

# CIREC

## MONTHLY NEWS

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

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### FEATURES FROM THIS ISSUE

- **GRUPA AZOTY AGREES FINANCIAL SUPPORT FOR INVESTMENT WITH EIB AND EBRD**
- **ORLEN CONTINUES TO BENEFIT FROM HIGH PETROCHEMICAL MARGINS**
- **SYNTHOS RETAINS INTERESTED IN BUTADIENE SUPPLY FOR BRAZILIAN RUBBER PROJECT**
- **PCC ROKITA ISSUES BONDS TO SUPPORT INVESTMENTS IN POLYOLS & PO**
- **ZAPSIBNEFTEKHIM PROVIDES MAIN FOCUS OF SIBUR INVESTMENTS FOR 2015-2018**
- **SIBUR'S DECISION ON AMUR GAS CHEMICAL COMPLEX TO DEPEND ON ETHANE CONTRACT**
- **VNKH REACHES AGREEMENT WITH TRANSNEFT FOR ESPO PIPELINE CONNECTION**
- **SIBUR'S REVENUES RISE IN FIRST QUARTER, HELPED BY ROUBLE DEVALUATION**
- **RUSSIAN PROPYLENE EXPORTS RISE IN 2015, SIBUR-KSTOVO MAIN EXPORTER**
- **RUSSIAN POLYMER IMPORTS SHOW DECLINES FOR MOST PRODUCTS IN JAN- MAY 2015**
- **RUSSIAN PVC PRODUCTION UP 32% IN FIRST FIVE MONTHS IN 2015**
- **PVC EXPORTS FROM RUSSIA START TO RISE AFTER START-UP OF RUSVINYL COMPLEX**
- **RUSSIAN POLYPROPYLENE PRODUCTION RISE 45% IN FIRST FIVE MONTHS IN 2015**
- **RUSSIAN SYNTHETIC RUBBER EXPORTS RISE IN VOLUME IN 2015 BUT DROP BY VALUE**
- **AMMONIUM TO START COMMISSIONING ON NEW COMPLEX FOR AMMONIA, METHANOL & UREA**
- **IVREGIONSINTEZ IN TALKS WITH KAZAKHSTAN OVER POSSIBLE PTA PRODUCTION**
- **RUSSIAN HDPE PRODUCTION BOOSTED BY RESTART OF STAVROLEN COMPLEX**
- **RUSSIAN CHEMICAL PRODUCTION RISES 3.6% IN FIRST FIVE MONTHS IN 2015**
- **FOSAGRO AND EVROKHIM CONCLUDE CONTRACTS FOR UREA AND AMMONIA PLANTS**
- **RUSSIAN BUTANOL EXPORTS RISE IN JANUARY TO MAY 2015, HELPED BY WEAKER ROUBLE**
- **TURKMENISTAN OUTLINES PETROCHEMICAL PROJECT STRATEGY, KIYANLY PROJECT KEY**

## CENTRAL & SOUTH EAST EUROPE

### Petrochemicals

**Central European Refining Volumes  
(unit-mil tons)**

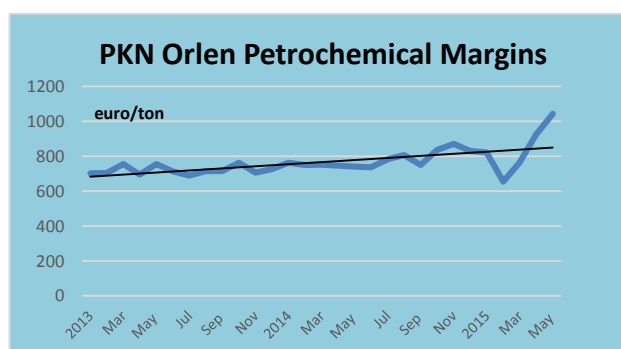
Company	Jan-Mar 15	Jan-Mar 14
INA	0.8	0.7
Lotos	2.4	2.3
Lukoil Bourgas	1.5	1.4
Lukoil Ploiesti	0.5	0.5
MOL Hungary	2.0	2.8
NIS	0.7	0.7
Orlen-Lietuva	1.8	1.5
Orlen-Plock	3.5	3.5
Petrom	1.0	1.0
Rompetrol	1.3	1.2
Slovnaft	1.5	1.4
Unipetrol	1.2	1.1
<b>Total</b>	<b>18.1</b>	<b>18.1</b>

#### Central European refining, Q1 2015

Crude oil refining totalled 18.1 million tons for Central and South East Europe for the first quarter this year, unchanged from 2014. Despite the stability in refining volumes, the fluctuations and falls in oil prices impacted significantly on producer results. As a rule, the upstream divisions of companies such as Orlen, MOL, Lukoil, Petrom and Rompetrol were severely affected by the fall in crude prices. At the same time, to some extent losses were offset by improved margins in the refining divisions.

MOL's upstream division was adversely impacted by an almost 30% drop in Brent prices in the first quarter compared with Q4, but the downstream division delivered a record first quarter result of Ft 74 billion (\$270 million). Orlen experienced a similar decline in upstream revenues, which were offset by the rise in refining margins, whilst companies not involved in exploration such as Unipetrol and Slovnaft were able to report substantial rises in profits.

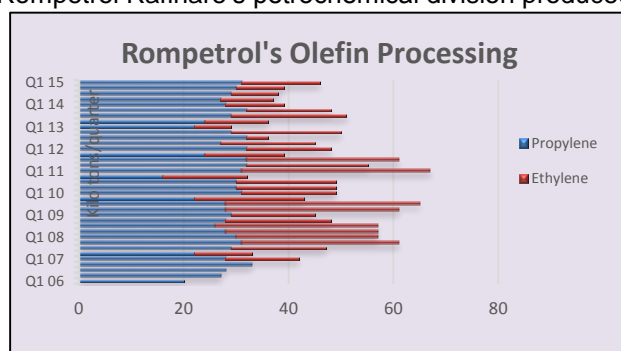
In Romania Petrom reported a fall in net profits of 68% in the first quarter to RON 345 million (€77.7 million), while the company's turnover dropped 19% to RON 4.2 billion (€0.95 billion). The exploration and production sector, the company's main profit centre, was strongly affected by the decrease of about 50% of oil barrel. Rompetrol Rafinare, the second largest oil company in Romania, reduced its turnover by 40% in the first quarter of the year, to €576.5 million. The lower prices of oil products offset the higher volume deliveries.



Oil prices have been higher on average in the second quarter, which may help to improve the financial results of the producers involved in exploration and extraction, but margins for refining and petrochemicals continue to indicate strong profits for companies involved in the downstream divisions.

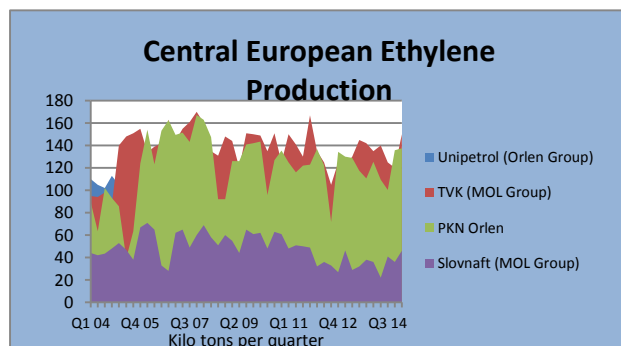
#### Rompetrol 2015

Rompetrol Rafinare's petrochemical division produced 37,000 tons in the first quarter, 11% higher than the same period last year. Total sales increased by 18% in Q1 2015 against Q1 2014. Ethylene processing increased by 23%, while propylene increased by 9%. At the end of 2014, the petrochemical division reached its full polypropylene capacity of 90,000 tons (79,800 tons in 2013 and 86,300 tons in 2012).



The turnover of Rompetrol's petrochemical division totalled \$50 million in Q1 2015, 50% down on the same period of 2014, due to the falling relevant market and petrochemical product prices. The financial results of the company in the first quarter were influenced by the faster decrease of selling prices than the decrease of the raw materials prices, especially in January and February, as well by the EUR/USD parity. The stocks of finished products were produced at higher

costs and sold at lower prices in January and February 2015, in accordance with petrochemicals prices fall. Rompetrol is the sole producer of polymers in Romania possessing a capacity of 200,000 tpa.



### Central European olefin production

Ethylene production in Central Europe totalled 414,000 tons in the first quarter this year, the highest volume since Q1 2013. The quarterly record for the region and four producers was recorded in Q1 2008 when ethylene production totalled 521,000 tons. Production since then has fallen, due in part to lower demand in Europe and in part to the modernisation of the ethylene facilities at Slovnaft and Unipetrol. However, after Slovnaft has completed its ethylene modernisation (to support the new

LDPE plant at Bratislava) production volumes are expected to start climbing.

### PKN Orlen-new power plant

PKN Orlen intends to commission its new Wloclawek power plant in the third quarter. The plant has a capacity of 463 MW and should be operational from the start of 2016. PKN Orlen started to build the CCGT power plant at Wloclawek in April 2013, and is being constructed by a consortium of General Electric and SNC Lavalin. The plant will consume 0.6 to 0.7 billion cubic metres of natural gas per annum, and will cover the full demand for Anwil in electricity, which is approximately 120 MW per annum.

The largest producer in Central Europe is the TVK plant at Tiszaujvaros, accounting for around 35% of production against the other producers Unipetrol, Slovnaft and PKN Orlen at Plock. Second quarter production at TVK this year will be, however, affected by maintenance. TVK closed its cracker No 2 (capacity 290,000 tpa) at Tiszaujvaros in May and June for scheduled maintenance. At the same time TVK undertook maintenance the main merchant consumer BorsodChem incurred technical problems at its PVC plant, thus balancing lower output against lower demand. BorsodChem returned to full production of its 400,000 tpa PVC plant in mid-June.

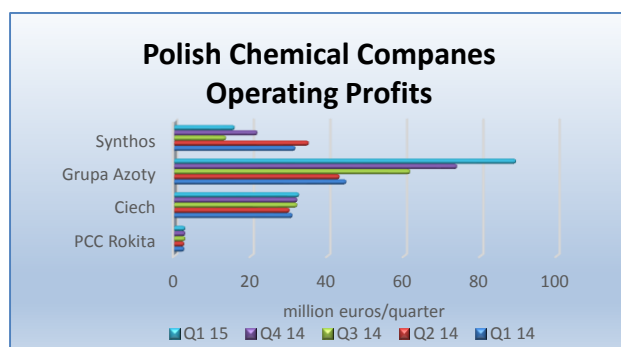
Propylene production totalled 243,000 tons in the first quarter for the four Central European plants, which measures against the highest recorded volume of 335,000 tons in Q4 2007. Poland is particularly dependent on imported propylene to meet derivative demand which has culminated in the announcement by Grupa Azoty to construct a 400,000 tpa propylene plant at its Police subsidiary by 2019.

The idea for the propylene installation came from Zaklady Azotowe Kedzierzyn which consumes 120-140,000 tpa of propylene for the production of oxo alcohols. Construction is scheduled to start in 2016 and be completed by the end of 2018. Grupa Azoty expects group profitability to increase from this project by approximately 10%.

## Chemicals

### PCC Rokita-bonds & investment

PCC Rokita issued a series of bonds in June in order to raise funds to support investment for the period up to 2017. Significant expenditure has been undertaken recently in the chlorine conversion and other



projects in subsidiaries for monochloroacetic acid and polyols. Other key projects include propylene oxide and polyurethane systems. In addition to expanding production capacity the investment cycle is designed to reduce energy costs by around zł 20 million per annum.

The energy sector provides the most important medium term challenge to PCC Rokita. This is down to the coal-based energy sector in Poland being gradually charged for CO<sub>2</sub> emission

allowances, which together with increasing emission charges could have a significant impact on product prices.

PCC Rokita holds a leading position in the Central European market for polyols and alkalis, and is a major supplier of phosphorus compounds and naphthalene derivatives. In terms of position in the mainstream Polish chemical industry PCC Rokita ranks behind Grupa Azoty, Synthos and Ciech in terms of revenues and operating profits. Excluding PKN Orlen, which comprises an integrated refinery and petrochemical complex, Grupa Azoty is by far the most profitable of the Polish chemical companies.

Polish Chemical Production (unit-kilo tons)		
Product	Jan-May 15	Jan-May 14
Caustic Soda Liquid	122.4	128.0
Caustic Soda Solid	20.6	38.8
Soda Ash	422.3	447.5
Ethylene	228.5	198.3
Propylene	163.9	143.9
Butadiene	22.6	25.2
Toluene	3.9	6.4
Phenol	16.7	11.6
Caprolactam	72.5	70.6
Acetic Acid	3.8	3.1
Polyethylene	160.3	142.3
Polystyrene	22.9	27.1
EPS	27.6	27.5
PVC	138.9	122.2
Polypropylene	98.3	102.6
Synthetic Rubber	80.2	80.4
Ammonia (Gaseous)	615.0	589.0
Ammonia (Liquid)	629.0	580.0
Pesticides	14.0	17.1
Nitric Acid	1029.0	1023.0
Nitrogen Fertilisers	889.0	855.0
Phosphate Fertilisers	201.1	168.2
Potassium Fertilisers	144.6	115.7

#### Grupa Azoty-EIB & EBRD financial support

The European Investment Bank (EIB) and the EBRD have agreed to provide two long-term loans worth zł 700 million (€170m) to Grupa Azoty to support investment. The capital will be used to support its expansion plans, which is a part of its growth strategy for 2020.

