Chemical Information Resources for East Europe and CIS

CIREC MONTHLY NEWS

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

Edited by Andrew Sparshott | Tel +44 (0)20 8669 5126 | Email enquiries@cirec.net | Web www.cirec.net

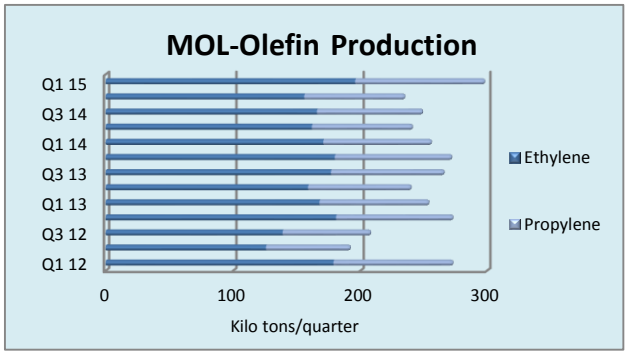
Czech Republic | Slovakia | Hungary | Poland | Bulgaria | Romania | Croatia | Slovenia | Yugoslavia | Baltic States | Russia | Belarus | Ukraine | Transcauscasus | Central Asia | Kazakhstan

Issue 294, 26 May 2015

FEATURES FROM THIS ISSUE

CENTRAL & SOUTH EAST EUROPE

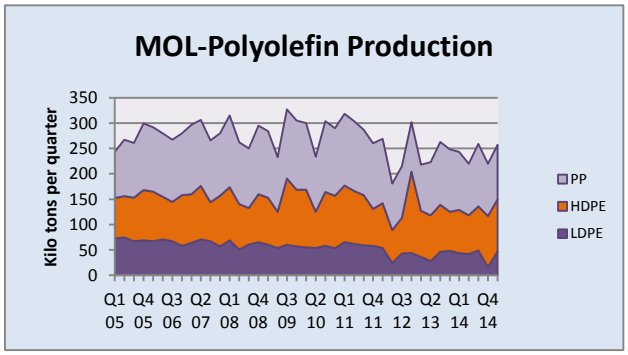
Petrochemicals



MOL-Q1 2015

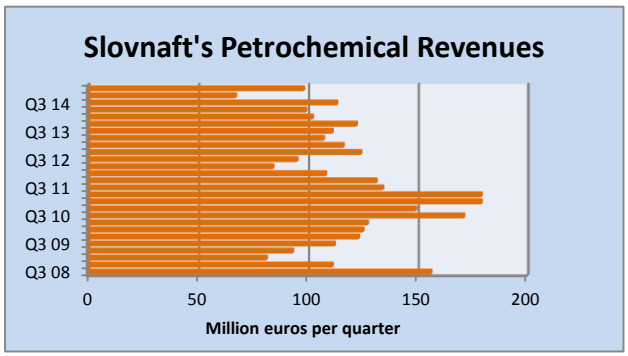
MOL increased its EBITDA by 47% in the first quarter of Ft 154 billion ($561 million). The upstream division was adversely impacted by an almost 30% drop in Brent prices compared with Q4, but the downstream division delivered a record first quarter result of Ft 74 billion ($270 million). The average daily hydrocarbon production reached 103,000 barrels of oil equivalent per day, a 4.1% growth compared with Q1 2014.

Performance was supported by further improving refining margins as well as the positive integrated petrochemical margin. A wider margin lifted MOL's first-quarter operating profit, but net income fell 57% to Ft 9.1 billion partly due to foreign exchange factors. MOL's total operating revenue fell 18% to Ft 930.6 billion, but raw material costs declined at a faster pace, dropping 31% to Ft 482.7 billion. Total operating expenses were down 21% at Ft 866.1 billion, lifting operating profit 39% to Ft 64.6 billion. MOL has succeeded in its offer to take minority shares in TVK, and thus raising MOL's share in TVK to 100%.



MOL petrochemical investments

MOL's 130,000 tpa butadiene extraction unit at Tiszaujvaros is expected to start the commissioning phase in the near future and to start commercial operations in Q3 2015. The unit will be followed by a synthetic rubber plant in 2016.



The construction of the new 220,000 tpa LDPE4 unit at Slovnaft is progressing according to schedule. It is expected to be commissioned by the end of 2015. The new unit will increase production flexibility, improve product qualities and ensure higher naphtha off-take from the refinery.

Slovnaft-Q1 2015

Slovnaft achieved a net profit of €17 million in the first quarter compared against a loss of €9 million in Q1 2014. Results were supported by favourable petrochemical margins in combination with higher demand for oil products. Slovnaft's net sales in the first quarter amounted to €798 million.

In the first quarter the Slovnaft refinery processed 1.450 million tons of crude, unchanged from last year. Petrochemical production rose in the first quarter this year by 29% to 97,000 tons, whilst margins rose by 64%. Slovnaft's new LDPE plant is progressing to schedule after the group invested €17.1 million in the first quarter.

Unipetrol Sales Agreements

Company	*Product*
Spolana	Ammonia
Synthos	Benzene
Synthos	Ethylene
Lovochemie	Ammonia
Momentive	Propylene
Spolana	Ethylene
Grupa Azoty (ZAK)	Propylene
Butadien Kralupy	C4 fraction

Unipetrol-ethylene

Unipetrol may be required to examine its ethylene balance in the next few years, particularly in relation to Spolana and the new polyethylene project at Litvinov. . Spolana, for example, may need to stop chlorine

production which would mean that VCM production would have to be suspended and subsequently ethylene purchases from Unipetrol halted. Spolana has already repeatedly extended the operating permit for the operation of electrolysis, but will not be able to go beyond mid-2017, thus freeing reducing the shipment of ethylene from Litvinov to Neratovice. On the other hand Unipetrol will require more ethylene captively when Polyethylene 3 is completed. Other raw material arrangements for Unipetrol include propylene, benzene and butadiene sales to Polish and Czech consumers.

Grupa Azoty-propylene technology

Grupa Azoty has selected PDH technology from UOP Honeywell for its new propylene plant to be constructed at Police. Honeywell will take responsibility for the license, warranty and a contract for the provision of engineering services. In addition, it will provide preliminary diagrams of piping and equipment and specification of the basic equipment installation. The license agreement allows for the use by the Police UOPL technologies for the production of propylene using PDH.

In addition to the PDH unit, the project involves the construction of a power generating unit and expansion of the chemicals terminal in the port facilities owned by the Group. In terms of its size, the project is comparable to building an entirely new chemical plant in the Szczecin region.

The zl 1,675,000 thousand CAPEX project involves the construction of propylene production and power generating units and extension of the Police port facilities to include a liquid chemicals handling terminal. Ultimately, the terminal will serve the largest LPG vessels in Poland, with its capacity expected to double.

Polish Investment and Development-propylene project

Polish Investment and Development (PIR) will co-finance investment in the construction of installations for the production of propylene implemented by a group of Azoty Police. The project is estimated at zl 1.7 billion for the construction of the installation, the power unit of the Police and the expansion of the port terminal of liquid chemicals. Ultimately, the terminal will be operated by Poland's largest LPG vessels, increasing doubled its operational capabilities. The investment will be completed within the next 4 years, and its impact on the financial results will be visible as early as 2019. PIR will provide around 25% of finance.

PKN Orlen-Q1 2015 investments

PKN Orlen invested zl 3.8 billion in the first quarter this year, including zl 2.5 billion for development projects. PKN Orlen expects to start construction of the gas and steam unit at Plock, intended for completion in 2017-2018. PKN Orlen signed a contract with Siemens for the power plant in December 2014. Another power project in the Orlen group is already underway at Wloclawek. Electricity produced by the two blocks in combined heat and high efficiency cogeneration will be used for internal purposes of Orlen and sold on the domestic market. Other projects included the improvement of furnaces for the Olefin II complex at Plock.

Lotos Q1 2015

Lotos achieved a refining margin of $7.87 in April against $10.32 in March and $6.4 in April 2014. Despite the rise in margins over the past half year the group has recorded five consecutive quarters of losses. In the first quarter the Gdansk refinery ran at 93% of capacity, processing 2.379 million tons of crude. Lotos recorded a loss of zl 100 million in the first quarter and subsequently the group is currently working on a programme to improve efficiency.

Chemicals

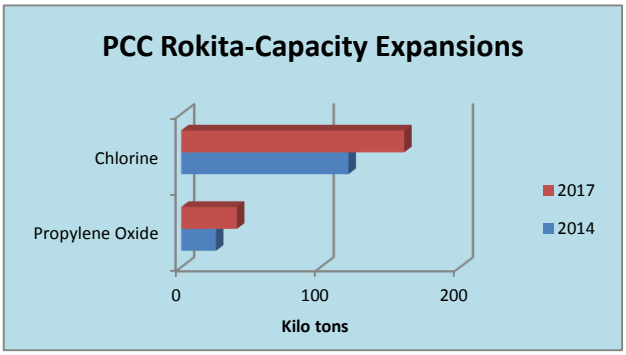
PCC Exol, Q1 2015

PCC Exol recorded a net profit of zl 3.13 million in the first quarter, against zl 1.95 million in the same period last year. The operating profit amounted to zl 7.95 million versus zl 5.48 million in the first quarter in 2014. Sales revenues reached zl 131.54 million in the first quarter against zl 122.08 million. PCC Exol is the largest producer of surface-active agents (surfactants) in Poland and Central and East Europe.

PCC Rokita 2015

PCC Rokita generated zl 253.8 million in sales revenues in the first quarter and a net profit of zl 5.0 million. The group generated a gross margin of 17.4%, the EBIT margin was 4.3% and the EBITDA margin was 9.0%. Weaker results compared to 2014 are mainly consequence of the work necessary to launch a new membrane electrolysis plant at Brzeg Dolny.

The process of switching systems for a new membrane electrolysis plant started in March and had a direct impact on financial results of the first quarter. Downtime in chlorine production caused not only lower production and sales of chlorine, but chlorine derivatives products, alkalis and polyols.



At the start of 2015 PCC Rokita established a jv subsidiary IRPC-PCC in Bangkok whose task is to develop the sales of polyols and polyurethane systems in areas of Southeast Asia, China and India. In Poland, besides the completion of the membrane electrolysis unit, PCC Rokita is expanding capacity for propylene oxide in 2015 and increasing the production capacity of polyols and polyurethane systems. The investments planned for this year comprise around zl 130 million. The project for membrane electrolysis will enter the second phase after the completion of the first phase. PCC Rokita has invested heavily in the chlorine plant in the past few years where commissioning will end at the end of the second quarter.

PCC Rokita aims to exceed 160,000 tpa of chlorine production at the electrolysis plant by 2017, against 135,000 tpa from the old mercury plant. Following further investment in membrane electrolysis, the company has a savings target of around zl 20 million per annum. Increased amounts of chlorine by 2017 will be consumed part of the company's internal needs, and in particular to the new monochloroacetic acid plant (MCAA) which has been constructed at Brzeg Dolny. Industrial Development Agency and Alior Bank signed an agreement with PCC MCAA for loans and credit to finance the construction of the monochloroacetic acid plant.

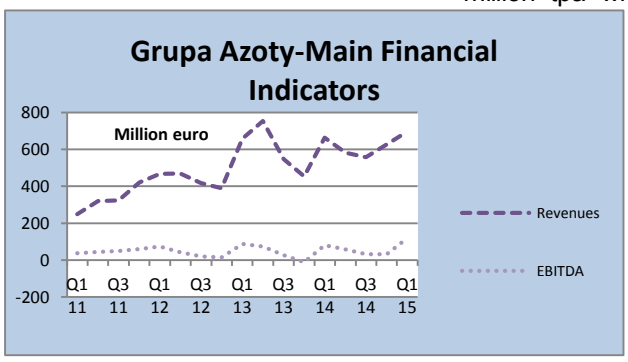
Polish Methanol Imports (unit-tons)

Country	*2014*	*2013*
Belarus	40,126.5	31,235.1
Russia	185,765.3	161,128.5
Third parties	26,587.4	0.0
Norway	12,964.8	23,734.7
Netherlands	28,539.8	29,406.6
Germany	86,075.8	113,956.2
Others	1,056.0	1,684.5
Total	381,115.7	361,145.7

Grupa Azoty Police-Africa

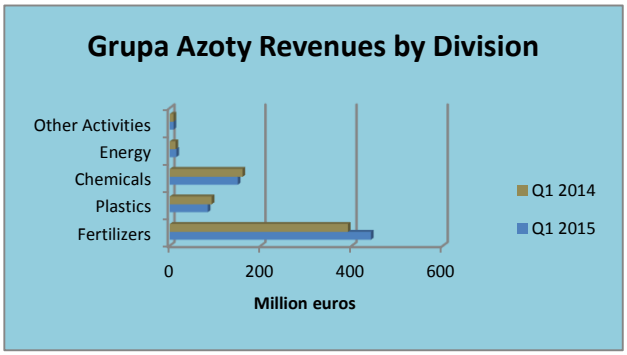
Grupa Azoty is looking to expand its interests in Africa beyond Senegal where in 2014 it established Grupa Azoty Africa, a 100% subsidiary. The newly registered entity was set up to specialise in importing, distribution and trading with fertilisers and other chemical products, rendering of storage and logistics services, as well as providing training to farmers.

