



CIS Chemical Industry News

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RUSSIA

Russian Chemical Imports by value (\$ billion)

Product Group	Jan-Feb 17	Jan-Feb 16
Organic and inorganic chemicals	657.3	551.1
Pharmaceuticals	1312.4	925.8
Cosmetics	399.2	324.0
Soap and detergents	163.1	137.1
Polymers and rubber	1367.0	1111.8
Others	708.7	604.0
Total	4607.8	3653.7

Russian chemical trade Jan-Feb 2017

Chemical product imports into Russia rose sharply in the first two months in 2017 against the same period in 2016, increasing 17% in January and 18% in February. Pharmaceutical imports rose from \$925.8 million in January to February 2016 to \$1312.4 million in the same period this year. Polymer and rubber imports also rose in value from \$1111.8 million to \$1367.0 million.

Import trends tend to be correlated with oil prices and the subsequent rouble exchange rate which has been stronger in the in the first couple of months this year. In February 2017, industrial production in Russia decreased by 2.7% compared with February 2016. With the exception of seasonal and calendar factors, in February 2017, industrial production fell by 1.5% in relation to January. The fall came after rising 0.7% in January compared to December.

Siberia and Far East Developments

Gas supply for VNKH project & potential petrochemical projects Russian Far East

The key question of gas supply between Rosneft and Gazprom to the Eastern Petrochemical Company (VNHK) has reportedly been resolved, which without could have jeopardised the project. At the end of 2016,

Petrochemical TOR (priority of territorial development) Russian Far East

The Petrochemical TOR (priority territorial development) at Partizansk near Nakhodka in the Primorsky Krai was officially confirmed in March. It is estimated that investments in the Petrochemical TOR in the Primorsky Krai could exceed 540 billion roubles coupled with the creation of around 3,500 jobs. At least that is the hope. The main resident of the TOR is the VNKH petrochemical complex followed by the Bolshoy Kamen shipbuilding yard Zvezda. For the construction of infrastructure facilities for Eastern Petrochemical Company (VNHK), a key resident the Petrochemical TOR in the Primorsky Krai, Minvostokrazvitiya estimates that funds from the federal budget may not meet sufficient to cover all priorities.

the Russian President instructed Gazprom and the government to take measures for supplying gas to the VNKH complex which is in the early stages of construction. Having been a conflicting issue with Rosneft Gazprom has been instructed to provide grid connection facilities VNHK to the main gas pipelines and gas distribution networks.

Russian group Fund Energy is discussing with Gazprom the possibility of gas supplies from the Power of Siberia being directed towards gas chemical projects in the Russian Far East. Should China possibly not consume as much gas as discussed previously another option for the Power of Siberia pipeline is to be extended to the Pacific coast where projects such as VNKH are

being undertaken.

The Russian Ministry of Economic Development (Minvostokrazvitiya) is preparing a bill that will fund the construction of transport and engineering infrastructure in the Far Eastern Federal District through tax payments on private investors. This is intended to relieve some of the burden from the federal and regional budgets.

Amur Gas Processing Plant-first part of complex to start construction in July 2017

The first stage of the Amur Gas Processing Plant (GPP) will start construction in July this year. The foundation stages for the plant at Svobodny in the Amur region are fully underway at present. This includes the establishment of a temporary town for workers, access roads and other logistical requirements such as a pier on the Zeya River and railway connections. The residential neighbourhood in the north of Svobodny is being created to house 5,000 inhabitants, allowing workers to bring families to the area.

Russian Chemical Production (unit-kilo tons)		
Product	Jan-Feb 17	Jan-Feb 16
Caustic Soda	197.9	180.4
Soda Ash	541.0	532.0
Ethylene	505.0	500.0
Propylene	240.0	252.6
Benzene	247.0	210.1
Xylenes	101.2	98.1
Styrene	118.5	118.8
Phenol	226.0	40.7
Ammonia	2,600.0	2,600.0
Nitrogen Fertilisers	1,629.0	1,613.0
Phosphate Fertilisers	533.0	594.0
Potash Fertilisers	1,384.0	1,231.0
Plastics in Bulk	1,267.0	1,280.0
Polyethylene	339.0	345.0
Polystyrene	81.1	91.1
PVC	156.9	147.1
Polypropylene	246.0	252.0
Polyamide	24.7	24.2
Synthetic Rubber	292.0	247.0
Synthetic Fibres	24.9	22.1

Irkutsk Oil Company-helium project

Irkutsk Oil Company (INC) plans to complete the construction of a liquefied helium plant on the Yarakta gas condensate field by the end of 2018. Construction is scheduled to begin installing the second quarter of 2017. The planned facility capacity is 15 million litres per year. One of the requirements for the construction of the facility is a need to provide infrastructure and energy for projected installation processing. The Yarakta oil and gas field was discovered in 1971 and is located 140 kilometres from Ust-Kut in the Irkutsk Oblast. The other field being developed by Irkutsk Oil Company is the Markov field where the company intends to build a plant capacity of 6 million cubic metres per day for the treatment and processing of the gas field.

installed capacity of 100 MW for electricity UZKP.

According to Gazprom processing Blagoveshchensk, which is managing the construction of the Amur GPP, a number of companies are operating at the site including up to around a thousand workers already engaged. However, thus far it has been difficult to attract workers from other regions despite the high salaries on offer. On another matter the regional Ministry of Transport has requested to develop an agreement on compensation for the use of roads of regional and local significance in the construction of the Amur GPP. The size of the equipment arriving by road could be extremely harmful to road surfaces.

Irkutsk TOR to be based at Sayanskkhimplast

The Irkutsk Administration is assessing plans to create a territory for priority development (TOR) based at Sayansk where petrochemical production will form the main focus of activity. Other industries that could be included in the TOR comprise agricultural producers and processors of wood. However, the core industry of the TOR is to be concentrated at Sayanskkhimplast where with the support of the regional government plans to create a new gas-chemical complex. Negotiations are being currently conducted on the project, with potential partners Sinopec.

Irkutsk Oil Company-polymer project

Irkutsk Oil Company (INK) continues to examine plans for the construction of a polymer plant at Ust-Kut in northern Irkutsk. In June 2014 INK received a building permit the production of polymers. The company is currently in the process of selecting a contractor for the preparation of pre-technological solutions on land planning. Construction of Ust-Kut Polymer Plant (OCCP) is the third stage of INK's investment programme, which is set to be completed by 2022.

To make efficient use of resource potential, and in particular the ethane content in the gas, INK is studying the possibility of building polyolefin facilities at the Ust-Kut plant for the production of LLDPE and HDPE. The planned volume of marketable production of comprises 600,000 tpa. One of the projects includes the construction of a power plant with an

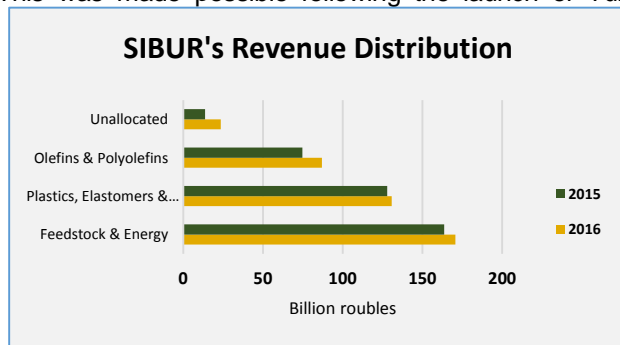
At present the site options are being evaluated which will depend on engineering and geological surveys. INK's hydrocarbon deposits are concentrated on the Yarakta and Markovski fields which are linked to Ust-Kut through a pipeline of 196 km to the station for reception, storage and shipment of liquefied gases. By 2018, the Yarakta field is expected to increase its gas production coupled with the introduction of a gas processing plant with a capacity of 12 million cubic metres per day, in addition to

the installation of a helium liquefaction. In parallel, planned development of the gas condensate field Markovski, where the company wants to build a plant capacity of 6 million cubic metres of gas.

Russian Petrochemical Producers

SIBUR 2016

SIBUR increased processing volumes of hydrocarbon feedstock in 2016 and utilisation rate at the polypropylene plant at Tobolsk-Polymer where production totalled 592,911 tons. SIBUR's gas processing plants (GPPs) processed 22.4 billion cubic metres of associated gas in 2016, an increase of 4.4% over 2015. This was made possible following the launch of Yuzhnyi-Priobsky GPP in September 2015 and the expansion of Vyngapur GPP in March 2016.



In 2016, SIBUR's EBITDA increased by 2.9% to 139.629 billion roubles from 135.635 billion roubles in 2015. The growth was fuelled by the strong performance in the olefin and polyolefin division, which EBITDA increased by 32.6% to 48.909 billion roubles in 2016 from 36.895 billion roubles in 2015.

SIBUR's net profit in 2016 totalled 113,089 billion roubles against 6.505 billion roubles in 2015. The increase was primarily a result of movements in currency exchange rates, as SIBUR recorded 48.924 billion roubles in foreign exchange gains in 2016 versus a loss of 63.135 billion roubles in 2015. Aside higher production of polypropylene and hydrocarbon feedstock processing volumes. RusVinyl also contributed to the growth as it increased capacity load in 2016.

Revenues increased by 8.4% to 411.812 billion roubles in 2016 from 379,852 billion roubles in 2015. Olefins and polyolefins made the highest contribution to revenue growth with the division revenue increasing by 16.4% to 86.830 billion roubles in 2016 from 74.616 billion roubles in 2015, mainly driven by higher polypropylene sales.

