

CIREC

MONTHLY NEWS

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

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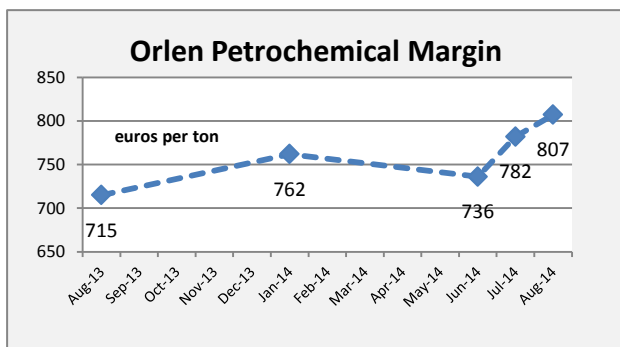
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CENTRAL & SOUTH EAST EUROPE

Petrochemicals



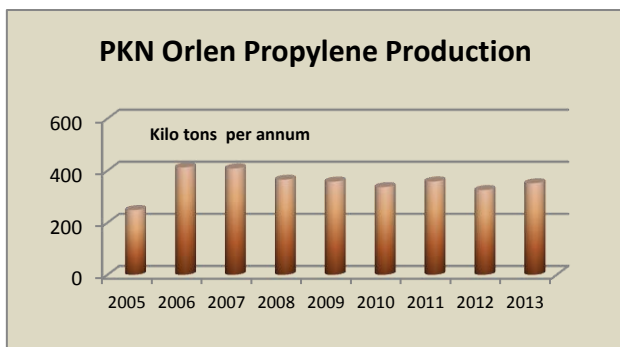
PKN Orlen-petrochemical margins

PKN Orlen generated a petrochemical margin of €807 per ton in August, the highest achieved by the company since May 2012. August was the second month in a row in which Orlen's petrochemical margin has increased significantly, rising 3.2% against July. In January this year the margin was €762 per ton and declined steadily to €736 per ton up to June, but then in July a 6% rise saw margins at €782 per ton. In August last year, by comparison, the margin for petrochemicals was €715 per ton.

PKN Orlen stopped its Olefin II complex for planned maintenance in September; the shutdown intended to last until the end of the month. Olefin II at Plock was established in the period 1977-1980. Following modernisation by Lummus in 2005 increased capacity by almost double to 700,000 tpa of ethylene and 385,000 tpa.

PCC Exol-Orlen ethylene oxide contract

PCC Exol concluded a contract with PKN Orlen in September for the supply of ethylene oxide on a continued basis, extending an agreement made in 2012. PCC Rokita 100% subsidiary PCC Exol started production at its 30,000 tpa ethoxylation plant at Plock in 2011. Plock was selected as a site for the new plant for non-ionic surfactants for its proximity to PKN Orlen in order to receive ethylene oxide by pipeline without the need to transport it to PCC Rokita's base at Brzeg Dolny. The capacity of PCC Rokita's ethoxylation plant at Brzeg Dolny comprises 35,000 tpa, thus giving the group 65,000 tpa in total.



PKN Orlen-propylene project

CB&I has secured a contract from PKN Orlen to provide services for an on-purpose propylene production unit at Plock. Under the contract, CB&I will licence and design a metathesis plant, which will incorporate its Lummus olefins conversion technology.

The unit will have the capacity to produce 100,000 tpa of polymer-grade propylene for use in internal operations.

Poland is currently a net importer of propylene, where it is consumed in the production of polypropylene, phenol and oxo alcohols.

The Plock petrochemical complex will supply feedstock for the unit. The metathesis plant is a key development project for the company in petrochemicals, as part of its recently announced strategy for 2014-2017. The project allows the company to further develop its downstream sector by integration of the value chain. Work on the project is scheduled to commence in 2016 and production is expected to start in late 2017.

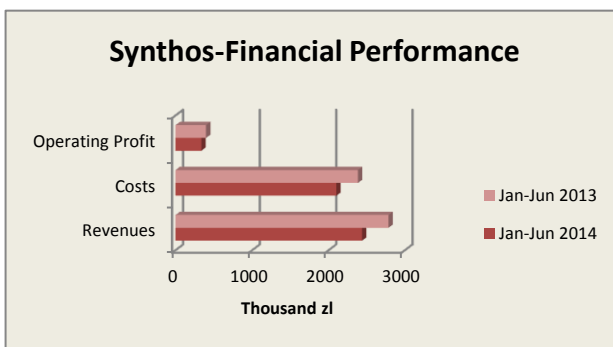
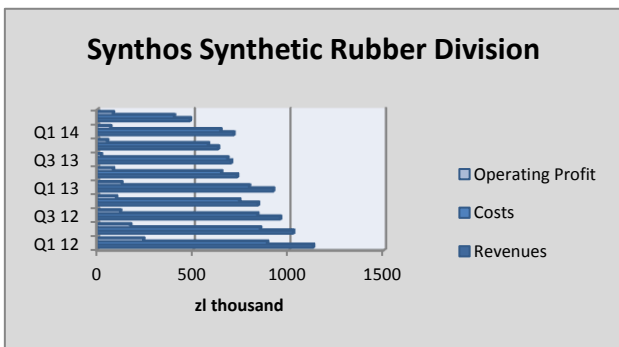
Synthos butadiene project-Brazil

The project to build a factory by Synthos for production of synthetic rubber in the Triunfo Petrochemical Complex in Brazil has been suspended due to uncertainty over butadiene supply. When establishing the draft of the project earlier this year Synthos imposed a provision whereby if Braskem could guarantee butadiene supply by 30 June the project would be shelved. Braskem continues to negotiate with Petrobras to provide the guarantees required by Synthos for the project to be resumed. The plant's capacity was intended to comprise 90,000 tpa, and would represent a significant increase in the production of elastomers in Brazil helping to replace current imports.

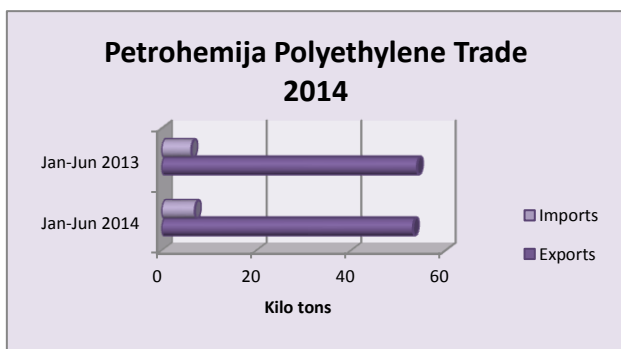
Synthos, Jan-Jun 2014

Synthos intends to obtain financing on international markets by issuing bonds, in order to support its investment programme. Revenues for Synthos in the second quarter amounted to zł 1.07 billion, taking the total for the first

half of 2014 to zł 2.35 billion. The group net profit for Synthos amounted to zł 60.7 million in the second quarter. Operating profit amounted to zł 131.4 million, 17% up on 2013, taking the total for January to June to zł 252.2 million.



Margins for synthetic rubber were adversely affected by low prices of butadiene. However, a positive impact on results took a turn from the growing sales of polybutadiene rubber Nd BR. Overall the profit from the rubber and latex sector profit rubber and latex fell in the first half to zł 151.4 million from zł 220.5 million in 2013. The styrene sector's profit increased to zł 69.3 million from zł 7.2 million whilst the energy sector fell to zł 14.3 million from zł 25.8 million.



Petrohemija-shutdown

HIP Petrohemija stopped production for maintenance on 5 September and will not restart until 31 October. In addition to revitalizing the drive, control and repair of production equipment, the period will be used for carrying out the preparatory activities for the execution of capital projects to improve the energy efficiency of production and reduce production costs.

Oltchim-oxo alcohol restart

Oltchim resumed production of oxo-alcohols at its 40,000 tpa plant at Ramnicu Valcea. The plant has been shut for over two years but improved performance at Oltchim has allowed a restart. However the 65,000 tpa DOP plant will remain closed. Other plants that remain closed, with no prospect for a quick restart, include ethylene, polyethylene (PE), VCM, caustic soda, ethylene oxide and phthalic anhydride.

The next auction for the sale and privatisation of Oltchim is scheduled for 15 December 2014. Oltchim's privatisation failed again earlier this year not due necessarily to a lack of interest, but more due to the lack of preparation or readiness of investors to spend money on the chemical complex. Chimcomplex has maintained its interest in the privatisation offer for Oltchim and believes that it could make Oltchim profitable within a relatively short period. Other parties that have shown interest in Oltchim include Baota Petrochemical Group and Junlun Petroleum from China, as well as investors from Russia, Hungary and Azerbaijan.

The European Commission has asked Romania to provide details on the privatisation of Oltchim, following suspicions of the state not behaving like a private investor, and taking over Petrom's Arpechim refinery might create advantages to this oil company. Petrom closed Arpechim in 2011, as the demand of oil products was low on the domestic market; the refinery is now in conservation. The EU has asked Romania to demonstrate private investor behaviour as regards the privatisation of Oltchim.

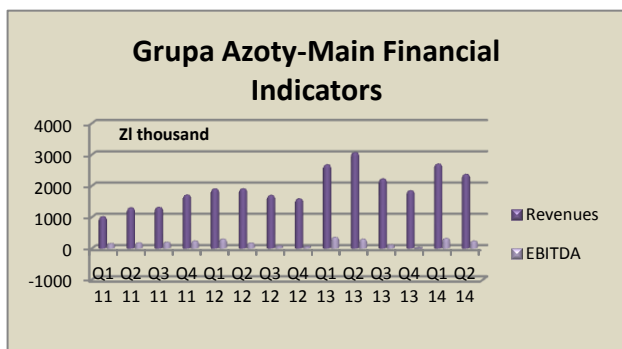


Chemicals

Polish gas supply

After a temporary stoppage of gas supply in September deliveries have been received as per

normal for the Polish fertiliser producers. Outside of the fertiliser sector PKN Orlen has not encountered disruptions to date. Polish gas company PGNiG is striving to reach a new agreement with Gazprom by November this year, although that may not stop Gazprom using gas as a political weapon.

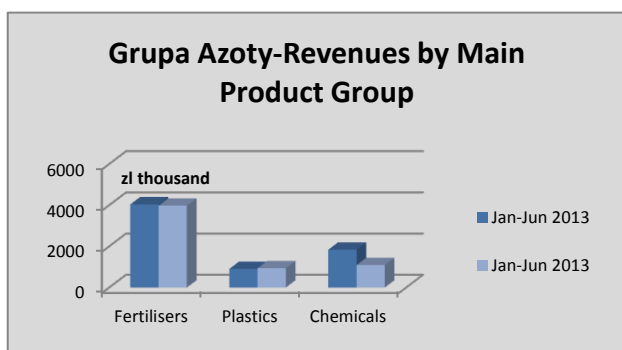


Recent reductions have reiterated the need to possess more than one source of gas supply and the importance of the Świnoujście LNG terminal on the Polish coast. Although slightly behind schedule, construction of the terminal is expected to be completed in late 2014 and 2015, and thus shipments are expected to commence in the next half year. The terminal is being connected by pipeline the Polish transmission system.

Grupa Azoty, Jan-Jun 2014

The main threats to profitability for Grupa Azoty include the price and continuity of supply of natural gas, and thus events in Ukraine represent a major concern. In the first half of 2014 natural gas contract prices for Grupa Azoty fell to \$10/MMBtu from \$10.57/MMBtu, whilst the average spot price dropped from \$10.72/MMBtu to \$9.32/MMBtu. The main source of the gas supply for PGNiG from Russia, supplemented by domestic production and imports from the west.