In 2014 Grupa Azoty Police bought 200,000 tons of phosphates from Senegal and expects to increase that volume to 300,000 tons in 2015. Grupa Azoty Police would like to increase shipments to 1 million tpa which would meet the company's full demand for phosphate rock. The company is now examining other opportunities in other African countries.



Grupa Azoty-Q1 2015

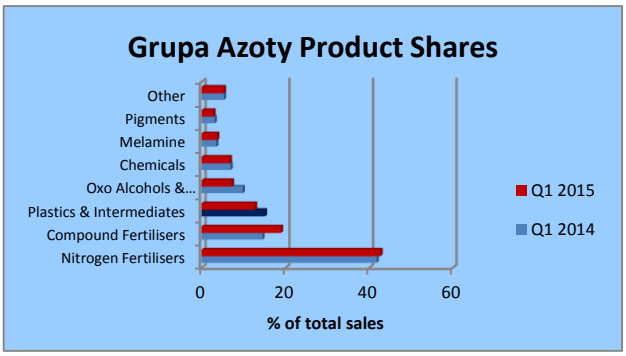
Grupa Azoty posted an EBITDA of zl 484.556 million in the first quarter in 2015 against zl 322.348 million in the same period last year. Net profits rose from zl 150.618 million to zl 305.837 million. Against 2014 these figures grew by zl 162.208 billion and zl 155.219 billion. Revenues increased from zl 2.7 billion to zl 2.8 billion.



The first quarter is traditionally the strongest period for Grupa Azoty due to the sale of fertilisers, revenues of which increased by 13% in Q1 2015 to zl 202 million. Regarding exports the depreciation of the zloty strengthened competitiveness for Grupa Azoty and commodity prices improved the situation by cost.

The plastics division benefited from a fall in oil prices, particularly for phenol and benzene costs. Revenues from the chemical division were subject to weaker margins for oxo alcohol

products, following the decline in propylene prices. Titanium dioxide prices also came under pressure from oversupply.



Grupa Azoty Q1 2015 raw materials

Benzene prices averaged €545/ton in the first quarter against €1,013/ton in the same period last year. Phenol dropped to €1,112/ton against €1,590/ton in Q1 2014. As a result of the decline in raw material costs, international prices for caprolactam prices fell by around 20% to €1,550/ton.

The export FOB price of flaked caprolactam in Q1 2015 was €1,341/ton and was lower by about 17%. In Q1 2015, the European quarterly price of liquid caprolactam was €1,532/ton, down by €371/ton from a year earlier.

Polish Chemical Production (unit-kilo tons)

Product	*Jan-Apr 15*	*Jan-Apr 14*
Caustic Soda Liquid	97.2	110.4
Caustic Soda Solid	15.9	32.6
Soda Ash	362.3	355.7
Ethylene	181.3	161.9
Propylene	129.3	115.0
Butadiene	17.5	20.3
Toluene	3.3	5.3
Phenol	12.3	9.3
Caprolactam	57.6	57.8
Acetic Acid	2.7	2.3
Polyethylene	127.2	109.1
Polystyrene	22.6	19.9
EPS	18.7	22.5
PVC	111.2	111.2
Polypropylene	88.1	80.6
Synthetic Rubber	64.2	66.5
Ammonia (Gaseous)	496.0	472.0
Ammonia (Liquid)	500.0	488.0
Pesticides	12.1	14.1
Nitric Acid	843.0	854.0
Nitrogen Fertilisers	726.0	700.0
Phosphate Fertilisers	163.3	134.4
Potassium Fertilisers	115.3	91.2

Polyamide prices In Q1 2015 averaged €1,617/ton in the first quarter, and was lower by €416/ton against 2014. At the same time the increase in demand for polyamide 6 was seen in a number of various market sectors, mainly those related to the automotive industry, and was consistent with the expectations for the first quarter.

The average spot price of propylene reported in Q1 2015 was €796/ton and was on average lower by about €330/ton compared with Q1 2014. The average contract price of PTA reported in Q1 2015 was €609/ton and was on average lower by about €520/ton compared with Q1 2014. PTA is now consumed by Grupa Azoty ZAK for the production of plasticizers at its new plant.

Compared with the previous year, Q1 2015 saw strong decreases in prices of oxo alcohols and plasticizers following drops in prices of oil derivatives reflecting price movements on the oil market. In other product areas melamine remained stable at €1,340/ton, 1% down on 2014. Following production-related issues faced by Evrokhim's melamine plant at Nevinomyssk throughout the quarter, some European suppliers reported increased demand from Russia. Contract prices of hydrogen peroxide on the European market increased by 2.7% quarter on quarter, to €945/ton, and grew on average by €25/ton.

Market prices of titanium white and ilmenite encountered generally unfavourable economic conditions in Europe. The market prices fell and fluctuated between €25 and €90 per ton. In Q1 2015, prices on the European market of titanium white ranged from €2,160 to €2,350 per ton. In Q1 2015, the poor demand on the titanium white market resulted in a 10% fall in Ilmenite prices titanium slag fell by 5%. The prices of raw materials fluctuated only slightly throughout Q1 2015.

Grupa Azoty ZAK, Q1 2015

In the first quarter Grupa Azoty ZAK achieved a net profit of zl 60 million based in revenues of zl 602 million. Good results were helped by the implementation of the long-term management strategy in both key sectors for the company: fertilisers and oxo alcohols. In April Grupa Azoty ZAK opened a non-phthalate plasticizer unit at Kedzierzyn. The new unit is a response to the growing demand for innovative solutions for the PVC processing market. Due to the most advanced plasticizer unit in this

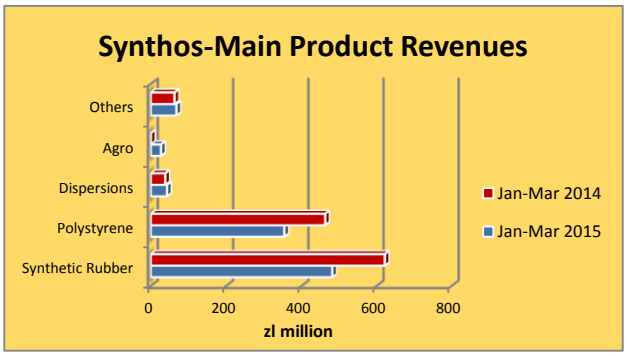
part of Europe, Grupa Azoty ZAK will be able to produce 50,000 tpa of a plasticizer with a trade name of Oxoviflex per year. The investment's cost was approximately zl 42 million.

Synthos-Financial Performance (zl million)		
	Q1 15	*Q1 14*
Revenue	974.087	1186.100
Cost of sales	(836.974)	(983.072)
Gross profit	137.113	203.028
Operating profit	63.490	128.363
Profit before tax	100.601	122.726
Net profit	91.677	108.058

The new plasticizer in the Grupa Azoty ZAK portfolio may be successfully applied to a wide range of PVC products, including floor coverings, vinyl wallpapers, flexible pipes, cable insulation and coverings, faux leather, foil and packaging. As opposed to phthalic plasticizers, Oxoviflex can be used to manufacture toys and goods that come into contact with foodstuffs.

Synthos Q1 2015

Revenues for Synthos in the first quarter dropped slightly due principally to the fall in synthetic rubber prices but also for polystyrene. Conversely the fall in the oil price against the first quarter last year helped reduce costs for styrene and butadiene purchases. Polystyrene sales increased by volume, but were affected by trading and revenues were subsequently down. Despite the fall in revenues from synthetic rubber sales from zl 622 million in the first quarter last year to zl 481.9 million Synthos was still able to record a slight operating profit of zl 41.1 million.



Oltchim Q1 2015

Oltchim reduced its losses in the first quarter to 3.7 million lei by 56 million lei after a substantial advance sustained revenue from exports. The company's turnover increased by 35% in the first three months to 184.3 million lei. Europe and Turkey were the main destinations for Oltchim products exports rising to a share of 73% in sales compared with 67% in the first quarter of 2014. Administrators looking for an investor to take over the production facilities of the plant, without debt, at a starting price of €307 million (1.35 billion lei).

Ciech Financial Performance (zl 000)		
	Q1 15	*Q1 14*
Soda division, inc	**535,571**	**499,174**
Dense soda ash	298,546	276,624
Light soda ash	109,084	91,792
Salt	43,301	42,059
Baking soda	40,248	37,873
Energy	26,055	23,477
Gas**	490	14,085
Calcium chloride	4,205	6,376
Other products	5,492	675
inter-division transactions	8,150	6,213
Organic division, inc	**224,364**	**224,768**
Resins	58,944	88,296
Polyurethane foams	61,325	58,881
Plant protection chemicals	70,323	73,944
Plastics	-	73
Other	33,396	3,565
Inter-division	376	9
Silicates	**36,815**	**106,722**
Other operations division	30,951	22,818
Consolidation adjustments	(39,184)	(33,592)
TOTAL	817,359	844,955

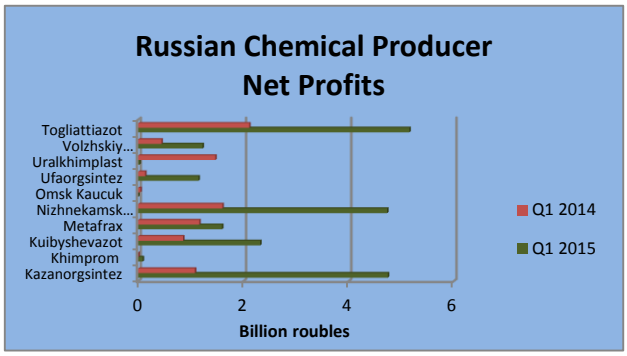
Ciech Q1 2015

Modernising the production facilities is one of the fundamental pillars of Ciech Group's development. The most important project implemented in the first quarter this year was the expansion of soda ash capacity at Inowrocław from 600,000 to 800,000 tpa.

Other investment have taken place at the Janikowo plant, aimed at intensifying the production of dry salt. As a result production increased from 1,000 tons to 1,700 tons per day. Production capacities were also developed in Ciech Soda Romania as a result of capacity development programme.

Ciech generated a gross profit of zl 210 million in the first quarter, 21% more than in 2014. Revenues from sales amounted to zl 817 million against zl 845 million last year due mainly to divestment, whilst the EBITDA rose from zl 119 million in Q1 2014 to zl 173 million this year. The net profit rose from zl 13 million to zl 53 million. The most important events of the last quarter in sales and marketing Ciech Group include ongoing restructuring in Ciech Sarzyna within which takes place the reorganization of the sales force. Regarding energy, Ciech concluded a contract in May for the supply of coal from Kompania Węglowa (KW). The estimated value of the contract over 5 years is zl 340 million.

RUSSIA



Russian chemical companies, Q1 2015

First quarter financial results for the leading Russian chemical companies showed significant increases in revenues, operating and profits. The depreciation of the rouble in the first quarter was a major factor helping producers, both in export and domestic markets. Currency conversion makes some of the results less impressive, but the trend has been upward this year despite the 1.5% decline in Russian GDP in the first quarter.

Despite the increased profits, many companies are concerned about the economy's dependence on oil and access to international capital which has become severely hampered since sanctions were introduced in 2014. The position on investment is mixed overall, with certain projects such as Zapsibneftekhim at Tobolsk, Ammonium at Mendeleevsk and Ivregionsintez at Ivanovo receiving governmental support and many others being shelved until the political climate undergoes change.