The EIB has offered zł 550 million (€134 million) for financing, whilst the EBRD has provided zł 150 million (€37 million). Earlier in the month, Grupa Azoty signed a separate loan agreement, whereby another zł 1.5 billion (€370 million) will be provided by a consortium of Polish banks.

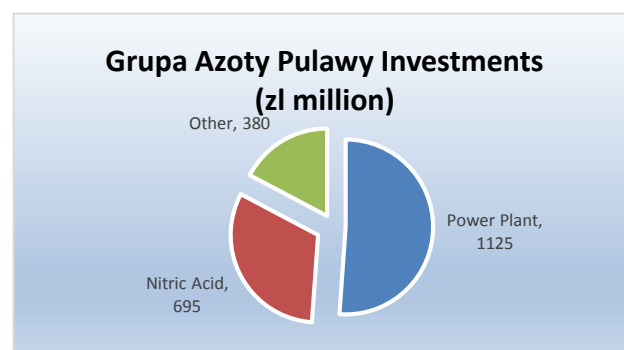
#### Grupa Azoty-ZAK power project

Grupa Azoty ZAK officially opened construction of its new coal-based power plant (CHP) on 23 May 2015, which will provide guaranteed energy the Kedzierzyn chemical complex and at the same time represent a significant improvement on environmental safety. The CHP plant is being constructed by the Polish company Rafako, involving a contract value worth zł 320 million.

The effects of launching a new plant at Kedzierzyn will result up to 7 times less emissions of nitrogen oxides, and 5-fold dust emissions. The environmental permits of the current CHP are set to expire by November 2016 and the extension of the permit may be necessary if the new plant is not ready. Coke for the Kedzierzyn project is to be supplied from ArcelorMittal at Zdzieszowice under long term contracts. Prior to its inclusion in Grupa Azoty, ZAK had considered constructing a methanol plant in conjunction with its energy project but this is not part of the current investment cycle.

#### Grupa Azoty Pulawy-power project

In contrast to ZAK Grupa Azoty Pulawy has selected gas for its intended investment in a new power unit, which includes a capacity of 400 MWe. In addition, Pulawy's plans include a new installation for mechanical fertiliser granulation and by 2021 a new line for nitric acid. Currently the power plant at Pulawy provides only 28% of the company's demand for electricity and the new gas block, with a value of zł 1.125 billion, will provide total self-sufficiency. The power plant with a capacity of 400 MWe will consume approximately 500 million cubic metres of natural gas per annum.



The investment in nitric acid, with a value of zł 695 million, involves the construction of a new line with a capacity of 1,000 tons per day, and a neutralization line with a capacity of 1,300 tons per day. The surplus acid could be transformed into a new line for the production of specialty fertilisers (magnesium nitrate, calcium, and potassium) with a capacity of 600 tons per day.

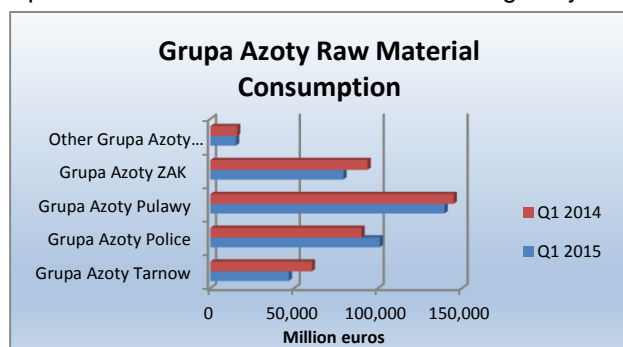
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### Grupa Azoty-gas supplies

Although Grupa Azoty purchased around 40% of its gas supplies in the first quarter from alternative sources, PGNiG still remains the main partner. Thus, Grupa Azoty is continuing negotiations on a new long-term agreement with PGNiG for discounted gas prices.

The launch of the new power plant at Kedzierzyn based on coke will provide a major loss of customer for PGNiG, with ZAK currently consuming around 400 million m<sup>3</sup> of gas per annum. PGNiG already saw a noticeable decrease in sales in bilateral contracts last year as chemical companies increased purchases from other sources. Sales of gas by PGNiG subsequently fell by 250 million cubic metres in 2014. Grupa Azoty consumes about 2.3-2.4 billion m<sup>3</sup> of gas, but reduced purchases from PGNiG by 400 million m<sup>3</sup> in 2014.



Moreover, in its search for alternative and competitive sources of gas, the Grupa Azoty member companies are seeking to diversify both the geographical regions and the suppliers of their gas imports. Negotiations with alternative gas suppliers are conducted at group level, which allows a stronger bargaining position. The group companies are already focusing on lowering their

gas consumption costs by implementing investment projects designed to reduce gas consumption rates.

Polish Tyre Production (unit-thousand pieces)		
Sector	Jan-Mar 15	Jan-Mar 14
Car Tyres	7,931.0	7,929.0
Bus & truck Tyres	1,102.0	1,161.0
Agricultural tyres	75.1	84.8
Total	9,108.1	9,174.8

Polish Tyre Production (unit-kilo tons)		
Sector	Jan-Mar 15	Jan-Mar 14
Car Tyres	126.6	124.5
Bus & truck Tyres	50.2	46.7
Agricultural tyres	7.8	6.9
Total	184.6	178.1

### Synthos-Brazil

Despite delaying its investments plans Synthos has stressed it has not abandoned its rubber project in Brazil and is working intensively towards finding a solution to the butadiene question. The intention remains to build a plant for polybutadiene rubber on neodymium catalyst in the Triunfo Petrochemical Complex in the Brazilian state of Rio Grande do Sul.

The main threat to the project is butadiene supply which is in question due to a corruption scandal in Brazil and also higher than the preliminary estimates of the cost of the investment itself.

### Romanian chemicals Q1 2015

Oltchim increased turnover by 35% in the first four months in 2015 to €54.8 million. Earnings before taxes and amortization amounted to €4.2 million against a loss of €11.7 million in the same period in 2014. Despite running at low capacity levels Oltchim was Romania's top chemical exporter last year.

Oltchim Sales Revenues (€ mil)		
Product Group	Jan-Mar 15	Jan-Mar 14
Petrochemicals	30.5	20.4
Chlorine division	7.4	6.7
Finished Products	1.3	1.9
Materials for construction	0.0	1.1
Sales to Pitesti	0.0	0.0
Oxo alcohols	1.3	0.0
Other	1.0	0.0
Total	41.4	30.0

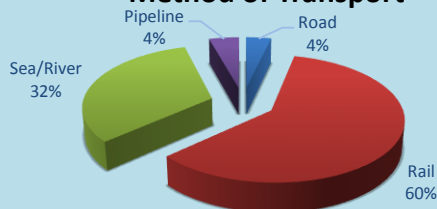
intermittently.

After entering into insolvency in January 2013 the company decided to stop DEHP production rather than go for authorisation. Oltchim has not decided not to apply through REACH for the authorisation of the phthalate DEHP. However, oxo alcohol production did restart in the second half of 2014 and is running

Chimcomplex Borzesti increased revenues by 13% in the first quarter in 2015, of this year, to almost 51 million lei. Exports yielded 28.5 million lei whilst the net profit of the company in the first three months of the year was nearly 3.8 million lei. Total expenditure of the chemical had reached 46 million lei, the largest being the raw materials and materials amounting to nearly 14.5 million lei. Staff costs comprised around 6.5 million lei. Chimcomplex is the first Romanian company to apply for authorisation under REACH for an Annex XIV substance. The authorisation application is for the industrial use of trichloroethylene as a degreasing agent.

## RUSSIA

**Russian Chemical Exports 2014 by Method of Transport**



### Russian chemical markets, Jan-May 2015

The share chemical products in Russia's total exports for January-April 2015 rose to 6.4% against 4.9% in January-April 2014. Although exports in physical terms increased 8.7% in the first four months, export values were down by 5.9%. Physical volumes of exports of inorganic chemical products grew by 15.4%, fertilisers by 10.6%, plastics and articles by 26.0%, and rubber and articles by 14.2%. Based on 2014 data, 60% of Russian chemical exports were delivered by rail transport, followed by 32% by sea or river transport.

Imports of chemical industry products comprised 18.7% of total Russian imports in the first four months in 2015 against 16.4% in 2014. Physical volumes fell by 13.2% whilst the cost of imported chemical products decreased by 28.9%. The physical volume of supply of cosmetics fell by 13.0%, plastics and articles by 26.5%, and rubber and articles 27.5%.

**Russian Chemical Production (unit-kilo tons)**

Product	Jan-May 15	Jan-May 14
Caustic Soda	475.1	433.5
Soda Ash	1,281.0	1,046.0
Ethylene	1,168.0	1,053.0
Propylene	682.7	614.2
Benzene	517.8	491.5
Xylenes	238.4	226.7
Styrene	301.2	272.1
Phenol	102.2	109.5
Ammonia	6,100.0	6,500.0
Nitrogen Fertilisers	3,546.0	3,700.0
Phosphate Fertilisers	1,377.0	1,400.0
Potash Fertilisers	3,239.0	3,500.0
Plastics in Bulk	3,004.0	2,616.0
Polyethylene	741.0	694.0
Polystyrene	221.8	224.0
PVC	370.1	279.8
Polypropylene	589.0	403.8
Polyamide	57.0	59.6
Synthetic Rubber	672.0	552.9

### Russian chemical production, Jan-May 2015

Despite a drop in total industrial production in Russia this year chemical industry output in Russia rose 3.6% in January to May. Increases have been noted for a wide range of chemical products in the first five months this year due in part to the increasing utilisation rates at new facilities introduced in 2013 and 2014, and to a lesser extent due to the weaker rouble which has made some products more profitable to produce.

In the petrochemical sector, ethylene production has benefited from the increased capacity at SIBUR-Kstovo and the resumption of production at Stavrolen. Through technical modifications Gazprom neftekhim Salavat continues to expand its production gradually, whilst Kazanorgsintez and Nizhnekamskneftekhim also have reported slight increases this year.

In the polymer sector, polypropylene and PVC have both risen sharply due to the higher volumes from Tobolsk-Polymer, Polyom and RusVinyl. Other products showing rises have included caustic soda, soda ash and synthetic rubber. Rubber producers have been helped particularly by the depreciation of the rouble.

### Russian chemical investment climate

Progress on chemical industry investments in Russia has been restricted in 2015 by access to capital and doubts about future economic performance which has held back decisions on certain projects. The new economic paradigm has tended to weed out numerous fringe projects that may have been unrealistic from the outset.

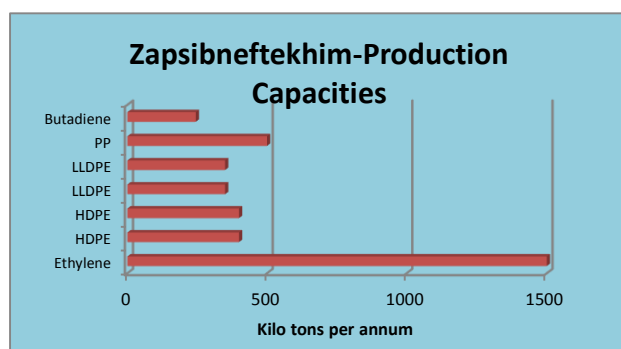
In the petrochemical sector, SIBUR's cracker and polyolefin investment in Zapsibneftekhim at Tobolsk represents the key project for development this year, but similar investments at Nizhnekamsk, Salavat and Ufa have deferred. In the product range based on the Fischer-Tropsch process, Ammonium at Mendeleevsk in Tatarstan is currently undergoing commissioning for its ammonia/methanol/urea plant whilst Fosagro at Cherepovets is building new units for ammonia and urea. Metafrax and Shchekinoazot are contemplating an expansion of methanol facilities, but other methanol projects are being put on hold or moving very slowly.

## Russian petrochemical projects

### Zapsibneftekhim financing deal

A consortium of investors, which number includes international investors and the Russian Direct Investment Fund (RFPI), agreed on 18 June for the conditions of investment in the Zapsibneftekhim petrochemical complex at Tobolsk. Funds for the project will be provided by the Russian National Welfare Fund (NWF) in the framework of the quota RFPI in order to develop the industrial and related infrastructure of the future complex.

The total investment in the project amounts to \$9.5 billion, of which up to \$1.75 billion can be drawn from the NWF as debt financing. Up to \$3.3 billion will be provided by international co-investors. SIBUR will also continue to finance the project from its own funds.



with a capacity of 500,000 tpa.

