Chemical Information Resources for East Europe and CIS

CIREC MONTHLY NEWS

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

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Issue 297, 11 August 2015

FEATURES FROM THIS ISSUE

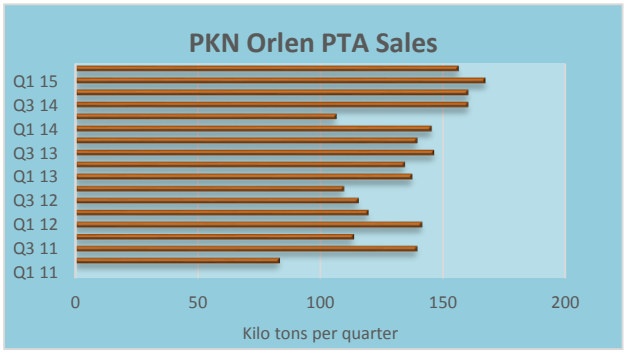
CENTRAL & SOUTH EAST EUROPE

PKN Orlen Utilisation Rates %		
Refineries	***Q1 15***	***Q2 15***
Plock	87	100
Unipetrol	84	95
Orlen Lietuva	70	86
Petrochemicals	***Q1 15***	***Q2 15***
Plock (Olefins)	90	95
Unipetrol (Olefins)	95	90
BOP Plock (Polyolefins)	89	91

PKN Orlen, Jan-Jun 2015

PKN Orlen posted a net income of zl 1.37 billion ($364 million) in the first half of 2015, measured against a loss of zl 5.2 billion in 2014. The Orlen Group reported higher sales across all sectors, particularly in refining and petrochemicals where low oil prices facilitated extremely high margins. PKN Orlen managed to reduce its debt and financial leverage in the second quarter, keeping its debt ratios at optimum levels.

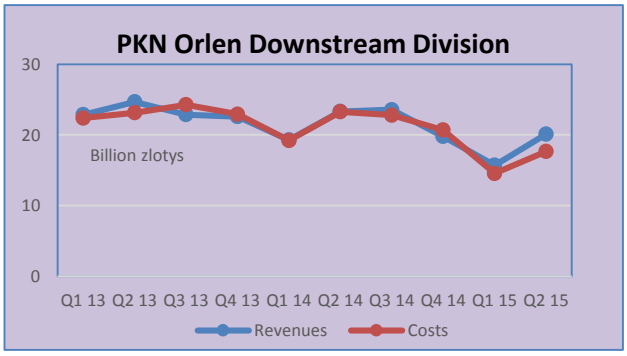
The main constraint on profits for PKN Orlen in the first half of 2015 has been the programme on shale gas development, which has culminated in more costs than anticipated. In Orlen's petrochemical division in Poland, higher sales of PVC and PTA (both produced at Wloclawek) were achieved in the second quarter compared to the second quarter in 2014 when shutdowns took place. In the Czech Republic, Orlen member Unipetrol managed to achieve higher sales of polyolefins due to a better market situation. It was also able to produce more at Litvinov due to greater supplies of ethylene monomer following lower demand from Spolana for PVC production at Neratovice.



PKN Orlen Group Chemical Sales (unit-kilo tons)		
Product	***Jan-Jun 15***	***Jan-Jun 14***
Monomers	472	423
Polymers	312	287
Aromatics	234	201
Fertilisers	509	487
Plastics	250	230
PTA	323	251

In Lithuania Orlen Lietuva at the Mazeikiai refinery improved performance in the second quarter due partly to internal restructuring coupled with favourable economic conditions. Production capacity utilisation at the Mazeikiai refinery achieved 86% in the second quarter (reaching 92% in June, which was the highest level for two years). Further development of sales on markets in the Baltic States and Ukraine drove net profits for Orlen Lietuva to $145 million for the first half in 2015.

Since Orlen's acquisition of the at the Mazeikiai refinery in 2006, PKN Orlen has spent nearly $4 billion on investments. Any profits have been reinvested rather than allocated as dividends. Despite the improvement this year Orlen Lietuva suffers constantly from high logistical costs.



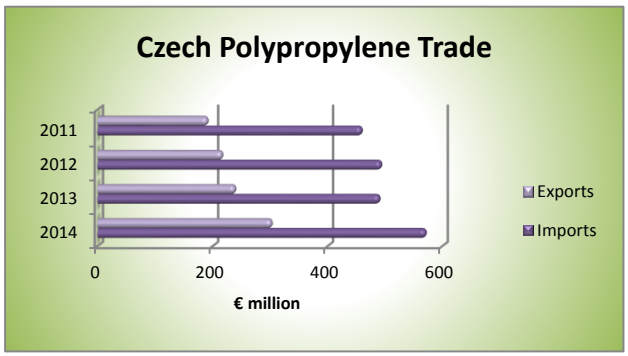
Unipetrol, Jan-Jun 2015

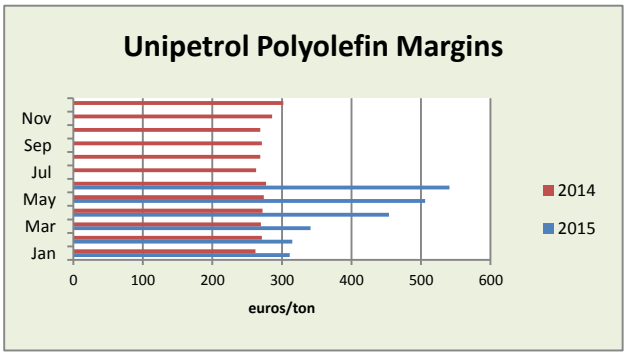
Unipetrol posted an operational profit (EBITDA) in the first half in 2015 of Kc 7.070 billion against a loss of Kc 2.010 billion in the same period last year. Higher refining capacity utilisation combined with low oil prices enabled the group to record an operational profit (EBITDA LIFO) in the second quarter of Kc 3.959 billion and a net profit of Kc 3.277 billion. Despite the decline of crude oil prices revenues of Unipetrol slightly increased in the second quarter to Kc 35.523 billion.

Low oil prices helped drive margins for petrochemicals and refining to record levels. Moreover, after completing the acquisition of ENI stake in Ceska rafinérská Unipetrol increased both refinery utilisation to 95% and refined volumes to by 39% to 1.845 million tons. In recent months Unipetrol has also made positive strides towards completion of the new polyethylene unit at Litvinov. Unipetrol's petrochemical and refinery downstream division achieved an average margin of €871/ton in the second quarter, almost at record levels. The results of the division were also helped by lower energy costs resulting from lower

crude oil prices, higher sales volumes of refinery products and also higher sales of propylene, benzene and polypropylene.

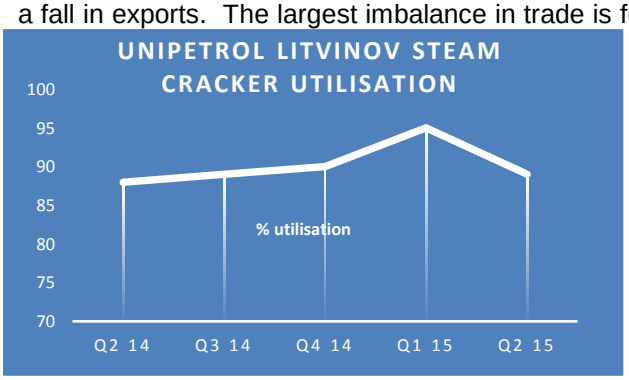
Divisional results were affected by higher costs partly due to the acquisition of ENI share in Ceska Rafinérská. Sales volumes of refinery products increased in the first half of 2015 by 29% to 1.457 million tons. Unipetrol's refining capacity is 8.7 million tpa. The refineries receive raw materials by pipeline from Russia and the port of Trieste on the Adriatic coast.





Unipetrol's petrochemical sector recorded sales volumes of 442,000 tons in Q2 which was 1% down against the same period last year. Polyethylene sales were unchanged whilst polypropylene sales increased by 10%. Polypropylene imports into the Czech Republic outweigh exports conducted by Unipetrol at Litvinov by more than double.

In general Czech polymer trade has remained stable this year, apart from polystyrene which has seen a fall in exports. The largest imbalance in trade is found in the polyester division due to low domestic production. Polypropylene exports have been exceeded by imports for many years, whilst the opposite scenario applies to polyethylene.



Unipetrol cracker shutdown

The utilisation of steam cracker at Litvinov in the second quarter ran at 89%. Unipetrol had to shut down a part of the operation of its petrochemical steam cracker unit on 20 July 2015, restarting on 25 July. The production of polypropylene and sales of C4 fraction were reduced due to the unscheduled stop. This follows another unscheduled shutdown of the 545,000 tpa cracker on 29 June which lasted until 6 July. These shutdowns are estimated to cost Unipetrol around Kc 120 million ($4.8 million).in EBIDTA in 2015.

Offer placed for Orlen's stake in Unipetrol

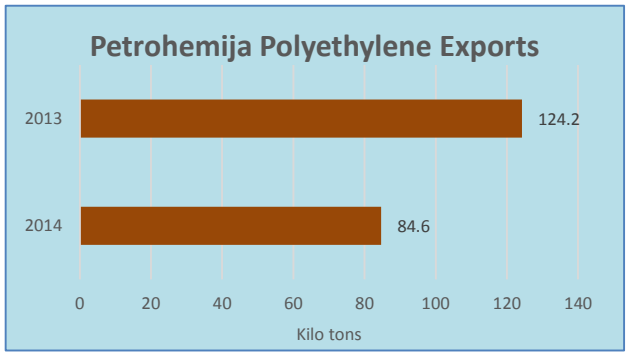
Czech energy holding EPH and investment group PPF have submitted a joint bid of about Kc 30 billion ($1.2 billion) for Unipetrol. PKN Orlen is majority owned by PKN Orlen with 63% of shares. Unipetrol's second biggest shareholder, with a 23.7%share, is a group controlled by J&T which is a co-owner of EPH.

PKN Orlen has stated that it would consider the offer, but a decision was unlikely before Polish parliamentary elections in October. Unipetrol has seen a turnaround in the past year after posting full-year losses since 2011. Its shares have gained 42% in the past 12 months giving it a market capitalisation of Kc 32.9 billion. If accepted the Polish company would earn a Kc 19 billion profit after around a decade of ownership.

HIP Petrohemija shutdowns

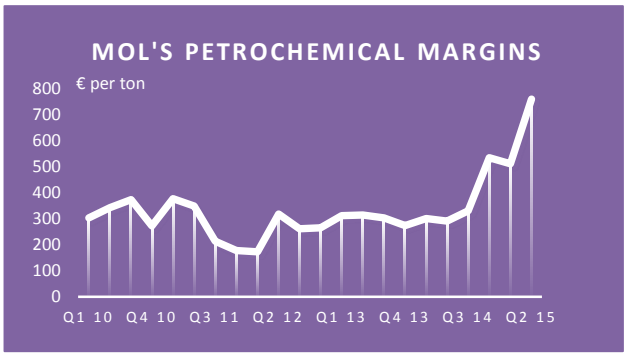
HIP Petrohemija at Pancevo stopped production at the LDPE plant on 1 August for maintenance which will last until 19 September. The stoppage at the LDPE Plant took place to allow a general overhaul of the C-202 compressor. The stoppage at the ethylene plant and other production facilities will begin on 19 August, and will last until 19 September. This period will be used for carrying out investment projects

in order to improve the energy efficiency of production and reduce production costs. Investment activities in the ethylene plant and utility plant are focused on increasing energy efficiency aimed to reduce natural gas consumption by 10%.



These projects for Petrohemija are the first larger projects financed from the credit supported by the government of Republic of Serbia. The Serbian company has struggled to fully recover from the consequences of the NATO bombing in 1999.

