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MONTHLY NEWS

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

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Issue 291, 27 Feb 2015

FEATURES FROM THIS ISSUE

CENTRAL & SOUTH EAST EUROPE

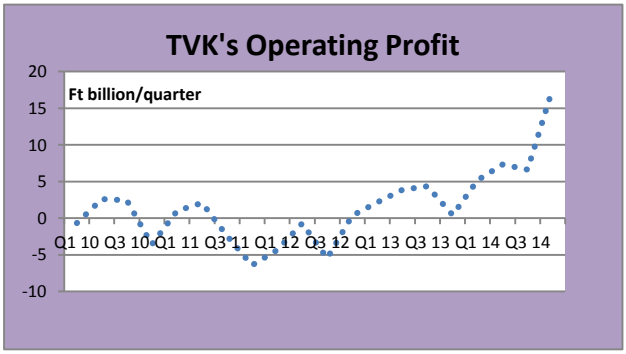
Petrochemicals

MOL's Olefin & Polyolefin Production (unit-kilo tons)		
Product	***Jan-Dec 14***	***Jan-Dec 13***
Ethylene	655	684
Propylene	326	348
Product	***Jan-Dec 14***	***Jan-Dec 13***
LDPE	151	158
HDPE	349	351
PP	442	443

MOL 2014

The MOL Group achieved a clean EBITDA of Ft 510 billion in 2014 ($2.2billion), 1% down on 2013 due largely to inventory valuation. However, at the same time oil prices in the fourth quarter were extremely beneficial to margins enabling the downstream business to record the best quarterly result over the past decade. For the whole of 2014 MOL's downstream division recorded a 31% rise in operating profits to Ft 205.2 billion ($870 million), of which Ft 73 billion ($300 million) were gained solely in the fourth quarter.

Olefin and polyolefin production were lower for the MOL Group in 2014 due to outages. The fourth quarter saw some dramatic effects from the low oil prices, forcing a threefold in profits from petrochemicals and retail. The Group refinery margin grew by $3.2/bbl in the fourth quarter, while the integrated petrochemical margin almost doubled from Q3 when it was €274/ton to €535/ton.



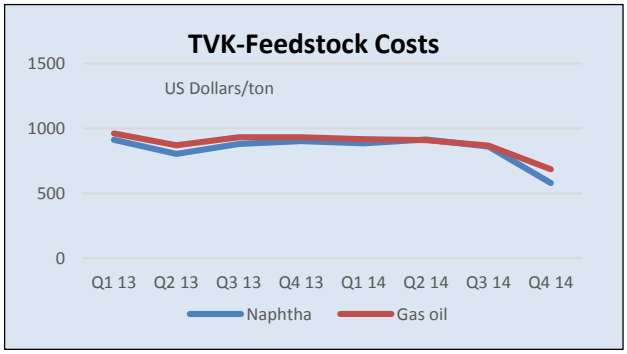
TVK 2014

TVK's performance in the fourth quarter showed a stupendous rise in profits due predominantly to the fall oil prices. The Ft 36.9 billion operating profit achieved in 2014 measured against Ft 10.8 in 2013. Favourable exchange rates, decreasing energy prices and non-recurring incomes all contributed although lower oil prices was cited as the main factor. TVK's margin income increased by Ft 22.9 billion over 2013, and included a 22% rise in integrated margins calculated in euros.

TVK's very successful 2014 was effectively made in the fourth quarter when the EBITDA totalled Ft 21 billion against Ft 29 billion for the previous three quarters. Overall the company's EBITDA totalled Ft 50.479 billion in 2014 against Ft 24.483 billion in 2013. The 2014 figure had not been seen since 2014, and as a result of exploding cash generation, the company's net loan portfolio decreased significantly.

TVK Product Sales (unit-kilo tons)		
Product	***Jan-Dec 14***	***Jan-Dec 13***
Olefins	530	555
LDPE	61	27
HDPE	349	364
PP	260	271

Due to the oil price collapse, naphtha and gas oil prices fell sharply for TVK which impacted on monomer margins. Moreover energy costs decreased by Ft 3.5 billion due to the savings on energy prices in natural gas and steam, and the electricity price decline. Ft 1.6 billion in non-recurring incomes was received in 2014 from the insurance compensation for the fire accident at the LDPE-2 unit in 2012 and land property sale, where the synthetic rubber plant is being constructed.



Raw material costs decreased 6% in 2014 due to the significantly lower raw material costs of olefin production. This was offset by declining Ft compared to dollar and the higher processing and the higher volume of processed and purchased propylene compared to 2013.

Product sales for monomers and polyolefins were lower in 2014 against 2013. There were shutdowns in 2014 involving the Olefin-1 plant in the second quarter in addition to HDPE-2 and PP-4 units. In 2013 the LDPE-2 plant required reconstruction after

the accident at end of October 2012. TVK achieved 48% of its sales revenues in 2014 from export sales. This main export destinations included Italy (17%), Poland (16%), Germany (15%), Slovakia (6%), Romania (5%), Austria (5%) and the Czech Republic (4%).

Czech Polyolefin Exports (€ thousand)

Product	*Jan-Dec 14*	*Jan-Dec 13*
Polypropylene	216,747	169,004
Propylene Copolymers	77,459	67,158
HDPE	314,035	273,812
LDPE	86,449	86,559

Czech Polyolefin Imports (€ thousand)

Product	*Jan-Dec 14*	*Jan-Dec 13*
Polypropylene	330,912	305,008
Propylene Copolymers	217,899	167,919
HDPE	96,338	98,977
LDPE	176,788	170,945

TVK-butadiene plant close to completion

TVK is close to completion of its butadiene plant at Tiszaujvaros. A significant part of the mechanical, electrical and instrumentation works has been completed in addition to ancillary facilities. The company hopes to start production in the second quarter. The overall investment in TVK Ft 31.5 billion last year, of which Ft 23.5 billion was paid to the implementation of the butadiene plant.

Slovnaft 2014

Slovnaft recorded a loss of €25 million in 2014, adversely affected in the fourth quarter by oil prices and the impact on inventories. The value of raw material and product stocks needed to be revaluated, although results benefited from better sales. The effect on inventories at the end of 2014 amounted to €91 million. The average petrochemicals margin increased by 69% in comparison with Q4 2013 and amounted to €412/ton mainly due to lower naphtha prices.

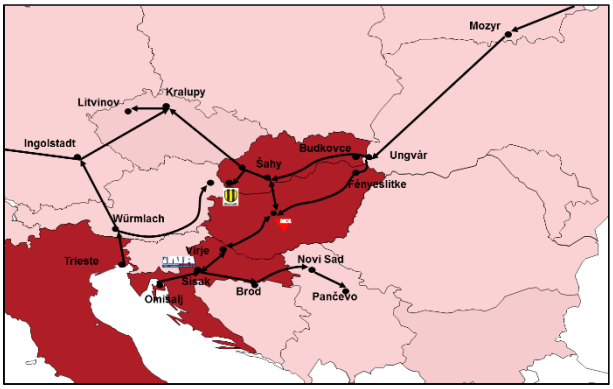
Slovnaft-LDPE project

The construction of the new 220,000 tpa LDPE 4 unit at Slovnaft is progressing according to the schedule. The plant 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's petrochemical margin increased by 39% in Q4 against Q3 when it was €296/ton. However, the company was not able to benefit directly from the higher margins due to lower production in the fourth quarter. Slovnaft's 2014 net income amounted to €4.01 billion, 15% down on 2013. The decline in oil prices affected results last year. The refinery processed 5.23 million tons in 2014, 10% down on 2013.

MOL-Transpetrol

MOL and Transpetrol have increased capacity of the Druzhba 1/Adria crude pipeline to 6 million tpa from 3.5 million tpa. Investment was completed in the expansion of capacity of almost 130-kilometer section of the pipeline Druzhba and Adria in Slovakia and Hungary. Using the pipeline Adria and Friendship, can used for Unipetrol's two Czech oil refineries at Litvinov and Kralupy.



MOL states that the $80 million investment into the pipeline leg between Százhalombatta and Ipolyság in Slovakia enables the group to meet the oil needs of Slovnaft's Bratislava refinery from the Adriatic. Moreover, Hungary, Slovakia and the Czech Republic will now be able to further diversify their energy supplies.

Besides the reconstruction of Druzhba 1/Adria, MOL also increased the capacity of the Hungarian section of the Adria oil pipeline, connecting the Adriatic Sea with Slovakia, from the present 10 million tpa to 14 million tpa. The project, developed by MOL and Transpetrol, has allowed Slovakia and the Czech Republic to become independent of oil from Russia. Oil can now supplied from the Adriatic region to both Slovnaft and Unipetrol refineries at Bratislava, Litvinov and Kralupy.

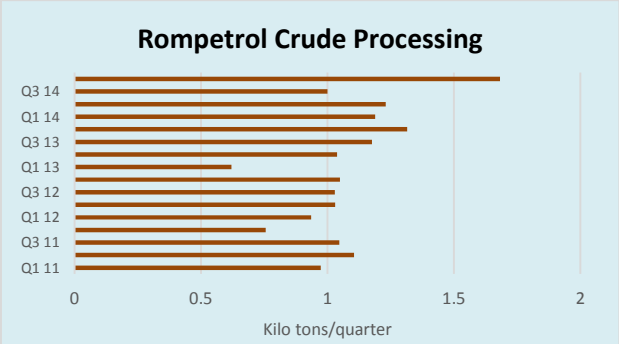
Azoty & Lotos postpone plans to build a petrochemical complex

As may have been expected, the Azoty and Lotos groups have postponed plans to construct a petrochemical complex on the Baltic coast near Gdansk. Price levels of petrochemical products and raw materials, as well as geopolitical tensions, have introduced uncertainty in the markets. Combined with other issues over

logistics and site location both groups decided that it was advisable to delay investment plans. Whilst these plans have not been officially abandoned completely the two groups are preoccupied with their own investment strategies and are unable to devote resources to the Gdansk project.

Analyses of the petrochemical plans indicate that the project could be economically attractive in the future, particularly as Poland's trade deficit in this sector is expected to rise. There are for example supply side shortages of LLDPE and certain types of polypropylene. Despite the need for more domestic capacity in petrochemicals current market conditions have created additional challenges raising doubts over whether the two groups could meet business goals. Hence the joint decision of both companies was to postpone the time of the investment.

Both companies will focus on implementing their investment projects. Lotos will perform its EFRA project and projects in exploration and production of hydrocarbons. Over the next five years Azoty plans investments of around zl 7 billion allowing the group to move into new areas of activity, expanding the product portfolio and production capacity in addition to reducing energy costs.



Rompetrol 2014

Rompetrol achieved an operational profit of $23.4 million in the fourth quarter, 72% higher than in 2013. Revenues declined by 13% in Q4 2014 from $1.48 billion to $1.28 billion, influenced by lower oil prices. Rompetrol Rafinare achieved record processing volumes of crude in 2014, totalling 5.081 million tons from its two refineries Petromidia and Vega. Exports from Rompetrol Rafinare surpassed $2 billion in 2014 against $1.7 billion in 2013. Sales of polyolefins totalled 153,000 tons in 2014, against 144,000 tons in the previous year.

