

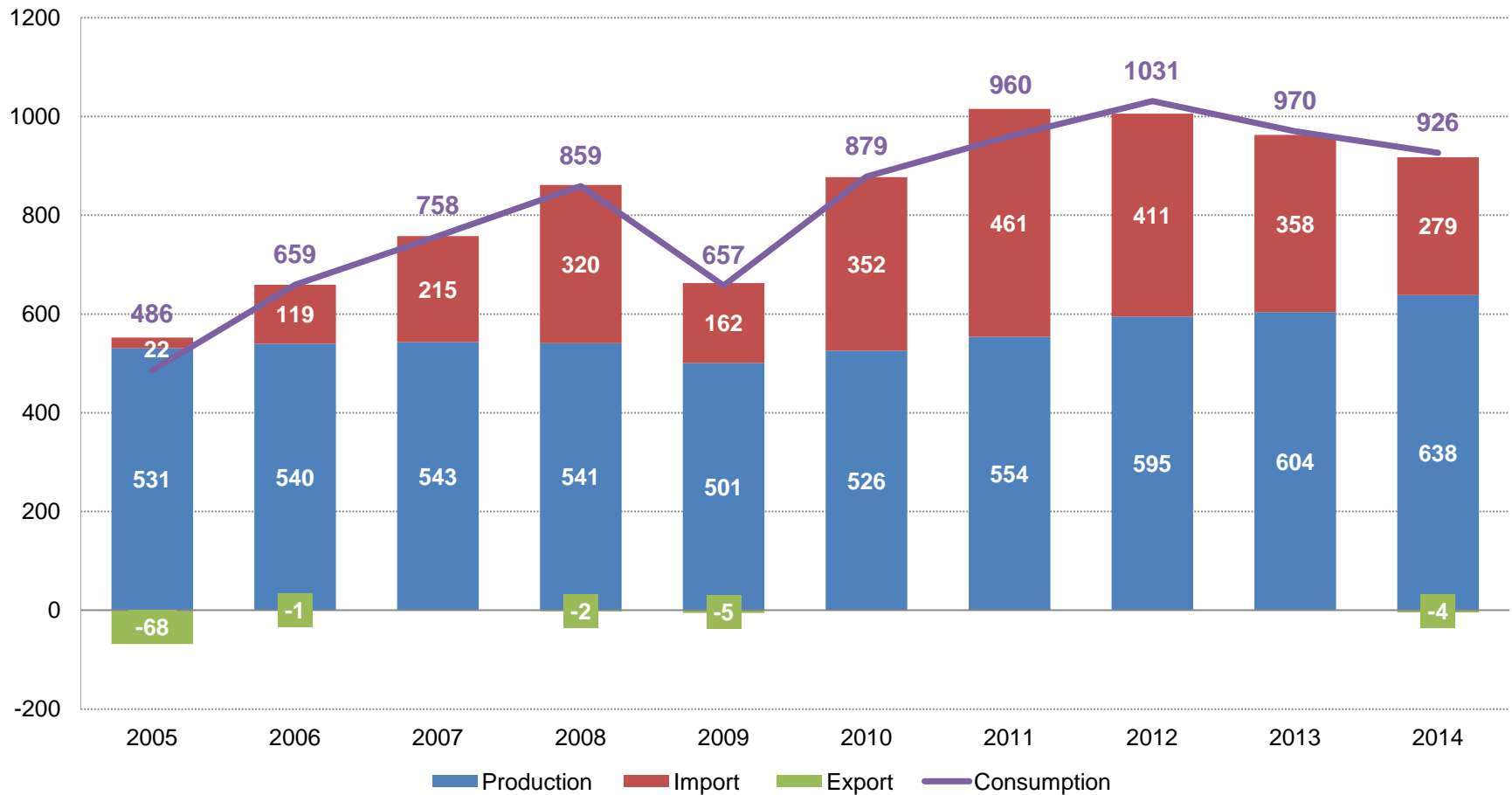


DEVELOPMENT OF THE PVC MARKET IN RUSSIA

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RUSSIA WAS A NET IMPORTER DURING LAST 9 YEARS

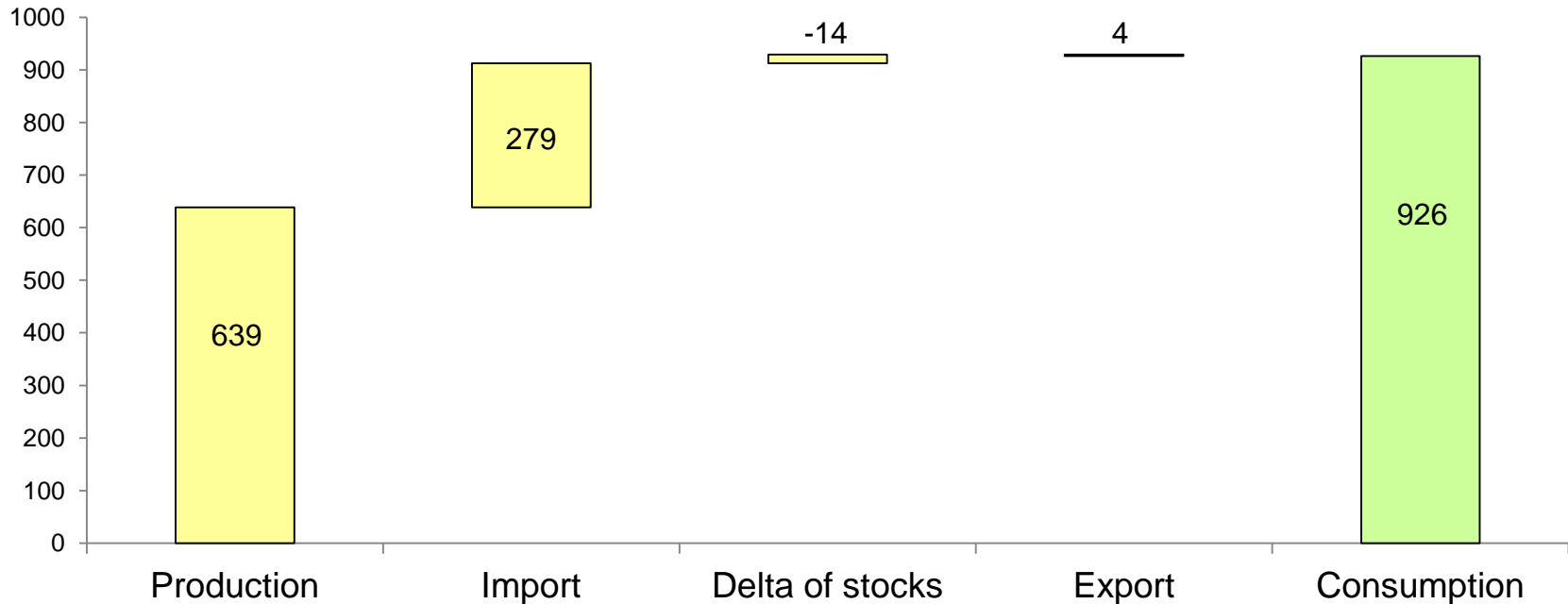


- Profile segment was a key driver of consumption growth in 2005-2012
- But saturation in this segment led to consumption in 2013-2014
- Local players had high capacity utilization rate, periodically facing ethylene supply issue

Source: RVL calculation based on agencies' reports (ChlorKompleks, HimCourier, Market report), custom statistic data and RVL research.

RUSSIAN PRODUCERS STARTED TO EXPORT OF PVC-S IN THE END OF 2014

PVC-S market balance 2014, kmt



