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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CENTRAL & SOUTH EAST EUROPE

Petrochemicals

Czech Petrochemical Imports (unit-kilo tons)

Product	*Jan-Feb 16*	*Jan-Feb 15*
Ethylene	37.9	0.0
Propylene	32.3	3.9
Butadiene	8.2	3.9
Benzene	19.1	17.1

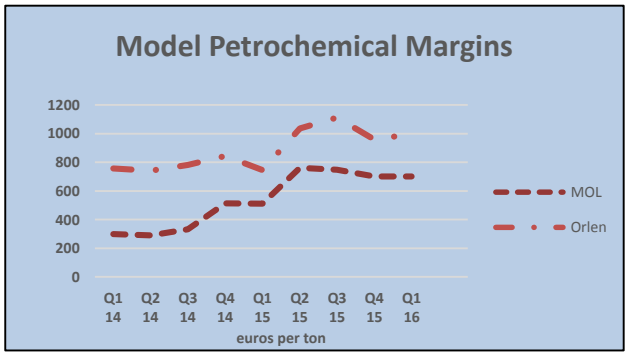
Czech petrochemical imports, Jan-Feb 2016

In order to cover the extended cracker outage at Litvinov Czech ethylene imports amounted to 26,405 tons in February, of which Belgium supplied 11,426 tons, Germany 10,564 tons and Poland 4,245 tons. Ethylene imports into the Czech Republic for the first two months totalled 37,900 tons against zero in the same period last year.

Czech propylene imports amounted to 17,455 tons in February against 14,749 tons in January. The leading supplier in February was Serbia, shipping 6,963 tons, followed by the Netherlands with 5,369 tons and Germany 4,721 tons. Propylene imports totalled 32,300 tons in the first two months in 2016 against 3,900 tons in the same period in 2015. Butadiene imports amounted to 4,313 tons in February, of which Hungary supplied 2,962 tons from MOL's new plant at Tiszaujvaros. For the first two months in 2016 butadiene imports increased to 8,200 tons from 3,900 tons in the same period last year.

Central European petrochemical margins

The model refining margin for Unipetrol averaged $3.6 per barrel in the first quarter in 2016, against $5.5 in the same quarter last year. The model petrochemical margin for Unipetrol amounted €336 per ton against €289 in 2015, whilst polyolefin margins rose from €322 to €549. Model petrochemical margins for MOL averaged €701 per ton in the first quarter this year against €510.6 in the same period last year, whilst PKN Orlen's model petrochemical margin averaged €998 per ton in the first quarter in 2016 against €746. Orlen's model petrochemical margin is usually higher to MOL's, due to the fact that a wider range of products are produced in Poland the Czech Republic.



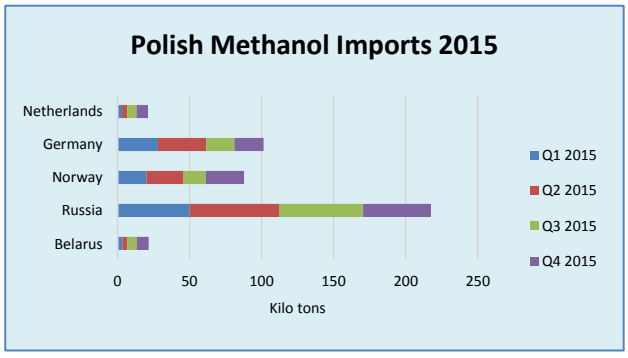
Polish Propylene Imports (unit-kilo tons)

	2015	*2014*	*2013*
Russia	39.9	7	13.2
Azerbaijan	13.8	21.1	12.7
Germany	74.7	106.1	111.9
Bulgaria	4.4	1.6	0
Czech Republic	16	12.7	10.8
Others	1.7	2.1	0.4
Totals	150.5	150.6	149.0

Orlen's model petrochemical margin is calculated from a combined formula based on revenues from naphtha, ethylene, propylene, benzene, etc., minus costs which mostly consist of Urals and Brent crude and a small amount of natural gas. MOL's integrated petrochemical margin is a variable margin indicating market price fluctuations predominantly between high & low density polyethylene and polypropylene over naphtha, based upon the product yields of TVK and Slovnaft petrochemicals.

Polish propylene & methanol imports, Jan-Dec 2015

Propylene imports into Poland totalled 150,542 tons in 2015 against 150,640 tons in 2014. The main source of propylene imports remains Germany, although Russian imports have been rising following capacity expansions. Imports from the Czech Republic are also traditionally important although volumes are currently affected by the ongoing repairs at Litvinov. The average price of Polish propylene imports in 2015 dropped 25% to €765.3/ton against €1025/ton in 2014.

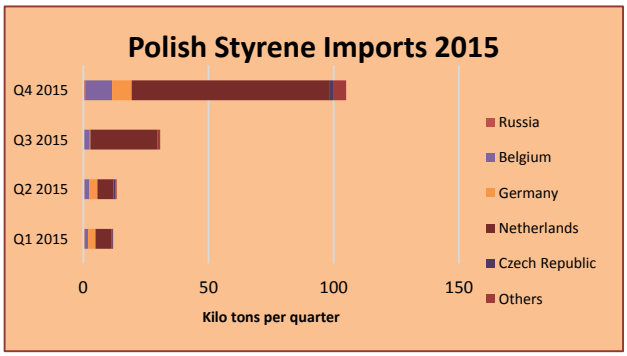


Methanol imports into Poland totalled 447,621 tons in 2015 against a total of 381,152 tons in 2014. Around half of Polish imports were

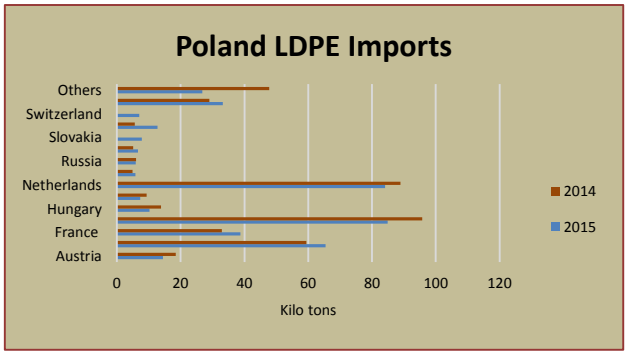
sourced from Russia, as in recent years, whilst other important players included Germany and Norway. Imports from Norway increased significantly in 2015, totalling 85,879 tons for 2015 against 12,900 tons for the whole of 2014. The average price of Polish methanol imports in 2015 dropped by around 10% to €299/ton against €332/ton in 2014.

Polish Butadiene Imports (unit-kilo tons)		
Country	***Jan-Dec 15***	***Jan-Dec 14***
Austria	21.6	15.0
Belgium	0.9	0.0
Czech R	2.5	3.8
Netherlands	10.4	13.9
Germany	7.4	17.1
Italy	4.0	0.0
Totals	46.9	49.7

Butadiene imports totalled 46,900 tons in 2015, against 49,800 tons in 2014. Imports, primarily used by Synthos at Oswiecim, dropped slightly in 2015 due to the increase in production by PKN Orlen. Regarding suppliers, Austria provided the largest volumes of imports in 2015 with imports from Germany and the Netherlands having fallen. The average price of Polish butadiene imports for 2015 dropped 32% to €612/ton against €899/ton in 2014.



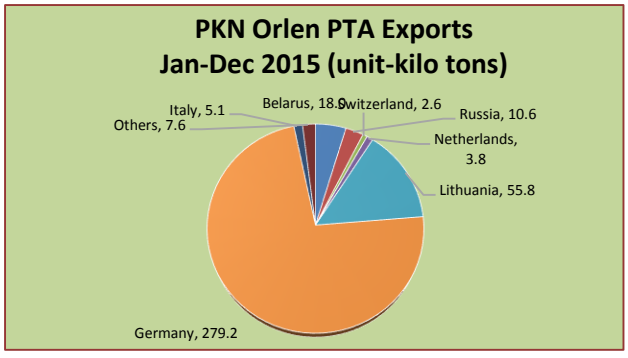
Styrene imports into Poland totalled 104,643 tons in 2015, up sharply against 62,794 tons in 2014. Imports rose to around 48,000 tons in the fourth quarter, following 31,000 tons in the third quarter and only 25,000 tons in the first two quarters in 2015. The Netherlands was the major supplier last year, providing 80% of total volumes. The average price of Polish styrene imports for 2015 dropped 18% to €1034/ton against €1264/ton in 2014.



HDPE is the main category of polyethylene produced by the Orlen Group, including Unipetrol and Basell Orlen Polyolefins, whilst LDPE is not produced in the Czech Republic and only in small volumes in Poland. In the first 2015 Poland imported 411,606 tons of LDPE against 417,766 tons in 2014. The major suppliers into Poland include Germany, the Netherlands and Belgium. For HDPE, imports into Poland totalled 304,240 tons 2015 against 294,463 tons in 2014.

Polish PTA exports, Jan-Dec 2015

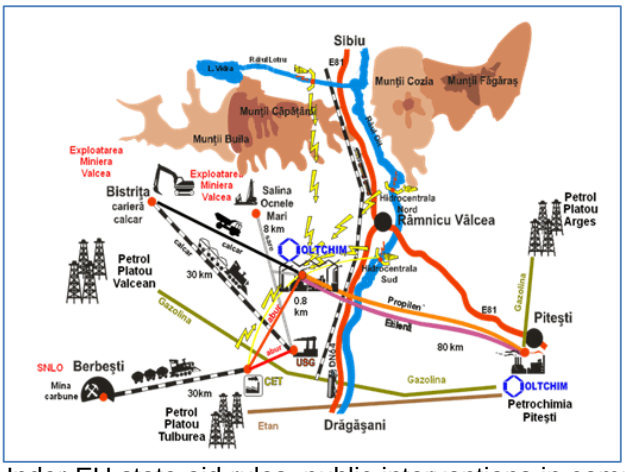
Polish exports of PTA totalled 382,521 tons in 2015, slightly down on 2014. For the whole of 2014 exports totalled 438,000 tons of which 249,000 tons were shipped to Germany. The percentage share of sales to Germany increased in 2015 to 73% against 57% in 2014. The second and third largest destinations comprised Lithuania and Belarus. The average price of Polish PTA exports for in 2015 dropped 18% to €628/ton against €765/ton in 2014.



Polish caprolactam exports, Jan-Dec 2015

Poland exported 75,012 tons of caprolactam in 2015 against 83,321 tons in 2014. The largest end-destinations last year included Taiwan, which took 21,000 tons against 26,425 tons in 2014, and China which took 19,250 tons against 18,500 tons. Other important markets in Asia included India, which imported 9,750 tons against 9,000 tons, whilst in Europe Belgium imported 9,515 tons (9,324 tons in 2014), and Germany which imported 9,581 tons (11,496 tons in 2014). The average price of Polish caprolactam exports for in 2015 dropped 18% to €1340/ton against €1640/ton in 2014. Exports constituted 45% of Polish caprolactam production in 2015 against 49% in 2014.

Chemicals



Chimcomplex approves Oltchim takeover

The European Commission has started assessment of Oltchim in order to evaluate if the company will be able to survive without future government support. The Romanian State has a controlling stake of 54.8% in the company. Since Oltchim was declared insolvent in 2013 it has been in the process of reorganisation following a plan established by the insolvency administrator. As the estimated sale price in the event of a privatisation would not cover the entire debt, Oltchim's public creditors have accepted total or significant debt waivers.

Under EU state aid rules, public interventions in companies are considered free of aid when a private operator would have acted in the same way. he Commission will now assess whether this was the case for Oltchim's public creditors and suppliers or whether, on the contrary, the public measures gave Oltchim an economic advantage over its competitors and constitute state aid.

Polish chemical production (unit-kilo tons)

Product	*Jan-Feb 16*	*Jan-Feb 15*
Caustic Soda Liquid	55.6	57.0
Caustic Soda Solid	13.5	13.7
Soda Ash	199.2	170.3
Ethylene	93.9	93.3
Propylene	66.7	67.7
Butadiene	10.2	9.7
Toluene	2.6	1.6
Phenol	7.0	5.6
Caprolactam	26.7	28.6
Acetic Acid	1.0	1.1
Polyethylene	66.1	66.2
Polystyrene	9.5	8.4
EPS	12.5	8.5
PVC	49.4	52.6
Polypropylene	42.7	42.1
Synthetic Rubber	33.6	30.6
Ammonia (Gaseous)	474.0	242.0
Ammonia (Liquid)	16.2	230.0
Pesticides	3.8	6.2
Nitric Acid	440.0	399.0
Nitrogen Fertilisers	349.0	344.0
Phosphate Fertilisers	76.3	73.7
Potassium Fertilisers	68.5	57.5

The board of Chimcomplex recently approved participation in the process of purchasing assets of Oltchim SA and attracting loans worth €95 million for completion of the acquisition. Thus far the Ministry of Economy, the majority shareholder with 54.8% of the capital of Oltchim has not officially announced any date or establish the conditions under which there will be a procedure for the sale of Oltchim.

The company received shareholder approval to increase the share capital up to the amount of 303.87 million lei. This increase will be made in cash in the amount of 141 million lei and by subscription of new registered shares in a number of 111.905 million at a price of 1.26 lei each.