Rompetrol's petrochemical division produced 90,000 tons of polymers in 2014, 12% up on 2013. The petrochemicals division elaborated new types of propylene for food and special packaging. Refining and petrochemical turnover totalled $5.1 billion in 2014, 14% more than in 2013. The operational profit and net result decreased due to the difficult market environment for the European refineries.

Rompetrol's Petromidia refinery processed at its full capacity last year of 13.800 tons per day. Capacity utilization reached 93%, 7% more compared to 2013. The small Vega refinery processed 300,000 tons of crude in 2014 against 240,000 tons in 2013. Vega refinery is a producer and provider of special products and the only Romanian producer of extraction naphtha and n-hexane in Central and East Europe.

Chemicals

Oltchim Product Revenues (Mil Lei)

Product Group	*Jan-Dec 14*	*Jan-Dec 13*
Petrochemicals	440.3	294.9
Chlorine division	124.2	122.2
Finished Products	24.4	27.6
Materials for construction	5.0	44.6
Sales to Pitesti	0.2	0.2
Oxo alcohols	22.1	0.0
Other	11.4	8.5
Total	627.5	498.0

Oltchim 2014 & Jan 2015

Oltchim achieved a €700,000 profit in January 2015, achieving 30% of capacity utilisation stipulated as the required minimum by the IMF and .the European Commission. Oltchim is still faced by debts of €800 million. Oltchim, currently under insolvency, decreased its loss by 46% from €213 million in 2013 to €114.6 million in 2014. The company used 24.3% of its capacity last year, compared to 20.6% in 2013. Oxo alcohol production was restarted in the second half of 2014.

The total revenue increased by almost 10% to €147.4 million from €134.6 million in 2013 while expenses went down by 26% to €360 million. The personnel expenses also dropped by €18 million, after the company dismissed 918 employees in June 2013. The company's turnover increased by 25% over 2013 to €141.2 million.

Azoty investment strategy

Having decided not progress with the Lotos petrochemical jv, Grupa Azoty can now concentrate solely on its own investment strategy ranging from polyamide in Poland to phosphoric acid in Senegal. In addition new power plants are planned for Pulawy and Kedzierzyn. Plans to build a sizeable power plant by ZA Pulawy have been known for some time as the current power plant needs to be replaced with a newer plant. Plans for a new power plant at Kedzierzyn also feature highly for Azoty.

Polish Chemical Production
(unit-kilo tons)

Product	*Jan-15*	*Jan-14*
Caustic Soda Liquid	30.2	28.5
Caustic Soda Solid	6.2	9.7
Soda Ash	93.3	90.8
Ethylene	48.3	46.3
Propylene	35.8	33.0
Butadiene	5.3	5.5
Toluene	0.8	1.4
Phenol	2.9	2.5
Caprolactam	14.5	14.4
Acetic Acid	0.4	0.5
Polyethylene	34.5	32.9
Polystyrene	3.7	5.1
EPS	4.2	6.7
PVC	26.1	28.3
Polypropylene	20.9	24.8
Synthetic Rubber	15.4	17.3
Ammonia (Gaseous)	125.0	117.0
Ammonia (Liquid)	117.0	126.0
Pesticides	2.5	3.0
Nitric Acid	214.0	216.0
Nitrogen Fertilisers	182.0	177.0
Phosphate Fertilisers	39.3	28.6
Potassium Fertilisers	27.0	21.7

An important of Azoty's production strategy focuses on Africa where subsidiary Azoty Police plans to build a production plant for phosphoric acid in Senegal. This would save the company transport in addition to the main goal of accessing cheaper raw materials which is seen as vital to future of the Police plant. In 2014 Azoty Police imported 200,000 tons of phosphate rock, and this year the plan is to increase to 300,000 tons. Ultimately Azoty Police would like to import up to 1 million tons of phosphate rock from Africa, which would amount to all of the plant's needs. In Poland, Azoty Police is interested in the polyhalite deposits in the gulf of Gdansk, providing potassium-magnesium sulphate salts. At present rights to the deposits are being contested by two companies, including KGHM and Darley.

Other product areas of importance include polyamide and plasticizers. Grupa Azoty has already started a project for polyamide production at Tarnow, which is being undertaken by Uhde-Inventa Fischer. For plasticizers ZAK (Azoty Kedzierzyn) introduced a new plant with a capacity of 50,000 tpa, to replace the older DOP plant. The new plant was developed in conjunction with the Institute of Heavy Organic Synthesis Blachownia.

Azoty contracts

Azoty Pulawy and Żarska Kronopol signed an agreement in February for urea and melamine, amounting to a total estimated amount of zl 770 million. The contracts are valid until the end of 2019. Azoty Pulawy will supply Kronopol urea and melamine needed to produce wood-based panels (MDF, OSB, particle board).

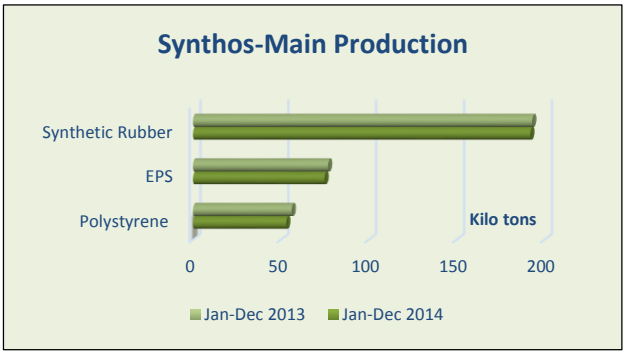
Azoty Police has signed a purchase agreement for potassium salt with Uralkali Trading, worth about zl 250 million. The agreement provides for the delivery of a batch of about 3,000 tons of plus or minus 10% each from January 2015 till December 2015 with delivery via the ports on the Baltic Sea.

Synthos-Main Product Revenues
(zl thousand)

	Jan-Dec 14	*Jan-Dec 13*
Revenues	4618.8	5360.0
Costs	4139.2	4904.6
Operating Profit	479.6	399.2

Synthos-2014

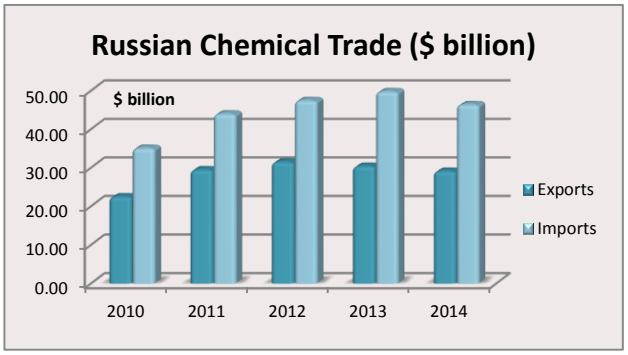
The Synthos Group recorded a net profit of zl 86.1 million in the fourth quarter, bringing the full year total to zl 357.5 million in 2014. Revenues amounted to zl 4.618 billion in 2014 and operating profit zl 479.6 million. In the fourth quarter, revenues amounted to zl 1.043 billion which were below market expectations. Although revenues declined in 2014, the operating profit totalled zl 479.6 million which was zl 62.6 million down on 2013. Synthos achieved a net profit of zl 357.5 million in 2014.



BorsodChem-Wanhua

China's Wanhua Industrial Group has gained full control of BorsodChem in a €1.2billion deal that Wanhua said could serve as a beacon for further Chinese investment in the region. The acquisition gives Wanhua access to the European chemicals market and creates the world's third-largest producer of isocyanates.

RUSSIA



Russian chemical trade 2014

Partly due to sanctions and a weaker economy the Russian deficit in chemical trade in 2014 narrowed to $17.3 billion against $19.4 billion in 2013. However, the 2014 deficit was still bigger than in 2012 and 2011.

The share of exports of chemical products in January-December 2014, from total exports, was unchanged from 2013 and totalled 5.1%. The value of chemical imports fell by 4.4% in 2014 to $29.3 billion.

Russian Chemical Commodity Exports

	Jan-Dec 14	*Jan-Dec 13*	*Jan-Dec 14*	*Jan-Dec 13*
Product	***Kilo tons***	***$ Mil***	***Kilo tons***	***$ Mil***
Ammonia	3,635	1,565	3,390	1,581
Methanol	1,510	564	1,366	494
Nitrogen Fertilisers	12,148	3,244	11,809	3,356
Potash	10,460	2,700	6,321	2,190
Mixed Fertilisers	8,272	3,039	9,151	3,571
Synthetic Rubber	826	1,780	944	2,373

Although the volume of exports rose 12.0%, prices were lower by 14.6% particularly for such product areas as synthetic rubber. Export volumes of organic chemicals rose by 4.4%, methanol 11.0%, nitrogen fertilisers by 4.7%, potash fertilisers by 64.5%, and plastics and articles by 10.1%. Exports of mixed fertilisers fell by 9.7%, and rubber products fell by 7.3%.

The share of chemical products in total Russian imports in January-December 2014 amounted to 16.8% against 16.6% in 2013. The value and volume of import of chemical products decreased by 7.3% and 5.5% respectively. Import volumes of organic chemical compounds decreased in 2014 by 3.4%, pharmaceutical products by 1.4%, and plastics and articles by 2.4%. Physical supply of inorganic chemistry products decreased by 7.0%, plastics and articles by 7.2% and rubber and rubber products by 25.5%.

Russian Chemical Production (unit-kilo tons)

Product	***Jan-15***	***Jan-14***
Caustic Soda	85.6	89.7
Soda Ash	268.0	225.0
Ethylene	229.9	229.5
Propylene	0.0	130.8
Benzene	106.0	109.0
Xylenes	51.2	50.4
Styrene	0.0	58.0
Phenol	0.0	25.7
Ammonia	1,200.0	1,400.0
Nitrogen Fertilisers	700.0	800.0
Phosphate Fertilisers	200.0	300.0
Potash Fertilisers	600.0	700.0
Plastics in Bulk	595.0	555.0
Polyethylene	150.0	170.0
Polystyrene	37.2	42.1
PVC	81.1	58.7
Polypropylene	115.0	79.7
Polyamide	11.9	12.6
Synthetic Rubber	128.0	125.0

It is noticeable that imports were down for numerous polymers in January 2015, partly due to increased PVC and polypropylene, but also due to the weakness of the currency. As this trend is likely to continue throughout the year, combined with increases in chemical exports where possible, every indication suggests that Russia's trade deficit in chemical products should be lower in 2015 than in 2014.

Russian chemical markets, Jan 2015

Chemical producers that export a large proportion of production are benefiting at present from the weakness of the rouble, but at the same the value of outstanding loans have risen sharply. Despite the deteriorating economy, production volumes in the chemical industry have remained largely unaffected to date. The weakness of the rouble has thrown up opportunities for exporters, primarily producers of fertilisers. Problems are likely to mount in purchases of imported equipment as the year progresses.

Production of bulk polymers increased 40,000 tons in January over the same month last year, despite the extended outage by Stavrolen. Increased capacity utilisation at Tobolsk-Polymer and the start-up of the RusVinyl complex are

the main factors behind the higher production volumes for commodity plastics. The production of finished goods made of polymers in Russia increased by 13.5% in January compared to January 2014, but showed a decline against December 2014 by 28.5%. Indications of a slowdown in demand for raw materials such as toluene and orthoxylene were seen in January in a number of sectors including fuels and lubricants, paints and plastics.

