Chemical Information Resources for East Europe and CIS

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MONTHLY NEWS

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

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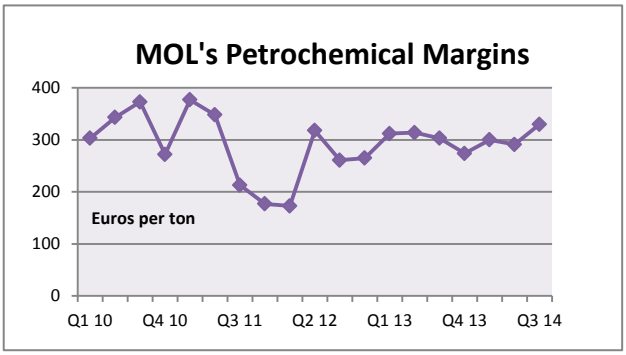
FEATURES FROM THIS ISSUE

CENTRAL & SOUTH EAST EUROPE

Petrochemicals

MOL, Jan-Sep 2014

The MOL Group generated an EBITDA of Ft 164 billion (or $696 million) in the third quarter, 72% up on the previous quarter due mainly from a huge improvement in downstream performance and a slight rise in the upstream sector. However, for the first three quarters the EBIDTA dropped from Ft 363.8 billion against Ft 393.3 billion in the same period in 2013. Slovnaft's losses were cited as the main cause behind the lower results.



In the third quarter MOL's performance in the downstream sector benefited from improving markets, including seasonally higher sales volumes and improving margins for petrochemicals. The improvement of Brent-Ural differential by close to $1.5/bbl was a major factor in the third quarter improvement. Whilst the Hungarian market continues to show growth MOL has experienced a steep contraction on the local market in Slovakia in the third quarter. The construction of the Friendship-1 pipeline is expected to be finalised by the end of Q4 2014. Test runs are scheduled during Q1 2015, while full scale commissioning is expected from Q2 2015. The reconstruction ensures that both Danube and Bratislava refineries can be fully supplied from the Adriatic Sea.

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

Product	*Jan-Sep 14*	*Jan-Sep 13*
Ethylene	499	504
Propylene	247	256
Product	*Jan-Sep 14*	*Jan-Sep 13*
LDPE	135	110
HDPE	248	274
PP	339	320

Regarding investments, construction of the 130,000 tpa butadiene extraction unit is on schedule. It is expected to reach commissioning phase in Q1 2015 and start commercial operations during Q2 2015. The unit will produce feedstock material for the production of synthetic rubber where construction of a new unit is underway.

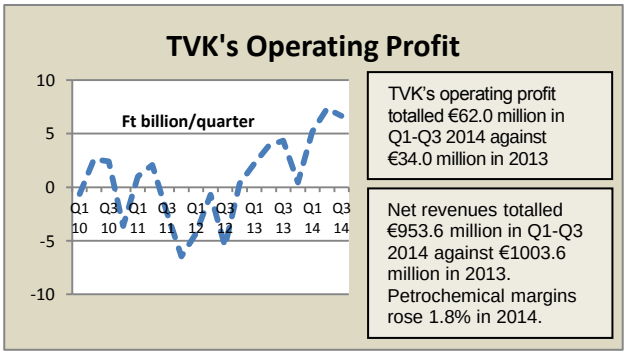
The construction of Slovnaft's 220,000 tpa LDPE4 unit at Bratislava is progressing according to schedule. The overall completion level is rated above 70%, as of the end of September. The new plant is expected to be commissioned by the end of 2015. The new unit will increase production flexibility, improve product qualities and ensure higher naphtha off-take from the refinery.

TVK Product Sales (unit-kilo tons)

Product	*Jan-Sep 14*	*Jan-Sep 13*
Olefins	378	397
LDPE	45	13
HDPE	248	274
PP	189	203

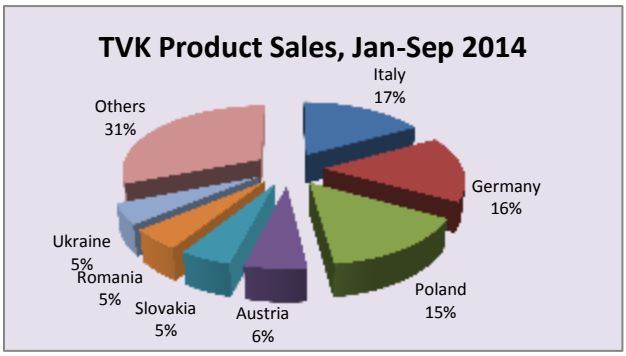
TVK, Jan-Sep 2014

Despite maintenance shutdowns impacting on sales volumes for olefins, HDPE and polypropylene TVK increased its EBIDTA in the period January to September 2014 from Ft 20.505 billion last year to Ft 29.125 billion. Furthermore, the Ft 19.1 billion operating profit in the first three quarters of 2014 exceeded the same period in 2013 by Ft 8.8 billion. Favourable exchange rates combined with decreasing energy prices helped the improvement in results.



Reduced energy costs by Ft 3.9 billion from lower natural gas and steam, combined with a drop in the electricity price, compensated for the 1% rise TVK's raw material costs for the first three quarters. Another Ft 1.6 billion was received from the insurance compensation from the fire accident at the LDPE-2 unit during 2012 and the land property sale, where the new synthetic rubber plant will be constructed.

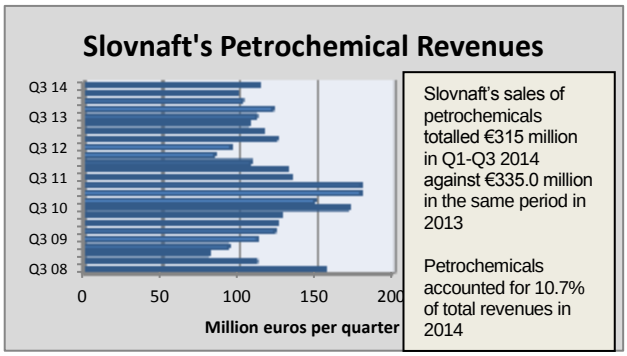
On the negative side TVK has not received an income from CO2 quota sales, whereas in 2013 the company received Ft 327 million. In the first half of 2014 TVK carried out maintenance turnarounds in Olefin-1, HDPE-2 and PP-4 units.



TVK's total debt of the company increased by Ft 4,187 million in the third quarter due mainly to the financial requirements attached to butadiene-extraction project. Equipment has been delivered and is being installed, together with the necessary infrastructure, and the company aims to start production in first half 2015. TVK achieved 47% of its sales revenues from export sales in January to September 2014.

Slovnaft, Jan-Sep 2014

The completion of the new LDPE plant at Bratislava may help Slovnaft to revive earnings in petrochemicals which have not increased in recent years and only remain around 10% of total income. Revenues for the third quarter this year from petrochemicals surpassed the previous two quarters in 2014, but still were lower than in the same period in 2013. Overall, Slovnaft recorded a loss of €1 million in the first nine months in 2014 against a profit of €43 million in the same period last year.



The result was affected partly by turnarounds and as a result net sales of Slovnaft for the period January to September fell by 16% to €3.03 billion. The company invested €147 million in projects, 234% up on 2013 and mostly directed towards petrochemicals.

Central European oil supply

Refining volumes remained virtually the same in the first three quarters in Central and South East Europe, at 54.8 million tons. Margins have improved in recent months due to lower oil prices. Lotos recorded a margin of $6.87 per barrel in October, a dollar less than in September and the same as in August. For the period January to October 2014 the refining margin increased by 23.8% over 2013 to $5.55 per barrel. However, Grupa Lotos generated a net loss in the third quarter, affected by trading commodities and the dollar. Grupa Lotos increased revenues by 5% to zl 7.55 billion in the third quarter, and 4% overall for January to September 2014 to zl 21.9 billion.

Central European Refining Volumes (unit-mil tons)

Company	*Jan-Sep 14*	*Jan-Sep 13*
INA	2.5	3.0
Lotos	6.8	6.2
Lukoil Bourgas	4.3	3.8
Lukoil Ploiesti	1.5	1.3
MOL Hungary	7.5	7.6
NIS	2.2	2.2
Orlen-Lietuva	5.3	6.9
Orlen-Plock	10.8	11.2
Petrom	2.9	3.1
Rompetrol	3.4	2.8
Slovnaft	3.8	4.0
Unipetrol	3.8	2.7
Total	54.8	54.9

In Lithuania Orlen Lietuva s also noticing the positive effects of efforts to raise economic efficiency of operations and capacity to flexibly adjust to market conditions. Orlen Lietuva's EBITDA amounted to $54 million in the third quarter in 2014, indicating improvement.

Construction of the first phase of the PERN oil terminal at Gdansk is approximately 30% completed. Structural work is being undertaken on tanks, whilst pumping stations, pipelines and treatment plants remain at the early stage of development.

Total storage capacity of the PERN terminal comprises 700,000 cubic metres, of which 400,000 is devoted for crude oil and 300,000 for other products. Part of the fuel and chemical terminal will be connected to the national transmission network Naftoport oil.

HIP Petrohemija, ethylene restart & PP project

HIP Petrohemija is examining prospects to construct a polypropylene plant at Pancevo. The necessary investment in the project is estimated at about €120 million, and comprising a capacity of 85,000 tpa. Questions over finance are yet to be resolved.

Petrohemija restarted ethylene production at Pancevo on 10 November after a two-month planned outage. LDPE and HDPE units were restarted on 11 November. During the shutdown Petrohemija modernised the manufacturing systems and controls, and undertook repairs of equipment. A recent agreement of debt repayment of $225 million by Serbia to Russia in three tranches has allowed Russian gas deliveries to restart in full and was important to allow Petrohemija to restart production. Naphtha is supplied to Petrohemija by NIS, owned by Gazprom-Neft.

Oltchim Product Revenues (Mil Lei)		
Product Group	***Jan-Sep 14***	***Jan-Sep 13***
Petrochemicals	304.1	203.1
Chlorine division	90.6	93.4
Finished Products	19.4	20.9
Materials for construction	5.0	33.1
Sales to Pitesti	0.1	0.2
Oxo alcohols	7.6	0.0
Other	9.3	8.9
Total	436.1	359.5

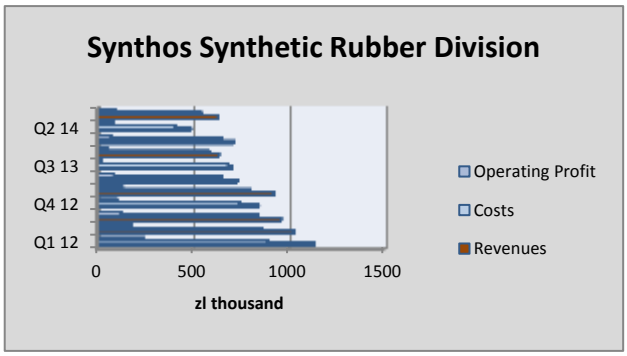
Oltchim, Jan-Sep 2014

Oltchim's turnover increased in the first nine months to 436 million lei, 21% up over the same period last year and close to the total sales of the whole plant in 2013, which was 497 million lei. Oltchim was declared insolvent on 30 January 2013.

Increasing production and regaining markets (mostly foreign) have been achieved gradually, with turnover increasing every month from €5.4 million in February 2013 to €14.2 million in September 2014. The Valcea plant is strongly dependent on deliveries to foreign markets, where they account for almost 70% of production, especially in the European Union, Turkey and the Middle East. Exports showed a 40% increase in the first nine months compared to the same period in 2013, thus enabling higher utilisation in production capacity.

Oxo alcohol production restarted at Ramnicu Valcea in September 2014 after being closed in 2012. However, feedstock problems have since interrupted production and the plant has been forced to stop on two occasions. Propylene was agreed for delivery from Lukoil, but shipments were suspended due to a lack of payment. Oltchim has been in talks with MOL regarding propylene supply.