Currently at the construction site of the future complex Zapsibneftekhim under construction, piling performed at the site for the installation of pyrolysis is complete arrangement of roads, works on creation of drainage systems. The project configuration involves the construction of a pyrolysis installation capacity of 1.5 million tpa of ethylene and the installation of butane-butylene fraction of the capacity of 100,000 tpa. The project also envisages the construction of the production of various grades of polyethylene with a total capacity of 1.5 million tpa and the polypropylene

EP-contractors for the project include Linde AG (ethylene complex), ThyssenKrupp Industrial Solutions (production of polypropylene) and Technip (polyethylene production). To finance the contract with Technip SIBUR has received approval from the export credit agency Coface (France).

### Zapsibneftekhim & SIBUR debts

SIBUR in March 2015 made the first selection under the credit line for the construction of Zapsibneftekhim for a total of 1.575 billion euros. The size of the first tranche amounted to 115 million euros. As a result of the transaction, SIBUR's total debt at the end of the quarter grew by 28.7% compared to 31 December 2014, reaching 266 billion roubles. Also, an increase in debt was attributed to the necessary loans taken for the purchase of a 49% stake in OOO Yugragazpererabotka, which was fully paid in April 2015. Net debt, as stated in the financial statements, increased by 23.6% compared with December 2014 and amounted to 221 billion roubles.

SIBUR Capital Expenditures (million roubles)				
Location	Description	Q1 15	Q1 14	Completion
<b>Feedstock and Energy</b>				
<u>Transportation infrastructure development</u>				
Western Siberia	Nyagan GPP - Urengoy natural gas pipeline	277	14	2015
Tobolsk	Expansion of railway infrastructure	163	499	2015
<u>Gas fractionation capacity modernisation and expansion</u>				
Yamal-Nenets Autonomous Area	APG processing capacity expansion at Vyngapur GPP	1,657	2,031	2015
<b>Petrochemicals</b>				
<b>Tobolsk</b>	<b>ZapSibNeftekhim (ZapSib-2)</b>	<b>7,371</b>	<b>336</b>	<b>2020</b>
Tomsk	Expansion of PP and LDPE production	627	115	2016

A contract with a consortium of European banks under cover of export-credit agency Euler Hermes (Germany), was signed in December last year. Funds will be allocated to finance the contracts with Linde AG (ethylene complex) and ThyssenKrupp Industrial Solutions (production of polypropylene). To finance the contract with the French company Technip (polyethylene production) SIBUR has received approval from the export credit agency Coface. The total investment in the project of petrochemical complex in Tobolsk was previously estimated at \$9.5 billion.

### Gazprom-SIBUR Amur gas processing and petrochemical projects

Gazprom and SIBUR continue to analyse cooperation prospects for the Amur gas processing plant in the Russian Far East, and the subsequent development of petrochemical facilities. The Amur project promises to represent SIBUR's next major investment after Zapsibneftekhim at Tobolsk, although negotiations and the estimated costs remain in the early stages. The Amur gas processing plant is in the foundation stage of construction for Gazprom. The processing plant involves the allocation of 2 million tpa of ethane and propane 1 million tpa, about 500,000 tpa of butane and 260,000 tpa of hexane. The project is also expected to create a large helium production capacity of 60 million cubic metres of marketable helium per annum. Two lines are being constructed for the plant, with the first targeted for commissioning in 2019.

#### Uralkhimash-SIBUR

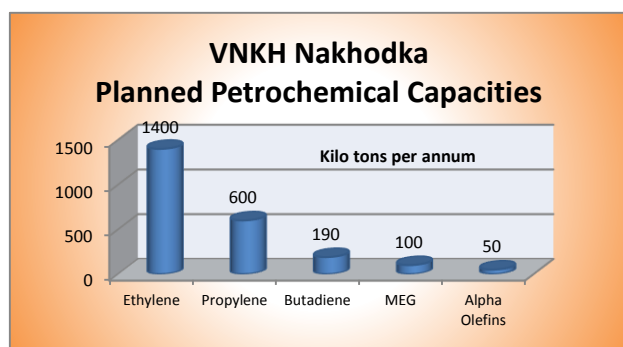
Ural Chemical Machine-Building (Uralkhimash) has won the tender from SIBUR for the provision of twelve spherical reservoirs for the Zapsibneftekhim project at Tobolsk. Each reservoir is to be designed with a capacity of 600 cubic metres with a total weight of 1,260 tons.

Spherical tanks will be used for the storage of natural gas liquids. Installation of reservoirs have been agreed to be completed by April 2017. Last year Uralkhimash concluded a contract with SIBUR for two spherical tanks for Tobolsk-Neftekhim, each with a capacity of 2,400 cubic metres. Uralkhimash occupies around 80% of the Russian market for spherical tanks.

SIBUR's decision on constructing the gas-chemical complex would depend on how much ethane supply would be available and contractual terms with Gazprom. Provisional agreements could take place in 2016, which may allow SIBUR to reach a decision on constructing petrochemical plants.

### VNKH-Transneft ESPO pipeline

OOO Transneft-Far East, a subsidiary of Transneft, has reached agreement on providing a connection between the main oil pipeline Eastern Siberia-Pacific Ocean (ESPO) to the refinery being constructed at Eastern Petrochemical Company (VNHK). OOO Transneft-Far East was selected based on the results of the tender in May-June 2015, and is to provide services for the connection to the VNHK refinery from the ESPO system.



The daughter of Transneft will perform a set of activities required to facilitate the transfer of 12 million tpa to the refinery under construction. The length of the pipeline will be 4,710 km.

To recap, the project involves the construction of the VNHK petrochemical complex near Padi Elizarova Partizansk region of Primorsk Krai with a total refining capacity of 30 million tpa, of which 24 million tpa will come from oil and 6 million tpa of naphtha. The petrochemical part of the project is harder to determine in terms of time completion,

and even whether it will materialise, but planned capacities are shown above.

<b>SIBUR-LPG Domestic &amp; Export (unit-kilo tons)</b>		
	<b>Jan-Mar 15</b>	<b>Jan-Mar 14</b>
Domestic Sales	250.8	205.7
Exports	735.1	622.2
<b>Total</b>	<b>985.9</b>	<b>1027.9</b>
<b>SIBUR-Naphtha Domestic &amp; Export &amp; Sales (unit-kilo tons)</b>		
	<b>Jan-Mar 15</b>	<b>Jan-Mar 14</b>
Domestic Sales	5.0	20.5
Exports	284.6	233.7
<b>Total</b>	<b>289.6</b>	<b>401.7</b>

The general designer of the refinery complex is Angarskneftehimproekt. The project involves the construction of seaport terminals for reception and shipping of both oil and petroleum products. At the same time, Rosneft has asked Moscow to support the project through the construction of infrastructure: including oil and gas pipelines, railways, power lines, ports.

### Russian petrochemical producers & markets

#### SIBUR, Q1 2015

SIBUR increased revenues from the sale of LPGs for the first quarter 2015 by 3.4% whilst proceeds from the sale of natural gas liquids (NGL) fell by 80.9%. In January-

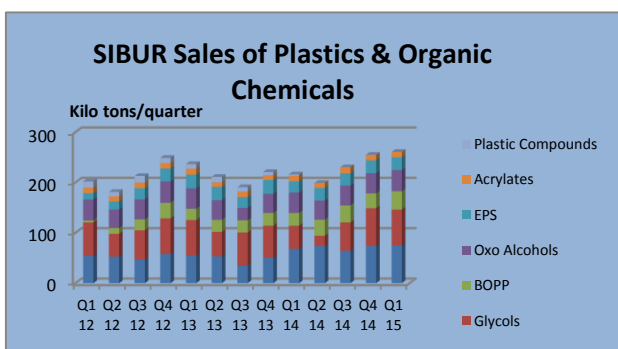
March 2015, SIBUR achieved revenues from the sale of LPG to 19.6 billion roubles. Sales volumes increased by 19.1%, while production increased by 23.6% following the expansion of gas-fractionating



capacity at Tobolsk. The result was influenced by zeroing export duties and a sharp fall in prices in foreign markets.

Production of NGLs rose by 36% due to higher increase in capacity utilisation at the Tobolsk site. From the sales of naphtha, the company yielded 7.6 billion roubles in the first quarter, 10.6% up on 2014. Sales volumes of naphtha increased by 13.9%, with production rising by 2.6%.

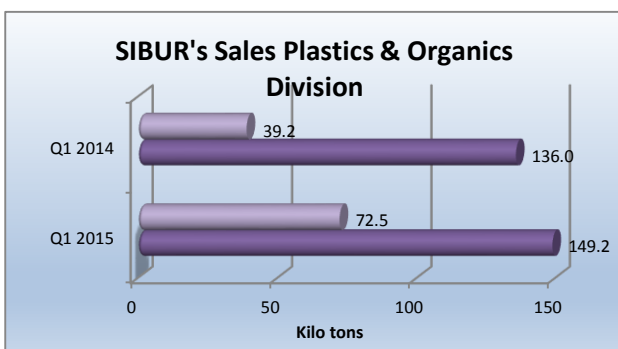
Sales of natural gas increased by 39.8% to 9.9 billion, helped by terms of cooperation with Rosneft and the consolidation of OOO Yugragazpererabotka in the group in March 2014. Overall, revenues from the sale of fuel and raw materials increased by 6% compared to the same period last year and amounted to 43.8 billion roubles.



polypropylene production and sales. In the synthetic

Revenues from sales of petrochemical products increased for SIBUR by 46% in the first quarter this year and amounted to 41.2 billion roubles. The rise was helped by significant sales of base polymers, plastics and organic synthesis products as a result of capacity expansion and devaluation of the rouble.

The financial result of the petrochemical division was 12.2 billion roubles (+64.8% up against 2014). Growth was mainly due to the rise in rubber division revenues amounted to 9.1 billion roubles, 35.1% more than in the first quarter in 2014.



Plastics and organic synthesis products yielded revenues of 14.5 billion roubles (+48.6% in 2014). The increase in the index contributed to the expansion of production capacity and the growth of sales volumes glycol, PET and BOPP films.

#### Russian cracker feedstocks, Jan-May 2015

Propane supplies to the Russian domestic market amounted to 63,650 tons in May, 5% more than in April and 35% higher than in May 2014. Whilst the main outlet for propane is fuel, the increase in May was due mainly to an increase in the supply of propane as a cracker feedstock. Petrochemical companies bought 13,740 tons, which was 35% higher than April was.

Merchant Feedstock Deliveries to Russian Petrochemical Plants (unit-kilo tons)		
Feedstock	Jan-May 15	Jan-May 14
Naphtha	319.2	324.0
Gas Liquids	635.5	573.1
Propane	60.0	68.4
Isobutane	232.7	168.2

The largest buyer in May was Kazanorgsintez which purchased 12,110 tons in May, 1.7 times higher than April. Other consumers included Tomskneftekhim, which bought 574 tons against zero in April, whilst SIBUR-Kstovo reduced purchases by 68% to 918 tons. In the first five months in 2015 Russian companies shipped a total

of 309,100 tons of propane to the domestic market, 7% more than in the same period in 2014. Around 20% was consumed by petrochemical plants.

NGL sales on the Russian domestic market amounted to 334,680 tons in May of which 132,000 tons were delivered to petrochemical plants which was 13% lower than in April. From January to May 2015 shipments of NGL on the Russian market amounted to 1.58 million tons, which is 1% more than in 2014.

Isobutane sales for MTBE on the domestic market amounted to 52,970 tons in May, 25% up on April. In May 2014 deliveries amounted to only 38,020 tons. The rise in deliveries this May was due largely to the increase in availability from Tobolsk-Neftekhim, rising 42% to 44,570 tons. From January to May

2015 deliveries to the Russian market totalled 232,650 tons of isobutane, 39% more than in 2014. All of the isobutane sales went to MTBE producers.

The Russian government is considering the introduction of tax deductions for ethylene. Currently, the excise tax is negative, set in the tax manoeuvre in the oil industry, it applies to aromatic hydrocarbons, naphtha and kerosene. The new tax regime introduced at the start of the year has caused some problems for feedstock pricing.

<b>Russian Propylene Domestic Sales (unit-kilo tons)</b>		
<b>Consumer</b>	<b>Jan-May 15</b>	<b>Jan-May 14</b>
Saratovorgsintez	72.3	75.4
Volzhskiy Orgsintez	3.9	5.0
Akrilat	7.0	20.0
SIBUR-Khimprom	34.1	24.7
Omsk-Kaucuk	1.8	22.7
Tomskneftekhim	3.8	0.0
Nizhnekamskneftekhim	0.0	0.5
Ufaorgsintez	1.6	8.3
Stavrolen	22.7	0.0
Kazanorgsintez	2.1	3.0
Samaraorgsintez	5.0	5.0
Khimprom Kemerovo	1.7	0.6
Plant of Synthetic Alcohol	3.0	2.8
<b>Total</b>	<b>159.1</b>	<b>168.1</b>

#### **Russian propylene, Jan-May 2015**

Domestic propylene sales in Russia rose 27% in May over April to 35,200 tons. SIBUR-Kstovo increased shipments by 38% to 9,800 tons and Lukoil-NNOS by 21% to 14,800 tons. Other rises were reported by Angarsk Polymer Plant of 38% to 5,800 tons. For the first five months sales on the domestic market totalled 163,600 tons which was almost the same as in 2014. Azerkhimya from Azerbaijan resumed deliveries of propylene to the Russian market in May, supplying 1,000 tons to Saratovorgsintez.