Most large producers have thus far reported increased revenues in 2014, and in some cases can even report increases in net profits at least in nominal terms. Investments in the chemical sector were down last year many large projects have been affected by capital restrictions. The share of imported equipment accounts for at least 60% of the cost of projects in the refinery processing and petrochemicals, and in most cases these imports cannot be replaced easily and quickly. Thus there may be huge gaps between what is desired politically by the government and what is realistically possible for the chemical industry.

Russian Companies Selected for Gov't Support
Akron
Bashkir Chemistry
Galopolymer
Evrokhim
Fosagro
Kuibyshevazot
Nizhnekamskneftekhim
Nizhnekamskshina
Nikokhim
Sayanskkhimplast
SIBUR Holding
TAIF
Togliattiazot
Uralkhim
Ufaneftekhim

Ministry of Industry to support chemical industry

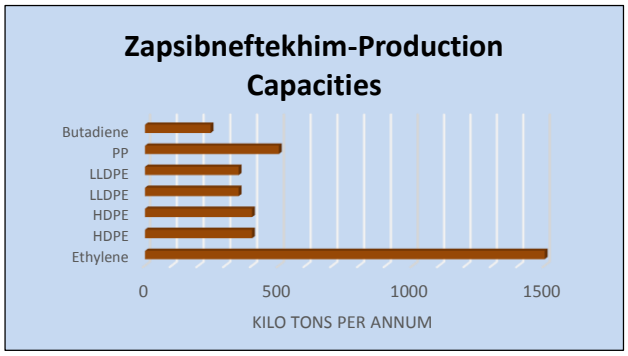
The Russian Ministries of Economy, Finance and Industry, under the request of the Prime-Minister, has been instructed to consider the options of subsidies for acquiring foreign technology for companies producing special and fine chemical products. The instruction states that subsidies may be granted only for the purchase of foreign technology, which is not available in Russia. Another condition of these subsidies is that the technology should be used in the manufacture of products using domestic raw materials, as well as attracting Russian engineering companies for the organisation of production.

The Ministries also aims to subsidize R & D in the chemical and petrochemical industry. Efforts this year will be aimed at low-tonnage chemistry, including the production of chemical fibres, paint production, etc. State guarantees will be provided for up to 5 billion roubles, after assessment and evaluation.

Russian petrochemical projects

Zapsibneftekhim-petrochemical project

The Ministry of Energy has stated that it is ready to provide assistance through financial support for SIBUR's Zapsibneftekhim complex at Tobolsk in the Tyumen region. SIBUR started construction in January of the Zapsibneftekhim complex at Tobolsk, and preparations are underway for accommodation for construction workers, etc. The total investment in Zapsibneftekhim has previously been estimated at $9.5 billion (about 360 billion roubles), including losses already incurred and expected costs of start-up.



Zapsibneftekhim could attract financial support from the Russian Direct Investment Fund (RFPI) which could amount to hundreds of millions of dollars. SIBUR has estimated that the project would require around 5-5.5 years for construction and thus hopes to complete the complex by 2020. Originally when the project concept was devised several years ago the aim was to start the complex in 2017, but owing to the economic slowdown in 2013 and particularly 2014 the group has been forced to make adjustments. Other petrochemical projects in Russia have been abandoned or simply delayed, and thus the Zapsibneftekhim project does represent some hope for Russian petrochemicals.

Irkutsk Oil Company (INK) Investment Outline	
Project	***Capacity/Length***
2 Gas Processing Plants	7 billion cubic metres per annum
Product Pipelines	500 km
Polyethylene	500,000 tpa

Irkutsk Oil Company-gas processing project

Irkutsk Oil Company (INK) is planning to launch a complex in October-November 2015 for receiving, storage and handling of LPGs at Ust-Kut. Through the facility, INK will be able to handle 160,000 tpa of propane-butane and 250,000 tpa of gas condensate. Investments are also underway for the reconstruction

of the Lena East railway station in order to be capable of transporting LPGs. In the period 2015-2016 INK plans to build two gas-processing plants, about 500 km product pipelines, gas fractionation plant, station for the shipment of liquefied gases. During 2016-2019, INK plans to build the gas-chemical plant. INK was founded in 2000. Most of the company's assets are located in proximity to the East Siberian Pacific Ocean (ESPO) pipeline. INK increased production of oil and gas condensate in 2014 by 38% to 4 million tons. In 2015, INK plans to increase production of liquid hydrocarbons to around 6 million tons.

Russian petrochemical producers & markets

Gazprom neftekhim Salavat Production (kilo tons)

Product	*Jan-Dec 14*	*Jan-Dec 13*
Benzene	134.8	143.5
Ethylbenzene	181.0	179.3
Propylene	103.3	112.8
Ethylene	294.3	275.9
N-Butanols	60.4	41.6
Isobutanols	32.2	24.3
Phthalic Anhydride	7.8	8.6
Polyethylene	118.5	106.8
Styrene	157.4	168.5
PS	33.0	25.5
Ammonia	81.0	91.5
Ammonium Nitrate	161.3	171.6
Urea	535.5	486.8

Gazprom neftekhim Salavat 2014

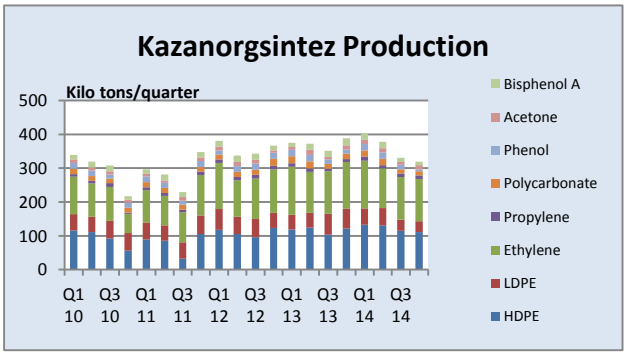
Gazprom neftekhim Salavat increased production of polyethylene by 19% in 2014 to 128,800 tons. Polystyrene production totalled 33,000 tons, whilst styrene production rose 13.2% to 124,700 tons. Ethylene rose 6% to 294,000 tons, whilst urea production increased by 10% to 535,500 tons. Further increases in ethylene production are expected this year.

Kazanorgsintez-2014

Kazanorgsintez increased its net profit for 2014 by 2.8 times over 2013 to 6.1 billion roubles from 2.16 billion roubles. Revenues increased from 46.1 billion roubles to 54 billion roubles.

Polyethylene production remained unchanged from 2013. Currently gas feedstock for further processing for Kazanorgsintez comes from the Orenburg GPP Gazprom, in the range of 300,000 tpa of ethane.

More than 100,000 tpa of ethane is provided by Tatneft from the Minnibayevo gas plant whilst Nizhnekamskneftekhim sells around 180,000 tpa of ethylene to Kazanorgsintez. Longer term the company is pinning hopes on the construction of the Yamal-Volga NGL pipeline. This is despite the fact that the costs of the project may be too expensive to finance without government support.



SANORS 2014

SANORS increased production by 9% in 2014, including 1.2 million tons of products. The volume of production of natural gas liquids (NGL) totalled 774,800 tons, which is 17% higher than in 2013. LPG production totalled 580,700 tons, 15% up on 2013 (506,000 tons). Phenol and acetone production totalled 90,100 tons and 55,800 tons respectively, 7% and 8% higher than in 2013.

The total volume of revenue for the year amounted to 37.8 billion roubles, which corresponds to the production and economic activity in 2014. The volume of investments in fixed assets during this period exceeded 1.5 billion roubles. SANORS is still to pay creditors in full for the modernisation of the cumene and acetone facilities at Samaraorgsintez in 2012-2013.

Cracker feedstocks, Jan 2015

Shipments of NGLs in the Russian domestic market increased in January by 3% over December last year to 341,370 tons. Gas processing plants reduced their consumption of natural gas liquids by 12% to 195,310 tons. The petrochemical sector accounted for 145,920 tons of shipments, 35% up on December. The petrochemical producers making purchases included Tomskneftekhim 42,600 tons, Nizhnekamskneftekhim 40,160 tons, SIBUR-Kstovo 33,190 tons and Angarsk Polymer Plant 7,860 tons. Taneko is involved in a dispute over the price of natural gas liquids (NGL), which Tatneft delivers

to Nizhnekamskneftekhim. This involves a debt of 353.7 million roubles incurred as a result of the lack of payment from March to September 2014.

Russian Ethylene Production (unit-kilo tons)		
Producer	***Jan-15***	***Jan-14***
Angarsk Polymer Plant	18.7	19.1
Kazanorgsintez	52.2	48.1
Stavrolen	0.0	29.5
Nizhnekamskneftekhim	54.9	54.7
SANORS	7.5	6.6
Gazprom n Salavat	27.0	28.3
SIBUR-Kstovo	29.9	4.5
SIBUR-Khimprom	4.4	3.6
Tomskneftekhim	23.5	23.5
Ufaorgsintez	11.8	11.6
Total	229.9	229.5

Propane deliveries to Russian petrochemical producers increased 15% in January over December to 11,060 tons. Kazanorgsintez took 8,990 tons of purchases, the same as December, and SIBUR-Kstovo 1,980 tons which was 7.16 times up. Total deliveries of propane to the Russian market amounted to 58,580 tons in January, 5% up on December. Russian export duties on LPG has now been reduced to zero, as the average price of LPG is less than $490. In January the rate was $48.2 per ton.

Naphtha merchant sales to Russian petrochemical producers fell 29% in January to 44,000 tons, the decline due to increased purchases of NGLs. Isobutane sales on the domestic market totalled 52,350 tons in January, which was 3% down on December but 39% up on January 2014. Tobolsk-Neftekhim supplied the largest share of shipments.

Russian olefins, Jan 2015

Ethylene production amounted to 229,900 tons in January, against 223,490 tons December and 229,500 tons in January 2014. Gazprom neftekhim Salavat reduced production in January against December by 9% to 27,000 tons, whilst Ufaorgsintez increased production by 11% to 11,800 tons. SIBUR-Kstovo increased production by 10% to 29,900 tons.

Russian Propylene Domestic Sales (unit-kilo tons)		
Producer	***Jan-15***	***Jan-14***
Angarsk Polymer Plant	6.8	7.3
SIBUR-Kstovo	9.2	1.0
Akrilat	1.7	0.0
LUKoil-NNOS	12.3	14.7
Tomskneftekhim	0.0	0.0
Gazprom n Salavat	0.0	1.6
Nizhnekamskneftekhim	2.0	0.0
SIBUR-Khimprom	0.0	0.5
Tobolsk-Polymer	3.0	0.0
Total	34.9	25.0

Propylene production rose 5% over December to 131,700 tons. The Titan group at Omsk through Omsk Kaucuk and Polyom increased monomer production by 39% to 18,700 tons whilst SIBUR-Kstovo increased by 7% to 13,200 tons. At the same time, SIBUR-Khimprom reduced production of propylene by 17%, to 5,600 tons.