Operating costs for Grupa Azoty in the first half of 2014 were recorded at zł 4.756 billion, higher by zł 72.174 million over 2013. Costs dropped for raw materials but rose in other areas of the business. The chemical division recorded a 3% increase in revenues in the first half of 2014. Fertiliser sales amounted to zł 2.856 billion which comprised 56.3% of total revenues for Grupa Azoty. Plastics sales amounted to zł 0.732 billion, 92.1% which was achieved through exports, and accounted for 14.4% of total revenues.



The chemical division for Grupa Azoty includes the former division for oxo alcohols and plasticizers, in addition to new products melamine and sulphur. Revenues in the chemical division amounted to zł 1.312 billion, comprising 25.9% of total revenues. Exports accounted to 63.5% of the chemical division's sales in the first half of 2014.

In the first half of 2014 the average price of propylene for Grupa Azoty Kedzierzyn increased to €1,132/ton against €1,053/ton in 2013. The demand for oxo alcohols in Europe was positive although market demand for plasticizers DEHP maintained a downward trend with the benefit of substitution by DOTP. Prices for n-butanol dropped to €1,129/ton against €1,148/ton in the same period last year. The same trend was seen in DEHP and DOTP.

Due to strong supply melamine prices were down in the first half of 2014, averaging €1,344/ton against €1,443/ton. Hydrogen peroxide prices averaged €920/ton in the first half of 2014 against €918/ton in 2013, whilst titanium dioxide prices dropped from €2,471/ton to €2,350/ton. The average price of ilmenite fell from \$245/ton in 2013 to \$122/ton in the first half of 2014, whilst for titanium slag the price fell from \$1,003/ton to \$620/ton.

The decline in prices of caprolactam was to some extent due to price declines for benzene. The caprolactam market is defined as a balanced. Average prices for polyamide 6 for the first half amounted to €2,054/ton, against €2,013/ton in 2013. The higher price level this year for polyamides is due to strong demand from the automotive industry, which shows a strong upward trend, especially in Germany and the UK. Other applications where demand has been good this year have included electrical and electronic sectors.

ZCh Police, Jan-Jun 2014

Azoty group company ZCh Police recorded its best results for many the second quarter, achieving a profit of zł 36 million. Part of the increase in profits is attributed include access to cheaper phosphates from Senegal where Police has taken over its own source of raw materials. During the second quarter of 2014 revenues for the company amounted to zł 617 million. The company increased capital investment by 60% compared to the first half

of 2013 carrying out two important tasks including the construction of a flue gas cleaning, worth more than zł 160 million and an ammonia unit at a cost of zł 156 million.

Polish Chemical Production (unit-kilo tons)

Product	Jan-Aug 14	Jan-Aug 13
Caustic Soda Liquid	200.5	209.8
Caustic Soda Solid	55.4	52.3
Soda Ash	709.0	688.4
Ethylene	325.2	336.0
Propylene	235.8	235.5
Butadiene	39.9	37.0
Toluene	9.3	11.8
Phenol	20.1	22.7
Caprolactam	109.6	105.5
Acetic Acid	6.0	5.4
Polyethylene	232.6	237.8
Polystyrene	48.0	35.7
EPS	45.3	50.6
PVC	198.9	208.2
Polypropylene	155.0	178.0
Synthetic Rubber	131.4	130.0
Ammonia (Gaseous)	875.9	849.1
Ammonia (Liquid)	868.2	839.8
Pesticides	25.7	14.8
Nitric Acid	1543.0	1521.0
Nitrogen Fertilisers	1282.0	1204.0
Phosphate Fertilisers	276.9	254.1
Potassium Fertilisers	207.1	213.6

Titanium dioxide markets this year have been affected by high inventory and decreasing demand in China, which accounts for around 30% of global production. Due to the current political situation in Ukraine and Crimea experienced difficulty in finding transport and transport of titanium white from that region to Europe.

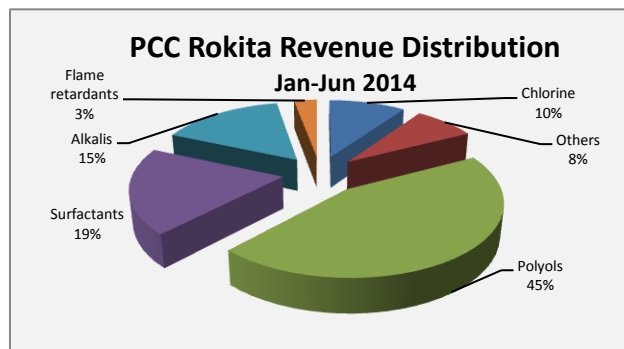
ZCh Police's fertiliser sales accounted for 86% of revenues in the first half of 2014 (EBIT of zł 34.207 million) against 13% for pigments (EBIT zł 12.360 million). Margins for pigments were helped by lower costs for ilmenite and titanium slag. In the fertiliser division although natural gas costs were lower a bigger decline was recorded for ammonia and urea prices.

Indorama PET reconstruction

Uhde Inventa-Fischer has executed the revamp of a plant for the production of bottle and packaging-grade PET for Indorama Ventures Poland at Wloclawek. The capacity of the polycondensation plant, which was built and commissioned by Uhde Inventa-Fischer in 2002 originally for SK Eurochem, was increased from 160,000 to 216,000 tpa. At the same time, the production costs have been considerably reduced through economies of scale and an improvement in energy and feedstock efficiency. Uhde Inventa-Fischer undertook basic and detail engineering, supply of all core equipment. It also supervised the revamp and re-commissioning processes.

PCC Rokita, Jan-Jun 2014

PCC Rokita generated revenues of zł 531.4 million in the first half of 2014, 10.2% down on last year. Declines in revenues, profits and margins were recorded are mainly due to 2013 being more successful than expected following abnormally high prices of alkalis. Even so, for the first half of the year the sales margin for PCC Rokita amounted to 17%, the EBITDA margin of 10.6% and the operating margin stood at 6.5%.



In June PCC Rokita conducted an initial public offering (IPO) through the issue of new shares over zł 50 million. The funds will be used to increase the production capacity of polyols and polyurethane systems, increasing the production capacity of propylene oxide plant and research and development.

investment, increase production capacity in Complex Chemistry Chlorine Complex Phosphor and modernisation of power plants, laboratory space, and intensive development in the area of polyols and polyurethane systems.

In the next few months, PCC Rokita will focus on the further implementation of membrane electrolysis

PCC Exol, Jan-Jun 2014

In the first half of the PCC Exol generated revenues of zł 251.6 million, 10.0% more than in 2013. Domestic sales accounted for 48.6% of revenues. Profit from sales amounted to zł 31.0 million, the EBITDA zł 14.3 million, operating profit of zł 9.6 million and a net profit of zł 2.6 million. In terms of ratios the profit margin from sales was 12.3%, EBITDA 5.7% and the operating margin 3.8%.

PCC Exol's activities focus primarily on increasing participation in the sales structure of high-margin specialty surfactants. At the beginning of last year Exol bought US company PCC Chemax, which for many years has been the development of such products. PCC Exol is the largest producer of surfactants in Poland and Central and East Europe. PCC Exol is the sole producer of anionic and non-ionic surfactants in Poland.

RUSSIA

Russian Chemical Commodity Exports

<i>Product</i>	<i>Jan-Jul 14 Kilo tons</i>	<i>Jan-Jul 13 USD Mil</i>	<i>Jan-Jul 14 Kilo tons</i>	<i>Jan-Jul 13 USD Mil</i>
Ammonia	1,948	790	1,880	905
Methanol	993	402	854	297
Nitrogen Fertilisers	7,168	1,938	6,985	2,229
Potash	5,710	1,477	3,512	1,292
Mixed Fertilisers	5,071	1,821	5,691	2,203
Synthetic Rubber	486	1,082	555	1,474

Russian chemical trade

Russian imports have started to feel the effects of the rouble devaluation and international sanctions with a 15.6% drop in total inward shipments from non-CIS countries in August against July. Overall for the period January to August this year imports were down 4.4% and that figure might be expected to rise as the year progresses, particularly as the rouble has been allowed to float. Aggregate economic growth is largely stagnant inside Russia, which could be attributed to poor management of the

economy by the government and is now faced by deteriorating international relations.

Russian Chemical Production (unit-kilo tons)

<i>Product</i>	<i>Jan-Aug 14</i>	<i>Jan-Aug 13</i>
Caustic Soda	693.1	692.4
Soda Ash	1,657.6	1,671.0
Ethylene	1,586.8	1,780.0
Propylene	970.2	863.8
Benzene	756.0	793.2
Xylenes	356.4	352.6
Styrene	412.6	456.5
Phenol	191.6	187.8
Ammonia	9,951.7	9,506.0
Nitrogen Fertilisers	5,588.8	5,505.0
Phosphate Fertilisers	2,177.3	2,138.0
Potash Fertilisers	5,634.5	4,533.0
Plastics in Bulk	4,130.2	3,999.0
Polyethylene	1,074.2	1,230.0
Polystyrene	356.9	297.0
PVC	431.5	426.2
Polypropylene	622.2	555.2
Polyamide	98.1	89.6
Synthetic Rubber	849.7	990.0

Sanctions have started to affect certain economic sectors and individual companies, involving the loss of contracts across the board, but the fall in oil prices under \$100 may be more significant in the short term. By estimates, Russia needs to sell oil at around \$117/barrel to support its state apparatus and budget and when there is a deficit the Kremlin is being required to utilise its reserves.

Russian imports of chemical products in August were affected by a 16.5% drop in the purchase of pharmaceutical products, polymers and rubber by 13.1% and the products of organic and inorganic chemistry by 9.2%. The mainstream chemical industry has avoided direct sanctions, although indirectly some companies have been affected. Import substitution for chemical products is advocated amongst government and business circles in order to counter-balance the effects of a depreciating rouble and the economic effects resulting from Russian activity in Ukraine.

Over the past decade product substitution in chemical and polymer products has been limited to selective areas of industry, but fundamentally has not altered the overall dependency on imports of higher added value products. The government intends to draw up and promote an investment programme for chemical products across the industry. However, as private investment decides upon which plants to build the government is very limited in what influence it can extend on industry.

Several key chemical projects have made progress in recent weeks, including SIBUR at Tobolsk for a large new petrochemical complex, NHC at Nakhodka which intends to build a world scale methanol and ammonia complex, and Baltic Gas & Chemical which intends to build a world scale methanol plant at Ust Luga. The Nakhodka and Ust Luga projects represent sound investments as both plants are located on the coast at opposite ends of Russia, and will allow natural gas to be monetised through chemical exports.

SIBUR's project at Tobolsk is far more important in relation to the Russian economy, developing a complex that is not only a major asset to the Tobolsk region but also providing the polymers necessary that can help construction and automotive industries inside Russia. The Tobolsk region should become an important economic entity, involving the development of a large-scale chemical and plastics cluster. These large-scale chemical projects could represent the tip of the iceberg if Russia's government supported free, fair and open markets.

Such is the determination of the Kremlin to retain control over economic affairs that free enterprise is heavily stifled. Efforts moreover to create a Eurasian trade block have only attracted Belarus and Kazakhstan, and failed to interest Ukraine and other former Soviet Central Asian republics.

