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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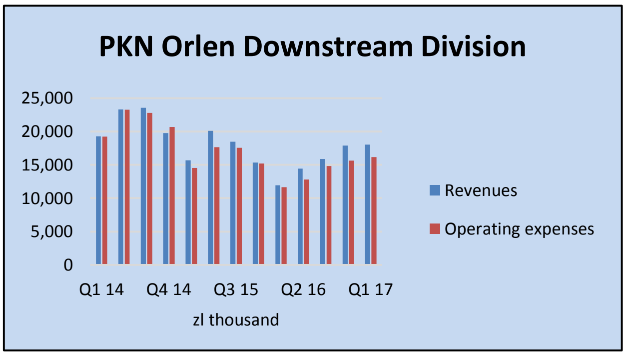
CENTRAL & SOUTH EAST EUROPE



PKN Orlen Q1 2017

PKN Orlen recorded an EBITDA of zl 2.3 billion in the first quarter, up by almost zl 400 million over the same period in 2016. The growth was driven mainly by a 4% improvement in sales volumes, in addition to an increase in crude refining by 0.5 million tons and an increase in the average daily crude production by 1200 barrels per day. Orlen launched the visbreaker project in the first quarter to further increase crude throughput, whilst continuing two power generation projects in Poland and petrochemical projects in Poland and the Czech Republic.

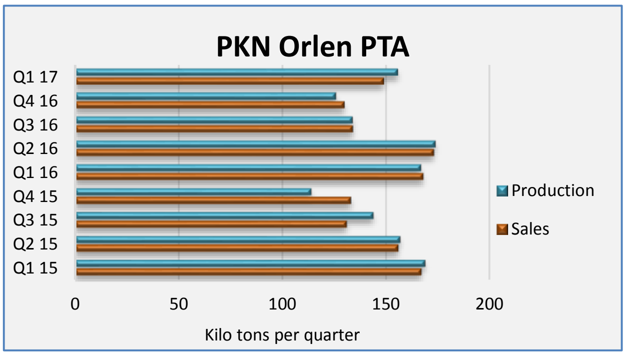
PKN Orlen Group Chemical Production (unit-kilo tons)		
Product	***Jan-Mar 17***	***Jan-Mar 16***
Monomers	203	232
Polymers	123	59
Aromatics	78	78
Fertilisers	268	304
Plastics	105	90
PTA	156	167

Orlen's downstream division delivered an EBITDA of zl 2 billion in the first quarter, an increase of zl 266 million against the same period in 2016. It reflects a growing trend of higher returns in the downstream division over the past few years. Refining and petrochemical production rose 7% in the first quarter mainly as a result of the resumed Czech activities at the FCC unit at Kralupy, and steam cracker at Litvinov coming back on stream in Q4 2016. Margins on oil products and petrochemicals also supported the downstream division.

PKN Orlen signed a contract in April to supply up to 100,000 tpa of propylene to Basell Orlen Polyolefins (BOP). The contract covers the output of the Metathesis Unit currently being constructed at Płock, scheduled for commissioning in the second half of 2018. PKN Orlen made further progress in the first quarter this year on the energy project at Wloclawek, and a trial run commenced in mid-April. Commissioning is scheduled for the second quarter of 2017. Work on the CCGT unit at Płock is on schedule, with commissioning planned for the fourth quarter this year.

PKN Orlen Sales Revenues 2016 (zl million)		
Country	***2016***	***2015***
Poland	42.4	41.
Germany	19.8	19.3
Czech Republic	12.4	12.1
Baltic States	7.8	7.8

PKN Orlen strengthened its revenue sales in 2016 to its key markets, primarily in Poland, Germany and the Czech Republic. In 2016, revenues for the Polish, German and Czech amounted to zl 59.37 billion, an increase of slightly more than 7% over 2015. The share of the three key markets for PKN Orlen has increased to 74.6% against 72.4% in 2016. For the German market, there was an increase of 19.3% to 19.8% and the Czech Republic an increase of 12.1% to 12.4%.



Polish PTA market

PKN Orlen produced 156,000 tons of PTA in the first quarter this year, and sold a total of 149,000 tons. Results were slightly down against the same period in 2016.

For the whole of 2016 PTA exports from PKN Orlen totalled 402,500 tons against 382,500 tons in 2015. The price per ton dropped in 2016 to €600 against €628 in the previous year, due mainly to the fall in feedstock costs. The main destination for Polish PTA in 2016 was Germany, accounting for 314,900 tons against 279,160 tons in 2015. Belarus and Russia increased shipments in 2016 to 22,800 tons and 30,900 tons respectively. Volumes to both countries increased over the previous year. Belarus paid an average of €641 per ton in 2016 whilst Russia paid €573.

Polish PTA Exports (unit-kilo tons)		
Country	***Jan-Dec 16***	***Jan-Dec 15***
Belarus	22.8	18.0
Russia	30.9	10.6
Switzerland	2.5	2.6
Netherlands	8.1	3.8
Lithuania	8.0	55.8
Germany	314.9	279.2
Italy	1.7	5.1
Turkey	8.9	0.0
Others	5.1	7.6
Total	402.9	382.5

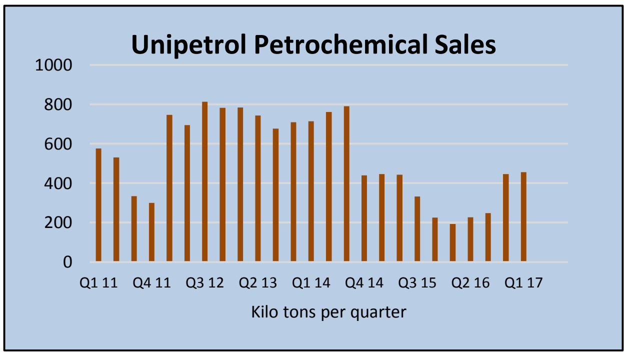
Unipetrol, Q1 2017

Unipetrol's revenues grew by Kc 12.2 billion or 69% in the first quarter to Kc 29.9 billion. The operating profit rose by Kc 3.3 billion to Kc 3.6 billion whilst the net profit increased to Kc 2.8 billion against a net loss of Kc 25 million in Q1 2016. A significant improvement in results was achieved mainly by higher petrochemical and refinery production due to the re-launch of the steam cracker at Litvinov. Unipetrol also recognised an amount of Kc 1 billion from the insurers compensating for lost profits and damage to the fluid catalytic cracking unit (FCC) at Kralupy after the accident last year.

In the downstream division, which consists of the refinery and petrochemical facilities, the Unipetrol Group reported an operating profit of Kc 3.4 billion in the first quarter of 2017 versus Kc 132 million in the same period in 2016. Unipetrol increased capacity utilisation of its refineries from 66% to 88% thus increasing the volume of processed oil by 35% from 1.4 million tons to 1.9 million tons. Sales of petrochemical products rose by 136% to 456,000 tons, including 106,000 tons from Spolana.

Unipetrol's Financial Indicators (Kc million)		
	Q1 2017	**Q1 2016**
Revenues	29.850	17.686
EBITDA LIFO	3.617	350
EBITDA	3.971	559
EBIT	3 328	103
Net profits	2.826	-25

Unipetrol invested Kc 10.8 billion (€390 million) in 2016 in the modernisation and reconstruction of production technologies, particularly in the construction of the new polyethylene unit at Litvinov. Construction started in June 2016 and project completion is scheduled for 2018. Total costs of the PE3 project have been estimated at Kc 8.5 billion (€310 million).



MOL Q1 2017

The MOL Group's downstream division achieved an EBITDA of $324 million in the first quarter, which is 15% higher than in the same period in 2016. The growth was the result of much improved asset availability and positive margins in both refining and petrochemicals. Ethylene production at the two crackers at Tiszaujvaros and Bratislava totalled 202,000 tons in the first quarter against 196,000 tons in the same period in 2016, whilst rises were noted in polyethylene and polypropylene. Butadiene sales from Tiszaujvaros rose to 25,000 tons in the first quarter against 15,000 tons in Q1 2016, whilst raffinate sales rose from 22,000 tpa to 34,000 tpa.

MOL's Olefin & Polyolefin Production (unit-kilo tons)		
Product	***Jan-Mar 17***	***Jan-Mar 16***
Ethylene	202	196
Propylene	104	102
Butadiene	25	15
Raffinate	34	22
Product	***Jan-Mar 17***	***Jan-Mar 16***
LDPE	56	53
HDPE	102	90
PP	138	131

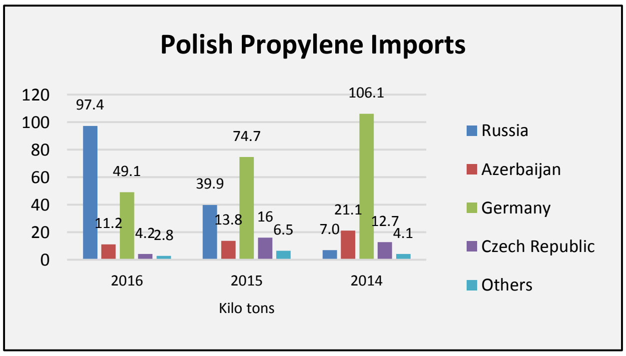
Czech petrochemical trade Q1 2017

Whilst ethylene imports have almost stopped since the restart of the Litvinov cracker late last year, exports have been revived in modest quantities. In the first quarter ethylene exports totalled 12,100 tons whilst propylene exports amounted to 3,100 tons.

Czech propylene, imports fell back to 40,600 tons against 11,300 tons in the first quarter in 2017. Propylene imports were sourced mostly from the EU, including Germany, the Netherlands and Poland, whilst non-EU imports came from Petrohemija in Serbia and amounted to 27,264 tons in 2016 against only 2,603 tons in 2015.

Czech Petrochemical Imports (unit-kilo tons)		
Product	***Jan-Mar 17***	***Jan-Mar 16***
Ethylene	1.0	48.9
Propylene	11.3	40.6
Butadiene	14.5	12.7
Benzene	23.1	27.4
Eth7ylbenzene	10.9	17.1

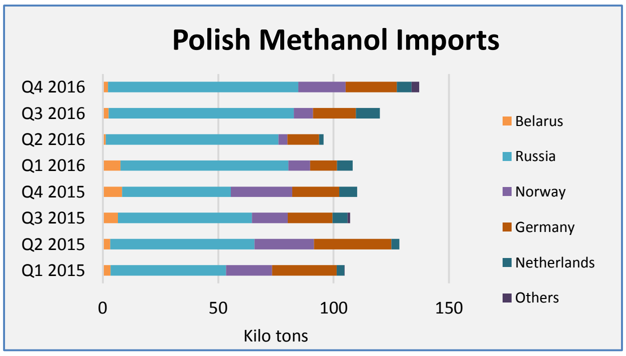
In other areas of trade, Czech exports of plasticizers totalled 4,082 tons in the first quarter in 2017 against 3,027 tons in 2016, whilst phthalic anhydride amounted to 1,685 tons against zero in the first quarter in 2016. Spolana exported 3,093 tons of caprolactam in the first quarter against 3,340 tons in the same period last year.



Polish petrochemical trade 2016

Propylene imports into Poland totalled 164,189 tons in 2016 against150,542 tons in 2015. The main source of propylene imports came from Russia in 2016, totalling 97,400 tons against 39,900 tons in 2015. Imports from Germany dropped from 74,700 tons to 49,100 tons. Imports from Russia have been made possible due to the expansion of propylene capacity.