Propylene merchant sales on the Russian market amounted to 34,900 tons in January, 15% more than in December 2014 and 9,900 tons higher than January last year. SIBUR-Kstovo increased sales by 37% against December to 9,200 tons and Lukoil-NNOS by 28% to 12,256 tons. At the same time, Nizhnekamskneftekhim reduced sales by 34% to 2,000 tons. Saratovorgsintez was the largest consumer of merchant propylene in January, accounting for 14,635 tons followed by Stavrolen with 9,226 tons of shipments. Azerkhimya from Azerbaijan supplied 844 tons to Stavrolen in January.

Sales of propane-propylene fractions on the Russian domestic market amounted to 16,900 tons in January, 6% more than in December 2014. In the past month, Slavneft-Yanos increased shipment of the product to domestic processors at 1.5 times to 4,300 tons. At the same time supply of propane-propylene fractions from the Ryazan refinery on the market decreased by 15%, to 9,800 tons.

Russian Styrene Production (unit-kilo tons)		
Producer	***Jan-15***	***Jan-14***
Nizhnekamskneftekhim	24.3	23.0
Angarsk Polymer Plant	3.1	3.1
SIBUR-Khimprom	11.3	11.2
Gazprom n Salavat	16.2	16.2
Plastik, Uzlovaya	3.9	4.6
Total	58.8	58.0

Russian styrene, Jan 2015

Russian companies produced 58,800 tons of styrene in January, slightly higher than in January last year. Against December last year, SIBUR-Khimprom and Angarsk Polymer Plant increased production volumes by 12% to 11,300 tons and 3,100 tons respectively.

However, Nizhnekamskneftekhim reduced the production of monomer by 3% to 24,300 tons. Styrene sales on the domestic market amounted to 9,000 tons in January, 13% up on December. Last month, Gazprom

neftekhim Salavat increased its sale of the product in the domestic market by 39%, to 5,300 tons and SIBUR-Khimprom by 25% to 3,200 tons. At the same time, the supply from Angarsk Polymer Plant dropped three times to 538 tons.

Bulk Polymers

Russian HDPE Imports (unit-kilo tons)

Category	*Jan-15*	*Jan-14*
Extrusion	4.6	7.0
Pipe	0.0	3.0
Film	0.9	1.3
Blow	2.6	1.9
Injection	4.2	4.4
Rotational Moulding	1	1.9
Total	13.3	19.5

Russian HDPE, Jan 2015

HDPE production in Russia decreased by 25% in January against January 2014, amounting to 73,000 tons. The absence of production by the Stavrolen plant, still down for repairs, was the main cause of the decline. The other three Russian producers ran plants at close to full capacity, with Kazanorgsintez producing the largest share of 44,800 tons.

Stavrolen hopes to restart production at Budyennovsk in April. Gazprom neftekhim Salavat stopped HDPE production in February due to technical problems, although the outage only lasted a few days. Imports of HDPE into Russia declined 32% in January against January 2014, dropping to 13,300 tons from 19,500 tons. The reduction was attributed primarily to the weakness of the domestic currency.

Russian LDPE Production (unit-kilo tons)

Producer	*Jan-Dec 14*	*Jan-Dec 13*
Angarsk Polymer Plant	64.9	56.4
Kazanorgsintez	188.3	217.6
Gazprom n Salavat	36.9	36.1
Tomskneftekhim	259.4	251.8
Ufaorgsintez	83.7	243.6
Total	633.2	832.00

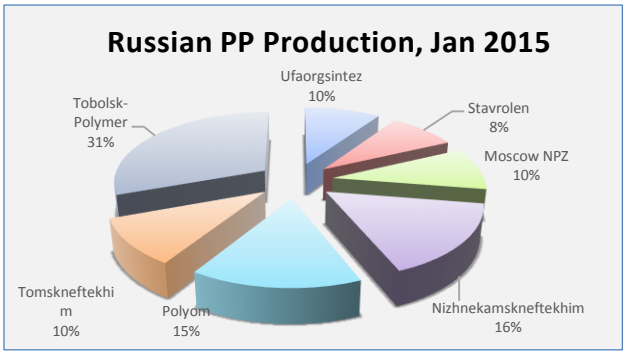
Russian Jan 2015

LDPE production amounted to 60,600 tons in January against 57,100 tons in December, and 59,700 tons in January last year. Kazanorgsintez produced 19,800 tons in January 2015, against 20,400 tons in January 2014 and 16,600 tons in December.

Tomskneftekhim produced 22,100 tons against 22,000 tons in January last year. For the whole of 2014 LDPE production totalled 633,200 tons against 689,000 tons in 2013. Tomskneftekhim was the main producer in 2014, achieving 259,400 tons.

Russian LLDPE imports, Jan 2015

LLDPE imports into Russia amounted to 10,300 tons in January, 10% down against January 2014 when shipments amounted to 11,400 tons. Imports were affected in the first month in 2015 primarily by the weakness of the rouble. Most of the LLDPE imports comprise film, amounting to 9,600 tons against 10,600 tons in January 2014.



Russian polypropylene, Jan 2015

Russian polypropylene production amounted to 115,000 tons in January, 39% up on the same month in 2014. Tobolsk-Polymer and Polyom both increased production in January. Tobolsk-Polymer produced 34,700 tons, against 8,500 tons in January last year when the plant was in the early stages of operation, whilst Polyom produced 17,200 tons against 12,400 tons in January 2014.

Imports of polypropylene into Russia amounted to 8,700 tons in January, 18% down on January 2014. For the whole of 2014 imports totalled 168,800 tons which was 22% down on 2013. A combination of new domestic capacity and the devaluation of the rouble were the main causes of the drop.

Imports are expected to decline in 2015 due further due to the increased availability of domestic production and the problems facing the Russian economy where demand is already affected. In the last few weeks Polyom has exceeded 300,000 tons of polypropylene production since start-up on 11 February 2013.

Russian PVC, Jan-Dec 2014

PVC production in Russia increased 6% in 2014 to 652,100 tons. Despite the closure of the Khimprom emulsion plant at Volgograd, production was pushed upwards in the last few months by the start of the RusVinyl complex combined with increases from other suspension plants. The only plant to record a decline in 2014 was Sayanskkhimplast reduced produced by 1% to 283,000 tons.

Bashkir Soda Company (BSC) increased production to 221,700 tons against 213,100 tons in 2013. This year the company plans to increase its capacity to 240,000 tpa. Kaustik at Volgograd increased production by 2% to 91,100 tons, whilst RusVinyl produced 41,000 tons, having started only in September.

Russian PVC Production (unit-kilo tons)

Producer	*Jan-Dec 14*	*Jan-Dec 13*
Kaustik	221.7	213.0
Nikokhim	91.1	81.0
RusVinyl	41.0	0.0
Khimprom	15.3	15.2
Renova-Orgsintez	283.0	274.2
SIBUR-Neftekhim	0.0	10.3
Total	652.1	593.7

Khimprom at Volgograd produced 15,300 tons of emulsion grade PVC against 15,200 tons in 2013, but has now closed. RusVinyl plans to start the production of emulsion grade PVC in the second half of February.

The growth of domestic production and low seasonal demand has influenced Russian producers to increase export volumes. Since the rouble nose-dived in November 2014 and combined with the increased availability producers have become more interested in export activity. In January this year exports amounted to 5,000 tons, up five-fold against the same month in 2014. The main markets this year have included India, Iraq, and Ukraine. At the same time imports have been in decline, falling to only 708 tons in January against 3,700 tons in December, the lowest amount since 2005.

RusVinyl complex to start emulsion grade PVC in Q1

RusVinyl plans to begin sales of emulsion PVC in the first quarter of this year, after the completion of testing the quality of products. The production line for the production of emulsion PVC (PVC-E) was launched at the facilities RusVinyl in December 2014. Sales of PVC-E is scheduled to begin in the first quarter of this year, after completing tests on the quality of products. The design capacity for emulsion PVC is 30,000 tpa.

Russian Polycarbonate Market (unit-kilo tons)

	Jan-15	*Jan-14*
Production	6.4	6.0
Exports	0.0	1.0
Imports	0.9	4.0
Market Balance	7.3	9.0

Russian polycarbonate, Jan 2015

Kazanorgsintez produced 6,400 tons of polycarbonate in January, 4% higher than December. The share of injection moulding grades amounted to 42%, and extrusion 58%. Imports of granular polycarbonate into Russia fell by 75% in January to 929 tons. Under the current economic conditions in Russia processors cannot afford to operate on imported raw materials and at the same time remain profitable. Another factor is high inventory of consumers which has reduce the need for imports. In 2014 polycarbonate imports into Russia totalled 35,000 tons, 8% down on 2013.

Russian traders and processors have halted the purchase of polycarbonate for blow moulding due to the lack of effective demand on the polymer itself, and the finished products. The Russian market of bottled granulate is dependent on imports due to the lack of production in the country. The main volumes are shipped to Russia from Asia.

PTA/PET Chain

Russian PET Production (unit-kilo tons)

Producer	*Jan-Dec 14*	*Jan-Dec 13*
Senezh	76.1	58.0
SIBUR-PETF	81.4	94.9
Alko-Naphtha	79.5	123.1
Polief	200.0	132.0
Total	437.0	408.0

Russian PET production, Jan-Dec 2014

Russian production of PET increased by 7% in 2014. Despite the growth of imports and the stagnation of the beer industry PET production totalled 437,000 tons. The increase in PET production in the country was achieved because of the launch of the second SSP reactor at Polief in February last year and increase in capacity to 210,000 tpa. PET imports into the Russian market increased by 7.5% in 2014 to 184,500 tons. Demand for foreign PET increased in spite of devaluation of the national currency and an

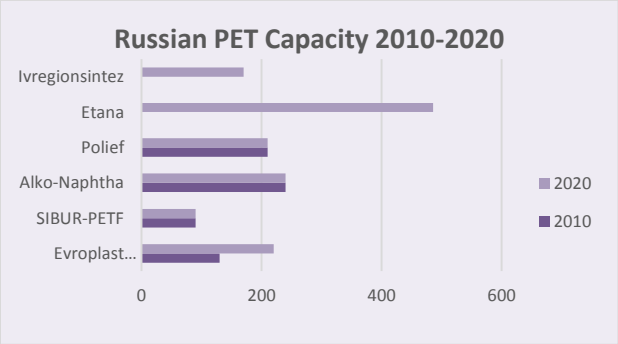
increase in production capacity by Polief. PET imports are expected to fall in 2015 due in the main to the valuation of the rouble.

Alpek withdraws from PTA/PET projects with United Petrochemical Company

Mexican company Alpek has withdrawn from the joint venture with United Petrochemical Company, which involved the construction of a complex for the production of PTA and PET at Ufa in Bashkortostan. According to Alpek, the decision to withdraw from the joint venture was made due to investment risks in Russia.

A jv agreement for the construction of PTA/PET complex between the parties was signed in September 2013. Investment in the project was estimated at $700 million, shared 51% by UPC and 49% by Alpek. Part of the funds planned to attract from export credit agencies and banks. The jv was entitled RusPETF and comprised project plans of 600,000 tpa of PTA and 600,000 tpa of PET. In October last year, the company president added that MEG facilities may be added to the project. Work on the FEED documentation was carried on late into last year, with the aim to finish in 2015.