Russian petrochemical projects

Purovsky-Tobolsk feedstock supply

SIBUR has started the delivery of NGLs from the Purovsky gas condensate processing plant in West Siberia to Tobolsk-Neftekhim, via Pyt-Yakh, utilising the new pipeline which comprises 1100 km in length. The pipeline possesses the capacity to transport 4 million tpa of NGLs from the Purovsky plant to the loading rack near Noyabrsk, after which the capacity rises to 5.5 million tpa to Yuzhniy-Balyk before then rising to 8 million tpa for delivery to Tobolsk. At present the railway structure at Tobolsk, including the railway station Denisovka, is being expanded in order to help cope with the higher processing volumes by Tobolsk-Neftekhim. The aim is to double the volume shipments from Tobolsk through the construction of additional 19 tracks and 25 km of railway.



The NGL pipeline project has been devised to consolidate the light hydrocarbon resources of the Yamal-Nenets and Khanty-Mansiisk Autonomous District for transportation and processing at Tobolsk.

Gas fractionating capacity was increased last year from 3.8 million tpa to 6.6 million tpa, whilst SIBUR has also been assessing the feasibility of proceeding with plans to construct the petrochemical complex at Tobolsk. This project has now been given approval, based on the FEED process.

ZapSibNeftekhim petrochemical complex approved

After completion of the FEED contracts and assessment of the design documentation, SIBUR has decided to proceed in 2014, with overall capex budget for 2014 increasing from 53 billion roubles to 74 billion roubles.

with the ZapSibNeftekhim project. SIBUR's Board of Directors has approved increased funding for the project in

Gazprom-Amur gas-chemical project

Gazprom reports to have made progress in identifying a site for the construction of a gas processing plant and helium complex in the Amur region. The possibility of constructing a gas-chemical complex in the region has been enhanced significantly by the decision to build the Power of Siberia natural gas pipeline to China. SIBUR, in turn, is considering building a world scale gas-chemical complex adjacent to the gas processing complex including a capacity of about 2.4 million tpa of polyethylene. Due to the high costs of the project SIBUR would have to raise loans or find a strategic partner. Sinopec has stated a readiness in principle to support SIBUR, and finance could be available through Korean banks

According to Gazprom, the first line of the Power of Siberia pipeline will be put into operation by 2018, from Chayanda to Blagoveshchensk. The first phase of gas processing plant should be commissioned by the end of 2018. Russian company Cryogenmash is undertaking work on the FEED documentation for the installation of separation of ethane and natural gas liquids for the Amur Gas Processing Plant. The cost of the contract is estimated at 1.3 billion roubles, with work expected to be finished by 30 April 2015.

On 1 September 2014 an official ceremony took place marking the start of the construction of Power of Siberia pipeline, which includes a total length of 4,000 km including a capacity of 61 billion cubic metres per annum. The indications are that the start of construction of the Power of Siberia gas pipeline to China has thrown up possibilities for the petrochemical industry in the Russian Far East. Amur and Irkutsk projects are well-documented but other proposals are being put forward in addition, particularly for the Khabarovsk territory.

ZapSibNeftekhim's project is being designed to operate a steam cracker (by Linde) with a capacity of 1.5 million tpa of ethylene, around 500,000 tpa of propylene and 100,000 tpa of C4s.

Polyolefin capacities include 1.5 million tpa of various grades of polyethylene (Ineos license) and a polypropylene unit of 500,000 tpa (license LyondellBasell). SIBUR has signed an agreement to design infrastructure and off-site facilities with NIPGazpererabotka, Russia's leading engineering centre in the gas processing industry.

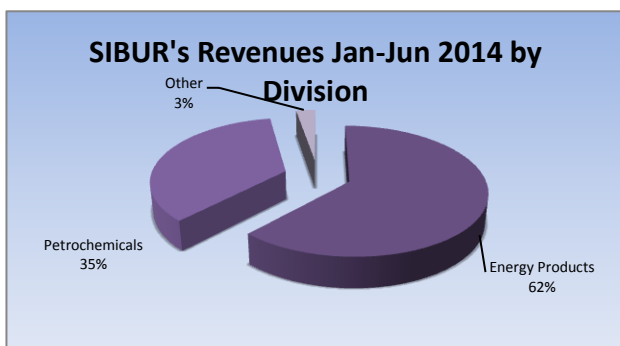
According to preliminary estimates, total investment in the ZapSibNeftekhim project will amount to approximately \$9.5 billion, including the expenditure already incurred and costs budgeted for commissioning. The production site infrastructure construction and other works for the project are to be completed within five and a half years.

SIBUR's projects in the Tyumen Region are part of the investment agreement with the Tobolsk regional Government and the Tobolsk City Administration aimed at comprehensive development of the Tobolsk production site.

This agreement covered, among other projects, the construction of the Tobolsk-Polymer polypropylene

production facility, put into operation in 2013, gas fractionation capacity expansion and railway infrastructure development, commissioned in 2014, along with the construction of the main pipeline between Purovsky Gas Condensate Processing Plant and Tobolsk-Neftekhim.

Russian petrochemical producers & markets



SIBUR, Jan-Jun 2014

SIBUR increased its net profit for the first half of 2014 almost three times to 75.7 billion roubles, against 25.5 billion roubles in 2013. The increase was mainly attributable to a 52,773 billion non-cash gain on the acquisition from Rosneft of a 49% stake in OOO Yugragazpererabotka. The profit margin amounted to 44.1% versus 19.6% in the first half of 2013.

In the first half of 2014, revenues increased by 32.1% to 171.712 billion roubles compared to 130.030 billion roubles in the first half of 2013. The operating profit benefited from the commissioning of new facilities, mainly at Tobolsk, and the devaluation of the rouble. SIBUR's EBITDA for the January-June amounted to 49.5 billion roubles, which is 29.8% higher than in 2013. The EBITDA margin amounted to 28.8% compared to 29.3% in 2013.

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

	Jan-Jun 14	Jan-Jun 13
Sales to Petrochem division	414.2	353.0
Domestic Sales	408.9	386.0
Exports	1344.0	1058.8
Total	1027.9	887.0

In the first half of 2014, operating expenses increased by 45.3% to 141.382 billion roubles from 97.297 billion roubles in 2013. As a percentage of total revenue, operating expenses increased to 82.3% from 74.8% in the first half of 2013. Feedstock and material costs increased by 16.9% to 38.879 billion roubles from 33,257 billion roubles in the first half of 2013. As a percentage of total revenue, feedstock and materials costs dropped to 22.6% in the first half of 2014 from 25.6% in the first half of 2013. The increase in absolute terms was driven by higher

expenses related to purchases of hydrocarbon feedstock, polypropylene and certain intermediates.

SIBUR's Energy Based Product Sales (billion roubles)

Domestic	Jan-Jun 14	Jan-Jun 13
LPG	6.303	5.030
Naphtha	0.819	3.406
Natural Gas	17.589	12.735
MTBE	8.999	8.234
Crude Gas Liquids	3.03	2.736
Other Fuels/Additives	1.169	1.623
Exports	Jan-Jun 14	Jan-Jun 13
LPG	33.068	22.068
Naphtha	33.4	8.478
Natural Gas	0	0
MTBE	0	1.532
Crude Gas Liquids	2.157	1.755
Other Fuels/Additives	0.63	0.84

SIBUR-energy products, Jan-Jun 2014

In the first half of 2014, SIBUR's revenue from sales of energy products increased by 59.8% to 107.394 billion roubles from 67.219 billion roubles in the first half of 2013. A substantial expansion of trading activities took place following the launch of the Ust-Luga transshipment facility at the end of 2013, which resulted in a significant increase in naphtha sales volumes. Domestic sales accounted for energy product sales against 49.8% in 2013. The increase in export volumes was attributable to higher LPG and naphtha seaborne sales following the launch of the Ust-Luga transshipment facility. SIBUR's gas refineries increased volumes of associated gas by 7.4% to 10.3 billion cubic metres. The group produced about 2.5 million tons of natural gas liquids, 7.4% higher than a year earlier.

In the first half of 2014, revenues from LPG sales increased by 45.3% to 39.371 billion roubles from 27.098 billion in the first half of 2013. The increase in external LPG sales was based on a 12.6% production rise from higher fractionation volumes at Tobolsk. Domestic sales accounted for 16.0% of total LPG revenue, opposed to 84.0% for export sales.

In the first half of 2014, SIBUR's revenue from naphtha exports and domestic sales rose sharply by 187.9% to 34.219 billion roubles from 11.884 billion in the first half of 2013. External naphtha sales volumes rose on a substantial expansion in trading activities following the launch of the Ust-Luga transshipment facility at the end of 2013. Exports of naphtha accounted for 97.6% of revenue from 71.3% in the first six months of 2013.

SIBUR petrochemicals, Jan-Jun 2014

In the first half of 2014, SIBUR's revenue from sales of petrochemical products increased by 3.4% to 59.930 billion roubles from 57.984 billion roubles mainly on higher revenue from sales of basic polymers in addition to plastics and organic synthesis products. The growth in revenue from sales of bulk polymers was primarily attributable to higher polypropylene production following the launch of Tobolsk-Polymer in the second half of 2013. Revenue from sales of synthetic rubber continued to decline in a persistently weak market environment.

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

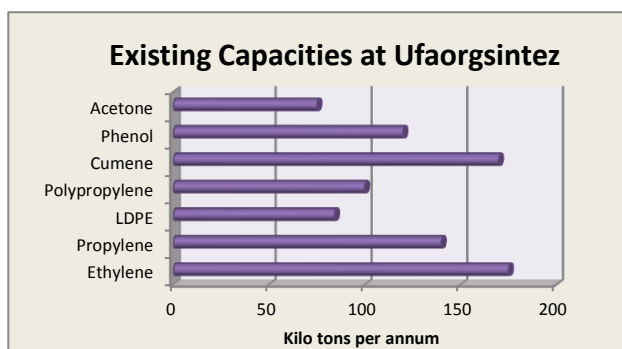
Product	Jan-Jun 14	Jan-Jun 13
Benzene	51.9	71.4
Styrene	89.7	87.0
PTA	132.1	129.2
Propylene	252.4	152.9
Ethylene Oxide	66.7	88.7
Butadiene	106.1	110.2
Isoprene	30.4	23.8
Isobutylene	74.6	41.1
Ethylene	225.1	271.1
Other Intermediates	591.4	476.0
Other Chemicals	325.4	370.0
Purchases from 3rd parties	8.1	2.9
Total	1953.7	1824.3

Polymer production rose 50% to 301,590 tons in January to June 2014, whilst synthetic rubber production dropped 15.2% to 183,820 tons. Products in the plastics and organic synthesis products group fell by 7.3%, amounting to 415,000 tons.

In the first half of 2014, revenues from sales of intermediates and other chemicals declined by 14.4% to 8.396 billion roubles from 9.814 billion roubles in 2013. The decline was largely attributable to shutdowns at production sites at Kstovo and Dzerzhinsk and lower sales of PTA, as a result of higher internal use following the PET capacity expansion by Polief. Out of 1.9 million tons of intermediates and other chemicals produced in the first six months of 2014, SIBUR used 91.4% internally for further intercompany processing. This measured against 87.9% in the same period of 2013.