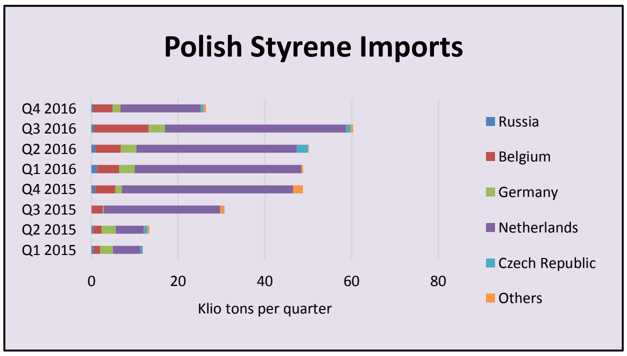
Prices per ton of imported propylene in 2016 averaged €541 whilst imports solely from Russia averaged only €503 against €613 for German imports. The average price of Polish propylene imports in 2015 dropped 25% to €765.3/ton against €1025/ton in 2014, and continued the downward trend in 2016. Other sources of imports into Poland included the Czech Republic, where volumes dropped from 16,000 tons in 2015 to 4,220 tons in 2016 due to the cracker problems, and Azerbaijan which reduced shipments to 11,180 tons in 2016 from 13,800 tons in 2015.



Methanol imports into Poland totalled 460,998 tons in 2016 against 447,621 tons in 2015, and 381,152 tons in 2014. Imports from Russia totalled 309,988 tons in 2016 against 217,601 tons in 2015.

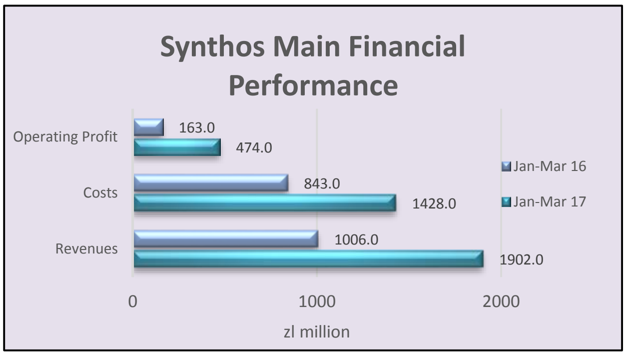
Imports of methanol from Norway fell in 2016, totalling 42,128 tons against 85,879 tons for 2015 and only 12,900 tons for the whole of 2014. The average price of Polish methanol imports in 2016 dropped to €199 per ton versus €299/ton in 2015 and €332/ton in 2014.

Butadiene imports into Poland totalled 67,417 tons in 2016, a sharp rise from 46,900 tons in 2015. Imports totalled 24,200 tons in the fourth quarter last year, the highest quarterly amount on record. Regarding suppliers, Hungary supplied 30,592 tons versus 4,030 tons in 2015 whilst Austria reduced shipments slightly from 21,557 tons to 20,762 tons in 2016. Butadiene sourced from MOL in Hungary averaged €554 per ton against €714 per ton from Austria. MOL aims to complete its new rubber plant at Tiszaujvaros at the end of 2017 which is expected to reduce the amount of butadiene available for export.



Styrene imports into Poland totalled 185,737 tons in 2016 against 104,643 tons in 2015. Although volumes rose sharply in 2016, the fourth quarter saw a slowdown dropping to 26,400 tons from 60,400 tons in the third quarter. The Netherlands was the major supplier last year, providing 135,637 tons against 79,000 tons in 2015. Belgium was the second largest supplier, providing 28,000 tons against 10,000 tons in the previous year. The average price of Polish styrene imports for 2016 dropped to €943 per ton against €1034 in 2015 and €1264 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 2016 Poland imported 447,000 tons of LDPE against 411,606 tons in 2015 and 417,766 tons in 2014. The major suppliers into Poland include Germany, the Netherlands and Belgium. For HDPE, imports into Poland totalled 289,000 tons in 2016 against 304,240 tons 2015 and against 294,463 tons in 2014.



Synthos Q1 2017

Synthos recorded a net profit of zl 365 million in the first quarter against zl 50 million in the same period in 2016. The operating profit amounted to zl 346 million versus zl 71 million in January to March 2016, based on much higher revenues of zl 1,902 million in Q1 2017 against zl 1,018 million.

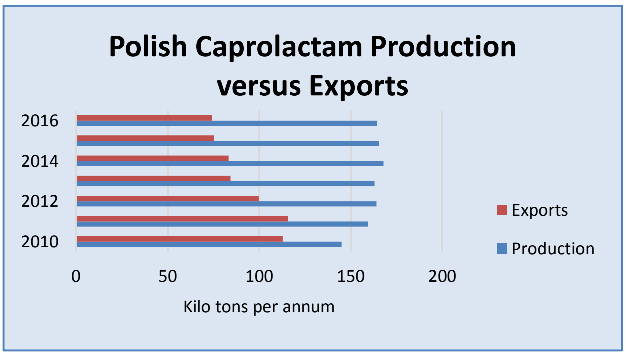
Revenues were higher in the first quarter due mainly from higher sales of synthetic rubber and styrene plastics. Synthos' financial income for the first three months of the year amounted to zl 128 million compared to zl 5 million for the first quarter of 2016. The increase in financial income was mainly due to the impact of foreign exchange gains.

Grupa Azoty Pulawy-nitric acid project

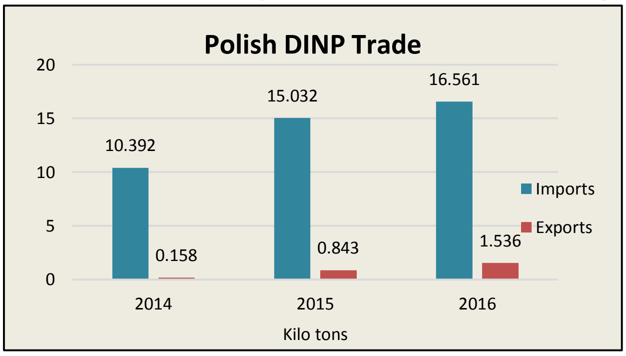
Grupa Azoty and ThyssenKrupp Industrial Solutions signed a license agreement in April for the supply of technology and equipment required for the new nitric acid plant. Construction of a new production line for nitric acid, is a key investment in Grupa Azoty Pulawy's plans to increase the production capacity of fertiliser. This acid is also used in the production of artificial silk, dyes, paints and plastics. The planned completion time for the project is 2021 and will be the fifth line for nitric acid production at Pulawy.

Grupa Azoty-polyamide and caprolactam trade 2016

Poland imported 89,866 tons of polyamide in 2016 against exports of 145,750 tons. Exports were dominated in 2016 by shipments in Germany, totalling 97,016 tons against 92,105 tons in 2015. Grupa Azoty is well advanced in a new polyamide 6 project at Tarnow to meet increased domestic demand. Uhde Inventa-Fischer is the project manager in which the new plant is being designed to operate on a capacity of 80,000 tpa of polyamide 6, mainly for film applications and engineering plastics.



Caprolactam exports from Poland totalled 75,321 tons in 2016, down from 83,200 tons in 2015 and continuing the trend of replacing trade with internal processing. Exports have been in decline in the past few years due mainly to lower margins and reduced opportunities in Asia, and Grupa Azoty's strategy is aimed at reducing export dependency by increasing polyamide capacity. The average price of caprolactam exports in 2016 was €1,115/ton. Caprolactam is produced at Azoty's two plants Pulawy and Tarnow. The major destinations for Polish caprolactam exports in 2016 included China, Taiwan and Germany.

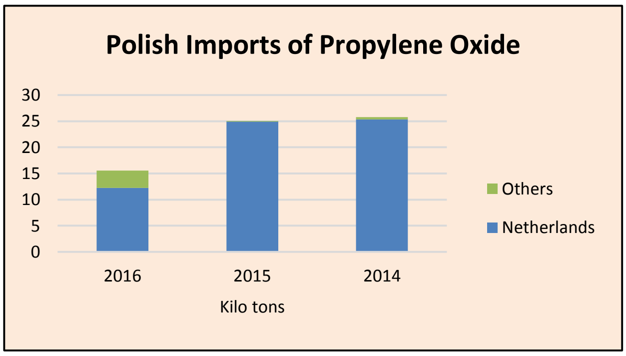


Grupa Azoty-plasticizer trade 2016

Grupa Azoty's DOP exports totalled 10,279 tons in 2016 against 10,080 tons in 2015, with the overall trend downwards and replacement by higher quality plasticizers. DINP exports from Poland increased in 2016 to 1,536 tons from 843 tons in 2015, whilst imports rose to 16,561 tons versus 15,037 tons. On 1 January 2017 Grupa Azoty ZAK became a full member of the European Council Plasticisers and Intermediate (ECPI), associating been six major producers representing this division of the industry in Europe.

Grupa Azoty ZAK is conducting a series of advanced research and development projects to develop a wide range of non-phthalate molecular weight plasticisers and innovative polyester plasticizers. Grupa

Azoty ZAK has helped create Application Centre for oxo products and polymers, in order to develop and promote a model of effective cooperation between science and industry. Other members of the consortium include Ergis SA, SILEKOL, the University of Silesia, Opole University of Technology, Institute of Biopolymers and Chemical Fibres and the Institute of Heavy Organic Synthesis Blachownia.



PCC Rokita Q1 2017

PCC Rokita achieved an EBITDA of zl 54.1 million in the first quarter, zl 3.7 million up on the same period in 2016. The net profit rose from zl 29.7 million to zl 33.7 million, whilst sales revenues rose 7.8% to zl 22.1 million. PCC Rokita's dependence on imported propylene oxide fell in 2016 to 15,517 tons from 25,036 tons in 2015, following the expansion of its propylene oxide plant from 36,000 to 48,000 tpa.

Results were helped in the first quarter by favourable market conditions in the chloralkalis market, whilst PCC Rokita also maintained good earnings from polyols. PCC Rokita has announced another investment to increase the production capacity of the membrane electrolysis plant.

Polish Chemical Production (unit-kilo tons)

Product	*Jan-Mar 17*	*Jan-Mar 16*
Caustic Soda Liquid	86.6	85.8
Caustic Soda Solid	20.2	19.7
Soda Ash	305.2	315.2
Ethylene	124.2	140.5
Propylene	87.5	99.9
Butadiene	5605.6	15.6
Toluene	1805.8	4.2
Phenol	2999.1	11.0
Caprolactam	43.0	41.5
Acetic Acid	3.9	1.8
Polyethylene	87.3	97.9
Polystyrene	13.6	14.8
EPS	18.9	22.2
PVC	76.0	73.0
Polypropylene	65.4	68.2
Synthetic Rubber	62.1	51.1
Ammonia (Gaseous)	768.0	722.0
Ammonia (Liquid)	24.1	24.6
Pesticides	14.0	6.0
Nitric Acid	620.0	656.0
Nitrogen Fertilisers	543.0	536.0
Phosphate Fertilisers	126.4	122.3
Potassium Fertilisers	125.2	108.2

PCC Exol recorded an increase in revenues in the first quarter, to zl 173 million against zl 133 million in the same period in 2016, although net profits fell. The operating profit amounted to zl 7 million versus zl 8.9 million, whilst the net profit fell from zl 5.2 million to zl 3.4 million. The main site is located at Brzeg Dolny where it produces anionic and non-ionic surfactants, whilst a plant for ethoxylates was established at Plock in 2011. PCC Exol intends to increase capacity in 2018 by 15,000 tpa, covering products for industrial applications, in addition to cosmetics and detergents. The company aims to produce a new series of specialised ethoxylates, designed for industries such as washing and industrial cleaning, metal processing, paper, textiles and food processing.

Oltchim Q1 2017

Oltchim's net profit rose 76% in Q1 2017 against Q1 2016 to €1.68 million, consolidating the company's upturn and the measures set out to streamline the business set out in its reorganisation plan. Oltchim's turnover rose 30% during the January-March period to €49.06 million. Oxo-alcohol sales for Oltchim were four times higher than in the first quarter of 2016, while polyether polyol sales increased by 4%. Chlor-alkali products increased by only 1% as the membrane electrolysis plant operated at reduced capacity in March, as the seventh electrolyzer is being refurbished.