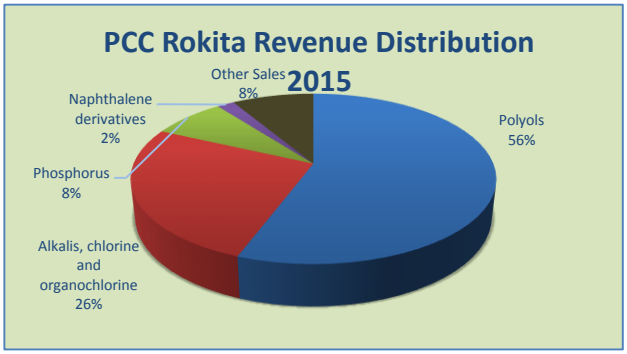
PCC Rokita 2015

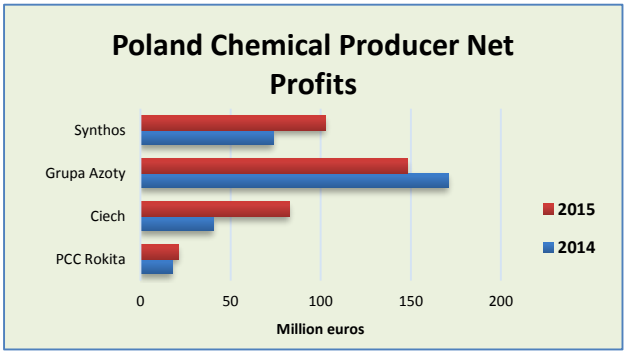
PCC Rokita increased profits by 20% in 2015 despite revenues remaining virtually unchanged, from zl 1,048 billion against zl 1.093 billion in 2014. The company significantly improved operating profit in 2015 to zl 101 million from zl 81 million. Net profits rose from zl 71.210 million to zl 84.786 million. Profits were helped by cheaper raw materials across the board. In 2015 PCC Rokita invested zl 18.069 million into the modernisation of the plant for propylene oxide, against zl 8.883 million in 2014. The capacity for propylene oxide was increased from 36,000 tpa to 48,000 tpa, thus increasing the demand for propylene which the company sources from abroad.

PCC Rokita's electrolysis conversion to membrane technology has led to an increase in production of chlorine and caustic soda, and affects the consistent reduction in energy intensity of production. The larger production capacity of the propylene oxide plant will allow for the implementation of investment to increase production capacity of polyols. The company uses propylene oxide entirely for their own needs for further processing within the vertical integration chain of production. In 2015 PCC Rokita began investing in new lines of production of polyether polyols and pre-polymers.

PCC Exol & PCC Rokita, South East Asian Investments

PCC Exol Philippines Inc. located in Batangas, the Philippines adopted a resolution on the closure of the company and to cease its operations with effect from 31 March 2016. Thus the process of liquidation was started for PCC Exol Philippines Inc (including) United Coconut Chemicals, which will be conducted under the laws of the Philippines. Liquidation of. will not have a significant impact on the financial situation of the PCC Exol.





Instead of the Philippines PCC Rokita is contemplating the possibility of starting production in Thailand in the polyurethane industry. The company is considering expanding on the basis of an existing jv with Thai group IRPC, which is IRPC Polyol Company Ltd. In order to support further investment overseas and at PCC Rokita's main site at Brzeg Dolny a new share emission is being launched in April with the aim of raising zl 35 million.

Ciech 2016

Ciech increased its group EBITDA by nearly 50% in 2015 and amounted to zl 748 million, whilst the net profit was more than doubled. By percentage the group recorded the largest rise in net profits amongst the major Polish chemical companies. Grupa Azoty remains the largest chemical group in Poland despite a fall in net profits in 2015.

Grupa Azoty-PGNiG

Polish Oil and Gas Company (PGNiG) and the Grupa Azoty have entered into a new agreement for the sale of gas. On the basis of the framework agreement and the contracts signed bilateral PGNiG will supply natural gas to five companies of Grupa Azoty. The volume of supply for the entire duration of the contract may add up to 4.5 billion m3 of gas.

With the signing of contracts, Grupa Azoty receives not only guarantee a stable supply, but also market mechanisms to ensure the acquisition of gas at prices linked to market indices. PGNiG and Grupa Azoty signed a framework agreement sets out the general principles of cooperation between the Parties and individual contracts on purchase of natural gas by each of the companies in the Azoty group. Grupa Azoty is the country's largest consumer of natural gas, using 2.2-2.3 billion m3 per annum.

Ciech's improvement in 2015 was due to partly to the benefits of divestment a few years ago combined with some important cost-cutting measures applied in 2015. Lower raw material costs also played a major part last year, helping an increase in margins. Ciech's production is located in eight plants, with four largest production plants (two in Poland, one in Germany and one in Romania) operating in the soda ash division.

The other four plants are dedicated to the organic division, and the silicates and glass division, and are located in Poland.

In 2015 Ciech undertook significant investments including the expansion of the soda ash plant at Inowrocław by 200,000 tpa to 800,000 tpa, and the modernisation of the salt in order to increase production dry salt and increasing the production capacity of sodium silicate in connection with a major contract with Solvay. The group also increased efficiency in Ciech Sarzyna and optimized portfolio of Ciech foams.

Zachem-biosurfactant plant

At the end of the first quarter in 2015 Boruta Zachem started up its unit for the production of biosurfactants at its new plant at Bydgoszcz. The product has been produced waste-free from natural resources giving the product better and safer for people and the environment. Production of biosurfactants is based on local biomass rape. Production waste will be enriched with animal feed.

RUSSIA

Russian Chemical Production (unit-kilo tons)		
Product	***Jan-Feb 16***	***Jan-Feb 15***
Caustic Soda	180.4	184.2
Soda Ash	532.0	513.0
Ethylene	500.0	433.0
Propylene	365.1	331.3
Benzene	210.1	205.4
Xylenes	98.1	99.2
Styrene	118.4	112.7
Phenol	40.7	39.2
Ammonia	2,600.0	2,400.0
Nitrogen Fertilisers	1,613.0	1,400.0
Phosphate Fertilisers	594.0	500.0
Potash Fertilisers	1,231.0	1,200.0
Plastics in Bulk	1,280.0	1,177.0
Polyethylene	345.0	285.0
Polystyrene	91.1	88.3
PVC	147.1	157.3
Polypropylene	181.5	232.0
Polyamide	24.2	22.6
Synthetic Rubber	247.0	278.0
Synthetic Fibres	22.1	20.2

Russian chemical production 2016

Russian chemical production has been steady in the early part of 2016, and has continued to rise aside the outage at Angarsk Polymer Plant. The accident which took place in February has affected petrochemical production in addition to PVC and caustic soda production at Sayanskkhimplast. No large-scale capacity additions are scheduled for 2016, but production levels are still expected to surpass volumes in 2015. Ethylene and propylene production were higher in the first two months in 2015, but this is largely attributable to the outage ad restart at Stavrolen. Olefin production volumes should even out by the second or third quarter. Recent short technical outages at Tomsk and Salavat, in addition to the expected four-month outage at Angarsk, should offset part of the gains from the restarted Stavrolen cracker.

Oil prices have stabilised slightly in the past few weeks, but the outlook remains uncertain. Irrespective of what happens to oil it is hard envisaging significant economic growth inside Russia without the so-called structural reforms or an opening up of the economy. The chemical industry in Russia has been a prime beneficiary of the weak rouble and low oil prices, not only in regard to exports but also reducing the interest in imports and replacing market share with domestic production. Last year the major Russian petrochemical companies were able to report huge rises in rouble profits and revenues due in large part to the weakened rouble. The outlook for 2016 appears positive, although none of the producers are expecting the same dramatic rises in financial performance as recorded in 2015.

Russian Petrochemical Projects

VNKH Primorsk Project Start-up Plants	
Refinery 1st Phase 2020	
Refinery	12 million tpa
Gasoline	1.6 million tpa
Jet fuel	800,000 tpa
Diesel fuel	6 million tpa
Naphtha	2.2 million tpa
Coke	600,000 tpa
LPG	400,000 tpa
Petrochemicals 2nd Phase 2022+	
Polyethylene	900,000 tpa
Polypropylene	900,000 tpa
MEG	700,000 tpa
Refinery	12 million tpa
Refinery/Petrochemicals 3rd Phase 2028	
Refinery	12 million tpa
Petrochemicals	3.4 million tpa

VNKH update & road map

Rosneft has stated that it is ready to start construction of some of the facilities for the Eastern Petrochemical Company (VNHK) in Primorsky Kray in 2016, although the petrochemical plants will not be started until a later date. Rosneft hopes to reach agreement this year with foreign partners on the project, which could either come from Japan, China or the US, although information is scarce at present.

Rosneft has agreed to pay Aprojects NV, located at Antwerp, a sum of €255.650 million for the preservation of auxiliary equipment which has been purchased in advance for the Eastern Petrochemical Company (VNHK). This includes previously acquired five PG6111FA gas turbine generator units from General Electric. Rosneft has decided to conserve the equipment with the assistance of a third party.

In January 2016 a road map was laid out by the Russian government and Rosneft for VNKH's petrochemical complex which is to be located at Nakhodka in the Primorsky Kray. By the second quarter of 2017 specialised agencies with the participation of Gazprom, Transneft, Russian Railways and Rosneft are required to provide measures for infrastructure construction for VNKH, taking into account source of financing, and a return on investment mechanism and economically justified tariffs.

Funding represents the fundamental concern and whether oil prices can rise enough be able to afford the investment. The type of elements included in the infrastructure investment include construction of a marine terminal, water supply facilities, power grid facilities and a connecting point to the ESPO oil pipeline. Other measures are to ensure gas supply to and gasification of the Primorsky Kray region and to expand and change the boundaries of the Nakhodka sea port.

The petrochemical complex VNHK is being promoted as a core of developing a petrochemical cluster in the Primorsky Kray, which will aim to produce products with significant added value. The project consists of three phases with a total capacity of processing 24 million tpa of oil and 6.8 million tpa of petrochemicals.

Key Points for Amur Gas Processing Plant	
Location	Svobodny, Amur Oblast
Revised Capacity	42 billion cm per annum
Number of Units	6 gas, 3 helium & nitrogen
Start of Construction	July 2016
First Production	2021
Full Production	2024
Feedstock Sources	Chayanda/Kovytka
Investment for 2016	790.6 billion roubles
International Engineering	Linde
Domestic Engineering	NIPIgazpererabotka

Revised capacity of Amur Gas Processing Plant

Gazprom has decided to reduce the design capacity of the Amur Gas Processing Plant (GPP) from 49 billion cubic metres per annum to 42 billion cubic metres. The project has been revised downwards from seven plants, each consisting of 7 billion cubic metres per annum, to six plants. In addition to the six plants another three will be constructed for the production of helium and nitrogen. The project revision was made after deciding that 42 billion cubic metres would be sufficient to meet the contractual requirements to China. The contract or agreement with China, was concluded for a period of 30 years and involves the supply of 38 billion cubic metres per annum. The launch of the plant is planned for 2021. The revised capacity should have no impact on developments at the Chayanda and Kovytka fields according to Gazprom.

SIBUR to select contractor for Amur Gas Chemical Complex

SIBUR aims to select a contractor for the Amur Gas Chemical Complex this year, choosing from five potential companies CB & I, KBR, Technip, Linde and Sinopec. The acquisition by Sinopec of 10% in SIBUR in 2015 may provide some advantage over potential rivals for the licensing and contracting for the gas-chemical complex, but the decision is yet to be made.

The decision on the actual project is not expected before the end of 2017, and it depends ultimately on progress of Gazprom in the construction of the Amur Gas Processing Plant and the pipeline connections to the Chayanda gas field in Yakutia. As a consequence, the start-up date of the gas-chemical complex remains speculative at this stage and SIBUR may not expect to see production closer to the middle of the next decade rather than the earlier part.

SIBUR's Possible Licensors for Amur Gas-Chemical Complex
CB & I, KBR, Technip, Linde and Sinopec

Preliminary studies are being undertaken by SIBUR on the analysis and selection of the optimal pyrolysis capacity configuration depending on market factors and the volume of raw materials available from the Amur GPP. Fluor and NIPIGas are involved in the pre-project analysis. NIPIGas is also acting as the EPC-contractor for the Amur GPP which aims to extract helium, ethane, propane, butane and other fractions of the gas that is intended to be supplied to China through the pipeline Power of Siberia. Ethane will also be made available for SIBUR for the Amur Gas-Chemical Complex, and volumes would need to be quantified before an optimal cracker size can be decided. If the project goes ahead SIBUR expects these arrangements to be similar the project Yamal LNG, but that is not a current consideration.

Irkutsk-Kovytka

Following a meeting between the governor of the Irkutsk Oblast and the Russian President in April, Gazprom was instructed to speed up the development of the Kovytka gas condensate field and studying the prospects for the Kovytka-Sayansk-Irkutsk pipeline. Gazprom is currently

studying the possibility of building the installation of LNG in the Irkutsk region with the capacity of about 5 million tpa. The aim is two sided, firstly providing the gas resources for the Irkutsk region and secondly preparing the Kovytka deposits for access to the Power of Siberia.