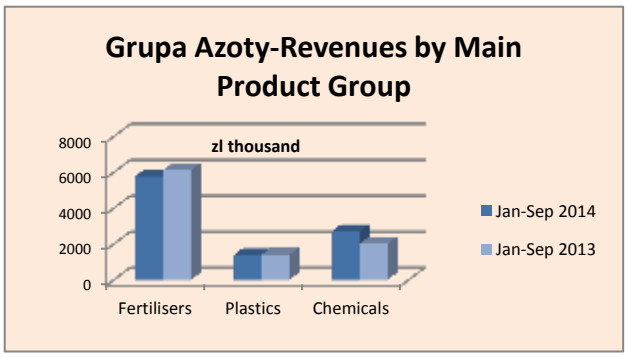
Chemicals



Synthos, Jan-Sep 2014

Synthos achieved a higher operating profit in the first three quarters in 2014 despite lower revenues and difficulties in the rubber industry. For January to September 2014 Synthos recorded an operating profit of zl 392 million, zl 43 million more than in 2013. Net profit was lower by zl 16 million and amounted to zl 291 million.

In the third quarter of 2014 the S-SBR project at Oswiecim continued construction, including the production hall. Synthos has prepared the foundations for future warehouses, and in addition, the assembly of tanks butadiene and assembly work of wrapping pipelines, tanks and pumping butadiene. The new 90,000 tpa plant is based on Goodyear technology and is scheduled to start in 2015. The new plant will also be capable of producing polybutadiene rubber.



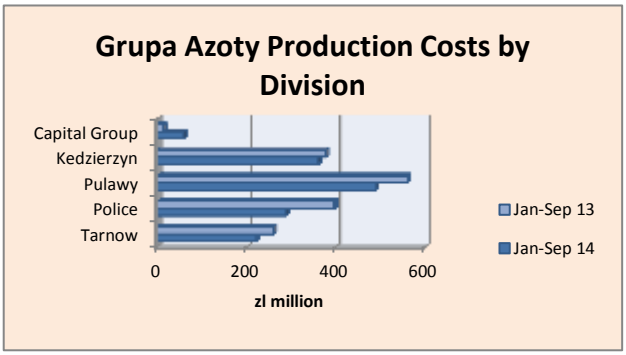
Grupa Azoty, Jan-Sep 2014

Grupa Azoty achieved a net profit of zl 8.946 million in the third quarter this year against zl 213,000 in the same period last year. The EBIDTA for the three month period was zl 1.26 million against zl 1.11 million in 2013. In terms of sectoral performance plastics continued to perform badly, with losses recorded for the first three quarters as last year. The plastics division recorded an operating loss of zl 18.5 million in the third quarter against a loss of zl 33.9 million. The chemical division performed better than plastics, and showed a 15.7% increase.

Despite the higher rate of increase in cost of sales and general and administrative expenses compared to the growth rate of sales revenue, Grupa Azoty generated a positive result on the sale and consequently the financial period ended with a net profit. Regarding product sectors caprolactam demand remains low due to an oversupply in China. Even so prices for liquid caprolactam rose in the third quarter to an average of €1953/ton against €1878/ton in the same period in 2013. Prices for crystalline caprolactam dropped from $2351/ton to €2265/ton. Compared to the same period last year there was a fall in average quarterly prices of the products of 2-EH and DEHP, while the remaining average prices increased.

Grupa Azoty Selected Investments Q3 2014		
Product	Project/Task	Location
Ammonia	Reactor modernisation	Pulawy
Phenol	Hydrogen compressor	Tarnow
Polyamide	New 80,000 tpa plant	Tarnow
Cyclohexanone	Modernisation	Tarnow
Ammonia	Storage facilities	Pulawy

The downturn in fertilisers in the third quarter had a significant effect on Azoty's results. However, the improvement in the plastics sector helped compensate for the downturn in fertiliser sales. The plastics division covers the manufacture and marketing of polybutylene terephthalate, polyamide 66/PA66, caprolactam; etc. The chemicals division covers the manufacture and sale of products: oxo alcohols (2-ethylhexyl, n-butanol, isobutanol, octanol F), plasticizers (DEHP, DIBP, DPHP, DEHT), titanium dioxide, Tytanpol, melamine, maleic anhydride, AdBlue, etc. The energy division covers the activities related to the production of electricity and heat to the needs of chemical plants as well as the sale of electricity to customers connected to the grid.



By individual Azoty subsidiary, ZA Pulawy performed well in a difficult environment. The plant is the largest single consumer of gas in Grupa Azoty and recorded a net profit of zl 3 million in the third quarter. Revenues increased to zl 850 million from zl 840 million in the same period last year, due mainly to sales of nitrogen fertilisers.

For ZCh Police titanium white price trends remain a structural problem for the company, but due to other strategic factors such as raw material supply in Senegal the company has recorded profits in the first three quarters. Oversupply of titanium dioxide has resulted in falling prices in 2014. The raw material for titanium dioxide, ilmenite, saw prices also fall. After three quarters of 2014 Azoty Police Group generated a profit of zl 64 million against zl 83 million in the same period last year.

Polish Chemical Production (unit-kilo tons)		
Product	***Jan-Oct 14***	***Jan-Oct 13***
Caustic Soda Liquid	241.9	260.3
Caustic Soda Solid	66.8	67.0
Soda Ash	884.9	868.8
Ethylene	372.7	411.2
Propylene	277.1	295.2
Butadiene	46.1	43.6
Toluene	11.0	15.2
Phenol	26.6	28.5
Caprolactam	140.2	131.0
Acetic Acid	8.0	6.7
Polyethylene	266.0	288.9
Polystyrene	52.3	46.5
EPS	60.3	66.5
PVC	224.9	260.7
Polypropylene	189.0	215.7
Synthetic Rubber	164.0	163.1
Ammonia (Gaseous)	1099.9	1057.8
Ammonia (Liquid)	1084.6	985.6
Pesticides	28.8	17.8
Nitric Acid	1958.0	1897.0
Nitrogen Fertilisers	1589.0	1493.0
Phosphate Fertilisers	335.4	312.5
Potassium Fertilisers	260.7	254.8

ZAK achieved an operating profit of zl 11 million in the third quarter, the weakest quarter of 2014. However, the company continues to showed progression with the profit for the third quarter amounting to zl 8 million against zl 3 million last year. Revenues totalled zl 1,534 million for the period January to September 2014, zl 14 million down from the same period last year. The net profit was zl 78 million against zl 89 million last year.

Anti-dumping duties on Russian ammonium nitrate

After a 15-month review, the European Commission has decided to extend anti-dumping duties on imports of ammonium nitrate from Russia. This means that for five consecutive years it will be the duty of up to €47 per ton of ammonium nitrate. Ukraine imposed five-year duties on imports of ammonium nitrate from Russia.

Protection against dumping is considered essential, as long as Russia continues to charge lower gas prices for its own producers, and charge high prices to producers in the EU. Ukraine has also recently imposed a five year duties on imports of ammonium nitrate from Russia.

Grupa Azoty-Senegal phosphoric acid project

Grupa Azoty Police plans to build a phosphoric acid plant in Senegal and is analysing the financial profitability of the investment. Currently phosphates are transported from Africa to Police and the company now wants to produce the phosphoric acid on location in order to save costs.

In August 2013 Grupa Azoty Police signed a contract to buy 55% in African Investment Group for $28.85 million. Due to access to resources in Senegal the company has a license to access the ilmenite sand deposits Sud Saint Louis and permit the extraction of calcium phosphate deposits in the western parts of the country. For the first bed material is predicted to be operated for around four years, whilst preliminary estimates suggest that the viability of a second bed is more than 50 years.

RUSSIA

Russian Chemical Production (unit-kilo tons)		
Product	***Jan-Oct 14***	***Jan-Oct 13***
Caustic Soda	875.0	858.4
Soda Ash	2,090.6	2,047.0
Ethylene	1,950.3	2,210.1
Propylene	1,201.8	1,044.1
Benzene	962.2	1014.0
Xylenes	419.2	400.7
Styrene	528.6	552.8
Phenol	210.5	233.5
Ammonia	12,151.7	11,826.0
Nitrogen Fertilisers	6,788.8	6,698.0
Phosphate Fertilisers	2,577.3	2,596.0
Potash Fertilisers	7,034.5	5,766.0
Plastics in Bulk	4,643.2	4,978.0
Polyethylene	1,296.2	1,511.0
Polystyrene	445.4	375.4
PVC	520.2	530.0
Polypropylene	834.2	686.4
Polyamide	120.7	113.1
Synthetic Rubber	1,069.7	1,238.0
Synthetic Fibres	98.1	145.6

Russian chemical industry, Jan-Oct 2014

Profitability for Russian chemical companies in the first three quarters reflects a mixed picture measured against 2013, with only a few of the major producers showing improvement. Kazanorgsintez reported a strong rise in profits in the first three quarters, whilst Nizhnekamskneftekhim showed a significant downturn due largely to rubber markets. Metafrax reported a modest increase in net profits, but Kuibyshevazot incurred losses for the first three quarters due a downturn in margins.

Probably the best results in the first three quarters have been recorded from pharmaceutical and household chemical producers, some of which have been able to benefit directly from the weaker currency. Overall though the trend for net profits in the chemical industry has been downward this year. Furthermore, the devaluation of the rouble in the third quarter increased the level of debts, priced in dollars, for major companies such as Fosagro, Akron and Evrokhim.

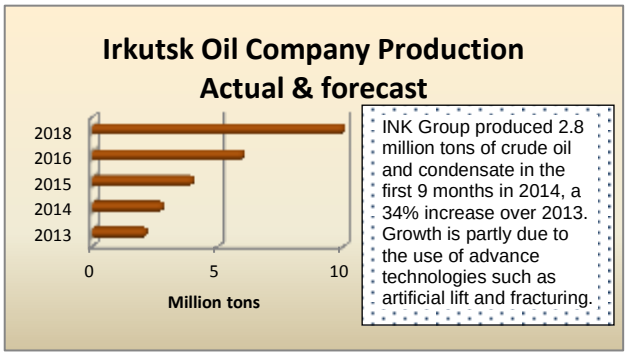
The government has introduced several measures to compensate for the lower revenues one of which seeks to replace the loss of export tax revenues with revenues from the domestic economy. The so-called tax manoeuvre, which was approved in late November, also includes duties on aromatics such as benzene, paraxylene and orthoxylene.

Some consideration is being given to the possibility of granting tax deductions for naphtha and aromatics for the needs of petrochemical plants, as well as aviation fuel for re-fuelling aircraft and helicopters. However, companies such as Rosneft, Nizhnekamskneftekhim and United Petrochemical Company have questioned the new tax laws, arguing that it could affect both profitability and investment.

Russian petrochemical projects

Irkutsk Oil Company & ethylene plans

Irkutsk Oil Company (INK) increased production of crude oil and condensate by 31% in the first three quarters in 2014 to 2.8 million, making it the fastest growing oil producer in Russia. The company expects that oil and condensate production will reach approximately 4 million tons in 2014, comparing against the 30,000 tons produced in 2000. The main reasons behind the rapid rise in oil and gas condensate production in recent years has been due to the increase of producing wells and application of advance technologies such as artificial lift and fracturing.



The company is focused on downstream projects involving the construction of ethylene facilities based on ethylene at Ust Kut which is located in the north of the Irkutsk Oblast. During the period 2016-2019 the company hopes to build a petrochemical chemical complex. The cost of construction is estimated at 120-130 billion roubles. The capacity of the polyolefin plants under planning comprise 500,000 tpa in the first phase, before a possible second phase extension of up to 1 million tpa.

In 2015 INK is planning to install product pipelines for propane and butane at Ust-Kut, supplied from the Yarakta field which is 200 km from Ust-Kut. The company expects to supply 161,000 tons of hydrocarbons in 2015 to this area from the pipelines. INK plans to build a plant for the processing of associated gas from the pipeline Power of

Siberia, linking it with fields Yarakta and Markovski. Ethane will be made available for the chemical complex at Ust Kut, which will be built by 2019. INK is in talks with Chinese investors regarding support of plans to construct a new gas processing plant in East Siberia, whilst also hoping to attract Japanese companies such as JOGMEC and Inpex already both operating in Russia.

VNKH-Nakhodka, license agreements

Rosneft has agreed to license iso-cracking technology from Chevron Lummus Global for its hydrocracking unit for its project Eastern Petrochemical Company (VNHK) at Nakhodka. Furthermore, it is assumed that Chevron Lummus Global will implement engineering services and reissue the base project for VNHK. Chevron Lummus Global previously granted a license to the technology for installations at Tuapse, Achinsk and Ryazan refineries belonging to Rosneft. The company's technology is also used by Taneko at Nizhnekamsk.