Oltchim's main Investments 2016

- 9 million lei for rehabilitation of two electrolysers and DCS upgrading of the membrane electrolysis;
- 2 million lei balance payment for the acquisition of the hydrogen catalyst for the oxo-alcohols plant;
- 1.1 million lei for overhauls at the tank cars for raw materials and finished products
- 1.1 million lei investment in other facilities at the polyether polyols plant

The last stage of the privatisation process is expected to take place in June 2017. Oltchim is currently controlled by the Romanian state through the economy ministry with a 54.8% stake, whilst PCC SE holds a 32.3% stake and the balance is owned by smaller shareholders.

Russia

Russian Chemical Production (unit-kilo tons)		
Product	***Jan-Mar 17***	***Jan-Mar 16***
Caustic Soda	307.9	267.9
Soda Ash	850.0	634.7
Ethylene	773.9	713.9
Benzene	378.0	315.1
Xylenes	146.6	145.5
Styrene	174.5	183.4
Phenol	56.5	61.7
Ammonia	4,100.0	4,000.0
Nitrogen Fertilisers	2,471.0	2,577.0
Phosphate Fertilisers	818.0	915.0
Potash Fertilisers	2,085.0	1,877.0
Plastics in Bulk	1,936.0	1,968.0
Polyethylene	525.0	555.0
Polystyrene	127.0	137.7
PVC	233.2	211.0
Polypropylene	364.0	383.0
Polyamide	38.7	37.6
Synthetic Rubber	452.0	371.0
Synthetic Fibres	38.9	36.2

Russian chemical markets, Q1 2017

Russian chemical and petrochemical production in the first quarter in 2017 mostly outperformed volumes recorded in 2016, but producer margins were squeezed due to rising feedstock and raw material prices. Coupled to a stronger rouble which reduced the profitability from exports meant that the general trend for Russian chemical companies in the first quarter has been one of rising revenues set against lower net profits.

Nizhnekamskneftekhim and Kazanorgsintez reported a drop in profits by a third in the first quarter as producers struggled to cope with rising feedstock costs. Other factors included a slight strengthening of the rouble which made exports of synthetic rubber and polyethylene less profitable. Despite physical rises in production both Nizhnekamskneftekhim and Kazanorgsintez were affected by the rise in production costs by around 21% over the first quarter in 2016. The average Urals crude price increased by 1.6 times in the first quarter,

Ethylene production in Russia totalled 773,900 tons in the first quarter against 713,000 tons in the same period in 2016, whilst benzene increased from 315,100 tons to 378,000 tons. In the polymer division, increases were noted for PVC and synthetic rubber whilst declines were seen in polypropylene and polyethylene.

Imports of chemical industry products totalled $7.87 billion in the first quarter in 2017 against $6.17 billion in the same period in 2016, whilst exports rose from $2.38 billion to $3.99 billion. As a result, the deficit in chemical product trade rose to $1.255 billion to $0.918 billion in the first quarter last year. The stronger rouble in the first quarter helped imports to an extent, whilst higher prices for chemicals meant that values rose both for inward and outward shipments.

Russian Petrochemical Projects

Power of Siberia & irkutsk gas, May 2017

As of May 2017, Gazprom had built over 740 kilometres of the pipeline Power of Siberia. The construction of the pipeline is being carried out ahead of schedule, according to Gazprom. Most of the progress has been undertaken east of the Chayanda field and beyond Lensk, but the position regarding the Kovytka field is less certain. The Kovytka field's development in the Irkutsk Oblast is intended mainly for supplying the Power of Siberia, but the pipeline connection to Chayanda is some way from being constructed.

Other objectives for the Kovytka field include the development of gas supply for the Irkutsk region, where gas comprises only 8.1% of energy resources versus an average of 67.2% for the Russia, and the construction of a gas chemical complex at Sayansk. Gazprom has stated that it is uneconomic to construct a gas pipeline from Kovytka to the south of the Irkutsk Oblast, due to a lack of demand, in despite of Putin's

instructions that the links should be built. As a result of the lack of clarity over Kovytka Sayanskkhimplast is basing hopes for gas supply on deposits in the central part of the region Sayansk, Zaslavskoye. Total consumption for Sayanskkhimplast is estimated at about 500 million cubic metres per annum.

VNHK project environmental approval

Glavgosexpertiza issued an environmental approval for the construction of production complex Eastern Petrochemical Company (VNHK). After reviewing the submissions, the experts concluded that the results of the engineering survey and design documentation comply with the requirements of technical regulations and other statutory requirements, and the project documentation which includes the launch of a refinery with a capacity of 12 million tpa.

The company intends to produce gasoline, kerosene, diesel and bunker fuel. Part of the production is expected to be sold on the domestic market, and another part exported to the Asia-Pacific region. This appraisal is based on consumption trends, which of course may undergo significant changes over the next five years. The second stage of the project involves a cracker complex that will include production of monoethylene glycol, linear alpha olefins, polyethylene and polypropylene.

Helium logistics hub for Amur Gas Processing Plant

A world-scale logistics centre is to be created in the Primorsky Kray by Gazprom Gazenergoset for helium exports, sourced from the Amur Gas Processing (GPP). Total investment in the project will amount to 5.153 billion roubles. The logistics centre will be located at the TOR Nadezhdinskaya covering a total area of16 hectares. The logistics centre is to be completed by 2021, according to the project schedule, in connection with the start-up of the Amur GPP.

Yuzhniy-Balyk gas processing plant

SIBUR has completed construction and installation work on the Yuzhniy-Balyk gas processing complex to improve the efficiency of associated gas and providing additional volumes of extraction of natural gas liquids (NGL). Engineering company NIPIGas developed the design and installation of the working documentation for the project. The large-scale modernisation of the plant has been aimed at the continuation of the effective use of Khanty Mansiisk resources and improve the ecological situation in the region through the high-tech processing of associated gas. Reconstruction of the Yuzhniy Balyk gas plant has been carried out by SIBUR since 2007.

Yamal-Volga NGL pipeline-too expensive?

The prospects for the construction of the gas liquid product pipeline Yamal-Volga appear to have been shelved after feasibility studies conducted by Tatarstan and Bashkortostan indicated the lack of profitability in the project. One of the factors affecting the profitability is the tax manoeuvre in the oil industry set up by the government to extract excise revenues at the start of 2015.

The Yamal-Volga pipeline project concept involves creating capacity to extract ethane content gas from the Achimov formations in the Nadym-Pur-Taz region in West Siberia. The founders of the company included Nizhnekamskneftekhim (33.4% stake), Regional Fund (33.3%) and non-profit organisation Yamal, Regional innovation and investment fund (33.3%). The estimated cost of the project at the time of the formation of the consortium in 2015 ranged from 80 to 120 billion roubles, but has since risen beyond 500 billion roubles. As a result, other means of supplying feedstocks to Tatarstan and Bashkortostan are being considered.

Russian petrochemical producers & markets

SIBUR-Q1 2017

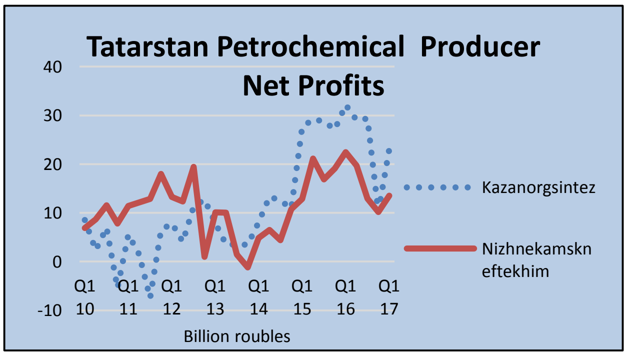
SIBUR's net profit in the first quarter this year rose by 0.5% against the same period in 2016 and amounted to 23.281 billion roubles. Revenues comprised 90.446 billion roubles, unchanged from last year, whilst the cost of sales decreased by 1.4% to 58.488 billion roubles. Profit before tax for the period amounted to 29.072 billion roubles against 28.26 billion roubles in January-March 2016 (2.9% growth).

Nizhnekamskneftekhim Production (unit-tons)		
Product	***Jan-Mar 17***	***Jan-Mar 16***
Ethylene	160.1	156.4
Propylene	78.4	70.4
Benzene	56.5	55.9
HDPE	10.7	41.3
LLDPE	0	0
Polypropylene	54.6	54.6
Styrene	75.2	77.7

SIBUR's revenues from the sale of gas processing products and petrochemicals grew by 4.3% in the first quarter of 2017, due to in part to higher sales revenues from the sale of synthetic rubber.

Nizhnekamskneftekhim Q1 2017

Nizhnekamskneftekhim reduced its net profit by 37% for the first quarter on increased revenues of 3.6% to 40 billion roubles. Revenues were boosted by the rise in rubber prices, helped by a shortage of natural rubber, and China's policy to stimulate demand for cars. Synthetic rubber production rose 8% in the first quarter whilst no change was reported for polyolefins and polystyrene. The major factor was that production costs for Nizhnekamskneftekhim rose 21% in the first quarter to 32.36 billion roubles. This resulted in a decline in gross profit from 11.86 billion roubles to 7.64 billion roubles.

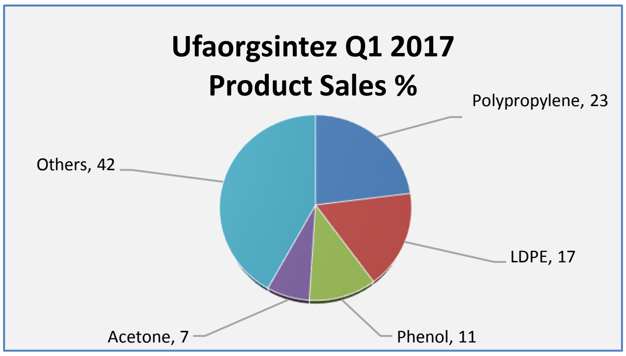


Kazanorgsintez Q1 2017

Kazanorgsintez reduced its net profit by 32.2% in the first quarter this year to 19.26 billion roubles whilst revenues fell by 4.4% to 4.39 billion roubles. Production costs rose to 11.720 billion roubles in the first quarter against 10.630 billion roubles in Q1 2016. Production of commodity products in the first quarter rose by 5.4%, including a rise of 8% for polyethylene. Revenues were affected by lower product prices, whilst the gross profit was reduced by 21% to 7.54 billion roubles. In 2016 Kazanorgsintez reported revenues of 75.41 billion roubles against 68.6 billion roubles a year earlier. Of 2016 results, 16.94 billion roubles were received from LDPE sales (+16.8%), and 38.7 billion roubles yielded from the sale of HDPE (+9.7%).

Kazanorgsintez Polymer Revenues (billion roubles)		
Polymer	***Jan-Mar 17***	***Jan-Mar 16***
HDPE	9.1	10.7
LDPE	4.7	4.5
Polycarbonate	2.6	2.6
Total	16.4	17.7

Kazanorgsintez reduced the amount of revenue from sales of low-pressure polyethylene by almost 15% in the first quarter in 2017. Revenues from LDPE sales rose by 4%.to 4.69 billion roubles. The proportion of the segment in the total revenue increased from 22.3 to 24.3%. The company estimates that its share of the Russian polyethylene market now accounts for 43%, and for polyethylene pipes around 10%. Proceeds from polycarbonates sales for the quarter amounted to 2.62 billion roubles, an increase of 2.4%.



Ufaorgsintez Q1 2017

Ufaorgsintez recorded a net profit of 1.74 billion roubles in the first quarter, 9% down on the same period in 2016. Revenues dropped by 8% from 7.58 billion roubles to 7 billion roubles, of which exports comprised 1.98 billion roubles. The largest individual product by revenue for Ufaorgsintez is polypropylene, accounting for

23% of turnover in the first quarter followed by LDPE with 17%. Ufaorgsintez is one of the three Russian active producers of phenol and is the second producer of Bisphenol A after Kazanorgsintez.