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

Product	Jan-Dec 16	Jan-Dec 15
Benzene	165.0	153.1
Styrene	175.3	174.8
PTA	260.6	266.0
Propylene	815.5	729.9
Ethylene Oxide	284.3	261.4
Butadiene	255.6	232.7
Isoprene	65.3	66.7
Isobutylene	170.7	146.0
Ethylene	537.4	635.0
Other Intermediates	930.5	1258.2
Other Chemicals	672.0	814.1

The feedstock and energy divisional revenues increased by 4.3% to 170.708 billion roubles in 2016 from 163.707 billion roubles in 2015 largely due to higher sales volumes of LPG and natural gas following the recent capacity expansions;

Plastics, elastomers and intermediates increased revenues by 2.1% to 130.690 billion roubles in 2016 from 127.954 billion in 2015 due to higher elastomers revenue on higher capacity load, which was partially offset by lower revenue from MTBE and fuel additives on lower prices. Other revenues increased by 73.7% to 23.584 billion roubles in 2016 from 13.575 billion roubles in 2015. This was driven by higher revenue from NIPIGAZ services, involved particularly in the design of the Amur GPP, and sales of power following

the acquisition of Tobolsk Heating and Power Plant in February 2016.

Kazanorgsintez 2016

Kazanorgsintez increased revenues by 12% in 2016 to 75.4 billion roubles whilst the net profit is expected to drop slightly from 19.3 billion roubles to 18 billion roubles. Net profits rose in 2015 but similarly to other petrochemical producers slowed in 2016.

Although Tatneft increased ethane supply in 2016 from the Minnibayevo gas plant, Kazanorgsintez still faces raw material shortages. Kazanorgsintez signed another long-term contract in 2015 with Gazprom

Kazanorgsintez Production (unit-kilo tons)		
	Jan-Dec 16	Jan-Dec 15
HDPE	486.2	465.5
LDPE	166.9	187.2
Ethylene	477.7	538.5
Propylene	52.3	41.9
Polycarbonate	67.0	67.3
Phenol	66.8	71.8
Acetone	45.5	40.2

for ethane supply from Orenburg and is considering options on how to increase capacity. Gazprom is considering the construction by 2022 of a gas processing plant in Tatarstan, which would be capable of producing 2.2 million tpa of ethane and 1.5-1.6 million tpa of LPG. These feedstocks could be delivered to both Kazanorgsintez and Nizhnekamskneftekhim.

Nizhnekamskneftekhim 2016

Nizhnekamskneftekhim reduced its net profit by 5% in 2016 against 2015 whilst revenues fell by 2%. The company achieved revenues of 153.410 billion roubles whilst the cost of sales increased by 4.5% to 117 billion roubles. Selling expenses increased by 39% to 7.78 billion roubles, and management costs by 12.4% to 6.36 billion roubles. As a result, the company's gross profit decreased by 5.5% to 36.4 billion roubles whilst the operating profit amounted to 22.27 billion roubles, and net profit 25.05 billion roubles.

Nizhnekamskneftekhim Production (unit-tons)		
<i>Product</i>	<i>Jan-Dec 16</i>	<i>Jan-Dec 15</i>
Ethylene	607.5	585.7
Propylene	278	283.5
Benzene	200.6	212.8
HDPE	135.6	154.4
LLDPE	73	46.5
Polypropylene	227.5	213.7
Styrene	300.4	300.3

In 2016 Nizhnekamskneftekhim recorded revenues from the reimbursement of excise duty worth 10.67 billion roubles against 6.38 billion roubles in 2015. The refund of excise duty was made in order to partially compensate for raw materials for the petrochemical prices, which occurred due to changes in customs duties on oil and oil products. According to the latest amendments to the Tax Code, the rate of excise

duty on naphtha will remain at the level of 13,100 roubles per ton for the period 2017-2019. This provides for an adjustment of the coefficient used to calculate the tax deduction on excise duty on naphtha, used as raw material for the petrochemical industry.

Russian petrochemical markets

Russian NGLs for petrochemical production, Jan-Feb 2017

NGL sales to the Russian petrochemical sector dropped 1.9 times in February against January to 33,800 tons. Nizhnekamskneftekhim bought only 6.930 tons (down 80% compared to January) due to increased consumption of naphtha from the nearby Taneko refinery. In addition, SIBUR-Kstovo reduced the volume of purchases by 33% to 12,160 tons although Tomskneftekhim increased inward shipments by 25% to 14,720 tons.

Russian propylene sales & exports, Jan-Feb 2017

Domestic sales of propane-propylene fractions to the domestic market amounted to 15,800 tons in February, 21% more than in January. The Ryazan refinery increased its product sales by 6% to 7,100 tons. Sales totalled 28,800 tons in the first two months in 2017, 32% up on the same period in 2016.

Russian Propylene Domestic Sales (unit-kilo tons)		
Company	Jan-Feb 17	Jan-Feb 16
Angarsk Polymer Plant	13.5	8.3
Omsk Kaucuk	1.0	0.0
SIBUR-Kstovo	12.2	19.3
LUKoil-NNOS	38.8	38.3
Tomskneftekhim	0.3	0.0
Stavrolen	2.0	0.0
Total	67.8	66.1

Exports of propane-propylene fractions amounted to 6,400 tons in February, which is 14% lower than January. The Ryazan refinery reduced the supply of to foreign markets by 17%, to 6,200 tons. Imports totalled 13,900 tons in the

first two months in 2017, 25% down on 2016.

Propylene sales on the Russian merchant market amounted to 27,900 tons in February, 23% down against January. Lukoil-NNOS reduced domestic sales by 28% to 16,200 tons whilst Angarsk Polymer reduced shipments by 28% to 5,500 tons and SIBUR-Kstovo by 5% to 5,900 tons. For the first two months in 2017 Russian sales totalled 64,300 tons which was unchanged from last year.

Propylene exports fell by half in February to 8,500 tons, including a drop of 4.2 fold by Lukoil-NNOS to 1,000 tons in February. The reason was technological difficulties at the plant. In addition, SIBUR-Kstovo reduced export shipments of monomer by 33% to 6,700 tons. For two months of 2017, domestic companies sold 25,700 tons of propylene abroad, which is 12% more than for the same period in 2016.

Russian Styrene Production (unit-kilo tons)		
Producer	Jan-Feb 17	Jan-Feb 16
Nizhnekamskneftekhim	50.9	51.4
Angarsk Polymer Plant	5.7	4.2
SIBUR-Khimprom	18.8	24.3
Gazprom n Salavat	32.2	30.8
Plastik, Uzlovaya	11.0	8.1
Total	118.5	118.8

Russian styrene production, Jan-Feb 2017

Russian styrene production amounted to 57,800 tons in February against 60,750 tons in January. Nizhnekamskneftekhim produced 24,130 tons in February, 1.8% of 2016 less than in January whilst Gazprom neftekhim Salavat reduced production by 8.3% to 15,390 tons. SIBUR-Khimprom increased production by 13.6% by 9,990 tons, whilst Plastik's volume fell by 7.4% to 5,280 tons whilst Angarsk Polymer Plant rose 11% to 3,030 tons.

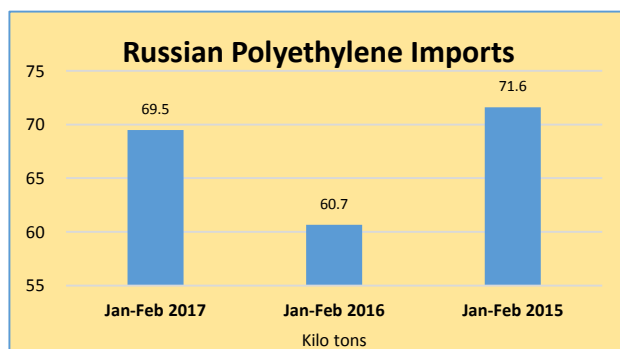
Russian styrene exports, Jan-Feb 2017

Styrene exports from Russia amounted to 13,850 tons in February, 7.1% up on January. Gazprom neftekhim Salavat shipped 12,080 tons, 25% more than in January. SIBUR-Khimprom and Angarsk Polymer Plant reduced the shipment of styrene to foreign markets to 1,010 tons of monomer abroad (17% less than in January), and Angarsk polymer plant 748 tons (2.7 times less). Finland accounted for 10,740 tons of exports in February, 13.5% more than in January. China bought 2,070 tons in February, and Turkey 1,540 tons. Latvia increased deliveries by three-fold to 553 tons. In the first two months in 2017 sales of styrene amounted to 26,790 tons of styrene on foreign markets, or 8.3% more than in the same period of 2016.

Bulk Polymers

Russian polyethylene imports, Jan-Feb 2017

Russian polyethylene imports rose 10% in the first two months in 2017 to 69,500 tons, including a rise in



Russian HDPE production, Jan-Feb 2017

Russian HDPE production fell 5% in the first two months to 154,400 tons, dropping to 70,400 tons in February against 84,500 tons in January. One of the reasons included the switch by Nizhnekamskneftekhim to LLDPE production at the start of February, thus producing only 10,700 tons in the first two months in 2017. Kazanorgsntez produced 80,900 tons of HDPE in the first two months in 2017 against 79,700 tons in 2016, whilst Stavrolen increased production by 10% to 48,100 tons. Gazprom neftekhim Salavat produced 15,100 tons in January and February 2017 which was 24% lower than the same period in 2016.