Annual revenues of Petrohemija amount to around €360 million, from which export comprises around €240 million. Estimated necessary investments into the modernisation of Petrohemija have been placed at around €200 million.



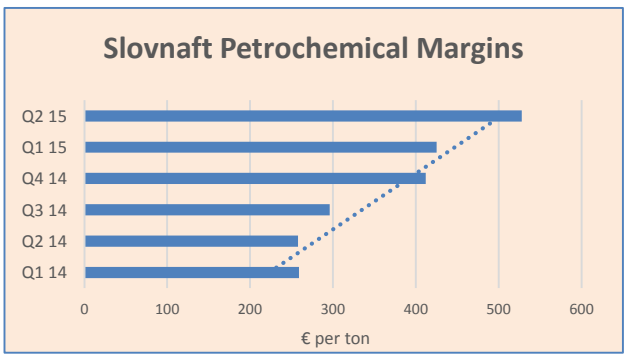
MOL, Jan-Jun 2015

MOL generated an EBITDA of Ft 180 billion (or $648 million) in the second quarter in 2015, which is the highest result recorded by the group. The downstream business contributed more than two-thirds to the EBITDA, whilst the upstream EBITDA dropped by Ft 7 billion compared to the previous quarter. MOL's upstream business thus provided the main downside in the first half of the year whilst the downstream division, including refining and petrochemicals, provided the main profit drivers.

MOL's Olefin & Polyolefin Production (unit-kilo tons)		
Product	***Jan-Jun 15***	***Jan-Jun 14***
Ethylene	365	333
Propylene	190	164
Product	***Jan-Jun 15***	***Jan-Jun 14***
LDPE	96	86
HDPE	176	161
PP	238	216

The downstream division delivered by far its strongest ever quarterly result in the second quarter, with the EBITDA rising 70% against the first quarter and four times higher than in the second quarter in 2014.

Overall for the first six months in 2015 MOL recorded an EBITDA of $1.2 billion, which fits well with the upgraded full year's target of $2.2 billion. Profits in Hungarian Ft rose 67% against the same period in 2014 and totalled Ft 334 billion. Refining and petrochemicals profited from outstanding external conditions, Beside better margins, improving market demand and continued programmes aimed at improving internal efficiency also contributed to the record-high results.



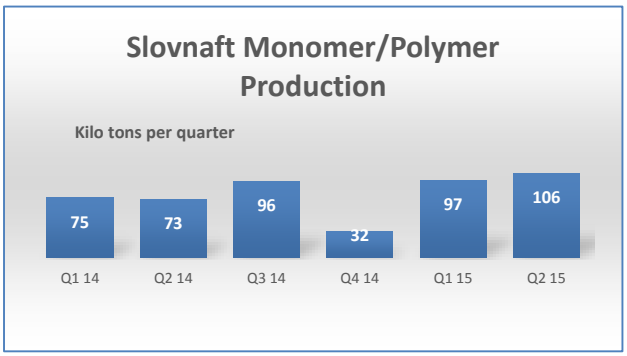
Slovnaft, Jan-Jun 2015

Slovnaft's earnings in the first half of 2015 benefited from rising petrochemical margins, rising to €528 per ton in the second quarter against €258 per ton in the same period last year.

Slovnaft's net profit achieved €123 million in the first half of 2015 against €18 million in January to June 2014. Margins were driven by naphtha prices remaining low and higher polyolefin prices.

Other aspects affecting profits this year have included efficiency improvements through internal new downstream programmes. In the first half of

2015, Slovnaft invested a total of €53 million most of which was directed towards the construction of the new LDPE 4 line.



Slovnaft's Bratislava refinery processed 2.94 million tons of crude oil in the first half of 2015 against 2.4 million tons in the same period last year. A significant 37% increase to 203,000 tons was also reported in the production of polymers.

Grupa Azoty-investment priorities

Grupa Azoty's investment programme is focused on a broad range of products and energy, reflecting the diversified nature of the group's production activities. The propylene project at Police forms a key product for the group, providing raw materials for plasticizer production at Kedzierzyn, whilst the planned increase in polyamide capacity at Tarnow should generate an estimated additional zl 100 million EBITDA from the captive use of caprolactam.

Polish Chemical Production (unit-kilo tons)

Product	*Jan-Jul 15*	*Jan-Jul 14*
Caustic Soda Liquid	178.1	174.6
Caustic Soda Solid	29.3	49.7
Soda Ash	598.1	620.1
Ethylene	327.1	280.1
Propylene	233.1	201.2
Butadiene	35.5	34.9
Toluene	5.8	8.3
Phenol	24.5	17.1
Caprolactam	100.1	96.2
Acetic Acid	6.5	5.0
Polyethylene	234.6	200.6
Polystyrene	31.9	41.1
EPS	44.8	38.9
PVC	188.7	170.6
Polypropylene	153.6	135.5
Synthetic Rubber	114.1	114.1
Ammonia (Gaseous)	825.3	781.1
Ammonia (Liquid)	848.1	774.6
Pesticides	18.7	22.7
Nitric Acid	1406.0	1361.0
Nitrogen Fertilisers	1189.0	1140.0
Phosphate Fertilisers	267.9	241.0
Potassium Fertilisers	202.8	177.6

Power plants at Kedzierzyn and Pulawy provide the basis for energy improvements inside Grupa Azoty, with different methods being used at each location. The Kedzierzyn project is expected to lead to an increase in coal consumption in Poland through the efficient use of coal to produce chemicals, such as methanol and hydrogen. Investments that could be implemented could be part of the development of clean coal technologies that use coal as a raw material while reducing greenhouse gas emissions. It will also be part of adaptation to climate and energy policy of the EU.

The main objectives of this project are to improve the security of supply of gas through its own production of synthesis gas. This will reduce the dependence of the Polish chemical industry and the energy of natural gas imports and a lower cost of obtaining the main raw material for chemical components which is natural gas.

Grupa Azoty has reduced expenditure on raw materials this year after falls in oil and gas prices. The group also benefits from cheap raw materials for fertiliser production, particularly since group member Police started to develop phosphate deposits in Africa. Due to improved gas price contracts the group should be capable of achieving an EBITDA of zl 1.7 billion per annum from 2017 compared with an average of zl 822 million prior to 2014. Grupa Azoty consumes about 2.1 billion cubic metres per annum of natural gas. Grupa Azoty Pulawy accounted for the largest share of raw materials used in Q1 2015, comprising 36.5%. Grupa Azoty Police accounted for 26.4%, Grupa Azoty Tarnow 22.7% and Grupa Azoty ZAK 15.3%.

Polish producers of plant protection agents

Synthos and Ciech may clash with each other and with foreign competition in the battle for sales of plant protection products in the Polish market and export markets. Through its subsidiary Organika Sarzyna Ciech was the sole Polish player in the production of plant protection agents until Synthos started production in 2014.

Synthos Agro (formed last year with the transformation of Synthos Dwory 6) has gained the highest share in the world market of plant protection products in a short time possible. Two thirds of production is sold by Synthos Agro on the domestic market and one third exported. Access to other markets, eg. In South America or Asia, can provide enough demand to be able to produce at a high level throughout the year.

RUSSIA

Russian petrochemical projects

Gazprom & SIBUR Amur gas & petrochemical complex

Gazprom and SIBUR are drawing closer on cooperation prospects for the construction of the gas processing plant Amur GPP in the Russian Far East. SIBUR has agreed to participate in the management of the project whilst Gazprom will take full responsibility for investment. SIBUR has outlined provisional ideas to construct its own gas-chemical complex, although a decision to proceed on the project is not expected to be given by the group before 2017.

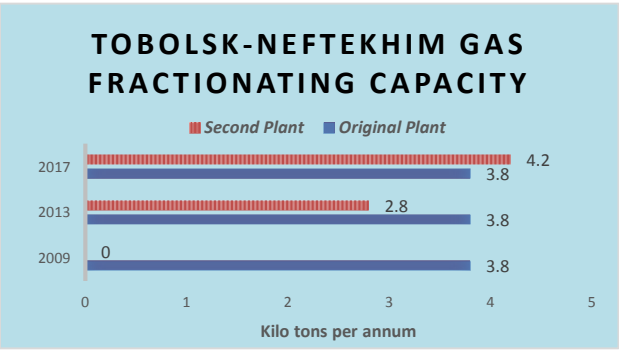
Gazprom Amur GPP Configuration	
Feedstock	***Volume (unit-ktpa)***
Ethane	2 million
Propane	1 million
Butane	500,000
Pentane-hexane	260,000

Gazprom's Amur GPP is being designed by the Russian engineering company NIPIGas (part of SIBUR) and is being designed under a capacity of 49 billion cubic metres per annum. The gas to the plant is intended to be supplied from the pipeline Power of Siberia, which is being constructed to supply Russian gas to China, and from Kovykta and Chayanda fields that belong to Gazprom. The Amur GPP will separate methane from the heavier fractions (ethane, propane, etc) and helium before sending 38 billion cubic metres per annum to China. The ethane is intended for usage by SIBUR in petrochemical production, if project plans are approved. From the Amur GPP Gazprom intends to sell around half of the intended helium production under long-term contracts to companies such as Linde, Air Liquide, Praxair and Air Products. The remaining volume will be supplied to the domestic or the spot market

Fluor pre-FEED for Amur Gas-Chemical Complex
Fluor has been selected by SIBUR to prepare the pre-FEED documentation for the SIBUR's proposed Amur Gas-Chemical Complex. The aim of the pre-FEED is to examine investment options and to put forward potential product configurations for the complex.

SIBUR has thus far considered two FEED options, with the support of Linde and the Korean company Daelim. The project consideration includes ethylene capacity ranging from 1.2 million tpa to 2 million tpa, but much depends ultimately on the guarantees for feedstock supply from Gazprom. If the petrochemical project is approved, the completion of construction could be completed by 2023-2024.

To date, the parties have signed an agreement under which SIBUR subsidiary NIPIGas will supply a range of services to Gazprom to supervise the Amur GPP. Contract services are provided on a system of project management, including updating the budget and timetable for implementation; services in organisation of completion of project documentation and obtaining construction permits. Commissioning of the first phase of the gas processing plant is scheduled for 2019.



SIBUR-Tobolsk expansion

SIBUR has approved the project to expand processing capacity of natural gas liquids at the Tobolsk industrial site. This is intended to increase gas fractionating capacity by 21% to 8 million tpa. The project is being configured to increase the capacity of the second gas fractionation plant (HFCs) from 2.8 to 4.2 million tpa by retrofitting internals, heat exchangers and pumps, cooling tower construction, etc.

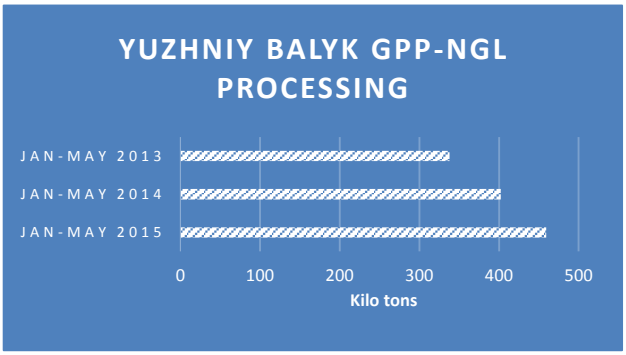
According to preliminary estimates, investment in the project will amount to 5.5 billion roubles with completion planned for 2017. The general designer selected for the project is NIPIGas. To date, project documentation has received a positive opinion from the Russian state organisation Glavgosekspertiza thus facilitating approval of a building permit.

