

CIREC

MONTHLY NEWS

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

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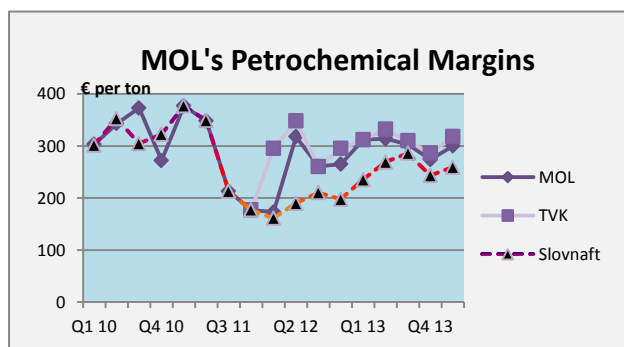
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CENTRAL SOUTH EAST EUROPE

Petrochemicals



MOL Q1 2014

The MOL Group reported mixed results for the first quarter, mainly losing in the upstream sector and gaining in parts of the downstream sector such as petrochemicals. The Group EBITDA amounted to Ft 102 billion, representing an 8% decrease compared to the previous quarter at the end of 2013 and 26% down against the same period last year. Upstream, the lower profit was mostly attributable to a lower contribution from gas fields in Central Europe due to their natural decline and also lower natural gas prices. In addition, the Russian ZMB field owned by MOL

was divested in Q3 2013.

TVK's Sales' Revenues (Ft million)

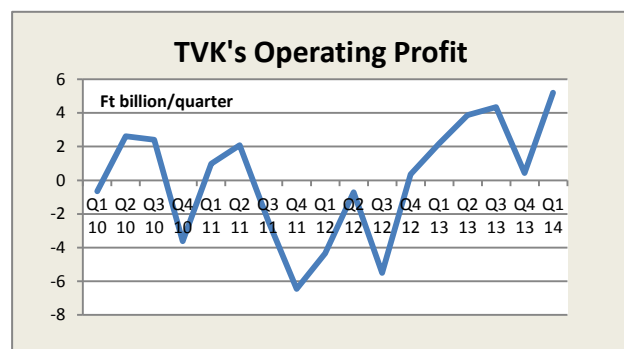
Exports	Jan-Mar 14	Jan-Mar 13
Olefin	0	1,268
LDPE	4,621	39
HDPE	27,266	30,910
PP	14,218	12,907
Domestic	Jan-Mar 14	Jan-Mar 13
Olefin	33,933	34,396
LDPE	2,400	1,293
HDPE	2,889	3,158
PP	13,213	10,987
Total Sales	Jan-Mar 14	Jan-Mar 13
Olefin	33,933	35,664
LDPE	7,021	1,332
HDPE	30,155	34,068
PP	27,431	23,894
Total	98,540	94,958

The downstream EBITDA amounted to Ft 22 billion, almost unchanged from the previous quarter. Unlike Q4 2013 the current quarter was not influenced by one-offs, and thus the EBITDA grew by Ft 38 billion erasing losses and amounted to Ft 24 billion. However, MOL's reported operating profit dipped by 31% in Q1 against the same period in 2013. Average petrochemical margins for the MOL Group amounted to €300/ton in the first quarter in 2014 against €274/ton in the same period last year.

TVK Q1 2014

TVK experienced a strong first quarter, due to partly to better margins and rising sales volumes, and partly due to lower operating expenses. The first quarter EBITDA increased by Ft 3 billion over the same period in 2013 to Ft 5.2 billion. Revenues did not increase significantly but profits were helped by a weakening of the forint and margins. Naphtha and gas oil costs were lower helping margins for olefins and polymers. Capacity utilisation at Tiszaujvaros amounted to 87% which is still

relatively low but was 5.7% up on 2013.



TVK's polymer production will decline in the second quarter as the Olefin-1 plant will undertake planned two weeks of downtime, followed by HDPE-2 and PP-4 plants. For TVK's butadiene project the first phase of construction has almost been completed. The transportation and assembly of structural steel mountings is on-going, whilst construction of the control room has started. The test phase and the measurement of guaranteed operational indicators have been concluded at the C4/C5 separation unit and at the railway loading-unloading units. Completion of the unit and start of commercial

butadiene production is feasible by May 2015 as scheduled.

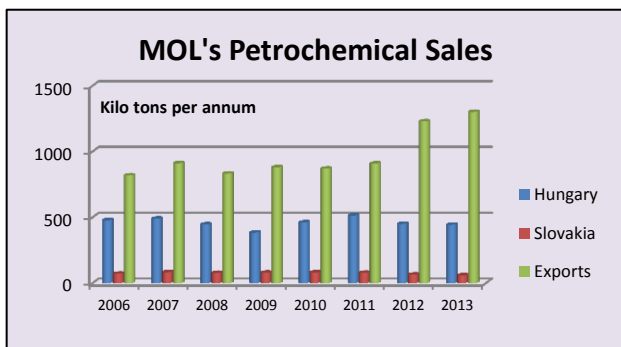
MOL's Olefin & Polyolefin Sales (unit-kilo tons)

Product	Jan-Mar 14	Jan-Mar 13
Ethylene	138	168
Propylene	68	86
Product	Jan-Mar 14	Jan-Mar 13
LDPE	44	36
HDPE	85	91
PP	114	91

Slovnaft Q1 2014

Slovnaft recorded a loss of €9 million in the first quarter due mainly to unfavourable trends in fuel crack spreads, although this was offset by lower raw material prices and continuing savings on the cost-side. In Q1 2014, Slovnaft's monomer and polymer production declined compared to Q1 2013, as an effect of unplanned shutdown of the steam cracker in February–March. Total product sales for Slovnaft, including refining and

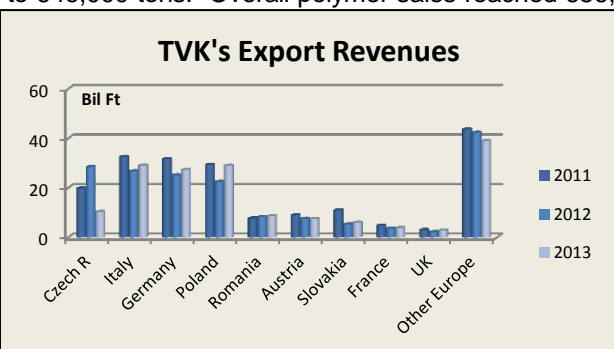
petrochemicals, totalled 1.057 million tons in Q1 2014, 1% lower than in Q1 2013. In terms of investment the LDPE 4 project represents the major project in the petrochemical division and work is being carried out according to schedule.



TVK's monomer sales 2013

TVK sold 130,000 tons of ethylene to BorsodChem in 2013, in addition to 17,000 tons to Karpatneftekhim at Kalush in Ukraine. C4 sales consisted of 10,000 tons to Ineos Europe AG and 7,000 tons to Synthos Kralupy. Propylene sales consisted of 2,200 tons to Slovnaft, whilst TVK purchased 400 tons from Slovnaft. The company also exported 8,000 tons of C8s in 2013. All of TVK's cracker feedstocks are supplied from within the MOL group.

increased by 7%, whilst ethylene output was 10% higher compared to 2012. The capacity utilisation of both plants calculated for ethylene was 82%. In 2013, the total polymer production rose by 4% or 27,000 tons and amounted to 649,000 tons. Overall polymer sales reached 656,000 tons in 2013, which is 46,000 tons higher than in 2012.

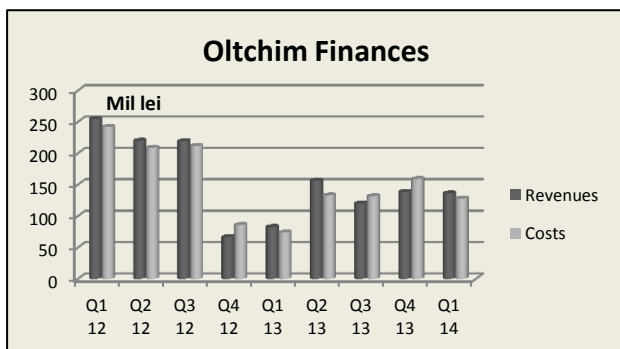


In 2013, the sales income from TVK's olefin production increased by 7%, whilst ethylene output was 10% higher compared to 2012. The capacity utilisation of both plants calculated for ethylene was 82%. In 2013, the total polymer production rose by 4% or 27,000 tons and amounted to 649,000 tons. Overall polymer sales reached 656,000 tons in 2013, which is 46,000 tons higher than in 2012. Export destinations represented 76% (498,000 tons) of total polymer sales, whilst the share of the domestic market was 24% (158,000 tons).

Domestic sales for TVK amounted to 158,000 tons which is 12,000 tons less than 2012. At the same time, export sales expanded by 58,000 tons. The capacity utilisation of polyethylene units was influenced by two factors: availability of ethylene and shutdown of LDPE-2 plant. Polymer sales revenue totalled Ft 247 billion in 2013, Ft 19 billion higher than in 2012.

Oltchim Q1 2014

Oltchim reported an increase in turnover of 64.7% in the first quarter to €30.2 million, or 136.2 million lei against 82.7 million lei in 2013. However, the company is still only running at 40% of capacity and much depends on whether a sale can be agreed at the next privatisation date on 6 June.



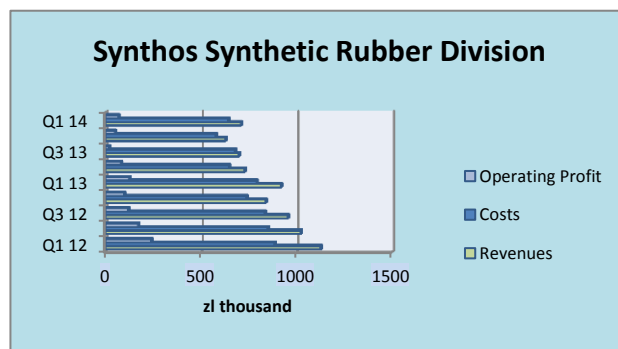
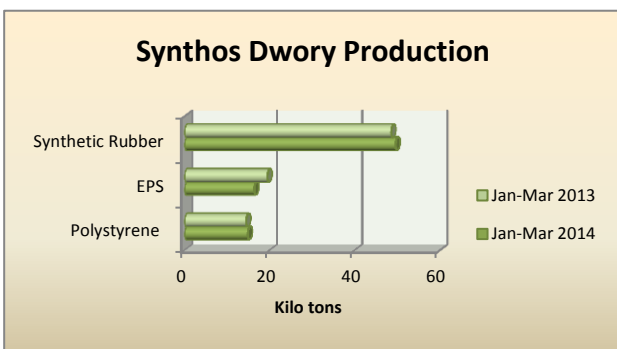
employees of Oltchim were laid off.

The losses reported by the company between January and March were estimated at €12.5 million, or 56.2 million lei which was 34.6% down against 86 million lei in the same period last year. Almost 67% of Oltchim's turnover was generated by products from the petrochemical division in the first quarter. Currently, the state holds 54.7% of Oltchim and failed last year in the attempt of privatize the chemical plant which became insolvent in January 2013. In June 2013, 918

The company managed to reduce losses in the first quarter by eliminating all expenditures that were not closely related to production. On the other hand, the financial results for the first quarter of 2014 were affected by price decreases of 37.5% for caustic soda liquid and 24% for caustic soda solid.

Synthos-Q1 2014

Synthos recorded a net profit of zł 108.1 million in the first quarter in 2014 against zł 135 million in the same period last year. Both revenues of zł 1.28 billion and EBIT of zł 120.8 million were slightly below expectations. Costs of input fell, but not as quickly as revenues, resulting in gross margin decline to 15.3% from 16.1% in 2013. The company kept tight cost control, with costs of sales falling 12% to zł 35 million and overhead costs declining 5% to zł 37.9 million. Synthos is progressing with construction of the new 90,000 tpa SSBR plant at Oswiecim. In addition to supplying leading tyre manufacturers the installation is being designed to produce lithium polybutadiene Li BR, used to modify plastics (ABS, PS), etc.



Synthos continues to face challenges in the synthetic rubber division although there was a slight improvement in the first quarter. Persistently soft Asian demand, coupled with capacity additions, continues to weigh on the rubber markets. Overall the synthetic rubber division yielded zł 13 million more revenues than the same period last year.