HDPE. Imports rose in February to 38,700 tons from 30,800 tons in January. HDPE imports grew to 13,200 tons in February from 11,500 tons in January as local companies increased volumes of film HDPE from Uzbekistan and HDPE from Europe for extruded coating of steel pipes. Imports of HDPE totalled 24,700 tons in January to February 2017 against 16,800 tons in 2016.

LLDPE imports dropped in the first two months in 2017 to 20,900 tons versus 24,100 tons in 2016 due to higher domestic production. LDPE imports also dropped to 13,000 tons from 14,300 tons. Imports of EVA rose in 2017 by 54% to 4,700 tons. In February, imports of EVA fell to 2,300 tons against 2,400 tons a month earlier. During the period under review, imports of this type of ethylene copolymer grew by 54%, to 4,700 tons.

Russian LLDPE market 2016

Consumption of LLDPE in the Russian market rose 18% in 2016, helped by production by Nizhnekamskneftekhim. Imports form the lion's share of consumption, amounting to 72% of total volumes in 2016. Market forecasts for 2017 indicate a growth rate of 8% for LLDPE, rising to 325,000 tpa. Nizhnekamskneftekhim wants to increase LLDPE production but states it would be uneconomic whilst the Ministry of Industry maintains a zero duty policy for imports.

Market consumption of LLDPE in 2016 amounted to 300,000 tons, including 217,000 tons of imports. Saudi Arabia accounted for 71,800 tons of imports, whilst Belarus is also becoming an important partner

through re-exports of SABIC product. In 2016 35,200 tons were shipped from Belarus to Russia, having originated in Saudi Arabia.

Russian Polypropylene Imports (unit-kilo tons)		
	Jan-Feb 17	Jan-Feb 16
Homopolymers	6.5	10.1
Block	6.4	4.4
Random	4.4	3.8
Other	4.4	3.7
Total	21.7	22.0

Russian polypropylene, Jan-Feb 2017

In the first two months of 2017 Russian imports of polypropylene amounted to 22,000 tons against 23,300 tons in the same period in 2016. The stronger rouble in February helped encourage domestic buyers to import more polypropylene in February, increasing to 12,100 tons against 9,500 tons in January.

Russian polypropylene production totalled 234,300 tons in the first two months in 2017, 2% down against 2016. Production amounted to 108,700 tons in February against 125,700 tons in January. Tobolsk-Polymer produced 78,000 tons in the first two months against 84,900 tons in 2016, whilst Polyom increased production to 35,400 tons against 34,000 tons. Ufaorgsintez increased production from 20,100 tons to 21,100 tons whilst Stavrolen increased production by 4% to 19,600 tons. Nizhnekamskneftekhim reduced production to 35,700 tons against 36,100 tons whilst Tomskneftekhim reduced production to 23,200 tons against 23,600 tons.

Russian Polypropylene Market (unit-kilo tons)		
	2016	2015
Production	1378.8	1281.8
Import	135.2	103.9
Export	318.0	361.0
Market volume	1196.0	1024.7
% exports in production	23	28
\$ imports in consumption	11	10

Russian polypropylene consumption 2016

Russian polypropylene consumption rose 17% in 2016 to 1.2 million tons. Exports of polypropylene dropped in 2016 to 318,000 tons from 361,000 tons in 2015, due to higher demand on the domestic market.

Some of the trends included a significant increase in the application of polypropylene for medical purposes, rising almost twice to 110,000 tons. Rising growth was also noted for sectors such as films, fibres and filaments whilst falls in production for polypropylene were noted for pipes and fittings, non-woven fibre, and sheets and dishes.

Russian Polypropylene Production (unit-kilo tons)		
Producer	Jan-Feb 17	Jan-Feb 16
Ufaorgsintez	21.1	20.1
Stavrolen	19.6	18.8
Neftekhimya	18.2	21.7
Nizhnekamskneftekhim	35.3	36.2
Polyom	35.4	34.0
Tomskneftekhim	23.2	23.6
Tobolsk-Polymer	78.0	84.9
Total	230.8	239.3

Imports of polypropylene increased 30% in 2016, constituting 11% of consumption up from 10% in 2015. Despite the rise in polypropylene production in recent years imports continue to play a role due to the demand for copolymer grades.

Russian producers are capable of meeting a large part of demand for homopolymers but are less proficient in the more advanced types of polypropylene. Homopolymer imports still play a part though in Russian consumption, with Turkmenistan acting as the leading supplier.

Around 41%, or 18,000 tons, of homopolymer imports were sourced from Turkmenistan in 2016, whilst

UzKorGasChemical in Uzbekistan started supplying the Russian market and sold 3,000 tons in 2016. The capacity of UzKorGasChemical allows the plant to produce 83,000 tpa of polypropylene. The polypropylene market in Russia is forecast to rise by around 5% in 2017, rising to around 1.3 million tons. Export volumes may depend on the rouble valuation and domestic demand, whilst imports are expected to rise.

SIBUR polyolefins 2016

SIBUR's olefin and polyolefin division's external revenue increased by 16.4% in 2016 to 86.830 billion roubles from 74.616 billion roubles in 2015. The increase was largely driven by higher polyolefins revenue attributable to an increase in capacity utilisation rate at Tobolsk-Polymer and higher prices for polypropylene and LDPE. An increase in revenue from BOPP-films additionally contributed to the division's revenue growth.

SIBUR Polyolefins (unit-kilo tons)		
Production	Jan-Dec 16	Jan-Dec 15
LDPE	246.0	247.3
Polypropylene	592.9	516.3
Purchases from third parties	135.3	124.3
Total	974.2	888.0
Total Sales	Jan-Dec 16	Jan-Dec 15
LDPE	237.9	243.9
Polypropylene	534.5	522.0
Total	772.5	765.9
Polypropylene breakdown		
Sales	Jan-Dec 16	Jan-Dec 15
Exports	230.3	182.8
Domestic Sales	304.3	339.3
Total	534.5	522.0

SIBUR's revenue from sales of polypropylene increased by 22.6% in 2016 to 39.302 billion roubles from 32.066 billion roubles in 2015. This was due to a 17.0% increase in sales volumes and a 4.8% increase

in average prices. Tobolsk-Polymer increased utilisation from 76% in 2015 to 93% in 2016, although Tomskneftekhim reported lower production due to a lengthy scheduled shutdown. In 2016, domestic sales accounted for 60.3% of polypropylene revenue, while 39.7% was attributable to export sales.

Sales revenues from LDPE increased for SIBUR by 11.2% in 2016 to 20.923 billion roubles from 18.820 billion roubles in 2015 on a 14.0% increase in the average price despite a 2.4% decrease in sales volumes. The decrease in LDPE sales volumes on largely flat production was attributable to lagged sales of inventories accumulated pending maintenance shutdown at Tomskneftekhim. In

2016, domestic sales accounted for 76.9% of LDPE revenue, while 23.1% was attributable to export sales.

Russian PVC Production (unit-kilo tons)		
Producer	Jan-Feb 17	Jan-Feb 16
Bashkir Soda	42.8	42.2
Kaustik	14.9	15.8
RusVinyl	50.3	49.9
Sayanskkhimplast	43.6	35.3
Total	151.6	143.2

Russian PVC production, 2016

Production of unblended PVC in Russia increased by 6% in January-February 2017 to 152,100 tons. Production increased at all plants except the Volgograd plant Kaustik. RusVinyl produced 50,600 tons of PVC in January to February 2017 against 49,800 tons in the same period in 2016. Sayanskkhimplast produced 43,800 tons of PVC, which is 24% higher than in January to February 2016. Bashkir Soda Company increased production from 42,200 tons to 42,800 tons. Kaustik reduced production by 5.7%

in the first two months to 14,900 tons.

Russian PVC imports increased 33% in the first two months in 2017 to 5,000 tons, whilst exports fell by 5% to 17,300 tons. China was the main source of imports, accounting for 2,800 tons in the first two months in 2017.

SIBUR is examining the possibility of expanding the capacity of RusVinyl. Over the past year, RusVinyl produced 282,000 tons of PVC suspension, 23,000 tons of emulsion PVC whilst production of caustic soda rose to nearly 200,000 tons. Imports of caustic soda decreased by 9% in 2016 to 911,000 tons against 970,000 tons in 2015. Imports amounted to 23,300 tons against 25,500 tons in 2015.

Russian polycarbonate, Jan-Feb 2017

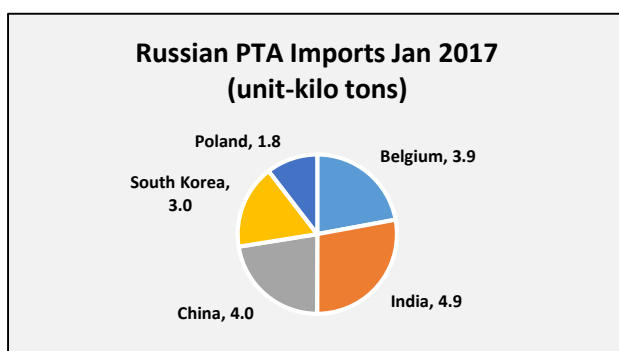
In January-February 2017 Kazanorgsintez produced 12,000 tons which is 4% less than in the first two months of last year. A sharp increase in the production of extrusion grade PC-007 UL1 to 93% in the total structure of production as against 48% in January. Demand for PC sheets are now increasing and will reach the maximum level in May.

Exports of Russian polycarbonate dropped sharply in February to 132 tons from 3,800 tons in January as the domestic market absorbed greater supply. At the same time imports rose 58% in the first two months in 2017 to 1,840 tons. Imports amounted to 924 tons in February after 918 tons were imported in January. Suppliers in 2017 have thus far consisted of SABIC, which shipped 600 tons, Covestro 550 tons, and Trinseo (Styron) 160 tons.