Zapsibneftekhim & Yuzhniy Balyk

SIBUR has started to develop a unified system of traffic management for the Tobolsk industrial site for optimal delivery of goods for the Zapsibneftekhim olefin and polyolefin project. The single system will allow

traffic flows during construction of the new complex from the existing production sites at Tobolsk-Neftekhim and Tobolsk-Polymer.

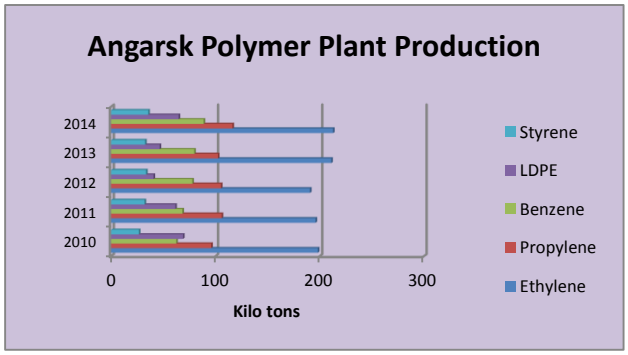
The Zapsibneftekhim petrochemical complex is the first large-scale cracker and derivative plant to be constructed in Russia since the Tomsk complex was constructed in the early 1980s. The project involves the construction of a pyrolysis capacity of 1.5 million tpa of ethylene, 500,000 tpa of propylene and 100,000 tpa of C4s, and plants for the production of various grades of polyethylene and polypropylene with a total capacity of 2 million tpa.



The Russian Ministry of Economic Development has approved the application of SIBUR to attract concessional government lending for project financing for further reconstruction of the Yuzhniy Balyk gas processing plant. This includes an increase in capacity to receive associated gas from 900 to 1.5 billion cubic metres per annum. In 2009, the company launched a new system that allows to take into processing 1.3 billion cubic metres of associated gas per annum.

Angarsk Polymer Plant-investment into olefins & polyolefins

Angarsk Polymer Plant is planning to invest 4.4 billion roubles in 2015, using the profits gained in 2014 but also through support of the Russian government's National Welfare Fund. Access to government financial support has been possible through Rosneft's ownership of Angarsk Polymer Plant. The net profit of Angarsk Polymer last year amounted to 972.49 million roubles, 72.5% higher than in 2013. Revenue increased by 25.3% to 6.68 billion roubles. In view of the decision to invest the net profit in the programme development dividends for 2014 will not be paid.



During the 2015 Angarsk polymer plant intends to start the reconstruction of the cracker, which involves an increase in production capacity for ethylene to 454,000 tpa and for propylene up to 210,000 tpa. Also the company's plans to build plants for the production of polyethylene with capacities of 345,000 tpa to 250,000 tpa. The programme is expected to be completed by 2019.

Nizhnekamskneftekhim Product Sales (unit-kilo tons)		
	Jan-Jun 15	***Jan-Jun 14***
Total	1192.718	1187.808
Synthetic rubber	312.092	302.134
Plastics	360.935	351.299

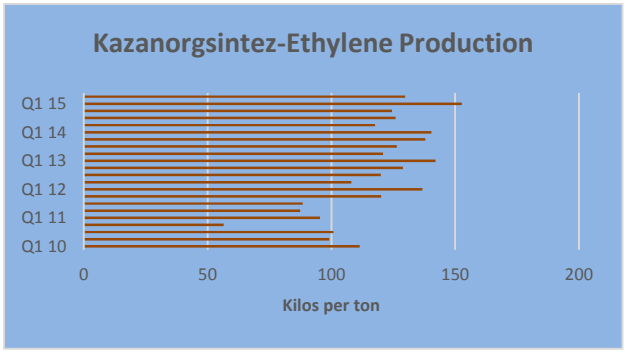
Nizhnekamskneftekhim, Jan-Jun 2015

In the first six months in 2015 Nizhnekamskneftekhim produced 298,000 tons of ethylene and 161,000 tons of propylene. Revenues in the first half of the year rose 11%, influenced heavily by the fall in value of the rouble and the company's export trade which accounts for around 50% of sales. Sales of synthetic rubber and plastics both benefited strongly from the lower valued rouble despite the lack of significant change in market dynamics. In the first half of 2015 Nizhnekamskneftekhim witnessed rises in rubber prices higher than the cost of butadiene which only rose on average by 2%.

For the first half of 2015 Nizhnekamskneftekhim achieved a net profit of 12.297 billion roubles, three times higher than in 2014. In rouble terms the company has experienced a huge jump in profits. In April 2015, the company commissioned the fourth unit for the production of halobutyl rubber with a capacity of 40,000 tpa. Also in April, Nizhnekamskneftekhim commissioned new equipment resulting in an additional 15,000 tpa of isoprene.

In the second half of 2015, Nizhnekamskneftekhim plans to commission the modernised unit for alpha-olefins production and also to double MEG capacity. A shutdown in September during which the company will replace catalysts. Nizhnekamskneftekhim plans to upgrade the olefin plant in relation to benzene and butadiene. Existing equipment was installed in 1967 and 1979 respectively, and considered obsolete.

The major long term project for Nizhnekamskneftekhim involves the construction of new olefin capacity. Until 2014 the company was aiming to construct a new one million tpa cracker with an operational start in 2017. Due to the shift in economic conditions inside Russia this project plan has now been adjusted to comprise two ethylene units of 600,000 tpa. A significant change has taken place in timing, and the first 600,000 tpa unit is not expected to start prior to 2020 and the second in 2025. The original cost of the 1 million tpa cracker in 2010 was estimated at $3 billion, but the cost of two separate 600,000 tpa units is estimated at around $9 billion. The FEED documentation for the new project plans is being undertaken and collated by Chicago Bridge & Iron Company.



Kazanorgsintez, Jan-Jun 2015

Kazanorgsintez increased net profit more than three times in the first half in 2015 to 9.27 billion roubles. Revenues increased by 27.7% up to 34.240 billion roubles whilst costs rose by only 0.5%. Gross profit doubled to 13.840 billion roubles, which is twice as much as last year. Largely due to the fall in the rouble the company's profitability attained 34% in the first half of 2015. Regarding production volumes, polyethylene increased by 1.7% in January to June 2015, whilst polycarbonate fell by 4% due to technical problems in the first quarter.

Russian Chemical Production (unit-kilo tons)

Product	*Jan-Jul 15*	*Jan-Jul 14*
Caustic Soda	645.5	611.3
Soda Ash	1,763.0	1,466.6
Ethylene	1,666.0	1,405.8
Propylene	967.5	848.2
Benzene	715.6	661.0
Xylenes	316.2	315.9
Styrene	405.0	371.0
Phenol	139.4	147.6
Ammonia	8,500.0	8,751.7
Nitrogen Fertilisers	4,862.0	4,988.8
Phosphate Fertilisers	1,913.0	1,877.3
Potash Fertilisers	4,627.0	4,934.5
Plastics in Bulk	4,246.0	3,654.2
Polyethylene	1,077.0	950.2
Polystyrene	312.4	313.6
PVC	529.1	398.3
Polypropylene	805.0	559.5
Polyamide	80.0	85.2
Synthetic Rubber	926.0	746.7
Synthetic Fibres	71.8	77.9

Kazanorgsintez started to witness the first benefits from the weaker rouble in 2014, increasing the value of exports, and increased turnover by 18% to 54.480 billion roubles. Costs, by contrast, only rose by 6% to 42.770 billion roubles. The gross profit for Kazanorgsintez increased by 61%, amounting to 15.340 billion roubles, whilst the net income increased 2.85 times to 6.110 billion roubles.

Gazprom neftekhim Salavat-finance

Gazprom neftekhim Salavat has announced a tender for the opening of the three credit lines for a total amount of 11 billion roubles. Loan funds are being raised for working capital and repayment of current debt on loans to other banks. The company has been struggling to find finance to support investments particularly since sanctions tightened up access to capital. The major plans of Gazprom neftekhim Salavat include upgrading the plant's capacity for monomer and oil refineries.

Ethylene capacity is being gradually increased as is the processing of gas condensate which was up 48.5% in the first half of 2015. The cracker is being modernised on an ongoing basis whereby ethylene production now exceeds 1,000 tons per day. In 2015, the company intends to increase the capacity of ethylene to 330,000 tpa. Plans to build facilities in excess of 1 million tpa of ethylene have however been shelved. The major financial support required by Gazprom neftekhim Salavat is for the construction of the acrylates complex. The company has recently sent a request for 26.6 billion roubles ($43.5 million) from the government's National Welfare Fund.

Russian petrochemical producers & markets

Russian Ethylene Production (unit-kilo tons)		
Producer	***Jan-Jun 15***	***Jan-Jun 14***
Angarsk Polymer Plant	106.2	111.5
Kazanorgsintez	282.5	258.1
Stavrolen	60.9	53.6
Nizhnekamskneftekhim	298.6	321.9
SANORS	34.7	39.6
Gazprom N Salavat	165.2	165.5
SIBUR-Kstovo	171.3	62.4
SIBUR-Khimprom	26.5	24.6
Tomskneftekhim	134.5	138.5
Ufaorgsintez	69.4	64.8
Total	1349.9	1240.5

Russian olefins Jan-Jul 2015

Russian plants produced 235,000 tons of ethylene in June, 5% down on May. Due to maintenance Gazprom neftekhim Salavat reduced production by 29% to 21,000 tons, whilst Stavrolen reduced production by 23% to 17,400 tons. At the same time Kazanorgsintez increased the production of ethylene by 12% to 49,100 tons.

Ethylene production increased by 15% in the first half of 2015 to 1.35 million tons, with the largest rise reported by SIBUR-Kstovo of 2.8 times against the first half of 2014. Stavrolen also returned to production in the first half of 2015 helping to increase volumes in Russia, whilst Gazprom neftekhim Salavat improved operating rates in line with ongoing modernisation.

Propylene production in Russia decreased by 7% in June against May to 130,300 tons. Due to maintenance Nizhnekamskneftekhim reduced production by 7% to 25,600 tons and Stavrolen by 19% to 8,200 tons. Gazprom neftekhim Salavat produced 8,500 tons, 22% less than in May, whilst one of the smallest producers Kazanorgsintez increased production by 29% to 3,700 tons. In the first half of 2015 Russian propylene production totalled 798,000 tons which is 11% more than the same period in 2014.

Ethylene prices in Russia have started to soften in line with the fall in naphtha and crude prices. Propylene prices have come under upward pressure in August as one of the largest suppliers of merchant propylene Angarsk Polymer Plant stopped for maintenance. However, naphtha prices have counterbalanced the shortage of supply on the free market.

Russian Propylene Exports (unit-kilo tons)		
Producer	***Jan-Jul 15***	***Jan-Jul 14***
Lukoil-NNOS	0.4	0.0
SIBUR-Kstovo	36.3	3.0
Angarsk Polymer Plant	7.4	0.0
Total	44.1	3.0

Propylene exports from Russia totalled 44,100 tons in the first seven months in 2015, against 3,000 tons in the same period last year. Exports of propane-propylene fractions amounted to 29,300 tons in the seven months in 2015, 86% of which was delivered to Poland.

Russian propylene shipments to the domestic market decreased by 6% in July to 29,000 tons. Due to a stop for scheduled maintenance Angarsk Polymer Plant reduced the shipment by 14%, to 3,700 tons. Lukoil-NNOS reduced sales by 12% to 11,200 tons. For the first seven months in 2015 Russian domestic sales totalled 223,500 tons, slightly lower than in 2014.

Sales of propane-propylene fractions on the Russian domestic market amounted to 13,800 tons in July, 21% more than June. The Ryazan refinery increased sales in July after maintenance 2.9 times against June to 8,600 tons. By contrast Slavneft-Yanos reduced sales by 27% to 4,400 tons. For the period January to July 2015 sales amounted to 81,900 tons, unchanged from 2014.