Central European butadiene projects

TVK's 130,000 tpa butadiene extraction unit under construction at Tiszaújváros is expected to be launched in the second half of 2015. In addition a 60,000 tpa synthetic rubber plant is under construction as a JV with the Japanese synthetic rubber producer, JSR. The JV, which is called Vierium, will launch the s-SBR unit from 2017. MOL's aim of the butadiene and SSBR projects at TVK is to extend the value chain in petrochemicals. The butadiene plant is costing around €120 million to construct.

Polish Chemical Production (unit-kilo tons)		
Product	Jan-Apr 14	Jan-Apr 13
Caustic Soda Liquid	110.4	107.8
Caustic Soda Solid	32.6	31.9
Soda Ash	355.7	345.9
Ethylene	161.9	161.6
Propylene	115.0	114.1
Butadiene	20.3	17.6
Toluene	5.3	5.4
Phenol	9.3	10.3
Caprolactam	57.8	57.7
Acetic Acid	2.3	3.1
Polyethylene	109.1	112.7
Polystyrene	19.9	19.4
EPS	22.5	22.4
PVC	111.2	102.5
Polypropylene	80.6	84.2
Synthetic Rubber	66.5	65.2
Ammonia (Gaseous)	472.0	449.0
Ammonia (Liquid)	488.0	465.0
Pesticides	14.1	9.1
Nitric Acid	854.0	827.0
Nitrogen Fertilisers	700.0	673.0
Phosphate Fertilisers	134.4	119.8
Potassium Fertilisers	91.2	87.5

OMV Refining completed the expansion of its butadiene plant at the Schwechat refinery in May, raising capacity to 60,000 tpa. Parallel to the expansion of the butadiene plant in Schwechat, OMV is constructing a new butadiene plant at its refinery at Burghausen in Germany), expected to be commissioned in the second quarter of 2015.

Styron plans to convert a nickel butadiene rubber line at a plant it operates at Schkopau in east Germany, to the production of neodymium butadiene rubber. It will begin converting the nickel butadiene rubber production line in the next few months, and is expected to be completed in the fourth quarter of 2015. The company expects that it will continue to supply customers with nickel butadiene rubber until 2016 or 2017. The investment builds on the third SSBR train at Schkopau brought on line by Styron in late 2012.

Unipetrol olefin outage

Unipetrol had to stop olefin production at Litvinov on 22 May due to technical reasons, and restarted on 25 May. Polymer production was not affected in this period, but the company does report that some losses will be incurred for second quarter results.

Chemicals

Grupa Azoty, Q1 2014

Grupa Azoty recorded a net income of zł 149.5 million in the first quarter in the first quarter this year. Sales revenues totalled zł 2.7 billion in the first quarter against zł 2.68 billion in the same period in 2013. The negative impact of prices on business margins was partially offset by increased sales volumes and lower raw material prices (mainly due to the diversification of sourcing natural gas) which allowed the group to achieve an EBITDA margin of 14%.

The chemical division achieved higher revenues by over 11% and EBITDA margins by 3% mainly due to the acquisition of Siarkopol. The chemical division includes oxo alcohols (2-ethylhexanol, n-butanol, isobutanol, octanol F), plasticizers (DEHP, DIBP, DPHP, DEHT), titanium white, melamine, maleic anhydride, and AdBlue®.

The group observed a downward trend in prices of raw materials, including effects of lower gas prices for the production of urea and melamine and also ilmenite for the production of pigments. Melamine sales from

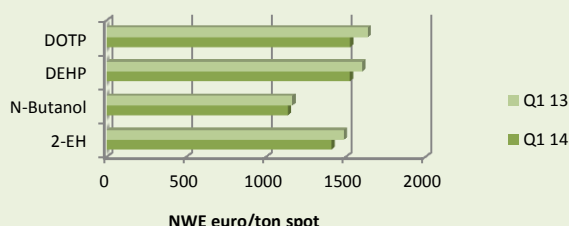
**Leading Polish Chemical Companies
EBITDA (zł million)**

Company	Q1 14	Q1 13
Grupa Azoty	325.1	355.7
PKN Orlen (Petrochem Division)	547.0	656.0
Ciech	117.9	132.3
Synthos	195.5	230.1

Pulawy are helped by EU's anti-dumping duty on melamine imports from China which was introduced in 2011. The duty will remain in effect until May 2016. Imports are subject to the minimum import price of € 1,153 per ton.

The caprolactam market is experiencing trends of an acute price war in Europe, and the increased supply of the product in Asian markets which affects the margins of the entire division. Positive signals from the market are the main raw materials price declines in benzene and phenol by 14% and 5% respectively. In the first quarter synergies from consolidation for Grupa Azoty were estimated at zł 46.4 million and were achieved mainly in the area of sales and distribution, and raw materials.

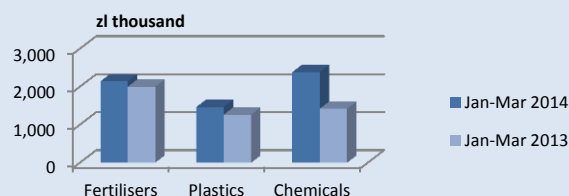
Oxo/Plasticizer Prices



Azoty ZAK achieved a net profit of zł 39 million in the first quarter from revenues of zł 572 million, zł 27 million up on the first quarter last year. Fertilisers performed relatively well, whilst plasticizers faced a difficult market environment. On the plasticizers market, demand for individual products varied. DEHP was in oversupply, while a strong growth in demand for DOTP was seen in Europe. On the other hand, the DEHP market has consistently shrunk in place of the rising demand for DOTP.

Demand on the European market for oxo alcohols remained strong in the first quarter. Lower DEHP consumption was in large part offset by manufacturers of substitute plasticizers, in particular DOTP. In Q1 2014, the situation on the isobutanol market was very difficult.

Grupa Azoty-Revenues by Main Product Group



The highly fragmented sales structure and strong competition made it impossible to offer favourable prices. Margins on sales to the EU were low and, given the price levels on Asian markets, exports were unprofitable.

Azoty Police recorded a net profit of zł 15.3 million in the first quarter, slightly up on the previous quarter. Revenues totalled zł 631 million, zł 32 million up on Q1 2013. The company achieved the largest savings in costs from the purchase of phosphate rock from Senegal, down 37%. The company has licenses for access to deposits of phosphates and ilmenite in Senegal. Azoty Police is in

talks to receive gas from the new Swinoujscie LNG terminal, when construction is completed. One of Azoty Police's main product areas, pigments, achieved 13% of total revenues in the first quarter. Pigments benefited from lower raw material costs.

Grupa Azoty investment projects

Azoty ZAK has approved plans to construct a new power plant, with a contract agreed with engineering company Rafako. Construction of the first phase of the new power plant at Kedzierzyn-Kozle is estimated at zł 375 million. The old power plant is more than 50 years old and needs replacing both in order that ZAK can continue to function profitably and in order to meet EU environmental standards. The new plant will be capable of performance comparable to that of thermal power plants fuelled by natural gas. Coal will be sourced mainly from the Katowice Coal Holding. The old power plant employs about 120 people, but the new plant requires maybe 10% of this number.

ZA Tarnow has approved the construction of a polyamide plant with a capacity of 80,000 tpa. The project has an estimated cost of zł 320 million which will be financed with own funds and a credit facility. The new facility will be constructed directly next to the existing PA6 plant in the now extended subzone of the Special Economic Zone. The decision to construct the facility followed from the consolidation of caprolactam production capacities at Grupa Azoty, and moreover as a reaction to anti-dumping. From October 2011, China imposed an anti-dumping duty on caprolactam imports from the European Union and the US, effective for five years. The 4.4% duty also applies to

caprolactam manufactured by Grupa Azoty. Since January 2012, the Chinese government has maintained a 9% custom duty on imported caprolactam, justifying it with the need to protect the domestic manufacturers.

Ciech Revenues-Organic Division (zł thousand)		
Product	Q1 14	Q1 13
TDI	0.0	49.5
Resins	88.3	105.5
Polyurethane foams	59.0	53.9
Plastics	0.1	17.9
EPI	0.0	1.7
Total	147.4	228.6
Ciech Revenues-Soda Division (zł thousand)		
Product	Q1 14	Q1 13
Soda Ash Heavy	276.4	264.7
Soda Ash Light	91.3	84.7
Salt	42.1	42.0
Sodium Bicarbonate	37.8	31.9
Calcium Chloride	6.4	6.4
Total	454.0	429.7

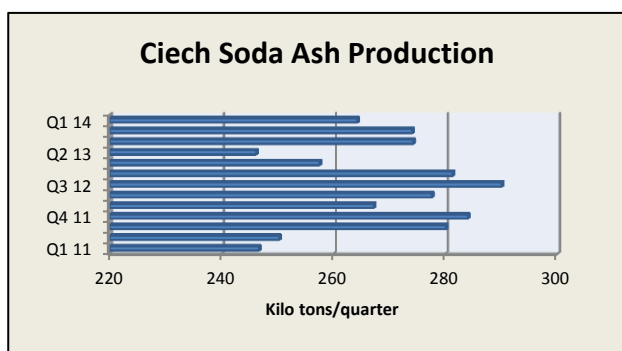
Ciech Q1 2014

Ciech reduced net revenues from sales in the first quarter, dropping 14.9% to zł 845 million. The EBIT dropped 15.3% to zł 67.7 million, whilst the next profit dropped from zł 45 million in the first quarter to zł 5.6 million in the same period this year.

The decrease in revenues was mainly due to market factors as well as ongoing restructuring of the Ciech Group. Market factors included weak demand and a moderate increase in the price of soda ash, whilst epoxy resins faced strong price competition due to imports from Asia and sales of unsaturated polyester resins declined. On the plus side, higher sales of plant protection chemicals increased due to favourable weather conditions and acceleration of agricultural treatments, whilst a gradual improvement was seen in sales of polyurethane foam.

Ciech Group has granted its subsidiary Soda Polish Ciech the promise of a loan of zł 160 million for the expansion of soda ash capacity at Inowrocław. The aim is to increase the plant by

200,000 tpa, which will require an increase in the supply of brine to Soda Polska.



Effects of restructuring of the Ciech Group included the sale of Alwernia in July 2013, the termination of TDI sales and other products of Infrastructure Kapuściska at Bydgoszcz (former Zachem site).

As a result of divestment and restructuring the Ciech Group now concentrates on three main business divisions including soda ash, organic chemicals and silicates and glass. These divisions generate in total about 90% of the Group's sales revenues, with 59.1% yielded in the first quarter from soda ash sales.

PCC Rokita-PCC Exol

PCC Rokita undertook a successful IPO in May to raise funds to support investment in expanding polyol capacity. The company also wants to expand its interests in polyurethane systems, for research and development and increasing the capacity for propylene oxide.

BASF to start plant in Silesia in 2014

BASF has detailed a start-up date for its automotive catalyst plant in Silesia for the second half of July this year. The investment is worth €150 million and will employ around 400 people. The construction of the plant started in March last year.

Clariant opens masterbatch plant in Poland

Clariant opened a new masterbatch plant at Lodz at the end of April. The new plant cost zł 38 million to construct. Clariant is doubling masterbatch production in Poland with a new plant at Konstantynów Łódzki. Clariant is investing in a new production site, warehouse and offices over an area of 6,800m². The company says it chose to invest in Poland because of its location in Central Europe.

The new facility, located in the Lodz Special Economic Zone, will allow a significant increase in employment in the region. The value of investments in the project amounted to zł 38 million.

The total projected expenditures related to these projects amounts to zł 45 million, a significant part of which will be used in the propylene oxide plant. Currently, capacity stands at 36,000 tpa and after its completion will be rise to 40,000 tpa. This will reduce the inward shipments that are sourced from West European producers.

PCC Exol entered into an agreement with Thai Fatty Alcohols in Thailand after signing an agreement for the purchase of natural fatty alcohols. The value of the contract amounted to \$25.6 million and runs up to 31 December 2014. PCC Exol has formed an agreement with United Coconut Chemicals in Philippines to produce alcohols and fatty acids, as part of PCC Rokita's strategy focusing on the Asian market.