Propylene exports dropped 31% in May to 4,900 tons, all of which was provided by SIBUR-Kstovo. For the first five months this year exports totalled 25,000 tons which is 8.4 times up on the same period in 2014.

Poland has accounted for 52% of Russian propylene exports in 2015.

Shipments of propane-propylene fractions to the domestic market decreased by 38% in May to 6,200 tons, due mainly to maintenance at the Ryazan refinery. Slavneft-Yanos increased shipments by 14% to 4,400 tons. For the first five months of 2015, sales of propane-propylene fractions totalled 53,700 tons which is 10% down on 2014. Exports of propane-propylene fractions increased by 2.4 times in May to 1,400 tons, all of which was shipped from the Ryazan refinery. For the first five

months in 2015, Russian producers exported 19,400 tons of propane-propylene fractions. Poland accounted for 79% of shipments.

#### **Russian styrene, Jan-May 2015**

Russian styrene exports declined 36% in May to 9,400 tons. Angarsk Polymer Plant reduced product shipments by 5.6 times to 579 tons whilst Gazprom neftekhim Salavat reduced exports by 22% to 8,700 tons. In the first five months in 2015 Russian styrene exports totalled 55,600 tons, the same as in 2014.

Styrene sales on the domestic market amounted to 9,100 tons in May, 30% more than in April. Last month, the supply from Gazprom neftekhim Salavat increased 1.9 times, to 4,400 tons. The rise was due to an increase in demand for the monomer after a reduction in the price. In addition, SIBUR-Khimprom increased shipments of styrene by 12% to 4,500 tons. For the first five months of 2015 domestic sales amounted to 41,100 tons, 24% more than in the same period of 2014.

<b>7Russian HDPE Imports (unit-kilo tons)</b>		
<b>Category</b>	<b>Jan-May 15</b>	<b>Jan-May 14</b>
Extrusion	24.7	26.6
Pipe	7.4	24.1
Film	0.9	8.5
Blow	10.9	14.5
Injection	20.2	19.9
Others	7.4	4.9
<b>Total</b>	<b>71.5</b>	<b>98.5</b>

#### **Bulk Polymers**

#### **Russian polyethylene imports, Jan-May 2015**

Russian HDPE imports totalled 71,500 tons in the period January to May 2015, 27% down on 2014. May imports were unchanged from April at 14,400 tons. The volumes of imports declined in nearly all sectors of consumption this year, particularly for pipe and film grades.

Kazanorgsintez has begun the production of HDPE by rotational moulding of large-sized products. The polyethylene composition

M115SV brand is designed for rotational moulding of large containers and plastic products, containers for transportation of bulk products, etc. Kazanorgsintez possesses capacity of 530,000 tpa for HDPE and 217,000 tpa for LDPE.

Russian LLDPE imports decreased by 11% in January-May to 75,600 tons. Demand for LLDPE was particularly affected in the sector for rotational moulding where imports declined almost two fold in the first five months this year to 2,200 tons. LLDPE film imports totalled 65,700 tons in the period January to May

<b>SIBUR Polypropylene Sales (billion roubles)</b>		
<b>Sales</b>	<b>Jan-Mar 15</b>	<b>Jan-Mar 14</b>
Domestic Sales	4,005	2,307
Exports	3,979	1,624
Total	7,984	3,931

<b>SIBUR LDPE Sales (billion roubles)</b>		
<b>Sales</b>	<b>Jan-Mar 15</b>	<b>Jan-Mar 14</b>
Domestic Sales	2,367	1,823
Exports	1,895	1,642
Total	4,262	3,465

2015, 12% down against 2014, whilst LLDPE for laminating paper increased for five months by 35% to 3,600 tons. Imports of LLDPE in other sectors amounted to 4,200 tons which was 16% up.

Nizhnekamskneftekhim plans to produce around 50,000 tons of LLDPE in 2015. Production of LLDPE was started on 10 May and produced around 20,000 tons by mid-June. Feedstocks used include butenes and hexene. In the near future the company plans to shift to production of HDPE.

#### Russian polypropylene, Jan-May 2015

Russian polypropylene imports totalled 56,300 tons in the first five months in 2015, down by a quarter against 2014. Copolymer imports were most affected.

<b>Russian Polypropylene Imports (unit-kilo tons)</b>		
<b>Category</b>	<b>Jan-May 15</b>	<b>Jan-May 14</b>
Homopolymers	21.3	27.3
Block	10.9	16.0
Random	12.4	12.8
Other	11.7	18.2
Total	56.3	74.3

Polypropylene production totalled 589,000 tons for the period January to May 2015 against 403,800 tons in 2014. The main factors behind the increase are the higher utilisation rates at Tobolsk-Polymer and Polyom at Omsk. Some Russian producers continue to introduce new grades to the market with a view towards competing against imports. Stavrolen has recently started the industrial production of new grades of high-impact polypropylene for the manufacture of corrugated sheet extrusion, and to obtain products domestic articles and food packaging by blow moulding. Stavrolen's capacities include

80,000 tpa of benzene, 50,000 tpa of VAM, 120,000 tpa of polypropylene and 300,000 tpa of HDPE.

<b>Russian PVC Production (unit-kilo tons)</b>		
<b>Producer</b>	<b>Jan-Apr 15</b>	<b>Jan-Apr 14</b>
Bashkir Soda	83.2	75.8
Kaustik	31.5	31.7
RusVinyl	69.0	0
Khimprom	0.0	6
Sayanskkhimplast	76.9	99.2
Total	260.6	212.7

#### Russian PVC market, Jan-May 2015

Russian PVC imports fell by almost thirteen times in the first five months this year to 7,600 tons from 97,400 tons. At the same time exports rose from 1,700 tons to 16,200 tons.

PVC production increased 22% in the first five months in 2015 and amounted to 371,800 tons. The main increase in production figures came from RusVinyl and Bashkir Soda, whilst at the same time Sayanskkhimplast reduced production by 22% to 76,900 tons.

#### Russian ABS, Jan-May 2015

ABS imports amounted to 10,600 tons in January-May 2015, 27% down on 2014. This fall is attributed mainly to the new capacity introduced by Nizhnekamskneftekhim last year. The largest decrease was seen in extrusion grades, where imports decreased by 62% in January-May and amounted to 940 tons. The supply of imported ABS injection grade fell by 20% and amounted to 9,600 tons. The largest consumers of imported ABS in Russia are electronics manufacturers, particularly LG Electronics RUS. Main importers include LG Chem, Samsung Cheil Industries, Styrolution, Kumho and Styron.

The Russian car industry mainly uses ABS from domestic production by Plastik and Nizhnekamskneftekhim. Plastik in the Tula region started production of new grades of ABS in June which can be used in the manufacture of electrical and domestic appliances. Plastik believe that these products can be used as an alternative to imported products Magnum (Trinseo), Styrolution, LG, Starex (Samsung). Plastik has a capacity of 60,000 tpa for polystyrene, 11,300 tpa for EPS and 23,000 tpa of ABS.

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

	Jan-Mar 15	Jan-Mar 14
Production	25.2	22.5
Total Sales	19.2	18.5
Domestic	15.5	13.6
Exports	3.6	5.0

**SIBUR-Expandable Polystyrene, Jan-Mar 2015**

SIBUR's sales of expandable polystyrene (EPS) increased from 18,500 tons in the first quarter in 2014 to 19,200 tons in 2015. Exports declined from 5,000 tons to 3,600 tons whilst domestic sales rose from 13,600 tons to 15,500 tons. SIBUR's sole plant for EPS production is located at Perm and managed by SIBUR-Khimprom.

**PTA/PET Chain****Russian Paraxylene Domestic Sales  
(unit-kilo tons)**

Producer	Jan-May 15	Jan-May 14
Gazprom Neft	18.6	17.0
Ufaneftkhim	32.0	25.8
Kirishinefteorgsintez	0.0	0.0
Total	50.6	42.8

**Russian paraxylene market, Jan-May 2015**

Russian sales of paraxylene totalled 50,600 tons in the first five months in 2015 against 42,800 tons in the same period last year. Sales have been bolstered by increased PTA production.

SIBUR's paraxylene costs rose 24.5% in the first quarter this year to 1.579 billion roubles, partly affected by currency factors and partly due to the 13.8% increase in purchased volumes following PET capacity expansion at Polief. Despite the withdrawal of Alpek from the RusPETF Bashneft has not dismissed plans of expanding the paraxylene capacity at Ufaneftkhim. Other possible projects in Russia include the Antipinsky Refinery in West Siberia which is considering the construction of facilities for the production of paraxylene, benzene and PET. The refinery has a capacity of 8 million tpa.

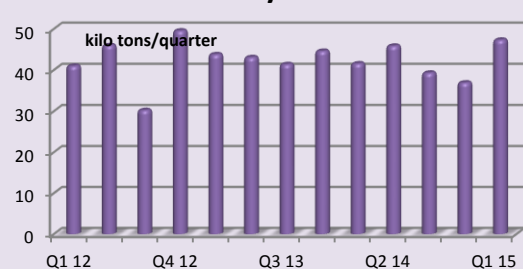
**Russian Paraxylene Exports  
(unit-kilo tons)**

Producer	Jan-May 15	Jan-May 14
Gazprom Neft	13.4	15.7
Kirishinefteorgsintez	26.3	12.4
Ufaneftkhim	2.0	1.0
Total	41.6	29.1

**Polief-energy contracts**

Shareholders of Polief look to approve electricity contracts with Siburenergomenedzhment, which specialises in providing energy for the SIBUR group of companies. In

2014 Polief recorded a net profit of 164.4 million roubles against a net loss of 1.082 billion roubles in 2013. Revenue increased by 26.8% to 13.9 billion roubles.

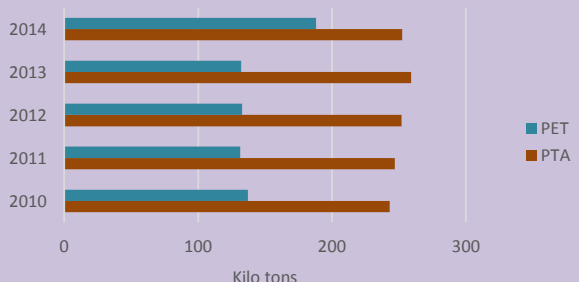
**SIBUR Paraxylene Purchases****Ivregionsintez-Kazakh possible feedstock supply**

Talks have been held between Ivregionsintez and Oralneftkhim to consider prospects of building a PTA plant at Atyrau in Kazakhstan. Ivregionsintez is seeking a regular and stable source of PTA and MEG whilst Oralneftkhim is seeking to establish a chain from its paraxylene plant. Demand for PTA and MEG at Ivregionsintez is estimated at 65,000 tpa and 155,000 tpa.

Kazakhstan plans to implement an investment project of integrated gas processing plant to produce products such as ethane, ethylene, ethylene oxide, MEG, paraxylene, PTA and PET. Some of the projects mentioned include 500,000 tpa of PTA, 456,000 tpa of MEG and 120,000 tpa of PET. Commissioning, start-up of production is scheduled for December 2019. Despite the financial approval questions have been raised in the local administration whether it is still more cost-effective to import cotton or fibres rather than produce synthetic fibres domestically.

Import substitution in Russia has become a high-profile political slogan since last year. The government has been keen to place almost every

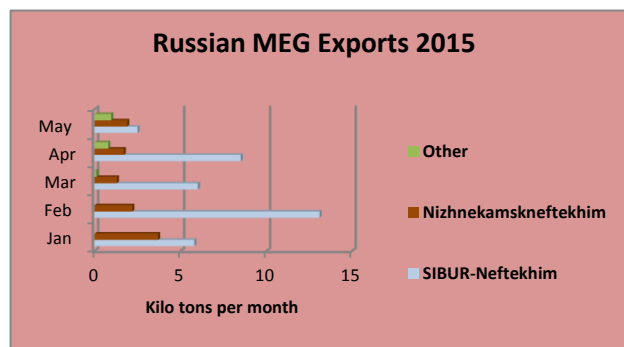
project under the label import substitution when in fact most projects, including the Ivanovo PET plant, were under consideration long before the annexation of Crimea, sanctions, etc.

**Polief Production**



### Russian MEG, Jan-May 2015

MEG sales on the Russian domestic market amounted to 16,000 tons in May, 8% less than in April. SIBUR-Neftekhim accounted for 70% of sales and Polief 48% of purchases. SIBUR-Neftekhim sold 11,500 tons of MEG on the domestic market in May, 10% down on April. Nizhnekamskneftekhim sold 4,200 tons, 6% higher than in April, and Kazanorgsintez 118 tons of MEG (1%), down 2.5 times against April. The remaining 385 tons (2%) was shipped by traders.