PTA/PET

Russian Paraxylene Domestic Sales (unit-kilo tons)		
Producer	Jan-Feb 17	Jan-Feb 16
Gazprom Neft	11.6	10.5
Ufaneftekhim	20.1	20.0
Kirishinefteorgsintez	0.0	0.0
Total	31.7	30.5

\$356 million or 22 billion roubles. SafPet is working with different financial institutions in order to attract financial resources, including Tatneft. SafPet has attracted PwC, which will help in the elaboration of a financial model and by December this year the company hopes to have all the components ready for investment.



The project is broken down into three phases which includes the internal infrastructure, financing and plant construction. The aim is to launch the PET plant by the third quarter of 2019 and to be synchronized with the commissioning of the aromatic and paraxylene operations at Taneko. PET production is targeted for start-up around three months after start-up of the PTA plant.

Aside finance, others issues faced by SafPet include the problem of human resources in finding trained specialists for the new plant. Environmental issues in the Nizhnekamsk region are also a concern, the Communist Party in Tatarstan has been active against the project, largely on environmental grounds. The Nizhnekamsk project to build a plant for the production of PTA and PET is planned for completion in the third quarter of 2019, and the output at full capacity is expected by 2020.

SIBUR Paraxylene, PTA-PET Chain (unit-kilo tons)		
	Jan-Dec 16	Jan-Dec 15
Paraxylene Purchases	171.0	180.9
PTA Production	260.6	266.0
PTA Domestic Sales	10.5	11.6
PTA Exports	4.8	3.2
PET Production	290.6	297.2

Ivanovo Polyester Project

According to media reports, construction of a plant for the production of polyester fibre capacity of 175,000 tpa, as well as textile PET granulate capacity of 30,000 tpa is to be launched in 2017.

For the Ivanovo PET project, which does not include PTA, the development of the local Industrial Park Vichuga represents the most important economic and

strategic project for the region in the past three decades. Due to the existing industrial profile in the textile and clothing industry of the Ivanovo region has sufficient human resources to utilise this resource base. In addition to the PET plant under construction at Vichuga, a recycling plant for 50,000 tpa is also planned to be constructed. The Industrial Park Vichuga is part of the technological infrastructure of the innovation of textile industrial cluster.

Russian MEG, Jan-Feb 2017

MEG sales on the Russian domestic market amounted to 10,040 tons in February, 18.4% down on January. SIBUR-Neftekhim sold 6,510 tons, 26.5% less than in January whilst Nizhnekamskneftekhim increased sales by 3.5% to 3,500 tons and the remainder by trading companies. Polief reduced purchases by 13.5% in February to 6,460 tons whilst BaltTechProm increased purchases by 49% to 1,790 tons and Obninskorgsintez reduced purchases by 58.7% to

Russian MEG Market (unit-kilo tons)		
	2016	2015
Domestic Sales	103.5	135.3
Exports	119.7	95.8
Imports	35.4	14.8

1,140 tons. Russian suppliers provided 22,340 tons to the domestic market in the first two months in 2017, unchanged from 2016.

MEG exports rose 54% in February to 14,970 tons, helped by rising prices on international markets. SIBUR-Neftekhim shipped 10,960 tons of MEG to foreign customers in February, twice as much as in January whilst Nizhnekamskneftekhim reduced exports by 4% to 4,010 tons. The main market for MEG is Belarus which accounted for 7,450 tons of product in February. Other destinations in February included Lithuania (2,500 tons), the Netherlands (2,300 tons) and Turkey (2,030 tons). Smaller consumers included Kazakhstan 279 tons and Ukraine 216 tons. In the first two months of 2017, Russian producers exported 24,670 tons which was 32.3% more than in 2016. Imports totalled 8,400 tons in the first two months in 2017 which was twice up on last year. TD Ecopolymer was the sole buyer and SABIC the sole supplier.

Aromatics

Russian Benzene Consumers (unit-kilo tons)

Consumer	Jan-Feb 17	Jan-Feb 16
Kuibyshevazot	39.9	20.8
Azot Kemerovo	19.7	20.1
Shchekinoazot	8.7	9.3
Kazanorgsintez	7.5	14.8
Samaraorgsintez	5.0	11.2
Zapsib	7.6	9.2
SIBUR-Khimprom	12.4	16.2
Omsk Kaucuk	2.4	2.2
Nizhnekamskneftekhim	4.0	4.8
Novolipetsk	5.4	3.7
Samaraorgsintez	44.7	56.7
Zapsib	49.7	42.8
SIBUR-Khimprom	91.6	79.7
Promsintez	1.5	3.2
Ufaorgsintez	9.0	0.0
Uralorgsintez	12.7	13.2
Zavod im Ya M Sverdlov	1.3	3.0
Others	0.1	0.1
Totals	730.4	737.5

Russian benzene domestic market, Jan-Feb 2017

Sales of Russian benzene for synthesis and nitration decreased by 4% in February to 53,100 tons. Last month, product shipments from Slavneft fell 2.3 times to 2,200 tons whilst deliveries of benzene from Severstal to domestic processors decreased by 29% to 2,000 tons. Gazprom neftekhim Salavat reduced deliveries by 17% to 3,900 tons whilst shipments from SIBUR plants increased: from SIBUR-Kstovo by 11% to 3,600 tons, and from Uralorgsintez by 26% to 7,000 tons. In the first two months in 2017 sales on the domestic merchant market totalled 108,400 tons against 106,800 tons in 2016.

Benzene imports fell 24% in February to 1,200 tons, with Kuibyshevazot the only buyer and sourcing only from the Atyrau refinery. Overall imports amounted to 2,800 tons in the first two months in 2017, against zero for the same period in 2016.

Exports of benzene this year have risen sharply, from 24,200 tons in the first two months against no activity last year. Exports of refinery and petrochemical benzene rose 1.6 times in February to 15,000 tons, including delivers from the Ryazan refinery, Stavrolen, Uralorgsintez and SIBUR-Kstovo.

Kuibyshevazot-fire at cyclohexanone unit

A serious fire took place at the Kuibyshevazot's cyclohexanone unit on 12 March, which did result in injuries but has affected the production of caprolactam. Kuibyshevazot started operation the energy-efficient production of cyclohexanone, provided by DSM with a capacity of 140,000 tpa in August 2016. Investment in the project in view of the reconstruction department rectification totalled 9.8 billion roubles. The new unit has been designed to reduce the cost of production of caprolactam by 12% by reducing the consumption of

Russian Orthoxylene Domestic Sales (unit-kilo tons)

Producer	Jan-Feb 17	Jan-Feb 16
Gazprom Neft	11.2	9.5
Ufaneftekhim	10.0	5.9
Kirishinefteorgsintez	4.6	6.6
Total	25.8	22.0

benzene, caustic soda, electricity and steam, the formation of technological waste.

Russian orthoxylene market, Jan-Feb 2017

Russian orthoxylene exports amounted to 8,120 tons in February against 1,550 tons in January. Kirishinefteorgsintez shipped 5,030 tons in February, followed by Gazprom Neft with 2,910 tons and Ufaneftekhim

170 tons. Finland accounted for 97% of exports in February. For the first two months' exports dropped 43% against the same period in 2016 to 9,660 tons.

For the whole of 2016 Russian exports of orthoxylene amounted to 100,140 tons which was 34% higher than in 2015. In December orthoxylene exports amounted to 7,500 tons which was 2.1 times higher than in the previous month. Gazprom Neft supplied 7,220 tons, all of which went to Finland.

Russian phenol market sales Jan-Feb 2017

Phenol production amounted to 16,800 tons in January, 13% up on December. Kazanorgsintez produced 6,600 tons of phenol whilst Novokuibyshevsk Petrochemical Company produced 5,500 tons and Ufaorgsintez 4,800 tons. Russian producers shipped 9,200 tons of phenol to the domestic market in February, 15% less than in January. Ufaorgsintez shipped 4,200 tons to domestic consumers, down 16% compared to January whilst Kazanorgsintez increased the sales of phenol by 35%, to 1,300 tons. Novokuibyshevsk NHK shipped 3,700 tons 35% less than in January.

Russian Market Phenol Sales by Supplier (unit-kilo tons)		
Producer	Jan-Feb 17	Jan-Feb 16
Novokuibyshevsk PC	7.7	7.8
Kazanorgsintez	2.3	2.5
Ufaorgsintez	7.7	10.7
LUKoil-VNPZ	0.0	0.2
Borealis	0.1	0.1
Total	17.8	21.3

The main consumers in February comprised manufacturers of phenol-formaldehyde resins, accounting for 8,000 tons of purchases whilst other volumes were bought by Sterlitamak Petrochemical and Nizhnekamskneftekhim. Around 40% of phenol deliveries are supplied to the Russian market by road.

Synthetic Rubber

Russian synthetic rubber market 2017

Rising feedstock costs for synthetic rubber production appear to be driving prices higher in Russia in

Russian C4 Supplies (unit-kilo tons)		
Supplier	Jan-Feb 17	Jan-Feb 16
Angarsk Polymer	5.1	3.2
Krasnoyarsk Synthetic Rubber	0.1	0.0
Kazanorgsintez	7.3	7.5
Stavrolen	12.9	12.4
SIBUR-Kstovo	16.1	14.8
Tomskneftekhim	14.9	12.1
Ufaorgsintez	5.1	3.8
Naftan (Belarus)	4.6	9.7
Azerkhiymya	4.8	0.7
Iran	0.8	0.0
Total	71.6	64.2

2017, as elsewhere globally, impacting on tyres and other rubber products. Imported tyres have risen by 5% since the start of the year. Rises in natural rubber prices is affecting the synthetic rubber market. For example, Malaysian rubber prices have risen 9% in the past three months and Thailand has risen by even more by 25%.