RUSSIA

Russian Chemical Production (unit-kilo tons)

Product	Jan-Apr 14	Jan-Apr 13
Caustic Soda	347.9	361.8
Soda Ash	849.0	866.0
Ethylene	868.0	917.0
Propylene	427.2	439.7
Benzene	403.0	398.8
Xylenes	180.2	168.7
Styrene	223.8	217.2
Phenol	92.5	98.8
Ammonia	5,200.0	4,622.0
Nitrogen Fertilisers	3,000.0	2,906.0
Phosphate Fertilisers	1,200.0	1,055.0
Potash Fertilisers	2,800.0	2,033.0
Plastics in Bulk	2,104.0	1,980.0
Polyethylene	574.0	607.0
Polystyrene	176.0	145.5
PVC	223.5	227.6
Polypropylene	308.0	260.8
Polyamide	47.7	45.7
Synthetic Rubber	454.0	535.0
Synthetic Fibres	44.2	50.7

domestic market were reduced.

Russian chemical production, Q1 2014

Most Russian chemical companies increased revenues in the first quarter this year, although net profitability declined overall. Nizhnekamskneftekhim saw net profits drop from 3.1 billion roubles in the first quarter last year to 1.6 billion roubles this year, affected primarily by rubber markets. Gazprom neftekhim Salavat reported a net loss of 3.9 billion roubles in the first three months against a loss of 0.19 billion roubles last year, more in response to technical restructuring than markets. Companies recording an increase in profits included Metafrax, rising from 0.8 billion roubles in the first quarter in 2013 to 1.2 billion roubles this year. Kuibyshevazot and Kazanorgsintez also made slight increases, although the general pattern for petrochemical producers was lower than last year.

Russian chemical production by volume increased 7.4% in the first quarter this year against the same period in 2013, influenced particularly by the growth in propylene and polypropylene. Other products showing an increase included styrene plastics, synthetic fibres and threads. At the same time the production of polyethylene, PVC synthetic rubber and soda ash declined in the first quarter. In January to March this year, the production of ammonia, increased by 3.5% and amounted to 3.850 million tons. Urea production totalled 1.670 million tons, 6.7% higher than in 2013.

The negative factors for the domestic market in the first quarter included a reduction in demand for products, a slowdown in the Russian economy and changes in the structure of supply of oil and gas companies. Emphasis on increasing exports to take advantage of the weaker rouble meant that hydrocarbon supplies to the

Russian petrochemical investments

Rosneft agree to buy assets in SANORS

Rosneft and SANORS signed a purchase agreement in May for the 100% acquisition of shares in the petrochemical holding, including assets at Novokuibyshevsk Petrochemical Company and Samaraorgsintez. The deal is expected to be completed before the end of the third quarter of 2014 after a number of conditions have been met. The deal represents a significant milestone for the integration and processing of oil and gas resources of the companies in the Samara region.

SANORS-Planned Chemical Projects	
Product	Capacity tpa
PVC	500
HDPE LLDPE	450
LDPE + EVA	175
Polypropylene	430
Diisocyanates	335
ABS plastics	150
Polystyrene	70
Polycarbonates	120
PMMA	50

SANORS was founded in 2011 and has unified a number of assets in the Samara region, and developed a large-scale investment programme for chemical projects. Rosneft sees great potential in SANORS due to its production facilities and location. The oil group is developing a petrochemical project at Nakhodka in the Russian Far East and owns Angarsk Polymer Plant in the Irkutsk Oblast, but lacks petrochemical plants in European Russia for serving the Moscow market.

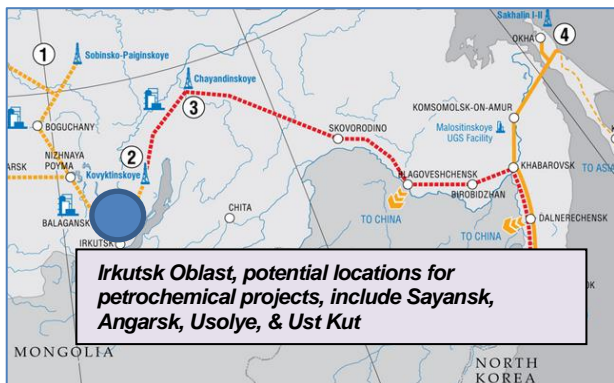
SANORS is currently close to completing the modernisation of the central gas fractionating plant number 3 (TSGFU-3) at Novokuibyshevsk. This will allow the company to increase the capacity of the entire complex for processing of natural gas liquids from 650,000 tpa to 850,000 tpa. The capacity of the entire complex will increase from 1.1 million tpa to 1.3 million tpa. Steam will be supplied come from the Novokuibyshevsk CHP-2, which is part of SANORS.

TSGFU-3 is designed for the separation of natural gas liquids with the extraction of ethane-propane, propane, isobutane, butane, isopentane, pentane fractions. After installation in 1971 the design capacity was initially

500,000 tpa before expansion to 650,000 tpa. Rosneft already controls gas producing facilities in the region, in addition to Orenburg, and acquiring SANORS provides the basis for vertical integration into chemicals and valued added products.

Prospects for Irkutsk petrochemical projects after Russian-Chinese gas deal

The Irkutsk region in East Siberia is now expected to benefit directly from the new Russian-Chinese gas pipeline (Power of Siberia) that is to be constructed following supply agreements between Moscow and Beijing. For the past two decades the region has been under frequent review for petrochemical projects that have failed to materialise due to disputes with TNK-BP and indecision over pipeline construction. Now the two governments have finally agreed to proceed with plans for Russia to supply China with gas there is some tentative hope that



gas processing could be facilitated at existing facilities at Angarsk, Sayansk and Usolye whilst a number of new petrochemical plants could be constructed.

Sayanskkhimplast has been waiting for access to Kovytk and Chayanda gas for many years, despite numerous announcements, but now can expect to have its own pipeline branch from the Power of Siberia pipeline.

Sberbank and Rosnano, which co-owns Nitol, are already considering prospects for developing a gas-chemical project in the Irkutsk region at Usolye-Sibirsk. The site intended for the project is the former Nitol silicon plant

which has been closed due to profitability. Regional authorities are ready to provide investors with tax breaks and intend to appeal to the government, asking for support to the project. The prospects for petrochemical projects in the Irkutsk Oblast appear to possess greater credibility following the Russian-Chinese gas agreement.

SIBUR sells Ust Luga LPG terminal

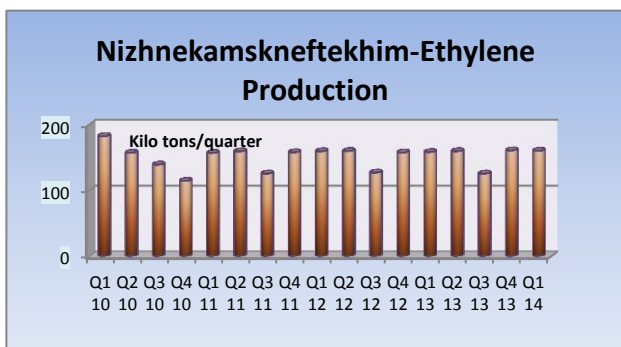
A consortium of investors, made up of the Russian Direct Investment Fund (RDIF), a group of foreign investors and Gazprombank has come to an agreement with SIBUR on terms of an investment into a LPG and light oil



products transshipment terminal at Ust Luga. The transaction amount of the investment is worth over \$700 million.

As part of the transaction, the consortium will gain complete control over the terminal, which is not only the largest in the CIS but also the only LPG transshipment terminal in the Russian North-West. The consortium's investment will allow the terminal to optimize its capital structure and expand its capacity for both LPG and the wide range of light oil products it processes.

Currently the terminal operates at a nominal transshipment capacity of 1.5 million tpa of LPG and 2.5 million tpa of light oil products. According to the agreement, SIBUR will have exclusive rights to utilise 100% of the LPG transshipment capacity on pre-agreed terms.



Russian petrochemical producers/markets

Nizhnekamskneftekhim, Q1 2014

Nizhnekamskneftekhim achieved a net profit of 1.6 billion roubles in the first quarter in 2014, which was 1.9 times lower than in 2013. The company's revenue for January-March rose by 6%, totalling 32.8 billion roubles. Gross profit decreased by 1.3 times from 6.5 to 5.1 billion roubles, while the cost of sales increased by 13.9% to 27.7 billion roubles. Continuing problems in the global rubber markets are the main cause behind the

weaker results. The company is concentrating heavily on the construction of the one million tpa cracker, which it intends to complete by 2017. As the graphic above illustrates ethylene production from the existing cracker has peaked with no possibility of debottlenecking or increasing production.

Nizhnekamskneftekhim's performance in the past two years has been overshadowed by the rubber market; in 2013 the average price of natural rubber fell by 20% and butadiene by 38-39% relative to 2012. This led to lower prices for synthetic rubber, although there is some optimism for a better year in 2014. Depreciation of the Russian rouble may also be beneficial for the export of products, but creates cost pressures for imported components and equipment. In 2013, 47.4% of the company's total revenues derived from export sales which shows a slight decline from previous years as the company attempts to focus more on domestic sales. One extra challenge this year for Nizhnekamskneftekhim is that exports have traditionally been tied to the dollar and thus the government's efforts to make changes could cause the company a number of serious difficulties.

Gazprom neftekhim Salavat, Q1 2014

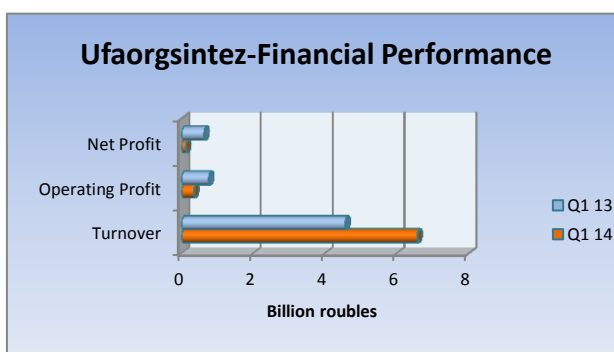
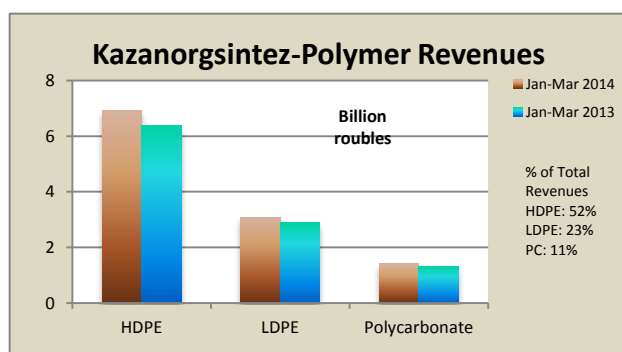
Gazprom neftekhim Salavat recorded a net loss of 3.9 billion roubles in the first quarter this year against a loss of 1.9 billion roubles in the same period last year. Revenues increased in the first quarter from 45.8 billion roubles in 2013 to 50.8 billion roubles in 2014. As the table below shows for 2012 and 2013, the company's revenues are dominated by oil refining, with petrochemicals representing only around an eighth of total turnover.

Division	Revenues	Profit/Loss	Revenues	Profit/Loss
Oil Refining	132.19	5.85	118.98	2.27
Petrochemicals	25.60	-0.14	24.13	0.74
Mineral Fertilisers	7.76	0.87	8.94	0.78
Heat & Electricity	6.53	0.79	5.87	0.92
Other	43.33	6.45	38.41	3.50
Total	215.40	13.81	196.32	8.20
Year	2013	2013	2012	2012

In the first quarter the gas condensate processing in total petroleum feedstock increased by 17.1% over 2013 to 727,371 tons. In total the company processed 2,188,552 tons of crude in the first quarter. Additional processing of gas condensate facilitated an increase in production of commercial gasoline and diesel fuel.

Gazprom neftekhim Salavat increased production of urea by 10% to 170,827 tons in the first three months in 2014 and ethylene by 9% to 83,373 tons. Petrochemicals comprise an important area of growth for the company, but projects are slow to

undertake. Gazprom neftekhim Salavat occupied 12.3% of Russian ethylene production in the first quarter this year, 26.1% for ethylbenzene, 8.1% for propylene and 13.4% in benzene. Other product included styrene with 27.4% styrene, butanols with 32.0%, polystyrene 10.0%, LDPE 5.4% and HDPE 10.9%.



Gazprom neftekhim Salavat has started the construction of an isomerization unit for pentane-hexane fractions with a capacity 434,000 tpa. The isomerization process will allow the company to provide a high-octane blending component with a high vapor pressure for commercial gasoline that meets the requirements of technical regulations. Construction is scheduled to be completed in 2015.