The established target for Kovykta is to be developed sufficiently in order to be connected to the pipeline system Power of Siberia in 2022. This is to be achieved through the construction of a gas pipeline from Kovytka to the Chayanda field with a length of about 800 km. Gazprom has lowered the original forecast on the peak of gas production at the Kovykta field from 35 to 25 billion cubic metres.

Kovytka-Sayansk-Irkutsk Pipeline Possible Main Parameters	
Total length	660 km
Pipeline Section	***Length***
Kovykta-Sayansk	377 km
Sayansk-Irkutsk	269 km
Irkutsk-Angarsk	14 km

Construction of the pipeline section from Kovykta to Sayansk via Zhigalovo is an old-standing project that was originally intended to be completed by 2006. The previous owners of the Kovytka gas condensate field, TNK-BP, had formative plans more than a decade ago to construct a pipeline to Sayansk, but its successor Gazprom has until recently shown little interest in the project. The regional administration has indicated that without Gazprom bringing forward the development plans for the Kovytka field Sayanskkhimplast could be threatened by closure.

Kovytka-Irkutsk gas pipeline challneges
The pipeline route crosses the country with hard-rugged and difficult geological conditions. The main obstacles on the road are large water obstacles including the Lena River, Tutura, Ilga, Uda, Oka, Kita, White, and Bratsk reservoir. The pipeline crosses a number of tectonic faults (active and inactive), as well as roads and railways.

The question of ethylene has been a main focal point for Sayanskkhimplast in the past ten to fifteen years. Effectively Angarsk Polymer Plant represents its sole source of ethylene, and due to the current outage which is expected to last from February to June this year, it has forced Sayanskkhimplast to completely stop production of PVC, caustic soda, PVC plasticizers, etc. The lack of alternative raw material supply could be overcome through the construction of the Kovytka-Sayansk-Irkutsk gas pipeline, which would allow Sayanskkhimplast to construct its own pyrolysis unit, but such a pipeline would take several years to construct and provides no short term solution to the question of ethylene supply.

SIBUR-Tobolsk gas processing expansion

SIBUR plans in mid-2016 to complete the expansion of gas fractionation capacity at Tobolsk-Neftekhim up to 8 million tpa. The project involves increasing the capacity of the second gas fractionation plant (HFCs) from 2.8 to 4.2 million tpa by retrofitting internals, heat exchanger and pump equipment, the construction of the tower and expansion of commodity and raw material base. As a result, the capacity of the entire gas fractionation complex in Tobolsk will grow by 21% to 8 million tpa. As a result of expansion the production of LPGs will rise to more than 6.5 million tpa, which will fully cover the needs not only of existing production facilities, but also ZapSibNeftekhim which will need 2.5-3 million tpa of LPG. According to preliminary estimates, investment in the project will amount to 5.5 billion roubles.

Tobolsk-Neftekhim Expansion	
Gas fractionating capacity	Expansion to 8 million tpa
LPG production capacity	6.5 million tpa
LPG requirements for ZapSibNeftekhim	2.5-3 million tpa

SIBUR launches second stage of Vyngapur GPP

SIBUR has launched the second stage of Vyngapur GPP, expanding infrastructure for the collection and processing of associated gas. After the launch of gas processing plant №2 (UPG-2) the capacity has risen from 2.8 to 4.2 billion cubic metres. The project also involved laying 114 kilometres of gas pipeline to supply the processing of associated gas from the compressor station Variogan to the Vyngapur GPP. SIBUR investments totaled 16 billion roubles.

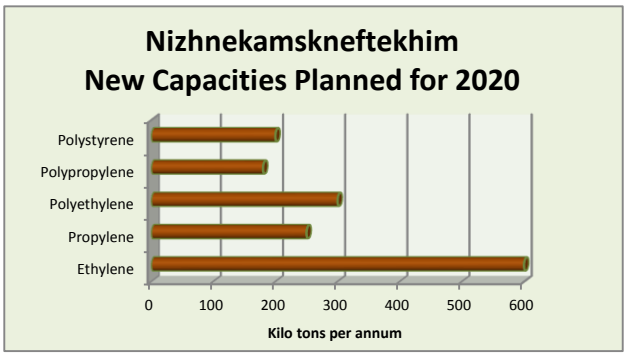
Vyngapur Expansion	
Associated gas processing	Expansion from 2.8 4.2 bcm
Pipeline connection to Variogan COP	114 km
Sources of associated gas	RussNeft

Expanding Vyngapur GPP is one of the final pieces in completing investments in the infrastructure in West Siberia for the collection and processing of associated gas. Over the past decade SIBUR has doubled the capacity for receiving associated gas in the region. The expansion of the Vyngapur GPP has been undertaken in cooperation with the oil company RussNeft, which sends the associated gas to the Variogan

compressor station and then after transported by the pipeline Variogan COP-Vyngapur GPP. The Vyngapur plant then produces dry stripped gas which is sent to the gas transport system of Gazprom, and NGLs which are sent to the Noyabrsk loading rack before being sent to Tobolsk-Neftekhim using the Purovsky-Tobolsk product pipeline. RussNeft is already supplying associated gas to the Nizhnevartovsk and Belozerny gas processing plants which belong to SIBUR. In other feedstock developments a subsidiary of Belorusneft, Yangpur, has completed the second phase of construction of the pipeline to SIBUR's Gubkinsky Gas Processing Plant.

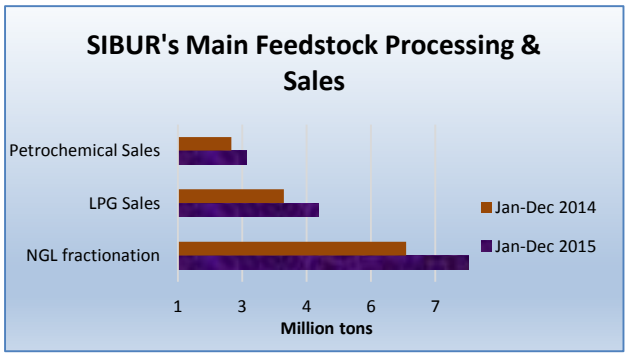
Nizhnekamskneftekhim to select licensors for ethylene project

Nizhnekamskneftekhim is conducting a tender for the selection of the licensor for the proposed olefin complex, which is planned to be constructed in two stages of 600,000 tpa. Suppliers of equipment will be determined after the company chooses the licensor of the project. The first stage of 600,000 tpa is provisionally targeted on completion and start-up by 2020 and the second stage of 600,000 tpa by 2025.



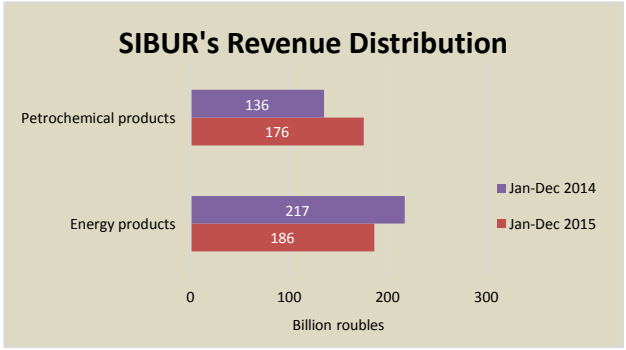
The first stage is planned to produce 300,000 tpa of polyethylene, 180,000 tpa of polypropylene and 200,000 tpa of polystyrene, 163,000 tpa of propylene derivatives and 110,000 tpa of ethylene derivatives. In the second stage the company has sketched out plans for the another production of 600,000 tpa of polyethylene, 180,000 tpa of polypropylene, 200,000 tpa of polystyrene, 93,000 tpa of MDI and 155,000 tpa of propylene derivatives.

Petrochemical Company News



SIBUR, Jan-Dec 2015

SIBUR recorded a 32.0% increase in EBITDA in 2015, which was driven by an almost threefold rise in the EBITDA of the petrochemicals division. This was counterbalanced by a 10.4% decrease in the feedstock and energy division which suffered from the dynamics of the oil price. The margin for the whole group comprised 35.7%, including 31.4% for petrochemicals. In terms of tonnage, SIBUR increased gas fractionation processing in 2015 which allowed significant increases in sales of LPGs and petrochemicals.



Petrochemical margins were helped not only by the devaluation of the rouble, but also the rising utilisation levels at new production facilities at Tobolsk and Kstovo. Moreover, SIBUR has started to benefit from the Purovsky-Tobolsk NGL pipeline which was opened at the end of 2014 and increases the amount of feedstock that can be processed at the Tobolsk-Neftekhim gas fractionation plant. The weak rouble helped SIBUR in that sales are primarily linked to international commodity benchmark prices quoted in US dollars or euros, while operating expenses are largely denominated in roubles.

Revenues for SIBUR increased by 5.2% in 2015 to 379.852 billion compared to 361.000 billion in 2014. The major driver of this growth was a 32.7% increase in petrochemicals revenue. LPG sales revenue increased by 2.6% and amounted to 58.9 billion roubles. Sales volumes of LPGs increased by 22.4%, which was due

to increased production by 18.6% as a result of the expansion of the transport infrastructure and increased fractionation capacity in 2014. This allowed SIBUR to process increased volumes of natural gas liquids. The increase in production was partly offset by an increase in the supply of raw materials for the petrochemical industry, in particular for capacity utilisation at Tobolsk-Polymer.

The 39.3% growth in revenues from sales of plastics and organic chemicals was mainly attributable to capacity expansions in PET and BOPP-films, as well as increase in glycol production at Dzerzhinsk. Revenues from bulk polymers rose 32.6% attributable to higher polypropylene production due to an increase in capacity utilisation at Tobolsk.

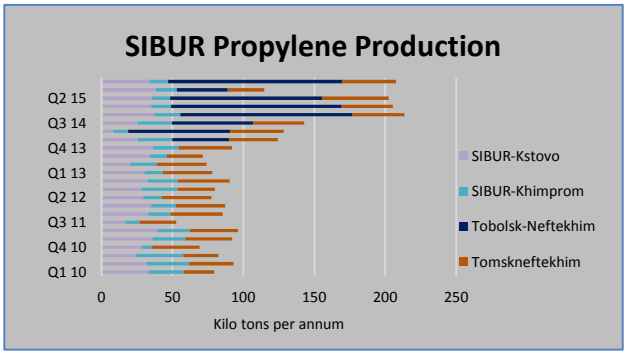
SIBUR's revenue from synthetic rubber sales increased by 26.0% in 2015 due to higher capacity utilisation. This largely resulted from improved production economics following the significant drop in value of the rouble and lower feedstock prices. The 27.3% increase in revenues from sales of intermediates and other chemicals was attributable to higher sales of ethylene to RusVinyl and higher production following the cracker expansion at Kstovo.

SIBUR's Monomer & Intermediate Production (unit-kilo tons)		
Product	***Jan-Dec 15***	***Jan-Dec 14***
Benzene	153.1	125.2
Styrene	174.8	171.5
PTA	266.0	252.4
Propylene	729.9	608.6
Ethylene Oxide	261.4	204.7
Butadiene	232.7	189.4
Isoprene	66.7	70.1
Isobutylene	146.0	161.7
Ethylene	635.0	516.7
Other Intermediates	1258.2	1220.7
Other Chemicals	814.1	711.7
Purchases from 3rd parties	5.3	10.9
Total	4,743.3	4,243.5

SIBUR's EBITDA for 2015 amounted to 135,635 million, a growth of 32.0% from 102.767 billion in 2014. The growth in the group's EBITDA was driven by the strong performance of the petrochemical division despite lower EBITDA of the energy division. The petrochemicals division recorded an almost threefold growth in EBITDA reaching 58.937 billion roubles in 2015 from 20.806 billion in 2014. The division also demonstrated strong improvement in EBITDA margin to 31.4% in 2015 against 14.6% in 2014.

SIBUR's net profit in 2015 decreased by 74.1% to 6.505 billion roubles from 25.071 billion in 2014. The fall was mainly attributable to the 52.773 billion non-cash gain on acquisition of a 49% stake in Yugragazpererabotka recorded in 2014, compensated by higher operating profit and a lower foreign exchange loss.

Propylene production increased in 2015 to 729,900 tons to 608,600 tons in 2014, principally due to the increase in utilisation at Tobolsk-Polymer and also a significant rise in production at SIBUR-Kstovo following the modernisation of the cracker.



Fitch Ratings downgrades SIBUR

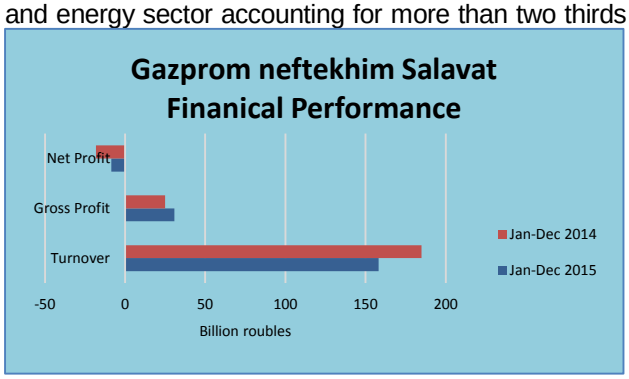
Fitch Ratings has revised its assessment of SIBUR from a stable to negative outlook to BB + level. The negative long term outlook was appraised in view of SIBUR's high leverage in the 2017-2019 period due to the multi-billion-dollar petrochemical project ZapSibNeftekhim (ZapSib-2) in a period of low and volatile prices for petrochemical products.