Production (2014/2013): +6% *The growth was primarily driven by RusVinyl start-up.*

Import (2014/2013): -22% *Ruble depreciation and import substitution cause significant reduction of supplies from abroad.*

Consumption (2014/2013): -5% *RF economy showed a slowdown in growth rates and expectations of decrease in construction activity.*

Source: RVL calculation based on agencies' reports (ChlorKompleks, HimCourier, Market report), custom statistic data and RVL research.

TOTAL CAPACITY IN RUSSIA IS 940 KT PER YEAR

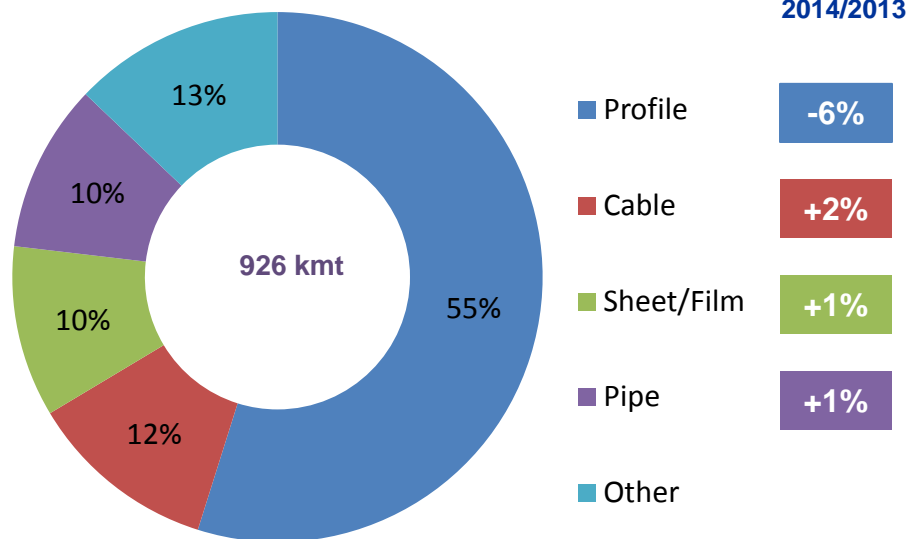
Producer	Actual capacity, kt per year	Production 2014 kmt
Sayanskhimplast	300	283
BSK, Sterlitamak	240	222
Caustic ,Volgograd	100	91
RusVinyl	300	42
Total	940	639