Demand for Russian butadiene-styrene rubbers in foreign markets has been high. This was the result of a significant rise in prices of European and Asian Insurance (22% and 6% respectively) due to the sharp increase in the cost of butadiene.

Sale of new light and light commercial vehicles (LCV) in February in Russia decreased by 4.1% in to 106,660 units. Car sales for the first two months of this year decreased by 4.5% to 184,570 units. At the same time, sales of Avtovaz in Russia in February increased by 5% up to 20,003 cars. According to the results of the first two months of 2017, sales also increased by 5% to 36,340 units.

Russian C4 sales, Jan-Feb 2017

C4 imports into Russia tons in the first two months in 2017 rose to 71,600 tons against 64,600 tons in the same period in 2016. C4 sales on the domestic market from domestic suppliers dropped 8% in February to 29,500 tons. SIBUR-Kstovo reduced shipments by 15% to 7,400 tons whilst Ufaorgsintez reduced shipments by 22% to 2,200 tons and Angarsk Polymer Plant reduced shipments by 11% to 7,400 tons. Imports of C4as increased by 4% in February to 5,400 tons. Titan increased imports by 23% to 2,600 tons in February by 9% whilst Nizhnekamskneftekhim reduced the purchases of by 9% to 2,800 tons. Imports totalled 10,600 tons for the first two months in 2017 which was unchanged from the same period in 2016.

SIBUR's synthetic rubber division 2016

SIBUR's revenue from elastomers and rubber sales in 2016 increased by 12.4% to 39,421 million roubles from 35,079 million roubles in 2015 largely attributable to a 7.6% increase in sales volumes and an increase of 4.4% in average prices.

SIBUR-Synthetic Rubber Production (unit-kilo tons)		
	Jan-Dec 16	Jan-Dec 15
Commodity Rubber	269.3	256.6
Speciality Rubber	102.0	94.7
Thermoplastic elastomers	73.3	58.0
3rd part purchases	0.7	0.0
Total	445.3	409.2

SIBUR-Synthetic Rubber Domestic Sales (unit-kilo tons)		
	Jan-Dec 16	Jan-Dec 15
Commodity Rubber	109.2	91.6
Speciality Rubber	11.9	10.2
Thermoplastic elastomers	29.3	29.1
Total	150.4	130.9

SIBUR-Synthetic Rubber Export Sales (unit-kilo tons)		
	Jan-Dec 16	Jan-Dec 15
Commodity Rubber	164.7	163.2
Speciality Rubber	87.6	82.9
Thermoplastic elastomers	39.6	33.2
Total	291.8	279.3

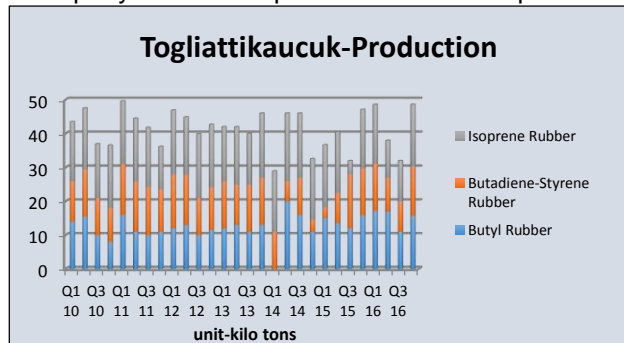
The increase in sales volumes was largely attributable to higher production on improved demand from tyre producers, coupled with the benefits of completed homologation of thermoplastic elastomers with key clients by the end of 2015. The increase in average prices was mainly driven by specific pricing arrangements in contract sales of commodity rubbers and supported by higher product quality and cancellation of discounts applied for premarketing sales of thermoplastic elastomers (SBS) in 2015. Synthetic rubber sales accounted for 30.2% of total sales for SIBUR in 2016.

SIBUR Togliatti 2016

SIBUR increased production of synthetic rubber at its Togliatti site by 7% in 2016. Production of concentrated isobutylene increased by 11% to 47,300 tons whilst MTBE production rose 28% to 96,000 tons. These increases were facilitated due to the expansion of capacity for isobutane-isobutylene fractions, where production increased by 21% in 2016 to 130,000 tons.

SIBUR Togliatti produced 167,000 tons of synthetic rubber in 2016, including an 8% increase in butyl rubber to 61,000 tons. Production of styrene-butadiene rubber increased by 13% and amounted to 47,600 tons. The production of isoprene rubber was unchanged in 2016 at 58,600 tons. In 2016 the company started the production of a new product SKMS 30 ARKM-27, based on alpha-methylstyrene butadiene rubber emulsion polymerisation. In recent months, SIBUR Togliatti has undertaken modernisation of the plant including energy consumption.

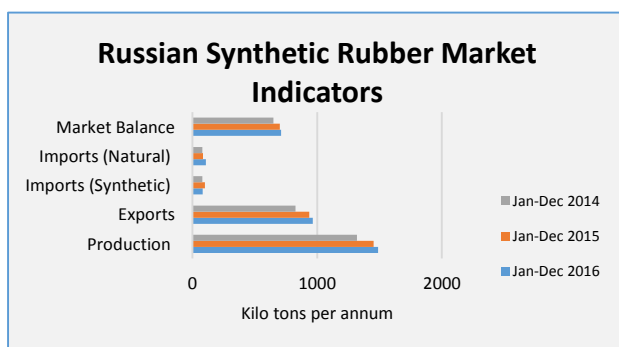
company started the production of a new product



Efremov Synthetic Rubber Plant-modernisation

The Efremov Synthetic Rubber Plant plans to invest 1.39 billion roubles for the period 2017-2019. The investment programme involves the modernisation of the installation of dehydration of ethanol to the reception site organisation, storage and transfer of ethylene refrigeration compressor station for

polyisobutylene production.



It is also planned to modernise the production of polyisobutylene where Efremov Synthetic Rubber Plant is the sole producer in Russia. Projects should provide uniform and sufficient loading of the main production facilities of the enterprise, as well as the creation of new joint ventures. In 2016 the government of Tula region and the company's management signed an agreement on cooperation in the establishment of production of isobutene capacity of 20,000 tpa. Currently, the company is experiencing financial difficulties due to falling demand for its products. At the end of 2015 the company increased net loss by RAS by

12% to 229.1 million roubles. Rubber production has been suspended due to lack of raw materials, which are normally supplied by Tatneft.

Russian Synthetic Rubber Exports (unit-kilo tons)		
Category	Jan-17	Jan-16
E-SBR	3.5	2.1
Block	3.0	0.4
SSBR	0.5	0.2
SBR	11.1	3.3
Polybutadiene	19.0	12.6
Butyl Rubber	10.9	10.8
HBR	11.1	9.6
NBR	2.4	1.8
Isoprene Rubber	24.4	22.4
Others	1.6	13.7
Total	87.5	77.0

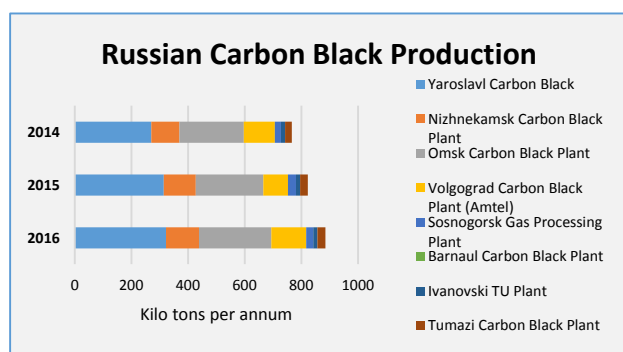
Russian synthetic rubber exports, Jan-2017

Synthetic rubber exports from Russia totalled 87,500 tons in January against 77,000 tons in the same month in 2016. By country, the largest destinations included China, Poland and India. Other important markets included the US, Romania and the Czech Republic. Central-East Europe remains the most important region for Russian rubber exports.

Russian tyre market 2016

Tatneft-Neftekhim recorded a decrease in tyre production by 3.9% in 2016, whilst export sales increased by 16%. During the year the company's tyre plants at Nizhnekamsk produced 11.52 million tyres, and more than 118,000 tons of carbon black.

The Russian tyre market continued to fall in 2016, albeit at a slower pace. According to Michelin estimates, the overall Russian tyre market declined by 11% by the end of 2016, to 30.8 million tyres. This follows a fall in 2015 of a drop in sales of about 20%, and at the same time an increase in export activity based on a cheaper rouble.



Russian Chemical Commodity Exports				
Product	Jan-17 Kilo tons	Jan-17 USD Mil	Jan-16 Kilo tons	Jan-16 USD Mil
Ammonia	120.6	23	267	82
Methanol	150.5	36	117	23
Nitrogen Fertilisers	936.0	54	648	129
Potash	416.7	74	440	106
Mixed Fertilisers	563.3	133	509	173
Synthetic Rubber	87.5	137	77	93

Continental Tyres at Kaluga increased exports by 30% in 2016 over the previous year. The plant increased production by 50% in 2016 over 2015 to 3 million pieces, having originally started in October 2013. Part of the exports are shipped to the Canadian and Chinese markets. Continental customers include Renault, Ford, Avtovaz, Nissan and the Volkswagen Group. Nokian Tyres before 2014 sold around 40% of production from its plant in the Leningrad region, but following the depreciation of the rouble and the diminishing domestic economy the ratio has fallen to 15-20%.