Fitch expects net adjusted leverage funds from SIBUR's operations to grow to over 2.8 times in the 2017-2019 period, and 2x in 2020. This increase is expected, despite the fact that the operating performance of SIBUR experience a beneficial effect of a weak rouble and a prolonged period of drawdown on the newly obtained credit lines for project ZapSib-2. Fitch believes that after the project is completed in 2020, a significant improvement in the operational profile of SIBUR will take place.

Gazprom neftekhim Salavat, Jan-Dec 2015

Gazprom neftekhim Salavat recorded a loss of 8.63 billion roubles in 2015, down from the loss of 18.6 billion roubles in 2014. The main reason for the recorded loss, when most other Russian petrochemical companies

have reported sizable profits for last, year is the predominant focus of Gazprom neftekhim Salavat on the oil and energy sector accounting for more than two thirds of turnover. The chemical sector proved the most profitable for GNS, with revenues from the sale of fertilisers rising by 22% to 10.34 billion roubles and revenues from plastics and synthetic resins rising by 6% to 9.8 billion roubles.



Overall revenues decreased by 17% in 2015 to 158.1 billion roubles. The reduction in revenue was due to lower sales volumes of petroleum products dropping from 150.260 billion roubles in 2014 to 114.26 billion roubles in 2015. Balancing the decline in revenues was helped by lower production costs of 5% in 2015 to 127.35 billion roubles. As a result, the gross profit amounted to 30.75 billion roubles against 25 billion roubles in 2014. The volume of long-term loans at the end of 2015 totalled 91.64 billion roubles against 67.14 billion roubles in 2014.

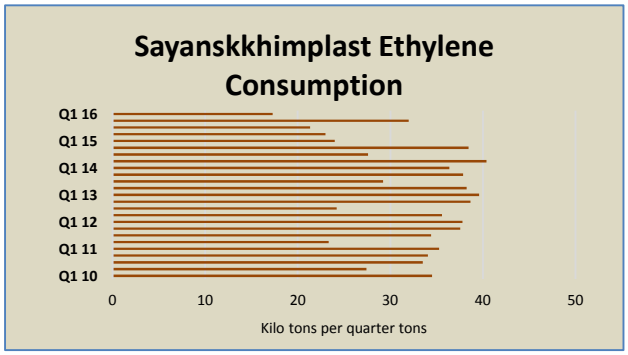
Gazprom neftekhim Salavat 2015	
Type of feedstock	***Share in Processing***
Crude oil	37%
Condensate	63%
Production	***Volume***
Diesel fuel	1.6 million tons
Naphtha	781,300 tons
Marine fuel	505,300 tons
Distillate condensate	899,000 tons

Gazprom neftekhim Salavat has targeted an increase in the amount of raw material processing by 6% in 2016 to 6.9 million tons. In 2015, the company processed 6.5 million tons in 2015, 37% of which was crude and 63% condensate. The feedstock composition has been changed in the last two years, resulting in an increase of gas condensate as a feedstock in place of crude. This has improved refinery efficiency by increasing the output of light fractions. The long term objective is to shift completely to a raw material base dependent on Gazprom.

Sayanskkhimplast-Angarsk Polymer Plant

Due to an ongoing disagreement on the ethylene price between Angarsk Polymer Plant and Sayanskkhimplast both companies have been forced to approach the Federal Antimonopoly Service (FAS) to resolve differences. Supply disruptions have caused Sayanskkhimplast multiple production problems, even prior to the current outage.

Angarsk Polymer Plant argues that it supplies Sayanskkhimplast with ethylene at around 30% lower than the market price. Efforts to increase pricing have been met with opposition from Sayanskkhimplast resulting in lower deliveries last year. Ethylene production at Angarsk runs at surplus as the polyethylene plant is of lower capacity, and thus in effect both Angarsk Polymer Plant and Sayanskkhimplast depend on each other.



In 2015, Sayanskkhimplast bought 100,000 tons of ethylene from Angarsk, but the company requires around 135,000 tpa in order to run the VCM-PVC facilities at full capacity. In October due to the pricing dispute supply of ethylene dropped to 10 tons per hour which is below the critical level for operations. At present the FAS is attempting to mediate between the various parties to find a solution for when the cracker restarts probably in June.

Lukoil-new gas processing facility at Budyennovsk

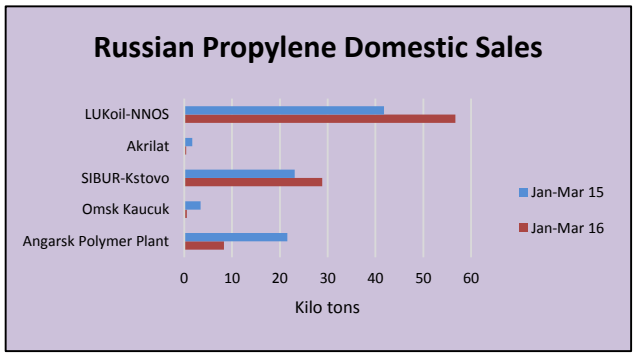
Lukoil's gas processing plant at Budyennovsk, which was officially launched in February, has attained around 70% of its capacity of 2.2 billion cubic metres per annum. The associated gas that is sourced from the Caspian is divided into dry gas and NGLs. Dry stripped gas is fed into the system of Gazprom, whilst the NGLs are supplied to the petrochemical complex at Budyennovsk. However, the amount of processed gas sent to Stavrolen's cracker is not expected to increase by much in the near future.

Petrochemical Markets

Russian olefin market, Jan-Feb 2016

Russian ethylene production dropped by 12% in February against January to 222,000 tons. Gazprom neftekhim Salavat reduced production by 32% to 20,800 tons, and Tomskneftekhim 18% to 19,500 tons. In addition, due to downtime Angarsk Polymer Plant reduced output by 3.7 times to 4,600 tons. Production totalled 500,000 tons in the first two months in 2016, 9% up on 2015.

Aside the restart of the Stavrolen cracker SIBUR-Kstovo has increased ethylene capacity up to 1,000 tons a day following reconstruction. Tomskneftekhim fully resumed production after an accident in April. The fire took place on 6 April at the facility for the production of propane-propylene fractions. The stoppage lasted for six days. Tomskneftekhim includes capacities of 300,000 tpa of ethylene, 139,000 tpa of propylene, 245,000 tpa of LDPE and 130,000 tpa of polypropylene. The capacity for polyolefins in the near future it is planned to expand to 270,000 tpa and 140,000 tpa respectively.



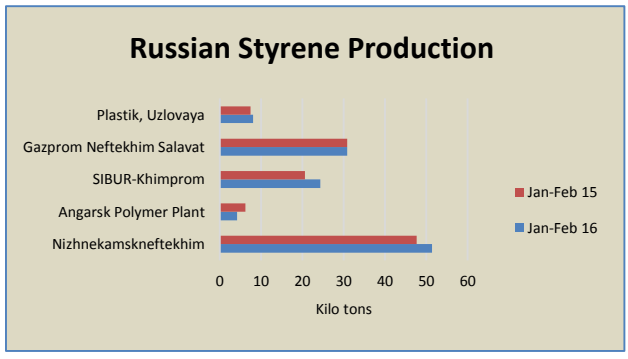
Equipment for the Angarsk cracker is expected to arrive from Europe on 2 May, and will then require several weeks of installation signifying that the plant may be able to restart at the end of May or the start of June.

Russian propylene production has been affected recently by the outage at Angarsk Polymer Plant which was forced to stop production in February. Production of propylene increased by about 5% in the first quarter despite the declines in February and March.

Propylene sales on the domestic merchant market amounted to 95,100 tons in the first quarter against 101,800 tons against the same period last year. Saratovorgsintez remains the largest single purchaser of propylene, accounting for just under half of all merchant shipments. The major suppliers to the domestic market consisted of Lukoil-NNOS and SIBUR-Kstovo, which were both also the major exporters. According to Chem-Courier, exports of propylene from Russia amounted to 36,000 tons in the first quarter this year against 13,100 tons in the same period in 2015. Sales of propane-propylene fractions amounted to around 36,700 tons the first quarter in 2016, 9% down on the same period last year. Exports of propane-propylene fractions increased from 17,127 tons in the first three months in 2015 to 23,000 tons this year. Propylene monomer sales amounted to around 97,000 tons

Russian styrene, Jan-Feb 2016

Styrene production in Russia dropped by 10% in February 56,400 tons due largely to the outage at Angarsk Polymer Plant, which reduced production 2.6 times to 1,200 tons. In addition, Plastik at Uzlovaya reduced production by 17% to 3,700 tons. Russian styrene production amounted to 118,800 tons in the first two months in 2016, 5% up on the same period in 2015.



Styrene sales on the domestic market amounted to 21,500 tons in the first quarter this year, slightly up on the same period in 2015.

The Russian styrene market operates through a small number of suppliers and a small number of consumers. In 2015 styrene production increased by 4% to 671,200 tons. Plastik at Uzlovaya (which runs on merchant ethylbenzenes) significantly reduced production. Shipments to the domestic market amounted to 94,700 tons in 2015, whilst exports rose 4% to 116,600 tons. Pricing remains a major issue for the market with producers and consumers in disagreement over fair numbers.

Bulk Polymers

Russian Polyethylene Production (unit-kilo tons)		
Producer	***Jan-Feb 16***	***Jan-Feb 15***
Angarsk Polymer Plant	20.3	13.6
Kazanorgsintez	112.6	127.8
LUKoil-Neftekhim	28.0	17.2
Nizhnekamskneftekhim	34.0	36
Salavatnefteorgsintez	16.0	24.6
SIBUR-Holding	71.1	41
Ufaorgsintez	17.1	16.2
Total	299.1	276.4

Russian polyethylene market, Jan-Feb 2016

In the first two months of 2016 Russian polyethylene production rose by 11% against the same period in 2015 and amounted to 285,200 tons. Production amounted to 141,000 tons in February against 144,300 tons in January.

Polyethylene imports into Russia amounted to 101,500 tons in the first quarter in 2016, 22% down on the same period in 2015. The largest falls were seen in HDPE and LLDPE.

Nizhnekamskneftekhim has asked the Ministry of Industry and Trade of the Russian Federation with an application for restoration of the import duty on LLDPE. A fee of 6.5% was temporarily excluded in 2010 due to the absence of Russian production at that time. Nizhnekamskneftekhim is able to fully meet the needs of domestic processors for LLDPE if it uses the capacity of 200,000 tpa to the full. The argument put forward by Nizhnekamskneftekhim is that uncontrolled sales by foreign companies forces the company to produce linear polyethylene periodically and only during periods of high demand. A decision on duties is expected in the next few weeks.

Nizhnekamskneftekhim-polyethylene grade approved by Transneft

Nizhnekamskneftekhim has received positive feedback from Transneft for its brand of polyethylene, which can be used in anti-corrosion coatings for oil and gas pipe systems. Nizhnekamskneftekhim conducted pilot tests to improve the characteristics of the new brand of polyethylene bringing it to the requirements of Gazprom VNIIGAZ. The company also intends to develop a plastic adhesive that will be used when applying a three-layer coating on pipes.

The new grades of polyethylene are designed to compete against imports from international producers. Currently more than 20 Russian plants produce pipes for the oil and gas industry. Usage of protective coating requires materials of high physical and mechanical properties, thermal stability, resistance to cracking and UV radiation, etc.

In the LDPE sector, Tomskneftekhim suffered an accident in April which caused LDPE production to stop for six days. A fire started on 6 April at the installation of the production of propane-propylene fractions. Tomskneftekhim took supplies of propylene from Omsk whilst its own plant underwent repairs. Kazanorgsintez stopped LDPE production on 10 April, and the 225,000 tpa plant is expected to be down for around a month due to unplanned maintenance.

SIBUR polyolefins, Jan-Dec 2015

SIBUR's revenue from sales of basic polymers increased by 32.6% in 2015 to 50.892 billion roubles from 38.393 billion roubles in 2014. The increase was largely attributable to higher polypropylene sales volumes following increase in capacity utilisation rate at Tobolsk.

This increase was partially offset by higher polypropylene internal use for BOPP-film production. The growth in basic polymer revenues was also driven by higher average prices for polypropylene and LDPE due to the Russian rouble depreciation despite lower international benchmark prices. In 2015, domestic sales accounted for 66.6% of polymer revenues.