Polief bought 7,700 tons of MEG in May, 7% up on April, whilst Senezh bought 2,000 tons or 20% down. Alko-Naphtha bought 4,000 tons in May, and the remaining 2,400 tons was bought by smaller domestic companies, consumers and traders.

MEG exports dropped two fold in May against April to 5,300 tons. SIBUR-Kstovo exported 2,500 tons which is 70% down on April. Nizhnekamskneftekhim increased exports 10% to 1,900 tons. The key area for Russian MEG exports in May was Turkey which accounted for 42% of total shipments (2,300 tons).

### Aromatics & derivatives

Russian Benzene Production (unit-kilo tons)		
Producer	Jan-May 15	Jan-May 14
Angarsk Polymer Plant	34.4	39.8
Chelyabinsk MK	0.0	5.2
Gazprom Neft	47.2	42.0
Stavrolen	2.8	12.7
LUKoil-Permnefteorgsintez	21.3	17.7
Magnitogorsk MK	26.8	26.6
Nizhnekamskneftekhim	87.0	84.8
Novolipetsk MK	12.9	10.2
Gazprom neftekhim Salavat	59.8	62.1
Severstal	15.6	13.9
SIBUR-Kstovo	28.8	11.7
Slavneft-Yaroslavlorgsintez	23.9	25.8
Surgutneftegaz	26.3	28.4
Ryazan Refinery	15.6	11.1
Ufaneftekhimi	42.9	31.4
Ural Steel	4.3	3.7
Uralorgsintez	32.0	37.6
Zapsib	29.0	24.8
SANORS	11.0	12.4
Total	521.6	502.0

restart of Stavrolen's plant at Budyennovsk and the restart of the Slavneft-Yanos plant at Yaroslavl after maintenance. In the first five months sales of benzene from oil refineries and petrochemical plants totalled 272,800 tons, 7% more in 2014.

The largest benzene consumer in May was Kuibyshevazot which purchased 15,410 tons against 8,755 tons in April. For the first five months in 2015 Kuibyshevazot purchased 65,837 tons of benzene, representing 19% of Russian merchant consumption of 343,571 tons. The second largest consumer was Azot at Kemerovo which purchased 46,190 tons, or 13% of Russian consumption. The largest suppliers of benzene

### Russian benzene market, Jan-May 2015

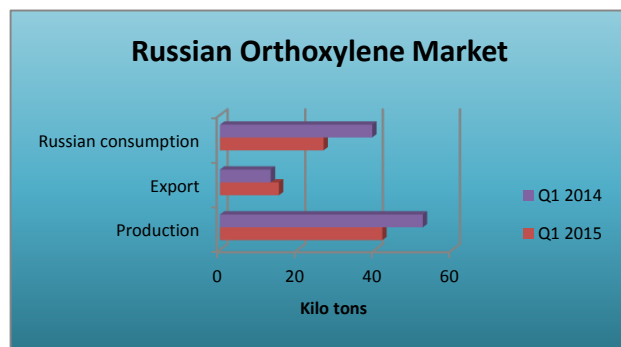
Benzene production totalled 403,600 tons in the first four months in 2015 against 390,500 tons in the same period last year. About two thirds of Russian benzene production is marketed on the domestic market in Russia, whilst exports comprise a small percentage of sales. The major buyers on the domestic market include Kuibyshevazot, Azot at Kemerovo, SIBUR-Khimprom and Nizhnekamskneftekhim, together accounting for over half of all purchases.

In May, Russia produced 99,700 tons of benzene for synthesis and nitration, 9% more than in April. Stavrolen resumed production for the first time since February 2014 and produced 2,800 tons. After completing repair work Slavneft-Yanos increased production 11.9 times to 6,700 tons. Gazprom Neft and Angarsk Polymer Plant increased production by 35% and 27% respectively, to 11,300 tons and 8,300 tons. Due to scheduled maintenance Ufaneftekhimi reduced production in May 48.5 times to 161 tons, and Kirishinefteorgsintez by 37% to 3,500 tons. For the first five months in 2015 Russian benzene production totalled 486,200 tons, almost unchanged from last year.

In May benzene purchases by Russian consumers amounted to 73,700 tons against 61,951 tons in April. The reason for the increase was due in part to the

to the domestic market were Gazprom Neft at Omsk and Uralorgsintez. Regarding Russian exports of benzene, shipments

Russian benzene imports from Kazakhstan amounted to 714 tons in May, 8% more than in April. Kuibyshevazot increased its purchases of Kazakh product twofold in May to 602 tons. At the same time Kazanorgsintez reduced purchases from ArcelorMittal Temirtau 3.2 times, up to 112 tons. For the first five months of 2015, Russian companies imported 2,400 tons of Kazakh benzene, 1.6 times more than in the same period of 2014.



#### Russian orthoxylene, Jan-May 2015

In May sales of orthoxylene on the domestic market amounted to 10,070 tons, 19% less than in April. Gazprom Neft from the Omsk refinery shipped 6,280 tons (62% of Russia's shipments), Kirishinefteorgsintez 3,310 tons (33%), and Ufaneftekhim 480 tons (5%). Ufaneftekhim stopped production in early May for repairs and returned in June.

Exports of orthoxylene rose 6.6 times in May to 8,390 tons, of which Gazprom Neft supplied 7,390 tons. Exports totalled 24,860 tons in the first five months, which is 19% more than in 2014.

Russian Orthoxylene Domestic Sales (unit-kilo tons)		
Producer	Jan-May 15	Jan-May 14
Gazprom Neft	22.7	27.5
Ufaneftekhim	13.0	14.7
Kirishinefteorgsintez	15.1	18.5
Total	50.8	60.6

Regarding consumers, Kamteks-Khimprom purchased 6,040 tons of orthoxylene in May, the same as in April, whilst Gazprom neftekhim Salavat reduced purchases by 2.6 times to 380 tons. Russian producers of paints reduced purchases of orthoxylene in May by 33%, to 1,890 tons. Manufacturers of fuel, agricultural chemistry, pharmaceuticals and other products purchased 770 tons, and another 990 tons taken by traders. In the first five months in 2015 sales of orthoxylene in the domestic market totalled 50,090 tons, 17% less than in the same period in 2014.

The Russian orthoxylene market is affected mainly by two factors, the export activity of domestic producers and the situation on the domestic market for phthalic anhydride. This year orthoxylene producers have favoured exports over domestic sales due mainly to the weakness of the rouble. At the same time domestic demand has been affected by lower production of paints. Overall production has dropped this year and manufacturers of paints have encountered difficulties in securing orthoxylene supply.

Russian Toluene Domestic Sales (unit-kilo tons)		
Producer	Jan-May 15	Jan-May 14
Novopiletsk MK	0.6	0.7
Slavneft-Yanos	11.4	17.4
Severstal	2.9	2.6
LUKoil-Perm	6.4	13.5
Gazprom Neft	20.7	13.1
Zapsib	2.2	2.0
Kinef, Kirishi	10.9	7.8
Gazprom n Salavat	0.0	0.0
Others	0.3	0.2
Total	55.4	57.1

#### Russian toluene sales, Jan-May 2015

Toluene sales on the domestic market amounted to 12,460 tons in May, 0.5% up on April but 17% lower than in May 2014. In May Gazprom Neft supplied 5,960 tons of toluene to the domestic market, or 48% of the total, the Perm Refinery 2,270 tons (18%) and Kirishinefteorgsintez 1,780 tons (14%). In May Kirishinefteorgsintez stopped production for maintenance and should resume production in early July.

Regarding consumption, manufacturers of explosives increased toluene purchases in May by 47% to 1,790 tons. The paint companies reduced purchases of raw materials by 8% to 4.160 tons, accounting for 33% of Russian consumption.

Manufacturers of lubricants and additives for motor fuels reduced the amount of toluene shipments by 12% to 1,300 tons, whilst another 780 tons was used a solvent for rubber production. In the period January to May 2015 Russian domestic sales totalled 55,450 tons, 3% down on the same period last year.

Russian Phenol Sales by Supplier (unit-kilo tons)		
Producer	Jan-May 15	Jan-May 14
Omsk Kaucuk	0.0	10.9
Samaraorgsintez	24.1	21.4
Kazanorgsintez	5.3	4.8
Ufaorgsintez	16.8	12.8
Neftekhimya	0.0	0.0
Sterlitamak NPZ	0.0	0.0
LUKoil-VNPZ	0.0	0.0
Borealis	0.4	0
Total	46.6	49.9

### Russian phenol, Jan-May 2015

Phenol sales on the domestic market amounted to 12,316 tons in May against 11,616 tons in April. Purchases were diversified amongst a wide range of buyers; Uralkhimplast was the largest consumer taking 17% of sales. Sales on the domestic merchant market totalled 46,600 tons in the first five months in 2015 against 49,900 tons in 2014. Of the captive users, Kazanorgsintez is the largest player for bisphenol A production followed by Kazanorgsintez. Samaraorgsintez, which is the largest supplier to the merchant market started a maintenance shutdown on 15 June which should run until 15 July. In the first five months in 2015 Samaraorgsintez sold 24,086 tons of phenol on the export market, thus accounting for more than half of the total.

Regarding domestic consumption in May, 10,000 tons of phenol were bought by manufacturers of phenol-formaldehyde resins. Another 1,400 tons was purchased by Sterlitamak Petrochemical Plant, for application in the production of antioxidants. Nizhnekamskneftekhim purchased 1,100 tons of phenol for alkylphenol production, whilst Kuibyshevazot did not buy in May. Exports of phenol from Russia have been significantly reduced this year due mainly to the prolonged outage at Omsk. Imports of phenol amounted to 174 tons in May, almost two times down on April. The sole Russian importer of phenol from Borealis in May was NPP Astat

Omsk Kaucuk has been unable to restart the phenol-acetone plant due complications in the repairs and finance. The company estimates it needs around 1.8 billion roubles to renovate the damaged phenol-acetone plant, which would in addition to repairing the damages caused by the accident in early March 2014

Russian C4 Supplies (unit-kilo tons)		
Supplier	Jan-May 15	Jan-May 14
Angarsk Polymer	33.5	32.7
Krasnoyarsk Synthetic Rubber	0.2	0.2
Kazanorgsintez	16.0	12.6
Stavrolen	10.3	12.7
SIBUR-Kstovo	32.1	16.1
Gazprom neftekhim Salavat	0.0	6.4
Tomskneftekhim	31.3	28.2
Ufaorgsintez	14.4	12.4
Naftan (Belarus)	22.5	23.3
SANORS	0.2	0.3
Azerkhiymya	13.0	7.6
Efremov Synthetic Rubber	0.0	0.2
Iran	0.0	1.9
Total	173.7	154.4

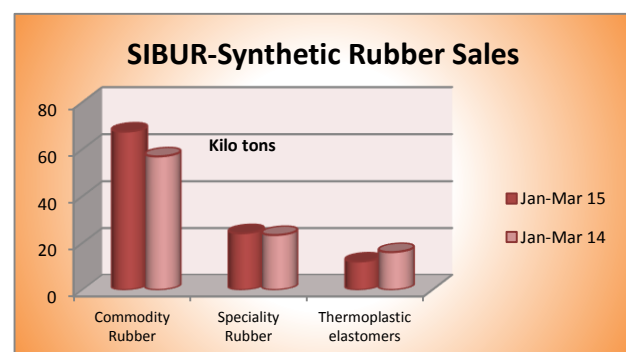
would also help to increase capacity two-fold. Securing the loans to undertake the project is however very difficult, if not impossible.

### Synthetic Rubber

#### Russian C4s, Jan-May 2015

C4 sales on the domestic market amounted to 30,300 tons in May, 3% up on April. Stavrolen boosted deliveries by 33% to 5,900 tons and Angarsk Polymer Plant increased by 13% to 7,100 tons. At the same time Tomskneftekhim reduced sales by 25% to 4,900 tons and Kazanorgsintez by 11% to 2,100 tons. In the first five months in 2015 sales of C4s on the domestic market totalled 138,200 tons, 13% up on 2014.

C4 imports increased 15% in May over April to 7,300 tons. Nizhnekamskneftekhim increased its imports by 30% to 6,300 tons, whilst Omsk Kaucuk reduced imports by 31% to 1,100 tons. For the first five months in 2015 imports totalled 34,600 tons which was unchanged from last year.

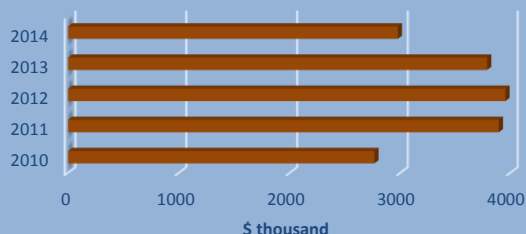


#### SIBUR-synthetic rubber Q1 2015

SIBUR increased revenues from synthetic rubber sales by 35.1% in the first quarter to 9.104 billion roubles. The rise was due to higher capacity utilisation which was allowed through lower feedstock pricing and most importantly Russian rouble depreciation. Commodity rubber revenues rose 16% over Q1 2014 and thermoplastic elastomers 25.3%.