Ufaorgsintez, Jan-Jun 2014

Ufaorgsintez reduced its net profit in the first half of 2014 45.5% against the same period last year to 691.19 million roubles. The company's revenue for January-June increased by 37% to 13.56 billion roubles, whilst the cost of sales increased from 8.22 billion roubles to 12.21 billion roubles. Domestic sales accounted for 71% of shipments in 2014. Revenues were derived from sales of polyethylene and polypropylene.



Last year Ufaorgsintez reduced its net profit by 45.9% compared with 2012 to 1.74 billion roubles whilst revenue rose 21.9% to 20.91 billion roubles. Ufaorgsintez produces phenol, acetone, synthetic ethylene-propylene rubber, polyethylene of high and low pressure, polypropylene, with more than 30 petrochemical products and more than 25 types of consumer goods.

Gazprom neftekhim Salavat, Jan-Jun 2014

Gazprom neftekhim Salavat increased its net profit 16 times to 309.370 million roubles in the first half of 2014, although that still only represents only 0.3% of total revenues. Petrochemicals accounts for around a third of

revenues for Gazprom neftekhim Salavat; in the first half of 2014 diesel fuel accounted for 37.10% of revenues, and gasoline and distillate condensate 18.98%. From the sale of vacuum gas oil (VGO) the company received 13.27% of revenues.

The share of Gazprom neftekhim Salavat in Russian petrochemical production for the first half in 2014 comprised 13.34% for ethylene, ethylbenzene 25.20%, propylene 8.93%, benzene 12.83% and styrene 26.04%. For organic chemical and polymers butanols comprised 33.17%, polystyrene 9.77%, LDPE 5.89% and HDPE 11.71%.

Ammonia production amounted to 114,500 tons in the first half of 2014, 3% higher than in the same period last year, whilst urea production totalled 3.148 million tons, 2% down on 2013. Exports accounted for 90% of urea sales.

Russian Ethylene Production (unit-kilo tons)		
Producer	Jan-Jul 14	Jan-Jul 13
Angarsk Polymer Plant	124.7	130.1
Kazanorgsintez	308.6	312.8
Stavrolen	53.6	196.8
Nizhnekamskneftekhim	376.7	373.4
SANORS	45.3	47.8
Gazprom N Salavat	165.5	162.6
SIBUR-Neftekhim	68.9	127.1
SIBUR-Khimprom	28.4	29.9
Tomskneftekhim	158.0	150.1
Ufaorgsintez	76.1	74.3
Total	1405.9	1605.0

Russian olefins, , Jan-Aug 2014

Russian ethylene production fell by 11% in July against June to 165,400 tons due largely to maintenance. Gazprom neftekhim Salavat was down the whole month, whilst Angarsk Polymer Plant was down partially and reduced production 28% against June to 13,300 tons. For the first seven months of 2014 Russian ethylene production totalled 1.4 million tons which was 12% down against 2013.

Russian Propylene Domestic Sales (unit-kilo tons)		
Producer	Jan-Aug 14	Jan-Aug 13
Angarsk Polymer Plant	56.3	41.1
Omsk Kaucuk	1.0	2.7
SIBUR-Kstovo	42.9	68.4
Akrlat	7.9	2.0
LUKoil-NNOS	104.1	96.2
Tomskneftekhim	4.8	0.1
Gazprom neftekhim Salavat	21.2	0.0
SIBUR-Khimprom	1.1	0.0
Stavrolen	3.3	2.9
Tobolsk-Polymer	5.7	0.0
Total	248.3	213.4

Nizhnekamskneftekhim stopped ethylene and propylene production for scheduled maintenance from 14 September, lasting for three weeks. The polyolefin facilities will not be affected as ethylene and propylene supply has been built up to cover this period.

Russian producers of propylene reduced its production in July by 8% to 99,200 tons. Maintenance by Gazprom neftekhim Salavat meant there was no production in July. In addition, the Angarsk Polymer Plant reduced production by 30% to 7,000 tons. From January to July 2014 at domestic plants produced 824,700 tons of propylene, 6% less than in the first seven months of 2013.

Russian propylene, Jan-Aug 2014

In July, sales of Russian propane-propylene fraction in the domestic market increased by 33% to 12,300 tons. For the first seven months this year, sales declined 18% to 80,900 tons. Russian sales of propylene in the period January to July 2014 totalled 225,400 tons, 18% up on 2013.

Russian styrene, Jan-Aug 2014

Styrene sales in the Russian domestic market totalled 5,800 tons in August, taking the total to 54,900 tons for the first eight months in 2014. This is 12% less than in the same period of 2013. After resumption of production on 24 August, Gazprom neftekhim Salavat restarted domestic sales. However, due to repairs by the largest merchant buyer on the market Penoplex the demand for styrene has been low.

Russian Styrene Production (unit-kilo tons)		
Producer	Jan-Jul 14	Jan-Jul 13
Nizhnekamskneftekhim	163.0	140.8
Angarsk Polymer Plant	20.9	21.7
SIBUR-Khimprom	72.5	63.3
Gazprom Neftekhim Salavat	86.4	105.3
Plastik, Uzlovaya	28.3	34.4
Total	371.0	365.6

In July, Russia's production of styrene was reduced by 29% to 41,500 tons due to maintenance. Gazprom neftekhim Salavat produced only 120 tons of the product, against 15,100 tons in June. The planned overhaul of the Angarsk Polymer Plant also reduced the production of styrene by 19% to 2,500 tons. Production of styrene in the first seven months in 2014 totalled 372,700 tons, unchanged from last year.

Russian exports of styrene decreased by 30% in July over June to 6,000 tons. Significant declines were due to a maintenance shutdown by Gazprom neftekhim Salavat, which exported 6,800 tons in June. At the same time, Angarsk Polymer Plant increased its supply of styrene to Chinese consumers by 3.3 times, to 5,800 tons. From the beginning of 2014, Russian companies exported 71,500 tons of monomer, 4% less than in the first seven months last year.

Bulk Polymers**Russian HDPE, Jan-Aug 2014**

HDPE production in Russia totalled 579,100 tons in the period January to August 2014 against 687,200 tons in 2013. Aside the main factor of the idled Stavrolen plant Gazprom neftekhim Salavat increased production in the first eight months from 47,000 tons to 59,700 tons.

Russian HDPE Production (unit-kilo tons)		
Producer	Jan-Aug 14	Jan-Aug 13
Kazanorgsintez	353.8	314.3
Stavrolen	47.9	204.9
Nizhnekamskneftekhim	117.7	121.0
Gazprom Neftekhim Salavat	59.7	47.0
Total	579.1	687.2

Kazanorgsintez increased production 8% to 353,800 tons, whilst Nizhnekamskneftekhim reduced production from 121,000 tons to 117,700 tons. Lower production by Nizhnekamskneftekhim was the result of using the plant for LLDPE. Gazprom neftekhim Salavat has significantly

increased its capacity utilisation and HDPE production this year due to higher ethylene production.

Russian HDPE Imports (unit-kilo tons)

Category	Jan-Aug 14	Jan-Aug 13
Extrusion	38.9	48.9
Pipe	51.4	48.9
Film	22.0	30.4
Blow	29.3	25.0
Injection	32.4	33.4
Others	8.6	18.5
Total	182.6	205.0

Gazprom neftekhim Salavat shut down its HDPE for an unplanned outage at the start of September for a few days. Gazprom neftekhim Salavat's HDPE capacity is 120,000 tpa with the possibility of its increase to 200,000 tpa. Kazanorgsintez stopped the production of HDPE for scheduled maintenance works from 10 September to 18 September. The producer resumes HDPE production after the turnaround from 5, October and also will be delayed for several days. Kazanorgsintez is the largest producer of polyethylene in Russia with total capacity of 730,000 tpa, including 540,000 tpa for HDPE. Due to market shortages for HDPE Nizhnekamskneftekhim does not plan to shut for the turnaround this year.

HDPE imports fell 11% in January to August to 182,500 tons against 205,000 tons last year. The greatest reduction occurred in the supply for the production of HDPE film and extrusion coating large diameter steel pipes, while imports of polyethylene blow, on the contrary, increased.

Russian Polypropylene Imports (unit-kilo tons)

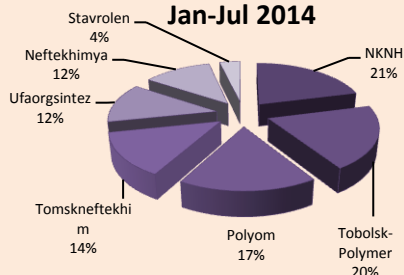
Category	Jan-Aug 14	Jan-Aug 13
Homopolymers	39.8	52.0
Block	30.8	37.9
Random	21.7	25.3
Other	25.2	27.6
Total	117.5	142.8

Russian polypropylene, Jan-Aug 2014

Russian polypropylene imports declined 18% in the period January to August 2014 to 117,500 tons against 142,800 tons in the same period last year. Imports declined for all types of polypropylene, but the largest drop occurred in a propylene homopolymer by 31% to 39,700 tons.

Russian polypropylene exports increased 85% in the period January to August 2014 to 119,300 tons from 64,600 tons last year. The rise in exports was due mainly due to the start-up of new plants at Tobolsk and Omsk. Most of the exports consisted of homopolymers, accounting for

97% of shipments, whilst the remainder was made up of copolymers.

Russian Polypropylene Production, Jan-Jul 2014


For the first seven months of this year, production of polypropylene in Russia increased by 18% to 561,900 tons. Polyom resumed production in early September after a scheduled outage for maintenance after a nearly three-week shut down for maintenance. The plant was shut down for a turnaround on 11 August.

Nearly all Russian producers are engaged in bringing new grades of polypropylene on to the market. However, it is not possible to completely abandon imports as there are special high quality grades that are not produced in the country. Despite the efforts of domestic producers to

expand the assortment of vintage Russian processors copolymers are still dependent on imports of this type of polypropylene. Nizhnekamskneftekhim plans to increase production of propylene block copolymers in August to over 10,000 tons. The increase is due to increased demand for unique brands and systematic movement enterprises to reduce production of homopolymers.

SIBUR Polyolefin Sales (unit-kilo tons)

Polypropylene	Jan-Jun 14	Jan-Jun 13
Exports	64.9	23.7
Domestic Sales	106.0	69.4
Total	170.8	93.1
LDPE	Jan-Jun 14	Jan-Jun 13
Exports	56.4	51.7
Domestic Sales	77.2	69.6
Total	133.6	121.3

SIBUR-polyolefin sales Jan-Jun 2014

In the first half of 2014, revenue from sales of basic polymers increased by 58.2% to 16.695 billion roubles from 10.555 billion roubles in the first half of 2013. The increase was largely attributable to higher polypropylene sales following the launch of Tobolsk-Polymer in the second half of 2013. In the first half 2014, domestic sales amounted to 60.2% of the total polymer revenue, and 39.8% went to exports.

In the first half of 2014, SIBUR's revenue from sales of polypropylene increased by 93.9% to 9.269 billion roubles from 4.780 billion roubles in the first half of 2013, on an 83.4% increase in volumes and a 5.7% increase in prices. The rise in polypropylene sales was primarily attributable to a 141.2% increase in polypropylene production following the launch of Tobolsk-Polymer. Furthermore export prices rose, although domestic prices were

contained relatively by the introduction of new capacity. In the first half of 2014, domestic sales accounted for 62.5% of total polypropylene revenue.