Russian Chemical Trade 2014 ($ billion)

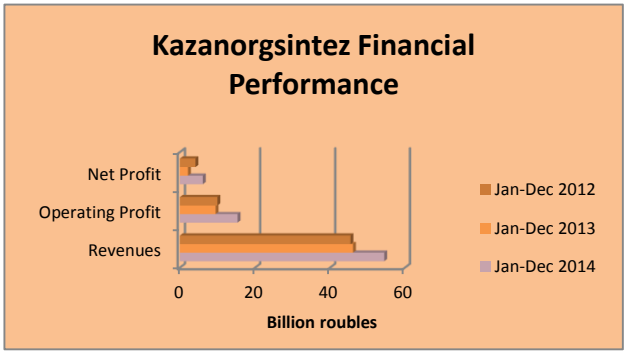
	Export	Import	Balance
Chemical Products Total	**19,256.5**	**29,628.7**	**-10,372.2**
Inorganic chemicals	4,589.1	2,172.8	2,416.3
Organic chemicals	4,154.4	3 060.5	1,093.9
Pharmaceuticals	400.1	12,689.8	-12,289.7
Fertilisers	8,864.6	63.0	8,801.6
Tanning or dyeing extracts	97.9	2,308.6	-2,210.7
Essential oils, perfumes and cosmetics	316.0	3,561.3	-3,245.3
Soap & dtergents	217.1	1,744.2	-1,527.1
Protein substances, glues, enzymes	12.9	713.8	-700.9
Explosives	100.9	45.0	55.9
Photographic or cinematographic goods	4.5	228.9	-224.4
Basic chemicals	499.0	3 040.8	-2,541.8
Plastics & Rubber Totals	**4 041.6**	**14,124.4**	**-10 082.8**
Plastic Products	1,444.2	10,254.0	-8,809.8
Rubber & Rubber Prodicts	2,597.4	3,870.4	-1,273.0

Russia maintains a sizeable deficit in chemical products despite carrying a surplus in organic and inorganic chemicals and fertilisers. Huge deficits are seen in pharmaceuticals, plastics, cosmetics, etc. Whilst some products can be replaced by domestic production for the most part speciality chemicals will continue to depend on imports.

Russian petrochemical producers & markets

SIBUR-Siemens

SIBUR and Siemens signed a cooperation agreement in May, which aims to develop partnerships for joint projects. The parties plan to cooperate in gas processing and petrochemical industries in the field of generation, transmission and distribution of electricity. This could include SIBUR using gas turbine and steam turbine equipment, advanced compressor systems, automation systems and software supplied by Siemens. The agreement also provides for joint work in the field of equipment, reconstruction and modernization of energy facilities, the introduction of effective solutions for electricity production sites belonging to SIBUR. The agreement is valid until September 2016 and can be further extended by mutual agreement.



Kazanorgsintez Q1 2015

Kazanorgsintez increased revenues by 18% in 2014 whilst production costs rose 8.89%, resulting in a fairly positive nominal cash flow for the company. Financial performance improved overall for Kazanorgsintez, even if polyethylene production was lower by 12,700 tons. Prices for polymers rose significantly in 2014 due largely to devaluation, allowing Kazanorgsintez to increase revenues by 8.4 billion roubles

over 2013. Converted into other currencies shows that the company's performance was similar to the previous two years.

Kazanorgsintez Production (unit-kilo tons)		
Product	***Jan-Mar 15***	***Jan-Mar 14***
HDPE	134.1	132.4
LDPE	56.8	49.0
Ethylene	152.7	140.4
Propylene	12.0	12.6
Polycarbonate	17.6	18.1
Phenol	19.1	19.2
Acetone	12.0	12.2
Bisphenol A	17.5	19.2

In the first quarter Kazanorgsintez increased revenues by 28.7% against the same period in 2014 to 17.21 billion roubles. Production of HDPE was unchanged in the first quarter to 134,000 tons, whilst LDPE production fell 10%. Strong financial results occurred in response to the growth of rouble prices for polymers. Average prices for HDPE exceeded 80,000 roubles per ton for injection moulding grades.

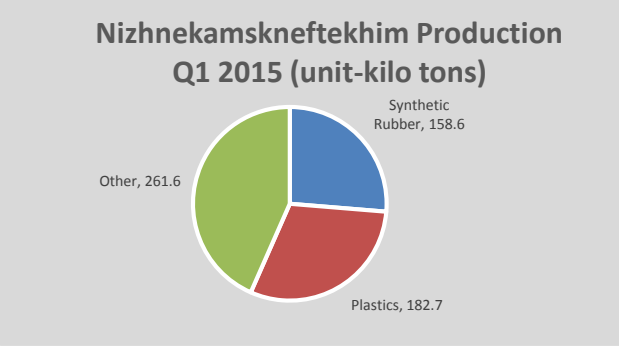
The gross profit for Kazanorgsintez increased from 4.03 billion to 7.17 billion roubles, whilst the operating profit rose 2.8 times to 6.26 billion roubles. The net profit increased 4.4 times from 1.078 billion roubles for the first quarter of 2014 to 4.745 billion roubles for the first quarter of 2015.

Polyethylene prices averaged 49,903 roubles per ton in 2013 but rose to 65,621 roubles per ton in 2014. Regarding projections for 2015, the state of the economy and the anticipated recession are the main concerns for Kazanorgsintez. In addition, the company's operations may be affected by the resumption of production of HDPE by Stavrolen in the second half of the year.

Kazanorgsintez-Sberbank

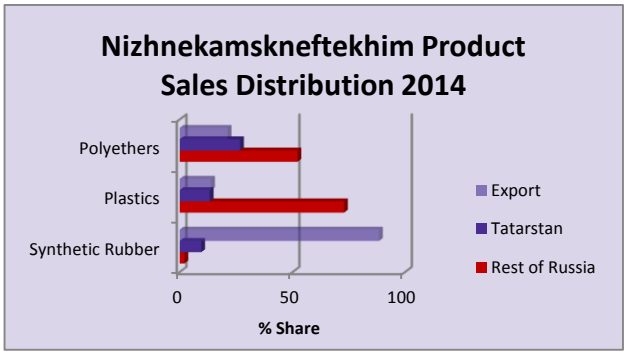
During the first quarter Kazanorgsintez repaid Sberbank 567 million roubles, reducing its debt by 4.3%. At the end of 2014 the debt to Sberbank totalled 13.241 billion roubles, and that was reduced to 12.674 billion roubles at the end of the first quarter in 2015.

In 2008-2009, the company was in dire financial straits because of problems with the service the debt accumulated in accordance with its investment programme involving the expansion of ethylene and HDPE facilities in addition to the construction of bisphenol A and polycarbonate facilities. At one stage Kazanorgsintez became the subject of a possible takeover by SIBUR, but TAIF eventually decided not to proceed. Since 2012 Kazanorgsintez has been paying off debts quickly, with direct benefits coming from the investments made into HDPE and polycarbonate.



Nizhnekamskneftekhim Q1 2015

Nizhnekamskneftekhim increased revenues 12% in the first quarter to 36.711 billion roubles. Commodity production increased by 1.3%. The production of plastics increased by 6% to 183,000 tons, including a 13% rise for polyethylene. Rubber production remained unchanged. The decline in export demand affected the production cuts in SKD-H and halobutyl rubber. In April the capacity of halobutyl rubber increased from 100,000 tpa to 140,000 tpa.



For the first three months in 2015 the profit from sales amounted to 5 293 million roubles, 113.2% higher than the same period in 2014. Net income for the three months in 2015 was 4 733 million roubles, which is 194.3% higher.

For 2014 revenues for Nizhnekamskneftekhim exceeded targets by 9.8%, amounting to 133 billion roubles. The net profit in 2014 was 9 billion roubles, a third more than planned, against 6.2 billion roubles in 2013. The share of exports in

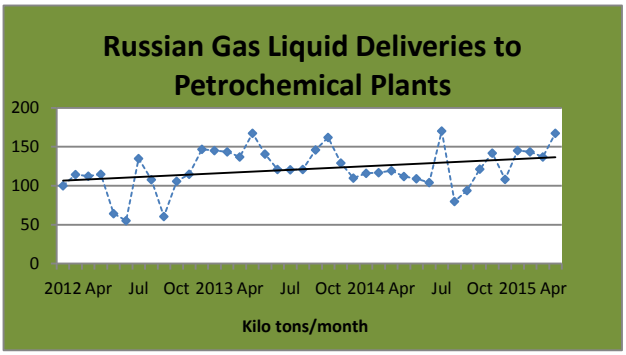
the company's total sales amounted to 47%, with synthetic rubber accounting for 75% of export volumes. Plastics accounted for 12% of exports and organic chemicals 13%. In 2014, Nizhnekamskneftekhim entered into a new long-term agreement for the supply of synthetic rubber until 2019 with companies Goodyear, Pirelli, Bridgestone and Michelin. Nizhnekamskneftekhim has also entered into contracts with large processors of polymer products.

Nizhnekamskneftekhim Production (unit-kilo tons)

Product	*Q1 15*	*Q1 14*
Ethylene	159.3	160.5
Propylene	79.9	79.1
Benzene	51.4	49.5
Styrene	74.9	67.2
HDPE	54.7	38.3
Polypropylene	53.7	51.9

The devaluation of the rouble was expected at the start of the year to further help profits in 2015, but recent strengthening in line with higher oil prices has created uncertainty over some of the forecasts. However, based on an average of 60 roubles to the dollar Nizhnekamskneftekhim has forecast a significant rise in profits in 2015 and 2016.

From the company's production, the largest share of synthetic rubber sales is directed to export markets whilst plastics are sold mostly on the domestic market. Since 2011, the profitability of rubber production has been under constant pressure from falling prices, dropping 2.5 times by dollar prices by 2014.



Russian cracker & petrochemical feedstocks

Russian petrochemical companies increased purchases of NGLs by 34% in April over March to 151,360 tons. The trend for consumption of gas liquids by petrochemical plants in Russia is upward, particularly after the expansion of gas fractionating capacity at Tobolsk in 2013.

LPG sales to the Russian petrochemical industry in 2014 totalled 1.393 million tons against 1.404 million tons in 2013. Overall sales of gas liquids, including petrochemicals, fuel and energy, on the Russian market totalled 3.87 million tons against 3.88 million tons in 2013. Nizhnekamskneftekhim was the largest petrochemical buyer of gas liquids in 2014. Of the other producers Kazanorgsintez consumes 25,000-28,000 tons per month of LPGs, 80% of which it sources under long-term contracts with producers. Kazanorgsintez held a tender on 23 March for offers for 2,160 tons of propylene fraction and intends to purchase 2,640 tons of propane-propylene fractions for delivery in April 2015. Rosneft declared invalid tender for supply of 23,460 tons of LPGs to Angarsk Polymer Plant (due to lack of applications.

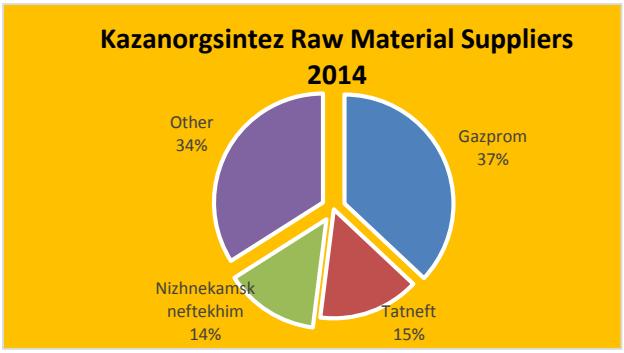
In other feedstocks, isobutane shipments to the Russian domestic market totalled 179,680 tons in the first four months in 2015, 39% more than in the same period over last year. Propane sales to petrochemical plants amounted to 12,070 tons in March, 3% up on February. Tomskneftekhim reduced the purchase of propane by 37% to 2,850 tons. Propane exports from Russia dropped 35% in the first quarter to 169,950 tons. On 1 May 2015, the rate of export duty on Russian oil shipments abroad is set to fall by $14.3 to $116.5 per ton. Export duty on LPG will still be zero, as the average cost of LPG is now below $490 and is $401 per ton.

TAIF-GNS ethylene dispute

Ethylene supply has in dispute again in the Volga-Urals region between Nizhnekamskneftekhim and Gazprom neftekhim Salavat. Under the supervision of the Federal Antimonopoly Service (FAS) Nizhnekamskneftekhim has been forced to provide for the transportation of ethylene through its pipeline for Gazprom neftekhim Salavat. At the same time the Russian monopoly requires Nizhnekamskneftekhim return reserve of product required to maintain the system, or to pay the cash equivalent. Nizhnekamskneftekhim, in contrast, believes that Gazprom neftekhim Salavat should pay for storage for around 3,000 tons of reserve ethylene. Gazprom neftekhim Salavat is dependent on supply of ethylene via the pipeline constructed in the Soviet era, mainly to be transported on to the neighbouring VCM plant at Sterlitamak. Plans to expand ethylene capacity at Salavat have been in planning, but have been affected by the current economic slowdown in Russia.