**Russian Synthetic Rubber (unit-kilo tons)**

	<b>Jan-Apr 15</b>	<b>Jan-Apr 14</b>
Production	540	454
Exports	318	297

**Russian Synthetic Rubber Export Revenues****Russian synthetic rubber trade 2015**

Synthetic rubber exports from Russia increased in volume in the first four months this year to 318,000 tons against 297,000 tons in 2014, but revenues declined from \$658 million to \$473 million. This continued the trend of lower revenues for rubber shipments, which declined for Russia by 21.4% in 2014 against 2013. Following the 2008-2009 financial crisis export revenues from synthetic rubber exports fell but then recovered in 2011-2012 before declining due to weakening dynamics in global rubber markets.

**Voronezhsintezkaucuk-TEP**

Voronezhsintezkaucuk plans to complete the pilot testing of a new brand of thermoplastic elastomers (TPE) before the end of 2015 intended for road construction. The company has a large product

portfolio of TEPs, part of which is used to produce polymer-bitumen binder (PBB). Vintage range for road topic presented by such linear thermoplastic elastomers as SBS A 30-01A, DST-L30-01A. Voronezhsintezkaucuk is working closely with Gazprom Neft, which is actively developing modified bitumen for road construction and plans to establish its own centre of research and testing of PBBs.

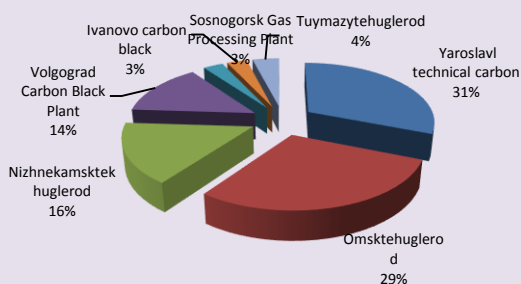
**Russian Tyre Production (unit-mil pieces)**

<b>Product</b>	<b>Jan-May 15</b>	<b>Jan-May 14</b>
Car Tyres	15.4	13.9
Lorry tyres	2.6	1.4
Agricultural tyres	1.5	2.6
<b>Total</b>	<b>19.5</b>	<b>18.0</b>

Voronezhsintezkaucuk has now completed construction of the entire technological structure required to meet the challenges of the market. The total capacity for the production of butadiene-styrene thermoplastic elastomers amounts to 85,000 tpa.

**Omsk Carbon Black**

By 2017 Omsk Carbon Group (Omsktekhuglerod) by 2017 plans to increase its market share in the production of carbon black in Russia by 10-12%. In 2014 the company's share in the Russian market was 41.7%.

**Russian Carbon Black Sales 2014**

The production of carbon black Omsk Carbon Group will increase in the next two years thanks to the introduction of the production line capacity of 40,000 tpa and further modernisation of the Volgograd Carbon Black Plant. The total capacity of the plant by the end of 2015 will amount to 200,000 tpa.

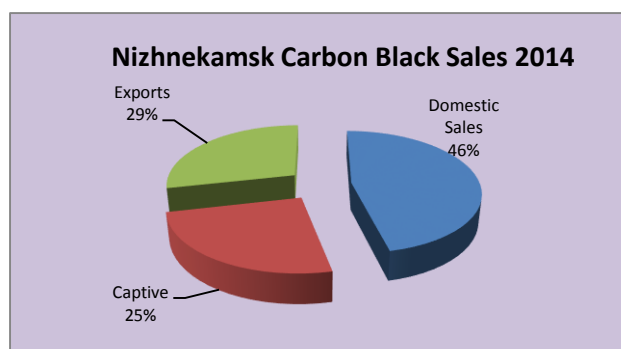
Omsk with a production capacity of 250,000 tpa and Volgograd with a production capacity of 110,000 tpa. The main consumers include Kordiant, Nokian Tyres, Michelin, Continental, and Pirelli.

Omsk Carbon Group intends to increase the capacity of carbon black at Volgograd by 45% by 2018. This year the company expects to produce 131,000 tons of carbon black, and hopes to achieve 240,000 tons in four years' time. For these purposes, the company is implementing a programme for the modernisation and restructuring of facilities costing around 575 million roubles.

**Nizhnekamsk Carbon Plant to increase capacity**

Nizhnekamsktekhuglerod (Nizhnekamsk Carbon Black) intends to increase the capacity for carbon black by around 20,000 tpa in the 2015-2017 period. The company plans within three years to carry out a complex of measures aimed at increasing performance. In 2017 the company plans to install a new process flow for the production of carbon black which would increase production by 16,000 tpa. In 2015 and 2016 figures are expected to increase by 2,000 tpa by replacing five existing granulators process streams, high-temperature reactor assembly liner replacement of the equipment.





Last year the company produced 120,500 tons of carbon black, which is 10.6% more than in 2013. Sales were divided between the domestic market (46.5%), exports (28.5%) and captive (25%). The proceeds of the enterprise over the past year increased by 12% to 3.67 billion roubles, whilst the net profit amounted to 8.84 million roubles. Nizhnekamsktekhuglerod is owned by Tatneft. The main consumers of Nizhnekamsk carbon black are Nizhnekamskshina, RTI Rubber, Balakovo RTI, Quart, and Ural plant RTI.

Russian Chemical Commodity Exports				
Product	Jan-Apr 15	Jan-Apr 15	Jan-Apr 14	Jan-Apr 14
	Kilo tons	USD Mil	Kilo tons	USD Mil
Ammonia	1,078	485	1,220	463
Methanol	418	113	566	245
Nitrogen Fertilisers	3,373	876	3,850	1,038
Potash	4,495	1,206	3,541	933
Mixed Fertilisers	3,067	1,145	2,767	963
Synthetic Rubber	318	473	297	658

### Methanol & fertilisers

#### Russian methanol, Jan-May 2015

Domestic sales of methanol amounted to 123,000 tons in May, 12% higher than April. Metafrax, Sibmetakhim and Tomet accounted for 85% of the product sold in the Russian Federation. Following completed maintenance Tomet increased sales by 77% in May to 28,500 tons.

Metafrax shipped 38,000 tons in May, Azot at Nevinomyssk 3,500 tons, and Azot at Novomoskovsk 10,200 tons. Due to maintenance Shchekinoazot: reduced shipments two-fold in May to 1,300 tons, whilst Sibmetakhim reduced sales by 15% to 38,400 tons. In terms of consumption in May, MTBE and gas companies accounted for 56% of total purchases. Smaller volumes of 30% were purchased by producers of synthetic rubber, formaldehyde and its derivatives.

Russian Methanol Consumption (unit-kilo tons)		
Consumer	Jan-May 15	Jan-May 14
Nizhnekamskneftekhim	99.4	101.1
Togliattikaucuk	41.9	42.7
Uralorgsintez	25.0	27.2
SIBUR-Khimprom	5.8	4.7
Tobolsk-Neftekhim	18.1	21.3
Ektos-Volga	20.1	19.3
Omsk Kaucuk	40.6	29.1
Novokuibyshevsk NPZ	18.8	20.4
Uralkhimplast	13.2	12.0
Slavneft-Yanos	7.7	2.1
Others	337.3	303.7
Total	627.9	583.5

#### Metafrax project investments 2015-2020

Metafrax has identified several projects for the main current and future investment projects in 2020. The development plans are aimed at meeting European environmental requirements and producing products which the company can use for further processing.

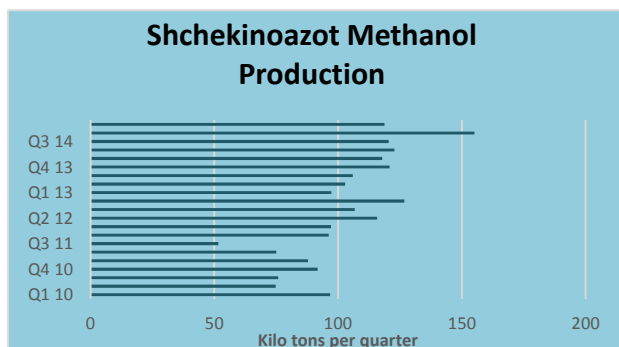
A main focus of the company is to increase capacity for methanol to 3,375 tons per day from 3,000 tons per day at present. This can be achieved through changes to the composition of the gas, and the project should be completed by the end of 2017. Investment in the project comprises more than 2 billion roubles. The project will reduce the rate of natural gas consumption per ton of methanol from 1022 to 962 Newton metres. By 2017, Metafrax plans to build a new formaldehyde plant of 55% with a capacity of 90,000 tpa. This will culminate in the closure of the old plant for 55% formaldehyde.

Metafrax Production (unit-kilo tons)		
Product	2014	2013
Methanol	412.5	436.6
Formaldehyde (37%)	87.5	71.6
Formaldehyde (55%)	70.3	59.1
Urea formaldehyde concentrate	164.9	151.2
Pentaerythritol	10.7	8.7
Methenamine	6.5	5.3
Polyamide block	0.7	0.7
Polyamide granular	0.1	0.1
Sodium formate	10.1	11.1

The company is also considering the issue of construction of the plant for the production of paraformaldehyde with a capacity of 30,000 tpa. This would exceed the Russian market for paraformaldehyde which is currently rated at 13,000 tpa. In 2014 Metafrax abandoned its project to construct a urea plant, but is now reconsidering the project involving 1,400 tons per day. This also includes a project for melamine production with a capacity of 40,000 tpa. This project is estimated in cost at 500 million euros.

### Shchekinoazot-new methanol project

Shchekinoazot has started construction of a new complex for the production of methanol and ammonia, which will add to the existing methanol facilities. The general contractor for the construction of the project is Neftezhavodmontazh at Volgograd. Part of the initial investment schedule involves the development of storage units for liquid ammonia, ball tanks and containers of methanol. The basic design of the complex



was completed in January 2015 by Haldor Topsoe, whilst in April this year the Ukrainian general designer Orgkhim at Severodonetsk completed the development of project documentation.

To date, major contracts have been signed for the supply of production equipment. The agreement with Mitsubishi Corporation assumes manufacture of compressor equipment, and with Kirchner Italia steam reforming furnaces. The company EKOL will supply auxiliary steam boiler and feedwater pumps. The total investment in the project was

previously valued at 270 million euros, with start-up scheduled for 2018. The design capacity includes 450,000 tpa of methanol and 150,000 tpa of ammonia.

The net profit of Shchekinoazot fell 75% in 2014 to 845.933 million roubles. In 2015 Shchekinoazot expanded production in 2015 of phenol-formaldehyde resins in its JV Hexion-Shchekinoazot. Commissioning of the second reactor will increase the production of resins from 54,000 tpa to 70,000 tpa.

### Baltic Gas Chemical-Ust Luga

NIIK expects to soon sign a contract with Baltic Gas Chemical Company (BGHK) for the preparation of project documentation for the methanol complex at Ust Luga in the Leningrad region. The project will be

#### Fosagro-urea project

Fosagro has started construction of its new urea unit at Cherepovets, scheduled for start-up in 2017. The capacity of the new plant is 500,000 tpa, following the construction of new ammonia plant with a capacity of 760,000 tpa. The total investment in the urea plant will amount to 63 billion roubles. Czech company Chemoprojekt Nitrogen is acting as the project designer and Stamicarbon the licensor of the urea technology. The new production will be the first in Russia to use a combination of the latest technology company Stamicarbon-Urea2000plusTM for the production of urea granulation.

sent to Glavgosexpertiza for approval. Mitsubishi Heavy Industries is undertaking design of the methanol plant which is intended to possess a capacity of 1.7 million tpa. Gas consumption for the plant is estimated at around 1.5 billion cubic metres per annum.

The methanol complex is planned to be built on the eastern part of the zone at Ust-Luga and is scheduled to launch in the first quarter of 2018. The project also involves the construction of a sea terminal for transshipment of production and subsequent export shipment.

The Japanese consortium responsible for large parts of the project, including trading house Marubeni Corporation and engineering and construction company Mitsubishi Heavy Industries. Under the agreement, Mitsubishi Heavy Industries will act as the contractor for the design and construction of the plant, will supply technology and equipment, and provide funding for the EPC contract by Japanese banks and export products. OOO Baltic Gas Chemical Company was registered in 2013 by a group of Russian investors for the construction of a gas chemical complex in the Leningrad region.

### National Chemical Group-methanol project Primorsk Kray

National Chemical Group (NHG) has been confirmed to supply needed to run fertiliser production volumes

National Chemical Group Primorsk Project Plans	
Product	Capacity
Ammonia	2.1 million tpa
Urea	2.0 million tpa
Methanol	1.0 million tpa

of gas. Gas will be supplied by the Power of Siberia, the intended pipeline linking Russia to China. Up to 5 million tpa of mineral fertilisers will be exported. The plant will be located in the village of Kozmino, near the port of Vostochny.