Rosneft plans to purchase a license for hydrogen production from Technip Benelux BV for its refinery and petrochemical complex in the Primorsk Krai. The project envisages the construction of complex with a capacity of 180,000 tpa. The VNKH project comprises a refining capacity of 30 million tpa, including 24 million tpa of oil and 6 million tpa of naphtha. Another tender has been underway for desulfurization units of liquefied petroleum gas.

Angarsk Polymer Plant Production (unit-kilo tons)

Product	*2010*	*2011*	*2012*	*2013*
Ethylene	198.4	196.2	190.8	211.2
Propylene	96.1	106.1	105.4	102.5
Benzene	62.5	68.4	77.9	79.8
LDPE	69	61.6	40.8	46.6
Styrene	26.7	32.1	33.6	32.7

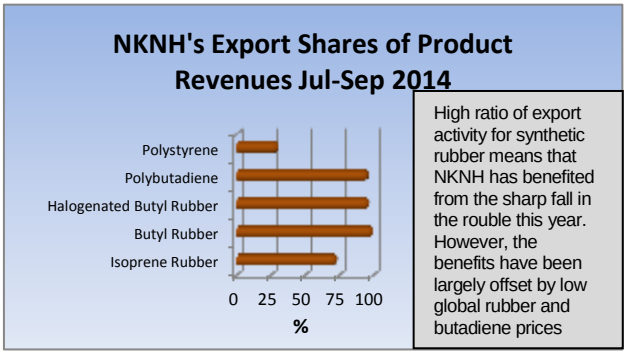
Angarsk Polymer Plant-new polyolefin plants

Ineos technology has been selected for the new polyolefin licences by Angarsk Polymer Plant, whilst Technip is to be used for a cracker revamp. The project envisages an increase in ethylene production capacity at Angarsk to 350,000 tpa, polyethylene up to 350,000 tpa and a new plant for polypropylene up to 150,000 tpa. Current capacities at Angarsk include 200,000 tpa of ethylene, 100,000 tpa of propylene, and 60,000 tpa of benzene. Project documentation for the new projects is currently under assessment.

Nizhnekamskneftekhim changes new ethylene cracker timetable

Nizhnekamskneftekhim is indicating that it has decided to change the project configuration of its new ethylene complex, and moreover its timing due implicitly to sanctions and their effect on access to European finance. Instead of a one million tpa ethylene cracker, which was to be introduced in 2017, Nizhnekamskneftekhim is now envisaging two separate stages of 600,000 tpa providing an total of 1.2 million tpa new capacity. This represents a higher capacity than first planned, but may now not be implemented prior to 2020.

As cited by the company, one of the reasons for putting the project back is the temporary closure of the European market for lending to Russia. Other factors could be the decline in profits from rubber sales and the weakness of the Russian economy. All necessary licenses for the production of olefins and polyolefins for the construction of new facilities acquired, and thus the project is well advanced in terms of foundation. Chicago Bridge & Iron Company completed the FEED documentation in the middle of this year. Currently, the ethylene plant capacity at Nizhnekamsk is 600,000 tpa.



Russian petrochemical producers & markets

Nizhnekamskneftekhim, Jan-Sep 2014

Nizhnekamskneftekhim reduced its net profit 21.7% for the period January to September, dropping to 5.11 billion roubles. Revenues increased by 8% to 97.080 billion roubles whilst costs rose from 71.7 billion to 82.21 billion roubles. Profit before tax decreased to 6.52 billion roubles against 8.81 billion roubles.

Production costs in the first three quarters increased for Nizhnekamskneftekhim by 14% and amounted to 3.29 billion roubles. Administrative costs have not changed and

were 3.89 billion roubles. Synthetic rubber markets provided the main cause behind the reduced profit, with revenues from polymers exceeding rubber revenues for the first time.

Nizhnekamskneftekhim Production (unit-kilo tons)

Product	*Jan-Sep 14*	*Jan-Sep 13*
Ethylene	455.0	444.5
Benzene	143.6	139.7
Propylene	199.7	219.2
Styrene	210.6	179.0
HDPE	130.0	121.0
Polypropylene	160.2	156.0

The price of naphtha for Nizhnekamskneftekhim increased in the third quarter of this year by 6.5% compared to the third quarter of 2013 (following 17% in the second quarter). In addition to feedstocks, electricity costs have risen by 1 billion roubles and labour costs by 600 million roubles. Some redundancies have already been made, with the headcount reduced by 634 people this year to a total of 17,072.

In order to maintain the company's market position Nizhnekamskneftekhim is forced to start production of new products but the currency devaluation makes capital investments harder, whilst also increasing the cost of buying the same raw materials, electricity and so on. The general strategy of the company is to aim at developing new markets, which disperses the costs of logistics, marketing and distribution, customs clearance, etc.

Nizhnekamskneftekhim has been helped to some degree by the weak rouble, which makes the products more competitive on the domestic market and also helps to partially offset the unfavourable export pricing environment, especially for synthetic rubber. The company is making efforts to develop new products and reduce costs but is heavily dependent on the dynamics of the synthetic rubber market.

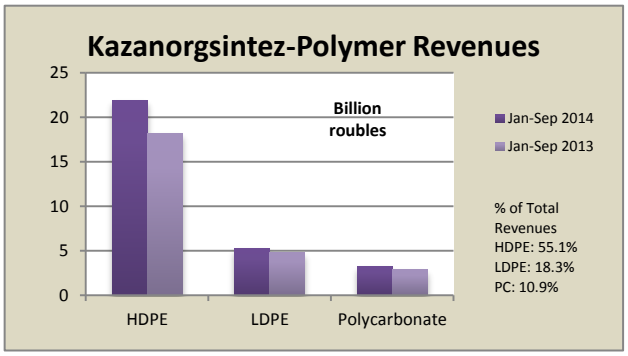
Kazanorgsintez Production (unit-kilo tons)

Product	*Jan-Sep 14*	*Jan-Sep 13*
HDPE	378.0	346.3
LDPE	133.1	148.4
Ethylene	384.0	389.3
Propylene	32.9	29.2
Polycarbonate	59.7	55.9
Phenol	51.2	49.7
Acetone	32.6	31.7

Kazanorgsintez, Jan-Sep 2014

Kazanorgsintez increased net profit 2.6 times for first the nine months in 2014, totalling 4.49 billion roubles against 1.74 billion roubles in 2013. Increased ethane usage at expense of other feedstocks was cited as a factor behind the increased profits. Revenues were up 16% to 39.72 billion roubles, which is explainable by high demand for products throughout the year. Profit before tax amounted to 5.68 billion roubles, which is 2.4 times higher than in 2013.

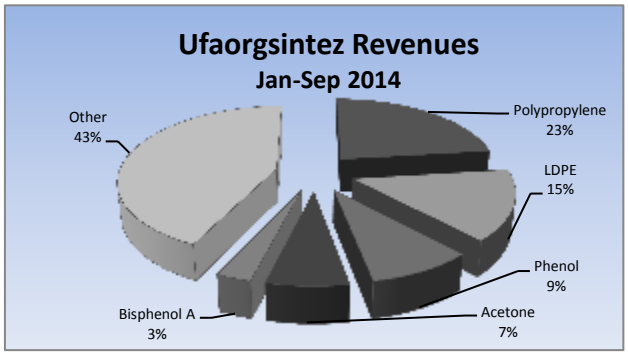
Despite increased ethane the cost of production, including raw material prices and electricity tariffs, increased by 3.4% to 36.6 billion roubles. As a result, gross profit decreased by 5% to 9.5 billion roubles. Profit on sales decreased by 9% to 6.04 billion roubles, profit before tax 29% to 2.93 billion roubles. Kazanorgsintez experienced a negative balance on foreign exchange where the company was down by 268.5 million roubles.



Labour productivity for Kazanorgsintez in the first nine months 2014 amounted to 4,815 roubles per worker, which is 14.8% higher than that calculated for the first nine months in 2013. The growth rate is mainly due to the increase in revenue from sales in 2014.

Ufaorgsintez, Jan-Sep 2014

Ufaorgsintez reduced its net profit by 12.4% to 1.27 billion roubles for first three quarters in 2014. The company's revenue increased by 29.3% to 19.59 billion roubles, whilst the cost of sales increased from 13.1 billion roubles to 17.5 billion roubles. Higher costs were incurred for petrochemical feedstocks, which almost doubled in cost to 5.52 billion roubles.

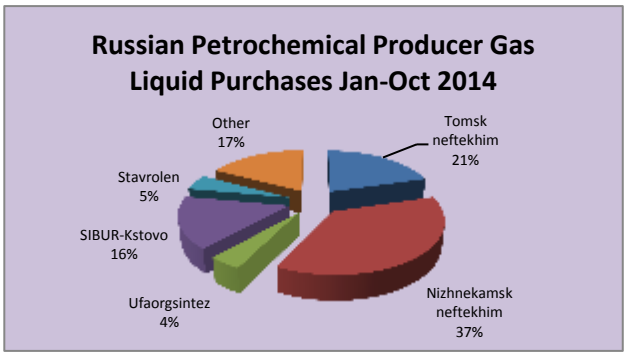


The main risks to the company are seen in the ramifications of the tax manoeuvre for the oil industry, which is to take effect in 2015. Moreover, the company is concerned over the large-scale plans for petrochemical projects in Russia and the potential impact on the Russian domestic market. Ufaorgsintez states that the polypropylene plant at Tobolsk-Polymer achieved full utilisation in September of 36,000 tons

and domestic market prices may start to weaken due to oversupply. In the phenol and acetone markets, Ufaorgsintez has benefited in 2014 from the accident at Omsk Kaucuk that took place at the start of March. The Omsk plants are both undergoing maintenance at present.

Russian Changes in Export Duties % *Tax manoeuvre as adopted 25.11.2014*				
	2014	***2015***	***2016***	***2017***
Oil	59	42	36	30
Naphtha	90	85	71	55
Benzene-paraxylene	66	48	40	30

In 2015 the tax manoeuvre could increase the cost of feedstocks and could affect potential investments. A method of compensation is being considered by the government for petrochemical companies, but no details have yet been given. Longer term Ufaorgsintez fears that without pipeline investment, that would facilitate the transportation of feedstocks from Yamal to the Volga-Urals, petrochemical plants in Bashkortostan and Tatarstan could ultimately face shortages.



Cracker feedstocks, Jan-Oct 2014

Sales of NGLs amounted to 337,810 tons in October, 8% more than in September, with petrochemical plants accounting for 36% of shipments. During the first ten months in 2014 sales of NGLs on the domestic market totalled 3.19 million tons, 1% less than 2013. Sales are divided between gas processing plants and petrochemical plants, the latter accounting for roughly a third of total sales. This year petrochemical plants have reduced purchases from 1.404 million tons in the first ten months in 2013 to 1.142 million tons. The reason behind the decline is primarily Stavrolen's outage. Nizhnekamskneftekhim was the largest petrochemical buyer of gas liquids in January to October this year

In the period January to September 2014 sales of naphtha on the domestic market declined 10% against 2013 to 1.39 million tons. The petrochemical sector accounted for 555,000 tons of shipments against 792,800 tons in 2013, due similarly to the Stavrolen outage as with gas liquid sales. Tomskneftekhim and SIBUR-Kstovo represent the main naphtha buyers in the petrochemical sector this year, although Stavrolen is also active when operational. Nizhnekamskneftekhim rarely buys naphtha on the open market, although in September, it bought 3,500 tons from United Petrochemical Company.

Gazprom neftekhim Salavat-increased ethylene output

Gazprom neftekhim Salavat increased daily production of ethylene by 4.3% or 40 tons in September. As a result, the company produced 970 tons per day in September, rising from 930 tons. The company produced 235,000 tons of ethylene in January to October against 226,800 tons in 2013, with the full effects of the technical changes yet to be seen.