Russian Styrene Production (unit-kilo tons)		
Producer	***Jan-Jun 15***	***Jan-Jun 14***
Nizhnekamskneftekhim	148.5	135.7
Angarsk Polymer Plant	20.2	18.4
SIBUR-Khimprom	69.7	61.9
Gazprom n Salavat	87.5	86.3
Plastik, Uzlovaya	24.0	27.3
Total	350.0	329.6

Russian styrene exports, Jan-Jun 2015

Styrene production amounted to 56,900 tons in June, 4% more than in May. Nizhnekamskneftekhim increased the production by 25% to 26,300 tons and Plastik at Uzlovaya by 38% to 5,400 tons. At the same time, due to a scheduled stop for repairs Gazprom neftekhim Salavat reduced production by 28% to 10,600 tons. In the first six months in 2015 Russian styrene production totalled 350,000 tons, 5% more than in the same period in 2014. Of the styrene producers Nizhnekamskneftekhim showed the largest rise in 2015.

Bulk Polymers

Russian polyethylene Jan-Jun 2015

In the first six months of 2015 Russian HDPE production totalled 438,200 tons, 1% up over 2014. Production amounted to 65,900 tons in June against 70,300 tons in May, the decline due to the switch of Nizhnekamskneftekhim to the production of LLDPE. HDPE production was restarted by Nizhnekamskneftekhim in July. Russia's largest HDPE producer Kazanorgsintez reduced production to 39,700 tons in June against 50,000 tons in May. Kazanorgsintez produced 260,600 tons in the first half of 2015 against 262,700 tons in 2014.

Russian HDPE Imports (unit-kilo tons)

Category	*Jan-Jun 15*	*Jan-Jun 14*
Extrusion	30.2	32.7
Pipe	9.1	32.5
Film	0.9	10.4
Blow	12.6	19.3
Injection	23.1	24.5
Others	9.1	5.6
Total	85.0	125.0

Due to ethylene problems in early June Stavrolen was forced to stop production for a few days, reducing volumes to 16,800 tons in June against 23,800 tons in May. Gazprom neftekhim Salavat produced 9,300 tons of HDPE in June against 8,800 tons in May, bringing the half year total to 50,900 tons which was 1% up on 2014.

HDPE imports into Russia dropped 32% in the first half of 2015 against the same period in 2014. The largest decline in imports occurred in the film and tubular polyethylene, whilst falls were noted in all other areas of consumption. In the case of PVC and polypropylene imports have declined this year due in part to the rise of domestic production HDPE imports have fallen due almost exclusively to weak demand.

Russian polypropylene, Jan-Jun 2015

Russian polypropylene imports totalled 68,500 tons in the first half of 2015, 22% down on the same period last year. The largest decrease in 2015 was witnessed in the supply of block copolymers. Russian consumers increased imports, particularly in the area of propylene homopolymers ahead of the upcoming stops on the prevention of local producers. Imports thus increased from 8,500 tons in May to 12,300 tons in in June.

Russian Polypropylene Imports (unit-kilo tons)

Category	*Jan-Jun 15*	*Jan-Jun 14*
Homopolymers	26.7	30.2
Block	13.1	19.9
Random	15.1	15.3
Other	13.6	21.7
Total	68.5	87.1

Ufaorgsintez started a maintenance shutdown for polyolefins on 13 July, and restarted after a week and the polypropylene plant on 25 July. The LDPE capacity at Ufaorgsintez is 90,000 tpa and polypropylene 100,000 tpa.

Production of polypropylene totalled 668,200 tons in the first half of 2015, 34% up on 2014 when it was 498,800 tons. Tobolsk-Polymer produced 215,000 tons in the first six months in 2015, 2.2 times higher than in 2014. Stavrolen produced 54,500 tons in 2015 against 18,100 tons in the first six months in 2014, whilst Polyom increased production by 14.6% to 98,900 tons. Nizhnekamskneftekhim increased production by 2% to 108,500 tons, Tomskneftekhim by 4% to 69,800 tons and Ufaorgsintez by 1% to 65,000 tons.

NPP Petrochemicals at the Moscow refinery reduced production by 4% to 56,600 tons. Tobolsk-Polymer stopped polypropylene production for 30 days for maintenance, starting on 21 July.

Russian polypropylene exports 202,600 tons in the first half of 2015, twice higher than the same period last year. Key consumers of Russian polypropylene exports include China, Turkey, Belarus and Belgium.

The key exporters of propylene polymers include Tobolsk-Polymer, Polyom and Stavrolen which accounted for 50%, 21% and 7% of volumes respectively. By contrast, Nizhnekamskneftekhim and Ufaorgsintez have reduced exports by 7,500 tons and 7,000 tons respectively in the first half of 2015. Most of the polypropylene exports comprise homopolymers (94%), followed by 5% for block copolymers and 1% for stat-polymers.

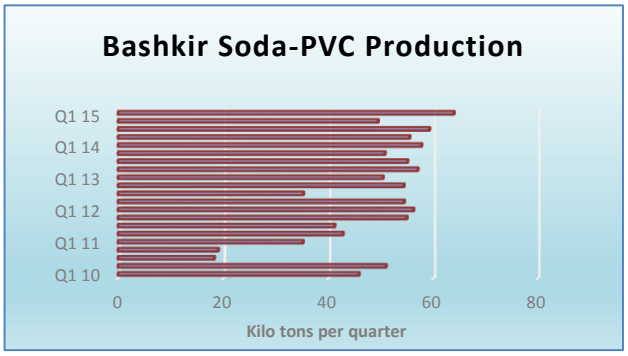
Russian PVC, Jan-Jun 2015

Consumption of PVC in the Russian market is estimated to have fallen 12% in the first half of 2015 and amounted to 384,000 tons against 436,700 tons in 2014. Peak demand for PVC suspension grade in Russia was achieved in 2011 but since then the market has softened and particularly in 2015 when a noticeable fall in demand has been seen.

Russian PVC Production (unit-kilo tons)		
Producer	***Jan-Jun 15***	***Jan-Jun 14***
Bashkir Soda	125.3	113.1
Kaustik	47.7	48.5
RusVinyl	106.8	0
Khimprom	0.0	9.2
Sayanskkhimplast	118.8	152.1
Total	398.6	322.9

Combined with the increase in production and simultaneous falls in GDP, PVC imports have been badly affected in the first half of 2015 dropping 11 times versus 2014 to 11,300 tons. At the same time PVC exports from Russia rose to 16,700 tons. Imports had slightly increased in May to 4,500 tons following a marginal strengthening of the rouble, but the rouble then fell back again in June impacting on purchasing power for foreign inward shipments to 3,700 tons. The volatility of the rouble against the dollar performs a limiting factor in the procurement of PVC from foreign suppliers, and the direct correlation with the oil price means the outlook for imports is not positive. At the same time exports benefit from a falling rouble. In the first half of 2015 PVC exports totalled 23,000 tons against only 2,000 tons in the same period last year.

Russian PVC production increased by 24% in the first half of 2015 to 398,600 tons. Sayanskkhimplast reduce production by 22% to 118,800 tons, affected mostly ethylene shortages from Angarsk. RusVinyl compensated for the decline at Sayansk by producing 106,900 tons in the first half of 2015. Bashkir Soda Company produced 125,300 tons in the first half of 2015, 11% more than in 2014 whilst Kaustik at Volgograd reduced volumes by 1% to 47,700 tons.



Bashkir Soda-long term PVC expansion

Bashkir Soda Company (BSC) intends to increase the production of PVC capacity at Sterlitamak by 2% in 2016. In 2014, BSC increased production by 10% to 230,000 tons, which is expected to rise to 240,000 tons in 2015 and 245,000 tons in 2016.

The next stage of increasing the production capacity of PVC involves the construction project of a new production complex Chloro-VC-PVC. The aim of the new construction project is to increase the volume of production of PVC to at least 600,000 tpa. This project is aimed for completion in the 2018-2020 period, with estimated costs of 41.5 billion roubles. For this project to function successfully, much depends on ethylene supply expansions, which could take place at Nizhnekamsk and Salavat.

BSC was formed in April 2013 through the merger of the Sterlitamak based companies Kaustik and Soda, combining with Berezniki Soda Plant and the transport company Transneftekhim. In 2015, the company will launch a new project to increase the production of granular calcium chloride to 100,000 tpa.

Russian polycarbonate, Jan-Jun 2015

In the first six months of 2015 Russian imports of polycarbonate fell 50% against the same period last year totalling 10,040 tons. Due to the significant devaluation Russian importers were forced to reduce the volume of purchases this year, and a further reduction of import deliveries and reorientation of the Russian material is expected to happen in the next few months. Kazanorgsintez produced 35,500 tons of polycarbonate in the first half of 2015, of which sheet extrusion comprised 30,000 tons and granulates for injection moulding 5,500 tons. Kazanorgsintez does not produce sufficient material to meet domestic demand in full and thus imports will continue to play some sort of role, however limited.

Russian EPS imports, Jan-Jun 2015

In the first six months of imports of expandable polystyrene (EPS-C) on the Russian market decreased by 55% compared to January-June of 2014 and amounted to 12,400 tons. The largest external supplier of EPS by up to six months was the Finnish plant Styrochem, which exported 3,500 tons to Russia. At the same time more than 6 times the import of Chinese products fell Loyal. In January-June it was imported 2,116 tons. EPS production rose 8% in the first half of 2015 to 69,000 tons.

PTA/PET Chain

Russian Paraxylene Domestic Sales (unit-kilo tons)

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

Russian Paraxylene Exports (unit-kilo tons)

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

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, whilst in the export market the weak rouble has bolstered the competitiveness of Russian paraxylene. Exports totalled 41,600 tons in the first five months in 2015 against 29,100 tons in the same period last year. Polief buys most of its paraxylene from Ufaneftekhim and Gazprom Neft whilst Kirishinefteorgsintez has been the largest exporter to date this year.

Polief-energy contracts

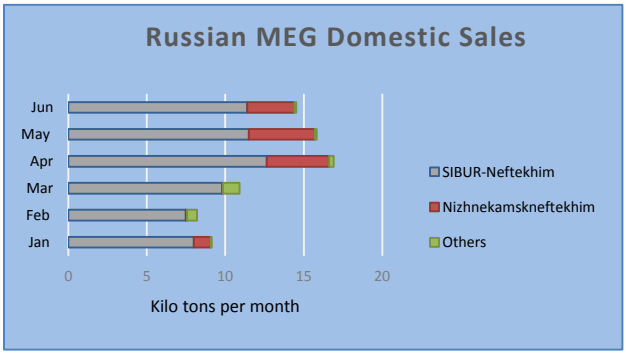
Polief is seeking to look to approve electricity contracts with SIBURenergomenedzhment, which specialises in providing energy for the SIBUR group of companies. In 2014 Polief recorded a net profit of 164.4 million roubles against a net loss of 1.082 billion roubles in 2013. Revenue increased by 26.8% to 13.9 billion roubles.

Nizhnekamskneftekhim MEG expansion

Nizhnekamskneftekhim aims to double its production of MEG in August from its current level of 95,000 tpa to 200,000 tpa. This has been made possible through the purchase of the old Petrokam plant at Nizhnekamsk which was built in 1990 and subsequently closed down. The facility is planned for start-up in the second half of August. The demand for MEG in Russia is growing due to demand from the antifreeze producers and the synthetic fibre industry. Ivregionsintez is interested in buying MEG from Tatarstan.

Russian MEG, Jan-Jun 2015

Russian MEG imports amounted to only 47 tons in June against 865 tons in May. Exports by contrast rose 35% to 7,300 tons in June, 75% of which (5,500 tons) was shipped from SIBUR-Neftekhim. Nizhnekamskneftekhim reduced the volume of sales of the product abroad by the end of the month it had sold 1,000 tons, 45% less than in May. The remaining 747 tons was exported by Kazanorgsintez. Belarus accounted for 90% of Russian MEG exports, and the remainder purchased by re-exporters Dutch Ukrainian consumers. Kazakh and Finnish consumers stopped buying Russian MEG in June.