In first phase of development the company will produce 1 million tpa of methanol and ammonia, up to 2 million tpa of urea. Natural gas consumption will amount to 3.2 billion cubic metres per annum. The first marketable products are available for January 2018, and the full commissioning scheduled by March 2019. The first phase of the complex, including the external infrastructure facilities, is estimated in the range of at 240 billion roubles. The project includes a gas pipeline

capacity of 6.1 billion cubic metres per annum, the construction of the railway with a capacity of 150,000 tpa and the social infrastructure for the factory workers. Hyundai and Toyo are expected to take part in the project.

#### Evrokhim-Tecnimont ammonia project

Evrokhim has signed a general contract with Maire Tecnimont Group to design, logistics and the construction of a plant for the production of ammonia at Kingisepp in the Leningrad region. The cost of the project is 660 million euros of which 575 million euros will be allocated to Evrokhim by the agency SACE as a loan guarantee. The remainder will be provided by Evrokhim.

The project is operating on a turnkey basis, according to the contract, and involves a one-time payment. The capacity of the new unit is being designed to produce 2,700 tons per day. Tecnimont will introduce technology for producing ammonia developed by the engineering and construction company KBR. The project is expected to be completed within 36 months. Work on the project will be conducted by subsidiaries Maire Tecnimont, Tecnimont SpA and OOO Tecnimont Russia which have already completed the basic design for the plant for the production of ammonia at Kingisepp.

### Organic Chemicals

Russian Butanol Domestic Sales (unit-kilo tons)		
Producer	Jan-May 15	Jan-May 14
Gazprom n Salavat	8.4	11.1
SIBUR-Khimprom	9.1	15.7
Angarsk Polymer Plant	0.3	1.8
Azot Nevinnomyssk	1.6	1.0
Others	4.1	0.0
Total	23.5	29.6

29,600 tons in the same period last year.

#### Russian butanol domestic sales, Jan-May 2015

Butanol sales on the domestic market amounted to 5,610 tons in May, 6% less than in April and 18% lower than in May last year. The share of n-butanol in May was 79%, and isobutanol 21%. SIBUR-Khimprom accounted for 3,680 tons or 66% of Russia's shipments, Gazprom neftekhim Salavat 1,400 tons or 25%, Azot at Nevinnomyssk 360 tons or 6% and Angarsk Polymer Plant 160 tons (3%). From January to May 2015, total shipments of butanols amounted to 23,500 tons against

SIBUR-Acrylate Ester Sales (unit-kilo tons)		
	Q1 15	Q1 14
Domestic	5.9	5.0
Export	7.0	7.2
Total	12.9	12.2

#### SIBUR-Neftekhim, acrylate shutdown

SIBUR-Neftekhim completed repairs on 16 May on the acrylic acid and ester plants at Dzerzhinsk. Maintenance started on 24 April and entailed preventive maintenance, inspection, cleaning, technical examination, expertise of industrial safety equipment, pipelines and facilities of instrumentation and automation.

The largest share of work was undertaken at the site of synthesis of acrylic acid, which was replaced by the catalyst in the two devices. Previous repairs on stopping the production of acrylic acid and esters SIBUR-Petrochemicals held from 6 to 16 October 2014. Production of acrylic acid and esters at Dzerzhinsk was commissioned in 2004 to mid-2011 it has been part of SIBUR. Propylene is supplied by SIBUR-Kstovo and butanol SIBUR-Khimprom. The complex consists of 31,000 tpa of acrylic acid and 40,200 tpa of butyl acrylate and 10,000 tpa of acrylic esters (methyl and ethyl acrylate).

Russian N-butanol Exports (unit-kilo tons)		
Producer	Jan-May 15	Jan-May 14
Gazprom Neftekhim Salavat	21.4	9.3
SIBUR-Khimprom	2.1	1.5
Angarsk Petrochemical	11.4	7.1
Total	34.8	18.0
Russian Isobutanol Exports (unit-kilo tons)		
Producer	Jan-May 15	Jan-May 14
Gazprom Neftekhim Salavat	4.6	3.8
SIBUR-Khimprom	6.8	11.1
Angarsk Petrochemical	6.3	5.3
Total	17.7	20.2

#### Russian butanol exports, Jan-May 2015

Exports of butanols from Russia amounted to 4,480 tons in May, 66% less than in April but 11% higher than in May 2014. Normal butanol sales accounted for 41% of shipments and isobutanol 59%.

Export volumes fell in May due to maintenance by Gazprom neftekhim Salavat. China accounted for 64% of shipments in May, Turkey (14%), Poland

(11%) and the Netherlands (9%).

Angarsk Petrochemical Company exported 2,360 tons in May, SIBUR-Khimprom 1,550 tons, Gazprom neftekhim Salavat 560 tons whilst Azot at Nevinnomyssk did not export. For the first five months in 2015, total exports of butanol from Russia amounted to 52,600 tons which was 27% higher than in 2014. Normal butanol exports have increased almost two-fold this year, whilst isobutanol exports have declined slightly.

SIBUR-oxo Alcohol Sales (unit-kilo tons)		
	Q1 15	Q1 14
Domestic	14.3	14.5
Export	24.4	19.4
Total	38.6	33.9

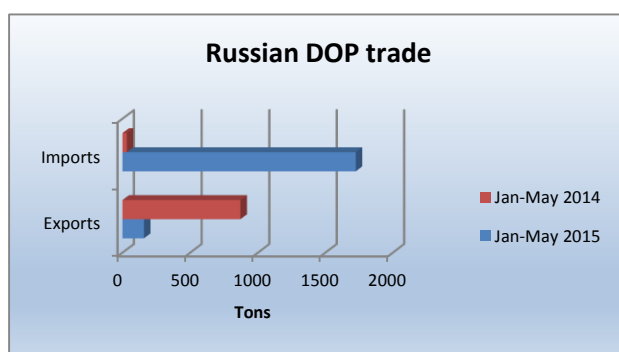
#### Russian butanol production, Jan-May 2015

Butanol production amounted to 19,907 tons in May against 25,925 tons in April. The proportion of n-butanol in production of butanols was 62%, and isobutanol 38%. Gazprom neftekhim Salavat produced 5,544 tons in May, whilst SIBUR-Khimprom produced 4,405 tons, Angarsk refinery 7,750 tons and Azot Nevinnomyssk 2,208 tons. For the first five months in 2015 quarter Russian butanol production totalled 115,600 tons against

92,600 tons in the same period last year. Most of the increased production has been targeted on exports.

#### Russian phthalic anhydride exports, Jan-May 2015

Russian exports of phthalic anhydride amounted to 5,080 tons in May, 19% more than in April but 16% lower than in May 2014. As the sole exporter Kamteks-Khimprom shipped products to India (30%), China (17%) and Finland (9%). For the period January to May 2015 Russian exports totalled 19,040 tons which was 37% down on the same period last year.



#### Russian plasticizer market, Jan-May 2015

Gazprom neftekhim Salavat resumed DOP production in the second half of June after maintenance. Roshalsky Plant of Plasticizers is producing DINP.

DOP trade in Russia has undergone changes this year, with exports falling and imports rising. Exports totalled 159 tons in the first five months against 871 tons in the same period last year, whilst imports rose to 1,725 tons in 2015 against 31.9 tons in January to May 2014. The only domestic exporter in May was Kamteks-Khimprom, whilst the entire volume of DOP shipped to Uzbekistan.

### Other Chemicals

Russian Paint Production (unit-kilo tons)		
Sector	Jan-May 15	Jan-May 14
Paint Materials on polymers	320.0	372.3
Other Paints	137.3	149.9
Total	457.3	522.2

#### Russian paint sector

The manufacture of paints in Russia declined in the first five months in 2015 to 457,300 tons against 522,200 tons in the same period last year.

The manufacturer Russian Paints increased production by 12.8% in the first quarter against the same period in 2014 and totalled 7,062 tons. The best results were shown in the divisions for waterborne paints, enamels and road marking. The improvement in production was attributed to the launch of additional production lines for the production of small-scale production. In the decorative paints division sales grew by 18% for the first quarter. Sales of coatings for auto repair increased by 5%, and industrial coatings by 15%.

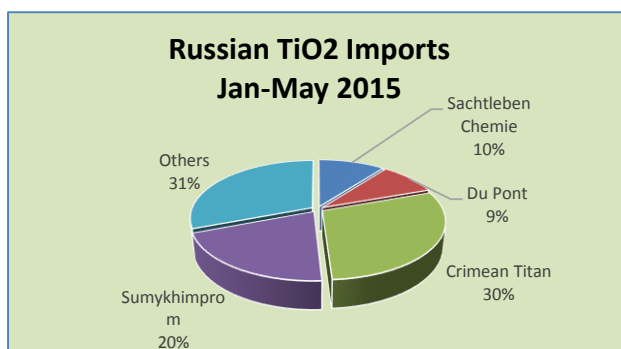
Kotlas Chemical Plant Production (unit-kilo tons)		
Product	2014	2013
Synthetic resins	1.023	1.043
Corrosion inhibitors	24.889	16.953
Paint materials	3.31	3.352

In the first quarter of this year, Russian paint companies exported 9,600 tons, 8.5% less than in the same period in 2014. Two-thirds of exports in the first quarter in 2015 comprised water borne paints. The share of oil in the paint solvents and other volatile organic compounds has been steadily declining. The main trade partners of Russia are countries such as Belarus, Kazakhstan and Azerbaijan.



### Russian titanium dioxide market, Jan-May 2015

Russian titanium dioxide imports declined 8% in the first five months in 2015 to 28,800 tons. During the period January to May 2015 imports of titanium dioxide from Sumykhimprom increased by 23% and amounted to 5,800 tons. Crimean Titan shipped 8,500 tons which is 58% more than in the same period last year. Imports of Finnish product from Sachtleben Chemie increased by 37% and to 3,000 tons. Du Pont shipped 2,630 tons in January to May 2015, 2.4 times less than in 2014



### Penoplex-Ukrainian sales

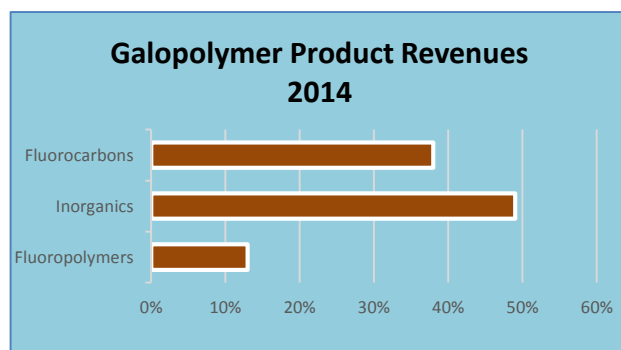
Penoplex began exports to Ukraine in May from its industrial site at Novomoskovsk (Tula region).

Currently, the company continues to work on the expansion of capacity at Novomoskovsk. A new fourth production line is scheduled for start-up in the next few weeks with a capacity of 2 tons of insulation per hour or 550 cubic metres per annum. Penoplex currently operates three lines at Novomoskovsk has three production lines with a total capacity of 450,000 cubic metres per annum. The launch of the new line will bring the total capacity of the plant up to 1 million cubic metres per annum.

### BOPP project-Megapolis

Russian Agricultural Bank has opened a credit line to the Megapolis group of 6 billion roubles intended to be used for construction of a BOPP plant at Rostov. The subsidiary of Megapolis, Waterfall, aims to construct a plant of 60,000 tpa. Earlier this year the project was postponed due to financial problems. The first phase of the project involving a unit 30,000 tpa was intended to be completed by the start of 2015, with a second phase envisaging an increase to 60,000 tpa.

Last year Megapolis signed a preliminary agreement for polypropylene supplies with SIBUR to ensure supply of raw materials at the time of start-up. The Waterfall project will increase total Russian BOPP capacity to 264,000 tpa. Market consumption for Russia was estimated at 135,000 tons in 2013. The Megapolis project will provide high quality packaging material in food and processing industry, as well as to offer a competitive product on the export markets.



### Galopolymer 2014

Galopolymer recorded a loss of 1.46 billion roubles in 2014 on revenues of 5 billion roubles. Galopolymer controls around 9% of the global market for fluoropolymer products, and is the only Russian company that produces specialized fluoropolymers. Despite the weakness of the Russian economy Galopolymer observed a 9% increase in domestic sales of fluoride products in 2014, albeit from a small base. The relatively low level of consumption of PTFE on the Russian market allows a rapid increase in demand relative

to the developed economies. Such growth can be achieved by implementing large-scale projects in oil and gas, aerospace and chemical industries. Global consumption for PTFE (Teflon) rose 1-2% in 2014 and is expected to rise 2-4% per annum over the next few years.