Russian Ethylene Production (unit-kilo tons)		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Angarsk Polymer Plant	176.4	171.6
Kazanorgsintez	412.8	425.1
Stavrolen	53.6	275.3
Nizhnekamskneftekhim	504.4	497.8
SANORS	61.8	67.1
Gazprom N Salavat	235.0	226.8
SIBUR-Neftekhim	142.6	193.9
SIBUR-Khimprom	40.6	37.9
Tomskneftekhim	223.2	211.7
Ufaorgsintez	99.7	103.1
Total	1950.3	2210.2

The increase followed the commissioning of the new pyrolysis furnace in the third quarter, F-04 type SRT-VI which was supplied by ABB Lummus Global. This furnace has a high efficiency (91-92%), whereas the previous type of furnaces SRT-I only give 73%. The new furnace can produce up to 110 tons per hour. Gazprom neftekhim Salavat has also reduced usage of ethane in ethylene production to 1-3 tons per hour. The cracker can run on different forms of raw materials, including natural gas liquids, gasoline fractions, and now ethane following increased availability from Gazprom Orenburg.

In 2015, the EP-300 cracker at Salavat is scheduled for an overhaul, involving a replacement reactor for hydrogenation. An increase in the production of ethylene, propylene and butadiene can be anticipated as a result of the overhaul.

Russian ethylene production amounted to 201,200 tons in October, 24% over September. Following maintenance Nizhnekamskneftekhim increased production 2.1 times to 49,500 tons Ufaorgsintez twice to

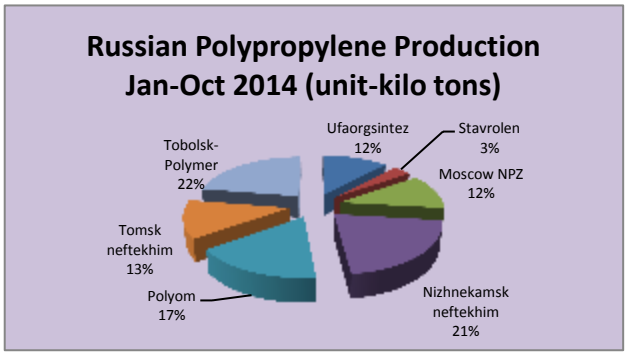
Russian Propylene Domestic Sales (unit-kilo tons)		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Angarsk Polymer Plant	68.8	51.6
Omsk Kaucuk	2.4	2.8
SIBUR-Kstovo	58.1	94.3
Akrilat	8.2	2.0
LUKoil-NNOS	115.9	114.1
Tomskneftekhim	7.3	0.2
Gazprom n Salavat	22.8	0.8
SIBUR-Khimprom	1.1	0.8
Stavrolen	3.4	2.9
Tobolsk-Polymer	5.7	0.0
Total	293.6	269.4

11,300 tons. In addition, SIBUR-Khimprom increased output by 1.6 times to 4,800 tons. In the first ten months in 2014 Russian ethylene production totalled 1.95 million tons which was 11% down on 2014.

Russian propylene Jan-Oct 2014

Russian producers of propane-propylene fractions increased deliveries to the domestic market by 10% in October to 15,700 tons. Shipments from the Ryazan Refinery increased by 39% to 10,700 tons and Slavneft-Yanos by 26% to 4,000 tons. Gazprom Neft at Omsk was down for maintenance. Deliveries totalled 126,300 tons in the first ten months in 2014, 22% down.

Exports of propane-propylene fractions from Russia amounted to 2,800 tons in October, solely supplied by the Ryazan refinery and bringing the total for January to October 2014 to 7,600 tons. Propylene exports increased 1.8 times to 6,400 tons in October, all of which came from SIBUR-Kstovo. For the first ten months of 2014 Russian propylene exports totalled 15,400 tons, 42% less than in 2013.



Bulk Polymers

Russian polypropylene, Jan-Oct 2014

Russian polypropylene imports dropped 15% in January to October 2014 to 147,500 tons. At the same time Russian exports increased by 68% to 138,000 tons against 82,000 tons in the same period last year.

The key importer of Russian polypropylene is China, whilst Tobolsk-Polymer represents the main exporter accounting for 46% of shipments. Other exporters include Tomskneftekhim and Polyom. Stavrolen is producing again on merchant propylene, but will not be back to full capacity until the cracker restarts as planned for Q1 2015.

Russian PVC Imports (unit-kilo tons)		
Source	***Jan-Oct 14***	***Jan-Oct 13***
US	56.0	155.0
China	169.7	125.9
Europe	34.5	32.2
Others	10.0	12.4
Total	270.2	325.6

Russian PVC, Jan-Oct 2014

The fall in rouble value combined with the start of production by RusVinyl has led to a sharp reduction in PVC imports. The rapid devaluation of the Russian rouble against the dollar in early November virtually paralyzed all import purchases of PVC, with local companies switching to domestic material. China has been the main source of imports this year, accounting for 169,700 tons or 62% of shipments.

Russian imports of PVC declined by 17% in the first ten months in 2014 to 270,000 tons. PVC imports from the US dropped from 155,000 tons in January to October 2013 to 56,000 tons in 2014.

Russian HDPE Production (unit-kilo tons)		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Kazanorgsintez	398.9	377.0
Stavrolen	47.9	253.2
Nizhnekamskneftekhim	149.4	146.7
Gazprom n Salavat	75.4	59.2
Total	671.6	836.1

Russian polyethylene, Jan-Oct 2014

In the first ten months of 2014 Russian HDPE production declined by 20% to 671,400 tons from 836,200 tons. Stavrolen's idled plant, which is the cause of the fall, is expected to come back into production by March next year. However, Lukoil seems to be faced by technical problems at Budyennovsk which make it harder to be precise about when a restart can take place.

In the first ten months in 2014, Russian LLDPE imports totalled 177,800 tons against 173,900 tons in the same period last year. The weakening of the rouble against the dollar has led to a serious increase in prices of LLDPE in the Russian market, despite lower prices in foreign markets. The Russian market for LLDPE is completely dependent on external supplies and any fluctuations in the dollar exchange rate in proportion to lead to changes in prices for local consumers.

Russian polystyrene Jan-Oct 2014

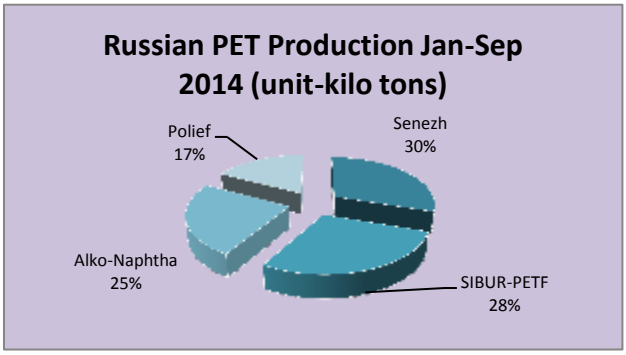
Polystyrene production in Russia totalled 445,500 tons in January to October 2014 against 375,500 tons in the same period last year. Russian exports of general purpose polystyrene increased 2.6 times in 2014 to 36,500 tons. Export shipments of HIPS increased 1.8 times to 36,800 tons.

Regarding consumption imports of EPS to the Russian domestic market totalled 52,700 tons of from January to October 2014 of which around 65% were sourced from China. Imports from China totalled 34,000 tons in 2014 although shipments have slowed down since summer due to the depreciation of the rouble.

Russian polycarbonate, Jan-Oct 2014

Russian imports of polycarbonate dropped 10% in January to October 2014 to 35,300 tons. This was partly due to increased domestic sales from Kazanorgsintez and partly the devaluation of the rouble which has made exports more expensive. In October, shipments dropped to 2,800 tons as the currency slid sharply against the dollar and the euro. If the rouble continues to weaken a number of processing companies may have to suspend work according to some anecdotal reports. Regarding product sectors, the consumption of extruded polycarbonate rose 5% in the first ten months to 66,500 tons. Kazanorgsintez increased its own production of extrusion grades by 7% to 45,300 tons and the remainder was comprised of imports. Kazanorgsintez and BASF recently concluded an agreement for additives for polycarbonate production at Kazan.

PTA/PET & Fibres



Russian PET, Jan-Oct 2014

Production of PET in Russia decreased by 4% in the first nine months in 2014 and amounted to 317,000 tons against 330,000 tons in same period in 2013. In October, imports of PET to the Russian market almost halved compared to September and amounted to 5,900 tons. Although the import trend has been downward in recent months, overall for January to October 2014 shipments rose 17% to 172,000 tons. Around 75% of imports in 2014 have been sourced from China, followed by smaller volumes from South Korea and Belarus.

Lithuanian Neo Group resumed production of PET at one of its lines of 160,000 tpa at Klaipeda in November after maintenance. Neo Group halted production in September for maintenance which required longer than expected. The second line of 160,000 tpa continued producing through this period.

Russian Paraxylene Domestic Sales (unit-kilo tons)

Producer	*Jan-Oct 14*	*Jan-Oct 13*
Gazprom Neft	52.6	43.7
Ufaneftekhim	91.2	92.8
Kinef, Kirishi	0.2	0.0
Total	143.8	136.5

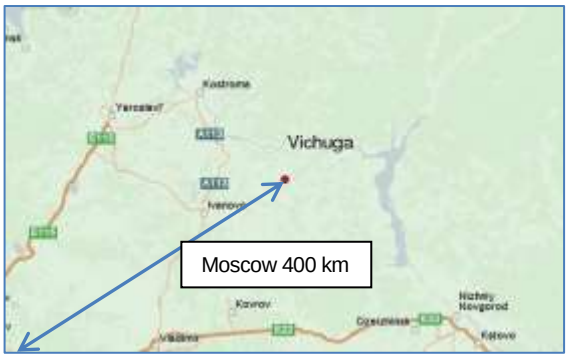
PTA project study-Stavropol

The Ministry of Energy, Ministry of Industry and Minkavkaz has agreed to study the possibility of organizing the production of PTA in the Stavropol Territory. The study was instructed after a meeting of the government commission in the North Caucasus Federal District. Results must be submitted to the government of the Russian Federation in the first quarter of 2015.

The PTA plant is being considered to provide feedstock for the Etana PET plant at Kabardino-Balkaria, which itself will form the basis of the plastics converting cluster in the special economic zone (SEZ). However, the question of paraxylene supply is yet to be tackled and expansions are considered necessary in conjunction with any investments into PTA. The current surplus of domestic paraxylene for export is insufficient to meet the demands of a new PTA plant. Other possibilities could include taking paraxylene from the Atyrau aromatics complex in Kazakhstan, which is currently undergoing commissioning.

Etana-PET cluster

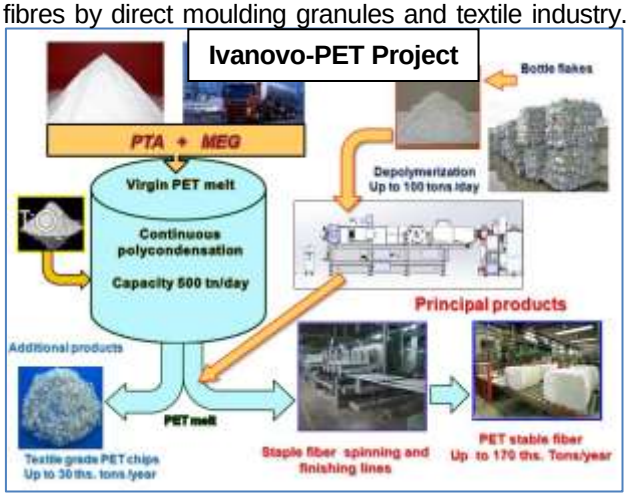
The Etana PET project at Kabardino-Balkaria in southern Russia is aimed at providing the centre of a cluster for plastic packaging. The local administration hopes to establish a special economic zone (SEZ), which will include clusters of plastic packaging and food processing complex for growing fruits and vegetables, etc. The PET project after three stages will ultimately result in a capacity of 486,000 tpa that will not only meet the needs of residents in the special economic zone, but also meet the full import substitution in the market of the product. Regarding raw materials Etana will need to make merchant purchases in the first years of production, but plans to construct its own facilities for both PTA and MEG. The general contractor of the PET project in the Kabardino-Balkaria region is ThyssenKrupp through its subsidiary Uhde Inventa-Fischer.



Ivanovo industrial park

The industrial park Vichuga, in the Ivanovo region, is being set up to be capable of consuming up to 50,000 tpa of fibre in small and medium sized businesses, based on the PET plant being constructed under the management of Ivregionsintez. The PET plant is being designed by Uhde at Dzerzhinsk and will have a total capacity of 200,000 tpa. The park will cover an area of 1.8 million square metres.