Kazanorgsintez-ethane & ethylene

Ethane supplies from Gazprom rose from 15% to 37% of total raw material purchases for Kazanorgsintez in the first quarter this year. Physical supplies of ethane from the Orenburg gas processing plant to Kazanorgsintez increased whilst the supply of ethylene from Nizhnekamskneftekhim fell from 31.8% to 14%.



Tatneft contributed 15% of ethane for Kazanorgsintez from the Minnibayevo gas processing plant in the first quarter. Due to the currency weakness the costs of ethane rose 32% for Kazanorgsintez in the first quarter over the same period last year.

Kazanorgsintez and Gazprom are currently preparing a contract for ethane supply from the Orenburg gas processing plant over a period of ten years. The previous contract between Kazanorgsintez and Gazprom for the supply of ethane was concluded in late 2009 for a term of six years. This entailed 290,000 tpa of ethane from Orenburg, providing around two thirds of raw material requirements for Kazanorgsintez. Tatneft supplies around 140,000 tpa from Minnibayevo.

Regarding ethylene supplies, Kazanorgsintez has in recent years taken around 180,000 tpa from Nizhnekamskneftekhim but these volumes are dropping. Tatneft is working on a project to increase the production of ethane at the Minnibayevo gas processing plant, having accounted for 15.6% of raw material purchases for Kazanorgsintez in 2014.

Russian Propylene Domestic Sales (unit-kilo tons)

Producer	*Jan-Apr 15*	*Jan-Apr 14*
Angarsk Polymer Plant	25.7	27.3
Omsk Kaucuk	3.8	0.0
SIBUR-Kstovo	29.1	33.7
Akrilat	1.7	7.9
LUKoil-NNOS	54.0	58.1
Tomskneftekhim	0.0	0.1
Gazprom neftekhim Salavat	4.3	9.7
Nizhnekamskneftekhim	2.0	0.0
SIBUR-Khimprom	0.0	0.5
Stavrolen	0.0	3.3
Tobolsk-Polymer	4.7	1.3
Ufaorgsintez	2.8	141.8
Total	128.1	109.2

Russian propylene, Jan-Apr 2015

Domestic propylene sales amounted to 27,800 tons in April, 3% down on March. Shipments by Angarsk Polymer Plant decreased by 32% to 4,200, whilst Gazprom neftekhim Salavat increased sales by 7.8 times to 3,600 tons. In the first four months in 2015 domestic propylene sales in Russia declined by 9% to 128,400 tons.

Propylene exports increased 14% in April to 7,000 tons, all of which was exported by SIBUR-Kstovo. In the first four months this year Russian propylene exports totalled 20,100 tons, 6.8 times higher than in 2014. Deliveries were divided into 55% to Poland and 45% to the Netherlands.

Exports of propane-propylene fractions dropped 12.6 times against March to 602 tons in April due to maintenance at the Ryazan refinery. For the period January to April 2015 Russian exports of propane-propylene fractions totalled 18,000 tons, 77% of which were delivered to Poland.

Russian Propylene Market (unit-kilo tons)

	2014	*2013*
Production	1,657.0	1,514.8
Export	22.689	26.913
Import	3.450	6.508
Consumption	1,637.8	1,494.4

Russian propylene market shifting to surplus

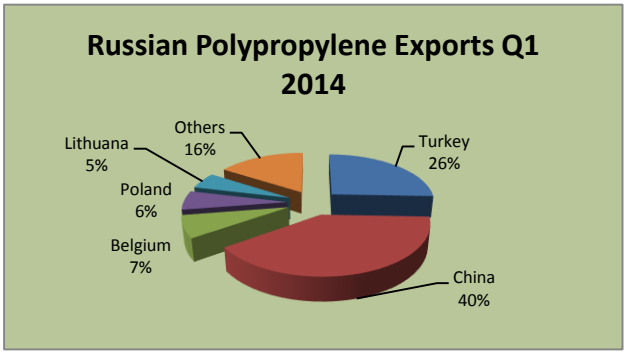
Traditional propylene shortages that have been characteristic of the Russian market could be reversed this year, as Stavrolen returns to full production and Lukoil completes its second propylene line at Kstovo. The emergence of Tobolsk-Polymer in 2014 impacted on the propylene market by increasing production by 9% over 2013. For 2014 only four plants producing propylene reduced its production, in two cases such as Stavrolen and SIBUR-Kstovo due to lengthy repairs.

Domestic sales of propylene on the merchant market totalled 362,400 tons in 2014, 38% of which was conducted between Lukoil subsidiaries and 22% by SIBUR. Lukoil-NNOS and SIBUR-Kstovo are the two largest propylene plants in Russia lacking their own processing facilities. Aside Stavrolen returning to the market in April 2015, Lukoil aims to start its second line of the catalytic cracking unit in late 2015 which will bring another 150,000 tpa into the market. It may take some time before this second plant runs at full capacity and may not be seen until 2016, but export is a distinct possibility particularly to Europe.

Russian styrene exports, Jan-Apr 2015

Russian styrene exports amounted to 14,600 tons in April, 36% higher than in March. The rise was primarily due to the resumption of shipments of monomer from Angarsk Polymer Plant to China for the first time since January this year. Last month, Angarsk Polymer Plant exported 3,200 tons of styrene whilst Gazprom neftekhim Salavat neftekhim increased shipments by 9% to 11,300 tons. Exports totalled 46,300 tons in the first four months in 2015, 4% less than the same period last year.

Bulk Polymers



Russian polypropylene, Jan-Apr 2015

Russian polypropylene imports totalled 47,700 tons in the first four months in 2015, 20% down on the same period last year. The largest decrease occurred in the external supply of propylene copolymers. Russian consumers continue to reduce inward purchases due mainly to the increased availability of domestic production. Imports from Turkmenistan, for example, declined from 17,700 tons in March to 9,600 tons in April. The largest decline in imports occurred in the block copolymers of propylene (PP-block), stat import-propylene copolymer (PP-random) on the contrary increased.

Russian polypropylene exports amounted to 55,800 tons in March and totalled 119,600 tons in the first quarter against 47,000 tons in the same period last year. The main importers of Russian polypropylene are China and Turkey. Exports are dominated by brands propylene homopolymers, accounting for 95%. About 4% comprise block copolymers of propylene, and 1% stat-propylene copolymers.

In April exports dropped to 23,900 tons although this brought the total for the first four months to 143,500 tons, 142% up on 2014. Key exporters consist of Tobolsk-Polymer and Polyom, which shipped 72,500 tons and 34,100 tons respectively in the first four months this year. Neftekhimya at the Moscow refinery exported 9,600 tons.

Russian HDPE Production (unit-kilo tons)

Producer	*Jan-Apr 15*	*Jan-Apr14*
Kazanorgsintez	90.0	85.3
Stavrolen	0.0	47.9
Nizhnekamskneftekhim	54.7	38.3
Gazprom neftekhim Salavat	17.0	17.6
Total	143.0	184.8

Russian polyethylene imports, Jan-Apr 2015

In the first four months of this year, Russian polyethylene imports totalled 164,500 tons which is 16% lower than in 2014. In the first four months of this year LLDPE imports into Russia totalled 59,800 tons which was 9% down. From the total imports, 52,300 tons was supplied as LLDPE film.

Russian HDPE imports totalled 57,800 tons in the period January to April 2015, around 25% lower than in 2014. Reductions were noted in all sectors of consumption aside injection moulding. Imports comprised 14,700 tons in April against 14,300 tons in March. LDPE imports dropped 22% in the first four months to 28,500 tons, whilst imports of ethylene vinyl acetate totalled 6,200 tons in January to April against 6,100 tons in 2014. Imports of other polymers of ethylene in Russia amounted to 12,100 tons against 11,300 tons last year. Kazanorgsintez restarted LDPE production on 10 May after maintenance which started on 17 April. The capacity of the plant is 217,000 tpa, but the company operates HDPE capacity of 530,000 tpa in addition to 640,000 tpa of ethylene.

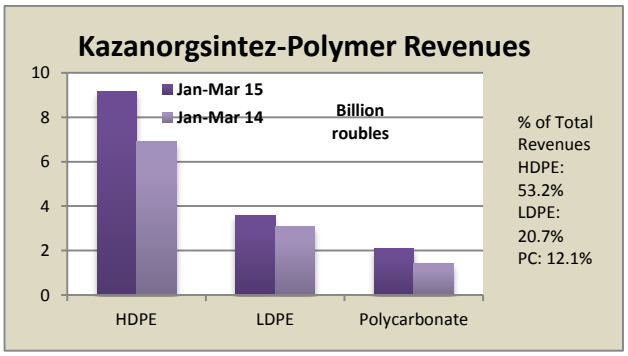
Russian Polycarbonate Market (unit-kilo tons)

	Jan-Apr 15	*Jan-Apr 14*
Production	23.4	24.7
Exports	0.0	1.0
Imports	6.0	14.2
Market Balance	29.4	37.9

Russian polycarbonate market, Jan-Apr 2015

Polycarbonate production amounted to 23,400 tons in the first four months in 2015, 5% down on 2014. The production of sheet extrusion increased by 8% to 20,300 tons. Kazanorgsintez has not exported polycarbonate this and focused solely on the domestic market. Imports of polycarbonate dropped 50% in the first four months in 2015 to 6,000 tons, of which sheet

extrusion polycarbonate accounted for 4,300 tons. The main factor affecting imports this year has been the weakness of the currency. However. Kazanorgsintez is unable to meet the full demand of the Russian market and thus some degree of imports is required. In April, the Russian market saw the arrival of deliveries of Iranian polycarbonate whereby Khuzestan Petrochemical Company shipped 45 tons of extrusion product. The company plans to deliver between 500-1000 tons per month to the Russian market. The cost of the Iranian material is considered competitive with European and Russian product.

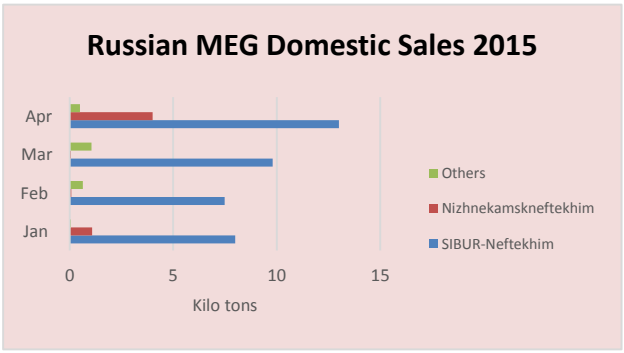


Russian polycarbonate consumption fell by 10% in the first four months in 2015 to 29,400 tons. Reduced consumption is due to mainly the fall in demand from the extrusion division, which accounted for 83% of the Russian market in the first four months in 2015.

PTA/PET & Fibres

Ivanovo polyester project

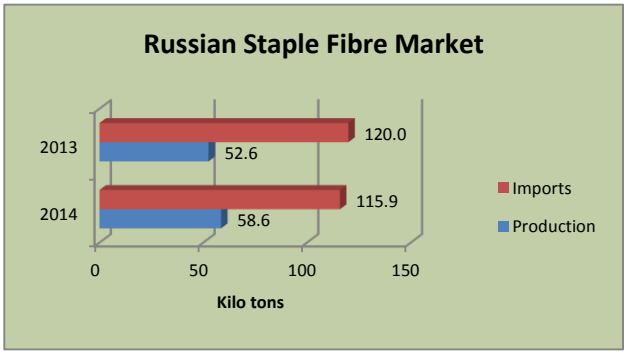
Questions regarding the Ivanovo polyester project are still being examined by the state bank Vnesheconombank, but process is well advanced and Ivregionsintez hopes for a final go-ahead in June. One of the main challenges to this project is the dependency on imported PTA which may undermine the competitiveness of domestic fibre production. MEG is available from domestic producer; the plant for PET staple fibre at Vichuga in the Ivanovo region is located 200 km from Dzerzhinsk where MEG is produced by SIBUR-Neftekhim. MEG may also be available from Tatarstan.



However, the share of MEG, electricity, and other resources represents only half the estimated cost of the finished products whilst the other half comes from PTA. Polief is the sole producer of PTA in Russia, and there is little surplus availability meaning that Ivregionsintez has to depend on imports. This may be possible from South East Asia where there is excess capacity.