Methanol

Russian Methanol Production (unit-kilo tons)		
Producer	Jan-17	Jan-16
Shchekinoazot	32.4	42.9
Sibmetakhim	86.9	74.4
Metafrax	95.0	95.0
Akron	8.3	6.3
Azot, Novomoskovsk	30.3	23.4
Angarsk Petrochemical	0.0	0.0
Azot, Nevinnomyssk	11.9	10.1
Togliattiazot	69.3	55.3
Ammoni	15.9	9.5
Totals	350.0	316.8

Russian methanol production, Jan-2017

Russian methanol production amounted to 350,000 tons in January which is 2% more than in December 2016. Metafrax accounted for 27% of production, whilst Tomet and Sibmetakhim accounted for 20% and 25%.

The largest increase in methanol production in January was recorded by Azot at Novomoskovsk which produced more than 17% in December to 30,300 tons. Metafrax produced 95,000 tons, Sibmetakhim 86,900 tons and Tomet 69,300 tons.

Russian methanol domestic sales & exports, Jan-Feb 2017

Domestic merchant market sales of methanol amounted to 126,600 tons in February which was 7% down on January. Ammoni at Mendeleevsk increased sales by 10% over January

to 8,800 tons whilst Sibmetakhim increased by 7% to 36,100 tons. The maximum reduction in the volume of deliveries in February was demonstrated by Nevinnomyssk Azot which reduced shipments six times to 590 tons. A less significant decrease was recorded by Tomet (15%), Shchekinoazot and Metafrax (10% each), and Azot (2%). In February, Tomet shipped 37,400 tons, Shchekinoazot 3,500 tons Metafrax 31,500 tons, and Azot 8,300 tons.

Russian Methanol Domestic Sales (unit-kilo tons)		
Producer	Jan-Feb 17	Jan-Feb 16
Shchekinoazot	7.2	12.4
Sibmetakhim	69.9	64.3
Metafrax	66.3	76.5
Azot, Novomoskovsk	16.8	16.4
Angarsk Petrochemical	0	0
Azot, Nevinnomyssk	3.6	1.9
Togliattiazot	80.3	66.8
Ammoni	16.9	11.5
Others	1.2	6.9
Totals	262.2	266.5

Russian methanol exports totalled 126,000 tons in February, 15% down on January. The leaders in terms of shipments to foreign markets include Sibmetakhim (37,700 tons), Metafrax (28,300 tons), Shchekinoazot (22,000 tons), Tomet (17,900 tons) and Azot (14,100 tons). About 1,400 tons (1%) was sold by Akron, whilst Ammoni increased exports by 55% to 5,000 tons. Finland accounted for 51% of sales or 64,000 tons, followed by Poland 18,200 tons, Romania (9,000 tons) and Slovakia (14,500 tons).

Poland's consumers in February increased the volume of purchases of the Russian product by 17% versus January, while the consumers of Romania and Slovakia, on the contrary, reduced by 7% and 9% respectively.

Russian MTBE, Jan-Feb 2017

Isobutane sales on the Russian domestic market for MTBE production amounted to 67,390 tons in February, 11% down on January. Omsk Kaucuk reduced purchases by 15% to 11,010 tons, EKTOS-Volga by 23% to 10,020 tons, whilst Togliattikaucuk reduced by 50% to 7,510 tons. Nizhnekamskneftekhim, Uralorgsintez and SIBUR-Khimprom increased consumption of isobutane by 5%, 65% and 72% respectively to 24,870 tons, 5,710 tons and 3,930 tons. In the first two months of 2017, 143,300 tons of isobutane was shipped to the Russian market, which is 13% more than in 2015.

Akron expands ammonia capacity

Akron introduced its fourth unit for ammonia production at Novgorod in 2016, and is now yielding 2,300 tons per day. The volume of natural gas consumption is estimated at 938 m3 per ton, and the power consumption is just over 7 Gcal per ton of ammonia. With the commissioning of the fourth unit the total capacity of the group for the production of ammonia increased to 2.6 million tpa. The licensor for the project Ammonia-4 was Haldor Topsoe.

Shchekinoazot 2016

Shchekinoazot intends to finish construction of the complex methanol/ammonia in 2017, and to start production in 2018. Investment in the project to date amounted to 10 billion roubles. Almost all of the structural investment has been completed. The launch of the complex is planned for the second quarter of 2018, and has been designed by Haldor Topsoe and supported by the general designer Severodonetsk Orgkhim. The capacity of the complex will include 1,350 tons of methanol per day and 415 tons of ammonia.

Shchekinoazot produced 485,000 tons of methanol in 2016, which is 7.4% more than in 2015, whilst ammonia production amounted to 60,500 tons. Caprolactam production remained unchanged at 58,000 tons, cyclohexane production rose 21% to 4,090 tons, whilst formaldehyde increased by 6.3% to 31,990 tons.

Russian Butanol Domestic Sales (unit-kilo tons)		
	Jan-Feb 17	Jan-Feb 16
Gazprom n Salavat	0.2	3.1
SIBUR-Khimprom	4.8	7.7
Angarsk Polymer Plant	0.2	0.5
Azot Nevinnomyssk	0.5	0.7
Others	0.0	0.0
Totals	5.7	12.0

lower than in February 2016. The share of n-butanol in the gross sales volume in February 2017 was 71%, and isobutanol 29%. SIBUR-Khimprom supplied 4,140 tons (90% of Russian deliveries), Nevinnomyssk Azot 220 tons (5%), Angarsk Petrochemical Company 170 tons (4%) and Gazprom neftekhim Salavat 60 tons (1%).

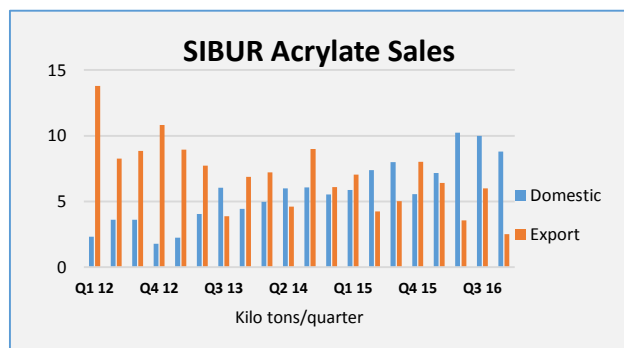
Akrlat, which uses n-butanol in the production of butyl acrylate, increased purchases by 31% to 1,570 tons whilst Nefttorgservis (Taldom, Moscow region) reduced purchases by 41% to 1,160 tons (25%). Nefttorgservis buys only isobutanol. Dmitrievsky Chemical Plant increased purchases of butanols in February by 2.7 times to 650 tons (14%).

Organic chemicals

Russian butanol domestic market, Jan-Feb 2017

Domestic butanol sales amounted to 4,590 tons in February, which is 2% less than in January and 41%

Until this year Dmitrievsky Chemical Plant purchased more than 95% of butanols from Gazprom neftekhim Salavat. However, due to the start-up of the acrylate complex at Salavat the company is now only buying from SIBUR-Khimprom. Other consumers in February included Volzhskiy Orgsintez (400 tons) and Roshalsky Plasticizers Plant (230 tons). Sales on the domestic merchant market dropped 30% in the first two months in 2017 to 9,250 tons.



The start-up of the acrylic acid plant at Salavat is already having a significant impact on the Russian butanol market. Acrylic Salavat includes capacities of 80,000 tpa of butyl acrylate, 80,000 tpa crude and 35,000 tpa of glacial acrylic acid. At the beginning of 2017 Gazprom neftekhim Salavat significantly reduced the production of butanol to allow propylene for the production of acrylic acid. At the same time, a large proportion of the remaining volumes produced n-butanol is now used to Acrylic Salavat with the release of butyl acrylate.

Russian Butanol Consumption (unit-kilo tons)		
Consumer	Jan-Dec 16	Jan-Dec 15
Akrilat	25.3	24.6
Dmitrievsky Chemical	22.4	23.8
Plant of Synthetic Alcohol	1.2	1.9
Volzhskiy Orgsintez	6.3	5.9
Roshalsky Plant of Plasticizers	1.5	0.0
Others	15.2	15.7
Total	71.9	71.8

Acrylic Salavat plans to process the maximum volume of butanol, so supply alcohol to outside customers will now be minimal. This fundamentally changes the structure of the Russian market and may allow the opportunity for SIBUR-Khimprom and Angarsk Petrochemical Company to redirect exports to the domestic market.

Sales of butanols on the Russian domestic market totalled 71,860 tons in 2016, almost unchanged from 2015. The two largest consumers on the merchant market comprised

Akrilat, which is part of SIBUR, and Dmitrievsky Chemical Plant. Akrilat purchased 25,300 tons in 2016, vs 24,600 tons in 2015.



Russian butanol exports, Jan-Feb 2017

Exports of butanols from Russia amounted to 3,530 tons in February, versus 1,450 tons in January. However, in February 2016 exports amounted to 6,960 tons. The share of n-butanol in the total Russian exports in February 2017 was 27%, and isobutanol 73%. Gazprom neftekhim Salavat shipped 2,290 tons of butanols to foreign markets, and SIBUR-Khimprom 1,200 tons. Another 30 tons was exported by Dmitrievsky chemical plant.

