project.....	18
CHLORINE	19
Kaustik Volgograd 2012	19
Khimprom Novocheboksarsk Q1 2013.....	19
Khimprom reduces chlorine production in May	19
Khimprom-calcium chloride project.....	20
OTHER PRODUCTS	19
Kamenskhimvolokno 2012	19
Plant Sintanol starts polycarboxylate production	19
UKRAINE.....	20
Ukrainian benzene market.....	20
Ukrainian methanol market.....	21
Ukrainian PET market.....	20
BELARUS.....	21
Belarus asks for information from Kazakhstan regarding the PTA project at Mogilev	21
Belarussian chemical production.....	21
Azot opens new polyamide plant at Grodno.....	22
Prochem-Belarussian wax project	22
Kronospan invests in Belarus.....	22
Belaruskali-potassium hydroxide and HCL projects	22
Polycarbonate processing at Novopolotsk	22
CENTRAL ASIA	22
Azerkhimya-petrochemical production.....	22
Uzbekneftegaz-1,4 butanediol project	22
Uzbekistan-gas chemical production expansion	23
Navoiyazot-ammonia project tender.....	23

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