In terms of the infrastructure, Ivregionsintez expects to receive subsidies for the construction of the first stage of the road investment. The industrial park to be established in the Ivanovo region which will take residents for fibre processing of PET. The industrial park is planned to take land area of 181.5 hectares, which will accommodate 13 resident enterprises for the processing of staple fibre and other fibres. Up to 50,000 tpa of fibre from the Ivregionsintez plant is forecast to be consumed by the industrial park.

Uhde at Dzerzhinsk is managing the project, with a contract for EP planned with Uhde Inventa Fischer. This contract will cover engineering, the supply of condensation technology and auxiliary equipment, etc. Uhde Inventa Fischer worked on the PET complex at Kaliningrad and thus is well prepared for the Vichuga project. Technological solutions for the production of staple fibre are being developed by Trützschler (Germany), which specialises in technologies for production of synthetic fibres.



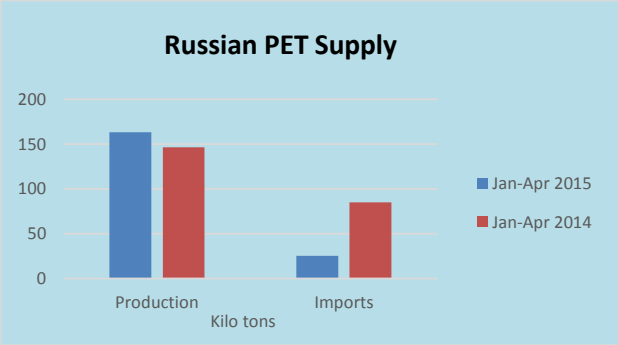
Russian MEG, Jan-Apr 2015

Domestic sales of MEG amounted to 17,500 tons in April, 60% more than in March. SIBUR-

Neftekhim accounted for 74% of deliveries in April, or 13,000 tons, whilst Nizhnekamskneftekhim accounted for 22% of shipments or 4,000 tons. Kazanorgsintez provided 340 tons and trading companies 360 tons. Polief was the largest consumer in April, purchasing 7,200 tons, whilst Alko-Nafta bought 5,700 tons and Senezh bought 2,400 tons. The remaining 12%, or 2,200 tons was taken by domestic companies, consumers and traders.

Russian staple fibre market

Regarding consumption, the demand for polyester fibres in Russia has risen by 7-8,000 tpa over the past 15 years which has culminated in the need for investment. Another large area of consumption includes civil-industrial construction. Materials for vapour barriers, waterproofing provide high performance and economic benefits as a result of their consumption has doubled. Russia has the potential to a fourfold increase in demand for technical textiles. The configuration of the project will allow Ivregionsintez to work in many sectors.



Russian production of polyester staple fibre increased in 2014 by 11.5% to 58,600 tons whilst imports declined by 3.5% to 115,900 tons. Large amounts of demand is met by imports from Asia and Belarus, due mainly tom the lack of development beyond PET bottle grade resin in Russia.

Russian PET imports, Jan-Apr 2015

Russian PET imports totalled 25,200 tons in the first four months in 2015, three times lower than in the same period last year. The supply of granulated PET fell by 3.7 times and amounted to 22,600 tons. Imports are sourced largely from China.

From 1 July 2016 producers of beer and plastic packaging will not be able to sell containers of 1.5 litres and above for beer, if a bill in the Duma is passed. The Russian Ministry of Health believes that it is necessary to limit the maximum volume of any consumer packaging, which can retail sale of alcoholic beverages to 1 litre. Currently almost half of the beer production in Russia is produced in PET packaging. Thus, this new regulation could pose a threat to PET consumption in Russia, estimated in reducing volumes of around 130,000 tpa.

Aromatics & derivatives

Russian Benzene Exports (unit-kilo tons)

Company	*Jan-Apr 15*	*Jan-Apr 14*
Altay-Koks	2.2	5.1
Chelyabinsk MK	3.8	0.0
Gazprom Neft	0.0	2.0
Koks	1.2	1.1
Magnitogorsk MK	6.8	7.2
Moskoks	3.3	0.0
Kirishinefteorgsintez	1.0	5.4
Slavneft	0.0	4.9
Severstal	0.0	2.5
Ural Steel	3.7	2.8
Total	22.0	30.9

Russian benzene Jan-Apr 2015

Benzene sales on the domestic market dropped 19% in April against March to 45,700 tons. The reduction was due to seasonal maintenance at several plants, including Slavneft-Yanos which reduced sales by 11.7 times to 418 tons, and Uralorgsintez reduced shipments by 43% to 4,400 tons. Sales from the Ryazan refinery and Severstal decreased by 25% to 2,700 tons and 2,600 tons respectively. At the same time, Sibur-Kstovo increased shipments of benzene by 48% to 8,400 tons. In the first four months in 2015, domestic companies shipped 212,500 tons which is virtually unchanged from 2014.

Imports of benzene from ArcelorMittal Temirtau in April amounted to 659 tons in April 2015, 1.6 times more than March. Kuibyshevazot resumed purchases and bought 301 tons of Kazakh benzene, whilst Kazanorgsintez reduced its purchases in April by 11% to 358 tons. In the period January to April 2015 Russian imports totalled 1,700 tons, 45% more than in 2014. The main Russian consumers of benzene in 2015 have included the caprolactam producers Kuibyshevazot, Azot at Kemerovo and Shchekinoazot, followed by Samaraorgsintez which is used for the production of phenol and Nizhnekamskneftekhim which supplements its own benzene to support styrene production.

Russian toluene, Jan-Apr 2015

Domestic sales on the Russian market amounted to 12,400 tons in April, 5% more than in March and 12% higher than in April 2014. Gazprom Neft shipped 55% of toluene, (6,830 tons), Kirishinefteorgsintez 30% (3,670 tons), Severstal 5% (650 tons), West Siberian MK 5% (620 tons), Slavneft-Yanos 4% (470 tons) and Novolipetsk Steel 1% (150 tons).

Russian Toluene Domestic Sales (unit-kilo tons)

Producer	*Jan-Apr 15*	*Jan-Apr 14*
Novopiletsk MK	0.5	0.7
Slavneft-Yanos	9.8	12.7
Severstal	2.5	2.0
LUKoil-Perm	4.1	10.9
Gazprom Neft	14.7	9.0
Zapsib	2.0	1.6
Kinef, Kirishi	9.1	5.2
Others	0.3	0.2
Total	43.0	42.1

Manufacturers of explosives increased their purchases of toluene in April by 16%, to 1,220 tons (10% of Russia's total purchases), whilst paint manufacturers increased their purchases by 14% to 4,550 tons (share in total Russian consumption 37%). Manufacturers of lubricants and additives for motor fuels reduced purchased toluene by 11% to 1,480 tons (12%). Purchases of toluene for usage as a solvent for rubber declined to 2,960 tons in April, 24% of consumption.

Russian orthoxylene, Jan-Apr 2015

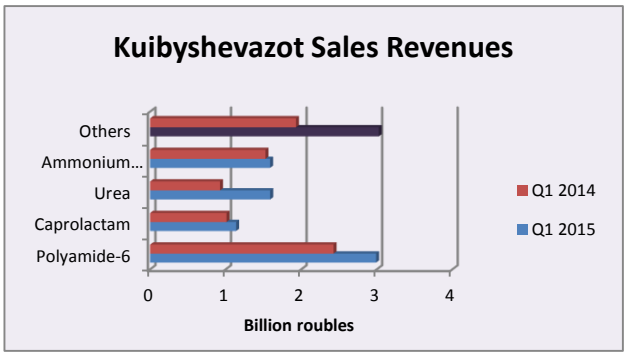
Domestic sales of orthoxylene amounted to 12,440 tons in April, 2% more than in March and 13% higher than in April 2014. Gazprom Neft shipped 5,520 tons in April, 44% of the market, Ufaneftekhim 3,880 tons (31%) and Kirishinefteorgsintez 3,050 tons (25%). Kamteks-Khimprom bought 6,050 tons in April 2015, 23% down on March but still 49% of total domestic sales. Gazprom neftekhim Salavat purchased 1,000 tons, 8% of sales.

Russian Orthoxylene Domestic Sales (unit-kilo tons)

Producer	*Jan-Apr 15*	*Jan-Apr 14*
Gazprom Neft	16.0	21.6
Ufaneftekhim	12.5	12.4
Kirishinefteorgsintez	11.6	14.5
Total	40.0	48.5

Russian manufacturers of paints increased purchases of orthoxylene in April by 7%, to 2,800 tons. Manufacturers of fuel, agricultural products, pharmaceuticals and other products acquired 1,550 tons (13%). Another 1,050 tons (8%) were bought by traders. From January to April 2015 the volume of domestic shipments to the Russian domestic market totalled 40,020 tons, 17% less than the same period of time last year.

Orthoxylene exports from Russia amounted to 1,300 tons in April, 6.7 times less than in March and 7.1 times lower than in April 2014. Kirishinefteorgsintez shipped 1,000 tons in April, 79% of Russian exports, whilst the remainder was delivered by Gazprom Neft from the Omsk refinery. For the first four months in 2015 Russian exports totalled 16,460 tons which is 26% down on the same period last year.



Kuibyshevazot Q1 2015

Kuibyshevazot achieved a net profit of 2.31 billion roubles in the first quarter in 2015 against 853 million roubles in the same period last year. The currency weakness has played an important role in expanding the net profit and other financial indicators.

Much attention is paid by Kuibyshevazot towards modernisation and technical re-equipment industrial complex, aimed at improving the quality of products and decrease consumption rates of raw materials and energy. The company's share Russian in nitrogen fertiliser production in 2014 was 5.3%, ammonia 3.9%, urea 5.4%, ammonium nitrate 6.1%, and ammonium sulphate 54.5%.

In order to ensure the stabilization of feedstock supplies Kuibyshevazot is looking to increase the number of suppliers and long-term contracts. For the production of caprolactam Kuibyshevazot has implemented a programme of partial transition to phenol. With the introduction of the 4th plant for the production of polyamide-6 Kuibyshevazot is now able to provide a full range of products to meet the needs of industries such as textile, tyre, automotive, food, etc.

Russian phenol, Jan-Apr 2015

Russian domestic phenol sales in the first four months this year declined to 34,300 tons against 40,600 tons in 2014. The continued downtime at Omsk Kaucuk in combination with the lower demand for phenol derivatives accounts for the lower sales in 2015. Exports of phenol amounted to only 114 tons in April, 70% less than in March.

Russian Phenol Sales by Supplier (unit-kilo tons)

Producer	*Jan-Apr 15*	*Jan-Apr 14*
Omsk Kaucuk	0.0	10.9
Samaraorgsintez	17.2	16.4
Kazanorgsintez	3.6	4.2
Ufaorgsintez	13.1	9.1
Borealis	0.4	0.0
Total	34.3	40.6

The largest supplier to the domestic merchant market is Samaraorgsintez (Novokuibyshevsk Petrochemical Company), whilst the smallest is Kazanorgsintez which uses most of its phenol captively for the production of bisphenol A. In 2014 Kazanorgsintez accounted for 57% of Russian bisphenol A production with the other 43% provided by Ufaorgsintez.

Synthetic Rubber.

Russian C4 Supplies (unit-kilo tons)

Supplier	*Jan-Apr 15*	*Jan-Apr 14*
Angarsk Polymer	26.4	26.6
Krasnoyarsk Synthetic Rubber	0.2	0.2
Kazanorgsintez	13.9	10.8
Stavrolen	4.4	12.7
SIBUR-Kstovo	24.6	16.1
Gazprom neftekhim Salavat	0.0	6.4
Tomskneftekhim	26.4	20.5
Ufaorgsintez	11.6	9.9
Naftan (Belarus)	18.0	19.5
Azerkhimya	9.1	7.6
Others	0.2	1.8
Total	134.9	131.9

Russian C4s, Jan-Apr 2015

Russian C4 sales on the domestic market increased by 6% in April to 29,400 tons. The increase was a result of the resumption of deliveries from Stavrolen after repair work on the pyrolysis unit. Stavrolen supplied 4,400 tons to the domestic market, whilst SIBUR-Kstovo increased shipments by 4% to 6,700 tons. Due to maintenance Kazanorgsintez reduced shipments by 40% to 2,400 tons. In the first four months in 2015 domestic sales totalled 107,800 tons, 4% more than the same period last year.

C4 imports into Russia amounted to 6,400 tons in April, 3% down against March. Nizhnekamskneftekhim increased its imports to 1,800 tons whilst Omsk Kaucuk reduced imports 2.6 times to 1,500 tons. Imports totalled 27.200 tons in the first four months this year, 6% down against 2014. Butadiene prices have risen recently due to a number of outages, and this may start to affect rubber prices if the trend continues.