The design stage of the PET project in the Ivanovo region is close to completion. Financing options remain open, and may include the possibility of attracting credit from Vnesheconombank. Other challenges include the question of infrastructure and requirements for public funding to support investments in the creation of industrial parks. The PET plant is targeted for a start-up in 2017, if construction starts as scheduled in the first half of 2015. The complex will specialize in the production of staple fibres by direct moulding granules and textile industry. Planned production capacity for staple fibres is 170,000 tpa and for textile grade PET 30,000 tpa.

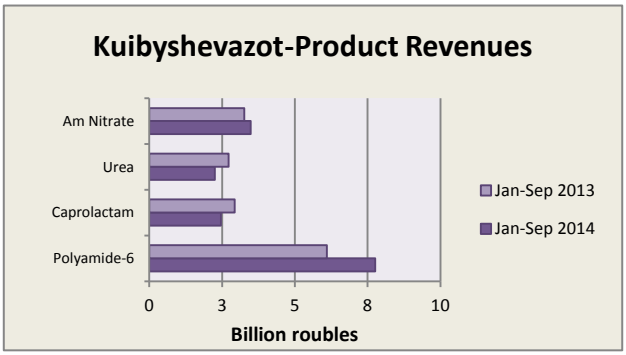


As with the Etana project at Stavropol, the issue of PTA represents a challenge to Ivregionsintez. The region is keen to cooperate with Gazprom Neft and SIBUR in the conversion of paraxylene to PTA which is in short supply in Russia. The Ivanovo project would require around 150,000-160,000 tpa of PTA to run at full capacity. However, the construction costs of building a PTA plant would be considerable, in addition to uncertainty over paraxylene supply.

The Ivanovo region was in the past described as the "Russian Manchester" due to its historical textile industry, but unlike some of its competitors the Ivanovo region has been slow to move from natural to synthetic materials. This is partly due to local demand which prefers natural materials, but also due to a lack of feedstock for synthetic fibres. Huge opportunities exist though considering that textile production in Russia accounts for only around 25-35% of domestic consumption. If the Russian government is serious about import substitution this type of project requires more than symbolic support.

Russian polyamide imports, Jan-Oct 2014

In January-October this year exports of Russian polyamide increased by 8% over 2013 to 85,100 tons. During the first ten months in 2014 exports to China increased by 28% compared to last year and amounted to 37,600 tons. Exports to India increased by 60% to 15,200 tons, whilst shipments to Turkey increased by 15% to 12,100 tons. Volumes of polymer to Germany totalled 8,600 tons and remained at the 2013 level. About 60% of Russian polyamide exports are used for the production of fibres and filaments.

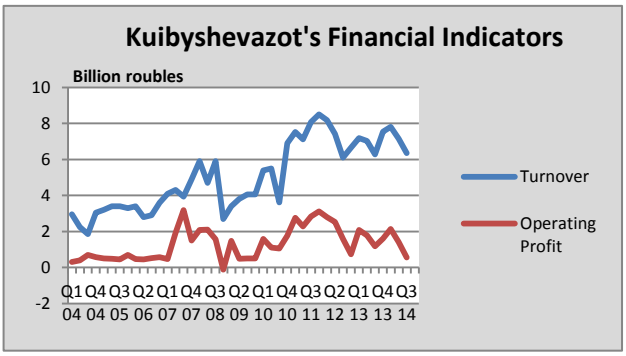


Demand on the Russian market for polyamide stands at a level of roughly 2-3,000 tons per month. The reason this figure seems relatively low is that the textile industry in Russia is characterized by a significantly higher cost than in countries such as China, India, and Turkey. Kuibyshevazot's share in the Russian production of PA 6 in 2013 was 99%.

Aromatics & derivatives

Kuibsyhevazot, Jan-Sep 2014

Kuibyshevazot reduced its net profit by 55% in the first three quarters in 2014 to 945.9 million roubles. Revenues increased by 4% to 21.3 billion roubles, but the cost of sales rose from 15.44 billion roubles to 17.2 billion roubles. Gross profit in the reporting period decreased by 19% to 4.1 billion roubles, profit from sales by 31% to 2.04 billion roubles. Profit before tax decreased from 2.65 billion last year to 1.16 billion roubles.



Polyamide continues to increase its share of revenues for Kuibyshevazot, rising from 29.8% in January to September 2013 to 36.4%. Overall, the company is experiencing reduced financial performance attributed to deteriorating market prices, and the growth of tariffs for gas, electricity and thermal energy, and rail transport.

Kuibyshevazot has also undertaken planned outages this year affecting production, including plants for ammonia, ammonium nitrate, urea, weak nitric acid, caprolactam and polyamide.

Russian Benzene Production (unit-kilo tons)		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Altay-Koks	0.0	9.9
Angarsk Polymer Plant	73.1	63.2
Chelyabinsk MK	7.0	11.7
Gazprom Neft	77.6	95.6
Koks	0.0	1.1
Stavrolen	12.7	37.1
LUKoil-Perm	38.1	39.0
Magnitogorsk MK	55.0	50.6
Nizhnekamskneftekhim	156.9	155.4
Novolipetsk MK	16.6	27.4
Gazprom n Salavat	107.0	115.4
Severstal	30.5	32.0
SIBUR-Kstovo	28.2	60.8
Slavneft-Yanos	55.2	51.0
Surgutneftegaz	60.5	48.7
Ryazan Refinery	21.9	30.6
Ufaneftekhim	60.5	67.9
Ural Steel	7.7	5.9
Uralorgsintez	73.0	52.2
Zapsib	51.8	47.5
SANORS	28.9	10.9
Total	962.2	1014.0

Projects underway for Kuibyshevazot include the installation of impregnation cord fabric technology supplied by Benninger Zell (Germany), which will be used at sites Togliatti and Kursk. The construction of a new nitric acid plant is entering the final stage of completion whilst the company continues construction and installation on the new energy efficiency of production of cyclohexanone technology DSM. Regarding ammonia, Kuibyshevazot is constructing a new plant as part of a jv with Linde. In addition, cooperation with Praxair for air separation products is continuing.

Russian benzene, Jan-Aug 2014

Russian benzene production rose 4% in October over September to 90,000 tons. The Ryazan refinery increased production 3.5 times to 3,500 tons after maintenance in September. In addition, after repairs Nizhnekamskneftekhim increased production 1.9 times to 13,300 tons. However, Gazprom Neft at Omsk was down for maintenance, thus reducing production 6.3 times to 1,300 tons whilst Kirishinefteorgsintez reduced production by 14% to 5,800 tons. Russian benzene production totalled 906,200 tons in the first ten months in 2014, 4% less than in 2013.

Domestic sales of benzene in Russia dropped 16% in October against September to 47,300 tons. Maintenance by Gazprom Neft at Omsk resulted in a drop of 2.8 times to 2,500 tons in October, whilst Ufaneftekhim reduced shipments by 11.9 times to 8,400 tons. In addition, Angarsk Polymer Plant reduced sales by 18% to 4,100 tons. At the same time, after the end of repairs the Ryazan refinery tripled supply of benzene to 2,400 tons.

In the first ten months in 2014 benzene sales on the domestic market totalled 504,500 tons which was 4% down on 2013. Russian imports of benzene fell 16% in October against September to 599 tons. Imports from Kazakhstan totalled 3,900 tons in January to October which was 35% up on 2013.

Russian Caprolactam Production (unit-kilo tons)		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Kuibyshevazot	150.9	155.7
Shchekinoazot	32.9	62.1
SDS Azot	67.3	64.1
Total	251.2	281.9

Russian toluene, Jan-Oct 2014

Domestic shipments of toluene by rail to the Russian market amounted to 11,200 tons in October 13% less than in September. Deliveries were down partly to the maintenance outage at the Omsk refinery. Amongst consumers, manufacturers of industrial explosives reduced purchases of toluene 2.4 times against September to 620 tons, whilst the paint sector increased purchases by 27%, to 2,970 tons. Manufacturers of lubricants and additives for motor fuels increased purchases of toluene by 15% to 2,510 tons (22%). In addition, 850 tons was sold to consumers using it as a solvent for rubber. In the period January to October 2014 domestic market sales totalled 119,600 tons, 6% up on 2013.

Russian Phenol Sales by Supplier (unit-kilo tons)

Producer	*Jan-Oct 14*	*Jan-Oct 13*
Omsk Kaucuk	10.9	44.5
Samaraorgsintez	41.0	32.9
Kazanorgsintez	10.1	8.1
Ufaorgsintez	29.3	21.5
Neftekhimya	0.0	0.2
Sterlitamak NPZ	0.0	0.1
LUKoil-VNPZ	0.1	0.1
Borealis	2.1	1.2
Total	93.5	108.4

Russian phenol, Jan-Oct 2014

Russian phenol production amounted to 20,000 tons in October, 30% up on September due to the return of Ufaorgsintez after maintenance. Ufaorgsintez produced 6,500 tons in October, three times more. Kazanorgsintez produced 6,000 tons, 6% up on September whilst Russia's largest phenol producer Samaraorgsintez reduced output by 5% to 7,500 tons. Russian production of phenol totalled 200,200 tons in January to October 2014 against 239,100 tons in the same period last year.

Domestic sales amounted to 9,000 tons in October, 33% up on September. Samaraorgsintez, part of SANORS, shipped 3,500 tons to the domestic market in October, 10% down, whilst Ufaorgsintez doubled its sales in October of commercial phenol to 3,400 tons. Kazanorgsintez increased shipments by 85% to 2,200 tons.

Nizhnekamskneftekhim, the sole domestic producer of alkylphenols, resumed purchases in October and bought 1,200 tons which comprised 13% of total sales. The largest share of phenol sales in October, 75%, went to phenol-formaldehyde producers whilst another 4% was delivered to caprolactam producers. The remaining 8% went to other derivative producers, such as antioxidants (7%, or 645 tons), oils and additives (1%, or 120 tons).]

Russian Phenol Production (unit-kilo tons)

Producer	*Jan-Oct 14*	*Jan-Oct 13*
Ufaorgsintez	60.8	59.9
Kazanorgsintez	57.1	62.3
SANORS	71.5	67.3
Omsk Kaucuk	10.7	49.6
Total	200.2	239.1

Regarding trade, phenol imports from Borealis rose 30% in October over September to 740 tons. This increase resulted from the revival of purchases by Pigment at Tambov which took 25% of Finnish shipments. The remainder of the imports in October were purchased by Russian company Astat.

Export sales from Samaraorgsintez rose 72% in October to 810 tons, fuelled by the fall in the value of the rouble. Around 30% of exports in October, or 250 tons, was acquired by Latvian company Latvijas Finieris, which specializes in producing phenol-formaldehyde resins. The other 70% was shipped to Polish resin producers.

Russian Orthoxylene Domestic Sales (unit-kilo tons)

Producer	*Jan-Oct 14*	*Jan-Oct 13*
Gazprom Neft	51.2	46.6
Ufaneftekhim	29.9	23.1
Kinef, Kirishi	38.9	27.1
Total	120.0	96.9

Russian orthoxylene, Jan-Oct 2014

Russian producers sold 6,840 tons of orthoxylene on the domestic market in October 49% less than in September. Gazprom Neft at Omsk was closed for maintenance, whilst Kirishinefteorgsintez sold 3,390 tons on the market and Ufaneftekhim sold 3,180 tons. Kamteks-Khimprom bought 1,730 tons in October, 25% of total shipments, whilst another 25% of sales went to paint companies and 21% went to fuel producers, agrochemical and pharmaceutical sectors. From January to October 2014 domestic sales totalled 121,800 tons, 18% more than in 2013.

Orthoxylene exports from Russia amounted to 6,510 tons in October, 87% more than in September and 75% in October 2013. Gazprom Neft at Omsk exported 2,540 tons in October, followed by Ufaneftekhim with 1,990 tons and Kirishinefteorgsintez 1,970 tons. Finland accounts for the sole destination for Russian orthoxylene exports, which totalled 48,500 tons in January to October 2014 and was 31% higher than 2013.