- RusVinyl started in September 2014
- During last several years, Sayanskhimplast and BSC did several debottlenecking expansions
- Some projects for further capacity increase were announced, but ethylene supply issue should be settled

PROFILE SEGMENT SHARE IS STILL MORE THAN 50%

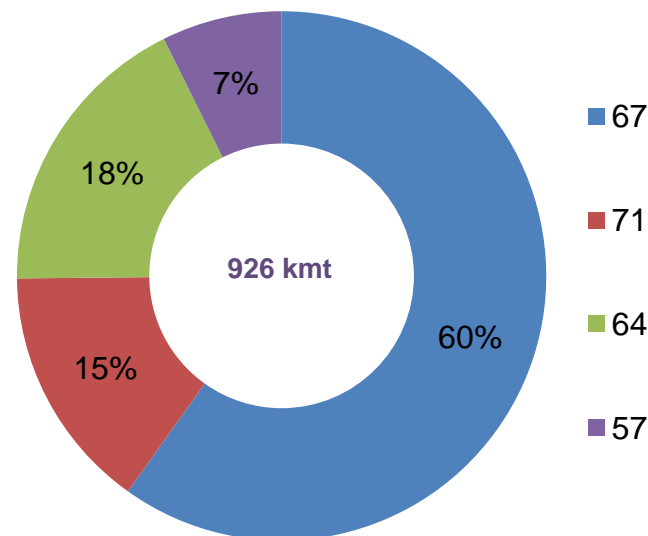
2014

PVC-S market structure by application, %



2014

PVC-S market structure by grades, %

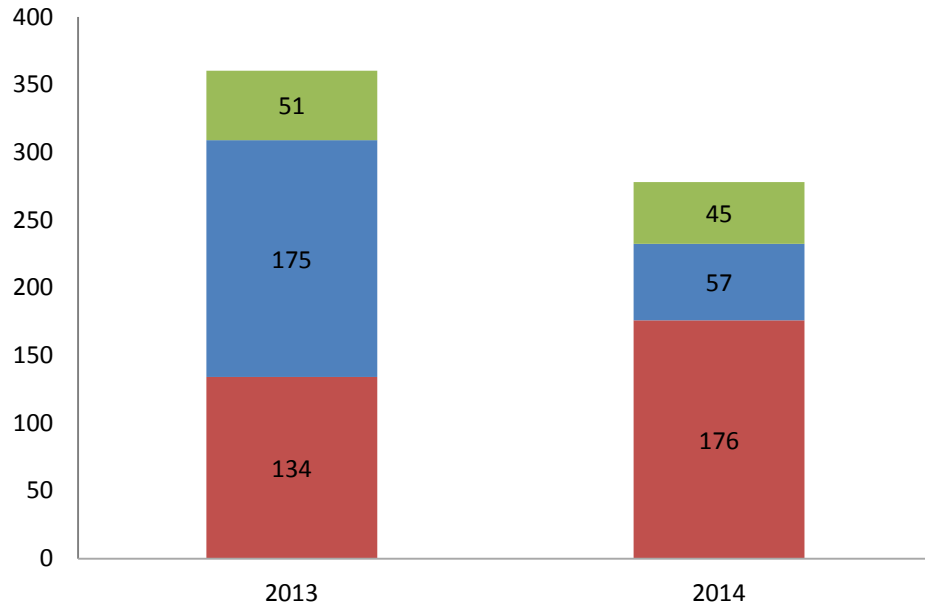


- Sheet/film demand has been increasing annually over the past decade, but domestic production is limited by significant cash cost growth of imported stabilizers and modifiers which prices increased in ruble.
- PVC pipes share in Russia still low (10% in total PVC-S consumption).