Russian Synthetic Rubber Exports (tons)

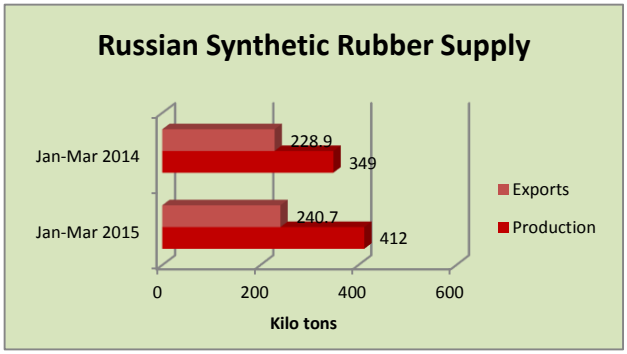
Country	Q1 15
Brazil	10,197.6
Canada	6,993.7
China	25,293.0
Czech Republic	6,331.0
Germany	6,894.3
Hungary	17,002.9
India	24,810.0
Japan	4,497.0
Poland	13,542.1
Romania	8,549.8
Slovakia	7,120.2
Taiwan	6,782.7
Turkey	15,022.7
US	15,641.8
Others	72,300.0
Total	240,978.7

Russian synthetic rubber market 2015

In the first quarter in 2015 the demand for rubber products in Russia was very low, and domestic capacities operated only around 40%. The Russian market is represented by a large number of rubber goods manufacturers and the presence of large factories RTI as Kurskrezinotekhnika, Saransk factory RTI, Ural plant RTI Volzhskrezinotekhnika, Balakovorezinotekhnika, etc. In addition, Bobruyskrezinotehnika (Belarus) actively promotes its products on the Russian market. However, the low profitability of the Russian manufacturers of industrial rubber goods makes it very difficult to compete primarily on price against imports, even taking into account the changes in rouble exchange rate in the past year. In May the Ural Plant of RTI received a grant from the Ministry of Trade and Industry to help in working capital, reflective of the financial difficulties facing the industry.

Nizhnekamskneftekhim-isoprene expansion

Nizhnekamskneftekhim has commissioned an assembly of high decomposition by-products (WFP) for the catalytic decomposition of these products to produce isoprene, formaldehyde and isobutylene. The project will produce another 15,000 tons of isoprene.



For many years the company has been supplying isoprene rubber on export markets. The main competitors are Goodyear, Russian companies Togliattikaucuk and Sintez-Kaucuk at Sterlitamak). In 2014, 77% of isoprene rubber was sold on foreign markets, 23% to the Russian market. Nizhnekamskneftekhim has recently installed an automated line for pellets at the polybutadiene plant (neodymium catalyst). The company installed a similar unit at the butyl rubber plant in 2014.

Ivanovo Carbon Black

The Ivanovo Carbon Black Plant has completed the construction of the third reactor raising capacity to 36,000 tpa. One-third of the production is exported. New machinery has been installed at the Yaroslavl Carbon Black Plant m (Yartekhluglorod). The commissioning of this integrated facility will allow the plant to increase production by 100,000 tpa, up by a third from current levels. The start of the two production lines will also allow the company to expand the range of brands of carbon black.

Ivanovo Carbon Black plant continues to increase the production of semi-active carbon black type P-514. In 2013 from the company's total production of 13,700 tons this grade amounted to 11%. The main activity of Ivanovo Carbon Black is the production of carbon black low-activity of different brands. Of the total amount produced in 2013, 7,700 tons comprised P-803 grade accounting for 56% of the total. The company sells into Poland, Germany and the CIS, in addition to the domestic Russian market.

SIBUR-Sinopec

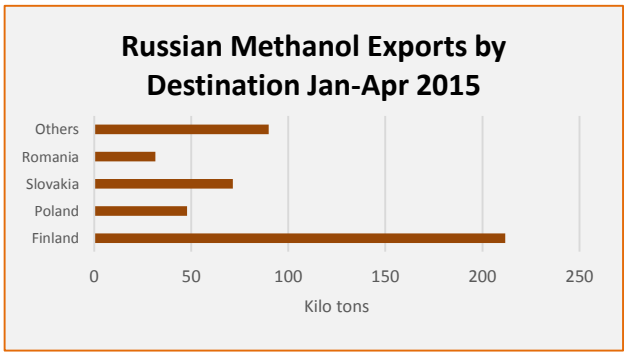
SIBUR and Sinopec intend to officially establish its jv at Shanghai in mid-2015 for the production of nitrile rubber (NBR) with a capacity of 50,000 tpa. Currently, work is underway to harmonize the project in the state governing bodies in China. Earlier it was reported that the share of Sinopec and SIBUR in the company will amount to 74.9% and 25.1%, respectively.

Gazprom Neft-PBBs

According to Gazprom Neft, the production of polymer-bitumen binder (PBB) rose to 180,000 tons in 2014, which is about 3% of total bitumen consumption. By 2025, Russia should be capable of producing 250-300,000 tpa of PBBs.

TechnoNikol has developed a new line of energy-efficient and environmentally friendly building materials ENVIRO, combining a range of bitumen-polymer materials. At present, the plants are able to produce Technonikol VDPB volume of 2,800 tons per day.

Methanol



Russian methanol market Jan-Apr 2015

Russian methanol exports amounted to 99,500 tons in April, 15% down on March. The decline was due to maintenance mostly at Tomet which reduced exports by 75% against March to only 5,400 tons. Sibmetakhim accounted for 33% of exports in April, Shchekinoazot 24%, Azot 15% and Metafrax 22%. The only company to increase exports of methanol in April was Sibmetakhim, which increased shipments 10% to 33,300 tons. Metafrax sold 22,300 tons, similar to March, whilst Shchekinoazot and Azot reduced exports by 10% to 23.700 tons and 14,700 tons. The largest importer of methanol from Russia remained Finland, accounting for 57% of Russian shipments or 57,000 tons. Poland purchased 13,200 tons in April and Slovakia 17,400 tons.

Methanol sales on the domestic market amounted to 110,000 tons in April, 20% less than the previous month. Metafrax, Sibmetakhim and Tomet accounted for 84% of product sales even if Tomet was down partly for maintenance. Sales from Tomet dropped two fold in April to 16,000 tons and comprised 15% of the Russian market in April. Metafrax shipped 31,000 tons in April (28% of the total volume sold), Shchekinoazot 3,000 tons (3%), and Azot Novomoskovsk 9,500 tons (9%). Sibmetakhim shipped 45,500 tons in April (41%), which was 4% down on March.

Russian producers of MTBE and domestic gas producers accounted for 64% of purchases in April. Smaller volumes fell to domestic enterprises for the production of rubber and formaldehyde and its derivatives, accounting for 25% of shipments. For the production of formaldehyde and its derivatives sales of methanol were down in April.

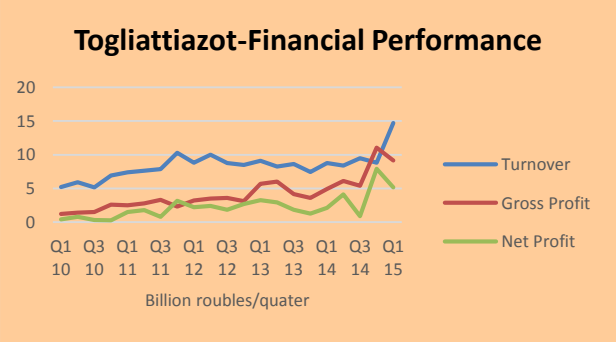
Production at Azot Nevinomyssk (unit-kilo tons)

Product	*2014*	*2013*
Ammonia	1070.1	1087.2
Urea	883.6	892.7
Nitric Acid	982.3	1017.8
Acetylene	33.2	33.4
Methanol	124.2	124.2
Acetic Acid	157.0	151.4
Acetaldehyde	37.6	37.5
Butanols	18.0	16.3
VAM	17.6	17.7
Butyl Acetate	20.9	18.0
Methyl Acetate	11.5	10.3
Polyvinyl Alcohol	0.5	0.5
Melamine	42.2	22.8

Azot Nevinnomyssk 2014

Azot at Nevinnomyssk increased its net profit by 995 million roubles in 2014 over 2013 to 6.244 billion roubles. Revenues rose by 3.713 billion roubles to 31.459 billion roubles. The main reason for the rise in revenues was the increase in sales prices, including exports in roubles due to its weakening against the dollar. During 2014 the volume of commodity output amounted to 2.635 million tons, whilst production costs rose 865 million roubles to 18.685 million roubles. The rise in costs was due mainly to the price of gas charged by Gazprom and its subsidiaries.

In 2014 Azot increased the production of melamine following technical improvements. The plant was originally launched in 2012. Other projects in 2014 included the construction of an industrial complex of ammonia capacity of up to 2,200 tons per day of granulated urea and capacity up to 3.500 tons per day of ammonia. The company is constructing a new unit for polyvinyl alcohol with capacity of 10,000 tpa and creating a facility for potassium nitrate with a capacity of 60,000 tpa. Azot is one of the largest Russian producers of acetic acid, methyl acetate, polyvinyl alcohol, and acetaldehyde). In addition, the company has a large-scale production of methanol, vinyl acetate, butyl acetate.



Togliattiazot-Q1 2015

Togliattiazot increased revenues from 10.911 billion roubles in the first quarter in 2014 to 14.494 billion roubles this year. Net profits also increased from 2.110 billion roubles in the first three months in 2014 to 5.155 billion roubles this year. The company benefited from only a small increase in production costs from 5.181 billion roubles to 5.366 billion roubles in Q1 2015. The company is heavily dependent on exporting ammonia by pipeline through the Odessa terminal in Ukraine, and political relations provide concern.

Togliattiazot exports large volumes of ammonia through Odessa, via a pipeline of 2,417 km. The system was set up and developed when the USSR was intact. The pipeline traverses seven areas in Ukraine (Kharkiv, Donetsk, Zaporozhe, Dnepropetrovsk, Kherson, Nikolayev, and finally Odessa). Transportation problems were encountered in 2011 when Ukrhimtransammiak stopped pumping ammonia and Togliattiazot was on the verge of being stopped. Operation of the pipeline was restored only 18 January 2012, at the time the losses of the Russian company exceeded $140 million.

Fosagro Production (unit-kilo tons)

Product	***Jan-Mar 15***	***Jan-Mar 14***
Ammonia	307.7	296.4
Urea	267.5	252.4
Phosphate fertilisers	1,342.0	1,229.3
Nitrogen fertilisers	0.0	374.8
Ammonium nitrate	126.5	122.4
Aluminium fluoride	7.4	7.2
Phosphoric acid	525.5	470.9
Sulphuric acid	1,181.9	1,103.4
Sodium Tripolyphospahe	31.2	33.0

The political situation has since deteriorated and the tariffs for pumping ammonia has increased six times in recent months. Due to the higher tariffs Togliattiazot has since reduced production from 3,000 tons a day to 2,000 tons per day, and is hoping that relations do not worsen.

Fosagro-urea project

Fosagro-Cherepovets and Koksokhimmontazh signed a general contract for the construction of the third urea project with a capacity of 500,000 tpa. The licensing for the project has been supplied by Stamicarbon (as

with the second urea plant constructed by Fosagro -Cherepovets in 2012. The third urea unit at Cherepovets will be the first in Russia to use the latest technology from Stamicarbon (Urea2000plusTM) to produce urea based on fluid bed technology.

Construction of the third unit of urea at Cherepovets is part of the comprehensive investment project for Fosagro-Cherepovets which is also building a new ammonia plant with a capacity of 760,000 tpa. The launch of a new urea production unit will increase total capacity by 35%. Total investment in the construction of a new urea unit with a production infrastructure is estimated at 11.5 billion roubles.

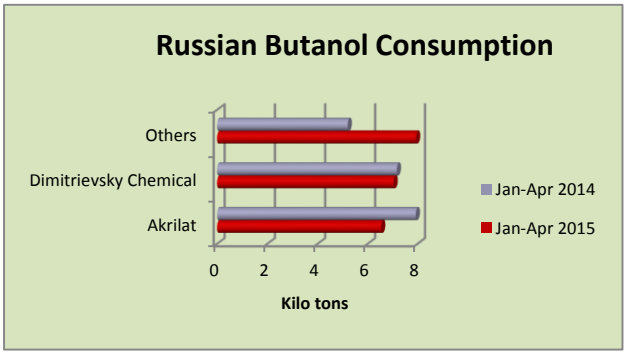
Russian Chemical Commodity Exports

	Jan-Mar 15	*Jan-Mar 15*	*Jan-Mar 14*	*Jan-Mar 14*
Product	***Kilo tons***	***USD Mil***	***Kilo tons***	***USD Mil***
Ammonia	800	372	495	347
Methanol	327	89	307	129
Nitrogen Fertilisers	2,662	691	1,671	429
Potash	3,947	1,057	1,262	352
Mixed Fertilisers	2,459	636	1,370	460
Synthetic Rubber	241	365	150	332

Fosagro increased fertiliser production and sales in the first quarter by 8.3% and 2.8% respectively. Production of phosphate-based fertilisers and feed phosphates for the first quarter increased by 9.2%, while production of nitrogen-based fertilisers increased by 5.1%.