Synthetic Rubber

Voronezhsintezkaucuk-new rubber grades

Voronezhsintezkaucuk plans to start production of new grades of solution styrene-butadiene rubber (SBR) in 2015. Development of new brands of products has been carried out in conjunction with the science centre SIBUR Innovation. SIBUR has been working in the Voronezh area on two brands of solution styrene-butadiene rubber for the manufacture of tyres with high adhesion to the road surface. The first batch of products will be allocated to foreign consumers for testing before being designated suitable for commercial production. Voronezhsintezkaucuk is owned by SIBUR and produces a wide range of rubber including the capacity of 30,000 tpa for the production of styrene-butadiene rubber.

Russian C4 Supplies (unit-kilo tons)		
Supplier	***Jan-Oct 14***	***Jan-Oct 13***
Angarsk Polymer	60.0	47.8
Krasnoyarsk SR	0.3	0.5
Kazanorgsintez	24.2	24.0
Stavrolen	12.7	57.2
SIBUR-Kstovo	34.8	45.3
Gazprom neftekhim Salavat	6.4	0.0
Tomskneftekhim	62.0	58.6
Ufaorgsintez	21.8	21.8
Naftan (Belarus)	41.8	37.9
SANORS	0.4	0.0
Azerkhimya	18.2	9.9
Efremov SR	0.2	0.3
Iran	4.7	3.1
France	2.0	0.0
Slovakia	2.2	0.0
Turkey	13.0	0.0
Total	304.5	272.4

Russian C4s, Jan-Oct 2014

The C4 market saw higher volume sales in October due to a combination of downtime ending for one plant and starting for another. Ufaorgsintez increased shipments after maintenance, rising 5.3 times to 3,000 tons. SIBUR-Kstovo also increased shipments 8% to 7,000 tons. Maintenance at Nizhnekamskneftekhim in October forced the company to increase foreign imports by 23% to 5,900 tons. Omsk Kaucuk also increased shipments four times to 1,500 tons.

For January to October 2014 sales of C4s of domestic producers on the Russian market totalled 226,200 tons, 14% down on 2013. For the first ten months in 2014 Russian imports of C4s totalled 84,400 tons, 1.7 times more than in October 2013.

Omsk Kaucuk, Jan-Sep 2014

Omsk Kaucuk (part of Titan) recorded a net loss of 44.8 million roubles in the first nine months in 2014, against a net profit of 1.17 million roubles in 2013. Revenue for the period January-September this year amounted to 3.52 billion roubles against 3.63 billion roubles in 2013. The cost of sales declined by 4.2% to 3.09 billion roubles.

Russian C4 Sales by Consumer (unit-kilo tons)		
Consumer	***Jan-Oct 14***	***Jan-Oct 13***
Omsk Kaucuk	63.1	61.2
Nizhnekamskneftekhim	123.5	111.4
Togliattikaucuk	108.1	128.9
Sterlitamak Petrochemical Plant	8.1	4.2
Total	302.8	305.7

Although the phenol and acetone plants have been out of action since the accident in early March Omsk Kaucuk benefited from a slight increase in demand for synthetic rubber in the third quarter. MTBE sales have also been positive. According to forecasts, the fourth quarter for the company may become difficult because of the fall in demand and the worsening crisis in the tyre and automotive industries. The company intends to continue the programme of modernisation, including the construction and reconstruction of the nitrogen-oxygen station, construction of sewage treatment plants, etc. It is also expected to continue work on repairing the phenol and acetone plants.

Russian C4 Supplies (unit-kilo tons)		
Supplier	***Jan-Oct 14***	***Jan-Oct 13***
Angarsk Polymer	60.0	47.8
Krasnoyarsk Synthetic Rubber	0.3	0.5
Kazanorgsintez	24.2	24.0
Stavrolen	12.7	57.2
SIBUR-Kstovo	34.8	45.3
Gazprom neftekhim Salavat	6.4	0.0
Tomskneftekhim	62.0	58.6
Ufaorgsintez	21.8	21.8
Naftan (Belarus)	41.8	37.9
SANORS	0.4	0.0
Azerkhimya	18.2	9.9
Efremov Synthetic Rubber	0.2	0.3
Iran	4.7	3.1
France	2.0	0.0
Slovakia	2.2	0.0
Turkey	13.0	0.0
Total	304.5	272.4

Russian tyre news

In 2016 Bridgestone aims to open a plant in the Ulyanovsk region for the production of car tyres. Production will be located on an industrial estate Trans-Volga where the site has been created for the plant. From the beginning of 2015 equipment is intended to be imported into Russia and in 2016 the first phase of the project will be started with designs to produce 12,000 tyres a day.

Tyre manufacturers in Russia reported poor results for the period January to September this year. The net loss of YaShZ (Yaroslavl Tyre Plant) for the first three quarters in 2014 increased by 4.48 times over 2013 to 1.22 billion roubles. Revenues dropped from 4.52 billion roubles to 2.69 billion roubles, whilst costs decreased 11.93% to 3.83 billion.

Nizhnekamskneftekhim signed a long-term contract with Pirelli in September four years regarding an increase in the supply of all grades of synthetic rubber. Bridgestone and Continental are also both interested in long term supplies from Nizhnekamskneftekhim's butyl rubber and synthetic rubber plants. Nizhnekamskneftekhim has conducted pilot tests to produce butadiene-styrene rubber for the tyre industry, and started producing brand ROSC-2560F and its variants with oil-filled SBR-2560FM.

ZAO Kvart, Jan-Sep 2014

Revenues for rubber product manufacturer ZAO Kvart at Kazan decreased by 9.9% in the first nine months in 2014 from 1.53 billion roubles to 1.38 billion roubles. Due to low demand, the capacity of the 14.500 tpa plant ran at only 40% of utilisation in the third quarter this year. The net profit of Kvart decreased by 2.2 times from 241.4 million roubles for the first nine months of 2013 to 108.6 million roubles in 2014.

Kvart competes in rubber and technical items with around 50 domestic manufacturers including Kurskrezinotekhnika, Saransk Plant RTI, Ural Plant RTI, Volzhskrezinotekhnika, Balakovorezinotekhnika, etc. In recent years competition from foreign manufacturers has been growing and low profitability of domestic enterprises manufacturers has made it harder to compete with imported cheaper products, Moreover despite the fact that commodity prices are rising due to stiff competition Kvart has been forced to cut prices e in order to retain market position.

The depreciation of equipment and obsolete technologies provide additional challenges for Kvart and weaken its competitive position. Projects under review include investments in equipment for EPDM sealants and rubber hoses for heaters and radiators but the company would need to borrow in order to complete these plans.

Rubber product manufacturers

The net profit of Kurskrezinotekhnika (produces rubber & technical articles) for the first nine months of this year fell by almost ten times against 2013. The profit fell from 143.3 million roubles last year to 14.7 million roubles. The company's revenue also declined by 10% from to 2.9 billion roubles to 2.6 billion roubles.

Ural Plant RTI incurred a loss of 46.638 million roubles in the first nine months against a net profit of 10.791 million roubles in the same period in 2013. Revenues dropped from 1.715 billion roubles to 1.525 billion roubles. The company refers to increased competition from manufacturers of imported products of a higher quality at relatively low prices, which leads to an increase in the share of imports and a gradual displacement of domestic suppliers. Price pressure is particularly noticeable from Chinese and Indian manufacturers. Exports accounted for 9% of sales for the Ural plant RTI in 2014, with most the sales sold domestically in the Urals region.

Balakovorezinotekhnika, located in the Saratov region, showed a similar picture to other RTI producers in the first three quarters in 2014. The net profit in January to September 2013 amounted to 77.207 million roubles, but this year the company reported a loss of 108.613 million roubles. Revenues dropped from 3.863 billion roubles to 2.965 billion roubles in the first three quarters in 2014.

A large part of production costs for Balakovorezinotekhnika stem from raw materials and energy resources, and the rouble devaluation has had a negative impact on costs this year. To limit the impact of this rising costs, Balakovorezinotekhnika is conducting a search for alternative suppliers of these resources. The situation in Ukraine has had an impact on Balakovorezinotekhnika, in that the sale of Lada cars from Avtovaz to the Ukrainian market is much lower. The company intends to search for additional markets for rubber products (including foreign), for contracts, development of new parts, etc.

Methanol

Russian Methanol Domestic Sales (unit-kilo tons)

Producer	*Jan-Oct 14*	*Jan-Oct 13*
Azot Nevinnomyssk	20.5	30.8
Azot Novomoskovsk	99.0	80.6
Metafrax	315.3	335.1
Sibmetakhim	318.9	342.6
Togliattiazot	341.6	300.9
Shchekinoazot	16.9	43.0
Others	18.5	15.0
Total	1130.6	1148.1

Russian methanol, Jan-Aug 2014

Production of methanol in Russia increased 15% in October over September to 265,500 tons. The rise was due mainly to the end of the scheduled maintenance by Sibmetakhim. The combined share of Metafrax and Sibmetakhim was 55% of Russian production in October, whilst Shchekinoazot also operated at high operating rates. Tomet at Togliatti reduced production due to maintenance, which has now finished.

Seasonally high demand for methanol in the Russian market increased shipments in October by 3% over September to 116,000 tons. Metafrax, Sibmetakhim and Tomet accounted for 83% of total sales in October. The maximum reduction in sales volumes of commercial methanol in October came from Tomet, dropping 30% against September to 23,000 tons. MTBE and gas companies accounted for 55% total methanol sales in October, whilst producers of synthetic rubber and formaldehyde reached only 35%.

Russian Methanol Production (unit-kilo tons)		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Shchekinoazot	404.0	347.4
Sibmetakhim	666.5	663.8
Metafrax	783.0	846.0
Akron	71.6	71.2
Azot, Novomoskovsk	274.1	246.5
Angarsk Petrochemical	2.8	2.7
Azot, Nevinnomyssk	104.0	102.3
Togliattiazot	595.8	597.6
Totals	2901.8	2877.5

Methanol exports increased 11% over September to 93,400 tons in October. Shchekinoazot: accounted for 35% of exports, whilst Sibmetakhim, Metafrax and Azot collectively accounted for 60%. The largest importer of Russian methanol remained in Finland: its share in October accounted for about 45% of the exported product or 42,000 tons. Consumers in Poland and Slovakia in October increased their purchases of Russian methanol compared to September by 45% and 50%, respectively, and Romania reduced by 30%. Russian exports totalled 1.308 million tons in January to October.

MetaDynea-Sberbank loan

MetaDynea (a subsidiary of Metafrax) has attracted Sberbank revolving credit line loop with differentiated interest rates. The credit line is contracted for a period of three years with Metafrax acting as the guarantor. Funds are to be used for several investment projects. In the first half of 2016 the company wants to launch a new plant for the development of formaldehyde. In parallel, it is planned to implement a project to increase the production of synthetic resins. By 2016, the capacity of the company to grow by 100,000 tpa. MetaDynea produces synthetic resins used in the chemical, woodworking, engineering, automotive, tyre and other industries. The total design capacity of the two plants comprises 450,000 tpa.

Metafrax Production (unit-kilo tons)		
Product	***Jan-Sep 14***	***Jan-Sep 13***
Methanol	690	756
Formaldehyde	261	232.2
Urea-formaldehyde conc	147	138.0
Pentaerythritol	16.6	16.4

Metafrax, Jan-Sep 2013

In the first three quarters in 2014 Metafrax increased revenues by 3% to 9.360 billion roubles. Exports accounted for 38.3% of total sales, which was 2.9% down on 2013. The net profit for Metafrax in the first three quarters totalled 2.658 billion roubles, 7% up on 2013.

Methanol production totalled 690,000 tons of methanol in the period January to September 2014, against 756,000 tons in 2013. The decline was due to maintenance and reconstruction of the first stage in order to increase the capacity of the unit by 10%. Formaldehyde production increased 12.5% to 261,000 tons whilst urea formaldehyde concentrate (UFC) rose 6.6% to 147,000 tons. Pentaerythritol production totalled 17,000 tons, up 1% on 2013.