Russian Organic Chemical Exports (unit-kilo tons)		
Product	Jan-17	Jan-16
N-Butanol	0.7	0.4
Iso-butanol	0.7	2.3
2-EH	3.0	3.6
Pentaerthritol	0.9	0.6
Phenol	0.5	0.7
Ethylene Oxide	1.4	1.8
Formaldehyde	2.0	1.4

Turkey accounted for 47% of Russian exports in February, Ukraine (24%) and Finland (19%). Isobutanol was supplied only to Turkey and Ukraine, and only n-butanol was supplied to Finland. In the first two months of 2017, exports of butanols from Russia amounted to 4,980 tons which is 48% less than in the same period last year.

Russian solvents and alcohols, Jan-Feb 2017

Metafrax produced 1,900 tons of pentaerythritol in February, 7% less than in January. In the first two months this year production of pentaerythritol



in the first two months in 2017 which was 15% down on the same period in 2016.

totalled 3,950 tons which was 4% up on the same period in 2016. Metafrax produced 22,740 tons of pentaerythritol in 2016, which is 3% more than in 2015.

Phthalic anhydride exports from Russia totalled 4,930 tons in February which was 21% more than in January. Destinations included India (11%), China (11%), the United Arab Emirates (11%), Poland (11%), Turkey (10%), Finland (10%), Egypt (9%) and Tunisia (9%). Exports totalled 9,000 tons

Other Products

Azot Kemerovo 2016

SDS Azot at Kemerovo plans to increase output by 5-10% in 2017. In 2016 the company produced 5367,000 tons of urea, and 312,000 tons of ammonium sulphate. Production of ammonium nitrate totalled 1.014 million tons in 2016 and the target for 2017 has been set at 1.05 million tons. At present two main investment projects being implemented at Azot are aimed at increasing the efficiency of caprolactam production by decommissioning obsolete production facilities.

Russian Inorganic Chemical Production		
Product	2016	2015
Aluminium hydroxide	11.0	8.3
Aluminium sulphate	319.5	314.3
Boric acid	86.0	70.9
Boron oxides. boric acids	86.0	70.9
Calcium carbide	0.6	0.6
Calcium hypochlorite	36.4	36.0
Calcium nitrate	68.0	50.3
Carbon Black	885.1	822.7
Chlorine	467.5	470.9
Chlorine liquid	283.8	290.6
Soda Ash	3233.6	3084.1
Hydrogen chloride	1100.1	1018.9
Hydrogen peroxide (hydrogen peroxide)	77.9	73.9
Hydroxide and magnesium peroxide	3.3	0.0
Hypochlorites. chlorates and perchlorates	230.1	222.9
Peroxides of sodium or potassium	0.7	1.0
Phosphides. carbides. hydrides. etc.	75.1	79.0
Pigments and dyes	91.6	87.8
Potassium hydroxide	31.3	28.0
Selenium	0.3	0.3
Silica	7.0	10.6
Sodium sulphate	927.6	851.4
Zinc sulphate	4.1	4.5

more. Imports in January included 1,440 tons of Chemours material, accounting for 47% of the total imports, 330 tons of Kronos and Sachtleben TiO₂ (per each), 260 tons of Huntsman's material and 160 tons of Crystal TiO₂ were imported. TiO₂ imports for paints and coatings production amounted to 2,690 tons or 85% of the total shipments, whereas TiO₂ imports for PVC production totalled 220 tons or 7%. TiO₂ imports into the Russian market decreased in 2016 by 33%, totalling 43,400 tons.

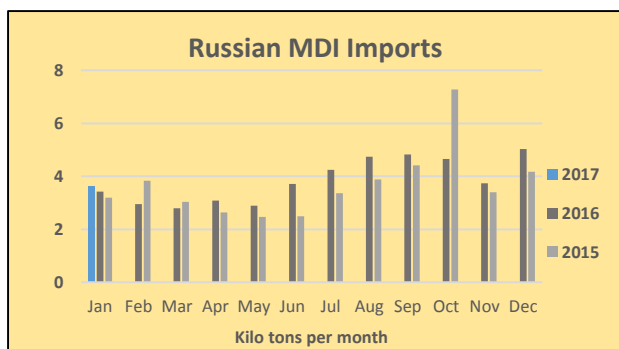
Uralkali 2016

The net profit of Uralkali increased 9.4 times in 2016 and amounted to 94.96 billion roubles against 10.15 billion roubles in 2015. The revenue of Uralkali decreased by 19.8% to 151,7 billion roubles. In dollar terms, Uralkali's net profit for 2016 increased 7.7 times to \$1.42 billion whilst revenue fell by 27% to \$2.27 billion. The EBITDA decreased by 38% and amounted to \$1.18 billion. The company's net debt at the end of December 2016 amounted to \$5.5 billion.

The growth of net profit was affected by the positive exchange rate differences and the profit from the revaluation of derivative financial instruments in the total amount of \$1.07 billion. The decrease in revenue is due to both a decrease in export sales volumes and a drop in prices in the world potash market. In 2016, Uralkali reduced production by 5.3% to 10.8 million tons. Sales decreased by 2% compared to 2015 and amounted to 11 million tons of potassium chloride.

Russian titanium dioxide imports

Russian imports of titanium dioxide (TiO₂) rose by 26% in January to 3,040 tons from 2,410 tons in January 2016. At the same time 4,760 tons of Crimean Titan's TiO₂ were sold for export, twice



establish the production of biopolymers in the Krasnodar region. The company will be located in the

ThyssenKrupp-Rospolychem

ThyssenKrupp Industrial Solutions is to develop a feasibility study and basic project for the production of esters for the Rospolychem group, which is part of Gazprom Neft-Lubricants. The project will use the technology of production of esters of the Thai branch of ThyssenKrupp Industrial Solutions. Rospolychem is one of the leading manufacturers of high-quality lubricants for strategic industries and law enforcement agencies.

Altai Khimprom-demulsifiers to Kazakhstan

Altai Khimprom (formerly Altayhimprom) has set up a supply chain for demulsifiers to be delivered to oil treatment facilities in Kazakhstan. In February, the company has completed a multi-stage programme of product testing. Demulsifiers, made Altai Khimprom, were included in the program of industrial tests on the objects of oil and gas companies in Kazakhstan. Demulsifiers of Altai Khimprom recommended for industrial use oil treatment plants, and the plant is allowed to supply tender procedures of chemicals.

Emulsion breakers are designed for dehydration and desalting of crude oil and used in initial water and oil treatment plants systems.

Azot Grodno Production (unit-kilo tons)

Product	Jan-Feb 17	Jan-Feb 16
Methanol	14.3	12.9
Caprolactam	18.2	19.2
Polyamide primary	16.7	15.9
Polyamide filled	2.0	1.4
Ammonia	187.3	197.2
Urea	187.1	182.9
Fertilisers	135.9	137.4
Fibres	6.4	5.0

Mogilevkhimvolokno PTA Imports (unit-kilo tons)

Country	Jan-17	Jan-16
Poland	1.8	1.0
Russia	0.8	0.0
South Korea	3.0	0.0
Portugal	0.0	0.0
Thailand	0.0	1.0
Total	5.7	2.0

Crimean Titan produced 75,000 tons of titanium dioxide in 2016 against 101,000 tons in 2015. Crimean Titan is still using ilmenite from Irshansky GOK. Despite the blockade of the Crimea, ilmenite is applied from Kharkov to Novorossiysk by railway, ferry and from there delivered to the peninsula. Other sources include Sri Lankan ore.

Biopolymer project Krasnodar

An agreement of intent has been reached to establish the production of biopolymers in the Krasnodar region. The company will be located in the territory of Seversky district of Krasnodar region in an area of 13.1 hectares. Investments into the project are estimated at 1.2 billion roubles. The new facility is scheduled to start production of xanthan biopolymer that can be demanded in the pharmaceutical, food, cosmetic, oil and gas industry. Currently, similar products imported to Russia from the United States, Korea, China. The project is expected to be started by 2021.

Belarus

Belarusian chemical production, Jan-Feb 2017

Benzene production in Belarus rose 15% in February to 15,600 tons whilst ethylene production dropped 5% to 5,800 tons and propylene was unchanged at 3,500 tons.

Polymir produced 4,900 tons of polyethylene in February) against 5,600 tons in January. Production for the first two months dropped from 22,300 tons in 2016 to 10,500 tons in

2017. The main reason for such a serious reduction in output is the fire at the end of January at one of the ethylene plants, which has led to a two-fold reduction in olefin production.

Mogilevkhimvolokno-modernisation

Mogilevkhimvolokno is undergoing modernisation at present where the first phase is valued at €45 million. The company reports that it has already signed contracts with leading European manufacturers and equipment suppliers. The main purpose of these changes are to strengthen the presence of Mogilevkhimvolokno both on domestic and foreign markets.

The plant for technical yarns has been replaced with new German equipment, increasing capacity to 1200 tons per month. Other areas of modernisation include food packaging including the launch of a new plant for polymer film of 500 tons per annum. New technologies in the long term include a full transition to the production of PTA and high quality fibres and packaging.

Belarusian cracker project at Polymir

Polymir announced plans at the start of 2017 to build a new ethylene-propylene plant and bring it to full capacity by 2021. The estimated

capacity of the new plant is 300,000 tpa and would be directed towards the production of polyethylene. The investment required for the project is estimated at \$511 million and Polymir is ready to consider proposals from potential investors. This could include various scenarios including a joint venture, an additional issue of shares, or the acquisition of the enterprise as a property complex. The project plan is to sell its products through existing distribution channels belonging to Naftan.