Sales were driven mostly by export markets in Europe, India and Latin America. The Russian domestic market was slow due mainly to the rise in interest rates which made borrowing inaccessible for Russian farmers for the first quarter.

Organic Chemicals



Russian butanol market, Jan-Apr 2015

Butanol exports from Russia amounted to 13,120 tons in April, 27% less than in March and 17% lower than in April 2014. The proportion of normal butanol in total Russian exports in April 2015 was 57%, and isobutanol 43%.

China accounted for 55% of Russian exports in April, and Finland (30%). Angarsk Petrochemical Company exported 5,870 tons in April, Gazprom neftekhim Salavat 4,370 tons, SIBUR-Khimprom 2,680 tons and Azot at Nevinnomyssk 190 tons. In the first four months in 2015 Russian butanol exports totalled 48,100 tons which is 29% higher than in 2014.

Russian N-butanol Exports (unit-kilo tons)

Producer	***Jan-Apr 15***	***Jan-Apr 14***
Gazprom neftekhim Salavat	20.9	9.3
SIBUR-Khimprom	2.0	1.0
Angarsk Petrochemical	10.1	7.1
Total	33.0	17.4

Russian Isobutanol Exports (unit-kilo tons)

Producer	***Jan-Apr 15***	***Jan-Apr 14***
Gazprom neftekhim Salavat	4.6	3.5
SIBUR-Khimprom	5.2	9.9
Angarsk Petrochemical	5.2	4.6
Total	15.1	18.0

Butanol sales on the Russian domestic market amounted to 5,980 tons in April, 7% more than in March and 7% higher than in April 2014. The proportion of n-butanol sales was 86%, and isobutanol 14%. Gazprom neftekhim Salavat shipped 2,870 tons (48% of Russian supplies), SIBUR-Khimprom 2,820 tons (47% of total shipments), and Azot Nevinomyssk 280 tons (5%). Angarsk Petrochemical did not ship in April not to ship butanols on the domestic market.

Akrilat increased its purchases of butanols by 24% in April to 1,540 tons (26% of Russian shipments), whilst Dmitrievsky Chemical Plant increased purchase by 2% to 2,260 tons (38%). Other consumers included the Plant of Synthetic Alcohol which purchased 690 tons (12% of Russian shipments), and Volzhskiy Orgsintez 520 tons (9%). From January to April 2015, domestic sales of butanols amounted to 23,700 tons which is 10% more than in 2014. Gazprom neftekhim Salavat stopped butanol production in May for maintenance.

Russian Butanol Domestic Sales (unit-kilo tons)		
Producer	***Jan-Apr 15***	***Jan-Apr 14***
Gazprom n Salavat	7.0	7.7
SIBUR-Khimprom	5.5	12.6
Angarsk Polymer Plant	0.1	1.7
Azot Nevinnomyssk	1.2	0.7
Others	4.1	0.0
Total	17.9	22.8

Russian phthalic anhydride market

The sole Russian exporter of phthalic anhydride Kamteks-Khimprom exported 4,250 tons in April, 19% less than in March and 20% lower than in April 2014. India took 42% of Russian supplies, China (16%) and Finland (13%). Kamteks-Khimprom exported 13,960 tons of phthalic anhydride in the first four months in 2015, 42% lower than the same period in 2014.

Kamteks-Khimprom sells domestically to Perm based consumers Rosplast and Uralkhimprom, which together account for around 40% of sales. Other consumers include Perm-Polyester which uses phthalic anhydride for the production of unsaturated polyester resins. The main production focus for unsaturated polyester resins at Perm Polyesters is chemically resistant resins, as well as pipe grades of resins modified with isophthalic, terephthalic acid and dicyclopentadiene. In 2014 Perm Polyesters reduced production by 30% against 2013 to 1,053.4 tons. The reason for the decline was attributed to the higher cost of energy and raw material costs.

Russian Chemical Production (unit-kilo tons)		
Product	***Jan-Apr 15***	***Jan-Apr 14***
Caustic Soda	385.2	347.9
Soda Ash	1,040.0	849.0
Ethylene	910.0	868.0
Propylene	496.3	501.8
Benzene	410.8	403.0
Xylenes	200.9	180.2
Styrene	238.2	0.0
Phenol	81.2	89.5
Ammonia	3,701.2	5,200.0
Nitrogen Fertilisers	2,800.0	3,000.0
Phosphate Fertilisers	1,100.0	1,200.0
Potash Fertilisers	2,500.0	2,800.0
Plastics in Bulk	2,367.0	2,104.0
Polyethylene	577.0	574.0
Polystyrene	179.1	176.0
PVC	285.4	223.5
Polypropylene	467.0	308.0
Polyamide	45.3	47.7
Synthetic Rubber	540.0	454.0
Synthetic Fibres	42.7	44.2

Paints & import substitution

Due to the rouble's instability in the past year many Russian paint manufacturers have been forced to try and replace imported raw components for products produced in Russia. NPP Spectrum decided to go even further to build its own plant for the production of silicone-acrylic polymers. This unique material, the basis for the production of corrosion-resistant enamel, providing long-term protection of structures and equipment for all industries.

The Russian market for silicone-acrylic polymers is dominated by Dow Corning (USA), Wacker (Germany), and Hempel (Germany). NPP Spectrum has constructed a plant with a capacity of 4,400 tpa, comprising 400 tpa of acrylic-silicone copolymers and 4,000 tpa of enamels. Previously, silicone-acrylic copolymers were purchased by NPP Spectrum from other companies of the chemical complex or abroad. With the launch of a new plant, the company will master the full cycle of production of heat-resistant coatings on their premises.

Zagorsk LKZ (ZLKZ) has restructured much of its structure in the past few months and abandoned the production of low-margin products. The company has taken full control of the entire process chain for service quality, which includes developers and coatings. The main clients of ZLKZ have traditionally been the defence industry, having started in 1965.

Overall, the question of import substitution is not straightforward as new products cannot be introduced quickly. The paint and varnish industry, like most others, was formed in the Soviet era and most businesses do not have their own research departments or specialised research institutes. Thus, although some new products can be brought onstream it seems that imports in paints and enamels will continue to feature in the Russian market.

Other Products

Khimprom Novocheboksarsk Q1 2015

Khimprom at Novocheboksarsk increased revenues by 28% in the first quarter against the same period last year, whilst net profit rose 17.3 times. Caustic soda sales increased by 6% whilst sodium

Khimprom Product Sales (unit-kilo tons)		
Product	***2014***	***2013***
Softeners	30.4	14.9
Chlorinated Paraffins	1240.1	165.7
Diphenylguanidine	567.2	40.5
Acetonanile	94	94.2
Chloroform	1297.5	1297.5
Trichlorosilane	140.3	96

percarbonate increased by 31%. Revenues from the sale of liquid chlorine increased by 19% in the first quarter, diphenylguanidine 16% chlorinated paraffin (19%), calcium chloride (6%) and sodium hypochlorite (5%).

In 2014 the company increased revenues by 6.5% to 6.05 billion roubles and achieved a net profit of 147.3 million roubles. The cost of sales increased by 2.8%, amounting to 4.46 billion roubles whilst the gross profit increased from 1.35 to 1.59 billion roubles. Exports accounted for 20% of sales in the first quarter.

Russian Chloroparaffins Production (unit-kilo tons)			
Producer	Location	2014	2013
Kaustik	Volgograd	15.1	13.7
Khimprom	Novocheboksarsk	4.5	3.1
Khimprom	Volgograd	3.8	3.9
Bashkhim	Sterlitamak	5.4	5.3
Total		28.8	26.0

Russian Caustic Soda Solid Production (unit-kilo tons)			
Producer	***Location***	***2014***	***2013***
Kaustik	Volgograd	91.5	106.0
Bashkir Soda	Sterlitamak	36.3	39.1
Total		127.8	145.1

Khimprom-hydrogen peroxide

On 20 May, Khimprom closed a tender for selecting a general contractor for the new unit for the production of hydrogen peroxide. Chematur Engineering of Switzerland is providing the technology for the new unit, which will have a capacity of 50,000 tpa.

Kaustik Volgograd 2014

Kaustik at Volgograd increased revenues by 2% in 2014 to 12.548 billion roubles against costs of 11.332 billion roubles. From the total product sales 32% came from PVC, 16% caustic soda solid and 14% caustic soda liquid.

The medium term development of Kaustik provides further application of energy saving programmes, and the development of technologies in order to reduce the energy consumption share in the cost structure. A promising development envisages the creation of an industrial site next to Kaustik for a multi-chemical industrial park. The concept of Technopark is based on obtaining synergies from the joint use of the existing infrastructure, and reducing the time for development and usage of science and technology. US company Praxair has already established an energy-efficient air separation installation plant on the Technopark. Kaustik has concluded long-term contract for a guaranteed supply of gases from Praxair.

Russian Caustic Soda Production (unit-kilo tons)		
Producer	***2014***	***2013***
SIBUR-Neftekhim	0.0	14.6
Khimprom, Novocheboksarsk	89.2	96.8
Kaustik, Volgograd	229.3	220.2
Khimprom, Volgograd	50.4	78.3
Bashkir Soda	172.6	181.8
Sayanskkhimplast	204.7	193.6
RusVinyl	30.4	0
Chlor	61.5	64
Ilimkhimprom	67.6	65.5
Plant of Polymers KChKhK	91.1	78.3
Soda-Chlorate	0	0.3
Norilsk Nickel	19	18.9
Khimprom	26.9	33.1
Total	1042.7	1045.4

Kaustik-magnesium hydroxide & oxide project

A major project for Kaustik comprises the production of nanostructured magnesium hydroxide and oxide. Most of the high-purity magnesium hydroxide is used as an effective and environmentally-retardant filler in the production of polymer compounds. Magnesium oxide is mainly used in the production of rubber goods, the food and pharmaceutical industry and production of chemicals. The capacities for the new facilities include 25,000 tpa for nanostructured magnesium hydroxide and 30,000 tpa of magnesium oxide. Production is close to start up and will be the first plant for these products in Russia. Further stages of development for the magnesium business group include the production of chemically precipitated chalk and sodium bromide.

KZSK-Silicon-tender for methylchlorosilane plant

KZSK-Silicon recently ended a tender for the improving its plant for methylchlorosilanes. KZSK-Silicon is currently constructing a plant for the production of silicon, which is planned for completion by 2016. Russia currently imports around 20,000 tpa of silicon, delivered from a range of countries including the US, Belgium and Germany.

Bor-Q1 2015

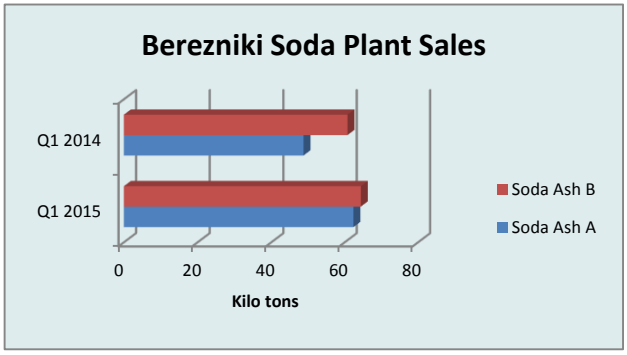
In the first quarter in 2015, mining and chemical company Bor (located in the Russian Far East) has continued to encounter difficulties in regard to finance, but conversely has maintained good production levels of boron products at its Dalnegorsk plant. The company is a monopolist in the market of boric acid in Russia and ranks third in the world in the production of boron products.