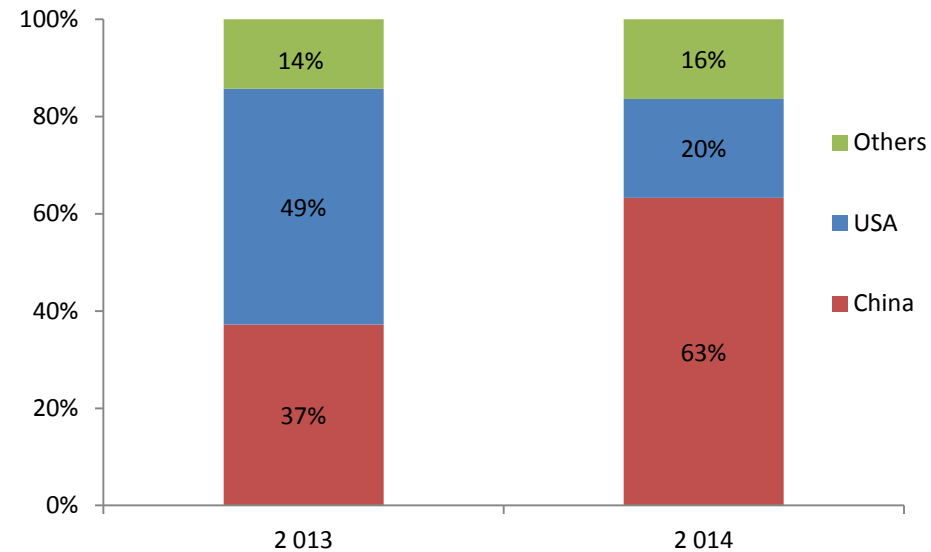
Source: RVL calculation based on agencies' reports (ChlorKompleks, HimCourier, Market report), custom statistic data and RVL research.

CHINA AND USA ARE THE KEY IMPORTERS

PVC-S import structure, kmt



PVC-S import structure, %

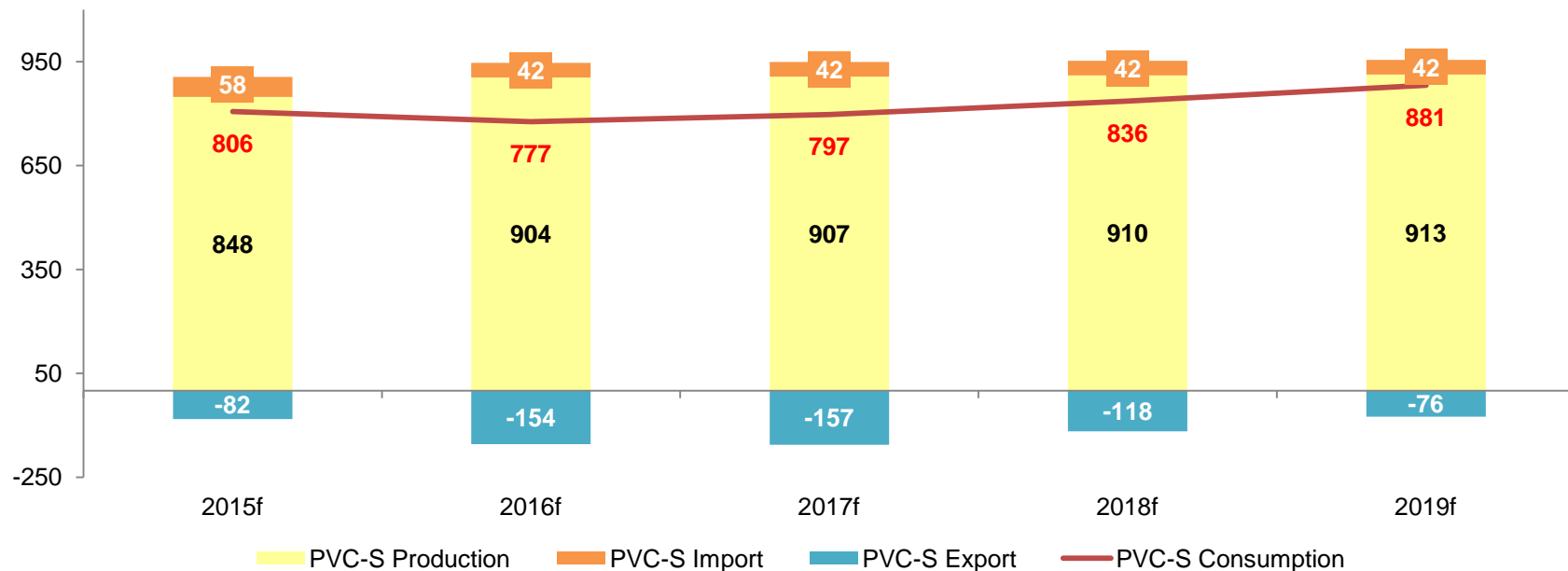


- Enjoying cheap feedstock price, US dominated PVC world trade in 2010-s and had significant presence on Russian market as well
- Producers from North-West China replaced significant part of US supply in 2014

Source: RVL calculation based on Custom statistic data.