In January this year UPC changed president, being replaced by an employee from Bashneft. This change, combined with the problems of attracting finance to the project, seems to have convinced Alpek to withdraw from the jv. This may be welcomed by SIBUR as UPC had concluded a contract with Bashneft for paraxylene supply for 25 years, which would have affected paraxylene supplies for Polief. UPC owns four plants in Bashkortostan, including Ufaorgsintez gas processing plants of Tuimazinskoye and Shkapovskoe and the Bisphenol A at Ufa.

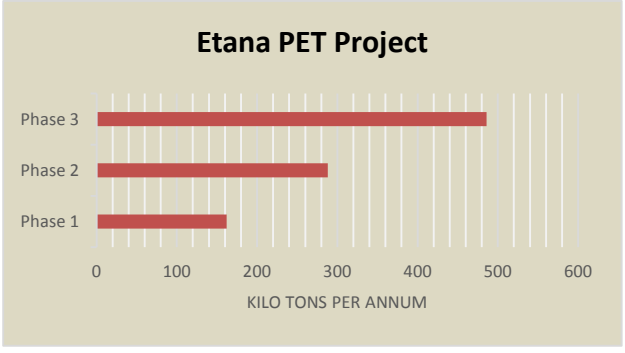


Ivanovo-PET project

Ivregionsintez hopes to start construction of its PET & polyester complex in the second quarter this year, after the completion of project documentation in February. The question of finance remains to be resolved, where at least 80% is to be sourced from banks, but Ivregionsintez is hoping to secure support from the government as a priority project. PTA supplies for the new complex, which is planned for completion in 2017, have accordingly been identified through two foreign companies. All of the equipment is also to be imported. The planned capacity of the plant, according to updated data, is 175,000 tpa as opposed to the previous project outline of 170,000 tpa of staple fibre and 30,000 tpa of granulates for the textile industry.

Ivregionsintez signed a protocol of intent in January to raise 2 billion roubles in the form of private financing for part of the construction of the complex for the production of PET. The company states that there are proposals from foreign banks, lending contracts to supply equipment for the complex, even if sanctions make international loans very difficult. Term loans may be possible for more than 10 years and involves in export insurance agencies.

The weakening of the rouble only increases the volume of lending, whilst the governor of the Ivanovo region has repeatedly stressed the need for government intervention in addressing the project. The issue of credit is under review through a preliminary study by Vnesheconombank, although Ivregionsintez remains cautious about the outcome. Ivregionsintez is controlled by the government of the region, plans to launch in the Ivanovo region complex for the production of PET textile industry in 2017.



Etana-PTA

Etana has indicated that due to financial difficulties resulting from sanctions in dealing with Western banks it may turn to Asian capital markets to secure finance in order to build its proposed PTA plant in the Kabardino-Balkaria region. The plant is planned to provide the PTA required for the PET plant that is being constructed in the Plana Industrial Park. The capacity of the PTA plant is proposed at 500,000

tpa, with the project targeted for completion in 2018. A contract was signed in December 2014 with China Petroleum Technology & Development Corporation (CNPC) to operate as the EPC-contractor.

Ministries have already indicated their willingness to support the project, but it is yet unclear how this might materialise. The PTA project is currently under basic design, whilst evaluation and selection of licensors should be completed in the near future. The PET project under construction is not yet close to starting. Initially, the project intended to launch the first phase of capacity 162,000 tpa of PET in 2013. The second phase of 288,000 tpa was intended for 2015, rising by 2016 to total 486,000 tpa. The first and second phases of the project start-up are still pending, and it remains unclear when production will start.

Etana may be optimistic in expecting to build a PTA plant by 2018, but it sees PTA as vital for its PET facilities. Questions not only remain on finance but also raw materials for PTA and where it might source paraxylene and acetic acid.

Aromatics & derivatives

Russian Xylene Production (unit-kilo tons)

Producer	*Jan-15*	*Jan-14*
Gazprom Neft	24.0	22.6
Kirishinefteorgsintez	10.4	11.0
Ufaneftekhim	15.7	15.6
Total	50.1	49.2

Aromatic export duties

The rate of Russian export duty on aromatic hydrocarbons was reduced by 1.5 times in February, changing from $81.6 per ton to $54.1 per ton. In December the rate was $183.1 per ton. In local currency the 2015 rate of excise duty for benzene, paraxylene and orthoxylene for 2015 was set at 2,300 roubles per ton, in 2016 3,000 roubles, and in 2017 3,500 roubles per ton.

The increase in export parity aromatics that lead to an uncontrolled increase in the prices of petrochemical raw materials in the domestic market. At the start of 2015 Russia introduced a tax manoeuvre, which amended the customs tariff regulation of the oil industry. The manoeuvre was introduced in order to reduce the tax burden in oil production. However, the concept was devised when oil prices were $110/barrel, and the changes since then have negated the value of the tax changes. Efforts to repeal the tax manoeuvre have thus far been rejected.

Russian Benzene Production (unit-kilo tons)

Producer	*Jan-15*	*Jan-14*
Altay-Koks	0.0	0.0
Angarsk Polymer Plant	7.2	7.5
Chelyabinsk MK	0.0	1.1
Gazprom Neft	8.6	7.3
Koks	0.0	0.0
Stavrolen	0.0	5.9
Lukoil-Permnefteorgsintez	4.3	3.6
Magnitogorsk MK	4.9	5.2
Nizhnekamskneftekhim	16.0	16.6
Novolipetsk MK	2.7	2.4
Gazprom n Salavat	8.6	14.0
Severstal	3.4	2.3
SIBUR-Kstovo	4.6	4.8
Slavneft-Yanos	6.5	5.4
Surgutneftegaz	5.9	5.3
Ryazan Refinery	3.6	1.7
Ufaneftekhim	8.5	6.7
Ural Steel	0.9	0.9
Uralorgsintez	7.6	6.4
Zapsib	6.1	5.1
SANORS	3.1	3.4
Total	102.5	105.5

Russian benzene, Jan 2015

Russian benzene production amounted to 103,700 tons in January, unchanged from December. From the producers West Siberian MK increased the production by 31%, to 6,100 tons whilst Lukoil-Permnefteorgsintez increased production by 11% to 4,300 tons and the Ryazan refinery by 10% up to 3,600 tons. At the same time, Gazprom Neft at Omsk reduced production by 25% to 8,600 tons.

In January 2015 in Russia imported 353 tons of benzene from ArcelorMittal, 2.9 times more than in December 2014. Kuibyshevazot bought 302 tons and Kazanorgsintez reduced purchases 2.4 times to 51 tons. Nizhnekamskneftekhim purchased 6,200 tons of merchant benzene in January, the highest figure since September 2014.

Russian orthoxylene, Jan 2015

In January 2015, Russian producers sold 3,060 tons of orthoxylene on the domestic market, 3.5 times lower than in December, and almost 3.7 times lower than in January 2014. The decline in sales was due to a significant reduction in purchases of producers of phthalic anhydride. Phthalic anhydride production amounted to 5,460 tons in January, 13% less than in December and 46% lower than in January 2014. The main producer Kamteks-Khimprom halted production DOP in December and reduced capacity utilisation for the production of phthalic

anhydride. Kamteks-Khimprom produced 4,830 tons and Gazprom neftekhim Salavat 630 tons. Gazprom neftekhim Salavat suspended production of phthalic anhydride in November 2014 and resumed only in the second half of January. The company did not purchase orthoxylene, as used previously accumulated reserves. In terms of merchant supplies of orthoxylene Ufaneftekhim shipped 2,060 tons to domestic consumers in January (67% of Russian supplies), Kirishinefteorgsintez 650 tons (21%), and Omsk refinery 380 tons (12%).

Russian Caprolactam Production (unit-kilo tons)		
Producer	***Jan-15***	***Jan-14***
Kuibyshevazot	16.3	16.6
Shchekinoazot	5.1	5.2
SDS Azot	9.8	10.4
Total	31.2	32.2

Russian toluene, Jan 2015

Toluene production amounted to 33,500 tons in January, 10% more than in December and 4% higher than in January 2014. Gazprom Neft accounted for 33% of production (11,170 tons), Ufaneftekhim 26% (8,670 tons), Yaroslavnefteorgsintez 16% (5,210 tons), and the Ryazan refinery 12% (4,180 tons). Smaller suppliers included Gazprom neftekhim Salavat 6% (1,890 tons), the West Siberian MK 2% (690 tons), Kirishinefteorgsintez 2% (630 tons), and Severstal 2% (620 tons).

Domestic sales of toluene amounted to 9,060 tons in January, 26% less than in December and 16% lower than in January 2014. Toluene consumption has risen in a number of applications in the past two years, but the economic weakness has started to affect shipment volumes. Slavneft-Yanos delivered 45% of supplies in January, or 4,070 tons, Gazprom Neft 14% (1,240 tons), Kirishinefteorgsintez 13% (1,220 tons), Lukoil-Permnefteorgsintez 13% (1,180 tons), Severstal 9% (840 tons), and West Siberian MK 6% (510 tons).

Russian Phenol Production (unit-kilo tons)		
Producer	***Jan-15***	***Jan-14***
Ufaorgsintez	6.6	6.1
Kazanorgsintez	6.7	6.6
SANORS	7.0	7.5
Omsk Kaucuk	0.0	5.5
Total	20.3	25.7

Regarding consumers, manufacturers of industrial explosives purchased 830 tons in January unchanged from December and comprising 9% of deliveries. The paint sector increased volumes by 5% to 2,250 tons, accounting for 25% of total deliveries. Manufacturers of fuel and lubricants for motor fuels reduced the amount of toluene purchases by over a half to 1,290 tons. Other applications included rubber where 1,030 tons was bought, most of which went to Nizhnekamskneftekhim.

Russian Phenol Sales by Supplier (unit-kilo tons)		
Producer	***Jan-15***	***Jan-14***
Omsk Kaucuk	0.0	5.4
Samaraorgsintez	2.2	3.1
Kazanorgsintez	0.6	1.0
Ufaorgsintez	2.7	1.8
Total	5.5	11.2

Russian phenol, Jan 2015

Phenol production amounted to 22,300 tons in January, 2% less than in December. Kazanorgsintez increased production by 33% to 6,700 tons whilst Samaraorgsintez reduced production by 7% to 7,000 tons. Ufaorgsintez stabilized production of phenol at 6,600 tons.

In January 2015, sales of phenol on the domestic market dropped 35% to 6,600 tons of which 3,100 tons came from Samaraorgsintez. Ufaorgsintez sold 2,800 tons on the domestic market whilst Kazanorgsintez decreased sales by 65% against December to 700 tons.

The largest share of shipments in January went to phenol-formaldehyde producers, amounting to 82% or 5,450 tons, About 13%, or 870 tons, was sold to Sterlitamak Petrochemical for the production of antioxidants. Nizhnekamskneftekhim bought another 320 tons for alkylphenol production, down 15% against January.