SIBUR-LPG prices

The Federal Antimonopoly Service (FAS) of Russia started proceedings in May over SIBUR's LPG prices. In November 2016 the FAS noted that the proceedings started after consideration of appeals from physical and legal persons who complained of unreasonable increase of prices in the retail and wholesale markets liquefied petroleum gas, as well as the analysis of stock trading and price monitoring on LPG. SIBUR emphasize that the company is working within the framework of anti-monopoly legislation and considers the current wholesale price of LPG at a fair, appropriate market conditions.

Russian Ethylene Production (unit-kilo tons)		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Angarsk Polymer Plant	56.4	21.5
Kazanorgsintez	160.5	152.3
Stavrolen	79.9	74.9
Nizhnekamskneftekhim	160.1	156.5
Novokuibyshevsk Petrochemical	12.7	15.9
Gazprom neftekhim Salavat	89.7	76.6
SIBUR-Kstovo	102.5	99.7
SIBUR-Khimprom	11.9	14.4
Tomskneftekhim	68.9	68.1
Ufaorgsintez	31.1	33.7
Total	773.9	713.7

Russian ethylene-propylene production, Jan-Mar 2017

Russian ethylene production increased by 12% in March to 268.200 tons, raising the total for the first quarter to 773,900 tons. Ufaorgsintez increased monomer production by 26% in March to 11,400 tons, whilst the Angarsk Polymer Plant increased the production by 18% to 20,000 tons and Stavrolen by 16% to 27.800 tons. Propylene production in Russia increased 4% in the first quarter this year to 456,400 tons. The increase was made possible due to the resumed operations at the Angarsk Polymer Plant.

Russian propylene exports, Jan-Apr 2017

Propylene exports from Russia amounted to 16,400 tons in April, 23% less than in March when they totalled 21,300 tons. Lukoil-NNOS increased shipments of monomer to foreign markets by 26% in April to 10,200 tons from 8,100 tons in March. SIBUR-Kstovo reduced shipments in April 2.4 times to 5,200 tons from 12,400 tons in March. Omsk Kaucuk renewed exports in April, shipping 986 tons to Belarus. In the period January to April 2017 exports of propylene totalled 65,600 tons which was 26% up on the same period in 2016. Exports of propane-propylene fractions amounted to 27,800 tons, which is almost the same as in 2016.

Russian Propylene Domestic Sales (unit-kilo tons)		
Producer	***Jan-Apr 17***	***Jan-Apr 16***
Angarsk Polymer Plant	26.8	10.3
Omsk Kaucuk	1.0	0.5
SIBUR-Kstovo	26.1	39.7
Akrilat	1.4	0.4
LUKoil-NNOS	68.9	76.3
Tomskneftekhim	1.0	0.0
Gazprom neftekhim Salavat	0.0	0.2
SIBUR-Khimprom	0.0	0.5
Stavrolen	2.0	0.0
Tobolsk-Polymer	0.1	0.0
Ufaorgsintez	0.0	0.0
Total	127.4	127.7

Russian propylene sales, Jan-April 2017

Sales of propane-propylene fractions on the Russian domestic market rose 36% in April over March, to 11,700 tons. In the first four months in 2017 Russian domestic sales of propane-propylene fractions totalled 49,100 tons which is unchanged from last year.

Sales of propylene monomer rose 14% in April to 31,100 tons. SIBUR-Kstovo increased shipments 2.2 fold to 9,500 tons whilst Lukoil-NNOS reduced shipments by 10% to 14,300 tons. Sales on the domestic market totalled 127,400 tons in the first four months in 2017, against 127,700 tons in January to April 2016.

Russian sales of propylene on the domestic market totalled 418,000 tons against 398,000 tons in 2015. Saratovorgsintez remained the largest buyer in 2016 in the Russian merchant market for propylene. SIBUR-Khimprom, which uses propylene for oxo-alcohol production, is the second largest buyer in the Russian market. Propylene production totalled 1.5 million tons in 2016, 13% less than in 2015.

Russian Styrene Production (unit-kilo tons)		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Nizhnekamskneftekhim	75.2	77.7
Angarsk Polymer Plant	9.2	4.2
SIBUR-Khimprom	28.8	37.0
Gazprom n Salavat	49.8	46.8
Plastik, Uzlovaya	16.7	13.4
Total	179.6	179.2

Russian styrene, Jan-April 2017

Styrene production in Russia totalled 179,600 tons in the first quarter in 2017 against 179,200 tons in the same period in 2016. SIBUR-Khimprom reduced production from 37,000 tons to 28,800 tons whilst Angarsk Polymer Plant increased production from 4,200 tons to 9,200 tons and other smaller increases were reported by Gazprom neftekhim Salavat and Plastik.

Domestic sales in April amounted to 10,040 tons, with Gazprom neftekhim Salavat supplying 5,170 tons, Angarsk Polymer Plant 1,010 tons, SIBUR-Khimprom 3,000 tons and Plastik 851 tons. In the first four months' sales of styrene on the domestic market amounted to 32,790 tons which was 9% up on 2016.

Bulk Polymers

Russian HDPE Production (unit-kilo tons)		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Kazanorgsintez	132.9	135
Stavrolen	73.1	34
Nizhnekamskneftekhim	10.7	41.3
Gazprom n Salavat	21.8	22
Total	238.5	232.3

Russian polyethylene HDPE production Jan-Mar 2017

Russian HDPE production in January-March fell by 2% compared to the same period in 2016. Kazanorgsintez produced 132,700 tons in January to March 2017 against 121,700 tons in 2016 whilst Stavrolen increased production by 11% to 73,100 tons. Gazprom neftekhim Salavat for the quarter reduced the production of low-pressure polyethylene by 19% to 21,800 tons. Nizhnekamskneftekhim for the quarter earned 10,700 tons of HDPE, down sharply due to the rise in LLDPE production.

Russian Polypropylene Production (unit-kilo tons)		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Ufaorgsintez	30.2	29.9
Stavrolen	30.6	29.2
Moscow NPZ	21.8	32.2
Nizhnekamskneftekhim	54.6	54.6
Polyom	52.4	49.7
Tomskneftekhim	34.8	35.6
Tobolsk-Polymer	129.5	129.5
Total	353.9	360.7

Russian polypropylene production, Jan-Mar 2017

Russian polypropylene production amounted to 353,900 tons in the first quarter in 2017 against 360,700 tons in the same period in 2016. SIBUR Tobolsk produced 129,500 tons in the first quarter, unchanged from last year, whilst Polyom increased production by 5% to 52.400 tons.

Stavrolen also increased its output by 5% in the first quarter to 30,600 tons. Ufaorgsintez and Nizhnekamskneftekhim for the first three months produced 30,200 tons and 54,600 tons, virtually unchanged from last year, whilst Tomskneftekhim made a slight reduction from 35,600 tons to 34,800 tons. NPP Petrochemicals decreased production volumes by a third to 21,800 tons. The fall was due to scheduled maintenance in March.

Russian Polypropylene Imports (unit-kilo tons)		
	Jan-Apr 17	***Jan-Apr 16***
Homopolymers	14.0	23.1
Block	13.6	9.7
Random	8.7	8.5
Other	9.5	7.7
Total	45.8	49.0

Russian polypropylene imports, Jan-Apr 2017

In the first four months this year polypropylene imports into Russia totalled 45,800 tons, 7% down on the same period in 2016. Homopolymer imports amounted to 14,000 tons in January to April 2017 against 23,000 tons in the same period last year, whilst block copolymer imports increased to 13,600 tons from 9,700 tons.

Russian PVC market, Jan-Apr 2017

In the first four months of 2017 imports of PVC amounted to 11,800 tons which is 7% less than in 2016 whilst at the same time exports have fallen 2% to 28,100 tons. A fall in acetylene based prices from China led to an increase in imports in April to 7,000 tons against 1,600 tons in March

Russian PVC Production (unit-kilo tons		
Producer	***Jan-Apr 17***	***Jan-Apr 16***
Bashkir Soda	86.1	83.7
Kaustik	30.3	31.3
RusVinyl	102.6	104.1
Sayanskkhimplast	83.5	48.9
Total	302.5	268.0

PVC production in Russia totalled 302,500 tons in the first four months in 2017, 18% up on the same period in 2016. The rise is due mainly to the higher production at Sayanskkhimplast against last year when the plant was idle for five months. Sayanskkhimplast produced 83,500 tons in January to April 2017 against 35,300 tons in the same period in 2016, when ethylene supply was halted following the outage at Angarsk.

RusVinyl produced 102,600 tons the first four months, 3% down on 2016. In April production at RusVinyl amounted to 25,000 tons, of which emulsion grade comprised 2,100 tons. Bashkir Soda Company in April produced 86,100 tons in January to April, against 84,400 tons whilst Kaustik reduced production slightly from 31,300 tons to 30,300 tons.

Russian Domestic Polymer Prices (euros per ton)			
Product	***Feb-17***	***Mar-17***	***Average 2017***
Polyethylene	1220.5	1243.9	1229.4
Polystyrene	1267.3	1435.9	1326.3
PVC	767.9	815.4	780.7
Epoxy resins	2527.8	2642.0	2564.9
Polypropylene	1207.3	1224.3	1208.5
Silicone polymers	2635.5	2273.5	2474.8

PX-PTA-PET

Russian PX Production (unit-kilo tons)		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Gazprom Neft	34.9	45.2
Ufaneftekhim	29.7	21.9
Kinef, Kirishi	19.9	22.7
Total	83.9	90.2

Russian PX Domestic Sales (unit-kilo tons)		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Gazprom Neft	26.0	17.9
Ufaneftekhim	38.8	28.7
Kinef, Kirishi	0.0	0.0
Total	64.8	46.6

Russian PX Exports (unit-kilo tons)		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Gazprom Neft	12.7	19.7
Ufaneftekhim	19.9	12.9
Kinef, Kirishi	0.0	5.0
Total	32.7	37.6

Russian paraxylene Q1 2017

Russian paraxylene production totalled 83,300 tons in the first quarter against 90,200 tons in the same period in 2016. Gazprom Neft reduced production from 45,200 tons in the first quarter last year to 34,900 tons and reduced exports in the first quarter whilst increasing domestic sales. Overall sales of paraxylene on the stock market totalled 64,600 tons against 46,600 tons in January to March 2016, the increase drawn mostly from inventory.

Russian PET Q1 2017

imports of PET into Russia for the first three months of this year decreased by 30% and amounted to 14,470 tons. The share of imports of PET in the total consumption of bottled granulate in the first quarter comprised 12%.

PET production totalled 534,000 tons in 2016, 7% up on 2015. Imports totalled 108,000 tons and exports 36,000 tons. Polief was the leading producer, providing 40% of production, followed by Alco-Nafta (29%), Senezh (17%) and SIBUR-PETF (14%). One of the main divisions of PET consumption in Russia is the bottling of water and beverages.

Russian PTA Imports (unit-kilo tons)		
Country	***Jan-Mar 17***	***Jan-Mar 16***
Belgium	13.6	3.5
India	13.5	0.0
China	18.2	1.4
South Korea	0.7	10.8
Poland	0.0	5.9
Thailand	2.0	0.3
Total	48.0	21.9

Ivanovo polyester project-environmental apporoval

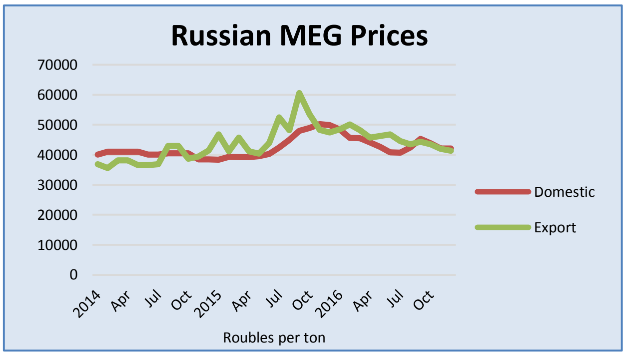
The Russian Minister of Natural Resources and Environment has stated that there are no ecological threats emanating from the polyester project at Vichuga in the Ivanovo region. The Ministry of Environment has completed the necessary stages of preparation for the start of construction and has issued a positive conclusion that the project complies with established standards of ecology.