MARKET WILL RECOVER WITH IMPROVING INVESTMENTS IN CONSTRUCTION SEGMENT

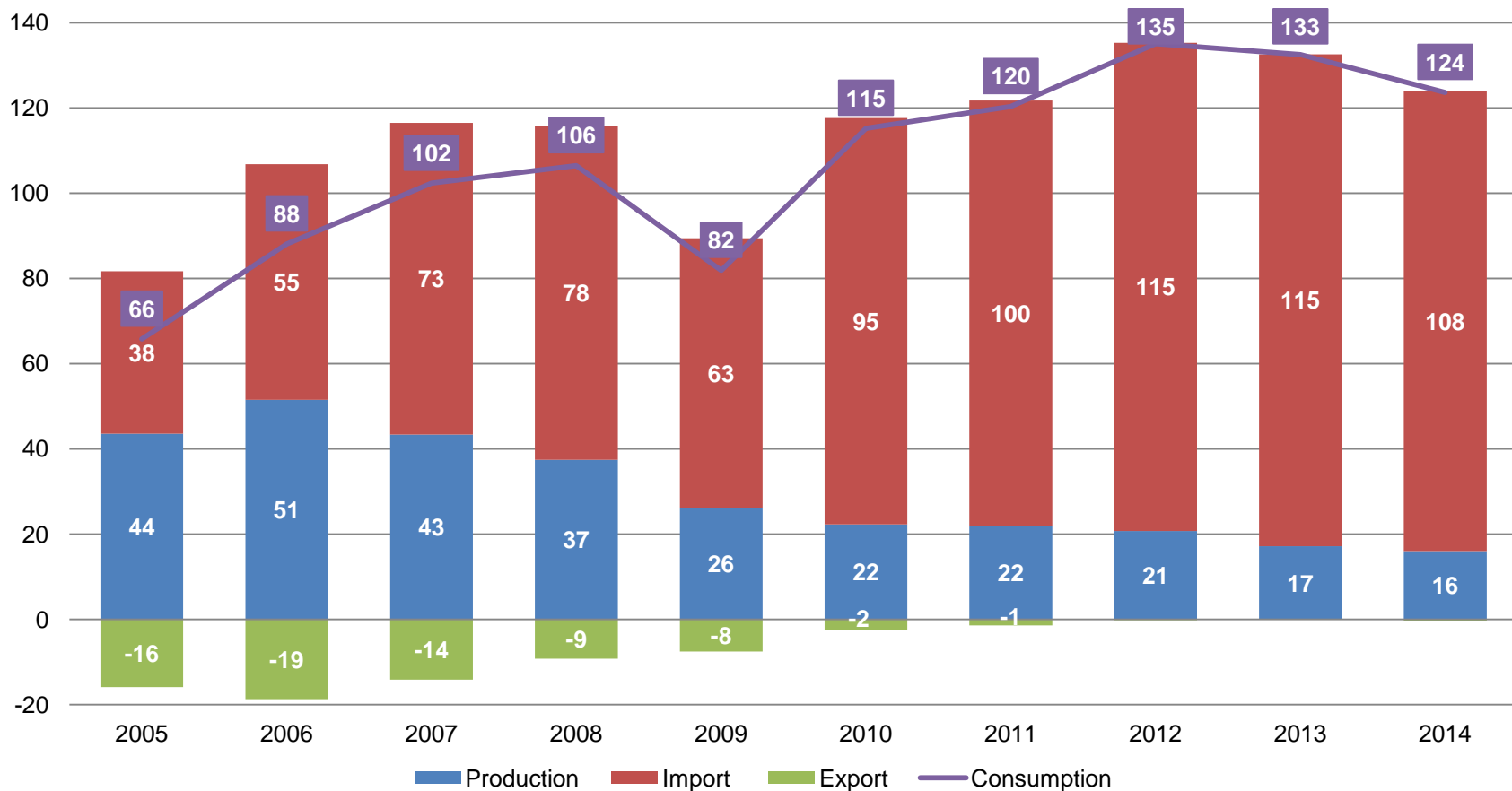
PVC-S market balance 2015-2019, kmt



- Production will grow by 6% due to RusVinyl production growth and Sayanskkhimplast production recovery.
- Profile segment will still be the biggest consumer
- Economy recovery from 2017 is expected
- Export can be doubled (India, Turkey, Iraq) in 2016 and will be limited by future consumption recovery

Source: RVL calculation based on agencies' reports and forecasts (IHS, ChlorKompleks)