SIBUR Polypropylene Sales (billion roubles)		
Sales	Jan-Jun 14	Jan-Jun 13
Domestic	5,477	3,650
Exports	2,607	1,130
Total	8,084	4,780

In the first half of 2014, SIBUR's revenue from sales of LDPE increased by 28.6% to 7.426 billion roubles compared to 5.775 billion in the first half of 2013. This was due mainly to a 16.7% increase in the average price and a 10.1% growth in sales volumes. The increase in LDPE sales volumes on largely flat production was a result of inventory sales as opposed to inventory accumulation in the first half of 2013. In the first half of 2014, domestic sales accounted for 57.4% of total LDPE revenue.

SIBUR LDPE Sales (billion roubles)		
Sales	Jan-Jun 14	Jan-Jun 13
Domestic Sales	4,161	3,408
Exports	3,166	2,638
Total	7,327	4,538

Russian PVC, Jan-Aug 2014

Russian PVC imports declined 33% in the first eight months in 2014 to 196,700 tons. The declines were mainly seen in reduced volumes from the US and Europe, whilst Chinese producers were able to increase shipments based on low prices.

Russian PVC Imports (unit-kilo tons)		
Source	Jan-Aug 14	Jan-Aug 13
US	41.4	113.8
China	117.6	98.3
Europe	26.3	21.0
Others	8.9	4.8
Total	194.2	238.0

Russian PVC production totalled 379,400 tons in the period January to July 2014, 1% higher than in 2013. Production in July amounted to 57,000 tons versus 56,100 tons in June. Sayanskkhimplast produced 27,400 tons against 27,300 tons in June, taking the total to 179,600 tons in 2014. Bashkir Soda produced 132,800 tons in January to July, Kaustik 56,100 tons and Khimprom 11,000 tons. Imports dropped 41% to 161,800 tons from 272,800 tons.

RusVinyl started commercial production of suspension PVC at Kstovo in September after successful trial runs were held in August. The completion of the project represents a major development for the Russian PVC market.

Further expansions

The PVC market in Russia is not growing quite as quickly as when the RusVinyl project was first conceived between SIBUR and Solvay, and despite a few signs of weakening still offers good growth prospects in the short to medium term. Investment is continuing into processing equipment for existing producers, even if the first half of this year saw a decline in equipment purchases from \$76.6 million in January to June 2013 to \$58 million in the same period in 2014. In order to support the industry the Russian government has allocated 168.5 million roubles for 2015 to pay subsidies to producers of plastic products and for 2016 another 179 million roubles.

Russian polycarbonate, Jan-Aug 2014

In January-August imports of polycarbonate to the Russian market fell by 6% against the supply of the same period last year and amounted to 29,600 tons. Over the eight months of the extrusion sector accounted for 68% of total imports in the market. The main reasons for the general decline in the import performance is the devaluation of the rouble and rising domestic prices for the products of foreign manufacturers.

Russian polycarbonate production increased 9% in January to July 2014 to 41,000 tons. Kazanorgsintez restarted production on 17 August after stopping for maintenance on 21 July. The Russian polycarbonate market increased by 7% over the first seven months of 2014, amounting to 60,000 tons. Increased consumption was mostly owed to the extrusion sector.

PTA/PET & Fibres

Russian Paraxylene Domestic Sales (unit-kilo tons)		
Producer	Jan-Aug 14	Jan-Aug 13
Gazprom Neft	49.7	30.9
Ufaneftekhim	73.8	81.4
Kinef, Kirishi	0.2	0.0
Total	123.4	112.2

Russian PET imports, Jan-Jul 2014

In January-July PET imports into Russia increased by 35% against 2013 to 143,000 tons. The growth of imports has been due to the competitive price of Chinese suppliers, although the weaker rouble seems likely to affect volumes in the latter part of the year. In July, the volume of imports fell by 26% relative to June and amounted to about 15,000 tons.

Alko-Naphtha-PET production

The European partner of Alko-Naphtha received approval for exemption

from import duty (outward processing relief OPR) for the supply of PET in Europe. OPR provides a partial exemption from import duty on PET, which was produced using European materials outside the European Union. Consequently Alko-Naphtha's import duty was reduced from 6.5% (effective from 1 January duties for the Russian producers of PET) to 1%. Alko-Naphtha produced 145,000 tons of PET in 2013 and hopes to produce 180,000 tons in 2014. Almost all of the production is sold in the Russian domestic market.

SIBUR Paraxylene, PTA-PET Chain (unit-kilo tons)		
Product	Jan-Jun 14	Jan-Jun 13
Paraxylene Purchases	87.5	86.9
PTA Production	132.1	129.2
PTA Domestic Sales	14.5	36.3
PTA Exports	8.0	0.3
PET Production	141.8	107.7

Nizhnekamskneftekhim has won a case in the Court of Arbitration of the Kaliningrad region proceedings against the Alko-Nafta for late payments for MEG worth 326 million roubles. 20,000 tons of MEG was delivered from Nizhnekamsk to Kaliningrad for PET production in 2013, but payment was not received.

SIBUR PET market, Jan-Jun 2014

In the first half of 2014, SIBUR's revenue from PET sales increased by 25.2% to 6.749 billion roubles from 5.392 billion roubles, as a result of a 29.4% increase in sales volumes and a 3.3% decline in

the average price. The increase in sales volumes was primarily attributable to a 31.7% growth in production volumes following the completion of a PET capacity expansion project at Blagoveshchensk. This increased capacity from 140,000 tpa to 210,000 tpa. Domestic sales accounted for 99.7% of SIBUR's total PET revenues in the first half of the year.

Russian Benzene Domestic Purchases (unit-kilo tons)		
Consumer	Jan-Aug 14	Jan-Aug 13
Kuibyshevazot	86.1	83.1
Azot Kemerovo	56.8	81.8
Shchekinoazot	36.2	28.8
Kazanorgsintez	42.6	46.3
Nizhnekamskneftekhim	34.5	4.8
Uralorgsintez	44.8	35.2
Omsk Kaucuk	25.7	46.4
Chelyabinsk MK	5.7	0.4
Samaraorgsintez	30.8	37.1
West Siberian MK	25.3	27.0
SIBUR-Khimprom	51.7	54.2
Gazprom Neftekhim Salavat	11.2	16.4
Promsintez	9.5	12.2
Zavod im Ya M Sverdlov	9.7	14.4
Novolipetsk MK	3.3	7.6
Tumazi Carbon	9.5	1.0
Others	7.3	7.0
Ufaneftekhim	2.5	0.0
Total	493.0	503.5

Russian polyamide, Jan-Jul 2014

Polyamide imports fell 18% in the first eight months to 8,200 tons. For the period January to August 2014, 66,800 tons was exported which was 22% higher than last year. In this period 7,200 tons was imported which is 18% lower than last year. A key reason for the decline in import volumes is the depreciation of the rouble and the high level of domestic prices, as well as weak consumer activity. The main consumers of Russian polyamide exports for the first eight months included China (40%), India (20%), Turkey (15%) and Germany (10%).

Aromatics & derivatives

Russian benzene, Jan-Aug 2014

Russian domestic sales of benzene amounted to 66,400 tons in August, 17% more than in July. After completing after maintenance, SIBUR-Kstovo increased domestic shipments by eight times in August over July to 5,000 tons. Slavneft-Yanos increased sales of benzene by 19% to 6,200 tons, whilst Omsk Kaucuk supplied 4,300 tons to the domestic market for the first time in a long period.

For January to August, domestic sales in Russia totalled 493,000 tons, 3% down against last year. The largest domestic consumer in this period was Kuibyshevazot, which purchased 86,100 tons against 83,100 tons in January to August 2013. For the period January to August, Kazakhstan exported 2,600 tons of benzene to Russia which was 13% more than in 2013.

Russian Orthoxylene Domestic Sales (unit-kilo tons)		
Producer	Jan-Aug 14	Jan-Aug 13
Gazprom Neft	45.4	43.8
Ufaneftekhim	22.7	21.8
Kinef, Kirishi	31.8	23.3
Total	99.9	92.0

Russian orthoxylene, Jan-Aug 2014

Exports of orthoxylene from Russia amounted to 6,050 tons in July, four times higher than in June. From January to July 2014 shipments totalled 38,300 tons, 56% more than 2013. Russian producers sold 12,670 tons of orthoxylene in August, 9% less than in July. Kamteks Khimprom accounted for 53% of purchases in August. Russian manufacturers of paints reduced purchases of orthoxylene by 3% to 1,770 tons, whilst manufacturers of fuel, agrochemical, pharmaceutical and other products

purchased 2,550 tons which was 42% down. In the first eight months in 2014 Russian domestic sales of orthoxylene crisis amounted to 101,000 tons which is 10% up on 2013.

Russian Phthalic Anhydride Production (unit-kilo tons)		
Producer	Jan-Aug 14	Jan-Aug 13
Gazprom n Salavat	5.9	5.4
Kamteks-Khimprom,	68.1	66.2
Total	74.0	71.6

Russia produced 7,804 tons of phthalic anhydride in August, 3% down against July due to an outage at Gazprom neftekhim Salavat. Russia produced 74,000 tons in January to August 2014, 5% up on 2013.

Russian phenol, Jan-Aug 2014

Russian phenol production dropped 10% in August against July to 16,000 tons, due mainly to maintenance by Ufaorgsintez. Production was also down 10% in July against June to 18,000 tons, this time due to maintenance by Kazanorgsintez, which reduced monthly production by 40% against June to 3,700 tons. Ufaorgsintez increased phenol production in July by 35% over June to 6,400 tons and Samaraorgsintez by 1% to 8,000 tons. In July, Ufaorgsintez exported 120 tons of phenol, most of which went to Belarus.

Russian Phenol Sales by Producer (unit-kilo tons)		
Producer	Jan-Aug 14	Jan-Jul 13
Omsk Kaucuk	10.9	37.6
Samaraorgsintez	34.5	26.1
Kazanorgsintez	6.8	6.2
Ufaorgsintez	24.8	15.6
Total	77.0	85.4

In August Samaraorgsintez produced 8,000 tons of phenol, unchanged from July, whilst Kazanorgsintez produced 3,800 tons which was 3% up. Low demand for phenol on the domestic market allowed Samaraorgsintez to export 670 tons in August, 83% of which was delivered to Poland and the remainder to Latvia. Demand in September in the Russian market improved slightly and Samaraorgsintez expected to sell all of its phenol domestically.

Omsk Kaucuk has registered cumene in accordance with the requirements of REACH. The decision on its registration was accepted by the European Chemicals Agency in early September, allowing Omsk Kaucuk to deliver the product to EU markets. The company has already launched a study of the market and the needs of potential partners.

Russian Caprolactam Production (unit-kilo tons)		
Producer	Jan-Aug 14	Jan-Aug 13
Kuibyshevazot	121.8	124.4
Shchekinoazot	24.1	54.4
SDS Azot Kemerovo	57.1	43.4
Total	202.9	222.2

Russian aniline duties

The Council of the Eurasian Economic Commission (Customs Union) approved the zero rate of import duty on aniline from 15 September 2014, falling from 0%, and will remain in place until the end of 2015. Reduction of duties will help consumers in Russia, Kazakhstan and Belarus as well as promote the development of domestic production of aniline. Currently, the production of aniline

in the Customs Union is only available in Russia from Volzhskiy Orgsintez and Pigment, which only around for around 10% of consumption.