One of the main market aims of the project is to compete with China in the manufacture of textiles which is only possible through the availability of the country's own raw material base. Under the plan, construction will end in 2019. The first samples of the product will appear in the same year, and commodity output will begin in 2020. The company's products would have a high export potential due to the use of high-tech equipment for its production, which should allow it to produce a wide range of products that meets global quality standards.

Russian MEG domestic sales market, Jan-Apr 2017

MEG sales on the Russian domestic market rose 25.6% in April over March to 11,100 tons. SIBUR-Neftekhim sold 8,860 tons of MEG (79.9% of the total volume), or 2% more than in March. Nizhnekamskneftekhim increased volumes of MEG supplies to 1,880 tons versus 54 tons in March. Kazanorgsintez in April sold 56 tons of MEG (1.7% less than in March). Small trading companies increased supplies of MEG to 318 tons, 4.8 times more than in March.

Polief purchased 7,660 tons in April, 3.3% up on March, whilst BaltTechProm was unchanged at 1,200 tons and Obninskorgsintez 1,150 tons. Small trade companies bought 1,100 tons in April (4.5 times more than last month). In the first four months in 2017, Russian companies sold 42,300 tons of MEG to the domestic market.



Russian MEG exports, Jan-Mar 2017

Regarding trade, TD Ecopolymer imported 4,000 tons of MEG in March, all from Saudi Arabia. For the first quarter of 2017, Russia imported 12,400 tons of MEG, or 26.8% more than in the same in 2016.

Russian companies exported 14,890 tons of MEG in March (1% less than in February). The main supplier of MEG was SIBUR-Neftekhim, which sold 10,900 tons or 1% less than in February. Nizhnekamskneftekhim shipped 3,750 tons of MEG whilst small trading companies delivered 242 tons. In March, Russian MEG exports to Belarus comprised 7,290 tons, 2% less than in February followed by 4,130 tons to Turkey. For the first quarter of 2017, Russia MEG exports totalled 39.195 tons of MEG, 31.2% more than in the corresponding period of 2016.

Aromatics

Russian Benzene Exports (unit-kilo tons)

Producer	***Jan-Apr 17***	***Jan-Apr 16***
Altay-Koks	6.5	1.8
Chelyabinsk MK	6.6	3.8
Koks	5.7	4.7
Magnitogorsk MK	6.3	6.8
Moskoks	2.3	2.8
Nizhniy Tagil	1.7	1.4
Novolipetsk MK	0.0	1.9
Kirishinefteorgsintez	10.2	0.0
SIBUR-Kstovo	6.8	0.0
Slavneft	8.9	0.0
Severstal	1.8	0.0
Stavrolen	8.4	0.0
Ufaneftekhim	0.9	0.0
Uralorgsintez	4.0	0.0
Ural Steel	0.7	2.7
Total	70.9	25.9

Russian benzene sales, Jan-Apr 2017

In April, sales volumes of benzene for synthesis and nitration on the Russian domestic market in Russia decreased by 26% to 40,400 tons. Due to planned repairs, shipments of the product from Uralorgsintez tripled, to 2,400 tons, and from Ryazan refinery by 28% to 1,500 tons.

Due to low demand in the second half of April as a result of planned maintenance at Kuibyshevazot, supplies of benzene from Gazprom Neft fell by 2.3 times to 3,500 tons. Kuibyshevazot bought only 6,200 tons of benzene in April which was 33% lower than in March. Despite the overall reduction in domestic sales, Gazprom neftekhim Salavat increased purchases by 33% to 4,500 tons.

The major change for the benzene market this year has been the rise in exports, increasing from 25,900 tons in the first four months in 2016 to 70,900 tons. Exports have been driven by sales from Kirishinefteorgsintez, SIBUR-Kstovo, Slavneft and Stavrolen which collectively shipped 34,600 tons in January to April 2017 against zero in the same period last year. Coal based benzene exporters shipped slightly more in the first four months also, leading to an almost three-fold rise.

In April SIBUR shipped 973 tons to the Netherlands from its subsidiary Uralorgsintez, which it is the process of selling, whilst SIBUR-Kstovo exported 2,700 tons (5.4 times higher than March). Also in April Gazprom neftekhim Salavat shipped benzene for the first time this year, transporting 1,500 tons to the UK and 1,500 tons to the Netherlands. Due to the outage at Kuibyshevazot, Stavrolen was able to increase exports of benzene to China. In the first four months of 2017, Russian refineries and petrochemical plants enterprises exported 46,000 tons of benzene against virtually nothing in 2016.

Russian Toluene Domestic Sales (unit-kilo tons)		
Producer	***Jan-Apr 17***	***Jan-Apr 16***
Novopiletsk MK	0.1	0.0
Slavneft-Yanos	4.5	9.4
Severstal	1.7	2.4
LUKoil-Perm	1.6	9.2
Gazprom Neft	25.6	24.0
Zapsib	10.8	0.5
Kinef, Kirishi	8.9	11.4
Gazprom n Salavat	1.7	0.0
Others	2.5	0.0
Total	57.3	57.0

Russian toluene sales, Jan-Apr 2017

Russian sales of toluene on the domestic market amounted to 16,310 tons in April, 9% up on March. down on December. Gazprom Neft supplied 62% of shipments in March, or 10,140 tons, followed by Kirishinefteorgsintez with 2,750 tons, Severstal 420 tons, and Lukoil-Perm (420 tons).

Over the month, explosives manufacturers increased their purchases of toluene by 23% to 1,760 tons (11% of Russian consumption). Companies producing paints, reduced the volume of purchased raw materials by 10%, to 4,950 tons. Manufacturers of motor fuels and additives increased toluene purchases by 4% to 3,730 tons (23%). In addition, 0.580 tons of toluene (4%) were used as a solvent in the manufacture of rubber. Sales on the domestic market increased 1% in the first four months in 2017 to 57,270 tons.

Russian phenol, Jan-Apr 2017

Phenol production amounted to 17,700 tons in March bringing the total to 50,400 tons for the first quarter against 60,800 tons in the same period in 2016. In March Novokuibyshevsk Petrochemical Company resumed supplies of commodity phenol to foreign markets shipping 520 tons. Phenol sales on the domestic market totalled 38,801 tons in the first four months in 2017. In April Ufaorgsintez shipped 7,100 tons, 11% up, Kazanorgsintez increased sales by 7% to 1,000 tons and Novokuibyshevsk Petrochemical increased deliveries by 44% to 7,000 tons.

Russian Phenol Market Sales by Supplier (unit-kilo tons)		
Producer	***Jan-Apr 17***	***Jan-Apr 16***
Novokuibyshevsk PC	18.2	19.4
Kazanorgsintez	4.0	3.8
Ufaorgsintez	19.0	21.0
Borealis	0.3	0.3
Total	41.5	44.4

The largest consumer was Metadynea, which bought 10,218 tons, followed by Kuibyshevazot with 8,427 tons. Kuibyshevazot reduced phenol purchases this year in place of benzene purchases, which are used for caprolactam production, although purchases increased in April. Other important domestic customers include Shchekinoazot and Uralkhimplast, which both use phenol in the production of phenol-formaldehyde resins, and Nizhnekamskneftekhim which uses phenol in the production of alkylphenols.

Kuibyshevazot 2017

Kuibyshevazot increased production of polyamide-6 by 4% in the first quarter, whilst cord fabric rose by 6%. At the same time, production of mineral fertilisers decreased by 1-3%. Production of caprolactam decreased from 48,700 tons in Q1 2016 to 48,500 tons. The company is working on the construction of the fifth installation for polyamide-6 production and another installation for ammonium sulphate in a joint venture with Trammo (USA).

Russian Caprolactam Production (unit-kilo tons)		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Kuibyshevazot	48.5	48.7
Shchekinoazot	13.9	15.3
SDS Azot	32.9	28.5
Total	95.3	92.5

Kuibyshevazot reduced net profit by 9.7% in the first quarter of this year to 1.89 billion roubles against 2.1 billion roubles in Q1 2016. The company's revenue grew by 4.8% to 10.77 billion roubles whilst the cost of sales increased by 6% to 7.37 billion roubles. The main production capacities for Kuibyshevazot at the start of 2017 include 210,000 tpa of caprolactam; 150,000 tpa of polyamide-6 (PA-6); 18,800 tpa of polyamide technical and textile yarn; 660,000 tpa of ammonia; 360,000 tpa of urea, 610,000 tpa of ammonium nitrate and 560,000 tpa of ammonium sulphate. Kuibyshevazot occupies a leading position in the production of caprolactam in Russia, accounting for 55% in 2016. As part of the investment strategy, Kuibyshevazot intends to increase caprolactam capacity to 260,000 tpa.

Synthetic Rubber

Russian C4 Purchases (unit-kilo tons)		
Consumer	***Jan-Apr 17***	***Jan-Apr 16***
Omsk Kaucuk	17.7	13.5
Nizhnekamskneftekhim	54.0	59.2
Togliattikaucuk	66.5	54.6
Sterlitamak Petrochemical	0.0	0.4
Total	138.2	127.7
Source: Chem-Courier.ru		

Russian C4 sales, Jan-Apr 2017

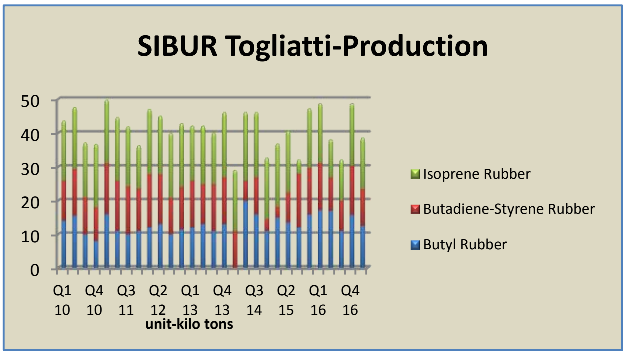
C4 deliveries on the Russian domestic market amounted to 25,600 tons in April, 18% less than in March. Scheduled repairs meant that Kazanorgsintez reduced shipments 2.1 times to 1,800 tons. In addition, Stavrolen reduced shipments of the fraction by 33% to 4,400 tons. Despite the decrease in the indicator in April, the deliveries of the Angarsk Polymer Plant product to domestic processors increased by 6% to 3,100 tons. For the first time this year, C4s were imported by the Sayansk Oil Refinery amounting to 506,000 tons from Iran.

Russian rubber production, Jan-Mar 2017

Russian synthetic rubber production totalled 452,000 tons in the first quarter in 2017 against 371,000 tons in the same period in 2016. Prices were higher at the start of the year encouraging higher production, but have since declined. However, natural rubber prices have been falling in the second quarter, also pushing down synthetic rubber prices, and efforts to curb production have yet to have any impact.

Pirelli-SIBUR Togliatti

Pirelli has issued a high approval rating of synthetic rubber supplied by SIBUR Togliatti from where it has sourced isoprene rubber for several years. According to an assessment for the first quarter of 2017, SIBUR Togliatti was awarded the highest category A for full performance of its obligations to the consumer. The Kirov and Voronezh tyre plants, controlled by Pirelli, both use isoprene rubber in the production cycle.