Kazanorgsintez-Ufaorgsintez, Q1 2014

Kazanorgsintez increased net profit in the first quarter to 1.1 billion roubles from 0.970 billion roubles in the same period last year. Revenues increased from 12.3 billion roubles to 13.3 billion roubles, which meant that the profit margin dropped from 12.7% to 12.3%. Ufaorgsintez increased revenues, but saw no increase in profits and the profit margin dropped from 7% to 5%.

Kazanorgsintez repaid 949 million roubles in the first quarter as part of loans to Sberbank. As a result the debt reduced at the end of the first quarter by 6.3% from 15.130 billion roubles to 14.180 billion roubles.

Kazanorgsintez states that its main risks associated with possible changes in prices of raw materials and services. The main raw materials for Kazanorgsintez include ethane, ethylene, propane, butane and benzene. Around a quarter of production is exported, with Ukraine serving as the most important market. Kazanorgsintez has little borrowing in foreign currencies.

Cracker feedstocks, Jan-Apr 2014

Russian propane sales to petrochemical plants dropped 41.4% in April to 12,400 tons. Kazanorgsintez reduced purchases by 36% to 9,020 tons. SIBUR-Kstovo did not purchase propane in April after buying 3,600 tons in March. Tomskneftekhim slightly reduced the volume of purchases of propane in April to 3,110 tons against 3,310 tons in March.

Russian Propylene Domestic Sales (unit-kilo tons)		
Producer	Jan-Apr 14	Jan-Apr 13
Angarsk Polymer Plant	27.3	23.2
Omsk Kaucuk	0.0	2.7
SIBUR-Neftekhim	33.7	38.5
Akrilat	7.9	0.8
LUKoil-NNOS	58.1	46.2
Tomskneftekhim	0.1	0.1
Gazprom Neftekhim Salavat	9.7	0.0
SIBUR-Khimprom	0.5	0.0
Stavrolen	3.3	2.3
Tobolsk-Polymer	1.3	0.0
Total	141.8	113.9

Petrochemical plants reduced consumption of gas liquids in April dropped by 6% to 111,820 tons. Tomskneftekhim and Ufaorgsintez significantly reduced purchases of fractions to 20,710 tons (44,860 tons in March) and 3,050 tons (8,000 tons) respectively. In mid-April SIBUR-Kstovo started scheduled maintenance, which will last until early June. For this reason, the company purchased 9,090 tons of liquids in April, 3.3 times less than in March. Shipments to Nizhnekamskneftekhim amounted to 45,470 million tons (23% up).

Russian propylene sales, Jan-Apr 2014

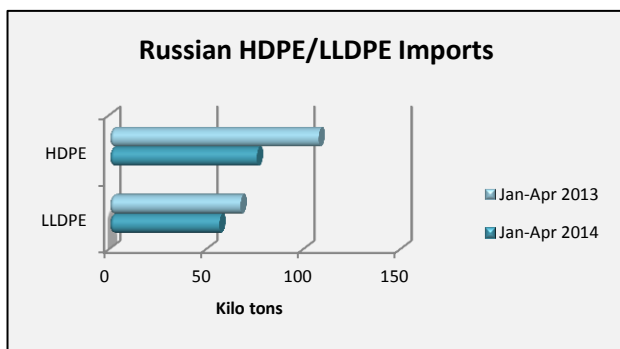
Propylene sales on the Russian domestic merchant market amounted to 32,600 tons in April, 23% less than in March. Gazprom neftekhim Salavat reduced product shipments to domestic consumers by 27% to 2,100 tons and SIBUR-Kstovo reduced by 22% to 9,300 tons.

Angarsk Polymer Plant increased shipments by 5% to 6,600 tons. For the first four months in 2014 shipments to the domestic market increased 28% over 2013 to 141,100 tons. Gazprom neftekhim Salavat only started selling propylene on the merchant market in 2013, thus explaining the rise this year. SIBUR-Kstovo exported 2,000 tons of propylene, two times more than in March.

Bulk Polymers

Russian polyethylene imports, Jan-Apr 2014

Imports of LLDPE totalled 63,400 tons in the first four months in 2014, 2% down on the same period last year. Devaluation is the main cause of the slight fall, as converters found import prices higher than last year. Of the imports, 56,900 tons comprised film LLDPE which was 3% down on 2013. April imports amounted to 16,500 tons against 18,300 tons in April 2013. Kazanorgsintez intends to increase polyethylene production this year to compensate for the loss of production at Budyennovsk.



The forced stoppage of the Stavrolen plant at the end of February has not thus far displayed a noticeable effect on the Russian HDPE market. HDPE imports declined 27% in the first four months in 2014 to 76,100 tons. HDPE for injection moulding was the only category where imports increased in the first four months of this year, rising 6% to 16,000 tons.

HDPE production declined 10% in the first four months in 2014 to 306,000 tons, over half of which was produced by Kazanorgsintez. Gazprom neftekhim Salavat is gradually starting to increase volumes after increasing

ethylene production. Nizhnekamskneftekhim reduced production from 51,000 tons in the period January to April 2014 to 47,500 tons due to shifting the plant towards LLDPE in March-April this year. Overall, Russian polyethylene production dropped from 607,000 tons in the first four months last year to 574,000 tons this year.

**Russian Polypropylene Imports
(unit-kilo tons)**

Category	Q1 14	Q1 13
Homopolymers	22.3	31.3
Block	15.6	17.6
Random	9.9	11.1
Other	11.5	14.7
Total	59.3	74.7

Russian polypropylene market, Jan-Apr 2014

Imports of polypropylene into Russia in January-April fell by 26.4% to 59,300 tons. The increase in domestic production by Polyom and Tobolsk-Polymer, raising production in the first four months to 308,000 tons vs 260,000 tons in 2013, has meant that availability has reduced the demand for imports even despite the outage at the Stavrolen plant. The rise in domestic production has mostly affected imports of homopolymer.

Polyom has increased its production capacity for polypropylene by 14.3% to 210,000 tpa. The design capacity has risen from 22.5 tons per hour to 25 tons per hour. The sale of 50% of Polyom to Gazprom Neft and SIBUR has been finalised.

**Russian Polycarbonate Market
(unit-kilo tons)**

	Jan-Apr 14	Jan-Apr 13
Production	24.7	17.75
Exports	12.6	14.25
Imports	14.2	17.6
Market Balance	26.3	21.1

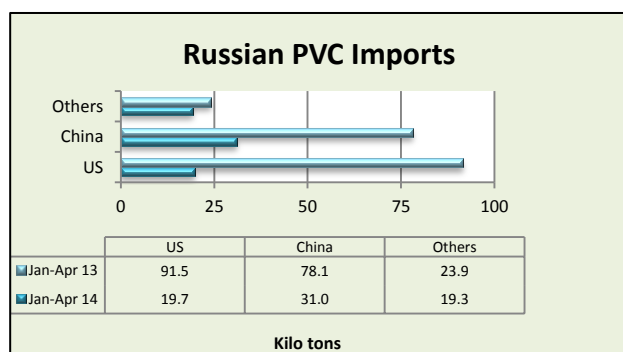
Russian polycarbonate market, Jan-Apr 2014

Imports of polycarbonate on the Russian market declined by 25% in January to April 2014 compared to the same period in 2013 to 14,200 tons. Primarily, this was due reduced solvency of market players affecting small and medium-sized processors and trading companies. Moreover, a significant drop in the rouble exchange rate weakens demand for imported products.

The domestic price of Asian and European polycarbonate is largely dictated by the exchange rate, rather than other factors such as seasonality or expansion in the consumption sector. The main importer remains SABIC Innovative Plastics, accounting for 70% of all inward shipments. In the first four months in 2014 SABIC Innovative Plastics supplied about 10,000 tons to the Russian market.

Russian consumption of polycarbonate in the first four months amounted to 33,200 tons, 8% down on the same period in 2013. Lower demand has resulted from reduced solvency processors due to a lack of working capital to make timely payments to suppliers. Trade credit has been extended from twenty days to a minimum period of about forty or forty-five days. In turn, traders are forced to resort to external financing to ensure uninterrupted shipments.

Exports amounted to 4,100 tons in April, 3% less than last year. External supplies fell almost a quarter, down to the 12,600 tons. In January-April, Russia produced 24,700 tons of granulate, which is 4% higher than in 2013. Kazanorgsintez (part of the TAIIF) increased production of polycarbonate in the first four months of the year by 4% compared to the same period in 2013. In January-April, the company produced 24,700 tons, including 6,400 tons in April. Extrusion polycarbonate production amounted to 19,000 tons which comprised 77% of total production. Exports amounted to 773 tons whilst 18,000 tons was sold on the domestic market.



Russian PVC imports, Jan-Apr 2014

Imports of PVC in Russia for the first four months of 2014 decreased by 57% due in the main to high product prices resulting from the devaluation. The main drop in demand was accounted for by suspension PVC where imports totalled 70,000 tons in the first four months of 2014 against 163,300 tons in the same period last year.

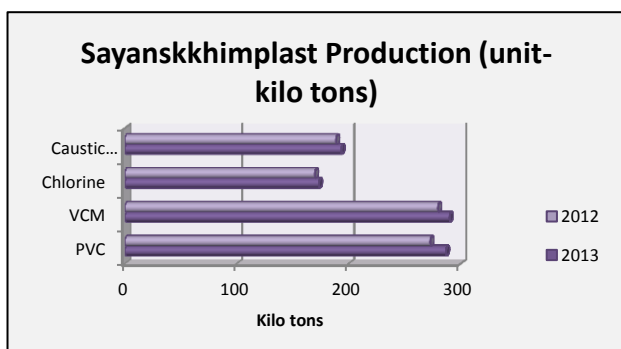
April imports did show an increase, however, due to 25,000 tons against 19,200 tons in January-April 2013.

PVC imports from the US in the first four months of the year fell by 73% to 19,700 tons. Only 2,000 tons was supplied in April against 5,500 tons in March. Acetylene PVC shipments from China dropped 57% in January-April to 31,000 tons. European PVC deliveries to the Russian market dropped 23% to 9,000 tons. In April compared to March imports declined from 4,400 to 2,500 tons. Despite the increase in production in 2014, the market remains dependent on external supplies. In 2013 imports totalled 562,000 tons against 464,500 tons in 2012.

PVC consumption declined from 1.003 million tons in 2012 to 956,000 tons in 2013. The devaluation of the rouble not only affects costs in the procurement of raw materials and components abroad, but also causes some consumers liquidity problems.

Sayanskkhimplast PVC modernisation

Sayanskkhimplast aims to complete the reconstruction of the VCM-PVC facilities by September this year; all of the equipment has already been received from Germany through ThyssenKrupp. Sayanskkhimplast and commissioning will start in the near future.



The company is raising capacity to 320-350,000 tpa for PVC whilst reducing costs at the same time. The original plan was to achieve 400,000 tpa, but the costs involved in raising capacity to this level were too high. Chlorine capacity stands at 200,000 tpa, after the ninth electrolyzer was introduced by Sayanskkhimplast in late 2013, and the company is considering a further expansion. Sayanskkhimplast estimates that electricity costs to be more expensive than in the US, which presents a difficult challenge to profitability. In terms of feedstocks Sayanskkhimplast operates four furnaces for converting EDC to VCM, which currently runs on liquefied gases but

could move to gas. In other product areas polyurethanes have been considered by Sayanskkhimplast for investment but any plant construction would be impossible without a Western partnership.

Sayanskkhimplast will be increasing PVC production this year at the same time as RusVinyl enters the market. As Russia experiences a deficit in PVC there is possibility for both producers to be successful on the domestic market most likely at the expense of imports. There are investigations underway into possible dumping by US and Chinese PVC suppliers, although lower prices from the US are simply available through lower production costs and the use of shale gas.