Last year Russia's deficit in aniline in the domestic market was estimated at 30,000 tons. The main applications for aniline in Russia include gasoline additive that increases the octane number (monomethylaniline), intermediates for dyes, polyisocyanates, vulcanization accelerators, medicines, etc. Khimprom at Novocheboksarsk is a major consumer of aniline, using it to produce chemical additives.

Russian MDI duties

The Council of the Eurasian Economic Commission ((Customs Union) approved the zero rate of import duty on polymeric MDI from 1 November 2014, falling from 0%. This differs from the amino-resin MDI rate which is being reduced from 10% to 7.7% in compliance with WTO agreements. Polymeric MDI covers the production of building insulation, car seats and furniture, insulation of refrigeration systems, pipes, etc. Russia lacks its own capacity to produce polymeric MDI. Although projects have been planned in the past the reluctance of foreign companies to license technology has provided a stumbling block.

Russian Tyre Production (unit-mil pieces)		
Product	Jan-Aug 14	Jan-Aug 13
Car Tyres	22.7	24.0
Lorry tyres	4.3	5.3
Agricultural tyres	2.0	2.1
Total	29.0	31.5

Synthetic Rubber

Russian tyre news

Nizhnekamskneftekhim signed a long-term contract with Pirelli in September four years regarding an increase in the supply of all grades of synthetic rubber. Bridgestone and Continental are also both interested in long term supplies from Nizhnekamskneftekhim's butyl

rubber and synthetic rubber plants.

The Eurasian Economic Commission (Customs Union) has begun a new anti-dumping investigation against China regarding truck tyres. China accounted for 64% of total imports of truck tyres into Russia 2013, taking an estimated 23% of the total Russian market. As a result of import pressure Russian tyre manufacturers were forced last year to incur losses in order to compete with Chinese importers.

Chinese duties on Russian synthetic rubber

The Chinese Ministry of Commerce has cancelled the anti-dumping duty on imports of styrene-butadiene rubber from Russia, in addition to Japan and South Korea. Earlier this year Chinese authorities recommended domestic companies to keep the anti-dumping duty on imports of synthetic rubber which was to expire by 8 September. As there was insufficient pressure from local companies the duties have expired. The duty, which was established in 2009, was set at 38% for Nizhnekamskneftekhim and Efremov Synthetic Rubber Plant, and lower rates for other Russian producers. Until 2009, China operated a zero rate of import duty on styrene-butadiene rubber.

Sintez-Kaucuk-isoprene

Holding company TAU Neftekhim has launched a unit for the production of commodity isoprene at Sintez-Kaucuk at Sterlitamak, in addition to the existing unit. Investment in the project exceeded 26 million roubles, comprising a capacity of 22,000 tpa.

Omsk Kaucuk, Jan-Jun 2014

Omsk Kaucuk undertook a two-week shutdown for its synthetic rubber plant in the second half of August. Despite the extended outage at the phenol and acetone plants Omsk Kaucuk increased net profit in the first half of 2014 by 3% to 998,000 roubles. Revenues for Omsk Kaucuk increased by 2.4% to 2.48 billion roubles, whilst

costs amounted to 2.17 billion roubles against 2.14 billion roubles in 2013.

The company notes that during the first half year C4 prices rose due to the outage of Stavrolen. Omsk Kaucuk managed to increase production of styrene-butadiene rubber in the second quarter. The priority areas of investments for Omsk Kaucuk include the launch of production of styrene-butadiene rubbers, construction of a specialized department for processing and return of chemical waste, and the reconstruction of the nitrogen-oxygen station.

Russian C4 Sales by Consumer (unit-kilo tons)

Consumer	Jan-Aug 14	Jan-Aug 13
Omsk Kaucuk	52.9	51.7
Nizhnekamskneftekhim	104.7	89.6
Togliattikaucuk	82.2	98.2
Sterlitamak Petrochemical	6.1	4.2
Total	245.9	189.4

Russian C4s, Jan-Aug 2014

C4 sales amounted to 21,100 tons in August, 19% more than in July. Sales were helped by increased availability from SIBUR-Kstovo after maintenance, shipping 6,200 tons which was 39.3 times up on July. Due to downtime by Stavrolen in Russia total sales from domestic producers dropped 15% in the first eight months in 2014 to 179,100 tons. Imports rose 1.7 times to 66,800 tons, of which over half came from Belarus and the remainder from Azerbaijan, Iran, Slovakia and France. Stavrolen is not expected to restart until early 2015 and thus

imports are expected to feature in the market for the rest of the year.

SIBUR-Synthetic Rubber Production (unit-kilo tons)

	Jan-Jun 14	Jan-Jun 13
Commodity Rubber	112.1	156.9
Speciality Rubber	43.6	44.2
Thermoplastic elastomers	28.1	15.6
3rd part purchases	0.4	6.6
Total	96.8	122.8

SIBUR-Synthetic Rubber Sales (million roubles)

	Jan-Jun 14	Jan-Jun 13
Commodity Rubber	4,025	6,248
Speciality Rubber	7,912	8,677
Thermoplastic elastomers	2,844	2,984
Total	14,781	17,909

SIBUR, synthetic rubber production, Jan-Jun 2014

In the first half of 2014, SIBUR's revenue from synthetic rubber sales decreased by 20.1% to 13.488 billion roubles from 16.878 billion roubles in the first half of 2013. This was largely due to lower revenue from sales of commodity rubbers and relatively flat revenues from specialty rubbers, partially compensated by higher revenue from sales of thermoplastic elastomers. Revenue from sales of thermoplastic elastomers was supported by growth in sales volumes following the launch of the new production facility at Voronezh (capacity of 50,000 tpa). In the first six months of 2014, domestic sales accounted for 35.5% of SIBUR's total synthetic rubber revenues.

Commodity Rubbers

In the first half of 2014, SIBUR's revenue from sales of commodity rubbers declined by 33.1% to 7.861 billion roubles from 11.745 billion roubles in 2013. This resulted from a 28.6% decrease in sales volumes and a 6.3%

decline in average prices. Production dropped 28.5% against the first half of 2014 on the back of the unfavorable market environment. The decrease in sales volumes was also attributable to lower third-party purchases. Important factors included Asian prices for natural rubber which in the period January to June 2014 declined on average by nearly 30% in US dollar terms, whilst European prices for styrene-butadiene rubber were down more than 12% in euro terms. Butadiene prices declined 28% this year and styrene 3%. In the first six months of 2014, domestic sales accounted for 41.4% of SIBUR's total commodity rubber revenues.

Methanol

Russian Methanol Consumption (unit-kilo tons)

Consumer	Jan-Aug 14	Jan-Aug 13
Nizhnekamskneftekhim	156.8	169.1
Togliattikaucuk	69.4	70.2
Uralorgsintez	45.2	49.4
SIBUR-Khimprom	7.9	8.1
Tobolsk-Neftekhim	32.4	28.9
Ektos-Volga	31.8	33.6
Omsk Kaucuk	47.0	61.4
Novokuibyshevsk NPZ	33.3	42.1
Uralkhimplast	17.9	19.7
Slavneft-Yanos	5.3	0.0
Others	458.7	443.8
Total	905.6	926.4

Russian methanol, Jan-Aug 2014

Russian methanol production fell 22% in August against July to 237,000 tons. The decline was due mainly to the planned outage by Metafrax, leaving Sibmetakhim and Tomet as the main producers. Tomet increased production by almost 30% over July to 70,500 tons, whilst Sibmetakhim increased production by 4% to 73,300 tons.

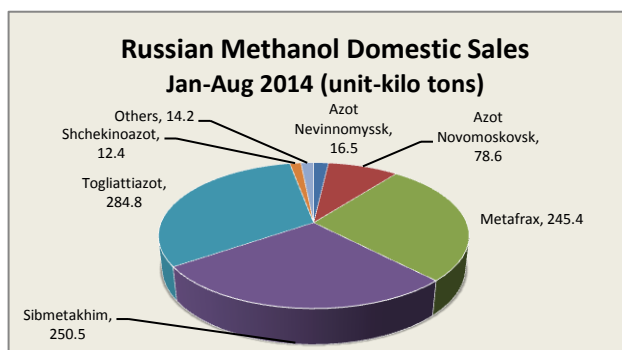
Methanol sales on the domestic market amounted to 108,700 tons in August, 3% up on July. Sibmetakhim recorded the largest increase of 36%, rising to 30,800 tons. Another producer showing an increase was Shchekinoazot which increased sales by 8% to 8,600 tons. The maximum reduction in sales in August took place at Nevinnomyssk where Azot decreased shipments by 35% to 2,100 tons.

The largest share of methanol of domestic purchases in August came from Russian gas and MTBE producers; their combined share comprised 55% of sales. Gas companies increased purchases by more than 75% in August over July to 25,000 tons. Smaller volumes fell to the domestic producers of rubber, as well as formaldehyde and its derivatives: together they bought 35% of shipments. Nizhnekamskneftekhim remains the largest single domestic consumer of methanol, which it uses for MTBE and synthetic rubber.

Methanol exports from Russia dropped 20% in August to 113,000 tons due mainly to a planned outage by Metafrax combined with low seasonal activity. Sibmetakhim and Shchekinoazot accounted for 65% of exports, whilst Tomet and Azot at Novomoskovsk supplied the remainder. Sibmetakhim reduced exports by 12% in August against July to 41,500 tons. Azot at Novomoskovsk sold 17,800 tons in August against 17,700 tons in July. Finland remains the largest destination for Russian methanol accounting for 37% of Russian exports in August, or 41,500 tons, although this is down on normal trade. Other destinations for Russian methanol exports in August included Poland (13%), Romania (12%) and Slovakia (20%). Russian methanol producers shipped 17,720 tons through the Odessa terminal in August, and expected to ship around 10,000 tons in September. Tomet is the main Russian exporter through Odessa which it ships to Turkey and Romania.

Russian methanol projects-Siberia

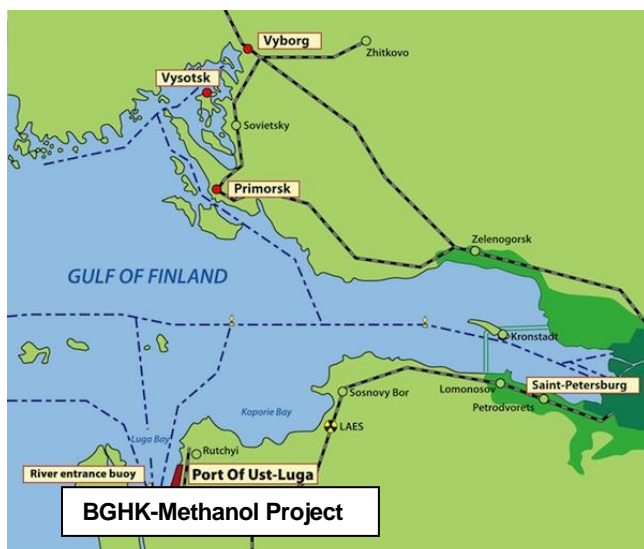
National Chemical Group (NHC) has stated that it will launch the first phase of the mineral fertiliser complex in the Primorsk Territory in the Russian Far East by January 2018. The complex is being designed to produce 1 million tpa of methanol and ammonia, and up to 2 million tpa of urea. Natural gas consumption will be 3.2 billion cubic metres per annum and full commissioning for March 2019.



The plant facilities are being located in the urban district of Nakhodka. The project is being undertaken in close cooperation with Gazprom, which is interested in increasing the consumption of gas supplied to Primorsk from the pipeline Sakhalin-Khabarovsk-Vladivostok. NHC was set up in October 2011 and belongs primarily to Arkady Rotenberg, who is a close ally of Putin.