Kordiant tyre investments

Kordiant is investing around 1.5 billion roubles in the modernisation of the Omsk plant Kordiant-Vostok over the next few years. This is part of the investment programme running up to 2021 and is divided into stages, each of which involves significant financial investment. The first stage of modernisation planned for 2017, will cost the company 250 million roubles, to be spent on new vulcanisation equipment. Last year, in the framework of the investment programme new Czech equipment was installed for passenger and light truck tyres.

Russian Tyre Production (unit-mil pieces)		
Product	***Jan-Mar 17***	***Jan-Mar 16***
Car Tyres	10.3	9.4
Lorry tyres	1.6	1.4
Agricultural tyres	0.5	0.4
Total	12.4	11.1

Nizhnekamskshina Q1 2017

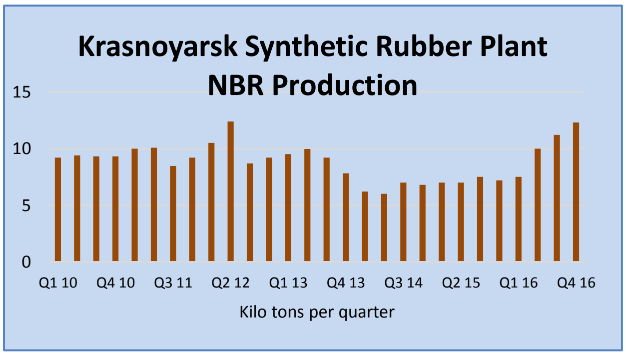
Tatarstan tyre producer Nizhnekamskshina increased its tyre output by 23.5% in the first quarter of 2017, whilst revenues from the rose by 14%. During the first quarter, the company increased the production of tyres to 413,370 units against 497,280 units in the same period in 2016. The cost of sales for the quarter increased from 3.1 to 3.54 billion roubles, of which raw materials comprised cost structure is occupied and the cost of raw materials (about 53%). The net profit of Nizhnekamskshina for January-March 2017 increased threefold, totalling 7.41 million roubles.

Russian synthetic rubber plants

Omsk Kaucuk continues to report losses although the company was able to report a reduced net loss of 146 million roubles in 2016 against 842 million roubles in 2015. Revenues for Omsk Kaucuk increased by 8%

in 2016 to 5.4 billion roubles, whilst production costs rose at the higher rate of 10.5% to 4.96 billion roubles. Raw material costs rose to 1.95 billion roubles against 1.49 billion roubles in 2015, and as the plant is dependent on merchant purchases achieving profitability proves a difficult challenge. Whilst Omsk Kaucuk was able to reduce personnel costs by 19 million roubles in 2016, due to the age of equipment the company was required to spend 85% more than in 2015 for repairs and maintenance. The main shareholder of Omsk Kaucuk with a share of 24.59% is GK Titan.

Kazan Synthetic Rubber Plant is facing financial challenges after recording a 47% fall in net profit in 2016. Last year the company's revenue amounted to 2 billion roubles, the net loss amounted to 398.7 million roubles. In 2015 was a profit of 5.1 million. Last year and in 2017 there were problems with working capital. The collapse of the bank Spurt, which backs the company, creates huge problems for future activity



SIBUR subsidiary Krasnoyarsk Synthetic Rubber Plant (KZSK) is set to launch equipment to conserve heat. Overall, in 2016 at the Krasnoyarsk site SIBUR launched several investment projects aimed at improving the energy efficiency of the enterprise. In 2016 KZSK produced 41,000 tons of NBR special purpose, 6% more than in 2015. The main impetus of growth of production has been actively promoting the production site in China and Russia and to enter new markets of Brazil, Vietnam, Colombia, Peru, Serbia, which continued to expand the geography of consumers.

Russian Synthetic Rubber Exports (unit-kilo tons)		
Category	***Jan-Mar 17***	***Jan-Mar 16***
E-SBR	11.1	10.0
Block	11.5	5.9
SSBR	2.3	1.1
SBR	29.0	21.1
Polybutadiene	63.5	53.3
Butyl Rubber	31.2	38.7
HBR	33.9	28.0
NBR	7.9	6.9
Isoprene Rubber	73.4	65.8
Others	9.6	31.2
Total	273.5	262.0

Russian rubber exports, Jan-Mar 2017

Russian exports of synthetic rubber increased to 273,500 tons in the first quarter in 2017 against 262,000 tons in the same period in 2016, whilst revenues rose from $293 million to $472 million reflecting a rise per ton from $1118 to $1726. The highest value product category exported from Russia is halogenated butyl rubber (HBR).

Methanol

Russian Methanol Production (unit-kilo tons)		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Shchekinoazot	113.7	126.1
Sibmetakhim	252.1	201.8
Metafrax	277.0	280.5
Akron	24.6	17.1
Azot, Novomoskovsk	64.9	71.2
Angarsk Petrochemical	1.3	0.2
Azot, Nevinnomyssk	30.2	26.9
Tomet	211.6	162.4
Ammoni	49.4	25.5
Totals	1024.8	911.6

Russian methanol production Jan-Mar 2017

Russian methanol production amounted to 357,000 tons in March, 12% up on February. Production increased by around 100,000 tons in the first quarter over the same period in 2016. Metafrax accounted for 27% of Russian production in March, Sibmetakhim 24%, Tomet 21%, Shchekinoazot 11%, Azot 7%, Ammoni 5%, Akron 3% and Azot at Nevinnomyssk 2%.

Azot: at Novomoskovsk produced 25,800 tons of methanol in March, 36% higher than in February whilst Shchekinoazot and Akron in March increased production by 20% each to 38,800 tons and 9,000 tons, respectively. Tomet, Sibmetakhim and Metafrax in March increased production by 12% each, producing 75,000 tons, 86,800 tons and 96,300 tons respectively. The Angarsk Petrochemical Company demonstrated a reduction of 55% in March to 220 tons, whilst Azot Nevinnomyssk Azot produced 7,300 tons of product, or 35% less than in February. For the first quarter Russian methanol production totalled 1.025 million tons.

Russian methanol exports, Q1 2017

Methanol exports from Russia increased by 22% in March to 155,000 tons. Exports were distributed amongst Sibmetakhim (29% or 45,200), Metafrax (25%, or 39,100), Shchekinoazot (18%, or 28,000), Tomet (13%, or 19,700) and Azot (12%, or 17,900). Finland accounted for 56% of Russian exports in March, comprising 87,000 tons, which was 35% higher than in February. Other market destinations in March included Poland (12%, or 18,800), Romania (6% or 8,900) and Slovakia (11%, or 16,400). Consumers in Slovakia and Poland in March increased purchases over February by 13% and 3%, respectively, and Romania by 1%. The average selling price of methanol shipped abroad by domestic producers was about $261 per ton DAF border.

Russian Methanol Exports (unit-kilo tons)

Producer	***Jan-Mar 17***	***Jan-Mar 16***
Azot Novomoskovsk	48.8	55.9
Akron	4.4	0.0
Metafrax	100.2	86.4
Sibmetakhim	128.5	91.8
Tomet	57.6	42.6
Shchekinoazot	82.5	86.0
Total	422.1	362.7

Russian domestic methanol sales Jan- April 2017

Domestic sales of methanol dropped in April due to brief outages at Azot Novomoskovsk and Shchekinoazot. Overall shipments amounted to 114,000 tons which was 14% down on March. Tomet, Metafrax and Sibmetakhim accounted for around 80% of methanol sales.

Russian Methanol Domestic Sales (unit-kilo tons)

Producer	***Jan-Apr 17***	***Jan-Apr 16***
Azot Nevinnomyssk	6.7	4.1
Azot Novomoskovsk	32.0	31.5
Metafrax	122.4	139.1
Sibmetakhim	134.5	123.9
Togliattiazot	161.8	132.4
Shchekinoazot	14.5	32.5
Ammoni (Mendeleevsk)	34.5	28.3
Others	1.8	12.6
Total	508.3	504.3

The largest increase in sales in April was noted at Nevinnomyssk Azot: rising seven times over March to 2,700 tons. This was partly to compensate the downtime at its sister company Azot Novomoskovsk. Shchekinoazot sold 4,200 tons on the free market which is 33% more than in March. Azot shipped 5,700 tons of methanol to domestic consumers, 40% below March whilst sales by Sibmetakhim and Mendeleevskazot fell by 5% each, Tomet by 10% and Metafrax by 32% fell at the minimum. In April, Sibmetakhim shipped 31,600 tons of methanol (28% of the total product sold in the country), Ammoni 8,600 tons (8%), Tomet 38,400 tons (34%) and Metafrax 22,700 tons (20%).

Fosagro Q1 2017

Fosagro increased production of mineral fertilisers by 2.4% for the first quarter. Sales volumes rose by 8.7%, During the first quarter, Fosagro produced 1.96 million tons of fertiliser and feed phosphates, including an increase of 3.8% for phosphate fertilisers to 1.58 million tons. The production of nitrogen fertilisers decreased by 3% to 382,600 tons, whilst ammonium nitrate production rose by 0.1% to 129,800 tons. In January-March, the company increased sales volumes of fertilisers in the Russian market by 30% to more than 600,000 tons.

Fosagro Production (unit-kilo tons)

Product	***Jan-Mar 17***	***Jan-Mar 16***
Ammonia	279.3	297.9
Urea	252.8	264.9
Phosphate fertilisers	1,683.4	1,519.3
Nitrogen fertilisers	417.2	400.0
Ammonium nitrate	129.8	129.9
Aluminium fluoride	10.8	11.3
Phosphoric acid	596.4	587.7
Sulphuric acid	1,284.3	1,285.4
Sodium Tripolyphospahe	15.3	20.9

Fosagro could launch a new production unit for ammonia at the Cherepovets site in July 2017, followed by the urea plant in September. The new ammonia unit (capacity 760,000 tpa) undertook tests in late 2016 before commissioning, whilst the last delivery of components and equipment for the urea were supplied before the end of the year. Capacity of the new unit for production of urea, which will be the third for the Cherepovets site, amount to 500,000 tpa. Construction work on the urea unit began in 2015.

Akron Q1 2017

Akron increased commodity output by 17.8% in the first quarter in 2017, in particular increasing fertiliser production by 24%. In January-March the company produced 1,530,000 tons of fertilisers, including 648,000 tons of ammonia (an increase of 40.2%), 991,000 tons of nitrogen fertilisers (+14.9%), and 674,000 tons compound fertilisers (+33.6%). Production has increased mainly due to the new ammonia unit, which was started in 2016 at Novgorod. In 2016 Akron produced 2.2 million tons of ammonia, and 823,000 tons of urea. The production of organic synthesis products increased by 29.8% in the first quarter to 111,000 tons. In particular methanol production volumes were increased by 44.4%. Production of apatite concentrate decreased by 22% to 226,000 tons.

Akron Production (unit-kilo tons)		
Product	***Jan-Dec 16***	***Jan-Dec 15***
Ammonia	2201.0	1699.0
Urea	823.0	676.0
Methanol	80.5	90.8
Formaldehyde	133.0	168.0
Urea-formaldehyde resins	162.0	188.0
Calcium Carbonate	449.0	382.0

Togliattazot modernisation 2017

Togliattiazot (TOAZ) intends to invest more than 6.7 billion roubles in 2017 as part of its strategic modernisation programme. This year planned maintenance work is being undertaken on two of the ammonia plants, in addition to a unit for production of urea. TOAZ is also overhauling the second insulated storage tank of liquid ammonia which is important for both increasing the efficiency of current operations, and to provide a platform for new projects in increasing the production of urea and increasing the efficiency of ammonia plants.

Togliattiazot Capacities and Production			
Product	Capacity (ktpa)	2016 Output (ktpa)	vs 2015
Ammonia	3000	2856	-
Urea	960	552	-6.4%
UFC	194	129	-15%

As part of the investment program in 2017 TOAZ also launched a project to build a third urea unit capacity of 2,200 tons per day, and will continue to develop the project documentation for the construction of unit for production of ammonia from purge gas capacity of about 1860 tons per day. The total investment in the company's development up to 2022 will exceed 80 billion roubles.