Akron Production (unit-kilo tons)		
Product	***Jan-Sep 14***	***Jan-Sep 13***
Ammonia	1400.2	1428.6
Urea	504.3	480.5
Methanol	63.0	62.3
Formaldehyde	103	99.2
Urea-formaldehyde resins	128.7	124.1
Calcium Carbonate	283.8	186.8
Hydrochloric Acid	124.0	97.0

Akron, Jan-Sep 2014

Akron reduced its net loss in the first three quarters in 2014 by 19% against 2013 to 2.56 billion. Revenue increased in January-September by 2.7% and amounted to 26.67 billion roubles, whilst the EBITDA increased by 14% and amounted to 9.52 billion roubles. The weakening of the rouble against the US dollar has had a positive impact on the operating performance of Akron, increasing the EBITDA margin to 41% in the third quarter of 2014 compared with 33% in the second and 32% in the first quarters. At the same time, the weakening of the rouble had a negative impact on the net profit of the company as a result of the revaluation of foreign currency loans.

Fosagro Production (unit-kilo tons)		
Product	***Jan-Sep 14***	***Jan-Sep 13***
Ammonia	875.4	733.2
Urea	742.5	630.0
Ammonium nitrate	170.9	182.3
Aluminium fluoride	21.8	19.8
Phosphoric acid	1,430.6	1,322.2
Sulphuric acid	3,299.8	3,237.7
Sodium Tripolyphospahe	96.6	89.7

Fosagro, Jan-Sep 2014

Fosagro increased sales in the first three quarters by 4.3% to 4.6 million tons, whilst production rose 5.6%. The company is running its plants at Cherepovets at close to 100%. Despite the rise in revenues Fosagro reduced its net income by 31% for the first nine months of this year to 6.27 billion roubles. A significant weakening of the rouble led to foreign exchange losses worth 9.5 billion roubles, which affected results.

The net profit in the first half of 2014 was 8.1 billion roubles vs 4.8 billion roubles in 2013. The total debt for Fosagro as of 30 September 2014 amounted to 73.3 billion roubles, compared with 52.8 billion roubles at the end of last year. Most of the loans and credit companies are denominated in US dollars. Thus the weakening of the rouble against the US dollar was the main reason for the increase in net debt.

Evrokhim Sales Revenues (USD million)		
Product	***Jan-Sep 14***	***Jan-Sep 13***
Urea	507	540
An Nitrate	339	409
UAN	212	219
Complex fertilisers	432	473
Ammonia	64	44
CAN	248	191
AN granulated	42	28
NP	39	33
Melamine	42	27
Others	126	125
Acetic Acid	49	42
Methanol	107	95
Hydrocarbons	45	44
Total revenues	2,252	2,271

Evrokhim, Jan-Sep 2014

Evrokhim reduced its net profit 4.8 times in the first nine months of 2014 to $63.09 million. Revenues for the period decreased by 6.2% to $3.94 billion, whilst the EBITDA increased by 2.3% to $1.09 billion. The net loss Evrokhim in the third quarter reached $240.5 million, vis-à-vis a profit of $92.6 million in 2013. Sales of Evrokhim on the Russian market for the first three quarters amounted to 20% of total revenues, 1.3% up on last year. The Ukrainian market accounted for 4.8% of total revenues for the group.

Pigment-Tambov

Pigment at Tambov produced 87,000 tons of products in the period January to September this year, with revenues up 15% to 4.2 billion roubles. The highest growth was recorded in the production of optical brighteners, rising by 56.4%, whilst formaldehyde increased by 49.4%, acrylic emulsions 37.5%, synthetic resin 21% and additives to gasoline by 14.5%. Exports accounted for 587 million roubles, or 13.9% of total revenues. Investment by Pigment amounted to 333 million roubles in the first nine months in 2014, twice higher than in 2013. Funds were invested in the construction of its own power unit on the premises and a new line for the production of acrylic dispersions, which are already in operation, as well as for environmental protection.

Pigment, Main Competitors	
Company	Product area
Polyplast-	Additives
BASF	Acrylic dispersions, additives for concrete
Clariant	Pigments. dyestuffs
Uralkhimplast	Formaldehyde resins
Dow	Acrylic dispersions
Volzhskiy Orgsintez	Additives
Sigma Italia	Optical agents

Due to the weakening of the rouble and weak economic conditions Pigment is considering reducing financing of investment programmes and delaying projects until later due to unstable economic conditions. The implementation of investment projects for Pigment depends largely on the cost of imported equipment, and the drop in value of the rouble means that costs of imports are at least 20% higher. Also due to sanctions the loss of access to foreign capital means that many Russian companies are being forced to take decisions on reducing investment.

Organic Chemicals

Russian Butanol Domestic Sales (unit-kilo tons)		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Gazprom n Salavat	23.0	16.0
SIBUR-Khimprom	27.2	15.2
Angarsk Polymer Plant	1.9	6.5
Azot Nevinnomyssk	2.4	12.8
Others	2.9	36.8
Total	57.3	50.5

Russian butanols, Jan-Oct 2014

Butanol sales on the domestic market dropped 16% in October against September to 6,400 tons. This volume was still 31% higher than in October 2013. N-butanol accounted for 69% of sales. Of the producers SIBUR-Khimprom sold 3,480 tons, Gazprom neftekhim Salavat 2,660 tons, and Azot Nevinnomyssk 280 tons. Angarsk Petrochemical Company did not ship product during October.

Dmitrievsky Chemical Plant purchased 2,360 tons of butanols in October, 26% down on September, whilst Akrilat dropped purchases by 33% to 1,430 tons. Major buyers of butanols in October were also producers of flotoreagents including Volzhskiy Orgsintez (450 tons or 7% of total purchases) and Sredneuralsky copper smelter (190 tons or 3%). From January to October 2014 domestic supplies of butanol to Russia totalled 60,900 tons, 20% more than in 2013. The proportion of n-butanol shipments was 78% and isobutanol 22%.

Butanol exports from Russia amounted to 5,130 tons in October, 56% less than in September and 62% lower than in October 2013. N-butanol accounted for 61% of shipments in October this year. Finland took 46% of butanol deliveries followed by Poland (17%), China (15%) and the Netherlands (9%). Gazprom neftekhim Salavat shipped 4,350 tons of butanols in October (85% of total exports). SIBUR-Khimprom 480 tons (9%), and Azot Nevinnomyssk 300 tons (6%). From January to October 2014, exports of butanol from Russia totalled 85,500 tons which is 28% less than in the same period last year. The proportion of n-butanol was 57%, and isobutanol 43%.

Russian Butanol Production (unit-kilo tons)		
N-Butanol		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Angarsk Petrochemical	26.7	27.1
Evrokhim	15.6	15.2
Gazprom n Salavat	51.4	68.6
SIBUR-Holding	24.5	24.0
Total	118.1	134.9
Isobutanol		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Angarsk Petrochemical	13.6	14.2
Gazprom n Salavat	25.8	29.9
SIBUR-Holding	37.3	37.4
Total	76.6	81.6

During November the Russian butanol market encountered seasonally low demand for butanols. Gazprom neftekhim Salavat was considering stopping one of the two lines for butanol production due to a surplus in the domestic market and low quotations of products in Asia. However, the weakness of the rouble against the dollar made it viable to keep both lines running.

In other paint raw materials demand for pentaerythritol in November in Russia fell in November and the sole producer Metafrax is building up inventory. Metafrax produced 17,740 tons of pentaerythritol in January to October 2014, unchanged from last year.

Russian fatty alcohols

The rate of import duty on industrial fatty alcohols into Russia will be reset with the aim to provide support to domestic producers of surfactants. According to the decision, reduced rates of import duties on industrial fatty alcohols from 5 to 0% are to be implemented on a temporary basis until domestic producers can meet market demands. The decision to abolish the import duty on industrial fatty alcohols was made after the Plant of Sintanol made an application.

Russian Acetone Production (unit-kilo tons)		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Ufaorgsintez	36.4	38.1
Kazanorgsintez	36.4	35.6
Samaraorgsintez	45.8	41.2
Omsk Kaucuk	6.7	30.7
Total	125.3	145.6

Russian plasticizer alcohols, Jan-Oct 2014

Due to a surplus of product in the market Gazprom neftekhim Salavat and Roshalsky Plant of Plasticizers reduced production in October. This helped put upward pressure on prices despite weak demand.

Russian Phthalic Anhydride Production (unit-kilo tons)		
Producer	***Jan-Oct 14***	***Jan-Oct 13***
Gazprom n Salavat	7.7	7.1
Kamteks-Khimprom,	76.8	76.1
Total	84.5	83.2

Russian production of phthalic anhydride in October amounted to 6,300 tons which is 54% more than in September. Kamteks-Khimprom returned to production after maintenance increasing output 50% over September to 5,210 tons. The smaller producer Gazprom neftekhim Salavat also increased output by 76% to 1,120 tons after undertaking maintenance. Russian production for January to October totalled 84,480 tons, 2% up on 2013.

Exports of phthalic anhydride from Russia amounted to 2,340 tons in October, 41% less than in September. Turkey took 21% of shipments, followed by China (17%), Finland (15%), Uzbekistan (15%) Poland (11%) and Ukraine (8%). From January to October 2014 phthalic exports from Russia totalled 54.700 tons, 4% lower than the same period in 2013.

Russian titanium dioxide imports, Jan-Oct 2014

Imports of titanium dioxide in the Russian market in January-October 2014 increased by 2.6% to 68,500 tons. Despite the increase in imports, demand has slowed down in the second half of the year due partly to the weakened rouble. Traders reported also a high volume of material in their warehouses. Russia's imports of titanium dioxide were 5,300 tons in October, compared with 7,100 tons in October 2013. Product purchases from Crimean Titan are still considered imports rather than domestic Russian sales. The volume of imports of titanium dioxide from Sumyhimprom in Ukraine decreased by 21% in January to October this year. Most traders of imported titanium dioxide have announced their prices in dollars since end of October. Prices for imported titanium dioxide have sharply increased in line with the falling rouble.

Other Products

Khimprom, Novochebksarsk-Jan-Sep 2014

Khimprom at Novocheboksarsk achieved a net profit of 93.6 million roubles in January to September 2014, against 4.1 million roubles in the same period last year. The company sold 84% of its production on the Russian market in 2014. Revenue from sales of the main products of organic chemistry for three quarters amounted to 1.09 billion roubles, 20.8% more than in 2013, and inorganic chemistry1.98 billion roubles 0.2% higher. The cost of sales rose to 3.21 billion roubles against 3.08 billion roubles a year earlier.

Khimprom is working on installation of a new production unit for hydrogen peroxide. The company is also is considering plans to diversify production, including products such as herbicide glyphosate. In the first nine months in 2014 Khimprom

achieved increases in revenues for softeners, methylene chloride and chlorinated paraffins.

Kazanorgsintez-BASF additives for polycarbonate

Kazanorgsintez has entered into a long-term agreement with BASF for the supply of additives for polyolefins. Under the terms of the agreement, BASF will supply Kazanorgsintez with antioxidants and stabilizers for polyethylene and polycarbonate. In addition, the German company will provide technical support in the production of HDPE. Signing this agreement will ensure the supply of high-quality European products from the direct manufacturer with delivery to warehouse. In the future, the parties intend to implement joint projects to expand the assortment of branded products manufactured at Kazanorgsintez.

Air Products-Rostov

Air Products has delivered the major equipment required for the construction of a plant for the production of technical gases in the Azov district of Rostov region. The plant in the Rostov region represents the largest investment of the company in Russia. The capacity of the plant for the production of industrial gases (oxygen, nitrogen, argon) is expected to be 200 tons per day. Products will be delivered to the Rostov region and the neighbouring regions. The main consumers are expected to be food industry, metallurgy, health care, etc. In the project it is planned to invest more than 1 billion roubles, of which around a half has already been spent. The plant is planned for start in the second half of 2015. The new plant in Rostov region will be its fifth company in Russia.

Bor-Distribution of Boron Product Sales (unit-kilo tons)

Country/Region	*2013*	*2012*
Japan	13.9	17.1
South Korea	3.5	4.9
Europe	7.0	6.5
CIS	1.2	1.2
China	44.2	36.0
Russia	6.5	7.4
Total	76.4	73.0

Bor-boric acid production increase 2014

Bor at Dalnegorsk produced 57,700 tons of boric acid in January to September 2014 against 56,430 tons in the same period last year. Bor operates the only active boron deposit in Russia and is the only producer of high quality products from its own mineral resources.

The company possesses a full technological cycle from mining and enrichment to the synthesis of boron products. These products include boric acid, calcium borate, boric anhydride, and datolite concentrate. Work is underway to expand the range of products (boron nitride, boron carbide, zinc borate, sodium borohydride), to modernize equipment, and increase production capacity to 180,000 tpa.