SIBUR Polyolefin Sales (unit-kilo tons)		
Polypropylene	***Jan-Dec 15***	***Jan-Dec 14***
Exports	182.8	154.2
Domestic Sales	339.3	239.4
Total	522.0	393.7
LDPE	***Jan-Dec 15***	***Jan-Dec 14***
Exports	179.9	171.1
Domestic Sales	64.0	84.1
Total	243.9	255.2

SIBUR benefited significantly in 2015 from the polypropylene sales and production conducted by Tobolsk-Polymer. Polypropylene sales, including exports and domestic sales, increased by volume from 393,700 tons in 2014 to 522,000 tons in 2015. In financial terms, polypropylene revenues increased 39.0% over 2015 to 32.072 billion roubles. In 2015, domestic sales accounted for 61.7% of total polypropylene revenues. LDPE sales from Tomskneftekhim increased by 22.8% to 18.820 billion roubles from 15.327 billion roubles in 2014. The increase in the average price for LDPE reflected lower international market prices supported by the Russian rouble depreciation. The decrease in LDPE sales volumes was largely attributable to a 4.8% decrease in production volumes at

Tomskneftekhim due to a longer maintenance shutdown for reconstruction. Domestic sales accounted for 75.0% of total LDPE revenues for SIBUR in 2015.

SIBUR's BOPP Production & Sales (unit-kilo tons)		
	Jan-Dec 15	*Jan-Dec 14*
Production	153.1	120.4
Total Sales	81.3	118.8
Domestic	42.5	86.3
Exports	38.8	32.4

SIBUR-BOPP-films 2015

SIBUR's revenue from BOPP-film sales increased by 58.7% to 17.066 billion roubles from 10.755 billion roubles in 2014, based on a 27.2% growth in sales volumes and a 24.8% increase in the average price. Higher sales volumes were largely attributable to a 27.5% increase in production following the capacity expansion at the production site at Novokuibyshevsk in May 2014 (increase in production capacity to 55,500 tpa from 25,000 tpa), as well as lower production capacity utilisation in 2014. Domestic sales accounted for 68.9% of total BOPP-film revenue, while 31.1% was attributable to export sales.

Russian Polypropylene Production (unit-kilo tons)		
Producer	*Jan-Feb 16*	*Jan-Feb 15*
Ufaorgsintez	20.1	21.0
Stavrolen	18.8	18.2
Moscow NPZ	21.7	18.1
Nizhnekamskneftekhim	36.2	34.9
Polyom	34.0	32.5
Tomskneftekhim	23.6	23.1
Tobolsk-Polymer	84.9	75.6
Total	239.3	223.4

Russian polypropylene Jan-Feb 2016

Russian polypropylene production amounted to 239,200 tons in the first two months in 2016, 4.6% up on the same period in 2015. Tobolsk-Polymer produced 84,900 tons in January-February 2016, against 77,000 tons in 2015. Polyom produced 34,000 tons in January-February against 32,600 tons in the same period last year. Nizhnekamskneftekhim produced 36,100 tons against 35,200 tons in the same period last year. Tomskneftekhim was unchanged at 23,600 tons, whilst Stavrolen increased production from 18,200 tons to 18,700 tons in 2016. The Kapotnya plant at Moscow increased production by 23% to 21,700 tons, whilst Ufaorgsintez reduced production from 21,000 tons to 20,100 tons.

Russian Polypropylene Imports (unit-kilo tons)		
Category	*Jan-Mar 16*	*Jan-Mar 15*
Homopolymers	15.9	18.5
Block	7.2	7.1
Random	6.2	7.6
Other	6.3	7.3
Total	35.6	40.5

Imports of polypropylene into Russia amounted to 35,600 tons in the first quarter this year, 12% down on the same period in 2015. The largest reduction occurred in the supply of propylene stat copolymers (PP-random). In March imports amounted to 13,200 tons against 11,400 tons in February. Homopolymer imports rose from 4,800 tons to 6,000 tons, including some supply from Turkmenistan. Block copolymer imports increased slightly over 2015 to 7,200 tons, whilst random copolymers fell from 7,300 tons to 6,300 tons. Last year Nizhnekamskneftekhim increased its production of propylene copolymers to replace imports, whilst reducing its share of homopolymers in total polypropylene production of 213,200 tons.

Russian PVC Production (unit-kilo tons)		
Producer	*Jan-Mar 16*	*Jan-Mar 15*
Bashkir Soda	63.9	63.9
Kaustik	23.7	23.6
RusVinyl	77.7	54.9
Sayanskkhimplast	35.3	56
Total	200.6	198.4

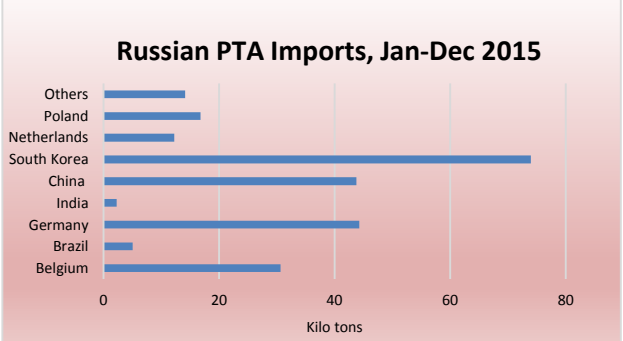
Russian PVC Jan-Mar 2016

Russian PVC production amounted to 200,600 tons in the first quarter in 2016, 1% up on the same period last year. The rise in production by RusVinyl was offset by the stoppage at Sayanskkhimplast. Production fell to 57,500 tons in March against 67,300 tons in February. RusVinyl produced 77,700 tons in the first quarter against 54,900 tons in 2015 whilst Sayanskkhimplast reduced production to 35,300 tons from 56,000 tons. Bashkir Soda remained unchanged at 63,900 tons whilst Kaustik at Volgograd raised production slightly from 23,600 tons to 23,700 tons.

Russian PVC imports amounted 3,600 tons in the first quarter this year against 1,900 tons in the same period last year. The reason for the rise in imports is due to the continued downtime at Sayanskkhimplast, forced by the extended ethylene outage at Angarsk. China supplied 2,000 tons to the Russian market in the period January to March 2016 and the US 1,100 tons. Whilst imports have risen as a result of the production stoppage at Sayanskkhimplast, exports have simultaneously fallen. In March, Russian PVC exports

amounted to 3,600 tons against 10,900 tons in February. Even so, for the first quarter exports totalled 20,400 tons which was up from 17,200 tons in the same period in 2015.

PTA/PET



Russian PTA Imports 2015

Russian PTA imports totalled over 200,000 tons in 2015, with the main suppliers including South Korea, China and Germany. Despite an increase in production by Polief at Blagoveshchensk, domestic supply is still insufficient to meet the demand of the Russian PET producers. As a result, SIBUR is examining prospects for investment into PTA production.

PET production totalled 493,000 tons in 2015, which represented an increase over 2014, but the main challenge to producers is declining consumption. Apart from the weakness of the Russian economy the demand position has been made more difficult by the conflict over the use of PET in beer industry. From 1 July 2016 new laws will prohibit bottled alcoholic beverages to be sold in containers of over 1.5 litres. From 2017 beverages of stronger than 6% will not be bottled in PET. Thus, the Russian market of PET is currently under pressure and cannot develop as strongly as in the past decade.

SIBUR Paraxylene, PTA-PET Chain (unit-kilo tons)

	Jan-Dec 15	*Jan-Dec 14*
Paraxylene Purchases	180.9	163.7
PTA Production	266.0	252.4
PTA Domestic Sales	11.6	22.0
PTA Exports	3.2	17.5
PET Production	298.6	279.9

SIBUR paraxylene purchases 2015

SIBUR's paraxylene costs rose 31.5% in 2015, whilst volumes rose by 8.6%. PET production rose 8% at SIBUR's two plants of Polief at Blagoveshchensk in Bashkortostan and SIBUR-PETF at Tver. SIBUR's average price for paraxylene in 2015 increased 21.1%, as a result of the tax manoeuvre that was introduced for the Russian oil industry in 2015. However, SIBUR is eligible for an offsetting tax deduction, as the group processes paraxylene into non-excisable petrochemical products.

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

	Jan-Dec 15	*Jan-Dec 14*
Production	297.2	279.9
Total Sales	386.6	268.7
Domestic	383.2	267.9
Export	3.4	0.8

SIBUR-PET 2015

SIBUR's revenue from PET sales increased by 42.9% in 2015 to 19.472 billion roubles from 13.627 billion roubles in 2014. Sales volumes increased by 15.2% whilst production increased by only 6.7%. Sales were supported by substantial sales of inventories that were accumulated during 2014. The increase in production was a result of PET capacity expansion at Blagoveshchensk from 140,700 tpa to 210,000 tpa. In 2015, domestic sales accounted for 98.9% of total PET revenue, while 1.1% was attributable to export sales.

Unistav wins tender for Ivanovo PET project

Czech company Unistav Construction, based at Brno, has won the contract for the general contractor in the construction of the PET plant which is being developed by Ivregionsintez in the Ivanovo region. Uhde Inventa-Fischer is the supplier of equipment to the project, located in the Vichuga district of the Ivanovo region. Unistav Construction has been contracted to develop working documentation, carry out construction, installation and commissioning, in addition to installing accessories such as boilers, cooling towers, etc.

The Ivregionsintez project is one of three Russian PET projects, and considered by far the mostly likely to succeed due a range of factors. Over the past few years, a solid base of customers has been developing in Russia for polyester fibre, but even so around 70% of the demand is still met by imports. Thus the Vichuga plant of 170,000 tpa will aim to cover the overall deficit of around 120,000 tpa, whilst the remaining production could be sent for export. Although exports are typically more complicated

Ivregionsintez claims that it has already established preliminary agreements on deliveries to customers in Germany, the Czech Republic, Poland and Hungary.

Regarding raw materials for the Vichuga project, contracts have already been established for PTA from South Korea and MEG from Nizhnekamskneftekhim and SIBUR-Kstovo. The project is being financed by 80% at the expense of borrowed funds (partner VEB loan agreement is planned in the 2nd quarter of 2016, and 20% from the company's own funds).

Etana PET project-Chinese involvement

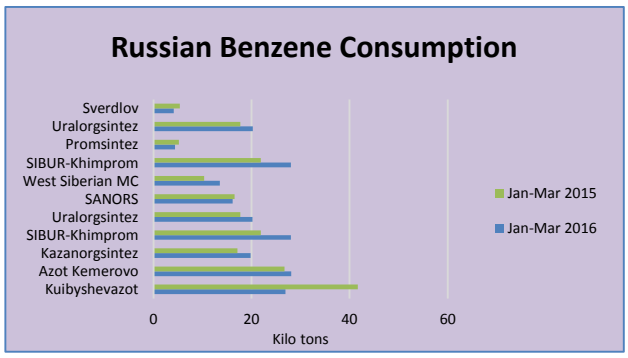
Chinese companies visited Etana in Russia in April to examine the basis for the PET project, including 1.5 million tpa of capacity. In January this year Etana signed an EPC-contract with two state Chinese companies to provide for the construction and commissioning of the PET plant near Nalchik in the region Kabardino-Balkaria in the south of Russia. The partners of the project include China Petroleum Technology and Development Corporation (CPTDC) and China Kunlun Contracting and Engineering Corporation (CKCEC). The contract provides for liability of the two companies for the delivery of object under a turnkey basis.

The April meeting focused on pre-project development, project, environmental documentation, the supply of process equipment and materials technology, etc. The contract with the Chinese companies includes constructing production facilities, design, fabrication and the installation of process equipment.

Aromatics & derivatives

Russian benzene, Jan-Mar 2016

Russian benzene consumption in the first quarter saw minor overall change against the same period last year, amounting to around 207,000 tons, although changes were noted in the volumes purchased by individual consumers. Non-coal based benzene purchases amounted to 161,500 tons in the first quarter, 3% down on the same period in 2015. Kuibyshevazot reduced purchases of benzene from 41,700 tons in the first quarter last year to 26,900 tons in January to March 2016, whilst Azot Kemerovo and Shchekinoazot both increased purchases from 26,700 tons to 28,100 tons and from 17,100 tons to 19,800 tons respectively. Shchekinoazot undertook maintenance in April at the units for caprolactam and cyclohexanone, including the workshop for hydroxylamine. As a result, purchases of benzene were affected.



The suspension of production at Angarsk Polymer Plant for several months whilst repairs are being undertaken has tightened up supplies of benzene in the domestic market. Benzene production totalled 212,000 tons in the first two months in 2016 against 198,000 tons in the same period in 2015. The restart of the Stavrolen cracker was the main cause of the increased production this year, but the Angarsk outage will diminish this advantage until the middle part of the year.

Russian phenol, Jan-Mar 2016

Phenol sales on the Russian merchant market rose in the first quarter this year by around 28% over the same period in 2015. This was due largely to purchases made by Kuibyshevazot, amounting to 9,910 tons in the first three months against zero last year. In the first quarter in 2016 the share of Russian companies in phenol production comprised Novokuibyshevsk Petrochemical company 41%, Kazanorgsintez 30%, and Ufaorgsintez 29%. Around 40% of phenol sales on the domestic market are delivered by road transport.

Omsk Kaucuk-reconstruction of phenol plant

Titan is hoping to complete the reconstruction of the phenol-acetone facilities at Omsk Kaucuk by 2018, having been forced to stop production in March 2014 following an accident. The forced stoppage convinced Omsk Kaucuk that the plant technology was outdated and needed upgrading. A project contractor will be selected this year, whilst the holding company Titan expects that the project will be supported financially by the Industrial Development Fund.