RUSVINYL BECAME SINGLE RUSSIAN PRODUCER OF PVC-E AFTER KHIMPROM VOLGOGRAD CLOSURE in 2014

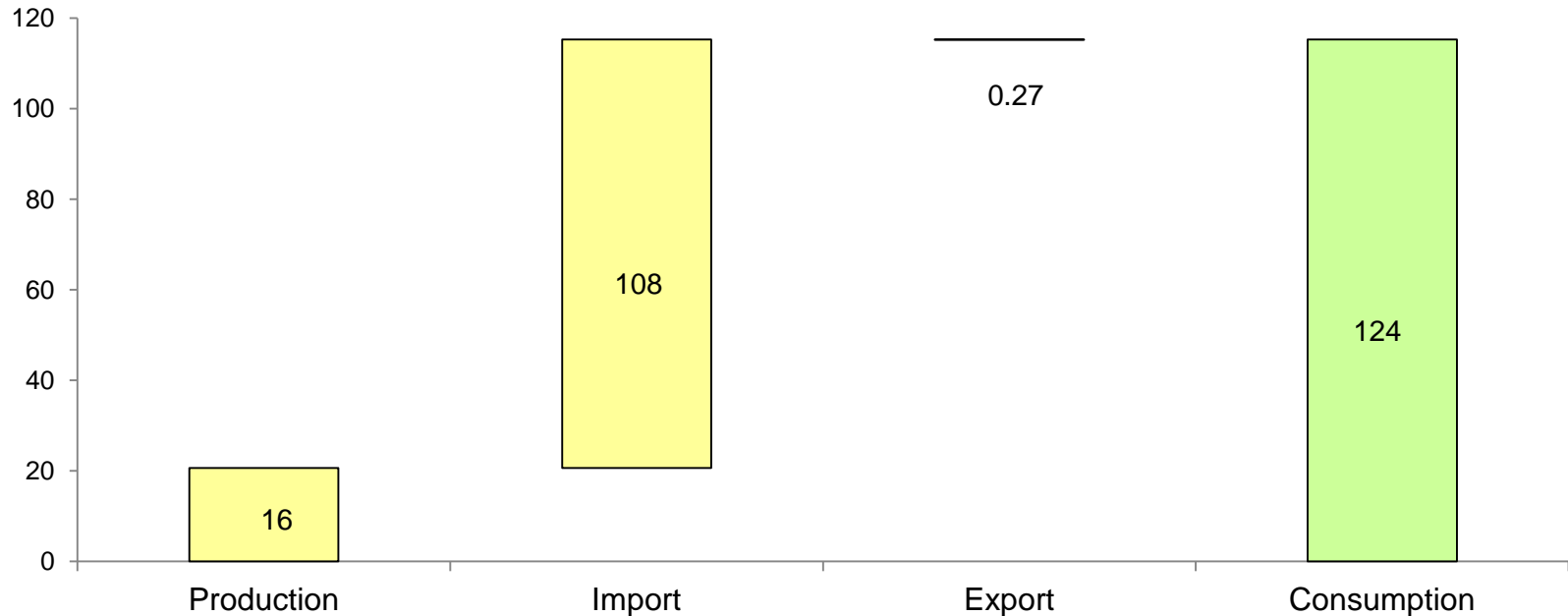


- Market reflects construction growth as the key applications of PVC-E is flooring materials
- Russian consumers had stable supply from European majors (Vinnolit, Vestolit, INEOS and Solvin)
- Rusvinyl capacity is 30 kt

Source: RVL calculation based on agencies' reports (ChlorKompleks, HimCourier, Market report), custom statistic data and RVL research.