Khimprom Volgograd

Khimprom at Volgograd appears to be close to permanent closure. Production has been intermittent in the past few months, with gas supplies on and off due to accumulated debts. The company has been close to closure since the late summer when due to its inability to pay it was facing acute supply shortages for oleum, hydrogen fluoride and paraffins. Products where production has fallen include emulsion PVC, caustic soda, Freon 21, methylene chloride and calcium carbide. The carbide furnace is expected to be shut down by the end of November, indicating a wind-down of operations.

The government intends to clear the Khimprom site at Volgograd in accordance with environmental regulations, in order to prepare it for a new phase of investment. The process could take anywhere from a half a year to two years. Khimprom was declared bankrupt in November 2012. More than 85% of the assets of the enterprise are jointly owned by Rostec and the bank Petrocommerce. New projects based on acetylene chemistry are under consideration, including bisphenol A, but doubts exist over capacity size and profitability.

Belarus

Belarussian Aromatic Imports (unit-kilo tons)

Product	*Jan-Sep 14*	*Jan-Sep 13*
Orthoxylene	4.5	5.5
Paraxylene	17.5	11.5
PTA	35.0	36.6

Belarussian petrochemcials

Benzene production by Naftan totalled 106,700 tons in the period January to October 2014, against 109,400 tons in the same period last year. Caprolactam production at Grodno remained unchanged at 102,800 tons. Talks are underway between Russia and Belarus on the mechanism of compensation for losses resulting expected from the changes in the Russian tax code for oil products. Belarus estimates it could lose around $250 million in 2015, in 2016 $300 million and in 2017 $370 million. As a result the Belarussian government has insisted on increasing the volume of compensation. Refineries Naftan and Mozyr aim to complete modernisation in 2016, increasing refining capacity to 24 million tpa (12 million tpa at each refinery).

Belarussian Methanol Exports (unit-kilo tons)		
Country	***Jan-Sep 14***	***Jan-Sep 13***
Ukraine	4.3	0.0
Poland	13.0	24.2
Lithuania	30.6	19.4
Czech Republic	0.7	0.0
Estonia	0.1	0.1
Total	48.6	43.6

Belarussian chemical trade

Methanol exports from Belarus totalled 48,600 tons in the first three quarters in 2014, against 43,600 tons in 2013, equating to 81% of production in both years. Phthalic anhydride exports from Belarus to Russia amounted to 9,700 tons in the first three quarters, against 6,430 tons in 2013, roughly two thirds of total exports. LDPE exports totalled 78,793 tons against 77,028 tons in January to September 2013.

Regarding imports, Belarus imported 85,978 tons of all grades of polyethylene against 86,951 tons in 2013. Paraxylene imports were up on 2013 but PTA shipments were largely the same. Caustic soda liquid imports amounted to 22,294 tons in 2014 against 21,863 tons in 2013.

Azot Grodno Production (unit-kilo tons)		
Product	***Jan-Oct 14***	***Jan-Oct 13***
Methanol	67.3	57.7
Caprolactam	103.2	104.6
Polyamide primary	73.6	61.9
Polyamide filled	8.9	8.7
Ammonia	861.7	838.4
Urea	817.3	778.0
Fertilisers	633.6	618.6
Fibres	33.6	34.0

In the first nine months of this year, imports of PVC in Belarus decreased by 15.1% and amounted to 29,700 tons. This decline in demand for PVC has been due to the decline in sales of finished products, primarily on the domestic market (about 25-30% compared to 2013 figures) and Russia. The key suppliers of PVC to Belarus are from Germany, accounting for 56% of imports in the first three quarters. The second-largest supplier is the Polish company Anwil.

In the first nine months of 2014 polypropylene imports increased 1.2% to 60,900 tons. Demand has risen for copolymers this year, rising by 21.5% to 19,800 tons. Demand for homopolymers fell from 43,900 tons to 41,100 tons in the first three quarters. The main supplier of copolymers of propylene to the local market is Germany with a share of about 58% of total imports, whilst Russian producers account for around 10%.

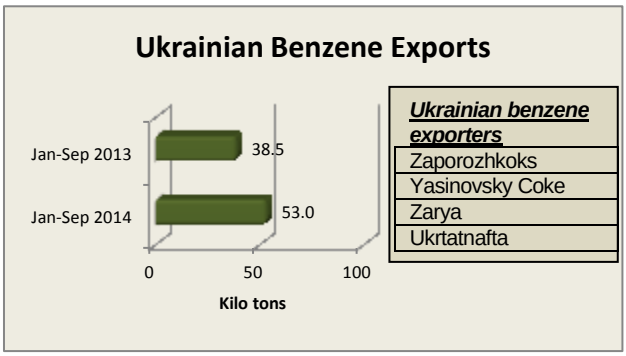
Omsk Carbon-Mogilev project

Omsktekhuglerod has started construction of a carbon black plant at Mogilev. The planned capacity of the plant is 120,000 tpa which is expected to be completed in 2017. Production from the plant is intended for sale in Belarus and the EU. The group of companies Omsk Carbon Group includes two factories for the production of carbon black at Volgograd and Omsk, with 110,000 tpa and 250,000 tpa capacities respectively.

Ukraine

Ukrainian benzene, Jan-Oct 2014

Export volumes of Ukrainian benzene increased 10.3 times in October to 4,900 tons. Ukrtatnafta resumed production and shipped 4,300 tons, whilst Zaporozhkoks increased exports by 23% over September to 579 tons. Ukrainian exports totalled 53,300 tons in the first ten months in 2014, 23% up on 2013. Spain took 17% of Ukrainian exports and Italy 15%.



Ukrainian benzene production fell 367% in September to 4,100 tons. Zarya at Rubezhnoye produced 315 tons, whilst Yasinovsky Coke reduced the production of benzene by 39%, to 1,300 tons and Ukrtatnafta by 20%, to 1,900 tons. Over three quarters of 2014, Ukraine produced 70,000 tons of benzene, almost the same as in 2013.

Ukrainian ammonia plants

The Ukrainian Government has introduced a ban on the use of natural gas from underground storage facilities for the production of mineral fertilisers. Effectively the government is closing down fertiliser production during the winter months in order that there is sufficient gas for heating. The ban will remain in place until the end of the heating season, although there have since been some modifications to this rule depending on individual plant contracts.

Ukrainian ammonia

In October, Ukraine imported ammonia worth $10.436 million. The major exporter of ammonia in October was Russia ($10,435million). In January-October 2014 Ukraine imported ammonia in the amount of $37.4 million, and exported $264.3 million. In September, Ukraine exported ammonia totalling $23.1 million, while imports amounted to $7.54 million.

Azot at Severodonetsk is almost ready to resume production, according to reports of recent stabilisation in the Lugansk region. However, the political situation remains volatile and a restart might be impeded by the lack of gas. Production at Severodonetsk was suspended in May due to the conflict, but the town is now free from the pro-Russian rebels and the conditions for a restart are in place.

The Cabinet of Ukraine has extended the privatisation of Odessa Portside Plant until the end of September 2015. The stake in state-owned enterprises will be sold in the privatisation tender open bidding on an auction. The design capacity of the Odessa Portside Plant is 450,000 tpa of ammonia and 330,000 tpa of urea. The capacity pf the transhipment terminal is 4.3 million tpa, providing a major outlet for ammonia produced by Togliattiazot, in addition to methanol and urea.

The net loss for the first nine months of 2015 decreased by 2.5 times for Odessa Port Plant to 243.4 million hryvnia. Revenues from product sales increased by 7.4% to 4.179 billion hryvnia. Odessa Port Plant began directly purchasing natural gas from Europe in July, allowing the company to save $150 per thousand cubic metres. A contract for the supply of gas was signed with the German energy group E.ON, which will provide monthly savings of more than $12 million.

Ukraine caustic soda investigation

Ukraine has started an anti-dumping investigation of imports of caustic soda from the Russian Federation. The investigation started on the basis of a complaint from Dniproazot, which is owned by Igor Kolomoisky. The Commission found that the complaint contained sufficient evidence that imports into Ukraine from Russia of caustic soda could cause significant damage to domestic production. .

Karpatneftekhim loses salt exploration contract

The Ivano-Frankivsk regional council overturned the decision, which allowed Karpatneftekhim to explore and develop the Upper Strutinsky rock salt deposits in Rogatyn. In 2011, the council gave Karpatneftekhim the right to the pilot development of the Upper Strutinsky rock salt deposits. Karpatneftekhim has not undertaken any of its obligations in this period and it has decided to waive the rights to allow other investors to develop the deposits.

Ukrainian polymer imports, Jan-Oct 2014

HDPE imports dropped from 115,400 tons in the period January to October 2013 to 83,400 tons this year. Polypropylene imports dropped by 16% to 94,000 tons. Polycarbonate consumption has remained unchanged in in January-October, at 3,600 tons. Despite the devaluation of the currency and rising domestic prices consumption has not fallen unlike some other polymers. Most of the traders are still working on a prepayment for the delivery, conducted solely through import.

Ukrainian Polymer Imports (unit-kilo tons)

Product	*Jan-Oct 14*	*Jan-Oct 13*
PVC	101.0	118.9
HDPE	83.4	115.4
PP	94.4	105.9
Polycarbonate	3.6	3.6

Imports of PVC in Ukraine decreased by 15% in the first ten months of this year to 101,000 tons. The demand for the resin reduced in all sectors of consumption, with the largest decline recorded in compounds. The US exported 58,400 tons of PVC in January to October 2014 against 61,100 tons in the same period last year, whilst Europe provided 40,600 tons to Ukraine this year against 54,800 tons in 2013. Key European suppliers of PVC in the Ukrainian market remain Hungary, Poland and Germany.

Central Asia-Caucasus

Kazakh Polymer Imports (unit-kilo tons)

Product	*Jan-Sep 14*	*Jan-Sep 13*
HDPE	61.1	74.4
LDPE	16.4	12.1
LLDPE	2.8	2.1
PVC	54.7	31.7
PET	30.5	26.5
Polypropylene	13.4	11.4

Kazakh polymer imports

In the first nine months of this 2014 imports of PVC in Kazakhstan increased by 78% to 54,700 tons. The increase is due largely to product being re-imported. China provided around 95% of imports. Polyethylene imports fell 9% to 80,300 tons, with HDPE dropping from 74,400 tons to 61,000 tons. Polypropylene imports rose from 11,400 tons in January to September 2013 to 13,400 tons in 2014.

Homopolymer imports rose to 9,900 tons from 7,000 tons last year. Polypropylene is produced domestically by Neftekhim at Pavlodar and

the company exported 16,900 tons in the first three quarters, 49% up on 2013. In November Neftekhim launched the unit for granulated polypropylene which increased capacity to 50,000 tpa. .

SOCAR Polymer, Sumgait polyolefin project-

SOCAR is undertaking projects for polypropylene and HDPE at the Sumgait Chemical Industrial Park that will be completed 2016-2017. Construction and commissioning of new plants will take around 2.5 years. Part of the equipment for the rig for polypropylene project has been already delivered, and polyethylene will follow in due course.

The plants are being constructed as part of SOCAR Polymer LLC and comprise 200,000 tpa of polypropylene and 100,000 tpa of HDPE. In order to increase the investment attractiveness of Sumgait Chemical Industrial Park residents will be exempt from income, land and property taxes for a period of seven years. Also equipment and technology used in the park are exempt from value added tax.

SOCAR-polyolefin facilities & gas processing

SOCAR intends to prequalify an EPC-contractor for an oil and gas complex combined with petrochemical facilities in the first quarter of 2015. Raw materials for processing are to come from the Azeri-Chirag-Umida-Babak, Shah Deniz. The project involves effectively two stages, involving gas processing and petrochemical production. The complex is being designed to produce polyethylene and polypropylene, with a combined capacity of 860,000 tpa which was revised downwards from the original 1.1 million tpa. Polyolefin plants are aimed to be launched by 2020, whilst butadiene capacity is also planned. Currently SOCAR is preparing tender documents for the selection of the contractor for the development of Pre-FEED.

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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 = 13.49. €1 = 17.40: Rus rouble. $1 = 44.8. €1= 55.8

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