Kuibyshevazot-Production (unit-kilo tons)		
Product	***Jan-Dec 14***	***Jan-Dec 13***
Polyamide-6	141.5	135.0
High Tenacity Tech Yarns	15.1	16.3
Tyre Cord Fabric	6.0	6.8
Caprolactam	181.1	187.4
Ammonia	575.0	657.0
Urea	319.9	348.5
Ammonium Nitrate	569.2	560.3
Ammonium Sulphate	448.7	471.4

Kuibyshevazot 2014

Kuibyshevazot increased revenues in 2014 over 2013 by 10% to 30.9 billion roubles. The devaluation of the rouble was a major factor behind the rise in revenues, but the net profit fell from 2.6 billion roubles in 2013 to 2 billion roubles. This was attributed to an increase in prices for natural gas, benzene, phenol, electricity and heat. In addition, the company carried out major repairs in 2014 resulting in a decline in production of most products. Last year Kuibyshevazot commissioned the production of heat-treated

cord impregnated fabric, whilst completing improvements in energy efficiency in the production of cyclohexanone (using DSM technology). The company is engaged in two joint ventures, firstly the production of ammonia with Linde and secondly air separation products with Praxair.

Synthetic Rubber

Russian C4 Purchases (unit-kilo tons)

Consumer	*Jan-15*	*Jan-14*
Omsk Kaucuk	7.8	6.8
Nizhnekamskneftekhim	8.9	12.2
Togliattikaucuk	13.8	11.0
Sterlitamak Petrochemical	1.1	2.6

Russian C4s, Jan 2015

Russian domestic sales of C4s amounted to 27,400 tons in January, 4% more than in December. SIBUR-Kstovo increased shipments by 15% to 3,900 tons. Ufaorgsintez increased its deliveries by 4% to 2,800 tons. Regarding consumers, Omsk Kaucuk imported 3,300 tons of C4s from Azerbaijan and Belarus in February, a record for the company. C4 prices are currently in the range 20,000-24,000 roubles per ton, but could rise in March in line with slightly higher prices for butadiene in Europe.

Russian Tyre Production (unit-mil pieces)

Product	*Jan-15*	*Jan-14*
Car Tyres	2.0	1.8
Lorry tyres	0.3	0.3
Agricultural tyres	1.0	0.8
Total	3.3	3.0

Russian tyre news

Voronezh Tyre Plant, which Pirelli owns jointly with the corporation Rostec plans to increase tyre production by 46% this year compared to 2014. In 2014, the plant produced 1,322,000 tyres, which is 74% higher than the production rate of 2013. In 2015 the company aims to produce 1.92 million pieces, around 80% targeted for the domestic market. However, concerns remain over the state of the economy and the potential impact on demand.

Altai Tyre Plant has suspended investment plans for the re-equipment of production facilities due to interest on bank loans needed for the project. .The company had already started to invest in the modernisation of production, but suspended work due to difficulties with the involvement of credit resources. In total, Altai Tyre Plant planned to invest 1.2 billion roubles for modernisation. Currently with commercial loans ranging from 19% to 25% from Sberbank and VEB the project is simply unprofitable.

Methanol & fertilisers

Russian Methanol Exports (unit-kilo tons)

Producer	*Jan-15*	*Dec-14*
Azot Nevinnomyssk	0.0	0.0
Azot Novomoskovsk	12.3	11.9
Akron	0.0	0.0
Metafrax	24.3	22.4
Sibmetakhim	30.5	38.9
Tomet	24.8	25.0
Shchekinoazot	27.0	33.4
Total	**118.9**	**131.6**

Russian methanol, Jan 2015

Russian methanol exports amounted to 119,200 tons in January, 10% less than in December. Sibmetakhim accounted for 26% of exports in January, Shchekinoazot 23%, Tomet 21%, Metafrax 20% and Azot Novomoskovsk 10%. The largest importer of Russian methanol remains Finland, accounting for 51,600 tons of shipments in January. However, this was 15% lower than in December.

Less significant shares were taken by Poland (9%, or 10,700 tons) Slovakia (17%, or 20,300 tons) and Romania (10%, or 12,400 tons). Consumers Romania and Slovakia in January increased their purchases of Russian methanol compared to December by 2% and 10%, respectively, and the consumers of Poland, on the contrary, reduced almost 25%.

Russian methanol production declined 2% in January against December, amounting to 329,300 tons. Metafrax, Sibmetakhim and Tomet accounted for 72% of production, whilst the largest increase was recorded by Azot at Nevinnomyssk which produced 11,500 tons or 17% less than in December. However, the share of Azot comprised only 3% of total Russian production.

Domestic sales of methanol amounted to 131,300 tons in January 2% less than in December. Metafrax, Sibmetakhim and Tomet accounted for 85% of the total sales. Sibmetakhim shipped 43,000 tons, Metafrax

Russian Methanol Production (unit-kilo tons)		
Producer	*Jan-15*	*Jan-14*
Shchekinoazot	40.1	39.6
Sibmetakhim	78.6	76.9
Metafrax	91.0	92.0
Akron	8.7	8.2
Azot, Novomoskovsk	29.3	29.5
Angarsk Petrochemical	2.0	0.0
Azot, Nevinnomyssk	11.5	11.4
Togliattiazot	67.9	70.9
Totals	329.2	328.3

32,600 tons and Tomet 36,000 tons. MTBE producers and gas companies accounted for 60% of domestic sales in January. Producers of synthetic rubber and formaldehyde and its derivatives, accounting for 22% for shipments in January, purchased smaller volumes.

Fosagro-2014

Fosagro increased production of mineral fertilisers by 3.7% in 2014 to 6.15 million tons. Production of nitrogen fertilisers in the twelve months increased by 1.37 million tons over 2013. Sales volumes of commodity products increased by 2.7%, amounting to 6.09 million tons. Demand for nitrogen fertilisers during the year remained high, which allowed the group to increase sales volume by 9.7% to 1.38 million tons. Sales of phosphate fertilisers were stable, totalling 4.7 million tons against 4.62 million tons in 2013.

In 2015, Fosagro expects high demand for fertilisers, particularly due to the growth of consumption of phosphate fertilisers in India. In Brazil, the company expects a decline in demand due to low prices for agricultural products.

Fosagro Production (unit-kilo tons)		
Product	***Jan-Dec 14***	***Jan-Dec 13***
Ammonia	1,180.2	1,048.1
Urea	966.0	903.1
Phosphate fertilisers	4,770.3	4,620.1
Nitrogen fertilisers	1,377.9	1,309.6
Ammonium nitrate	291.4	297.4
Aluminium fluoride	27.4	27.1
Phosphoric acid	1,933.9	1,764.6
Sulphuric acid	4,461.3	4,338.4
Sodium Tripolyphospahe	129.2	123.2

Despite the restrictions on lending from sanctions Fosagro Cherepovets has attracted a credit line at Raiffeisenbank for $50 million for one year. The funds will be used for working capital of Fosagro Cherepovets at the site which is undertaking large-scale projects for the construction of new facilities for the production of ammonia, urea, and ammonium sulphate and aluminium fluoride. The key projects include 760,000 tpa of ammonia and 500,000 tpa of urea. The total volume of investments in new production, including design, complete supply and installation of equipment, valued at $1.029 billion. In 2014 Fosagro consolidated all of the shares of Fosagro Cherepovets.

Akron to increase domestic fertiliser sales

Akron intends during 2015 to put on the local market more than 1 million tons of mineral fertilisers. To carry out the spring sowing campaign Akron has already shipped 250,000 tons to Russian consumers. During the year, it is planned to put 700,000 tons of ammonium nitrate on the domestic market and about 400,000 tons of nitrogen-phosphorus-potassium fertiliser. The main shipment is scheduled to be delivered in the period February from May. In order to prevent disruption of the spring sowing campaign Akron has offered a discount of 15-20% to Russian customers.

Kirov-Chipetskiy Chemical Plant 2014

Kirov-Chipetskiy Chemical Plant, part of Uralkhim, increased fertiliser production by 4% in 2014 to 2.392 million tons. The company increased revenues by 27% in 2014 to 29.192 billion roubles, which is 27% higher than in 2013. The EBITDA growth was 107%, from 7.376 billion roubles in 2013 to 15.245 million roubles in 2014. This is determined by the increased volume of production, the increase in world market prices and exchange rates.

Minudobreniya 2014

Minudobrenya at Perm (Mineral Fertilisers) increased revenues by 30% in 2014 to 11.29 billion roubles. The net profit rose 39% to 5.2 billion roubles. The company increased ammonia production by 7.3% over 2013 to 597,200 tons, whilst urea production was unchanged at 637,900 tons. Minudobrenya, which is part of Uralkhim, signed a contract with Stamicarbon to modernise the urea plant. The cost of the project rose from the original quotation by 800 million roubles due to the devaluation of the rouble. The aim is to increase urea capacity by 250,000 tpa by 2019.

Uralkhim-urea expansion

Uralkhim plans to expand urea capacity by 40%, or 250,000 tpa, scheduled for completion in late 2018. Modernisation of urea will be performed on the technology Stamicarbon-Urea2000plus. By replacing part of the existing equipment and the addition of a new section, capacity will be increased from 1,930 tons per day at Perm to 2,700 tons per day.

Evrokhim 2014

Evrokhim has stated that it recorded a net loss of $578 million in 2014 against $387 million in 2013. The net loss last year resulted mainly from a foreign exchange loss of $1.5 million from the revaluation of US dollar denominated net debt of the group. The debt of Evrokhim at the end of 2014 was $3 billion. More than 70% of short-term and long-term loans were denominated in foreign currency.

Russian Butanol Production (unit-kilo tons)		
N-Butanol		
Producer	***Jan-15***	***Jan-14***
Angarsk Petrochemical	1.5	2.1
Evrokhim	2.2	1.0
Gazprom neftekhim Salavat	5.8	3.9
SIBUR-Holding	2.8	2.4
Total	12.4	9.5
Isobutanol		
Producer	***Jan-15***	***Jan-14***
Angarsk Petrochemical	0.8	1.0
Gazprom neftekhim Salavat	2.8	3.9
SIBUR-Holding	4.3	3.9
Total	8.0	8.7

Evrokhim group revenues for last year totalled $5.09 billion, 8% less than in 2013. The gross profit was virtually unchanged from 2013 at $2.01 billion. Due to the weak rouble the group was bel to benefit from export sales which helped increase the EBITDA by 12% to $1.51 billion and the EBITDA margin 30% on average. In 2013 the average margin amounted to 24%..

Organic Chemicals

Russian butanols, Jan 2015

Butanol production in Russia totalled 20,390 tons in January, 10% less than in December, but 7% higher than January 2014. The share of n-butanol amounted to 61% and isobutanol 39%. Gazprom neftekhim Salavat accounted for 42% of Russian production and SIBUR-Khimprom.

Russian producers sold 7,340 tons of butanols in January on the domestic market, 28% lower than in December but 1.5 times higher than in January last year. N-butanol accounted for 57% of domestic sales and isobutanol 43%. SIBUR-Khimprom supplied 5,290 tons in January, Gazprom neftekhim Salavat 1,630 tons and Azot at Nevinnomyssk 420 tons. Regarding consumers, Akrilat at Dzerzhinsk bought 1,980 tons in January and Dmitrievsky Chemical Plant 1,390 tons. Smaller shipments were bought by Plant of Synthetic Alcohol, 950 tons, and Volzhskiy Orgsintez 830 tons.