PET/PTA Chain

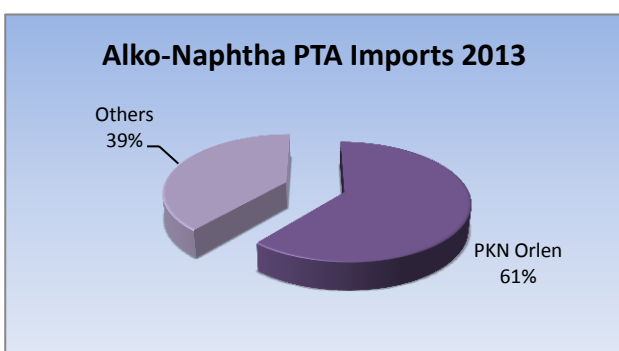
Russian Paraxylene Domestic Sales (unit-kilo tons)

Producer	Jan-Apr 14	Jan-Apr 13
Gazprom Neft	22.3	14.4
Ufaneftkhim	35.8	39.9
Total	58.0	54.3

Russian PTA import duties

Import duties on PTA into Russia were set to rise by 5% for the countries of the Customs Union, thus including Russia, Belarus and Kazakhstan but the increase has been put on hold for at least a few months. From 1 May 2013 Russian PET producers received a preferential rate of 0%, which expired at the end April this year and was supposed to rise in order to comply with Russia's accession to the WTO. However, Russia managed to delay the 5% duty for the time

being although it could be introduced later in the year.



Alko-Naphtha is the largest importer of PTA and was in any case exempted from the new 5% duty, due to the location of the plant in the free economic zone in Kaliningrad. Alko-Naphtha imports PTA from countries such as Poland and Brazil. Alko-Naphtha is undergoing structuring with regard to product sales, resulting in a change in trademark from Ekopet to Ecopolymer. Senezh which imports most of its PTA requirements is not exempt, however, and would incur higher costs. Russian PTA capacity currently stands at 250,000 tpa, all of which is based at Polief.

SIBUR-possible PTA expansion at Polief

SIBUR has been considering an expansion of the PTA facilities at Blagoveshchensk, but paraxylene supply poses an important question. United Petrochemical Company wants to use product from Ufaneftkhim to feed its own planned PET project in Bashkortostan, and this would compete with the supply chain for paraxylene to Polief.

Other potential sources of paraxylene for SIBUR include Omsk, or the new Atyrau complex in Kazakhstan which is expected to start in 2015. If SIBUR does decide expand its PTA production the capacity increase is likely to be far more modest than the design target of 350,000 tpa, as previously planned.

Russian PET market, Jan-Apr 2014

In January to April 2014 imports of PET into Russia increased by 20,000 tons over the same period in 2013 and totalled 85,100 tons. PET consumption in Russia totalled 580,000 tons in 2013, while production amounted to 405,000 tpa. Increased capacity at Polief should reduce market dependence on imports. In terms of consumption comparisons food applications in Russia amount to 4.1 kg per capita against 6.6 kg in West Europe and 9.5 kg in the USA. Russia currently is a net importer of PET, and large processors are in no hurry abandon cheap Asian raw materials.

Aromatics & derivatives

Russian Benzene Domestic Purchases (unit-kilo tons)

Consumer	Jan-Apr 14	Jan-Apr 13
Kuibyshevazot	45.7	31.8
Azot Kemerovo	33.0	41.9
Shchekinoazot	21.9	12.8
Kazanorgsintez	22.8	24.1
Nizhnekamskneftekhim	8.8	0.0
Uralorgsintez	23.1	20.8
Omsk Kaucuk	10.1	23.2
Chelyabinsk MK	2.0	0.4
Samaraorgsintez	12.1	20.0
West Siberian MK	13.6	14.8
SIBUR-Khimprom	31.8	32.0
Gazprom neftekhim Salavat	10.9	9.7
Promsintez	6.5	5.7
Zavod im Ya M Sverdlov	6.2	6.6
Novolipetsk MK	2.2	3.3
Tumazi Carbon	1.6	0.5
Others	6.2	0.4
Ufaneftkhim	2.1	0.0
Total	260.7	248.1

Russian companies exported 8,800 tons.

Russian benzene production, Jan-Apr 2014

Russian benzene sales in April to the domestic market amounted to 52,900 tons, 6% more than in March. Gazprom Neft increased aromatic feedstock supply to the domestic market by 45%, to 8,500 tons (a record figure in 2014), Severstal by 40% to 3,700 tons and Slavneft-Yanos by 38% to 4,600 tons. Shipments of raw materials from the Chelyabinsk MK decreased 2.7 times to 418 tons, and from Novolipetsk Steel by 37% up to 1,300 tons. In the first four months in 2014 domestic sales of benzene totalled 213,100 tons which was 7% more than in the same period in 2013.

Russia imported 419 tons of benzene from ArselorMittalTemirtau in April, 44% more than in March. Kazanorgsintez increased purchases of Kazakh benzene 1.7 times in April up to 297 tons, whilst Kuibyshevazot kept bought 122 tons from ArselorMittalTemirtau. For the first four months in 2014 Russian imports of benzene from Kazakhstan totalled 1,200 tons which was 17% less than in the same period in 2013.

Russian exports of benzene for synthesis dropped 1.9 times from March to April to 2,000 tons. The only exporter was Gazprom Neft. For the first four months of this year,

Russian orthoxylene, Jan-Apr 2014

Russian companies sold 11,400 tons of orthoxylene on the domestic market in April, 13% less than in March. Gazprom-Neft accounted for 48% of sales, or 5,410 tons, Kirishinefteorgsintez 38% or 4,290 tons, and Ufaneftkhim 12% or 1,360 tons. Kamteks-Khimprom bought 6,800 tons which amounted to 60% of Russia's total consumption). From January to April 2014 domestic sales of orthoxylene totalled 49,000 tons which was 18% more than in the same period in 2013.

Orthoxylene exports from Russia rose 2.3 times in April over March to 9,100 tons. Gazprom Neft exported 5,560 tons, (61% of Russia's supply), Ufaneftkhim 2,530 tons (28%) and Kirishinefteorgsintez 1,000 tons (11%). Nearly all the orthoxylene exports went to Finland. From January to April 2014 Russian orthoxylene exports totalled 22,200 tons which is twice more than in 2013.

Russian Phenol Market (unit-kilo tons)

	Jan-Apr 14	Jan-Apr 13
Production	90.5	98.8
Exports	5.5	9.9
Imports	0.6	0.1
Market Balance	85.5	89.0

Russian phenol market, Jan-Apr 2014

The Russian phenol market continues to face pressure due to the outage at Omsk Kaucuk which is expected to last until at least the fourth quarter this year. The safety group Rostekhnadzor has even proposed sanctions for Omsk Kaucuk due to irregularities in the company, which could threaten future production for the all of the company's chemical plants in addition to phenol and acetone. The examination of the accident that took place on 6 March showed that damage to the cumene

pipeline occurred due to metal fragmentation. After the explosion Rostekhnadzor fined the company, its officers and demanded the dismissal of the company's management.

As a result of the stoppage at Omsk Kaucuk the phenol market has been subject to supply difficulties and rising prices, although there are signs that equilibrium has been helped by lower phenol purchases by Kuibyshevazot. Omsk Kaucuk traditionally sells phenol at a low price to Kuibyshevazot, not available from other producers, and thus the plant downtime has meant that Kuibyshevazot is buying more benzene to produce caprolactam.

Russian Phenol Production (unit-kilo tons)		
Producer	Jan-Apr 14	Jan-Apr 13
Ufaorgsintez	24.9	25.1
Kazanorgsintez	25.9	24.5
SANORS	27.8	28.4
Omsk Kaucuk	10.7	20.9
Total	89.4	98.8

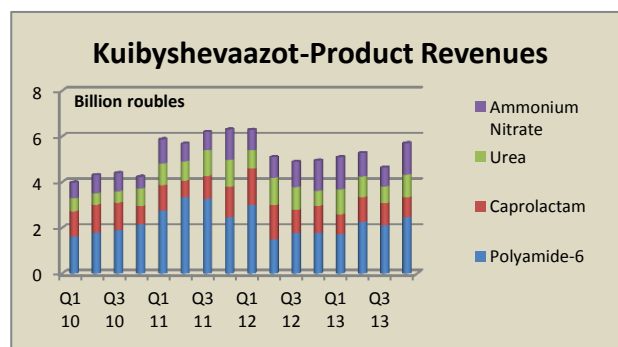
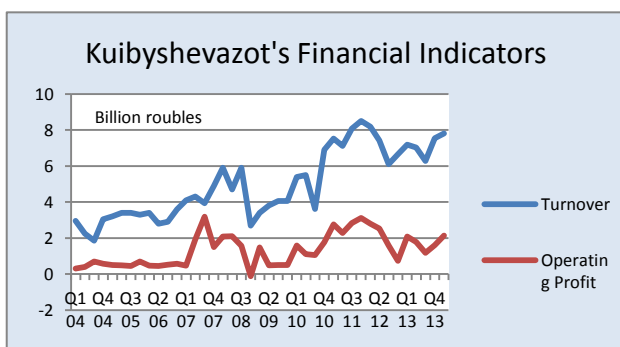
Moreover, Metadynea has reduced phenol purchases whilst it upgrades its plant for the production of phenol-formaldehyde resins. Consequently, it is likely that the stoppage at Omsk Kaucuk will not affect the Russian market the product as much as expected. If prices are to rise they are more likely expected to be influenced by benzene costs rather than the supply/demand balance for phenol.

Import volumes of phenol in Russia increased in April. Borealis sold 330 tons on the Russian market compared to 44 tons in March. The average cost of imported phenol in April increased by \$100 and totalled \$1,635 per ton DAF border Russia. Shchekinoazot bought 290 tons from Borealis in April. Whilst imports rose, exports dropped in April falling 35% to 645 tons. Samaraorgsintez provided most of the exports (583 tons), most of which went to Poland (52%).

Kuibyshevazot, 2013 & Q1 2014

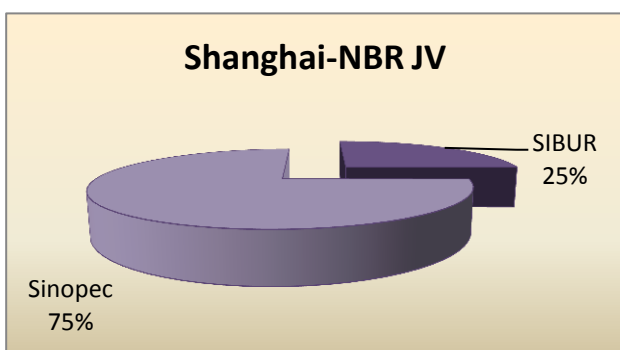
Kuibyshevazot reduced net income for 2013 by 24.5% to 1.59 billion roubles. Revenue from product sales decreased by 0.8%, amounting to 31 billion roubles, whilst the gross profit decreased by 15% to 7.39 billion roubles. The operating profit fell from 3.27 to 2.31 billion roubles. Profit before tax decreased by 30% to 2.07 billion roubles.

Revenues from sales of caprolactam and its products amounted to 19.210 billion roubles in 2013 against 20.13 billion in 2012. Revenues from ammonia and nitrogen fertilisers increased from 8.07 billion roubles in 2012 to 10 billion roubles in 2013.



For the first quarter in 2014 Kuibyshevazot increased the net profit by 4% against the same period in 2013. This figure amounted to 853.6 million roubles against 817.9 million roubles. Revenue for the January-March period amounted to 7.8 billion roubles, 2% higher than the first quarter of 2013. The cost of sales for the period increased by 11% to 5.7 billion roubles.

Gross profit reached a record 2.13 billion roubles in the first quarter in 2014 against 2.09 billion roubles a year earlier. About 60% of the company's income stems from exports in US dollars whilst 99% of operating costs are denominated in roubles. Kuibyshevazot's plans to undertake projects worth in the range of 20-22 billion roubles have become more expensive as a result of the rouble devaluation this year, primarily associated with the procurement of imported equipment and technology.