LAST YEAR IMPORT COVERS AROUND 90% OF RUSSIAN DEMAND

PVC-E market balance 2014, kmt



Production (2014/2013): -7% *Khimprom Volgograd was stopped in October.*

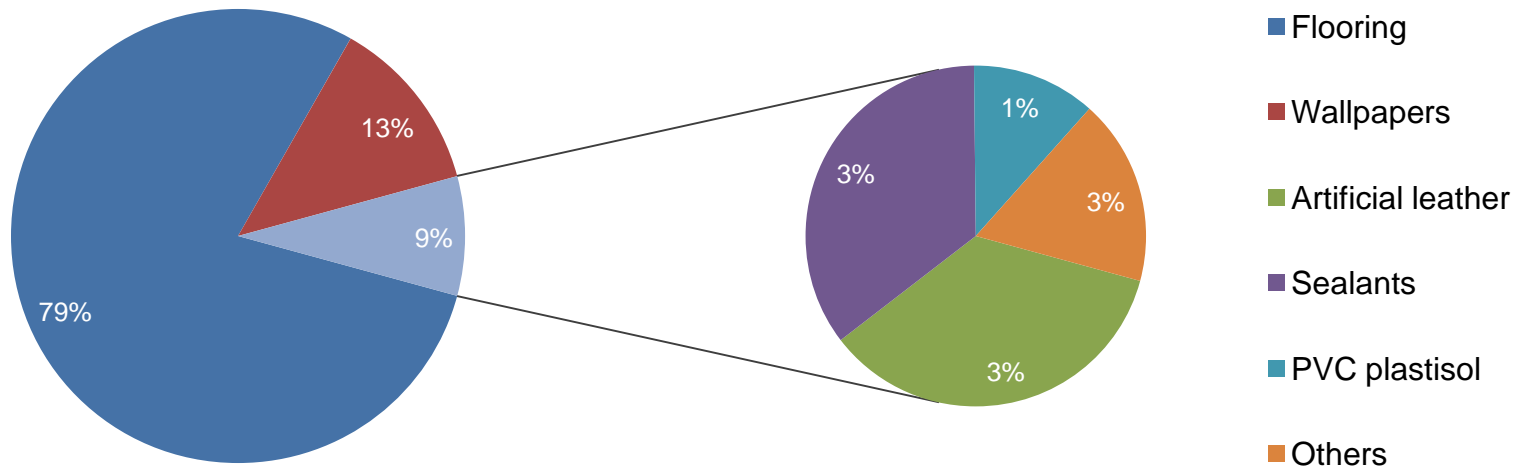
Import (2014/2013): -5% *Due to consumption decline and ruble devaluation.*

Consumption (2014/2013): -6% *Slowing in construction activity. The biggest flooring producer Tarkett decreased its production.*

Source: RVL calculation based on agencies' reports (ChlorKompleks, HimCourier, Market report), custom statistic data and RVL research.

FLOORING IS KEY APPLICATION FOR PVC-E IN RUSSIA

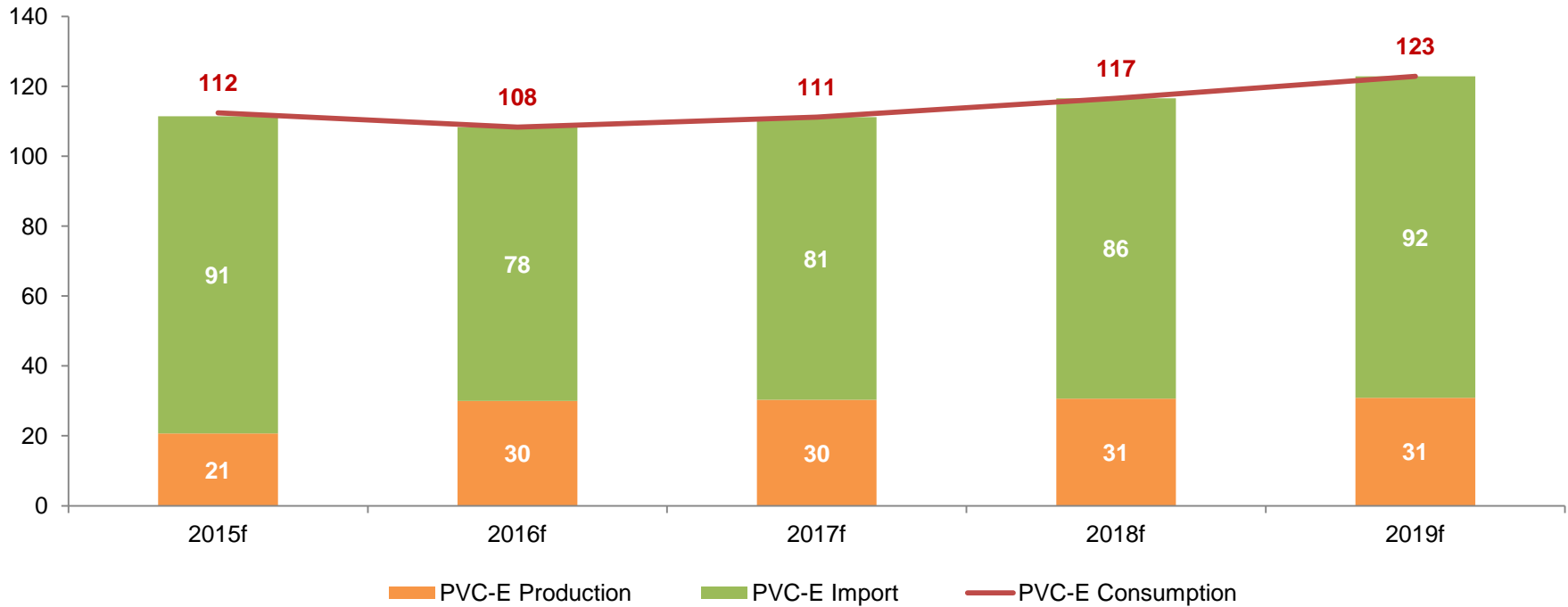
PVC-E market structure by application 2014, %



Source: RVL calculation based on agencies' reports (ChlorKompleks, HimCourier, Market report), custom statistic data and RVL research.