Belarussian Organic Chemical Exports (unit-kilo tons)		
Product	Jan-17	Jan-16
Acrylonitrile	5.1	4.2
Caprolactam	0.0	2.1
Phthalic anhydride	1.9	1.2
Methanol	1.7	6.3

Belarussian chemical trade, Jan-2017

Methanol exports from Belarus amounted to 1,670 tons in January against 6,300 tons in January 2016. Caprolactam exports from Belarus have ceased since last year leaving acrylonitrile as the main organic chemical export coming out of the country.

Exports of acrylonitrile totalled 5,093 tons in January against 4,236 tons in January 2016. The main destinations for Belarussian

acrylonitrile exports in January were India (2,000 tons) and Iran (2,366 tons). The average price per ton in January this year amounted to \$1031/ton against only \$715/ton in last January. Regarding imports, paraxylene shipments from Russia increased from 1,468 tons in January 2016 to 3,472 tons in January this year. PTA imports rose to 5,687 tons from 2,000 tons in January 2016. South Korea supplied 3,024 tons in January 2017 and Poland 1,848 tons.

Belarussian Polymer Imports (unit-kilo tons)		
Product	Jan-17	Jan-16
PVC	1.4	1.5
Polypropylene	6.9	4.9
LDPE	5.6	3.2
HDPE	2.9	2.6
Polystyrene	4.2	4.2

Belarussian polymer imports, Jan 2017

PVC imports into Belarus rose 20% in January against January 2016 to 1,400 tons. The main reason for the decline is falling export sales of finished products, in particular, profile-moulded products. Polyethylene imports amounted to 9,098 tons in January 2017 against 6,084 tons in January 2016. HDPE imports rose slightly to 2,900 tons, whilst LDPE imports rose from 3,200 tons to 5,600 tons. PVC imports decreased by 21% and amounted to 22,500 tons against 24,000 tons.

Ukrainian chemical plant news

Production problems were encountered by Rivneazot and Azot Cherkasy in March when the gas pressure declined from the level 10 to the level of 7 bar, automatically stopping ammonia production. After stopping the ammonia units in Cherkasy and Rivne plants can still operate on imported ammonia, but production at Severodonetsk has stopped completely due to a rise in price of ammonia on the world market.

Production of plant protection agents has been launched in the Lugansk region by Zarya. Capacity allows the company to produce up to 750 litres per month. Zarya specialises in the production of plant protection chemicals, benzene, nitrobenzene, toluene, resins, organic chemicals, etc.

The Odessa Portside Plant resumed operating of ammonia and urea production on 6 March. The company employs three of the four plants. The Odessa Portside Plant was put into operation in 1978. The company has a monopoly on the Ukrainian market for reception, cooling and transshipment of ammonia by sea. The design capacity of the ammonia production is 450,000 tpa and urea 330,000 tpa. The capacity for the transshipment of ammonia is 4.3 million tpa, of urea 5 million tpa and 1 million tpa of methanol.

Ukraine

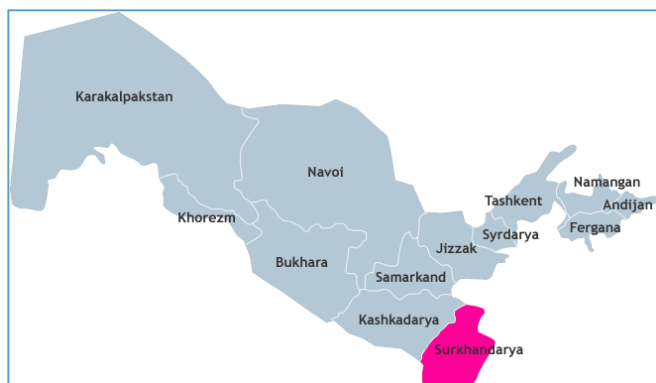
Karpatneftekhim restart obligations of Lukoil

Despite the agreed sale of Karpatneftekhim in the last few weeks Lukoil has been laden with the responsibility of restarting the Kalush complex, including the supply of feedstocks. The transaction will be closed only after the company is operating on a stable level of performance. Karpatneftekhim has a capacity of ethylene production of 250,000 tpa, PVC 300,000 tpa, caustic soda 200,000 tpa and HDPE 100,000 tpa. Lukoil is required to undergo three stages of starting up the plant, operating it and finalising the deal. The start could take place in the next couple of weeks.

Ukrainian PVC Imports, Jan 2017

PVC imports into Ukraine amounted to 6,700 tons in January, up 65% against January 2016 when they amounted to 4,100 tons. In 2016 imports amounted to 110,600 tons against 82,300 tons in 2015. Imports from the US amounted to 1,300 tons in January against 3,200 tons in December, whilst shipments from Europe were unchanged at 4,000 tons. From April Ukraine is introducing a temporary ban on imports of PVC and caustic soda from RusVinyl and Kaustik at Volgograd. Bashkir Soda and Sayanskkhimplast have thus far escaped the ban. The decision was taken on 23 February, and comes into force on 4 April.

Central Asia



Uzbekneftegaz-Gazprom

Gas Project Development Central Asia (GPD, a subsidiary of Gazprom structure) and Uzbekneftegaz aim in early April to sign a production sharing agreement (PSA) on the development of gas fields in the Surkhondaryo region in southern Uzbekistan. Gazprom and Uzbekneftegaz plan to prepare for the PSA signing with further exploration and development of deposits of 25 Years of Independence with the construction of a gas chemical complex in the Surkhondaryo region.

Shurtan GTL and olefin expansion

Production of liquid synthetic fuel on gas-to-liquids (GTL) technology from at the Shurtan Gas-Chemical Complex and expansion of olefin and polyolefin production capacity represent key projects for Uzbekistan. The Shurtan projects envisage processing 3,6 billion cubic metres of natural gas and production of 1.5 million tons of quality synthetic fuel, i.e. 743,000 tons of diesel fuel, 311,000 tons of jet kerosene, 431,000 tons of naphtha and 21,000 tons of liquefied gas. The commissioning of the new plant will bring about reduction of foreign currency spending, development of real sectors of the economy, upsurge of the transit potential of our country, as well as meeting the demand for petroleum products and diminishing oil imports. Construction is expected to be finished at the 2nd quarter of 2020 and 682 people will be employed at the plant.

For the Shurtan Gas Chemical Complex the issue of introducing synthetic naphtha to the production process was studied. Current capacities comprise 125,000 tpa of polyethylene and plans are underway to increase to 450,000 tpa. The opportunity to use distillation products in manufacturing new types of products will create a basis for establishing a technological cluster, and serve as a significant factor in development of chemical, automobile, pharmaceuticals, construction and textile industries. The expansion project will not interfere with production processes of the complex. The construction and installation works will be concluded in the fourth quarter of 2020 and around 250 new jobs will be created.

Solvay-hydrogen peroxide project Kazakhstan

Solvay is in discussions with United Chemical (UCC) to examine the construction of new hydrogen peroxide plant in Kazakhstan, which would supply product to Kazakh companies and customers in other Central Asian countries. UCC has been commissioned by Kazakhstan's government to develop the chemical industry in the country and support the country's economy. The government will make its decision on the construction of a hydrogen peroxide plant in the country using Solvay technology, based on the outcome of the feasibility study report.

SOCAR petrochemical production 2017

In February, Azerkhiymya produced 4,100 tons of propylene which was 20% less than in January. The company used 720 tons in the Intra-processing into isopropanol. Production amounted to 9,200 tons in the first two months in 2017 which was 11% up on 2016. C4 production amounted to 5,600 tons in the first two months in 2017.

Turkmenistan-BOPP plant

The Turkmenbashi complex of oil refineries (TCOR) has completed the commissioning of the BOPP film plant. The installation comprises a capacity of 21,000 tpa. The plant will produce BOPP films of two types: single-layer transparent and coextruded. Polypropylene is supplied from the adjacent 100,000 tpa plant at

Turkmenbashi. Most of the BOPP is intended for export, to countries such as Russia, Japan, Italy, Turkey, China, and Iran, etc.

Russian Domestic Chemical Price Monitor (€ per ton)		
Product	Jan-17	Feb-17
Ethylene	553.1	561.9
Propylene	370.5	395.6
Benzene	493.0	582.7
Xylenes	514.4	521.6
Toluene	594.2	567.7
Styrene	939.8	1022.7
MEG	690.3	123.4
Phenol	967.7	173.6
Acetic acid	520.8	93.3
Polyethylene	1223.8	1220.5
Polystyrene	1275.8	1267.3
PVC	759.0	767.9
Epoxy resins	2524.8	2527.8
Polypropylene	1193.7	1207.3
Amino-resins	264.1	263.9
Phenolic resins	495.0	476.0
Silicone polymers	2515.4	2635.5
Synthetic rubber	1487.2	1523.3
SKMS	1278.3	1569.4
Butadiene rubber	1415.0	1405.5
NPR	1429.4	1539.0
Isoprene rubber	1817.2	1887.1
Other synthetic rubber	2380.4	2103.6

Relevant Currencies

Czech crown. Kc. \$1= 20.852. €1 = 27.444: Hungarian Forint. Ft. \$1 = 229.253. €1 = 310.141: Polish zloty. zł. \$1=3.016. €1 =4.14 Ukrainian hryvnia. \$1 = 24.8. €1 = 27.7: Rus rouble. \$1 = 59.7. €1= 64.5

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