Synthetic Rubber

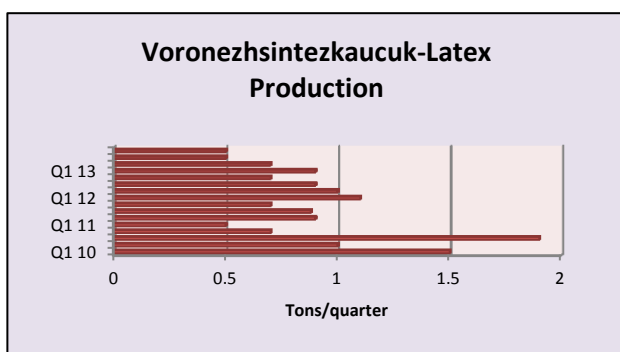
SIBUR-Sinopec JV for rubber production in China

SIBUR and Sinopec have signed an agreement on establishing a JV in China, with SIBUR holding a share of 25.1%. The JV is to be based at Shanghai and will produce 50,000 tpa of nitrile-butadiene rubber (NBR). NBR used mainly in oil drilling industry as sealants fuel tanks of aircraft windows in the aircraft industry, for the

manufacture of conveyor belts in the food industry as well as for tissue rubberizing. Also, the parties signed a license agreement for the jv. Sinopec already owns jointly with SIBUR shares in Krasnoyarsk Synthetic Rubber Plant. In addition to the rubber jv, SIBUR and Sinopec are examining potential cooperation in hydrocarbon processing in the ZapSibNeftekhim project at Tobolsk and the gas-chemical complex planned for Belogorsk in the Amur region of the Russian Far East. The project at Tobolsk involves a capacity of 2 million tpa of polyolefins and the proposed project for Belogorsk 2.4 million tpa. SIBUR is owned by Leonid Michelson with a share of 50% and Gennady Timchenko, with a share of 32.3%. SIBUR managers own 17.5%.

Rosneft & Pirelli-rubber project for Nakhodka

Rosneft and Pirelli have discussed the possible expansion of cooperation in the production of synthetic rubber at Nakhodka, as part of the project Eastern Petrochemical Company (VNKH). Pirelli owns 65% of Pirelli Tyre Russia, a jv between Pirelli and Rostec. The jv includes Voronezh Tyre Plant and Kirov Tyre Plant. In December 2013, Rosneft, Pirelli Tyre Armenia and Rosneft-Armenia signed a memorandum to establish a jv for the production of styrene butadiene rubber at Yerevan.



Voronezhsintezkaucuk to close latex plant

Voronezhsintezkaucuk plans to finish production of latex before the end of this year due to obsolete technology and equipment that has reached the end of its life. Currently the company is working out measures to remove the equipment, and work will be completed by the end of 2014. All 60 employees who were involved in the production of latex will be able to move on to other units. The consumption of latex in the Russian market, according to SIBUR, is approximately 100,000 tpa. The share of styrene-butadiene latex accounts for about 15% of total consumption. Latexes are used in the

manufacture of tyres, rubber products, flooring, paints, etc.

Russian C4 Supplies (unit-kilo tons)		
Supplier	Jan-Apr 14	Jan-Apr 13
Angarsk Polymer	26.6	25.5
Krasnoyarsk SR	0.2	0.3
Kazanorgsintez	10.8	11.3
Stavrolen	12.7	23.5
SIBUR-Kstovo	16.1	17.2
Gazprom n Salavat	0.0	0.0
Tomskneftekhim	20.5	26.9
Ufaorgsintez	9.9	9.2
Naftan (Belarus)	19.5	14.7
SANORS	0.2	0.0
Azerkhimya	7.6	3.0
Efremov SR	0.2	0.1
Iran	1.4	2.5
Total	131.7	133.1

Kaucuk increased product purchases

Russian Tyre Production (unit-mil pieces)		
Product	Jan-Apr 14	Jan-Apr 13
Car Tyres	11.3	11.4
Motorcycle Tyres	0.2	0.2
Lorry tyres	2.2	2.9
Agricultural tyres	1.5	1.7
Total	15.1	16.1

The production of styrene-butadiene latex at Voronezh was launched in 1959. The capacity of the plant at that time was 20,000 tpa. Since the 1990s demand has been falling and in 2013 the company produced only 2,700 tons. Voronezhsintezkaucuk specializes in the production of synthetic rubbers and thermoplastic elastomers (TEPS). Last year, the company increased capacity of TEPS from 50,000 tpa to 85,000 tpa.

Russian C4s, Jan-Apr 2014

Russian companies reduced sales of C4s in April by 14% to 22,400 tons due to a stop at SIBUR-Kstovo, which reduced product shipments by 21% to 4,600 tons. In addition, sales of C4s by Kazanorgsintez amounted to 1,800 tons, 42% down on March, and Ufaorgsintez 2,300 tons which was 15% down. Gazprom neftekhim Salavat supplied C4s by ra6il (486 tons) for the first time since December 2012. In the first four months in 2014 Russian C4 shipments to the domestic market totalled 103,700 tons, 11% less than in 2013.

Russian consumers increased by 13% to 7,700 tons in April. Omsk abroad by 1.9 times to 3,800 tons. At the same time, Nizhnekamskneftekhim reduced imports by 29% to 3,200 tons. Imports totalled 29,100 tons in the first four months of 2014, 40% up on 2013. The rise was due mainly to the outage at Stavrolen.

Nizhnekamskshina, Q1 2014

Nizhnekamskshina achieved a net loss of 46.09 million roubles in the first quarter against a net profit of 40.6 million roubles in 2013. In the first three months of the year Nizhnekamskshina reduced its revenues by 26% to 3.12 billion roubles. The cost of sales decreased by 22% to 2.92 billion roubles, and overall gross profit

dropped 86% to 197.8 million roubles. Sales profit fell to 173.6 million roubles to 29.38 million roubles. The company's net profit for the full 2013 was 35.9 million roubles, 48% less than in 2012. Revenues declined 8.5% to 16.26 billion roubles.

Methanol

Russian Methanol Domestic Sales (unit-kilo tons)

Producer	Jan-Apr 14	Jan-Apr 13
Azot Nevinomyssk	6.4	8.1
Azot Novomoskovsk	44.6	34.3
Metafrax	122.5	127.0
Sibmetakhim	134.8	152.4
Togliattiazot	142.5	125.9
Shchekinoazot	4.1	17.0
Others	6.8	6.5
Total	461.7	471.3

Russian methanol market, Jan-Apr 2014

Russian methanol exports in April increased by 15% to 150,800 tons, or 20,000 tons more than March. Sibmetakhim, Metafrax, Shchekinoazot and Tomet together accounted for 88% of exports. Azot at Novomoskovsk increased its exports by 35%, to 18,700 tons. The largest importer of Russian methanol is still Finland, accounting for 75,500 tons in April or 15% less than in March. Other destinations included Poland (13%), Slovakia (13%) and Romania (12%). Turkey witnessed the largest fall in April, dropping four times against March to 5,700 tons.

Russian methanol exports through the Odessa terminal declined in May to 12,850 tons from 22,800 tons in April. Tomet supplies markets in Turkey and Bulgaria through Odessa.

Russian methanol production amounted to 305,000 tons in April, 3% less than in March. Metafrax, Sibmetakhim and Tomet accounted for 74 % of the methanol produced in Russia. Sibmetakhim increased production 4% over March to 73,400 tons, whilst Shchekinoazot increased by 1%, to 41,000 tons. Metafrax reduced production 3% to 88,500 tons whilst Tomet reduced production by 2% to 62,300 tons. Akron, although one of the smallest producers, showed the largest fall of 30% to 5,200 tons. Production for January to April totalled 1.243 million tons for Russia against 1.195 million tons in the same period last year.

Russian Methanol Production (unit-kilo tons)

	2013	2012
Production	3521.6	3320.8
Exports	1429.1	1455.6
Market Balance	2092.5	1865.2

Russian methanol market 2013

The Russian methanol market in 2013 experienced a 15% rise in domestic consumption over 2012 to 1.4 million tons. Besides increases in captive consumption by the major methanol producers the merchant also experienced rises in purchases from plants producing MTBE and TAME, and formaldehyde and its derivatives. Captive consumption of methanol rose 10% in 2013 to 690,000 tons. The formaldehyde sector accounted for 780,000 tons of methanol consumption in 2013, 8% more than in 2012. This trend is expected to continue in 2014 due to additional capacity having been introduced. The second largest outlet for methanol in 2013 was MTBE where consumption rose 37%.

Despite the fact that the volume of methanol consumption in Russia in 2013 increased more rapidly than production in 2013, exports still comprised 41% of sales against 44% in 2012). Export volumes of methanol decreased by 2% last year. In 2013, Finnish consumers bought about 48% of gross exports. Last year, the average cost of product exported from Russia increased by 25%. The contract price of exported Russian methanol during 2013 varied within a wide range of \$290-640 per ton DAF border of the Russian Federation.

Production at Azot Nevinomyssk (unit-kilo tons)

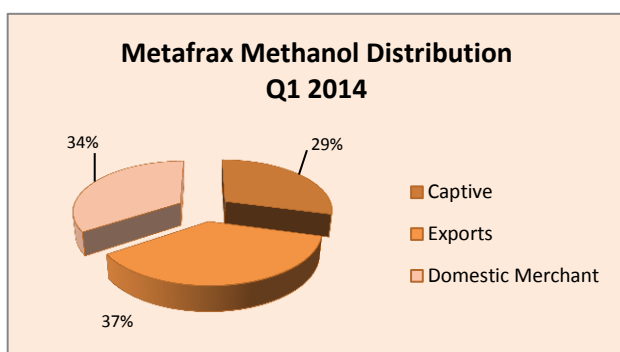
Product	2013	2012
Ammonia	1087.2	1164.1
Urea	892.7	896.9
Nitric Acid	1017.8	976.1
Methanol	124.2	114.0
Acetic Acid	151.4	150.2
Acetaldehyde	37.5	37.4
Butanols	16.3	16.8
VAM	17.7	13.8
Butyl Acetate	18.0	17.6
Methyl Acetate	10.3	10.9
Polyvinyl Alcohol	0.5	0.6
Melamine	22.8	4.8

The future of methanol marketing may lie in the hands of the Russian Railways insofar the current infrastructure does not provide an optimal export channel. In such circumstances, the Russian producers of methanol find it more profitable to reduce output.

Evrokhim Q1 2014

The net loss of the Evrokhim group in Q1 2014 amounted to 1 billion roubles compared with a net profit of 4.8 billion roubles. In 2013 revenue increased by 6% to 49.4 billion roubles whilst EBITDA increased by 15% to 14.2 billion roubles. Azot at Novomoskovsk, owned by Evrokhim, increased revenues for the first three months this year by 7% to 10.2 billion roubles. Prices for methanol increased by 2.72%, ammonium nitrate by 1.26%, and urea by

0.58%, whilst ammonia dropped by 1.72%.



Metafrax Q1 2014

Metafrax increased revenues 12% in the first quarter to 3.502 billion roubles. The share of exports in total sales was 46.0% against 40.3% in January-March last year. The net profit increased 44% to 1.164 billion roubles, helped significantly by the devaluation of the rouble. Methanol production declined by 1.3% against the first quarter in 2013 to 265,500 tons, whilst formaldehyde rose 5% to 80,700 tons and urea-formaldehyde concentrate rose by 2.6% to 48,500 tons.

Metafrax processed 284,000 tons of methanol in 2013 and 77,500 tons in the first quarter in 2014. Metafrax uses methanol to produce formaldehyde and urea-formaldehyde concentrate (UFC). At industrial sites Metafrax and the subsidiary MetaDynea new formaldehyde capacity will be launched by 2016, raising total capacity to 300,000 tpa. Also Metafrax plans to commission a new plant for the development of UFC.

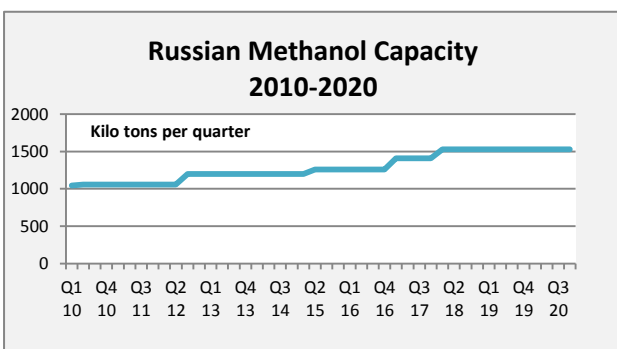
Uralkhimplast Production (unit-kilo tons)			
Product	2013	2012	
Formaldehyde 37%	26.778	30.281	
UFC	21.058	19.998	
PVC Plasticizers Granulated	2.652	4.227	
Paraformaldehyde	0.602	0.879	
Resins	78.017	84,139	
Ion-exchange resins	0.383	0.578	
Urea resins	32.998	36.384	
Phenol-formaldehyde	41.652	42.852	
Phenoplast	0.59	0.959	
Urea-furan resins	2.395	3.366	

Metafrax includes four main divisions including Metafrax, Karbolit, MetaDynea and Dynea Austria. Joint Russian-Finnish companies MetaDynea and Karbodin were established between Metafrax and Dynea Chemicals in 2004-2005 in order to develop the production of synthetic resins for the chemical industry, mechanical engineering, automotive, woodworking and other industries. MetaDynea is located in the industrial area of Metafrax at Perm, and Karbodin in the Orekhovo-Moscow area.