Azot Grodno Production (unit-kilo tons)		
Product	Jan-May 15	Jan-May 14
Methanol	33.4	33.6
Caprolactam	51.6	53.3
Polyamide primary	39.6	35.4
Polyamide filled	3.6	4.3
Ammonia	490.3	467.4
Urea	468.3	447.5
Fertilisers	347.4	341.4
Fibres	11.3	17.1

### Belarus

#### Azot Grodno, Jan-Mar 2015

Azot produced 33,400 tons of methanol in January to May 2015, against 33,600 tons in the same period last year. In other areas of production caprolactam declined from 53,300 tons to 51,600 tons in January to May 2015. Ammonia and urea production slightly surpassed last year's figures.

<b>Azot Caprolactam Exports (unit-kilo tons)</b>		
<b>Country</b>	<b>Jan-Apr 15</b>	<b>Jan-Apr 14</b>
Russia	0.0	0.1
Indonesia	1.6	0.0
China	3.6	6.2
Taiwan	7.5	10.7
<b>Total</b>	<b>12.7</b>	<b>17.0</b>

Azot at Grodno has decided to delay plans to complete construction of a new complex for the production of nitrogen fertilisers, pushing back its original date of 2019 to 2022. Planned capacities include 875,000 tpa of ammonia and of 1225,000 tpa of urea. Azot is the only producer of nitrogen fertilisers in Belarus and the largest consumer of natural gas in the country.

Belarus owns 99.97% of the shares in Azot and works under the operational control of Belneftekhim. The new project is vital to replace existing worn-out facilities for the production of ammonia and urea, which are associated with a significant increase in costs of maintaining the old equipment in working condition. Azot is also expanding nitric acid capacity to 1190,000 tpa together with lower production costs which should help competitiveness.

<b>Mogilevkhimvolokno PTA Imports (unit-kilo tons)</b>		
<b>Country</b>	<b>Jan-Apr 15</b>	<b>Jan-Apr 14</b>
Russia	0.0	6.4
Poland	15.8	6.0
Others	0.1	0.0
<b>Total</b>	<b>15.4</b>	<b>10.2</b>

#### **Mogilevkhimvolokno-new PET facilities**

Mogilevkhimvolokno is reconsidering investment options into PET and PTA, which it has previously examined with other potential partners without success. Without large-scale investments according to the Belarussian government the company has little prospect for economic survival. In 2016 the company will start the modernisation with an estimated value of \$200 million. Mogilevkhimvolokno plans to invest in the modernisation programme during which it is expected to expand

the production of polyester fibres by 50,000 tpa in the first phase and 30,000 tpa in the second phase.

<b>Mogilevkhimvolokno PET Exports (unit-kilo tons)</b>		
<b>Country</b>	<b>Jan-Apr 15</b>	<b>Jan-Apr 14</b>
Russia	7.9	8.2
Ukraine	3.6	0.8
Others	4.0	1.2
<b>Total</b>	<b>15.4</b>	<b>10.2</b>

As for Mogilevkhimvolokno in the 2015-2019 period the company plans to build a large-scale complex for the production of polyester products. The project is divided into two stages, the first of which includes reconstruction of the chemical shop №2 for organic synthesis, and the organisation of production of polyester fibre by direct moulding. The second phase of construction, which should begin in 2016, involves the commissioning in 2019 of the continuous polycondensation with direct spinning polyethylene fibres and

production of technical yarns.

## **Ukraine**

### **Ukrainian methanol**

Methanol imports amounted to 4,500 tons in April, 6% less than in March. Belarus accounted for 66% of imports, or 3,300 tons, followed by 1,400 tons from Russia and 145 tons from Azerbaijan. This was followed by imports of 2,515 tons in May bringing the total for the first five months for 20,450 tons.

<b>Ukrainian Polypropylene Imports (unit-kilo tons)</b>		
<b>Category</b>	<b>Jan-May 15</b>	<b>Jan-May 14</b>
Homo	27.4	30.9
Block	3.2	4.5
Random	3.5	3.3
Propylene copolymers	1.1	1.4
<b>Total</b>	<b>35.2</b>	<b>40.1</b>

### **Ukrainian benzene, Jan-May 2015**

Ukrainian benzene exports increased 1.6 times in May over April to 5,900 tons. Ukratnafta increased exports by 1.6 times to 5,100 tons. Zaporozhkoks shipped 832 tons, 1.7 times higher than in April. In the five months of 2015 exports of Ukrainian benzene totalled 15,800 tons which was 43% less in 2014.

### **Ukrainian polymer imports, Jan-May 2015**

The Ukrainian polymer market continues to show weakening performance in line with the economic situation in the country. Polypropylene imports into Ukraine dropped 14% in the first five months to 35,200 tons. Homopolymer provides the largest share of polypropylene imports, most of which has been sourced this year from Saudi Arabia. Polycarbonate consumption declined by 45% in the first five months in 2015 and totalled 956 tons. Traders are considering the delivery of Iranian granulate from Khouzestan Petrochemical.

PVC imports dropped 23% in the first five months in 2015 to 28,000 tons. Serious economic problems in the country such as military operations in the east are the main reasons for such a significant reduction in

demand for PVC. Lukoil continues to negotiate with the government of Ukraine on the restart of Karpatneftekhim. The capacity of the ethylene plant is 250,000 tpa, PVC 300,000 tpa, and caustic soda 200,000 tpa. The polyethylene plant has a capacity of 100,000 tpa.

Ukrainian HDPE Imports (unit-kilo tons)		
Category	Jan-May 15	Jan-May 14
Film	16.0	16.2
Blow	5.8	7.0
Pipe	4.9	5.2
Injection	5.7	7.3
Other	1.0	2.4
Total	33.4	38.0

Imports of PET in January-May 2015 decreased by 21% and amounted to 55,500 tons. Ukraine does not have its own production of PET and thus domestic demand is completely covered by imports. The largest manufacturer of preforms Retal significantly reduced imports this year. The market in Crimea is expected to be lower than in previous years whilst also reduced consumption is evident in the Lugansk and Donetsk regions. Ukrainian imports in 2015 have been sourced mainly from the Neo Group in Lithuania, which supplied 21,000 tons in the first five months and China.

HDPE imports into Ukraine declined by 12% to 33,400 tons against 38,000 tons in January-May 2015. The largest drop in demand occurred in the injection moulding and blow moulding processing sectors. Imports for injection moulding dropped 28% to 5,700 tons, whilst blow-moulding dropped 25% to 5,600 tons. LDPE imports declined from 30,200 tons to 24,000 tons.

## Central Asia

### Turkmenistan-petrochemical plans

Turkmenistan is gearing to move, at least partially, from the role of supplier of raw materials to the role of a competitive producer in finished products from the chemical industry. The country has abundant supplies of fatty gas rich in ethane and butanes which are being targeted for usage in petrochemical production.

Currently, the first gas-chemical complex is under construction at Kiyanly on the east Caspian coast. This is being designed for processing of 5 billion cubic metres of gas per annum combined with 386,000 tpa of polyethylene and 81,000 tpa of polypropylene. A proposed second chemical complex is also under review involving the production of PVC, acrylonitrile, elastomers, etc. Construction of the third gas-chemical complex based on processing of the Central Karakum gas deposits and naphtha with a gas-chemical complex to produce liquid fuels. It offers the production of polyethylene, ethylene glycol, caustic soda, etc.

### Kazakh polymer imports, Jan-Apr 2015

In the first four months of this year, imports of HDPE in Kazakhstan increased by almost half compared 2014 and amounted to 28,400 tons. However, PVC imports fell by 49% to 9,300 tons. Lower demand in Kazakhstan resulted from the domestic processors and a virtually complete cessation of re-exporting resin to Russia. China accounted for 98% of imports. Polypropylene imports into Kazakhstan increased by 3% in the first four months in 2015, and amounted to 5,300 tons. Exports fell by a third to 6,100 tons.

### Pavlodar SEZ

Two projects worth 5.3 billion Tenge in the Pavlodar special economic zone will be

introduced before the end of 2015, involving the creation of over 250 new jobs. In May AgroHimProgress plans to commission the first phase of the project for the production of herbicides, fungicides, and insecticides, with a capacity of 11,000 tpa. By the fourth quarter Kazakhstan Chemical Company plans to start the production of PVC, polypropylene pipes and fittings, antifreeze.

*Relevant Currencies*

Czech crown. Kc. \$1= 20.852. €1 = 27.444: Hungarian Forint. Ft. \$1 = 229.253. €1 = 310.141: Polish zloty. zł. \$1=3.016. €1 =4.14 Ukrainian hryvnia. \$1 = 22.9 €1 = 24.9: Rus rouble. \$1 = 54.8. €1= 61.0

**Contents Issue No 295**

<b>CENTRAL &amp; SOUTH EAST EUROPE .....</b>	<b>2</b>
<b>PETROCHEMICALS.....</b>	<b>2</b>
Central European refining, Q1 2015 .....	2
Rompotrol 2015.....	2
Central European olefin production.....	3
PKN Orlen-new power plant .....	3
<b>CHEMICALS.....</b>	<b>3</b>
PCC Rokita-bonds & investment .....	3
Grupa Azoty-EIB & EBRD financial support .....	4
Grupa Azoty-ZAK power project .....	4
Grupa Azoty Pulawy-power project.....	4
Grupa Azoty-gas supplies .....	5
Synthos-Brazil.....	5
Romanian chemicals Q1 2015.....	5
<b>RUSSIA .....</b>	<b>6</b>
Russian chemical markets, Jan-May 2015 .....	6
Russian chemical production, Jan-May 2015.....	6
Russian chemical investment climate .....	6
<b>RUSSIAN PETROCHEMICAL PROJECTS .....</b>	<b>7</b>
Zapsibneftekhim financing deal.....	7
Zapsibneftekhim & SIBUR debts .....	7
Gazprom-SIBUR Amur gas processing and petrochemical projects.....	8
Uralkhimmash-SIBUR .....	8
VNHK-Transneft ESPO pipeline .....	8
<b>RUSSIAN PETROCHEMICAL PRODUCERS &amp; MARKETS .....</b>	<b>8</b>
SIBUR, Q1 2015 .....	8
Russian cracker feedstocks, Jan-May 2015 .....	9
Russian propylene, Jan-May 2015.....	10
Russian styrene, Jan-May 2015 .....	10
<b>BULK POLYMERS .....</b>	<b>10</b>
Russian polyethylene imports, Jan-May 2015.....	10
Russian polypropylene, Jan-May 2015.....	11
Russian PVC market, Jan-May 2015 .....	11
Russian ABS, Jan-May 2015.....	11
SIBUR-Expandable Polystyrene, Jan-Mar 2015.....	12
<b>PTA/PET CHAIN.....</b>	<b>12</b>
Russian paraxylene market, Jan-May 2015.....	12
Polief-energy contracts.....	12
Ivregionsintez-Kazakh possible feedstock supply .....	12
Russian MEG, Jan-May 2015 .....	13
<b>AROMATICS &amp; DERIVATIVES .....</b>	<b>13</b>
Russian benzene market, Jan-May 2015.....	13
Russian orthoxylene, Jan-May 2015 .....	14
Russian toluene sales, Jan-May 2015 .....	14
Russian phenol, Jan-May 2015.....	15



<b>SYNTHETIC RUBBER .....</b>	<b>15</b>
Russian C4s, Jan-May 2015.....	15
SIBUR-synthetic rubber Q1 2015.....	15
Russian synthetic rubber trade 2015 .....	16
Voronezhsintezkavuch-TEP .....	16
Omsk Carbon Black .....	16
Nizhnekamsk Carbon Plant to increase capacity .....	16
<b>METHANOL &amp; FERTILISERS .....</b>	<b>17</b>
Russian methanol, Jan-May 2015.....	17
Metafrax project investments 2015-2020.....	17
Shchekinoazot-new methanol project.....	18
Baltic Gas Chemical-Ust Luga .....	18
Fosagro-urea project.....	18
National Chemical Group-methanol project Primorsk Kray.....	18
Evrokhim-Tecnimont ammonia project.....	19
<b>ORGANIC CHEMICALS .....</b>	<b>19</b>
Russian butanol domestic sales, Jan-May 2015 .....	19
SIBUR-Neftekhim, acrylate shutdown .....	19
Russian butanol exports, Jan-May 2015 .....	19
Russian butanol production, Jan-May 2015.....	20
Russian phthalic anhydride exports, Jan-May 2015 .....	20
Russian plasticizer market, Jan-May 2015.....	20
<b>OTHER CHEMICALS .....</b>	<b>20</b>
Russian paint sector.....	20
Russian titanium dioxide market, Jan-May 2015.....	21
Penoplex .....	21
BOPP project-Megapolis .....	21
Galopolymer 2014 .....	21
<b>BELARUS .....</b>	<b>21</b>
Azot Grodno, Jan-Mar 2015.....	21
Mogilevkhimvolokno-new PET facilities .....	22
<b>UKRAINE .....</b>	<b>22</b>
Ukrainian methanol .....	22
Ukrainian benzene, Jan-May 2015 .....	22
Ukrainian polymer imports, Jan-May 2015.....	22
<b>CENTRAL ASIA.....</b>	<b>23</b>
Turkmenistan-petrochemical plans .....	23
Kazakh polymer imports, Jan-Apr 2015.....	23
Pavlodar SEZ.....	23