Togliattiazot's net profit fell three times in the first quarter this year to 766.2 million roubles. Revenues fell by 1.6 times to 9.1 billion roubles whilst gross profit decreased by 1.7 times to 4.7 billion roubles. Production costs fell 1.4 times and amounted to 4.4 billion roubles.

Russian Butanol Production (unit-kilo tons)		
N-Butanol		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Angarsk Petrochemical Company	9.3	0.8
Azot	4.0	4.3
Gazprom n Salavat	18.9	22.6
SIBUR-Khimprom	9.6	10.5
Total	41.8	38.1
isobutanol		
Producer	***Jan-Mar 17***	***Jan-Mar 16***
Angarsk Petrochemical Company	4.9	0.2
Gazprom n Salavat	9.1	10.3
SIBUR-Holding	12.7	12.7
Total	26.7	23.0

Organic chemicals

Russian butanol production Jan-Mar 2017

Butanol production in Russia amounted to 23,520 tons in March, 3% more than in February. The share of n-butanol in production in March 2017 was 62%, and isobutanol 38%. Gazprom neftekhim Salavat produced 9,510 tons in March, SIBUR-Khimprom 7,620 tons, Angarsk Petrochemical 5,420 tons and Azot Nevinnomyssk 970 tons. In total, butanol production amounted to 68,530 tons in the first quarter which is 12% up on Q1 2016.

Russian Butanol Consumption (unit-kilo tons)		
Consumer	***Jan-Mar 17***	***Jan-Mar 16***
Akrilat	5.2	6.8
Dmitrievsky Chemical	2.3	4.9
Plant of Synthetic Alcohol	0.0	0.4
Volzhskiy Orgsintez	2.4	1.9
Roshalsky Plant of Plasticizers	0.2	0.0
Others	5.9	5.3
Total	16.0	19.3

Russian butanol sales, Jan-Mar 2017

Butanol sales on the Russian domestic merchant market rose 64% in March over February to 7,480 tons. The share of n-butanol was 79%, and isobutanol 21%. SIBUR-Khimprom increased shipments by 34% in March to 5,530 tons whilst the Angarsk plant increased shipments more than six-fold, to 1,040 tons (14%). At the same time Gazprom neftekhim Salavat shipped only 660 tons of butanol to the domestic market even though this was up against the 60 tons in February. Azot increased shipments in March by 15% to 250 tons. Merchant sales of butanols totalled 16,000 tons in the first quarter versus 19,300 tons in the same period in 2016.

Akrilat shutdown completed May 2017

SIBUR successfully completed the planned outage at the Akrilat division at Dzerzhinsk in May, during which plants for the production of acrylic acid and ethers, including methyl acrylate, butyl acrylate and 2-ethylhexylate, underwent maintenance. During the shutdown shipments to customers continued to be made, based mostly on inventory. Production of acrylic acid and of esters at Dzerzhinsk was put into operation in 2004, using technology and equipment from Nippon Shokubai, Nissho Iwai and Mitsubishi Heavy Industries.

Russian N-butanol Exports (unit-kilo tons)

Producer	***Jan-Apr 17***	***Jan-Apr 16***
Gazprom neftekhim Salavat	2.3	24.4
SIBUR-Khimprom	0.7	2.9
Angarsk Petrochemical	1.1	0.5
Azot Nevinnomyssk	0.6	0.2
Dmitrievsky Chemical Plant	0.1	0.8
Total	4.8	28.8

Russian Isobutanol Exports (unit-kilo tons)

Producer	***Jan-Apr 17***	***Jan-Apr 16***
Gazprom n Salavat	3.3	2.1
SIBUR-Khimprom	5.3	6.7
Total	8.6	8.8

Russian butanol exports, Jan-Mar 2017

Russian exports of normal butanol dropped sharply in the first four months in 2017, falling from 24,400 tons in 2016 to 4,800 tons. The drop is attributed mainly to the internal usage at the new acrylate complex. At the same time SIBUR-Khimprom reduced exports from 2,900 tons to 700 tons, due to the need to compensate for reduction in domestic sales from Salavat. In April SIBUR-Khimprom shipped 2,220 tons of butanols to foreign markets, and Gazprom neftekhim Salavat 1,820 tons, all of which was isobutanol. The Angarsk plant exported butanols for the first time this year, shipping 1,110 tons most of which went to China. April exports brought the total for the first four months to 13,400 tons which was 2.5 times down on 2015.

Russian Phthalic Anhydride Production (unit-kilo tons)

Producer	***Jan-Mar 17***	***Jan-Mar 16***
Gazprom neftekhim Salavat	2.5	1.6
Kamteks-Khimprom,	24.7	21.8
Total	27.3	23.4

Other Russian solvents, Jan-Mar 2017

Russian production of phthalic anhydride rose 21% in March to 9,910 tons. In March Kamteks-Khimprom increased phthalic anhydride by 20% over February to 8,800 tons whilst Gazprom neftekhim Salavat increased by 28% to 1,110 tons. The Salavat plant uses its phthalic anhydride captively in DOP production and does sell on the free market. Production of phthalic for the first quarter totalled 27,260 tons in the first quarter 16% higher than in 2016.

Russian Organic Chemical Exports (unit-kilo tons)

Product	***Jan-Mar 17***	***Jan-Mar 16***
N-Butanol	3.4	12.7
Iso-butanol	4.7	6.5
2-EH	8.7	12.9
Pentaerthyitol	2.7	2.2
Phenol	1.9	1.8
Ethylene Oxide	4.1	5.0
Formaldehyde	6.9	6.4
DEG	6.0	6.1
Acetone	14.5	14.5

DOP exports amounted to 309 tons in March, following 88 tons in February and 44 tons in January. Kamteks-Khimprom exported 167 tons in March, and the Urals plant of Plasticizers 142 tons. All products were exported to Uzbekistan. In the first quarter this year Russian DOP exports totalled 461 tons versus 108 tons in the same period in 2016. Overall for the first quarter Russian DOP imports totalled 304 tons which was 2.3 times lower than in 2016.

Other products

KZSK-Silicon methylchlorosilane project problems

KZSK-Silicon's methylchlorosilane project has been put on hold due to problems at its financial backer the Russian Bank Spurt. KZSK-Silicon (daughter of Kazan Synthetic Rubber Plant KZSK) had originally aimed to start its new plant for methylchlorosilane production in April 2016. Construction was started in June 2014 with a project cost estimated at 9.8 billion roubles, including 7.8 billion roubles provided by credit funds from

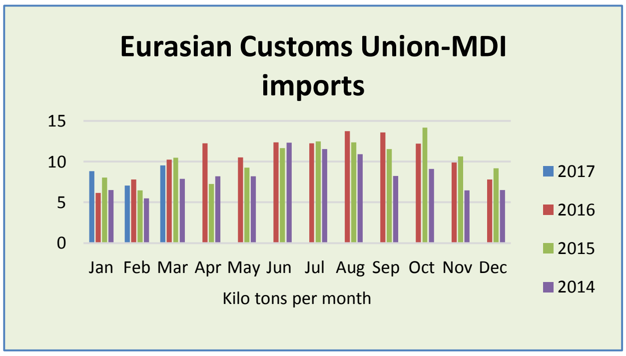
Kemin Industries-additives plant at Lipetsk

Kemin Industries launched the production of feed additives in the special economic zone at Lipetsk. Investments in the project amounted to about 1.3 billion roubles. The construction of the plant in the SEZ Lipetsk has been allocated a plot of land in the 4.2 hectares. The new venture involves a complex for the production of feed additives for animals and birds, laboratories and warehouses. Production capacity will reach 10,000 tpa of finished additive, consisting of lower organic acids, enzymes and patented components Kemin. Russia is one of the largest markets in Europe, which produces more than 30 million tpa of feed.

Vnesheconombank. The plant capacity has been designed to produce 40,000 tpa with the possibility of increasing to 100,000 tpa.

Due to Spurt-Bank's financial problems there is the possibility that the project will be sold at a very large discount to a potential investor. The project is included in the list of priority investment projects of the Republic of Tatarstan for 2017 and thus there is a political stimulus in completing the project if a buyer can be found. The main challenge is that project costs have increased more than two-fold from 6.7 billion to 13.7 billion roubles.

The Russian market demand for methylchlorosilanes is estimated at 50,000 tpa from a global total of around 4 million tpa. Methylchlorosilane is used as a chemical component in a large number of industries, from household chemicals and cosmetics to lubricants for rubber products, water-repellent components of drilling fluids, and various sealants.



TAIF-isocyanate project & Russian PU market 2016

TAIF Group is interested in including Evonik in a project to produce isocyanates in Tatarstan. Consideration with Linde is being given towards constructing an isocyanate plant at Nizhnekamskneftekhim on top of the new cracker project. Currently, the production of isocyanates is not carried out in Russia. Interest in implementing similar projects at various times expressed by Bashkir Soda Company Khimprom at Novocheboksarsk and other enterprises.

In December last year GIPROIV stated that it had begun the development of domestic plants for the production of methylene diphenyl diisocyanate (MDI) of up to 80,000 tpa. The origins of the technology were created in the Soviet Union and implemented in industrial production in Dzerzhinsk Korund and Dniprodzerzhinsk Azot. MDI imports are increasing into Russia, due to demand from the processing sector, although until now the variety of project proposals have not progressed beyond the concept stage. Proposed projects are being examined, but are unlikely to enter the construction in the medium term.

Russia imported a total of 157,200 tons of isocyanates in 2016 which is 1.5% more than in 2015. MDI imports comprised 113,600 tons, down 0.7%, whilst TDI imports rose by 2.2% and amounted to 39,000 tons. Suppliers to the Russian market for MDI included Dow Izolan, Wanhua Chemical and BASF. The leaders for TDI were Covestro, BASF and BorsodChem. Despite the rise in internal processing for MDI and TDI, imports of flexible polyurethanes rose 9% in 2016 to 32,300 tons. In 2017 SC FomLayn will launch a plant in the Penza region for the production of flexible polyurethane foam with a capacity of 80,000 tpa.

Azot Grodno Production (unit-kilo tons)

Product	*Jan-Mar 17*	*Jan-Mar 16*
Methanol	21.8	18.7
Caprolactam	29.8	27.7
Polyamide primary	25.8	24.2
Polyamide filled	3.0	2.2
Ammonia	289.7	298.9
Urea	284.7	282.1
Fertilisers	208.5	209.6
Fibres	9.9	7.7

Belarus

Belarussian petrochemical production, Jan-Apr 2017

Production at Grodno rose in the first quarter for methanol and caprolactam, whilst a slight fall was recorded for ammonia. In the first quarter Belarus produced 25,600 tons of benzene, unchanged from 2016. Grodno Azot increased caprolactam production in the first quarter to 29,800 tons from 27,700 tons in the same period in 2016. LDPE production at Novopolotsk continues to be affected by repairs to one line which underwent a fire last year. The fire damaged the process equipment for the production of ethylene, and has been partly idle since. The production capacity of the LDPE plant at Novopolotsk is 130,000 tpa.

Belarussian polymer trade, Jan-Mar 2017

Polypropylene imports into Belarus dropped slightly in the first three months this year to 20,000 tons from 22,000 tons in the same period in 2016. The largest increase occurred in propylene copolymers, rising to 7,263 tons against 6,245 tons Polyethylene imports into Belarus increased to 33,337 tons in the first quarter in 2017 against 24,637 tons in the same period in 2016, driven mainly by the fall in domestic production volumes at Polymir. LDPE imports totalled 20,900 tons against 15,600 tons in January to March 2016, whilst HDPE imports rose 12.3% to 10,600 tons. Regarding synthetic rubber imports, shipments totalled 11,222 tons in January to March 2017 against 10,458 tons in the same period in 2016. Most of the synthetic rubber exports were sourced from Russia. Average prices per ton for synthetic rubber imports into Belarus rose from $1170 in Q1 2016 to $1881 in Q1 2017.