Russian Acetone Production (unit-kilo tons)		
Producer	***Jan-15***	***Jan-15***
Ufaorgsintez	4.1	4.5
Kazanorgsintez	4.3	4.2
Samaraorgsintez	4.3	3.8
Omsk Kaucuk	0.0	3.4
Total	12.8	15.9

Russian plasticizer markets, Jan 2015

Kamteks-Khimprom intends to restart DOP production in March, having agreed supplies of 2-EH from Salavat. The company aims to sell DOP at 100,000 roubles per ton (€1515), excluding VAT. Roshalsky Plant of Plasticizers is producing DINP in small quantities. A significant rise in 2-EH costs forced Kamteks-Khimprom and Roshalsky Plant of Plasticizers to suspend the production of DOP in November. According to the companies, rising prices of raw materials did not allow them to compete with the Gazprom neftekhim Salavat, used in the production of its own 2-EH.

Other Chemicals

Pigment 2014

Pigment, located at Tambov, increased revenues by almost 20% in 2014 to 5.9 billion roubles. The company produced 117,000 tons of various chemical products, which is 12,500 tons more than in 2013. This included increased production of optical brighteners by almost 60%, additives for gasoline by 10%, and synthetic resins by 25%. Exports increased by 26% in 2014, totalling 800 million roubles in value. Around 364 million roubles were invested in 2014, mainly on the modernisation of the energy system, as well as increasing production capacity for acrylic dispersions.

Hexion-Shchekinoazot

Hexion Shchekinoazot intends to complete work on modernisation of the production of phenol-formaldehyde resins at Shchekino by 1 March. The modernisation of the phenol-formaldehyde resin unit involves the installation of a second reactor, combined with the construction of storage facilities for finished products and for raw materials. Also, the project involves the expansion of the range and volume of resins.

The launch of the second generation resin reactor is expected to increase capacity by 30%, from 54,000 tpa to 70,000 tpa. Uralkhimmash has agreed to manufacture and supply four spherical tanks by 30 June 2015 to the industrial area of Shchekinoazot. The tanks each consist of a capacity of 2,000 cubic metres per annum. Previously, Uralkhimmash received an order from Tobolsk-Neftekhim for the supply of two spherical tanks with the capacity of 2,400 cubic metres per annum. By the end of 2013 the share of Uralkhimmash in the Russian market for refined equipment amounted to 8% and for spherical tanks about 83%.

SIBUR opens new terminal at Tomsk

SIBUR and FESCO have launched a new container terminal at Tomskneftekhim, designed for storage and shipment of polyolefins and BOPP and linked to the Trans-Siberian Railway Station (Kopylovo). The decision to build a container terminal in Tomsk was made in connection with a planned capacity expansion Tomskneftekhim, and the potential for new production on Biaksplen.

Kronospan-Ufa

Kronospan aims to start production at its particleboard plant at Ufa in May 2015. The new Kronospan plant is expected to reach in the first phase an annual particleboard capacity of 1 million m3 per year. Moreover, the enterprise is going to produce laminated boards and adhesives. The amount of investments in the first stage of the project is estimated to come up to 6 billion roubles, while the total value to reach 20 billion roubles.

Omsk-new catalyst plant

Gazprom Neft together with scientific organizations aims to start the production of catalysts by 2018. This will produce catalysts for the production of such products as maleic anhydride polypropylene yarns, PET and PTA.

Titan-air separation plant

Titan will launch a new air separation plant at Omsk Kaucuk in the first quarter of 2015. The capacity of the plant is 1,500 cubic metres per hour of gaseous nitrogen, similar to the existing plant but based on better technology. Cryogenmash (Balashikha, Moscow region) has supplied the equipment. Omsk Kaucuk intends to continue the programme of modernisation of facilities, including the construction and reconstruction of nitrogen-oxygen station. It is also expected to continue work on the production of phenol and acetone, affected by the March disaster last year.

Belarus

Belarussian petrochemicals Jan 2015

Petrochemical production is stable, with plants running at good utilisation levels, but with demand softer exports have been rising. Acrylonitrile exports from Polymir at Novopolotsk rose to 38,000 tons in 2014 from 21,000 tons in 2013. Methanol exports, from Grodno, also increased but caprolactam shipments declined due mainly to higher captive consumption in polyamide production at Grodno.

Belarussian Organic Chemical Exports (unit-kilo tons)

Product	*Jan-Dec 14*	*Jan-Dec 13*
Acrylonitrile	38.0	21.0
Caprolactam	33.8	51.1
Phthalic anhydride	18.0	15.4
PTA	0.1	0.0
Methanol	69.8	58.9

Regarding production in 2015, Naftan produced 11,600 tons of benzene in January which was 18% more than in December 2014. Azot at Grodno produced 9,400 tons of caprolactam in January, unchanged from December. The chemical industry in Belarus has almost inevitably felt some impact from the economic problems in Russia in 2014 and the trend is continuing this year. Over half of all Belarussian exports and imports are conducted with Russia, but there are efforts to seek other markets.

Belarussian polymer exports 2014

In 2014 Belarus increased exports of polyethylene to 112,627 tons, of which 104,887 tons comprised LDPE and the remainder was HDPE. 76% of Belarussian polyethylene exports, supplied by Polymir at Novopolotsk, was delivered to Russia against 70% in 2013. Polymir exported 104,763 tons of polyethylene in 2013, of which 98,366 tons comprised LDPE.

Belarussian Polymer Imports (unit-kilo tons)

Product	*Jan-Dec 14*	*Jan-Dec 13*
PVC	39.2	43.7
Polypropylene	86.2	84.8
LDPE	46.4	55.1
HDPE	56.4	59.7
Polystyrene	71.7	81.8

Belarussian polymer imports 2014

Belarussian PVC imports decreased by 10.1% in 2014 to 39,200 tons against 43,700 tons in 2013. The key suppliers of PVC for the Belarusian market comprise of producers from Germany with a share of about 49%. Russian exports comprised only 5.4% in 2014, but may rise in 2015. Polypropylene imports into Belarus totalled 86,248 tons in 2014 against 84,763 tons in 2013. Russia provided over 50% of imports in 2014 followed by Germany.

Polyethylene imports declined in 2014 both for LDPE and HDPE, attributed to weakness of the economy and the impact on processing.

Belarussian PET Raw Material Imports (unit-kilo tons)

Product	*Jan-Dec 14*	*Jan-Dec 13*
Paraxylene	18.1	17.1
PTA	40.4	41.0
MEG	55.0	65.1

Belarussian PET market 2014

PET exports amounted to 30,853 tons in 2014 against 38,150 tons in 2013. In both years the majority of shipments were sent to Russia. Belarussian PET imports totalled 16,300 tons in 2014, against 19.000 tons in 2013. Aside weaker demand, the depreciation of the Belarusian rouble in December 2014 had a negative impact on the purchasing power of local importers. Regarding raw materials for PET production, Belarus continues to rely largely on Russia for paraxylene and MEG imports. PTA is sourced predominantly from Poland.

Belarussian Organic Chemical Imports (unit-tons)

Product	*Jan-Dec 14*	*Jan-Dec 13*
2-EH	427	416
Acetic acid	1,402	1,486
Adipic acid	187	94
Butyl acetate	668	689
DOP	561	737
Ethyl acetate	1,983	1,784
Ethylene glycol	54,958	65,078
Formaldehyde	5,830	5,534
Formic acid	347	320
Isobutanols	1,663	841
Isopropanol	1,506	1,749
Maleic anhydride	28	34
N-butanols	732	1,833
Phenol	712	521
Phthalic anhydride	16	939
Styrene	707	200
Tetrachloroethylene	175	499
Toluene	3,029	3,041
Trichloroethylene	277	378
VAM	707	1,067

Belarussian fertiliser production

Belarus increased potash production in January compared to January 2014 by 35.1%. Belaruskali produced 502,200 tons of potash fertilisers in terms of 100% active ingredient, an increase of 35.1% compared to January 2014. Belaruskali reported that in the past year increased potash production by 48% in comparison with 2013 year to nearly 10.34 million tons. In 2014, Belaruskali increased fertiliser exports by 66% to 9.5 million tons. Fertiliser production was down in 2013 due to cartel issues for potash sales.

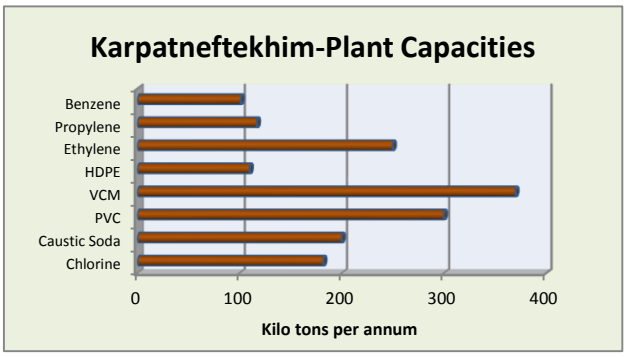
Ukraine

Ukrainian petrochemicals

Ukrainian gas consumption decreased by 7.8 billion cubic metres in 2014 to 42.6 billion cubic metres or lower by 16% over 2013 (50.4 billion). Ukrainian exports of benzene increased 1.6-fold in January to 936 tons. The only exporter was Zaporozhkoks, which shipped 704 tons to Poland and 232 tons to the Czech Republic.

Karpatneftekhim could restart in 2015?

Karpatneftekhim could resume production in March-April 2015, but it is dependent on a number of conditions being agreed to by the Ukrainian government. These include a reduction in railway tariffs for the transportation of the feedstock, abolition in the excise duty on petroleum products, and introduce protection from PVC imports. The main problem could come from the charges brought by the Security Service of Ukraine (SBU) against Lukoil on the legality of transactions for Oriana, culminating in ownership of the Kalush petrochemical complex.



The annual turnover of the plant when running fully is around $7 billion and thus is too important to the Ukrainian economy to remain idle. Karpatneftekhim is owned by Lukoil, and thus a restart of the plant could be beneficial for Russian-Ukrainian relations. The fall in oil prices provides an opportunity to make profits from refining and petrochemicals in Ukraine, but the government has provide support.

The first action required involves the reduction of railway tariffs, whilst other measures could be added quickly. A bill to impose tariffs of 6.5% on imported PVC is under consideration at present and could be approved in the near future. Karpatneftekhim stopped production of HDPE in November 2013 and PVC

in December 2013 and has since been idle. In the first ten months in 2014 Ukrainian PVC imports totalled 101,000 tons which was 15% less than in the same period in 2013.

Ukrainian plasticizers, Jan/Feb 2015

The devaluation of the hryvnia led to another jump in prices for butanols in Ukraine in February. The DOP producer Lizinvest was idle in February due mainly to problems associated with the procurement of imported raw materials. The second domestic producer Polikem also stopped production in the first half of February due to lack of working capital for the purchase of foreign currency resources.

The company resumed production of DOP on 23 February. The estimated price of the product sold by Polikem will be 39 000-40 000 hryvnia per ton including VAT, which is 23% higher than in December. DOP is not imported into Ukraine due to an unacceptably high price due to the devaluation of the hryvnia.