Domestic sales of MEG amounted to 15,000 tons in June, 7% less than May. SIBUR-Neftekhim shipped 76% of sales or 11,400 tons, with Polief accounting for 43% of purchases. Nizhnekamskneftekhim shipped 3,000 tons, 25% down on May and Kazanorgsintez 117 tons.

MEG exports increased 35% in June over May to 7,300 tons. SIBUR-Neftekhim accounted for 75% of the total MEG sales, or 5,500 tons. Nizhnekamskneftekhim in June reduced exports by 45% against May to 1,000 tons in June. The remaining 747 tons came from small domestic suppliers. The main consumer of Russian MEG exports was Belarus, accounting for 90% of shipped product from Russia, or 6,500 tons.

Russian PET Production (unit-kilo tons)

Producer	*Jan-Jun 15*	*Jan-Jun 14*
Senezh	43.3	50.1
SIBUR-PETF	40.0	43.8
Alko-Naphtha	57.3	39.6
Polief	110.4	84.5
Total	251.0	218

Russian PET market, Jan-Jun 2015

Consumption of PET in Russia decreased by 20% in the first half of 2015 due to the fall in demand for PET bottles. The total volume of consumption of PET granulate amounted to 270,000 tons. Despite the overall decline in demand, PET production increased by 15% to 251,000 tons. Polief accounted for 44% of production in the first half of 2015.

Exports rose 60% in the first half of 2015 and amounted to 14,700 tons. Belarus accounted for 46% of Russian PET exports, followed by Ukraine with 28%. At the same time largely due to currency fluctuations imports of PET decreased by 3.3 times and amounted to 37,700 tons. China's imports into Russia dropped from 98,000 tons in the first half of 2014 to 18,500 tons in the first half of 2014. Lotte Chemical was responsible for 6,440 tons into Russia against 3,550 tons in the same period last year.

Bashneft buys 49% of stake in RusPET

Bashneft has decided to acquire 49% in the jv RusPETF from the Mexican partner Grupo Petrotemex at a price of around €4 million. The jv was formed in 2013 between Petrotemex and United Petrochemical Company to construct plants at Ufa for PTA and PET with capacities each of 600,000 tpa. After United Petrochemical Holding was absorbed into Bashneft in late 2014 Petrotemex decided to cancel its involvement in the PTA/PET project in which Alpek technology was to be used. Bashneft now controls 100% of RusPETF, but without a technology partner there are doubts whether plans for PTA and PET will be revived.

Aside currency factors Russian companies reduced purchases from China due to the long logistics arm for the delivery of Chinese and Korean PET, which on average stand at 45 days. Processors are trying to minimise purchases in foreign markets by signing contracts with the Russian plants.

PET/polyester investments in Russia

The two key PET projects under construction in Russia Ivregionsintez and Etana provide alternative types of plant and alternative financing. The Ivregionsintez plant, located at Vichuga, is being designed to produce around 170,000 tpa of staple fibre and 35,000 tpa of bottle grade resin although the composition may be altered before construction is completed. Etana at Kabardino-Balkaria, by contrast, intends to concentrate most of its 486,000 tpa capacity on PET bottle grade resin.

In terms of finance the Ivregionsintez project is receiving partial government support and has been included in the in the number of projects in the state programme Strategy of development of the chemical and petrochemical industry in Russia up to 2030. The Etana project is being financed solely through private means and is thus more vulnerable to financing issues. The Ivregionsintez project is being created in order to meet the demand polyester textiles, whereby growth has been rising by around 7,000 tpa over the past fifteen years.

Russian Benzene Production (unit-kilo tons)

Producer	*Jan-Jun 15*	*Jan-Jun 14*
Angarsk Polymer Plant	41.9	47.4
Chelyabinsk MK	0.0	6.1
Gazprom Neft	57.5	51.9
Stavrolen	2.9	0.0
LUKoil-Permnefteorgsintez	25.5	12.7
Magnitogorsk MK	32.4	18.0
Nizhnekamskneftekhim	104.1	31.9
Novolipetsk MK	15.3	101.1
Gazprom neftekhim Salavat	71.9	11.7
Severstal	19.0	74.8
SIBUR-Kstovo	35.2	17.3
Slavneft-Yaroslavlorgsintez	30.1	11.7
Surgutneftegaz	26.4	30.9
Ryazan Refinery	16.6	35.0
Ufaneftekhim	49.6	13.4
Ural Steel	5.0	37.7
Uralorgsintez	39.7	4.4
Zapsib	34.7	40.2
SANORS	12.8	29.9
Total	620.5	576.1

Aromatics & derivatives

Russian benzene production, Jan-Jun 2015

Russian companies reduced production for the synthesis of benzene and nitration by 7% in June to 92,600 tons. Scheduled maintenance at Kirishinefteorgsintez and unplanned downtime at Stavrolen were the main causes of lower production. In addition, due to the repair works at the Ryazan refinery production of benzene was reduced 3.2 times to 922 tons. Ufaneftekhim increased the production of benzene 41.3 times to 6,700 tons and Uralorgsintez by 1.5 times to 7,700 tons. In the first half of 2015 Russian benzene production totalled 620,500 tons which was 9% up on the same period last year.

Russian benzene market, Jan-Jun 2015

In June, Russian companies did not purchase benzene production from ArcelorMittal Temirtau due to lower demand. In the first half of 2015 Russian imports of benzene from Kazakhstan totalled 2,400 tons which was 24% up on 2014.

The Russian benzene market in the first half of 2015 was subject to constant balancing between deficit and surplus due to maintenance shutdowns and fluctuating demand patterns. Demand for benzene has been stimulated to some extent by additional

purchases made by Nizhnekamskneftekhim to support ethylbenzene production. In the first seven months in 2015, Nizhnekamskneftekhim purchased 39,000 tons of benzene on the merchant market against 14,000 tons in the same period last year. Another factor applying market pressure is Rosneft's takeover of SANORS, which has led to restructuring down to phenol production thus increasing demand for commodity benzene. SANORS, now known as Novokuibyshevsk Petrochemical Company, purchased 30,000 tons of benzene on the merchant market in January to July 2015 against 17,000 tons in the same period last year. With no new capacity planned for Russia in the medium term the outlook for the market appears balanced leaning towards tight.

Russian Xylene Production (unit-kilo tons)

Producer	*Jan-Jun 15*	*Jan-Jun 14*
Gazprom Neft	143.3	121.0
Kirishinefteorgsintez	63.7	59.1
Ufaneftekhim	68.4	85.2
Total	275.5	265.3

Russian orthoxylene, Jan-Jul 2015

Xylenes production in Russia totalled 277,300 tons in the first half of 2015, 2.2% up on 2014. Paraxylene is produced in greater quantity than orthoxylene, although the latter product includes a wider range of applications.

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, which is one the main outlets for orthoxylene consumption.

Overall paint manufacture has dropped this year, resulting in xylene isomer producers concentrating more on paraxylene production than orthoxylene. Exports of orthoxylene totalled 35,330 tons in the first half of 2015, 10% up on 2014, and this has impacted on domestic availability driving up prices. Xylene producers have increased exports due largely to increased profitability from the weaker currency. Almost all Russian orthoxylene exports from Russia has been shipped to Finland this year.

Russian Toluene Production (unit-kilo tons)

Producer	*Jan-Jun 15*	*Jan-Jun 14*
Kinef	11.9	9.1
Gazprom n Salavat	10.8	6.8
Slavneft-Yanos	24.7	29.0
LUKoil-Perm	8.7	12.8
Gazprom Neft	43.2	45.5
RN Holding	20.6	17.5
Ufaneftekhim	22.3	11.6
Others	21.8	19.6
Total	164.0	151.9

Russian toluene production, Jan-Jun 2015

Russian toluene production amounted to 20,270 tons in June, 20% less than in May of this year, but 4% higher than in June 2014. In the first half of 2015 Russian production totalled 164,000 tons against 141,700 tons in the same period last year. The major producer was Gazprom Neft at the Omsk refinery followed by Slavneft at Yaroslavl and Ufaneftekhim.

Nearly all Russian toluene is consumed domestically, delivered by rail, with the main outlets including paints, explosives and lubricants. .

Kuibyshevazot, Jan-Jun 2015

Kuibyshevazot increased net profit 2.7 times in the first half of 2015, totalling 3.78 billion roubles of which 2.78 billion roubles was recorded in the first quarter. Revenues rose from 14.95 billion roubles in January to June 2014 to 18.44 billion roubles for the first half in 2015, helped considerably by the devaluation of the rouble. Around 60% of revenues are derived from foreign currency, and thus Kuibyshevazot has been able to benefit from the rouble's fall in value,

Kuibyshevazot-Production (unit-kilo tons)

Product	*Jan-Jun 15*	*Jan-Jun 14*
Polyamide-6	65.9	70.3
High Tenacity Tech Yarns	6.9	7.5
Tyre Cord Fabric	2.8	3.0
Caprolactam	84	91.1
Ammonia	319.1	303.9
Urea	175.9	185.8
Ammonium Nitrate	293.2	319.6

At the same time the cost of sales totalled 11.550 billion roubles against 11.410 billion roubles in the same period in 2014. Around 92% of costs are undertaken in roubles and consequently little change has been seen in the amount outlaid. Although the company buys equipment, components, catalysts, etc, from abroad the share in total costs is small. Kuibyshevazot's gross profit increased by 94% to 6.88 billion roubles, whilst the profit from sales amounted to 5.36 billion roubles in January to June 2015 against 2.12 billion roubles. In terms of production, most products saw a slight decline in the first half of 2015, including caprolactam which dropped from 91,100 tons in January to June 2014 to 84,000 tons in 2015 and polyamide-6 which fell from 70,300 tons to 65,900 tons. Only ammonia recorded an increase for Kuibyshevazot.

Russian Phenol Sales by Supplier (unit-kilo tons)

Producer	*Jan-Jul 15*	*Jan-Jul 14*
Omsk Kaucuk	0.0	10.9
Samaraorgsintez	29.1	30.6
Kazanorgsintez	6.8	6.1
Ufaorgsintez	24.0	20.5
Neftekhimya	0.0	0.0
Sterlitamak NPZ	0.0	0.0
LUKoil-VNPZ	0.0	0.0
Borealis	1.0	1.4
Total	60.8	59.1

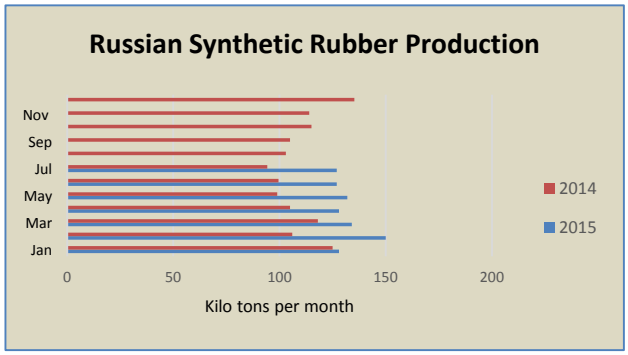
Russian phenol, Jan-Jun 2015

Russian phenol production amounted to 16,000 tons June, 25% down on May due to maintenance. The largest decline in production was recorded by Novokuibyshevsk Petrochemical Company, reducing volumes by 55% against May to 3,400 tons. Kazanorgsintez and Ufaorgsintez both showed slighter falls of 6% and 4% respectively, resulting in 6,400 tons and 6,300 tons.