The project provides for an increase in capacity for phenol and for the introduction of new production technology for cumene. As part of the renovation, the company plans to introduce the latest technology of alkylation of benzene, thereby increasing production efficiency and reducing the impact on the environment. Also, the company intends to cease usage of aluminium chloride as a catalyst and convert to a zeolite catalyst which will a reduction in expenses.

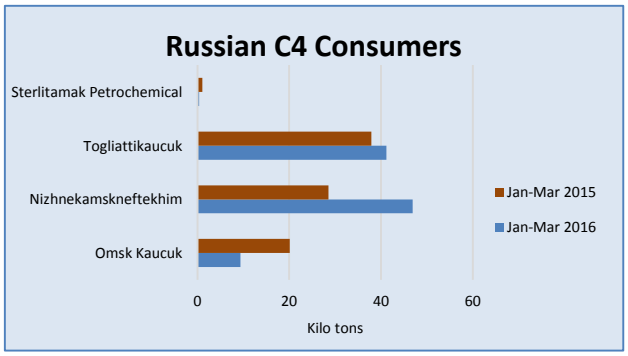
Russian orthoxylene sales, Jan-Mar 2016

In the first quarter this year Russian sales of orthoxylene on the domestic market amounted to 33,700 tons, 22% higher than in the same period in 2015. Although the main single customer for orthoxylene, Kamteks-Khimprom, purchased the same amount in the first quarter as last year (around 18,000 tons) demand was bolstered from other applications which include fuel, agricultural chemistry, and pharmaceuticals.

Synthetic Rubber

Russian C4s, Q1 2016

C4 shipments to the domestic market dropped slightly in the first quarter this year due mainly to the outage at Angarsk Polymer Plant. Sales from domestic suppliers and importers totalled 98,000 tons in the first three months, according to Chem-Courier against 100,600 tons in the same period last year. Russian rubber production has also stopped rising in recent months thus softening the demand for C4s. The largest suppliers to the domestic market comprise Angarsk Polymer Plant, SIBUR-Kstovo, Stavrolen, and Tomskneftekhim, whilst the largest importer remains Belarus. Amongst the consumers Nizhnekamskneftekhim increased purchases in the first quarter to 46,900 tons against 28,600 tons in the same period last year whilst Omsk Kaucuk reduced purchases from 20,100 tons to 9,400 tons.



Russian tyre producers

Russian tyre manufacturers mostly performed better in 2015 than in the previous two years due to the increase in the volume of tyres manufacturer combined with higher prices. The financial situation was also helped by expanding export markets. The rouble devaluation had a major impact on the industry, leading to higher prices for imported counterparts and subsequently increasing the demand for domestically manufactured tyres.

Foreign companies producing tyres in Russia increased export shipments by 31% in 2015, whilst total production of tyres increased by 8% over 2014. In 2015 tyre manufacturers in Russia faced increasing production costs as the price of the main raw materials including isoprene rubber SKI-3, natural rubber, textile cord, etc. are tied to the dollar.

Some manufacturers managed to contain the increase in costs by reducing the number of intermediaries. Also beneficial to manufacturers has been the decline in tyre imports from traditional sources

such as China, South Korea and Japan, due mainly to the fall in the rouble's value. This has allowed Russian tyre manufacturers to reclaim parts of the domestic market irrespective of weak demand.

Illustrating the relative success in 2015 Voltyre-Prom recorded a net profit of 1.16 billion roubles against 1.1 billion roubles in 2014. Revenues from sales increased by 24,1% to 4.7 billion roubles, whilst sales volumes rose by 10% in terms of tonnage and production rose 35% from 1.322 million pieces in 2014 to 1.792 million pieces in 2015. In 2016 Voltyre-Prom, the major shareholder of which is Pirelli, aims to increase output by another 20% to around 2.2 million tyres. Around 80% of tyres produced at the plant are sold in Russia, the rest are supplied to CIS countries and Scandinavia.

Nizhnekamskshina achieved a net profit of 226 million roubles in 2015 against a loss of 55.9 million roubles in 2014. Revenues for Nizhnekamskshina increased by 13% and amounted to 15.34 billion roubles. Cost of sales thus rose by 11% and amounted to 14.15 billion roubles. The gross profit increased 44% to 1.2 billion roubles whilst the operating profit tripled and amounted to 573.4 million roubles. Nizhnekamskshina increased production in 2015 by 3% and produced a total of 11.99 million tyres. In 2017, the company aims to produce around 14 million tyres.

SIBUR-Synthetic Rubber Production

	Jan-Dec 15	*Jan-Dec 14*
Commodity Rubber	256.6	229.0
Speciality Rubber	94.7	86.6
Thermoplastic elastomers	58.0	37.4
3rd part purchases	0.0	3.3
Total	409.2	356.4

SIBUR, synthetic rubber Jan-Dec 2015

SIBUR produced 409,200 tons of synthetic rubber in 2015 against 356,400 tons in 2014. The largest rise was recorded in commodity rubbers, rising from 229,000 tons in 2014 to 256,600 tons in 2015. SIBUR produces rubber at three main sites in Russia, at Voronezh, Togliatti and Krasnoyarsk.

SIBUR's revenue from synthetic rubber sales increased by 26.0% in 2015 to 35.079 billion roubles from 27.847 billion roubles in 2014. This was largely attributable to the increase in revenue from commodity rubbers and thermoplastic elastomers. Increased production in 2015 was aided by the weak rouble whilst completed homologation with key clients for thermoplastic elastomers contributed to the revenue growth.

SIBUR-Synthetic Rubber Export Sales (unit-kilo tons)

	Jan-Dec 15	*Jan-Dec 14*
Commodity Rubber	163.2	145.7
Speciality Rubber	82.9	78.9
Thermoplastic elastomers	26.3	17.1
Total	272.4	241.7

In 2015, domestic sales accounted for 31.9% of total synthetic rubber revenue, while 68.1% was attributable to export sales. Revenues from sales of commodity rubbers increased by 22.2% to 20.390 billion roubles from 16.679 billion roubles in 2014 on an 11.8% increase in sales volumes and a 9.3% increase in the average price.

The growth in sales volumes of commodity rubbers was mainly attributable to a 12.0% increase in production due to higher capacity utilisation. The increase was attributable to higher production in emulsion styrene-butadiene rubber (ESBR) and polybutadiene rubber (PBR-Nd) volumes, although lower volumes were recorded for polyisoprene rubber. In 2015, domestic sales accounted for 35.3% of total commodity rubbers revenue.

SIBUR-Synthetic Rubber Domestic Sales (unit-kilo tons)

	Jan-Dec 15	*Jan-Dec 14*
Commodity Rubber	91.6	82.1
Speciality Rubber	10.2	11.8
Thermoplastic elastomers	29.1	24.5
Total	130.9	118.4

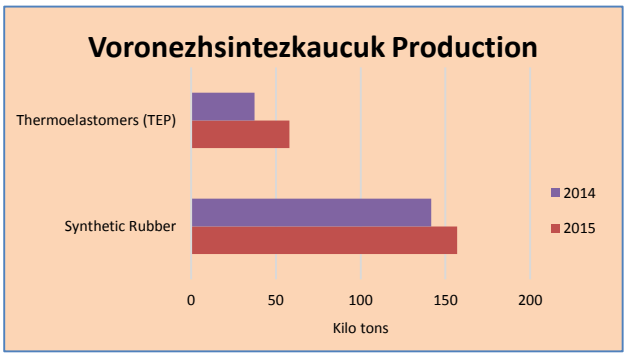
Revenue from sales of specialty rubbers increased by 17.4% to 8.822 billion roubles from 7.516 billion roubles in 2014. This was attributable to a 13.0% increase in the average price and a 3.8% increase in sales volumes. The increase in the average price for specialty rubbers was helped immensely by the rouble depreciation that fully offset the declining prices on Asian markets.

The growth in specialty rubber sales volumes was a result of higher nitrile-butadiene rubber (NBR) and butyl rubber (IIR) production volumes. Krasnoyarsk Synthetic Rubber Plant has been working closely with Chinese partners since 2013 and has further developed its nitrile rubber to meet higher standards, including compliance to regulations regarding these products in contact with food. In domestic sales accounted for 12.3% of SIBUR's specialty rubber revenue, while exports dominated with 87.7% of sales.

SIBUR-TEP Sales (unit-kilo tons)		
	Jan-Dec 15	*Jan-Dec 14*
Domestic	29.1	24.5
Exports	33.2	17.1
Total	62.3	41.6

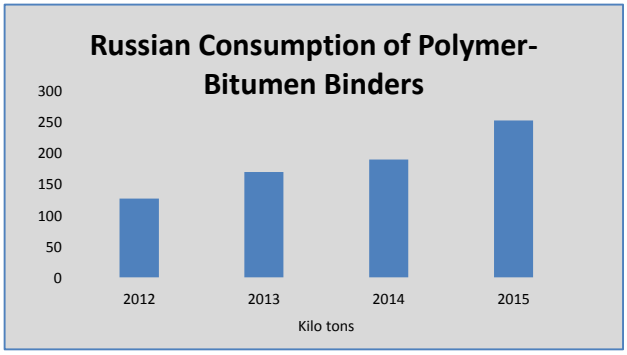
Revenues from sales of thermoplastic elastomers (SBS) increased by 60.7% in 2015 to 5.868 billion roubles from 3.652 billion roubles in 2014. This was based on a 49.6% increase in sales volumes and a 7.3% growth in the average price. The increase in sales volumes was attributable to a 54.9% increase in production from 37,400 tons in 2014 to 58,000 tons in 2015.

This increase in production in 2015 was due in part to the completion of the product homologation process with key clients. The domestic price, which is linked to prices on Asian markets, increased by 12.6% in 2015. This followed negative dynamics for butadiene and styrene prices in US dollar terms compensated by the rouble depreciation. Last year domestic sales accounted for 49.3% of SIBUR's thermoplastic elastomer revenue, and thus is evenly balanced with export activity.



Voronezhsintezkaucuk 2015

Voronezhsintezkaucuk produced 58,000 tons of thermoelastomers in 2015 against 37,400 tons in 2014, and thus has still not achieved full capacity of 85,000 tpa. Overall Voronezhsintezkaucuk increased production by 20% in 2015 to 215,000 tons, including 157,000 tons of synthetic rubber. Butadiene rubber production at Voronezh increased by 9,000 tons in 2015, whilst emulsion rubber rose by 7,000 tons.



Russian consumption of PBBs

Consumption of polymer-bitumen binders (PBB) in Russia increased by 33% in 2015 against 2014 and totalled 253,000 tons, rising from 190,000 tons. In 2013 consumption totalled 170,000 tons, a 75% rise over 2012. Rosavtodor predicts an increase in domestic consumption in PBBs in road construction, in particular materials based on styrene-butadiene-styrene polymers. Russian production of polymer-bitumen binders in 2015 decreased by 7% to 170,000 tons, with imports comprising around a third of the market.

Russian carbon black 2015

Russian carbon black consumption increased by 3% in 2015 compared to 2014, helped mainly through an increase in the production of tyres. Exports of carbon black also rose sharply in 2015 following the devaluation of the rouble. The main export destinations included Turkey, the US and Germany.

Russian Carbon Black Market (unit-kilo tons)		
	2015	*2014*
Production	822.8	783.0
Export	578.0	545.9
Import	1.9	3.3
Market Balance	246.7	240.4

The Omsk Carbon Group increased production of carbon black at its Volgograd by 32% in 2015 and its Omsk plant by 9%. At the same time production at Yaroslavl and Nizhnekamsk decreased by 3% and 2% respectively, whilst the Ivanovo plant reduced production by 9%. Overall Russian production increased by 5% in 2015.

The market leader for carbon black in Russia is Yaroslavl technical carbon with 266,000 tpa, followed by Omsktekhuglerod 222,000 tpa and Nizhnekamsk Carbon Black 109,000 tpa. Nizhnekamsk Carbon Plant intends to increase the capacity of carbon black production by 16,000 tpa in 2017, and has recently completed an energy project which will ensure sufficient heat and electricity for all production departments. Previously the company was required to buy electricity from Tatenergo before deciding to create its own energy resources. The main consumers of carbon black produced at Nizhnekamsk include Nizhnekamskshina, RTI-Kaucuk, Balakovo RTI, and Ural plant RTI.

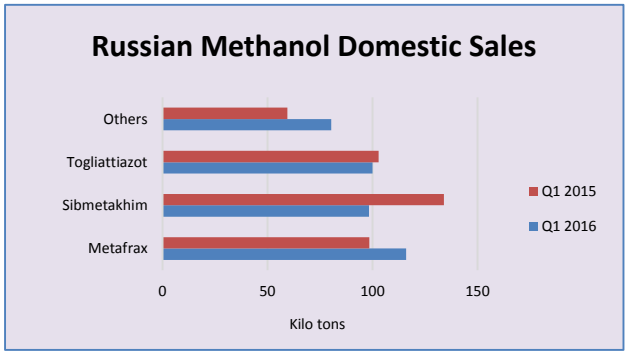
Methanol

Russian Chemical Commodity Exports				
	Jan-Feb 16	*Jan-Feb 16*	*Jan-Feb 15*	*Jan-Feb 15*
Product	***Kilo tons***	***USD Mil***	***Kilo tons***	***USD Mil***
Ammonia	478	140	536	261
Methanol	201	61	203	57
Nitrogen Fertilisers	1,657	331	1,622	422
Potash	1,554	365	1,747	470
Mixed Fertilisers	1,251	421	1,250	563
Synthetic Rubber	168	199	149	232

Russian methanol market

Russian methanol exports totalled 201,000 tons in the first two months this year against 203,000 tons in the same period last year. Prices were up slightly this year at $302 per ton against $280 in January and February 2015. Finland accounted for over half of all exports in the first two months this year, followed by Poland, Slovakia and Romania.