Ukrainian Polymer Imports (unit-kilo tons)

Product	*Jan-Dec 14*	*Jan-Dec 13*
PVC	119.1	140.4
PET	137.0	154.8
HIPS/GPPS	21.5	24.9
EPS	1.1	0.6
ABS	0.2	0.3
LDPE	89.5	113.0
HDPE	106.3	137.2
PP	113.4	133.1
Polycarbonate	3.6	3.6

Ukrainian polymer imports 2014

HDPE imports into Ukraine totalled 106,300 tons in 2014, 23% down on 2013. The greatest reduction in demand came from polyethylene pipe grade, dropping 36%. The largest source of imports came last year from Europe and the Middle East. PVC imports dropped from 140,400 tons in 2013 to 119,100 tons in 2013. Demand declined in all sectors of consumption. Imports from the US totalled 65,600 tons in 2014 against 73,900 tons in 2013. Imports from Europe amounted to 48,900 tons against 63,400 tons. Russian material is expected to be more prominent in 2015 following the start-up of the RusVinyl complex and the devaluation of the rouble.

Polypropylene imports declined in 2014 by 15% to 113,400 tons. The largest drop in demand occurred in the block copolymers of propylene, dropping 36% to 15,100 tons. In 2014 homopolymer imports declined 12% to 88,500 tons.

PET imports dropped 13% in 2014 to 137,000 tons. The loss of the Crimean market Crimea and weak summer season led to a decline in sales in the beer, water and soft drinks in the summer. In the second half of the year was added factor of hostilities.

Ukrainian soda ash duties

The Verkhovna Rada plans to consider a bill to abolish the import duty on soda ash, which currently stands at 5.5%. If the deputies will support this initiative, imports of soda from the EU and the US for the Ukrainian industry would become cheaper.

Due to the loss of Crimean Soda, imports of soda ash into Ukraine rose last year whilst exports fell. Imports of soda ash in January-November 2014 almost doubled from 2013 at 32,600 tons to 63,000 tons. Exports fell by more than 10 times from 291,000 tons to 20,500 tons. In 2014 Ukraine imported 6,000 tons of soda ash from Russia, 6,000 tons from Romania, 12,000 tons from the USA, 22,000 tons from Bulgaria and about 3,000 tons from Poland. In view of the market changes removing the duties, previously designed to protect Crimean Soda, seems logical and would help glass blowers in particular.

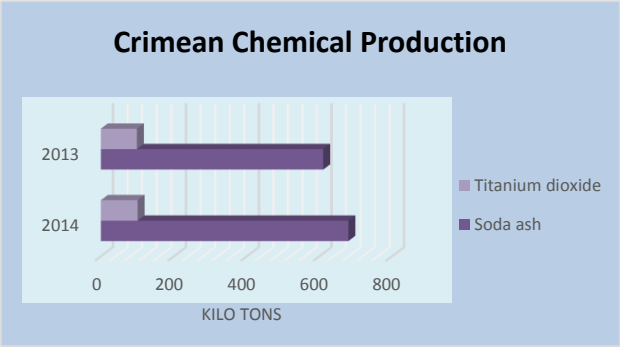
Ostchem

Rivneazot increased sales of finished products by 40.26% in 2014 over 2013. Last year the company sold products worth 2.58 billion hryvnia, which is 741 million higher than in the previous year. Ammonia and ammonium nitrate sales increased due largely to the suspension of Ostchem's plants in the eastern parts of Ukraine, at Gorlovka and Severodonetsk. Rivneazot is planning to introduce a new unit for non-concentrated nitric acid, with a capacity of 120,000 tpa.

Azot at Severodonetsk has resumed production of sodium nitrate. The capacity of the plant for is 20,000 tpa. The company is now preparing for the restart of the plant for potassium nitrate. Severodonetsk was recaptured from the pro-Russian rebels last year, and remains on the edge of the conflict zone. Ostchem subsidiary Stirol at Gorlovka, in the Donetsk region, has been trying to restart small-scale production but as the complex is located in the Donbass region controlled by the Russian backed rebels the company faces an uncertain future. Stirol at Gorlovka has been idle since March 2014.

Naftogaz of Ukraine intends to seek bankruptcy for Azot at Cherkassy, which part of Ostchem. Azot cannot repay the debts for gas supplies despite increasing production by 2.8% in 2014. Ostchem invested $150 million in the development of Azot Cherkassy in 2014, not only for production but also to save energy. The company sold products worth $1.1 billion from which 71.1% went to Ukrainian agriculture, and 28.9% for export.

Crimea



Crimean chemical plants-water problems

Production of titanium dioxide and soda ash in Crimea increased in 2014 over 2013, but there are concerns over production in 2015. Crimean Titan may be forced to stop production if it is not able to secure water supplies. The plant is already running at low capacity based on water supplies from the local reservoir. However, this is not enough to maintain production levels. At the end of December last year, the company drilled boreholes to provide new sources but has not yet received permits for their operation.

It is possible to provide 80% of the company's needs in the water from groundwater when working at full capacity, but this only represents a short term situation. Crimean Titan cannot operate without water sources restored from the Dnieper River in Ukraine. The business needs an average of 50,000 cubic metres of industrial water a day, and buying it from Russia is problematic and uneconomical.

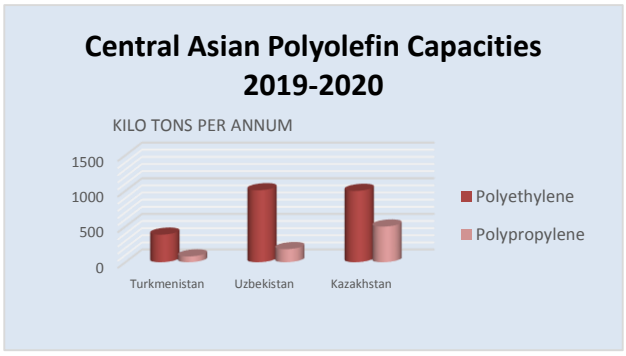
Crimean Soda and Brom at Krasnoperekopsk both have a problem with providing technical support for water technology cycles. The situation is exacerbated by existing limits on water consumption, which do not meet the real needs of production.

Crimean Soda supplies 2.5% of the world market of soda ash. Brom specializes in the production of bromine and its inorganic salts and brominated compounds. The plant is the sole producer of bromine-containing chemical compounds in East Europe. Previously, the company used the water of the Dnieper, delivered on the territory of Crimea from Ukraine in the North-Crimean channel. The supply of water through the channel was discontinued in May last year.

Central Asia

Ustyurt Gas Chemical Complex to start in Jul-Aug 2015

Ustyurt Gas Chemical Complex is planning to produce its first products in July-August 2015. Uz-Kor Gas Chemical was founded by Uzbek and Korean companies in May 2008 to develop, finance, construct and exploitation of integrated gas and oil processing project in Ustyurt region of Uzbekistan.



Uzbekneftegaz owns 50% stake in the joint venture, while Uz-Kor Gas Chemical Investment holds 50% share. Korea Gas Corporation (KOGAS), Honam Petrochemical and STX Energy are Korean founders of the venture. The cost of the project is $4.16 billion. The project participants will allocate US$1.4 billion and attract US$2.5 billion from financial institutions to implement the project.

Ustyurt Gas Chemical Complex will ensure processing of 4.5 billion cubic metres of gas per annum in addition to 387,000 tpa of polyethylene and 83,000 tpa of polypropylene. The plant will also include capacities of 102,000 tpa of pyrolized petroleum and other products.

Nairit-World Bank

After a lack of progress in the Rosneft-Pirelli plans to restart the Nairit rubber plant at Yerevan, the Armenian government has turned to the World Bank for support. The World Bank will provide the Armenian government grant to attract a reputable international consulting company, which will evaluate the financial and technical condition and operational capabilities of Nairit. Financial and technical analysis, as well as environmental assessment will be submitted to the Armenian government to make important decisions about the future of the company.

In the first stage, which starts on 25 February and will last 2.5 months, the consultant will examine: the global market for product lines, which the company can produce; will assess the validity of the feasibility of production of the company; assessment of the financial viability of the production; conduct a SWOT analysis. In the second phase will be carried out study of the environmental impact of activity from Nairit.

At the end of December 2013 Rosneft, Pirelli Tyre Armenia and Rosneft-Armenia signed a memorandum to establish a joint venture for the production of styrene butadiene rubber. However, this project failed to not progress. According to the original plan, Rosneft was intending to invest around $500 million in the construction of facilities for styrene butadiene rubber at the Nairit plant.

Uzkimyosanoat-Chinese tyre plant

Uzkimyosanoat has signed a contract for the construction of a tyre plant based at Rezinotechnika in Tashkent with Chinese Poly Technologies Inc. Under the contract, Poly Technologies will build the technological part of the production unit with work expected to be completed in two years. The project envisages the creation of capacities based on Rezinotechnika for the production of 3 million and 200,000 car and agricultural car tyres respectively per annum.

It is also planned to start production of the conveyor belts (100,000 metres per annum). Total investments estimated for the project at $200 million. Funding will be provided at its own expense Uzkhimprom, as well as loans borrowed from foreign banks and the Fund for Reconstruction and Development of Uzbekistan.

Chloroprene rubber production at Nairit which has been idle since 2010. The plant possesses a capacity of 25,000 tpa and could potentially meet around most of the demand of the Russian market for chloroprene rubber, which stands at 25-30,000 tpa. Until recently, Russia imported chloroprene rubber from Germany but these supplies have been stopped.

Kazakh chemical markets

Kazakhstan has opened a plant for the production of polyethylene film at Aktau in the Mangistau region. The Kazakh market is largely dominated by products supplied from China, hence the investment in domestic capacity.

The devaluation of the rouble has led to cheaper prices for goods of the Russian Federation in the range of 30-60%, affecting products produced in northern Kazakhstan such as caustic soda and polypropylene. The Pavlodar Petrochemical Plant is pressing the government to impose protective duties against cheap Russian imports.

Kazakhstan is launching a special economic zone for chemical projects in its southern region and looking to attract investors from China, South Korea and Europe. The United Chemical Company is spearheading the project aimed at stimulating development of processing and high value added industries in Kazakhstan. The decision to create the Taraz Chemical Park was taken and signed into effect back in 2012, but will only become operational only by 2017. To make the economic zone attractive to chemical companies, the authorities are offering zero tax and customs duties and a simplified procedure for export and import operations.

Kazakh Polymer Imports (unit-kilo tons)

Product	*Jan-Dec 14*	*Jan-Dec 13*
HDPE	86.0	104.4
LDPE	20.3	14.3
LLDPE	5.4	4.8
PVC	65.1	44.6
PET	48.6	48.6
Polypropylene	20.4	15.5

Kazakh polymer imports 2014

PVC imports into Kazakhstan totalled 65,100 tons in 2014, 46% up on 2013 when the total was 44,500 tons. Around 97% of imports originated from China. Imports of polypropylene increased by 32% in 2014 and amounted to 20,400 tons. Polypropylene exports increased by a quarter to 22,200 tons. Polyethylene imports declined 10% in 2014 to 111,700 tons. Reduced demand for pipes was a main cause affecting HDPE imports, although LDPE and LLDPE imports rose slightly. Polypropylene imports totalled 20,400 tons in 2014 against 15,500 tons in 2013. Homopolymers

comprised 15,800 tons in 2014 against 10,400 tons. Propylene copolymers amounted to 4.600 tons against 5,100 tons in 2013. Kazakhstan exported 22,200 tons of polypropylene in 2014, 25% up on the previous year.

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

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