Proposals for the Khabarovsk region include two new chemical plants that will process up to 1.5 billion cubic metres of natural gas from the gas transportation system Power of Siberia. The first proposal consists of dimethyl

ether and the second the methanol. In terms of capacities the dimethyl ether would be designed to produce 300,000 tpa and methanol 800,000 tpa.



Methanol project-Leningrad region

Baltic Gas and Chemical Company (BGHK) has completed preliminary geological investigations at the proposed site for the construction of a methanol plant in the Leningrad region.

The eastern part of Ust-Luga has been selected for the project, having identified a site suitable for the construction of the plant which is being envisaged at 1.7 million tpa. Natural gas consumption requirements at the plant have been estimated at 1.5 billion cubic metres per annum. A provisional start-up date of 2018 has been set. The project also involves the construction of the marine terminal for transhipment of products and subsequent export shipment.

Baltic Gas and Chemical Company (BGHK) was registered in 2013 by a group of Russian investors for the construction of gas chemical complex in the Leningrad region. BGHK has selected Haldor Topsoe as licensor for the methanol complex. Marubeni Corporation and Mitsubishi Heavy Industries have agreed to participate in the project and under the terms of the EPC contract will supply technology and equipment, in addition to funding from Japanese banks.

Organic Chemicals

Russian Butanol Domestic Sales (unit-kilo tons)

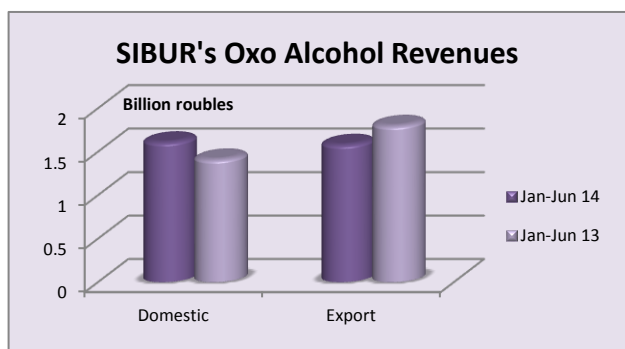
Producer	Jan-Aug 14	Jan-Aug 13
Gazprom Neftekhim Salavat	17.2	15.9
SIBUR-Khimprom	25.1	14.6
Angarsk Polymer Plant	1.9	4.2
Azot Nevinomyssk	1.8	2.1
Total	46.0	36.8

Russian butanols, Jan-Aug 2014

Russian domestic sales of butanols amounted to 9,100 tons in August, 88% up on July and 92% higher than in August 2013. N-butanol accounted for 83% of sales in August. SIBUR-Khimprom provided 52% of supplies to the domestic market, 4,690 tons, Gazprom neftekhim Salavat 38% or 3,430 tons, and Azot Nevinomyssk 4% or 320 tons.

July, whilst Dmitrievsky Chemical Plant increased

purchases by 2.4 times to 3,070 tons. Other purchasers included Volzhskiy Orgsintez, 5% or 490 tons, Sredneuralsky copper smelter, 4% or 360 tons, and Kamenskvolokno 4% or 350 tons. From January to August 2014 shipments of domestic butanol in the Russian market totalled 46,800 tons which is 15% more than in the same period in 2013. N-butanols comprised 79% of total purchases.



production in July 2014 was 61% and isobutanol 39%. was 49% of total Russian production.

In July, production of butanol in Russia amounted to 13,010 tons which 22% less than in June. The reduction was due to stop for repairs by Angarsk Petrochemical Company. The share of n-butanol in

Gazprom neftekhim Salavat produced 6,330 tons which was 49% of total Russian production. SIBUR-Khimprom produced 4,850 tons and Azot Nevinomyssk 1,830 tons. From January to July 2014 Russian butanol production totalled 120,639 tons, 12% less than in 2013. The share of n-butanol was 60%, and isobutanol 40%. At the end of August, Gazprom neftekhim Salavat reopened the second line for the production of butanols. The second line had been inoperative since an accident in May 2013 after an accident that occurred at the plant. By restarting the second line at Salavat, the company is expected to increase export activity.

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

<i>Domestic</i>	<i>Jan-Jun 14</i>	<i>Jan-Jun 13</i>
Acrylates	4.4	2.255
Oxo Alcohols	14.5	13.5
<i>Export</i>	<i>Jan-Jun 14</i>	<i>Jan-Jun 13</i>
Acrylates	7.2	8.944
Oxo Alcohols	19.4	20.5

Russian butanol production increased 58% in August over July to 20,510 tons. N-butanol consisted 62% of production in August. The revival of production at Angarsk Petrochemical Company, after stopping in mid-June for maintenance, helped increase volumes by producing 3,099 tons. SIBUR-Khimprom produced 8,500 tons, or 42% of Russian production, Gazprom neftekhim Salavat produced 7,002 tons which was 34%. From January to August 2014 butanol production amounted to 140,400 tons, 3% less than in 2013.

Recently NIOST selected a new catalyst that will increase the production of butanol by 5%, and reduce processing of raw materials 20%. NIOST is a research centre of SIBUR, specialising in the development of new technological solutions. It also belongs to the special economic zone in Tomsk.

Russian Acetone Production (unit-kilo tons)		
<i>Producer</i>	<i>Jan-Aug 14</i>	<i>Jan-Aug 13</i>
Ufaorgsintez	30.8	31.1
Kazanorgsintez	29.0	27.9
Samaraorgsintez	36.4	32.1
Omsk Kaucuk	6.7	25.8
Total	102.9	116.9

NIOST together with specialists of SIBUR-Khimprom have applied technical improvements to oxo alcohol technology. This will help to increase capacity by around 5,000 tpa.

Russian phthalic anhydride market 2014

Phthalic anhydride exports have been in decline this year to compensate for slightly for lower imports, dropping 9% in the first half of 2014. From January to June 2014, phthalic anhydride imports Belarus amounted to 6,550 tons which is 24% more than in 2013. The

share of Belarusian product in Russian imports increased from 68% in 2013 to 96% in 2014. This year 93% of phthalic imports have been delivered by road, compared to only 36% in 2013.

Roshalsky Plant of Plasticizers and Ural Plant of Plasticizers, which both belong to Neftekhimprom, broke off trade relations with Kamteks-Khimprom this year forcing increased imports from Belarus. Roshalsky Plant of Plasticizers has completely switched to imported phthalic anhydride, most of which has been sourced from Lida this year. In 2013 Roshalsky Plant of Plasticizers purchased most of its phthalic anhydride from South Korea, buying 3,600 tons in the first half of 2013 but this has dropped to 300 tons in the same period in 2014. Ural Plant of Plasticizers in 2013 started the production of DOTP as a competitive product of the traditional DOP, but produced on the basis of PTA and phthalic anhydride.

Russian Phthalic Anhydride Market (unit-kilo tons)				
	2013	2012	H1 14	H1 13
Production	102.2	96.4	56.4	53.2
Exports	69.6	56.6	35.8	39.3
Imports	12.18	16.0	6.9	7.8
Market Balance	44.8	169.0	27.4	21.7

Gazprom neftekhim Salavat increased phthalic anhydride production by 59% in the first half of 2014 to 4,960 tons, but still

only accounted for 9% of total Russian production. Gazprom neftekhim Salavat does not sell merchant phthalic and uses all of its production captively in DOP production. From January to June 2014 production of DOP at the Salavat plant increased by 77%.

Kamteks-Khimprom increased the production of phthalic anhydride in the first half of 2014 by only 3%, but increased DOP production by 6%. The main consumers of commodity phthalic anhydride in the Russian market include domestic manufacturers of alkyd paints and varnishes. Russian paint company Empils purchased a significant amount of phthalic anhydride from Belarusian producer at Lida, but this year has not purchased at all. In the first half of 2014 Empils bought more than 1,000 tons of phthalic anhydride from Kamteks-Khimprom.

Other Products

Bashkir Soda Company-air separation unit

Bashkir Soda Company commissioned a new air separation unit (ASU) for Kaustik at Sterlitamak in the nitrogen-oxygen production shop. Investment in the unit amounted to about 1 billion roubles. The facility ASU-7000-20000 has increased volumes of liquid cryogenic storage. This has improved the reliability and stability of nitrogen and oxygen to consumers, in addition to providing longer emergency supplies. Production of nitrogen and oxygen has

Saratovorgsintez-sodium cyanide expansion

Saratovorgsintez intends to increase the production capacity of sodium cyanide from 18,000 tpa to 30,000 tpa by the end of 2014. The Saratov plant sells sodium cyanide in the Urals, western Kazakhstan and eastern Siberia.

been increased to 20,000 and 7,000 cubic metres per hour respectively.

The launch of the ASU is also helpful for the planned expansion of the PVC plant at Sterlitamak, as it will set up the necessary reserve capacity for the development

of nitrogen and oxygen. Part of the gas will be sent to Sintez-Kaucuk at Sterlitamak, Nizhnekamskneftekhim and Gazprom neftekhim Salavat. Bashkir Soda Company was founded in April 2013 by the merger of Soda and Kaustik at Sterlitamak, together with Berezniaki Soda Plant and the transport company Transneftekhim. It is a subsidiary of Bashkir Khimiya.

Khimprom, Novocheboksarsk first half of 2014

Khimprom at Novocheboksarsk increased its net profit in the first half of 2014 to 46.990 million roubles against 4.97 million roubles in the same period last year. Revenues for January-June amounted to 2.79 billion roubles, against 2.57 billion roubles in 2013 whilst the cost of sales increased by 7.4% to 2.04 billion roubles. Gross profit of the company in the first half increased by 11.8% to 748 million roubles. Domestic sales accounted for 84.5% of revenues in the first half of this year.

Khimprom is 96.2% owned by Group Organic Synthesis. Some of the product sales in the first half of 2014 included 11,900 tons of methylene chloride for 34.697 million roubles, 2,585 tons of chloroform for 14.046 million roubles and 518 tons of chlorinated paraffins for 21.216 million roubles.

Azot Grodno Production (unit-kilo tons)		
Product	Jan-Aug 14	Jan-Aug 13
Methanol	53.4	49.7
Caprolactam	84.0	87.6
Polyamide primary	58.4	51.9
Polyamide filled	7.1	6.9
Ammonia	710.8	668.8
Urea	680.6	606.8
Fertilisers	521.0	494.6
Fibres	26.1	26.0

tons of LDPE.

Belarus

Belarussian petrochemicals

Belarus produced 9,500 tons of benzene in August, 16% less than in July. During the first eight months of this year, Naftan produced 89,300 tons which is similar to 2013. Azot at Grodno produced 9,600 tons of caprolactam in August, and totalled 84,000 tons for the first eight months in 2014 against 87,600 tons in 2013.

Polymir at Novopolotsk completed a planned maintenance turnaround for olefin and polyethylene in September. Polymir, part of the Naftan, has this year increased the production capacity of LDPE by 12% to 138,000 tpa. Last year the company produced 127,800

Belarussian polyolefin imports

For the first seven months of 2014 polypropylene imports into Belarus remained unchanged at 46,800 tons. Growing demand for propylene copolymers by local processors has balanced out this year against reduced demand for homopolymers. Copolymer imports rose 20.9% in January to July 2014 to 15,100 tons, whilst homopolymers dropped from 34,400 tons to 31,700 tons. Homopolymers are largely provided by Russian companies and copolymers are led by German suppliers. From 1

Belarussian PVC imports

For the first seven months of 2014 Belarussian imports dropped 20.4% and amounted to 21,300 tons. Demand has been down for finished PVC products where Belarussian converters have been affected by a weaker Russian market. Germany is the main supplier of Belarussian PVC imports, accounting for around 50% of shipments in the first seven months in 2014.