Russian methanol export trends were virtually reversed in 2015 with shipments abroad equating almost to the same volume for domestic sales in 2014 and exports for 2014 almost the same as domestic sales in 2015. Shchekinoazot and Metafrax reduced exports in 2015 to concentrate on internal processing in the formaldehyde sector, whilst Sibmetakhim and Tomet came close to maintaining export volumes. Since modifications Shchekinoazot has raised the daily capacity of the methanol plant from 1350 tons to 1380 tons and is starting to increase export activity

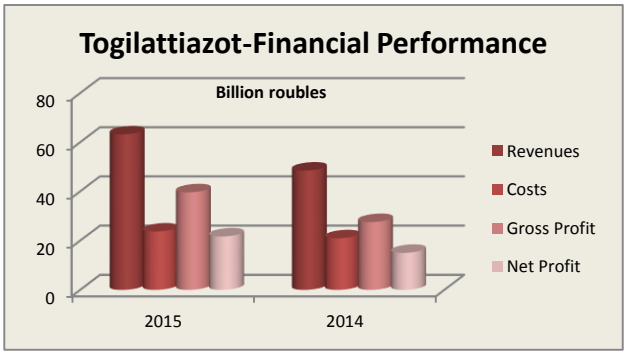


The share of exports in Russian methanol production fell from 40% in 2014 to 36% in 2015 whilst overall export volumes fell 10%. Finland remained the largest destination for Russian methanol exports in 2015, accounting for 610,000 tons of shipments or 47% of total exports. A large amount of methanol exports to Finland were re-exported to Asia.

Regarding current domestic trends demand for methanol on the domestic market rose in March, resulting in an increase of 7% in shipments over February. Shchekinoazot shipped 10,000 tons in March, a 60% rise over February, whilst Azot at Novomoskovsk increased shipments by 21% to 9,400 tons. MTBE producers accounted for 36% of purchases in March followed by gas companies with 23% and formaldehyde producers with 16%. Other important applications included oil field chemistry and manufacturers of oils and additives.

Togliattiazot 2015

Togliattiazot achieved a net profit of 21.7 billion roubles in 2015, 44.3% more than in 2014. The company's revenue increased by 30.6% to 63.3 billion roubles, the size of the increase largely down to the devaluation of the rouble. Production costs rose only 13% in 2015, lower than other financial parameters due to the almost exclusive sourcing of gas and other raw materials/components in the domestic market.



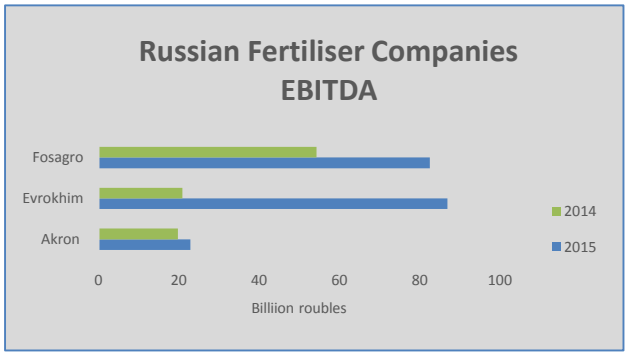
Togliattiazot fully repaid all long-term loans, which at the start of 2015 stood at 2.3 billion roubles, whilst the volume of short-term loans increased from zero up to 3 billion roubles. Togliattiazot recently completed the first phase of a large-scale modernisation, and plans a programme of reconstruction in the period 2016-2020. The company includes capacities of 3 million tpa in addition to 960,000 tpa of urea. In 2015 the company produced 765,000 tons of methanol, from 206,100 tons was exported and 422,600 tons sold on the domestic merchant market. The main owner of Togliattiazot is an ex-president Vladimir Makhlai, whilst Uralkhim is a minority shareholder with a share of 9.6%.

In the first quarter in 2016 Togliattiazot completed the overhaul of the unit ammonia №4, one of seven units managed the company. The capacity of the unit №4 is 450,000 tpa and the main part of the project involved the renovation of the reformer aimed at improving the reliability of equipment. The most important part of the modernisation of the unit №4 was a significant reduction in raw materials consumption rates. The unit now operates at its design capacity with much less technical complication. Previously Togliattiazot had completed a full-scale modernisation on the ammonia unit №6, the result of which resulted in an increase in capacity by 23% to 1,750 tons per day, at the same time reducing the expenditure on natural gas by more than 10%.

Other fertiliser producers 2015

Evrokhim achieved a net profit of 42.33 billion roubles in 2015 against 12.3 billion roubles in 2014. Revenues rose by 36.6% to 166.580 billion roubles, whilst gross profit increased from 61% to 86.94 billion roubles. Operating profit amounted to 74.07 billion roubles versus 44.87 billion roubles in 2014.

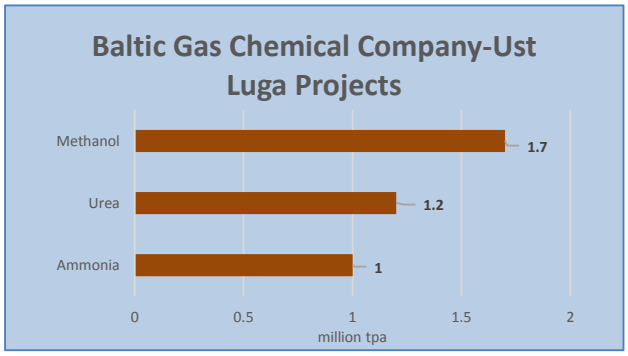
Akron recorded a net profit of 14.36 billion roubles in 2015, against a loss of 7.94 billion roubles in 2014. Revenues increased by 28% compared to 2014 and amounted to 50.38 billion roubles. Operating profit increased by 43% to 21.69 billion roubles, whilst the EBITDA increased by 42% and amounted to 22.89 billion roubles. The EBITDA margin reached 45% compared to 41% in 2014. Net profit excluding the negative exchange rate differences and revaluation of investments grew 2.6 times to 7.07 billion roubles.



Fosagro at Cherepovets achieved a net profit of 36.45 billion roubles in 2015, against a loss of 13.4 billion roubles in 2014. Revenues for Fosagro rose 54% in 2015 to 189.7 billion roubles, whilst the operating profit was 73.3 billion roubles against 29.6 billion roubles in 2014. The EBITDA margin rose to 43% against 31%. The company was able to significantly strengthen its financial position due to the weak rouble, as the prices of basic commodity products for Fosagro denominated in foreign currency and the main costs are denominated in roubles.

Baltic Urea-Methanol Plant

The Baltic Gas Chemical Company has issued a tender for the selection of EPC-contractor for its planned construction of a complex for ammonia, urea and methanol at Ust Luga. The company wants to sign a contract in 2016 with the aim of completing construction by 2020. The project at Ust Luga includes capacities of 1.2 million tpa for urea, 1 million tpa of ammonia, and 1.7 million tpa of methanol. The terminal also provides for the construction project for the handling of fertilisers.



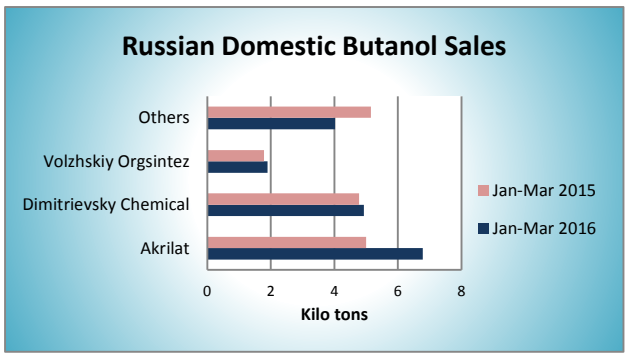
Haldor Topsoe was selected as the licensor for the ammonia plant and the methanol plant, whilst Saipem has been awarded the license for urea. Project costs are estimated at $2.3 billion, of which $2 billion will comprise capex.

Baltic Gas Chemical Company (BGHK) expects that as a result of devaluation of the rouble capital expenditure will be reduced. According to initial estimates, capex amounted to $1.3 billion. Capital expenditure in the new complex will be adjusted on completion of the FEED, as the preparation of project documentation but there is the possibility of reducing costs by around $100 million. The basic design of the complex is being undertaken by Mitsubishi Heavy Industries, the project for adaptation to Russian standards and the development of design documentation for answers of NIIK. The volume of natural gas consumption is estimated at 1.6 billion cubic metres. 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.

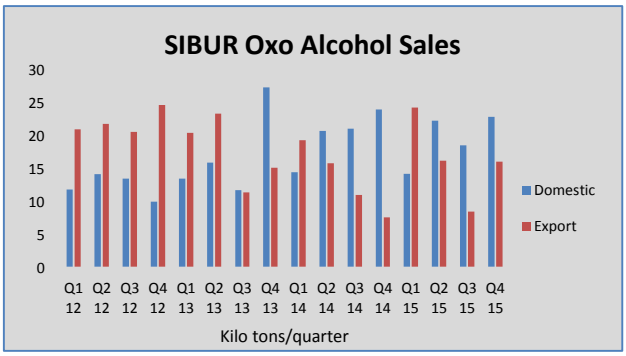
Organic Chemicals

Russian butanol market, Jan-Mar 2016

Russian butanol production amounted to 21,760 tons in February, 7% up on January. In the first two months in 2016 production amounted to 42,030 tons, 3% up on the same period in 2015. Although exports rose in February, volumes for the first two months were still down 33% against last year to 9,670 tons. Finland accounted for around 70% of Russian butanol exports in the first two months this year. Brazil has launched an anti-dumping investigation against n-butanol Russian and South African producers. The investigation has been launched at the request of the Brazilian company Elekeiroz. Imports of Russian butanols into Brazil were worth $4.5 million in 2014 and $3.5 million in 2015.

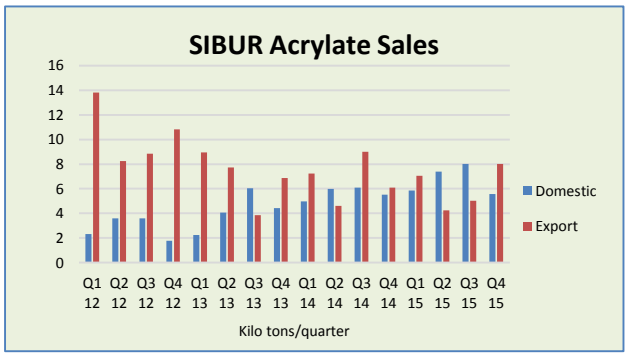


According to Chem-Courier, domestic producers sold 6,260 tons of butanols in March which was 20% down on February. N-butanol sales accounted for 88% of sales. For the first quarter domestic sales increased by 20% against the same period last year to 18,214 tons. Akrilat at Dzerzhinsk, part of SIBUR, remains the largest individual consumer followed by Dmitrievsky Chemical Plant. Other consumers include Volzhskiy Orgsintez, the Plant of Synthetic Alcohol at Orsk, Nefttorgservis and Roshalsky Plant of Plasticizers.



SIBUR oxo-alcohols 2015

SIBUR's revenue from sales of oxo alcohols increased by 7.2% to 6.524 billion roubles in 2015 from 6.088 billion roubles in 2014. The rise was based on a 6.7% increase in sales volumes and largely flat prices. Production of oxo alcohols increased by 2.2% in 2015, which was partly due to improved propylene supply. In 2015, domestic sales accounted for 51.2% of oxo alcohol revenues. As illustrated in the graphic opposite the trend in recent years has been for increased domestic sales at the expense of export sales.



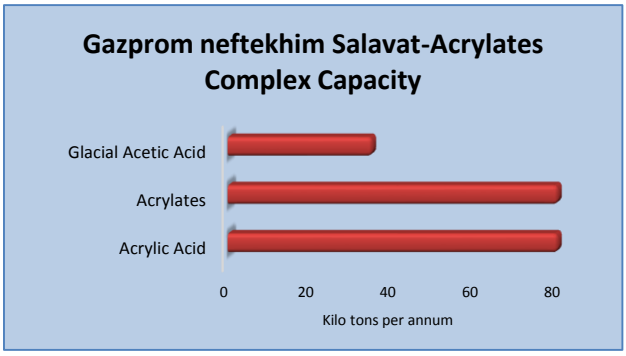
SIBUR acrylates 2015

SIBUR's revenue from acrylates increased in 2015 by 15.8% to 3.946 billion roubles from 3.409 billion roubles in 2014. Prices rose 12.0% whilst sales volumes increased by 3.4%. The increase in sales volumes was attributable to a 3.3% rise in production due technical upgrades at the Akrilat division in the Nizhniy Novgorod region and shorter maintenance shutdowns in 2015. In 2015, SIBUR increased the share of domestic sales of acrylates to 57.3% of total revenue from 48.7% in 2014, while export sales were reduced to 42.7% from 51.3%.