Russian methanol projects

The Ammonium complex at Mendelevsk in Tatarstan is expected to come on stream next year and no later than August 2015. The initial aim was to start production of mineral fertilisers in the first quarter of 2015, but has since been delayed. To date, around 66% of construction and installation has been carried out. In the summer this year the project constructors will employ around three thousand

employees, which is intended to speed up the construction process. The complex will include a combined unit for the production of ammonia and methanol plant with a capacity of 717,500 tpa of ammonia (without methanol), or 455,000 tpa of ammonia and 238,000 tpa of methanol. The complex will also include a granulated urea unit with a capacity of 717,500 tpa.



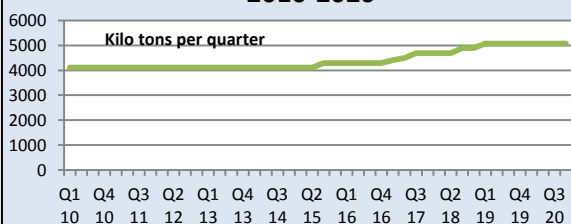
In the Tula region, to the south of Moscow, Shchekinoazot started construction of its new methanol and ammonia plant in May. This project includes capacities of 450,000 tpa of methanol and 135,000 tpa of ammonia. New modern technology, including highly automated production, will not only provide a high level of industrial safety, reducing the impact on the environment.

The new production will be located in the industrial area of the enterprise, on the site of the decommissioned plants. The license and basic engineering is being undertaken by Haldor Topsoe. Shchekinoazot is using

Orgkhim at Severodonetsk in eastern Ukraine as the general designer, whilst the total investment in the project is expected to total €270 million. A completion date of mid-2017 has been scheduled.

Although Itera sold its oil and gas business of Rosneft, it maintained its involvement in project construction for a methanol project at Nizhny Tagil under a JV with Uralkhimplast. The new plant of 600,000 tpa was expected originally to start in 2013-2014, but start-up has now been postponed until 2017. Investment costs amount to €396.4 million. Haldor Topsoe has supplied the license for the project for the production of methanol, based on consumption of natural gas up to 600 million cubic metres per annum.

Russian Ammonia Capacity 2010-2020



licensor of technology is Haldor Topsoe (Denmark); the new unit is scheduled for start-up the first half of 2017.

Dzerzhinsk based institute NIIK has signed an EPC contract with Linde engineering for the design, supply and construction of a new ammonia plant at Kuibyshevazot. Linde Engineering has already begun the first stages of construction in order to meet a fairly tight deadline. Investment in the ammonia plant equates to around €250 million, involving a planned capacity of 480,000 tpa or 1,340 tons per day. Kuibyshevazot wants to complete the project by the end of 2016.

Organic Chemicals

Russian butanols, Jan-Apr 2014

Russian producers sold 5,600 tons of butanols in April, 4% higher than in March and 7% higher than in April 2013.

Russian Butanol Domestic Sales (unit-kilo tons)

Producer	Jan-Apr 14	Jan-Apr 13
Gazprom neftekhim Salavat	6.6	10.7
SIBUR-Khimprom	10.1	8.2
Angarsk Polymer Plant	2.0	1.6
Azot Nevinomyssk	0.7	1.1
Total	19.4	21.6

Normal butanols accounted for 78% of sales. SIBUR-Khimprom shipped 3,550 tons (64% of total supply), Gazprom neftekhim Salavat 1,610 tons (29%), Angarsk Petrochemical Company 280 tons (5%) and Nevinomyssk Azot 140 tons (2%).

Akrlat at Dzerzhinsk purchased 1,480 tons of butanols in April, comprising 27% of Russia's total consumption. Dmitrievsky Chemical Plant bought 1,360 tons, accounting for 24% of consumption; Roshalsky Plant of Plasticizers bought 370 tons, or 7%, and Kamenskvolokno 180 tons, or 3%. Other consumers included Volzhskiy Orgsintez with 330 tons, or 6% and Sredneuralsky smelter 120 tons, or 2%. From January to April 2014 domestic shipments of butanols in Russia totalled 21,500 tons which is 11% less than in 2013. The proportion of normal butanol in gross shipments amounted to 79%.

Russian Butanol Exports (unit-kilo tons)

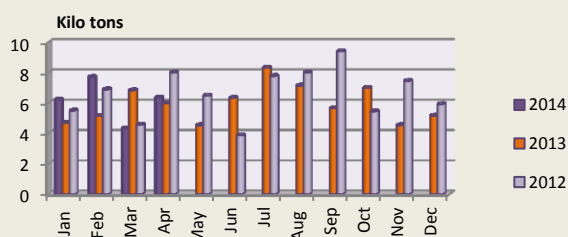
	Jan-Apr 14	Jan-Apr 13
N-Butanol	25.6	35.6
Gazprom Neftekhim Salavat	9.3	30.3
SIBUR-Khimprom	1.0	0.1
Angarsk Petrochemical	7.1	4.9
Azot Nevinomyssk	0.0	0.2
Isobutanols	22.5	30.8
Gazprom Neftekhim Salavat	3.5	13.1
SIBUR-Khimprom	9.9	14.0
Angarsk Petrochemical	4.6	3.8

Export volumes of butanols from Russia in April amounted to 15,900 tons, which is 2.3 times more than in March but 13% lower than in April 2013. China accounted for 86% of exports in April and Finland 7%. Angarsk Petrochemical Company accounted for 60% of exports, followed by Gazprom neftekhim Salavat with 24% and SIBUR-Khimprom 16%. For the first four months in 2014 Russian butanol exports totalled 35,400 tons, twice less than in the same period last year. The proportion of n-butanol shipments amounted to 49% of total exports.

Russian phthalic anhydride exports/imports

Exports of phthalic anhydride from Russia amounted to 5,340 tons in April, 13% more than in March but 32% lower than in April 2013. Exports of phthalic anhydride in April 2014 went to India (48%), China (10%), Turkey (9%), Finland (7%) and Uzbekistan (7%). Russia's only exporter of phthalic anhydride remains Kamteks Khimprom, which shipped 24,150 tons in January to April 2014 (14% less than the same period last year.) Belarussian exports of phthalic anhydride to Russia totalled only 316 tons in January to April 2014 against 2,400 tons in the same period last year. Although the volumes have been small, the presence of Belarussian material has influenced prices of traders in the Russian market. Overall the market is in surplus and is expected to remain over-stocked for the remainder of the quarter.

Russian DOP Production



Russian DOP market, Jan-Apr 2014

DOP production in Russia increased by 47% in April against March and amounted to 6,360 tons. The increase was due to the resumption at the Roshalsky Plant of Plasticizers. In April, the company produced 1,540 tons of DOP. Gazprom neftekhim Salavat increased production by 21% to 2,340 tons, whilst Kamteks-Khimprom increased production by 3% and amounted to 2,470 tons. In May, the production has been lower due to scheduled maintenance by Gazprom Salavat neftekhim. For the first four months this year DOP production in Russia amounted to 24,600 tons, 9% more than in the same period last year. Production of DOTF at the Ural Plant of Plasticizers was 1,630 tons.

Other Products

KZSK Silicon credit line

A subsidiary of the Kazan Synthetic Rubber Plant (KZSK) is to receive credit from Vnesheconombank of up to 7.8 billion roubles for the construction project for methylchlorosilane production in Tatarstan. The total project cost is estimated at 9.8 billion roubles. Part of the credit funds will be directed to the development of working documentation, installation, commissioning, costs payment of taxes, duties and customs duties, etc. KZSK-Silicon started construction at the end of last year, with completion set for the end of 2015. The capacity of the new plant is being designed to produce 25,000 tpa.

Methylchlorosilane used as chemical components in a large number of industries, from household chemicals and cosmetics to lubricants for rubber products, water repellent components of drilling fluids, various sealants. Currently, these chemical components are fully imported from abroad. The Russian market demand for methylchlorosilane is estimated 50,000 tons, from a global total of around 4 million tpa.

Bor (Primorsk Krai) Sales of Boron Chemicals (unit-tons)		
Country	2012	2011
Japan	17.114	24.566
South Korea	4.896	11.106
Europe	6.460	2.800
CIS	1.177	2.925
China	35.955	26.963
Russia	7.375	11.506

Bor-boron chemicals

Mining and Chemical Company Bor in the Primorsk Krai in the Russian Far East expects to benefit domestically from import duties that are being imposed on boron chemicals. Currently, about 90% production of boron containing raw materials by Bor is exported, and developing the domestic market has been hampered by import competition.

The plant is located at Dalnegorsk based on the borax mine. The company produces a combination of products including boric acid in various grades, boric anhydride and calcium borate.

Sterlitamak Petrochemical-Agidol expansion

Sterlitamak Petrochemical Plant (part of the group of companies TAU Neftekhim) has completed the increase in production of Agidol-1 from 16,000 tpa to 25,000 tpa. Production started in April and May this year. Sterlitamak Petrochemical Plant is the only Russian producer of Agidol-1, producing 19,290 tons in 2012.

Kaustik Volgograd Sales (unit-kilo tons)		
Product	2013	2012
Caustic Soda Liquid	102.8	104.6
Caustic Soda Solid	105.8	105.1
HCL	280.3	264.7
Chlorine in Containers	10.5	10.6
Methyl Chloride	1.8	1.3
Liquid chlorine in cisterns	21.9	28.5
Chloroparaffins	13.7	14.5
Sodium Hypochlorite	11.8	11.8
PVC	84.0	85.7
Plasticizers	11.0	3.4

Kaustik, Volgograd 2013

Kaustik at Volgograd increased revenues by 14% in 2013 to 11.389 billion roubles. The largest share of product sales was taken by PVC, after the full integration of the Plastkard division, amounting to 28%. Other product shares included caustic soda solid with 19% of revenues and caustic soda liquid with 13%. Kaustik is the main Russian player for hydrochloric acid and chloroparaffins. It is also the main player in the caustic soda solid market, accounting for 73% of production in 2013. The other producer of caustic soda solid in Russia is located at Sterlitamak.

Bashkir Soda-ASU

Bashkir Soda Company is building a new air separation unit ASU-7000-20000 (ASE) at the Kaustik site at Sterlitamak. Equipment will not only ensure production of nitrogen and oxygen, but also meet the needs of

other industrial facilities. The new air separation plant will save up to 30% of electricity. Investment amounted to 1 billion roubles.

Berezniki Soda 2013

Berezniki Soda Plant (BSZ) finished 2013 with a loss of 145.07 million roubles against a net profit of 149.48 million roubles in 2012. The plant produced 512,700 tons of soda ash in 2013 against 537,000 tons in 2012. The losses in 2013 were attributed to the increase in costs of raw materials, including sodium chloride, which is supplied by Uralkali. Revenues of Berezniki Soda Plant in 2013 amounted to 4.19 billion roubles against 4.66 billion in 2012. The main shareholder of BSZ is Bashkhim in Bashkortostan, which also controls Soda at Sterlitamak.

Russian Chlorine Production for Merchant Market (unit-kilo tons)				
Producer/Supplier	Location	2011	2012	2013
Kaustik	Volgograd	48.2	40.4	34.2
Ilimkhiprom	Bratsk	42.6	41.4	40.2
Khiprom	Novocheboksarsk	16.1	19.0	21.9
Khiprom	Kemerovo	11.0	14.6	9.7
Chlor	Novomoskovsk	7.8	8.4	6.5
Soda Chlorate	Berezniki	5.9	5.2	5.7
SIBUR-Neftekhim	Dzerzhinsk	3.8	2.7	0.5
Khiprom	Volgograd	2.3	3.2	2.8
Solikamsk Magnesium	Solikamsk	0.7	0.7	0.5
Bashkhim	Sterlitamak	0.8	0.8	0.0
Total		139.3	136.4	122.1

Khiprom Novocheboksarsk, Q1 2014

Khiprom at Novocheboksarsk, which is owned by Group Orgsintez, increased revenues 3% in the first quarter this year to 1.289 billion roubles. Commodity output in current prices for the first quarter was increased by 4% and amounted to 1.353 billion roubles. The increase was mainly due to increased production of hydrogen peroxide (conc. 30%) and liquid chlorine. Net profit for the quarter amounted to 4.7 million roubles against a loss of 41 million roubles in 2013. Khiprom suffered a chlorine leakage in the pipeline transportation at the end of April, whereby four employees were hospitalized.