Belarussian Polymer Imports (unit-kilo tons)

Product	*Jan-Mar 17*	*Jan-Mar 16*
PVC	6.0	4.5
Polypropylene	20.1	22.0
LDPE	20.9	15.6
HDPE	10.6	8.9
Polystyrene	14.0	13.9

Exports of polyethylene from Belarus dropped from 35,895 tons in Q1 2016 against 21,376 tons in January to March 2017, of which around three quarters were shipped to Russia. PET exports from Belarus increased to 14,746 tons in January to March 2017 against 9,450 tons in the same period in 2016.

Mogilevkhimvolokno PTA Imports (unit-kilo tons)

Country	*Jan-Mar 17*	*Jan-Mar 16*
Poland	3.6	3.1
Russia	1.1	0.0
South Korea	11.8	3.0
Portugal	0.0	1.0
Thailand	0.0	1.1
Total	16.5	8.2

Belarussian PTA imports, Jan-Mar 2017

PTA imports into Belarus totalled more than doubled in the first three months in 2017, rising to 16,500 tons from 8,174 tons in the same period in 2016. Imports from South Korea rose to 11,574 tons against 3,000 tons in January to March 2016, whilst imports from Poland rose slightly to 3,643 tons from 3,072 tons. The average price per ton for Belarussian PTA imports rose from $674 in the first quarter last year to $738 in January to March 2017.

Paraxylene imports into Belarus totalled 8,540 tons in January to March 2017, against 3,223 tons in the same period in 2016. All of the paraxylene was sourced from Russia, the price rising this year to $812 per ton against $669. MEG imports into Belarus totalled 21,113 tons in January to March 2017 versus 11,200 tons in the same period in 2016. Russian producers supplied almost all of the market requirements.

Belarussian chemical trade, Jan-Mar 2017

In the chemical division, acrylonitrile exports totalled 14,446 tons in the first quarter in 2017 against 13,154 tons in the same period in 2016. The Netherlands has been the main destination for Belarussian exports in 2017, rising to 6,735 tons against 1,300 tons in same period in 2016, whilst exports to Hungary dropped from 4,000 tons to 1,089 tons. The average price for Belarussian acrylonitrile exports amounted to $1,236 per ton in January to March 2017 against $713 per ton in same period in 2016.

Belarussian Organic Chemical Exports (unit-kilo tons)

Product	*Jan-Mar 17*	*Jan-Mar 16*
Acrylonitrile	14.4	13.1
Caprolactam	4.5	3.6
Phthalic anhydride	5.4	6.8
Methanol	3.3	15.6

Phthalic anhydride exports totalled 5,4360 tons in the first three months in 2017 against 6,800 tons in the same period in 2015. The main destinations for Belarussian phthalic anhydride exports included Russia, Ukraine and Poland.

Caprolactam exports have revived this year, and totalled 4,015 tons for the first quarter against 3,611 tons in January to March 2016. In April Azot from Grodno exported 2,750 tons of caprolactam to Taiwan, in addition to 748 tons to India and 517 tons to Indonesia. Methanol exports have dropped this year from Belarus, totalling 3,300 tons in the first three months versus 15,600 tons in the same period last year.

Ukraine

Karpatneftekhim restart

The launch of the Karpatneftekhim plant is scheduled for the latter part of May, including plans for a simultaneous start-up of production of ethylene, polyethylene, polyvinyl chloride, and caustic soda. Karpatneftekhim will operate on feedstock supplies of 50,000 to 70,000 tons per month. In the near future, the company plans to sign annual contracts with suppliers. Karpatneftekhim's cracker uses feedstocks including light and heavy distillates, liquefied gas and butane.

In order to support production activities at Karpatneftekhim the Ukrainian Cabinet of Ministers established a quota at the end of April for the import and purchase of raw materials. In order to help Karpatneftekhim operate in the market, the Ukrainian government has banned PVC imports from Russian producers RusVinyl and Kaustik (Volgograd).

Ukrainian polyethylene imports

Ukrainian Polymer Imports (unit-kilo tons)

Product	***Jan-Mar 17***	***Jan-Mar 18***
PVC	20.9	28.7
LDPE	16.3	17.7
LLDPE	14.9	12.8
HDPE	24.0	29.7
Ethylene Vinyl Acetate	4.1	2.5
PP	28.4	27.0

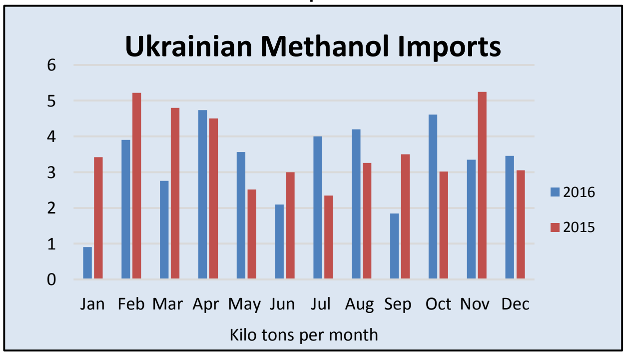
In the first three months in 2017 polyethylene imports into Ukraine amounted to 59,300 tons which was 5% down on the same period in 2016. HDPE imports dropped from 30,000 tons to 24,000 tons, whilst LDPE imports dropped 8% to 16,300 tons. LLDPE imports rose from 12,800 tons to 14,900 tons, whilst EVA imports rose to 4,100 tons versus 2,000 tons in the first quarter in 2016.

Polypropylene imports into Ukraine rose 4% in the first quarter to 28,400 tons. Imports of homopolymers rose to 22,200 tons from 21,200 tons in Q1 2016, whilst block copolymer imports rose to 2,900 tons from 2,500 tons and random copolymers dropped from 3,000 tons to 2,800 tons.

Imports of PVC into Ukraine fell by 35% in the first quarter and amounted to 20,900 tons versus 31,900 tons. Imports from the US dropped from 22,200 tons in the first quarter in 2016 to 3,500 tons in the same period in 2016 whilst imports from Europe rose to 12,300 tons from 7,100 tons. Imports from Russia rose from 2,400 tons to 5,000 tons in the first quarter in 2017.

Ukrainian chemical imports, Jan-Mar 2017

Imports of phthalic anhydride into Ukraine amounted to 703 tons in the first quarter this year which is 34% down on the same period in 2016. In March imports comprised 351 tons against 210 tons in February. Lakokraska supplied 225 tons in March (64% of the total supplies), Petkim 66 tons (19%) and Kamteks-Khimprom 60 Tons (17%). From the consumers Polikem purchased 126 tons for the production of phthalate plasticizers whilst Lizinvest purchased 60 tons).



DOP imports in March amounted to 210 tons against 229 tons in February. Deliveries in March were divided equally between Deza and Boryszew. In the first quarter of 2017, the import of DOP to Ukraine was 722 tons which is 13% more than for the same period last year. Imports of DOP into Ukraine totalled 4,670 tons in 2016, 3.6 times higher than in 2015.

Methanol imports into doubled in March over February to 4,400 tons. The main suppliers in March came from Russia, including Azot at Novomoskovsk, Shchekinoazot and Tomet. The main consumers including trading companies, gas producers and formaldehyde producers.

Ukrainian chemical industry news

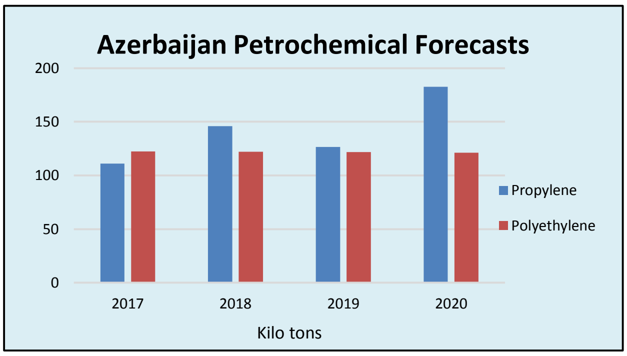
Ukraine is to introduce protective duties on imports of Russian nitrogen fertiliser, whilst educing duties from other countries to zero. According to the Ministry of Trade, Russia is currently a key supplier of nitrogen fertilisers to the Ukrainian market with a share of 80-90%. Introducing duties is a policy designed to reduce the dependency on Russian imports and to help diversify supply. Dumping duties are to be applied on urea and urea-ammonia mixture produced in Russia, the fee is defined in 31.84%. In order to ensure food security there is an urgent need for measures to diversify the supply of fertilisers in Ukraine (from China, the Middle East, the USA and others).

Zarya-Rubezhnoye
Zarya at Rubezhnoye, which specialises in the production of industrial explosives, is striving to develop its market share in Turkey adding to its efforts in Europe. Over the past three years the company has stepped up efforts to sell products in the European marketplace, moving away from its traditional market in Russia and the CIS, and the plant is running close to full capacity.

Rivneazot, also part of the holding Ostchem, reopened the ammonia complex in February. The unit of synthesis gas is now running at maximum load, and produces more than 650 tons of ammonia per day. Rivneazot is the sole producer of calcium ammonium nitrate and one of the two producers of adipic acid in Ukraine. Plant capacities include 420,000 tpa of liquid ammonia, 540,000 tpa of granulated ammonium nitrate, 470,000 tpa of calcium ammonium nitrate and 25,000 tpa of adipic acid.

Central Asia/Caucasus

SOCAR-OGPC
As at the start of May 2017, SOCAR-Polymer at Sumgait had achieved 71% of construction of the polypropylene plant and 26% of the HDPE plant. Initial capacity of the polypropylene plant will be 180,000 tpa and then following the commissioning of new oil and petrochemical complex (GPC), would rise to 300,000 tpa. Both projects are separate investments but are both being undertaken in the Chemical Industrial Park in Sumgait. SOCAR Polymer's authorized capital is $100 million, in which SOCAR owns 51% shares and 49% belongs to PASHA Holding, Gilan Holding, Azersun Holding. The new OGPC project is planned to create a gas processing and petrochemical complex, including a capacity for polyethylene of 600,000 tpa.



Urea project Azerbaijan
The Export-Import Bank of Korea (KEXIM) at the end of April provided the second tranche of the loan of €500 million for the construction of a urea plant at Sumgait. The first tranche of €201 million was received in March. Construction is scheduled to be completed by 2018 after starting in 2014. Production from the plant should cover full demand for nitrogen fertilisers in Azerbaijan, whilst facilitating a large surplus for export. Target markets include Turkey and the countries of the Black Sea region. Urea production at Sumgait in 2018 could amount to 2,000 tons per day. Licensors include Stamicarbon and Haldor Topsoe, supported by Neste Jacobs Oy.

Seaport under construction to export chemical products from Turkmenistan
The construction of new seaport, through which chemical products will be exported, is currently underway in the Turkmen city of Garabogaz. The construction of a modern port facility in Garabogaz on the site of the old one is envisaged by a large-scale project to build a chemical plant producing 1.155 million tpa of urea. The seaport will facilitate the transportation of products by sea. This project is being implemented by the Japanese-Turkish consortium as part of the Japanese company Mitsubishi Corporation and the Turkish construction firm Gap Insaat. The planned productivity of the future port is 3,500 tons of shipment per day.

The construction of a plant with a capacity of 1.155 million tpa of urea is expected to be completed in June 2018. About 900 workplaces will be created at the plant. Earlier it was reported that this plant will be the largest enterprise of this kind in Turkmenistan and the cost of the contract is approximately $1.3 billion. Natural gas, on the reserves of which Turkmenistan occupies a leading position in the world, will be the raw material for the enterprise.

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 = 226.4 €1 = 29.6: Rus rouble. $1 = 57.2 €1= 63.7

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