Novokuibyshevsk Petrochemical Company accounted for 21% of phenol production in June, Ufaorgsintez 39%, and Kazanorgsintez 40%. Further maintenance at Kazanorgsintez in July lasting into August has also helped to keep market availability tight.

Borealis exported 385 tons of phenol to Russia in June, twice more than May. Domestic shortages were caused by downtime at Novokuibyshevsk. The sole buyer in Russia was Astat whilst the average cost of the imported phenol was 2% higher than Russian prices at $1,035/ton. The shutdown at Novokuibyshevsk lasted in July, affecting Russian phenol exports which were only expected to resume in August.

Synthetic Rubber



Russian rubber & C4s, Jan-Jul 2015

Synthetic rubber production in Russia totalled 926,000 tons in the first seven months in 2015 against 746,700 tons in the same period last year.

Aside market dynamics for rubber, which have been slightly more favourable than in 2014, the factor driving higher production has been the currency revaluation which has increased competiveness of Russian producers in export markets.

Nizhnekamskneftekhim increased profits three-fold in the first half of 2015, aided primarily by the significant fall in value of the rouble and improved synthetic rubber margins. The company has benefited from the start-up this year of the fourth separation and drying unit for butyl rubber producing an additional eight tons per hour, and has also increasing the amount of isoprene monomer production.

C4 purchases have increased this year from the four Russian rubber producers as production has become largely more profitable in line with the weakness of the rouble coupled with lower butadiene prices. Total C4 sales, domestic and imports, amounted to 233,000 tons in the first seven months in 2015 against 217,000 tons in the same period last year. The largest domestic suppliers of C4s include Angarsk Polymer Plant (selling 45,200 tons), Tomskneftekhim (39,000 tons) and SIBUR-Kstovo (37,500 tons)

Russian C4 Purchases (unit-kilo tons)

Consumer	*Jan-Jul 15*	*Jan-Jul 14*
Omsk Kaucuk	55.7	48.7
Nizhnekamskneftekhim	81.4	92.7
Togliattikaucuk	91.8	69.6
Sterlitamak Petrochemical Plant	4.1	6.1
Total	233.0	217.0

C4 imports amounted to 47,000 tons in January to July 2015 against 33,000 tons in the same period in 2014. The main source of imports is from Naftan in Belarus which supplied 30,100 tons in the first seven months in 2015, against 26,500 tons last year, whilst the main increase has come from Azerkhimya in Azerbaijan which supplied 15,900 tons versus only 3,900 tons in January to July 2014.

Togliattikaucuk purchased a total of 91,800 tons in January to July 2015, followed by Nizhnekamskneftekhim with 81,400 tons and Omsk Kaucuk 55,700 tons. The main Russian importers comprise Nizhnekamskneftekhim and Omsk Kaucuk whilst Togliattikaucuk buys C4s mostly from SIBUR subsidiaries.

Sterlitamak Petrochemical is the smallest of the C4 consumers in Russia and only occasionally buys on the open market. In July Sterlitamak Petrochemical made its highest purchase of C4s in 2015, taking 1,019 tons from Azerbaijan and 144 tons from Belarus.

Russian synthetic rubber trade 2015

Synthetic rubber exports totalled 406,000 tons in the first five months in 2015 against 361,000 tons in 2014, marking a 12% increase in volume although USD revenues fell from $803 million to $603 million. The main destinations consumers of Russian synthetic rubber exports in 2015 included Poland with 51,000 tons in January to May, followed by China with 47,000 tons and India 40,000 tons. Other important destinations included Germany, the US and Brazil.

Russian natural rubber trade 2015

Russia intends to purchase around 80,000 tons of natural rubber from Thailand in 2016 for domestic Russian tyre producers. Purchases will be undertaken through the holding Rostec, which possess links to a number of Russian tyre plants. For its part, Russia expects to supply military equipment to Thailand, helicopters and civil aircraft.

Currently natural rubber in Russia is imported from Indonesia, Malaysia, Vietnam and other countries. Products are purchased by consumers through traders. According to the Federal Customs Service, Russian imports of natural rubber in 2014 amounted in value to $127.5 million for a total volume of 38,000 tons.

Russian Chemical Commodity Exports

	Jan-May 15	*Jan-May 14*	*Jan-May 15*	*Jan-May 14*
Product	***Kilo tons***	***USD Mil***	***Kilo tons***	***USD Mil***
Ammonia	1,199	520	1,531	600
Methanol	531	146	729	310
Nitrogen Fertilisers	4,156	1,059	5,080	1,381
Potash	5,929	1,587	4,127	1,078
Mixed Fertilisers	3,715	1,377	3,532	1,267
Synthetic Rubber	406	603	361	803

Togliattikaucuk-isoprene

Togliattikaucuk has completed the modernisation the equipment for the isoprene plant, including 120 pieces of equipment consisting of a reactor, pumping, columns, heat exchangers and HVAC systems, instrumentation and automation. SIBUR started the project to modernise the production of isoprene at Togliatti in 2014, to increase the efficiency and reliability of production. Isoprene capacity at Togliatti stands at 90,000 tpa, integrated into the production of butyl rubber and isoprene rubber.

Russian Methanol Production (unit-kilo tons)

Producer	***Jan-Jun 15***	***Jan-Jun 14***
Shchekinoazot	200.7	240.5
Sibmetakhim	447.8	439.3
Metafrax	538.0	533.0
Akron	47.9	39.8
Azot, Novomoskovsk	153.0	168.0
Angarsk Petrochemical	4.8	2.3
Azot, Nevinnomyssk	56.9	59.4
Togliattiazot	321.4	386.8
Totals	1770.5	1869.0

Methanol & fertilisers

Russian methanol, Jan-Jul 2015

Russian methanol production in June amounted to 297,000 tons, 13% up on May and partly helped by the resumption of production by Shchekinoazot and the end of protracted planned repairs by Tomet. Azot at Novomoskovsk reduced production in June by 55% due to maintenance to 13,000 tons, but this had little overall effect on the market. Metafrax, Sibmetakhim and Tomet accounted for 74% of production in June. Shchekinoazot recorded the largest rise in June over May to 43,500 tons. Metafrax reduced production by

4% against May to 89,000 tons, and Sibmetakhim reduced by 6% to 76,000 tons. Tomet produced 59,000 tons in June, 80% higher than in May.

Russian Methanol Consumption (unit-kilo tons)

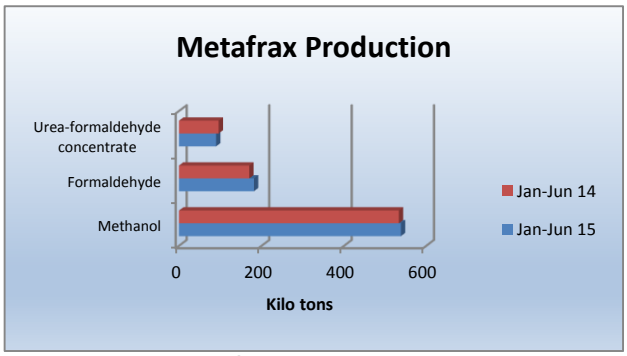
Consumer	*Jan-Jun 15*	*Jan-Jun 14*
Nizhnekamskneftekhim	119.4	115.2
Togliattikaucuk	50.9	50.8
Uralorgsintez	31.0	30.6
SIBUR-Khimprom	7.8	6.2
Tobolsk-Neftekhim	22.1	26.0
Ektos-Volga	24.1	22.2
Omsk Kaucuk	49.1	36.5
Novokuibyshevsk NPZ	23.8	26.0
Uralkhimplast	15.8	14.5
Slavneft-Yanos	9.2	2.6
Others	404.8	358.2
Total	758.0	688.9

Russian domestic methanol market 2015

Domestic sales of methanol totalled 758,000 tons in the first half of 2015, 10% up on the same period last year. At the same time, exports dropped by 18% against the first half of 2014 and totalled 625,000 tons. Exports of methanol, despite the weakness of the Russian rouble, have been gradually falling in terms of priority due to higher domestic consumption and higher prices.

Domestic prices have risen significantly in the past year due in part to the influence of currency factors and in part to supply. Outages by Tomet in last October and April and July this year has had a protracted effect on availability and prices have risen accordingly. In the period June to August, prices have risen by around 20%.

Whilst domestic sales have risen this year, exports have declined from 43% of production in January to May 2014 to 35% in 2015. Finland accounted for 311,000 tons of Russian methanol exports in January to May 2015 slightly lower than half the total of 625,000 tons. Sibmetakhim and Shchekinoazot accounted for 55% of exports in 2015. The outlook for the remainder of the year is hard to predict in view of the value of the rouble which had been rising in April and May but has weakened significantly since early July.



Metafrax, Jan-Jun 2015

Metafrax increased its net profit by 71% in the first half of 2015 to 3 billion roubles based on a 30.6% rise in revenues to 8.55 billion roubles. Production volume of methanol amounted to 538,000 tons in the first half of 2015, 1% up on the same period last year. Urea formaldehyde concentrate production rose 6% to 89,800 tons whilst formaldehyde increased by 7% to 181,300 tons. Hexamine production rose by 1% to 14,800 tons whilst block polyamide declined by 1% to 350 tons. The share of exports in total sales was 37.1% versus 42.2% in 2014.

Metafrax has concentrated on developing the Russian market for methanol and its derivatives, including the expansion of low-tonnage high value added products such as micronized urotropin and pentaerythritol. The Metafrax group's main assets include the production of resins at Metadynea (100% daughter companies), Karbolit (Orekhovo-Zuyevo, Moscow region), as well as its Austrian division for the production of formaldehyde and synthetic resins Metadynea Austria GmbH (Krems).

Fosagro Production (unit-kilo tons)

Product	*Jan-Jun 15*	*Jan-Jun 14*
Ammonia	545.0	575.1
Urea	470.7	448.5
Ammonium nitrate	239.2	157.8
Aluminium fluoride	13.9	14.4
Phosphoric acid	1,050.0	945.2
Sulphuric acid	2,368.0	2,103.4
Sodium Tripolyphospahe	63.0	64.1

Fosagro, Jan-Jun 2015

Fosagro increased the volume of production and sales of mineral fertilisers by 9.7% in the first half of 2015. In the first six months in 2015 Fosagro produced 3.38 million tons of mineral fertilisers. Release of phosphate fertilisers and feed phosphates grew by 12.3% to 2.7 million tons. Nitrogen fertiliser production totalled 709,900 tons, 0.8% higher than a year earlier.

Production of ammonium nitrate increased by Fosagro 51.6%, amounting to 239,200 tons whilst urea increased by 3.6% to 470,700 tons. Ammonia production at Cherepovets fell from 575,100 tons to 545,000 tons.

Akron, Jan-Jun 2015
Revenues for Akron for the first half of 2015 amounted to 24.462 billion roubles, 42.4% higher than the same period last year. The EBITDA increased twice and amounted to 11.295 billion roubles. The EBITDA margin comprised 46% against 33% a year earlier. Net profit amounted to 8.203 billion roubles against a loss of 864 million roubles in the first half of 2014. Akron completed the installation of an 80 metre regenerator C-301 in July, as part of the new Ammonia-4 project at Novgorod. The next stage includes the assembly of the reformer furnace.

Ammonium starts first ammonia production

Ammonium at Mendeleevsk in Tatarstan has produced the first volumes of ammonia and urea after installation and commissioning was completed earlier this year. Production is currently resting in the test mode; methanol production is yet to be tested. The project comprises the combined production for ammonia and urea with a total capacity of 2,050 tons per day and 688 tons per day for methanol. The project is being managed by Mitsubishi Heavy Industries and NIIK. Saipem SpA Technologies and Uhde Fertiliser have been responsible for the urea plant.