Geography of Boron Product Sales by Bor (unit-kilo tons)

Country	2013	% Share	2014	% Share
Japan	13,907.8	18.2	14,145	18.8
Korea	3,520.9	4.6	9,825.95	9.1
Europe	7,040.0	9.2	3,680	4.9
CIS	1,180.4	1.6	800	1.1
China	44,208,0	57.9	43,420	57.7
Russia	6,527.4	8.6	6,332	8.4
Total tons	76,384.5		75,203.0	

Bor controls around 50% of the Russian market for boron products, with the remainder occupied by imports from Turkey. The geographical location of Bor allows the company to target consumers in the Asia-Pacific region (Japan, China, and South Korea), where it has a significant competitive advantage in terms of the costs of logistics. Product applications for boric acid supplied to customers in the Asia-Pacific region by Bor include printed circuit board, TFT LCD monitors, TVs, etc. Calcium borate is the second most important commodity for Bor, which is used as a fluxing agent in the manufacture of textile-foot fibreglass and boron alloys, in addition to agriculture, glass, and enamels, etc.

Bor maintains a permanent inventory of 3,000-3,500 tons which provides an uninterrupted supply of finished products to consumers and deliver within 10 days. Prior to scheduled maintenance Bor establishes inventories of 9,000-10,000 in order to cover downtime. The maximum amount of storage space is 15,000 tons of finished products. In the domestic market Bor sells boric acid in different grades to the nuclear, metallurgical and medical industries. For exports the main buyer of goods Unicore Investments Ltd, Hong Kong. The main consumers of boron products include Marubeni Corporation, PRC Trigon and Gangnam Korea.

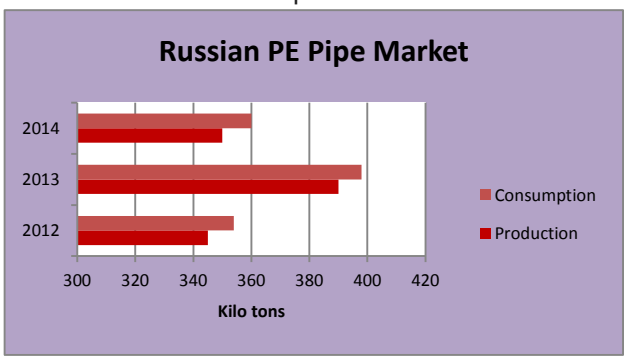


Berezniki Soda, Q1 2015

Berezniki Soda Plant increased production of soda ash in the first quarter in 2015, as well as revenue and net profits.

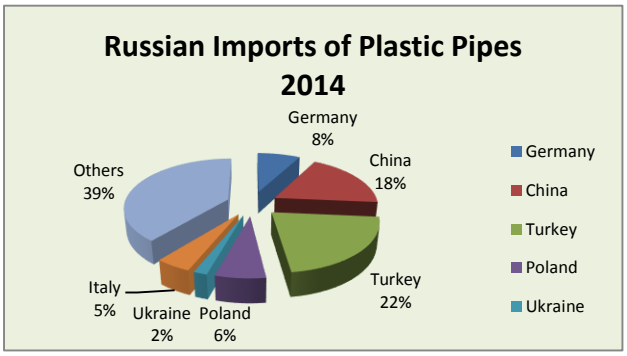
The share of consumption of soda ash production in Russia grew by 4% in comparison with the first quarter of 2014. In January-March 2015 Berezniki Soda Plant achieved 1.17 billion roubles in revenue against 1.03 billion roubles, and 129.57 million roubles of net profit (against 6.02 million roubles.

In the first three months of 2015 Berezniki Soda Plant sold 64,451 tons of soda ash brand B and 62,109 tons of soda ash grade A. The share of consumption of soda ash in Russia, produced at Berezniki, was 21%. In the same period of 2014 the volume of shipments of soda brand B amounted to 60,800 tons of soda ash of and grade A 48,800 tons. Berezniki Soda Plant has its own raw material base and a research laboratory. In 2014, BSZ received 4.07 billion roubles in revenue and a net loss of 119.67 million roubles.



Turkish pipe project at Alabuga

In April 2015, the Russian Ministry of Economic Development approved a polyethylene and polypropylene project for Turkish company Dizayn Group to be located at the SEZ Alabuga in Tatarstan. The decision has caused concern and disappointment amongst domestic pipe manufacturers who are requesting that the project should be cancelled.



The project is a subsidiary of Dizayn Group, entitled Design-RUS, which involves constructing facilities for the production of pipes with a capacity of 23,300 tpa. The total investment is estimated at 1.59 billion roubles and start-up is scheduled before the end of 2015.

The rapid emergence of foreign players in the domestic market of plastic pipes is viewed negatively by Russian companies. Due to its location on the SEZ Alabuga, Dizayn will benefit from the conditions attached to a special economic zone such as a tax holidays, etc. The government has thus far stated that the Turkish project not only does not hurt the domestic market, but will help reduce imports of plastic pipes.

Initial estimates indicate that the Dizayn Group could take around 18-20% of the market for polypropylene pipes and a large share of the market for polyethylene pipes. The Russian manufacturer Polyplastik states that the market is already under pressure from the weak economy and demand could fall significantly in 2014 and 2015.

In the first quarter this year the manufacture of plastic pipes, hoses and fittings in Russia decreased by 22%, amounting to 80,300 tons. In January production amounted to 21,900 tons, February 26,300 tons and March 32,100 tons. For the Russian market 77% of domestic production falls on polyethylene pipes, PVC pipes account for 11% and polypropylene pipes 12% of production (i.e. 73,100 tons). The production of plastic pipes and fittings in 2014 totalled 609,000 tons, 2.4% more than in 2013.

Belarus

Belarussian chemical production, Jan-Apr 2015

Polymir at Novopolotsk produced 41,800 tons of LDPE in the first four months in 2015. The 130,000 tpa plant undertook maintenance between 28 March and 14 April. Benzene production at the Naftan refinery amounted to 10,900 tons in April, 10% less than in March. Production totalled 45,600 tons in the first four months this year, 5% down on 2014. Caprolactam production at Grodno totalled 43,500 tons in the period January to April 2015, 4% down.

Belarussian Organic Chemical Exports (unit-kilo tons)

Product	*Jan-Mar 15*	*Jan-Mar 14*
Acrylonitrile	7.3	7.7
Caprolactam	11.7	14.1
Phthalic anhydride	6.7	3.9
Methanol	19.8	15.0

Belarussian chemical trade

Exports of organic chemicals from Belarus were similar in the first quarter this year against the same period in 2014. Caprolactam exports dropped from 14,100 tons to 11,700 tons, whilst increases were noted for methanol and phthalic anhydride.

Belarus and China have signed a long term contract for the supply of potash fertilisers over 5 years, totalling 4 million tons. China is an important economic partner of Belneftekhim, buying products mainly through the subsidiary Belneftekhim Shanghai Trading. Belarus supplies to China supplied polyamides, polyethylene, fibreglass products, silica, polyethylene, carbon materials, tyres, etc.

China CAMC Engineering Corporation expressed interest in participating in the construction of a nitrogen complex at Grodno Azot and an ethylene-propylene plant at Novopolotsk. Other potential projects include the construction of a new polyester complex for Mogilevkhimvolokno whereby the Chinese side could possible financing.

Belarussian Methanol Exports (unit-kilo tons)

Country	*Jan-Mar 15*	*Jan-Mar 14*
Russia	1.6	0.0
Ukraine	9.4	0.0
Poland	2.5	8.7
Lithuania	6.4	5.7
Czech Republic	0.0	0.7
Estonia	0.0	0.1
Total	19.8	15.2

Omsk Carbon-Mogilev project

Omsktekhuglerod aims to start commissioning of the carbon black plant at Mogilev by the end of 2015. The planned capacity

of the plant is 120,000 tpa, and production is expected to start in 2016. Production from the plant is intended for sale in Belarus and the EU. Omsk Carbon Group includes two factories for the production of carbon black at Volgograd and Omsk, with 110,000 tpa and 250,000 tpa capacities respectively. The plant at Mogilev has been constructed by local engineering company Mogilevtehmontazha.

Ukraine

Ukrainian benzene exports, Jan-Apr 2015

Exports of benzene from Ukraine rose 5.2 times in April over March to 3,700 tons. The resumption of benzene exports from Ukrtatnafta was the main factor behind the rise, being responsible for 3,200 tons, whilst Zaporozhkoks reduced exports by 29% to 500 tons. In the first four months in 2015, exports totalled 9,900 tons which is 2.2 times more than in 2014.

Ukrainian Polymer Imports (unit-kilo tons)

Product	*Jan-Apr 15*	*Jan-Apr 14*
PVC	23.8	25.5
HDPE	26.8	36.4
PP	29.3	31.9
Polycarbonate	0.8	1.0

Ukrainian polymer imports, Jan-Apr 2015

In the first four months of this year, Ukrainian PVC imports decreased by 7% compared to the same period in 2014 to 23,800 tons from 25,500 tons. Imports amounted to 4,400 tons in April against 5,100 tons in March. In April imports from the US amounted to 500 tons compared to 220 tons in March. US imports amounted to 3,100 tons in the first two months in 2015 and 7,400 tons for the first four months against 15,900 tons in 2014. Last month, the European PVC supply to the Ukrainian market totalled 3,300 tons against 3,500 tons in April. For the first four months in 2015 Ukrainian imports from Europe totalled 12,000 tons against 9,200 tons in 2014. Imports from Russia have increased this year to 4,300 tons against 1,000 tons in the first four months in 2014.

HDPE imports amounted to 26,800 tons in the first four months in 2015, 17% down on 2014, whilst polypropylene decreased by 9% to 29,300 tons. LLDPE imports amounted to 13,400 tons in January to April 2015, 11% down on 2014.

Polycarbonate consumption declined by 26% in the first four months in 2015 to 802 tons. Most of the imports are sourced from Europe, but due to the lifting of global sanctions, the Iranian producer Khuzestan Petrochemical Company is eligible to supply deliveries and could provide a source of competition.

Central Asia

Neftekhim-Pavlodar

Neftekhim at Pavlodar in north east Kazakhstan has invested around €14 million to upgrade the polypropylene production operation. The company has been adding a new polypropylene polymerization and compounding line provided by German equipment supplier Leistritz Extrusion Technology of Nuremberg, along with a new testing laboratory. Neftekhim is part of a growing petrochemical sector cluster in the Pavlodar special economic development zone where it produces propylene, polypropylene and the high octane fuel additive MTBE in a technology partnership with the Pavlodar Petrochemical Plant. The new plant has allowed the company to turn out 4,800 tpa of granulated polypropylene with 60% of it now dedicated to the domestic market and the rest being exported to Russia, China and Turkey. The plant equipment and technologies were also provided by Leistritz.

Kungrad Soda Plant-2014

Kungrad Soda Plant is the process of expanding its capacity from 100,000 tpa to 200,000 tpa. Kungrad Soda Plant produced 95,890 tons of soda ash in 2014 against 96,420 tons in the same period last year. . Most of the production was exported in both 2013 and 2014 was exported.

Turkmenistan-petrochemical project

Turkmengaz has signed a contract with Metso to supply control valves for the new petrochemical complex in Turkmenistan. Metso will supply standard valves brands Neles and Jamesbury, and butterfly valves ranging in size from 1/2 inch to 20 inches. Alfa Laval has won an order to supply OLMI heat exchangers to Turkmengaz for the planned petrochemical complex. The order is worth around $8.0 million and delivery is scheduled for 2016. The Alfa Laval OLMI heat exchangers will be used to increase the yield and recover energy in the production of ethylene.

This petrochemical complex will use natural gas from the Caspian Sea shelf and produce ethylene,

polyethylene (HDPE) and polypropylene. It is planned that the construction of a gas chemical complex will be completed in 2018. Capacities include 400,000 tpa of ethylene, 386,000 tpa of HDPE and 81,000 tpa of polypropylene. The contract for the construction of a gas chemical complex in Turkmenistan will be built as part of a consortium of LG International Corp., Toyo Engineering Corp. and Hyundai Engineering. A planned 5 billion cubic metre per annum gas separation unit at the complex will use Toyo's Coreflux technology to enhance recovery of ethane and LPG, while BASF's Oase technology will be used for acid gas removal.

Turkmenistan's natural gas reserves are estimated to be fourth in the world after Russia, Iran and Qatar. However, the possibilities of export of Turkmen natural gas are severely limited due to the capacity of the pipeline system and thus the government has embarked on a strategy of diversification and adding value.

.

Relevant Currencies
Czech crown. Kc. $1= 20.852. €1 = 27.444: Hungarian Forint. Ft. $1 = 229.253. €1 = 310.141: Polish zloty. zl. $1=3.016. €1 =4.14 Ukrainian hryvnia. $1 = 15.89. €1 = 19.05: Rus rouble. $1 = 62.5. €1= 69.2

Contents Issue No 294