Gazprom neftekhim Salavat-acrylates complex

Gazprom neftekhim Salavat hopes to launch its acrylate complex by the end of 2016 after the process of construction and installation is completed. To date, project contractors have completed testing of pipelines, insulation and electrical work. Installation of the process equipment has been completed, whilst also hydraulic tests have been conducted on the tank farm. The basic supply of communications has been completed to the site of production: including air, instrumentation, electricity, high pressure steam, etc. The acrylate complex is one of the ten major investment projects for Gazprom neftekhim Salavat, planned for

completion in the next few years. In December 2012 the company signed an EPC-contract with Mitsubishi Heavy Industries, Sojitz Corporation and Renaissance Construction for the construction of the complex.



The complex will operate the acrylic acid production capacity of 80,000 tons, butyl acrylate (ester of acrylic acid and butanol) with a capacity of 80,000 tpa and glacial acrylic acid capacity of 35,000 tpa. Investments into the project are estimated at 38.9 billion roubles.

Gazprom neftekhim Salavat is seeking certification of acrylic acid and butyl acrylate through REACH for exports to the EU. Thus far the company has passed the pre-registration procedure that allows to ship products to the countries of EU in the amount of up to 1,000 tons per annum.

Russian phthalic anhydride production

Russian production of phthalic anhydride amounted to 7,320 tons in February, 24% lower than January. In February 2016 Kamteks-Khimprom produced 6,570 tons (90% of total Russian production), and Gazprom neftekhim Salavat 750 tons (10%). Production in the first two months amounted to 16,990 tons, 63% up on the same period last year. Kamteks-Khimprom increased revenues slightly in 2015, from 920,000 roubles to 975,000 roubles and recorded a slightly lower net loss of 94,594 roubles.

Khimprom-isopropanol project

Khimprom at Novocheboksarsk has started a project for the production of the commodity absolute isopropanol, involving a required investment of 10.7 billion roubles ($160 million). The decision to invest in the project was taken by Khimprom due to demand for the product on the market, combined with the availability of opportunities to start industrial production at Novocheboksarsk. Isopropanol is also an intermediate product in the production of hydrogen peroxide. The plant is being designed with a capacity of 8,000 tpa and production could start as early as June 2016.

Russian DOP market

Russia imported 164 tons of DOP in February against 42 tons in January but against 323 tons February. Supplies this February were divided into 86% from South Korea and 14% from Poland. Overall imports were down 36% down on 2015.

Russian DOP Market (unit-kilo tons)		
	2015	**2014**
Production	51.7	66.7
Export	0.4	1.7
Import	4.0	0.2
Market Balance	**55.4**	**65.1**

Russian DOP consumption amounted to 55,400 tons in 2015 against 65,400 tons in 2014. Russian DOP prices rose significantly in 2015 due in part to the rise in costs of 2-ethylhexanol. Imports into Russia amounted to 4,040 tons in 2015, of which the Polish company Boryszew supplied 2,470 tons, against only 200 tons in 2014. In addition to Boryszew, Grupa Azoty supplied 740 tons in 2015 meaning that 84% of Russian imports were sourced from Poland last year. Despite rising in 2015 imports only comprised a small percentage of total Russian DOP consumption of around 7%. The outlook for the market this year remains subdued, partly due to the extended outage at Sayanskkhimplast which has been affected by the enforced downtime at Angarsk Polymer Plant which will last until the middle of the year.

Azot Grodno Production (unit-kilo tons)		
Product	***Jan-Mar 16***	***Jan-Mar 15***
Methanol	18.7	23.3
Caprolactam	27.7	31.8
Polyamide primary	24.2	21.0
Polyamide filled	2.2	1.9
Ammonia	298.9	293.9
Urea	282.1	283.5
Fertilisers	209.6	210.6
Fibres	7.7	6.4

Belarus & Ukraine

Azot Grodno Q1 2016

Azot's production base remained stable in the first quarter in 2016, with marginal changes in volume against 2015. Methanol production increased by 13% in March over February to 5,700 tons, but was down overall for the first quarter by 20% to 18,700 tons. Caprolactam production also declined from 31,800 tons in the first quarter last year to 27,700 tons in 2015. Urea and ammonia production at Grodno showed little change whilst polyamide production increased from 21,000 tons to 24,200 tons.

Polymir & Naftan Q1 2016

Polymir at Novopolotsk produced 33,700 tons of LDPE in the first quarter this year, 2% up on the same period in 2015. Polyethylene production was affected last year by a planned stoppage in the first quarter. For 2016 Polymir plans a maintenance shutdown for one of its two 65,000 tpa lines for 14 days from 12 June. The second line will be shut for maintenance in September.

Benzene production at neighbouring Naftan amounted to 20,700 tons in the first two months in 2016 against 22,700 tons in 2015. Ethylene production amounted to 12,100 tons in each of the first two months, whilst propylene was higher in February by 8% taking the total to 9,300 tons.

Rosneft to start polypropylene production at Lisichansk

Rosneft plans to start shipment of polypropylene from the Lisichansk refinery by the middle of 2016. Currently, Rosneft is undertaking a tender for the provision of services for the protection of railway carriages to be transported from the site of the polypropylene plant to consumers. The volume target is to 35,000 tons of polypropylene. The unit at Lisichansk operates independently of the oil refinery, and utilises propane-butane as raw material for the production of polypropylene. The capacity of oil refining plant is 6.5 million tpa and the polypropylene plant 100,000 tons. Rosneft acquired the Lisichansk refinery from TNK-BP. The refinery was modernised in 2014 but was affected by the conflict between Ukraine and Russia and was thus unable to restart.

Ukrainian Polypropylene Imports (unit-kilo tons)

Category	*Jan-Mar 16*	*Jan-Mar 15*
Homo	13.6	10.0
Block	1.6	1.7
Random	2.1	1.8
Propylene copolymers	0.0	0.4
Other	0.4	0.0
Total	17.6	13.9

Ukrainian PVC Imports (unit-kilo tons)

From	*Jan-Mar 16*	*Jan-Mar 15*
US	22.1	6.8
China	0.0	0.0
Europe	7.4	8.7
Russia	2.4	2.4
Others	0.4	1.5
Total	32.3	19.4

Ukrainian PVC imports, Jan-Mar 2016

In the first three months of 2016, imports of suspension grade PVC into Ukraine increased by 66% to 32,300 tons. Imports amounted to 13,500 tons in March against 14,300 tons in February. In March, imports of PVC from the US declined to 9,700 tons compared to 10,400 tons in February. For the first quarter imports from the US amounted to 22,200 tons compared to 6,900 tons in the same period in 2015. European PVC imports amounted to 7,400 tons in the first quarter against 8,700 tons last year, whilst Russian supplies dropped from 3,700 tons to 2,400 tons.

Central Asia

Turkmenistan polyolefin project 2018 completion?

Turkmenistan has laid out a time-scale to launch its polyolefin complex at Kiyanly on the Caspian coast by late 2018. The cost of the project totals $3.43 billion involving specialists from Korea, Japan, Turkey, the Philippines, Malaysia and Turkmenistan. The complex will be capable of processing up to 5 billion cubic metres of natural gas per annum and produce 386,000 tpa of polyethylene and 81,000 tpa of polypropylene.

Turkmenistan has also signed an agreement with a consortium of companies LG International Corp. and Hyundai Engineering for the construction of a plant for processing of natural gas into liquid fuel, including the production of more than 1 million tpa of diesel and 425,000 tpa of naphtha.

UzkorGasChemical to achieve full capacity by mid 2016

The Ustyurt Gas Chemical Complex (UzKorGasChemical) has set targets of meeting its design capacity by the middle of 2016. The construction and assembly works were completed at the complex in the fourth quarter last year. The first shipment of polyethylene was produced at the end of October and the company

has already been exporting polyethylene and polypropylene to Turkey and East Asian countries.

SOCAR exports, Q1 2016

SOCAR exported 350.003 tons of products in the first quarter, including 294.252 tons of oil and 55.751 tons of chemical products. In March SOCAR exported 93,489 tons of diesel and 8,969 tons of jet fuel. The group also exported 9,364 tons of polyethylene, 6,187 tons of propylene, 857 tons of isopropanol and 664 tons of C4s.

SOCAR Petrochemical Exports Q1 2016	
Product	***Quantity* (unit-kilo tons)**
Polyethylene	24.768
Propylene	12.211
Isopropanol	2.346
C4s	1.342

Kazakh polymer imports, Jan-Feb 2016

In the first two months of 2016, PVC imports into Kazakhstan decreased by 30% to 2,100 tons. The fall in imports is due to weak domestic demand and the almost complete cessation of further re-import resin in Russia. The main suppliers of PVC producers in Kazakhstan are from China, accounting for 99% of shipments.

In the first two months of this year, imports of polyethylene in Kazakhstan decreased by 48% to 12,500 tons from 24,000 tons in 2015. HDPE imports rose to 6,400 tons in February against 1,800 tons in January bringing the total in the first two months to 8,200 tons against 20,800 tons in 2015. LDPE imports amounted to 1,500 tons in February against 2,300 tons in January. For the first two months in 2016 LDPE imports totalled 3,800 tons against 3,000 tons in 2015. Imports of LLDPE was 207 tons in February compared to 312 tons in January. Imports totalled 519 tons in the first two months in 2016 against 507 tons in 2015. Polypropylene imports amounted to 3,400 tons in January and February 2016, 23% up on the same period in 2015.

Kazakh Polymer Imports (unit-kilo tons)		
Product	***Jan-Feb 16***	***Jan-Feb 15***
HDPE	8.2	20.7
LDPE	3.8	0.0
LLDPE	519.0	0.0
PVC	2.1	3.0
Polypropylene	3.4	3.6

Russian Petrochemical Prices

Product	*Region/Terms*	*25 March 2016*	*01 April 2016*	*08 April 2016*
Roubles per ton (inclusive of VAT)				
Ethylene	Volga	35000-40710	35000-40710	35000-40710
Propylene	FCA Volga	25000-30000	25000-30000	25000-30000
	FCA Siberia	n/a	n/a	n/a
Benzene	FCA North West	46000-47050	46000-47050	46000-47050
	FCA Volga	45000-48000	45000-48000	45000-48000
	FCA Siberia	45000-46500	45000-46500	45000-46500
Styrene	FCA Volga	82000-86000	82000-86000	82000-86000
Methanol	FCA Volga	12500-21800	12500-21800	12500-21800
	FCA Siberia	14000-16500	14000-16500	14000-16500
	CPT Ural	15000-17000	15000-17000	15000-17000
N-Butanol	FCA Volga	50000-53000	50000-53000	50000-50500
	FCA Siberia	n/a	n/a	n/a
	CPT Central	52500-55000	52500-55000	50000-50500
Isobutanol	FCA Volga	44000-50370	40000-50370	39000-50370
	FCA Siberia	n/a	n/a	n/a
	CPT Central	47000-53000	47000-53000	44000-50000
Toluene	FCA North West	32000-33000	29850-32000	37000-38000
	FCA Central	37000-38000	37000-38000	39000-40000
	FCA Siberia	32500-35000	32500-35000	36000-39000
	FCA Volga	34000-34500	34000-34500	36000-37000
Orthoxylene	FCA Central	46000-47000	46000-47000	46000-47000
	FCA Volga	37200-38400	36000-36400	37400-38400
	FCA North West	37050-38000	37050-38000	38000-38500
	FCA Siberia	36000-37000	36000-37000	38000-38500
	CPT Central	43000-44000	43000-44000	44000-44500
	CPT Volga	37200-38400	37200-38400	37400-38400
Phthalic Anhydride	FCA Central	72000-74000	72000-74000	72000-74000
	FCA Volga	68000-68600	68000-68600	68000-68600
	CPT Central	68000-68600	68000-68600	68000-68600
	CPT Ural	68000-68600	68000-68600	68000-68600
Pentaerythritol	FCA Central	93000-95000	93000-95000	93000-95000
Phenol	EXW Volga	76000-78000	76000-78000	76000-78000
	FCA Volga	77000-79000	77000-79000	77000-79000
	FCA Siberia	77000-80000	77000-80000	77000-80000
	CPT Central	77000-80000	77000-80000	77000-80000
Acetone	FCA Volga	24500-35000	24500-35000	24500-35000
DOP	FCA Volga	94000-100000	94000-100000	90000-94000
MTBE	FCA Volga	40000-46000	40000-46000	45900-51900
	FCA Siberia	43500-47000	43500-47000	47000-51900
	CPT Central	43500-47000	43500-47000	48000-53900
MEG	FCA Volga	54500-58000	53000-57000	53000-57000
	CPT Central	56000-59000	54500-58000	54500-58000
Monoethanolamine	EXW Volga	80240	80240	80240
	FCA Volga	80500-83500	80500-83500	80500-83500

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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 = 15.89. €1 = 19.05: Rus rouble. $1 = 64. €1= 68

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