Organic Chemicals

Russian N-butanol Exports (unit-kilo tons)

Producer	*Jan-Jun 15*	*Jan-Jun 14*
Gazprom n Salavat	31.1	14.8
SIBUR-Khimprom	2.1	1.5
Angarsk Petrochemical	14.3	13.7
Total	47.5	30.1

Russian Isobutanol Exports (unit-kilo tons)

Producer	*Jan-Jun 15*	*Jan-Jun 14*
Gazprom n Salavat	8.2	5.6
SIBUR-Khimprom	9.8	12.0
Angarsk Petrochemical	7.4	7.2
Total	25.3	24.8

Russian butanol domestic sales, Jan-Jun 2015

Russian producers shipped 4,940 tons of butanols to the domestic market in June, 12% less than in May but 7% up against June 2014. The proportion of n-butanol in the domestic sales in June of 2015 was 82%, and isobutanol 18%. SIBUR-Khimprom supplied 3,480 tons in June, Gazprom neftekhim 840 tons, Azot at Nevinomyssk 450 tons and Angarsk Petrochemical 170 tons. Domestic sales in the first half of 2015 totalled 28,400 tons against 34,000 tons in the same period last year.

Russian butanol exports, Jan-Jun 2015

Russian butanol exports amounted to 10,100 tons in June, 36% down on May and 22% higher than in June 2014. The proportion of normal butanols in Russian exports in June 2015 amounted to 56%, and isobutanol 44%. China accounted for 46% of deliveries, followed by Latvia with 19%, Finland 17% and Turkey 9%.

Russian Butanol Production (unit-kilo tons)

Producer	*Jan-Jun 15*	*Jan-Jun 14*
Angarsk Petrochemical	26.9	29.3
Azot	9.3	7.8
Gazprom n Salavat	46.7	38.3
SIBUR-Khimprom	36.9	35.7
Total	119.9	111.1
N-Butanol		
Producer	*Jan-Jun 15*	*Jan-Jun 14*
Angarsk Petrochemical	20.3	19.5
Evrokhim	9.3	7.8
Gazprom n Salavat	27.2	24.7
SIBUR-Khimprom	15.1	13.4
Total	71.9	65.4
Isobutanol		
Producer	*Jan-Jun 15*	*Jan-Jun 14*
Angarsk Petrochemical	6.6	10.6
Gazprom n Salavat	19.5	15.7
SIBUR-Khimprom	21.8	26.1
Total	48.0	45.6

Angarsk Petrochemical exported 5,120 tons in June, SIBUR-Khimprom 2,810 tons, Gazprom neftekhim Salavat 1,860 tons and Azot at Nevinnomyssk 270 tons. For the first six months of 2015, overall shipments of butanols from Russia for export by rail totalled 72,800 tons which is 15% higher than the same period in 2014.

Russian butanol production, Jan-Jun 2015

Butanol production amounted to 15,460 tons in June, 4% down on May and 7% lower in June 2014. The proportion of n-butanol in production of butanols was 64%, and isobutanol 36%. Gazprom neftekhim Salavat produced 3,470 tons in June, after undertaking maintenance, whilst SIBUR-Khimprom produced 6,460 tons, Angarsk Petrochemical 3,770 tons and Azot Nevinnomyssk 1,750 tons. For the first six months in 2015 Russian butanol production totalled 119,700 tons which was 12% up on the same period last year. Most of the increased production has been targeted on exports. The proportion of n-butanol in production for the first half year comprised 61%, and isobutanol 39%.

Gazprom neftekhim Salavat-finance

Gazprom neftekhim Salavat has asked for 26.6 billion roubles from the government's National Welfare Fund in order to support the acetic acid and acrylate project.

Funds are needed to finance the project for the construction of the complex where the project cost is estimated at 38.9 billion roubles. The company is ready to invest 10.2 billion roubles of its own funds, another 2 billion roubles is sought from loans and crucially 26.6 billion roubles from the National Welfare Fund.

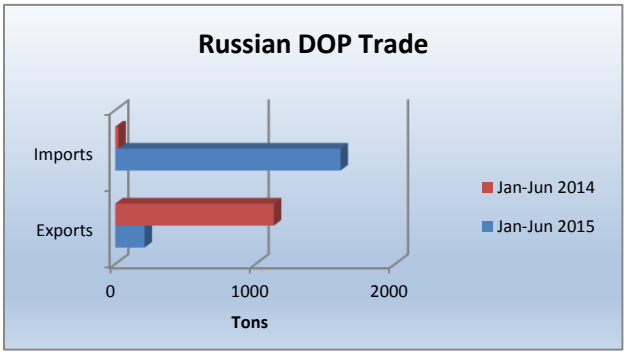
However, under the investment criteria of the National Welfare Fund the maximum finance it can allocate to an individual project is 40% of the total cost, which in this case would amount to 15.6 billion roubles. One of the reasons that the company is seeking support from the National Welfare Fund is due to the lack of response to the tender announced at the end of last year which sought a credit line for up to 24 billion roubles.

In December 2012, Gazprom neftekhim Salavat signed an EPC-contract with Mitsubishi Heavy Industries, Sojitz Corporation and Renaissance Construction (Turkey) for the construction of a complex for acrylic acid. Start-up was originally scheduled for the third quarter of 2016, but construction is not able to progress until the financial arrangements are confirmed. The project includes design capacities of 80,000 tpa of acrylic acid, 80,000 tpa of butyl acrylate and 35,000 tpa of glacial acrylic acid capacity.

Russian Phthalic Anhydride Production (unit-kilo tons)		
Producer	***Jan-Jun 15***	***Jan-Jun 14***
Gazprom n Salavat	3.2	5.0
Kamteks-Khimprom	42.7	51.4
Total	45.9	56.4

Russian phthalic anhydride, Jan-Jun 2015

Russian phthalic anhydride production amounted to 8,580 tons in June, 4% more than in Russia but 10% lower than in June 2014. Kamteks-Khimprom produced 8,460 tons in June and Gazprom neftekhim Salavat only 120 tons due to maintenance. Production in the first half of 2015 totalled 45,930 tons, 19% down on the same period last year.



Russian plasticizer market, Jan-Jun 2015

DOP imports into Russia in June amounted to 66 tons against 148 tons in May. Boryszew shipped 22 tons in June and Grupa Azoty 44 tons. Imports totalled 1,570 tons in the first half of 2014 against 22,900 tons in 2015. DOP trade in Russia has undergone major changes this year, with exports falling and imports rising.

Other Chemicals

Russian paint sector, Jan-Jun 2015

Russian exports of paints amounted to 24,900 tons in the first five months in 2015 against imports of 79,000 tons. In value terms exports were worth $29 million and imports $258 million. The large trade deficit reflects the lack of investment in the paint sector over the past two decades and despite examples of manufacturers reacting to new market conditions since 2014 many products cannot be replaced easily or quickly. The Russian paint and varnish industry, like most others, was formed in the Soviet era and most businesses lack their own research departments or specialised research institutes.

Russian Paint Production (unit-kilo tons)		
Sector	***Jan-Jun 15***	***Jan-Jun 15***
Paint Materials on polymers	412.4	467.0
Other Paints	174.5	198.5
Total	586.9	665.5

Thus, although some new products can be brought onstream it seems that imports in paints and enamels will continue to feature in the Russian market. In 2014 the production of paint materials dropped 2% against 2013 from 1.010 million tons to 1.08 million tons. Imports of finished paints fell by more than 9%, whilst exports increased by 19% resulting in an overall drop in consumption by 4%.

In the first half of 2015 Russian paint production based on synthetic materials totalled 412,400 tons, almost 12.5% less than the same period last year. Whilst overall production is down on 2014, some sectors such as organic dyes and pigmented lacquers have seen an increase. These products increased production by 16.7% in the first half of 2015 to 13,400 tons.

Regarding investment Indian paints company Berger Paints has decided to invest $20 million in the construction of a paints factory in the Stavropol region. At Belgorod the company Paint Quil intends to increase capacity almost five fold for the production of paints and varnishes to 20,000 tpa. The aim is to take 5% of the Russian market for paints and varnishes. The main problem for new capacity is the lack of domestic demand and there is little indication to suggest the economy will change direction in the near term.

Megapolis-BOPP plant

Megapolis Group intends to launch its first BOPP film plant in September 2015, located in the Rostov Region. The subsidiary of Megapolis, Waterfall, aimed originally to start the plant in May 2014 but the project was delayed by the lack of credit. IN late 2014 Megapolis reached a credit loan agreement of 6 billion roubles with Rosselkhozbank allowing the project to be completed. The total capacity of the plant is 60,000 tpa, divided into two equal lines. Assuming the first line starts in September this year, the second line should be ready to start in the third quarter. In terms of domestic demand, Biaksplen's capacity of 180,500 tpa meets all of Russian consumptions which is estimated at around 140,000 tpa based on 2015.

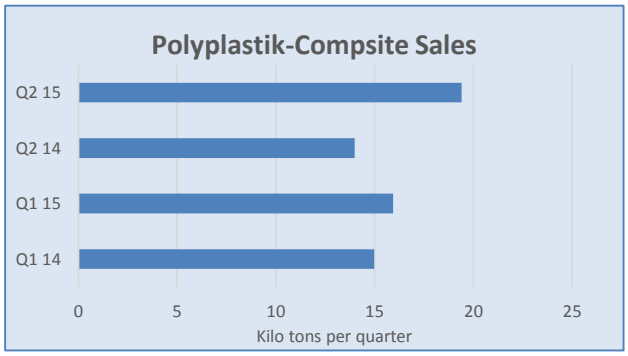
Paints manufacturer Empils increased production by 3% in the first half of 2015 to 27,840 tons whilst in value terms revenue increased by 13%. The Rostov based manufacturer manages to maintain its position in the market for coatings, despite the difficult economic situation in Russia.

Gazprom Khimvolokno-new polyester unit

Gazprom Khimvolokno (formerly SIBUR-Volzhskiy) has started commissioning at a new plant at Volzhskiy for the manufacture of polyester filament and cords for the tyre industry. The capacity of the plant is 12,900 tpa. The project has been helped by government support, having originally been targeted for 2013 start-up.

Thermoplasts-Rostov

Thermoplast has started test production of polyethylene pipes at Novoshakhtinsk in the Rostov region. The plant capacity for the production of PE pipes, with diameter from 50 to 900 mm, will have a capacity of 11,000 tpa which will ensure the production of low-pressure pipes for the water and gas industries. The aim is to source polyethylene from Kazanorgsintez but there are concerns that it will be difficult to operate profitably in the domestic market and the payback could last at least five to six years.



Polyplastik increases composite sales

NPP Polyplastik increased sales of composites by 22% in the first half of 2015 to 35,338 tons, including 19,400 tons in the second quarter. Growth was driven by a set of measures adopted in the middle of last year: including planning and cost optimization, and restructuring of production.

The largest consumer of composites supplied by Polyplastik consists of the automotive industry, accounting for 35% of sales in the first half in 2015, followed by household appliances (16%) and the construction industry (26%). The low exchange rate has led to automotive manufacturers localising raw material purchases. For the whole of 2015, Polyplastik hopes to sell around 80,000 tons of composites. In terms of production sites, Polyplastik achieved 60% from its plant at Engels in the first half of 2015, 15% at Togliatti and 25% at Moscow.

Belarus

Belarussian Organic Chemical Exports (unit-kilo tons)

Product	*Jan-May 15*	*Jan-May 14*
Acrylonitrile	12.7	13.9
Caprolactam	13.3	17.1
Phthalic anhydride	13.1	8.0
Methanol	26.6	20.2

Belarussian polymer imports, Jan-May 2015

PVC imports into Belarus dropped 36.4% in the first five months in 2015 and totalled 9,300 tons. Lower demand was due both to a fall in sales of finished products in the domestic market and a decrease in the volume of export sales.