In May the safety organisation Glavgosekspertiza approved the results of engineering studies for the construction by Khiprom of a new plant for

hydrogen peroxide with a capacity of 50,000 tpa. Construction is scheduled to start in June 2014 and commissioning at the end of 2015. Group Orgsintez estimates the cost of the project at \$87 million.

Ukraine

Ukrainian market overview

Since the start of 2014 domestic prices across the industry have risen primarily due to the currency devaluation. Prices of phthalic anhydride in the Ukrainian market increased by 25% in March due to the devaluation of the hryvnia combined with the increase the cost from Russian suppliers. Due to exchange rate fluctuations, the price of n-butanol in May increased by an average of 3% compared with April.

Ukrainian Chemical Production (unit-kilo tons)		
Product	Jan-Apr 14	Jan-Apr 13
Ammonia	1003	694.0
Carbon Black	21.7	14.8
Methanol	33.2	55.8
Soda Ash	171.1	218.5
Titanium Dioxide	35.2	51.3

At the same time, the demand for these products is low due to the difficult economic and political situation in the country. The cost of purchases of phthalic anhydride from the Belarusian producer Lakokraska at Lida is much lower than in Russia, but the volumes are smaller. Trading companies are selling Belarusian phthalic anhydride from Lakokraska at 16,800-17,200 hryvnia per ton including VAT.

DOP prices in Ukraine are broadly being sold at 26,900-27,100 hryvnia per ton including VAT. DOP imported from Poland is offered at \$2,520 per ton, or 30,000 hryvnia per ton. Trading companies began offering DINP in May from Polish production, the price of which is comparable with imported DOP. Benzene producers in Ukraine have tended to shift export activity towards Europe and away from the Russian market. Domestic demand remains minimal, with prices at 13,000-13,500 hryvnia per ton including VAT.

The rise in gas prices from 1 April has put pressure on Ukrainian fertiliser plants. At the same time the Group DF has stated that it has sufficient reserves of gas in underground storage (UGS) in order to run the four nitrogen plants at full capacity until the end of 2014. The group is ready to import ammonia if there are gas problems, but this scenario may not be needed. Stirol at Gorlovka and Azot at Severodonetsk both in the Donetsk region have temporarily suspended production due the complicated political situation in eastern Ukraine. All the staff will in both plants continue to work normally and undertake maintenance until there is an improvement.

The business climate in Ukraine has been under extreme pressure from political events and GDP has subsequently suffered in the first half of 2014. The eastern parts of Ukraine pose some very serious problems for the country. However, under the new rules of the autonomous trade agreement with the EU, Ukrainian businesses are already looking to sell chemicals into the EU area which initially may cover ammonia and fertilisers.

Zarya-Rubezhnoye completes REACH registration

Zarya at Rubezhnoye has successfully completed registration for REACH for several products 3,5-dinitro-benzoic acid, benzene, and nitrobenzene. Benzene production totalled 22,000 tons in the first quarter, 43% up on the same period in 2012. Zarya has started construction of a bioethanol unit, producing dehydrated ethyl alcohol intended for the production of biofuel. The raw material for production will be provided by crops, wheat, corn, rye, etc. It is expected that around 30,000 tpa of bioethanol will be produced.

Ukrainian PVC Market (unit-kilo tons)

	2013	2012
Production	11.9	121.1
Exports	3.46	85.3
Imports	140	93.8
Market Balance	148.4	129.6

Ukrainian PVC market

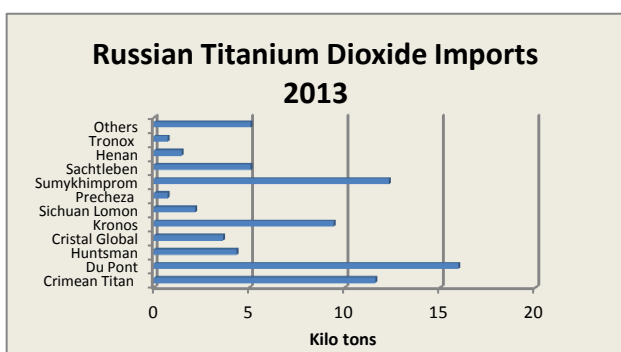
The immediate future for the Ukrainian PVC market is based on imports, at least until the Kalush petrochemical complex is restarted. Petrochemical production at Kalush was restarted in October last year after the facilities had been idle since September 2012. However, production was stopped again in December 2013 as LUKoil was unable to produce profitably. LUKoil's efforts to restart Karpatneftekhim depend essentially on an agreement with the Ukrainian government over rail

fares for the delivery of raw materials and products, and also the cost of steam and gas. These talks are on hold whilst the political situation remains unclear.

Due to the lack of domestic production PVC imports into Ukraine rose 50% in 2013 to 140,000 tons. This year import volumes have been affected due to a shortage of working capital. Anti-dumping duties on US imports were under consideration by the Ukrainian government, but have been put on hold for the time being.

Large consignments of PVC were imported from the US which increased by 13% to 68,800 tons. Poland increased by 37% to 29,000 tons, whilst supply from Hungary increased by 12% to 23,700 tons. Import volumes of Czech PVC halved to 3,300 tons. Overall, East European imports increased by 14% to 55,900 tons. As for Karpatneftekhim Lukoil had recently outlined plans for investment of \$234 million in new sites for the production of chlorine, caustic soda and PVC. However, the complexity of the political situation appears to put an end to these plans, at least for the near future. Karpatneftekhim is located at Kalush in the Ivano-Frankivsk region of western Ukraine, a region which looks primarily westward rather than towards Russia.

Crimea



Crimean raw materials and water supply

Crimean Titan has been requested to transfer its registration from Kiev to Crimea in order that it has to pay Russian taxes. Crimean Titan has been operating normally thus far this year and is fully provided with raw materials. However, the future looks unstable as Ukraine is not willing to recognise Russia's annexation of Crimea.

Regarding water supply Crimean Titan and Crimean Soda Plant have sufficient for the next month or so, but could be in danger if Kiev and Crimean authorities

cannot come up with a longer term solution. The water is supplied from the North Crimean Canal which was stopped on 25 April resulting in problems arose not only Crimean farmers who cannot irrigate the land, but large-scale industrial enterprises. Ukraine accounted for up to 85% of the needs of the Crimea for fresh water through the North Crimean Canal, connecting the main channel of the Dnieper to the peninsula.

Currently, the plant Crimean Titan is the leading chemical producer in Crimea and accounts for 2% of the world market for titanium dioxide. Exports account for about 70% production, whilst shipments are carried out in more than 50 countries. On the basis of 2013 it only controlled around 15% of the Russian market, surpassed by Du Pont and the other Ukrainian producer Sumykhimprom.

Belarus

**Azot Grodno Production
(unit-kilo tons)**

Product	Q1 14	Q1 13
Methanol	26.3	29.5
Caprolactam	45.5	46.3
Polyamide primary	27.6	16.5
Polyamide filled	3.4	3.6
Ammonia	370.7	361.5
Urea	354.2	333.6
Fertilisers	272.9	264.2

Naftan acetone tender

Naftan in Belarus is undertaking a tender for purchase of acetone for delivery in June 2014. The planned purchases amount to 2,000 tons and are divided into four lots of 500 tons. Applications for the tender are being accepted until 13 May 2014.

In April, Belarus produced 11,500 tons of benzene, 7% less than in March. For the first four months Naftan produced 48,200 tons of benzene, identical to the same period in 2013.

Polymir (included in Naftan), stopped LDPE production in May partly due to scheduled maintenance which will last until June 2014. The capacity of the unit is 65,000 tpa tons of LDPE, with total capacity standing at 130,000 tpa. For the first four months Polymir produced 42,900 tons of LDPE.

Naftan PTA project

Naftan plans to undertake a PTA project at Novopolotsk in Belarus and is looking to raise a loan of 2 billion euros from Sberbank. Conditions will be stipulated later, but certainly, it is expected that the loan will be granted under the guarantee of the government. The main consumer of PTA is expected to be Mogilevkhimvolokno. A PTA project was previously considered as a JV with KazMunaiGaz, but failed to progress further due to the Kazakh partner assessing that the project was unviable.

Currently Belarus does not produce PTA but Naftan produces around 70,000 tpa of paraxylene which meets part of the feedstock requirements. Mogilevkhimvolokno produces DMT and would close this plant in the event of the PTA plant being started.

Caucasus-Central Asia

SOCAR-urea project

National Petrochemical Company of the Azerbaijan Republic has extended a tender to find a management organisation for the project of construction of a urea plant at Sumgait. In addition to direct project management responsibilities in the selected organisation will include conducting independent inspection work. Its design capacity is 600,000 tpa of urea and 360,000 tpa of ammonia. The plant is scheduled to be commissioned in late 2014 and early 2015.

Japanese-Korean consortium examining Turkmenistan polyolefin projects

Toyo Engineering, LG International Corporation and Hyundai Engineering Corp are examining plans as a consortium to construct a petrochemical and polyolefin complex in Turkmenistan. Project costs have been broadly estimated at \$3 billion whereby plants for polyethylene and polypropylene will be constructed with respective capacities of 386,000 tpa and 81,000 tpa. The raw materials for the complex consist of natural gas produced in the Caspian Sea.

According to the agreement between Turkmengaz and the Japanese-Korean consortium the construction of the complex is to be completed in 2018. The new project includes the installation of gas separation capacity of 5 billion cubic metres per annum, and 400,000 tpa of ethylene. A contract for construction of a gas chemical complex at Kiyanly worth \$3.432 billion was signed in September 2013.

commissioning of the construction project for the production of aromatic hydrocarbons in April to May of this year. The process of installation well advanced and actual project completion is expected later this year. Production will

UzIndoramaGasChemical

UzIndoramaGasChemical is to prepare a project for a gas-chemical complex in Kashkadarya region in southern Uzbekistan, by the end of 2014. The project is currently waiting for approval in the Uzbek government, where it will be located on the basis of the Mubarek gas processing plant.

The project involves the production capacity of 492,000 tpa of polyethylene, 100,000 tpa of polypropylene, 66,000 tpa of gas condensate and 53,000 tpa pyrolysis gasoline. China National Petroleum Corporation (CNPC) will become one of founders of the JV UzIndoramaGasChemical on construction of gas chemical complex in Uzbekistan with the cost of \$2.5 billion. Construction of the complex is scheduled for completion in late 2016.

Uzbekneftegaz is preparing new projects in the gas-chemical sphere with total cost for \$3.6 billion. The company noted that three project on syntheses of gas and production of polymer products are developed in cooperation with foreign companies.

Kazakh petrochemical strategy

The Atyrau Refinery is to start pre-commissioning, The process of installation well advanced and actual project completion is expected later this year. Production will

not start until 2015. Sinopec Engineering has been responsible for project which will result in capacities of 133,000 tpa of benzene and 496,000 tpa of paraxylene. KazMunaiGaz owns 99.5% of the Atyrau Refinery.

Kazakhstan is focused on the construction of petrochemical projects based on deposits from the Tengiz oil field in the western part of the country. Per capita Kazakhstan produces more liquid hydrocarbons than Russia but refining remains weak. In 2013 the three refineries at Atyrau, Chimkent and Pavlodar processed 14.4 million tons of oil which only comprised 18% of oil production.

Until now it has not been clear which by-products from the new Atyrau cracker will be produced, but the aim is to construct a butadiene plant at Atyrau with a capacity of 229,000 tpa. The cost of the project is 105.2 billion Tenge (\$687 million). This project will be completed in 2018.

Relevant Currencies

Czech crown. Kc. \$1= 20.753. €1 = 25.833; Hungarian Forint. Ft. \$1 = 229.448. €1 = 288.154; Polish zloty. zl. \$1=3.414. €1 =4.280; Bulgarian leva: \$1 = 1.5956. €1= 1.557; Romanian Lei. \$1 = 3.555. €1= 4.463; Croatian Kuna HRK. \$1 = 5.998. €1= 7.530; Ukrainian hryvnia. \$1 = 11.07. €1 = 14.140; Rus rouble. \$1 = 36.002. €1= 49.967

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