September 2014 the import duty on all kinds of polypropylene imported from outside the Customs Union were reduced to 6.5% from 9.1%.

Polyethylene imports declined 7.8% in the first seven months in 2014, totalling 58,200 tons. LDPE imports increased from 26,400 tons in January to July 2013 to 28,600 tons. The main suppliers of LDPE on the local market are from Russia and Saudi Arabia. HDPE imports fell 19.6% in the first seven months to 29,600 tons. Similarly

to LDPE imports are sourced from Russia and Saudi Arabia.

Ukraine

Ukrainian Polymer Imports from Russia		
Product	2013 (unit-kilo tons)	2013 (% of imports)
LDPE	47.8	49
HDPE	39.0	28
EPS	21.5	89

Ukrainian polyolefin market 2014

Due to lower demand Ukrainian LDPE imports declined by 15% in the first half of 2014, with Russian imports much reduced. Russia exported 43,300 tons of LDPE to Ukraine in 2013, accounting for 48% of total shipments but this year Belarus has increased exports

to Ukraine at the expense of Russian material. Owing to the ongoing shutdown at Karpatneftekhim's Kalush plant, Ukraine is fully dependent on HDPE imports. The largest traditional supplier to the Ukrainian market is Kazanorgsintez, which supplied 30,400 tons last year, but sales are down this year. HDPE consumption declined by 30% in the first six months in 2014. Lukoil has not reported plans to resume production of HDPE at Kalush.

Ukrainian PVC Imports

Source	Jan-Jun 14	Jan-Jun 13
US	25.6	31.0
China	1.1	0.0
Europe	20.4	27.5
Others	0.4	3.5
Total	47.5	62.0

Other Ukrainian polymers

Ukrainian PVC imports dropped by 23%, from 62,000 tons to 47,500 tons in the first half of 2014, whilst polypropylene imports dropped 27% to 40,800 tons from 56,000 tons. In contrast to other polymers imports of polycarbonate into Ukraine increased by 14% in the first six months in 2014 to 2,000 tons. The sole Ukrainian producer of cellular and solid polycarbonate sheets Tagol at Dnipropetrovsk processed over 200 tons in the period January to June 2014.

PET consumption declined 23% in the first half of 2014, with imports dropping to 77,600 tons. The fall in imports of PET in the first half of this year was due to a reduction in demand for beer and soft drinks in Ukraine, and in particular the loss of the Crimean market. Also a significant decline in consumption has been inevitably seen in the Donetsk and Lugansk regions where the Ukrainian and Russian military forces have been in conflict. Despite these negative factors demand in Central and Western Ukraine remains normal.

Ukrainian market overview

Ukraine's parliament approved the Association Agreement with the European Union in September, which marks an important milestone for the country. Ukraine has prepared a list of 94 product groups of Russian products to be banned from imports, although it is not clear when these restrictions would take effect. These products include LDPE, HDPE, and expandable polystyrene (EPS-C). For Russian polyolefin producers the sales can be redirected relatively easily elsewhere, but the ban on EPS sales from SIBUR-Khimprom may be harder to manage. Russia is considering its own sanctions against Ukraine for chemical imports on products such as aluminium chloride, aluminium sulphate and nitrobenzene.

Kremenchug Carbon Black Plant-production

Kremenchug Carbon Black Plant increased production of carbon black by 21.6% in the first eight months in 2014 to 40,050 tons. In 2013, the plant produced a total of 52,350 tons.

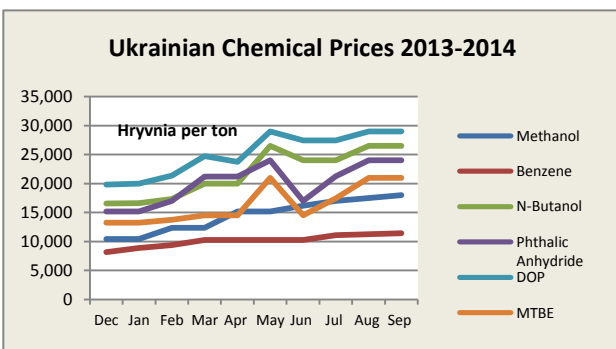
14% more than in 2013.

Ukrainian benzene

Ukrainian exports of benzene for synthesis and nitration amounted to 7,100 tons in August, against 7,300 tons in July. Ukratnafta increased exports 1.5 times, to 4,600 tons, whilst Yasinovsky Coke reduced shipments 3.2 times to 692 tons and Zaporozhkoks by 11% to 1,800 tons. For eight months of 2014, Ukrainian companies exported 48,000 tons which is 35% up on the same period in 2013. This year Italy was the largest recipient of Ukrainian benzene exports, accounting for 17% of total shipments.

Yasinovsky Coke suffered a fire at its benzene plant on 25 August, causing a temporary stoppage of production. Yasinovsky Coke resumed exports in June to Russia, and shipped 3,200 tons to Kuibyshevazot from June to August.

Benzene production in Ukraine increased 28% in July against June to 10,400 tons. Ukratnafta increased output by 37% to 4,500 tons, Yasinovsky Coke by 28% up to 4,400 tons whilst Zaporozhkoks produced 1,500 tons (8% up on June). Ukraine produced 59,300 tons of benzene in the first seven months,



Ukrainian plasticizer alcohols

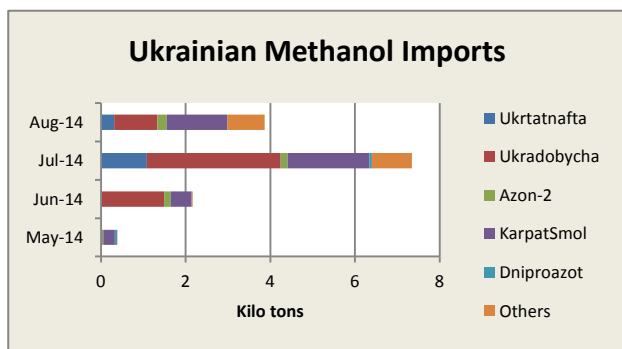
DOP imports into Ukraine decreased by 17% in July against June to 218 tons. One of the main Ukrainian consumers Padana Chemical Compounds reduced purchases from 207 tons to 115 tons. However another consumer and trader Galich-Cable imported 103 tons of DOP, 2.4 times up on June. For the first seven months in 2014 imports of DOP into Ukraine amounted to 2,418 tons, almost the same as last year.

The Ukrainian market of phthalic anhydride saw increased consumer activity in September, even if prices

have risen due to the devaluation of the hryvnia. Compared with August, prices rose by an average of 10%. In mid-September trading companies in the central regions of Ukraine offered phthalic anhydride at 25,900-26,300 hryvnia per ton including VAT. By contrast DOP demand was low in September and August; last month trading company Galich-Cable imported only 20 tons of DOP.

Ukrainian methanol market

Due to the conflict in eastern Ukraine the methanol unit at Severodonetsk remains idle and Ukrainian consumers are thus dependent on imports. Ukraine imported 7,400 tons of methanol in July, 3.5 times more than in June. From the July total imports, 57% or 4,200 tons was purchased from Russia with Ukraine preferring to buy other sources where possible.



Azot at Grodno in Belarus supplied 2,100 tons to Ukraine in July, three times higher than June. Another 1,100 tons was sourced through the Dutch trader against only 22 tons in June. Russian prices are slightly lower than Belarussian or Dutch sources, but there is uncertainty over trade relations with Russia. The main Ukrainian consumers importing methanol include gas companies, whilst the main Russian exporters to Ukraine are Azot at Novomoskovsk and Shchekinoazot.

Central Asia

Atyrau Petrochemical Technology Park	
Product	Capacity (kilo tpa)
Polyethylene	800
Polypropylene	500
Butadiene	125 rising to 354
Polymer Film	15

Atyrau industrial park-butadiene project

The Atyrau region has embarked on the establishment of Kazakhstan's first petrochemical industrial park which will be located in a special economic zone (SEZ). The total area of SEZ is estimated at more than 3,500 hectares. A preliminary assessment is being undertaken to assess the environmental impact of the National Industrial Petrochemical Technology Park where products such as polyethylene, polypropylene, butadiene, synthetic rubber and polymer film will be produced.

Kazakh polypropylene-Pavlodar

Kazakh company Neftekhim at Pavlodar intends to launch a unit for polypropylene granulation in 2014. Neftekhim was commissioned in 2009, with the plant for 30,000 tpa of polypropylene opened in 2011. As production was based on powder which cannot be used by domestic processors, the entire production until now has been exported. Total polypropylene production in Kazakhstan in 2013 was 17,800 tons against 37,700 tons in 2012.

The reduction was due to an extended shutdown from April to July last year. Neftekhim at Pavlodar aims to start the production of granulated polypropylene in Kazakhstan by the end of the 2014. According to preliminary data, the production capacity will be about 50,000 tpa and will represent the first installation for granulated polypropylene in Kazakhstan. Neftekhim also includes a plant for MTBE with a capacity of 20,000 tpa.

The project for polyethylene and polypropylene has been public knowledge for some time, but butadiene and synthetic rubber are relatively new ideas. Construction of the butadiene plant at Atyrau could start in early 2016. The first stage involves the production of butadiene with a capacity of 125,000 tpa, second 229,000 tpa, and raising total capacity to 354,000 tpa.

The project is part of the diversification of the Kazakh economy, including the development of products from a hydrocarbon feedstock with high added value. Despite strong opposition based on environmental grounds Kazakhstan Petrochemical Industries has stressed that the complex will use the most advanced technologies thus minimising negative local effects.

Uzbek PVC project-Chinese contract

Uzbek chemical holding Uzkhimprom (Uzkimesanoat) has signed a contract with China CAMC Engineering for

the construction of the PVC plant at Navoiyazot. The contract is worth \$439.8 million. The project construction period is estimated to require at least three years comprising a capacity of 100,000 tpa of PVC, 70,000 tpa of caustic soda and 300,000 tpa of methanol. Uzkhimprom had planned to sign a contract with China National Chemical Engineering Corporation (CNCEC), which originally won the tender for the construction in September last year, but the offer fell through.

Turkmenistan ammonia project

Mitsubishi Corp and Instaat Yatirim ve Dis Ticaret have reached an agreement with the government of Turkmenistan for the construction of a large-scale fertiliser plant in Turkmenistan. The project will be undertaken in collaboration with Mitsubishi Heavy Industries for the Turkmen state-owned company Turkmenkhimiya. The plant, to be constructed at Garabogaz on the northwest coast of the Caspian Sea, will consist of an ammonia plant with production capacity of 750,000 tpa and a urea plant with a production capacity of 1 million tpa.

Relevant Currencies

Czech crown. Kc. \$1= 20.852. €1 = 27.444: Hungarian Forint. Ft. \$1 = 229.253. €1 = 310.141: Polish zloty. zl. \$1=3.016. €1 =4.14
Ukrainian hryvnia. \$1 = 13.49. €1 = 17.40: Rus rouble. \$1 = 38.56. €1= 49.74

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