PVC imports from Russia totalled 6,689 tons in the first five months in 2015 against only 1,056 tons in the same period in 2014 when Germany was the dominant supplier. Polypropylene imports into Belarus totalled 22,704 tons in the first five months in 2015 against

22,587 tons in the same period in 2014. Russia supplied 20,736 tons in 2015 against 15,065 tons in the same period last year.

Polyethylene imports into Belarus totalled 42,250 tons in the first five months in 2015 against 42,535 tons in the same period last year. LLDPE and LDPE imports totalled 25,900 tons which was 39.7% higher than in 2014 whilst HDPE imports dropped from 20,600 tons to 14,200 tons. The largest source of imports in January to May 2015 into Belarus came from Saudi Arabia, delivering 20,972 tons or 49% of supplies against 13,927 tons or 33% of supplies in 2014.

Azot Caprolactam Exports (unit-kilo tons)

Country	*Jan-May 15*	*Jan-May 14*
Russia	0.0	0.1
Indonesia	2.1	0.0
China	3.6	6.2
Taiwan	7.5	10.7
Total	13.2	17.1

Naftan-benzene production, Jan-Jun 2015

Naftan at Novopolotsk produced 11,000 tons of benzene in June unchanged from May. In the first six months production by Naftan totalled 67,900 tons against 68,500 tons in 2014. Oil refining at the two Belarussian refineries at Mozyr and Novopolotsk processed 11.9 million tons in the first half of 2015, 3.7% up on 2014. Most of the oil was sourced from Russia.

Azot Grodno, Jan-Jun 2015

Methanol production at Grodno amounted to 6,100 tons in June, three times higher than May when the plant shut for a turnaround. Production totalled 39,500 tons in the first half of 2015, 2% down on 2014. Ammonia and urea production slightly surpassed last year's figures. Caprolactam production amounted to 11,600 tons in June, 43% up on May after maintenance was completed. For the first half of 2015 caprolactam production at Grodno totalled 63,200 tons which was 3% down on the same period last year. Around 20% of production is sent for export whilst the remainder is used captively.

Azot Grodno Production (unit-kilo tons)

Product	***Jan-Jun 15***	***Jan-Jun 14***
Methanol	39.5	40.1
Caprolactam	63.2	64.8
Polyamide primary	49.0	43.0
Polyamide filled	4.4	5.2
Ammonia	587.8	553.7
Urea	563.4	539.3
Fertilisers	418.1	407.0
Fibres	13.6	20.0

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.

Mogilevkhimvolokno-new PET facilities

Mogilevkhimvolokno is concerned over the possible ban on PET in Russia for beer packaging. Belarus exported 5,678 tons of PET in January to May this year, which was up on 2014, and thus exports may be affected. However, the ban could be extended to other members of the Customs Union of which Belarus is part and thus could have a much wider effect on PET consumption.

Mogilevkhimvolokno PTA Imports unit-kilo tons)

Country	***Jan May 15***	***Jan-May 14***
Russia	0.0	6.4
Poland	21.4	7.9
Others	0.0	1.6
Total	21.4	15.9

In the first five months this year Mogilevkhimvolokno imported 21,400 tons of PTA against 15,900 tons in the same period last year. In 2015 PKN Orlen has been the sole supplier, whilst last year the imports were shared between Orlen and Polief.

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

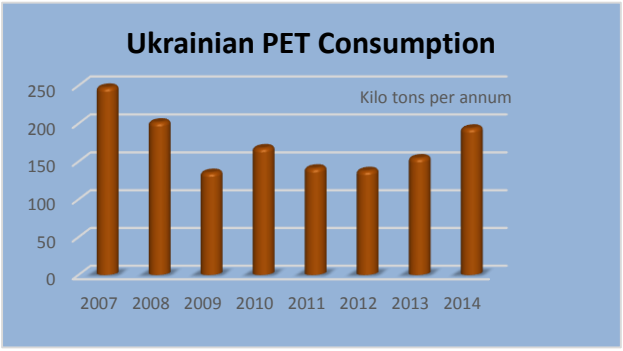
tpa in the first phase and 30,000 tpa in the second phase.

As for Mogilevkhimvolokno in the 2015-2019 period the company plans to build a large-scale complex for the production of polyesters. 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 development of the continuous polycondensation unit with direct spinning polyethylene fibres and production of technical yarns.

Ukraine

Ukrainian polymer imports, Jan-Jun 2015

Polycarbonate imports and consumption totalled 1,230 tons in the first half in 2015, 38% down on 2014 due to both external and internal factors. The former include polycarbonate price increases in Europe, and, accordingly, the export prices of raw materials for European Ukraine whilst internal factors relate principally to the military conflict in the Donbass. Ukrainian imports of polypropylene totalled 42,400 tons in the first half of 2015, 17% down on the same period in 2014. The largest drop in demand was seen in block copolymers.



Ukrainian PET imports, Jan-Jun 2015

PET imports into Ukraine totalled 63,800 tons in the first half of 2015, 18% down on the same period last year. The most dominant source of supply was Lithuania, which exported 25,000 tons in the first six months which is 3.4 times up on 2014, followed by China which declined two-fold from January to June 2014 to 20,000 tons. Increases in supply were noted in 2015 from Russia and Belarus, which together exported 4,000 tons of PET to the Ukrainian market.

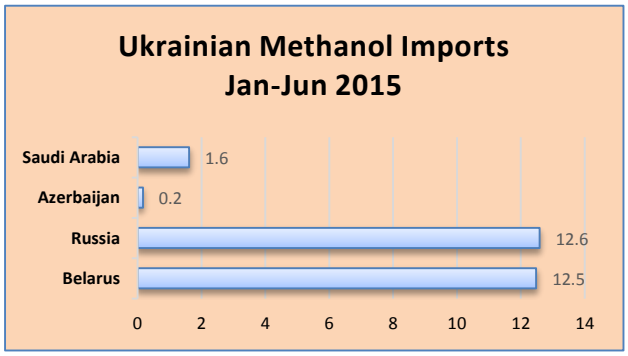
In terms of brands imported into the Ukrainian market, Neopet from Lithuania was the most popular and accounting for 15,400 tons in the period January to June 2015. The largest importers in Ukraine include PETA Sirius Extrusion and Coca-Cola Beverages Ukraine Limited.

Ukrainian benzene, Jan-Jun 2015

Ukrainian exports of benzene decreased in June to only 132 tons due largely to maintenance by Ukrainian producers. In the first half of 2015 exports totalled 15,900 tons, 2.1 times less than in the same period in 2014.

Ukrainian organic chemicals, Jan-Jun 2015

DOP demand in Ukraine is extremely weak, reflecting the general state of the economy. The market is served by companies Polikem and Lizinvest as well as imported DOP, supplied mainly from Poland. Ukraine imported 94 tons of DOP in June against 67 tons in May and 250 tons in June 2014. The main suppliers of DOP to Ukraine in June 2015 were the Polish company Boryszew (70% of total imports) and the Czech company Deza. In the first half of 2015, shipments of DOP into Ukraine totalled 646 tons which was 3.4 times less than in the same period last year.



Ukrainian methanol, Jan-Jun 2015

Imports of methanol into Ukraine amounted to 3,600 tons in June, 45% up on May. Belarus supplied 970 tons in June, followed by 920 tons from Russia, but the largest supplier was a new source Saudi Arabia which shipped 1,610 tons. Methanol was imported from Saudi Arabia at $412 per ton DAF border of Ukraine and $450 from Belarus. Russia supplied methanol at $389 per ton and processors would use Russian production more if it were not for political factors. Regarding consumers domestic gas producers accounted for 58% of purchases in June, or 2,100 tons, whilst another 31% went to formaldehyde producers.

Central Asia

Kazakh polymer imports, Jan-Jun 2015

In the first six months of this year, imports of HDPE into Kazakhstan increased by 35% over 2014 and totalled 42,500 tons. The main increase in imports traditionally falls to domestic pipe producers, accounting for 85% of volumes. The second largest consumer sector is the film sector, accounting for 10%. Russian producers accounted for 77% of imports, followed by South Korea and Uzbekistan.

Polymer-Atyrau

Kazakhstan has launched production by LLC Polymer in the special economic zone National Industrial Petrochemical Technopark in the Atyrau region. The plant comprises lines for the production of polypropylene woven bags based on Austrian technology Ad Star, and a line for three-layer polyethylene films (4,000 tpa) of two types: for use in agriculture. At the end of 2015, the company is preparing the launch of yet another production line for BOPP film, the first in Kazakhstan.

PVC imports totalled 18,600 tons in the first half of 2015, 40% down on the same period in 2014. The decline is due to the cessation of reimport into Russia following the start-up of the RusVinyl complex at Kstovo. Kazakh imports were sourced largely from China (98%) in the first half of 2015.

Polypropylene imports increased by 5% in the first half of 2015 to 7,800 tons, whilst exports declined by 4% to 13,500 tons. The main suppliers of polypropylene to Kazakhstan are from Russia (about 56% in January to June 2015). The second largest supplier is South Korea. Exports of polypropylene from Kazakhstan are undertaken by Neftekhim at Pavlodar where production capacity stands at 50,000 tpa.

Ustyurt Gas Chemical Project

Uzbekistan is planning to complete construction and assembly works for the Ustyurt Gas Chemical Complex (UzKorGasChemical) in September, and hopes to start production before the end of the year. After completion of construction of the complex, located on the Surgil gas deposits, production is expected to be launched at the start of 2016. Capacities include 4.5 billion cubic metres of gas per annum, 387,000 tpa of polyethylene and 83,000 tpa of polypropylene.

By applying modern technologies UzKorGasChemical is being designed to extract 97% ethane, propane and other valuable components from natural gas, and to produce polyolefins for the development of the small plastics converters in Uzbekistan.

UzKorGasChemical was founded by Uzbek and Korean companies in May 2008 to develop, finance, construct and exploitation of integrated gas and oil processing project in the Ustyurt region. Uzbekneftegaz owns 50% stake in the jv while the other 50% share is owned by South Korean companies KOGAS) Honam Petrochemical and STX Energy. The cost of the project is valued at $4.16 billion and construction was started in 2012. A number of international banks have participated in the project with financing.

Uzkhimprom-Mitsubishi

Uzkhimprom has concluded an EPC-contract with Mitsubishi Heavy Industries and Mitsubishi Corporation for the construction of an ammonia complex and urea at Navoiazot. The contract was signed on a turnkey, which involves design, procurement of materials and equipment, construction, carrying out commissioning. In March, it was reported that the Japanese side had won the tender for the initial cost of $800 million for the construction of a complex for production of mineral fertilisers at Navoiazot.

The total investment in the project is estimated at $961.74 million. As a source of financing called the credit resources of the bank for Reconstruction and Development of Uzbekistan in the amount of $320 million and shareholders' equity Uzkhimprom. Parallel to elaborate on attracting a loan from the Japan Bank for International Cooperation (JBIC).

The project includes 660,000 tpa of ammonia and 577,500 tpa of urea. The technology for ammonia is being supplied by Haldor Topsoe and for urea by Saipem and Uhde Fertiliser Technology. The construction should start in the second half of 2015 with operations starting for late 2017. The project will involve Uzkhimprom decommissioning outdated ammonia production of the first and second stage of the Navoiazot, which were launched in the 1960s.

Relevant Currencies
Czech crown. Kc. $1= 20.852. €1 = 27.444: Hungarian Forint. Ft. $1 = 229.253. €1 = 310.141: Polish zloty. zl. $1=3.016. €1 =4.14 Ukrainian hryvnia. $1 = 22.9 €1 = 24.9: Rus rouble. $1 = 64.8 €1= 70.0

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