IMPORT SUPPLY WILL EXCEED 70% IN UPCOMING YEARS

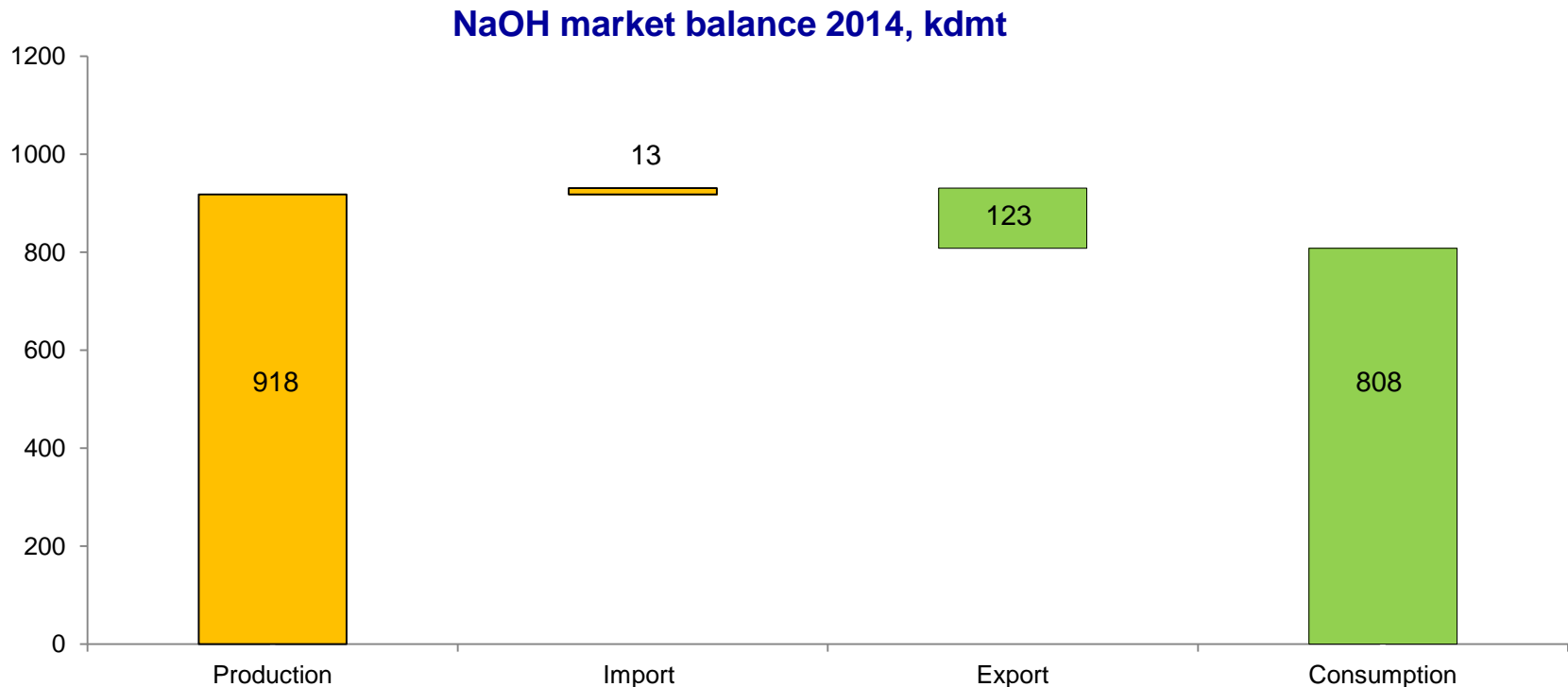
PVC-E market balance 2015-2019, kmt



- **Flooring will still be the biggest consumer. The main player is Tarkett with consumption more than 80kmt.**
- **After Khimprom Volgograd closure, Rusvinyl is the sole producer in CIS and market still depends on import supply**
- **With entrance of China and US producers, geographical structure of import supply will diversify**

Source: RVL calculation based on agencies' reports and forecasts (IHS, ChlorKompleks)

CAUSTIC MARKET WILL ALMOST BALANCED IN 2014



Production (2014/2013): +2% *RusVinyl start-up and Sayanskhimplast production increase. Khimprom Volgograd was stopped in October.*

Import (2014/2013): -35% (-7 kdmt) *Supply to North-West region was substituted by RusVinyl.*

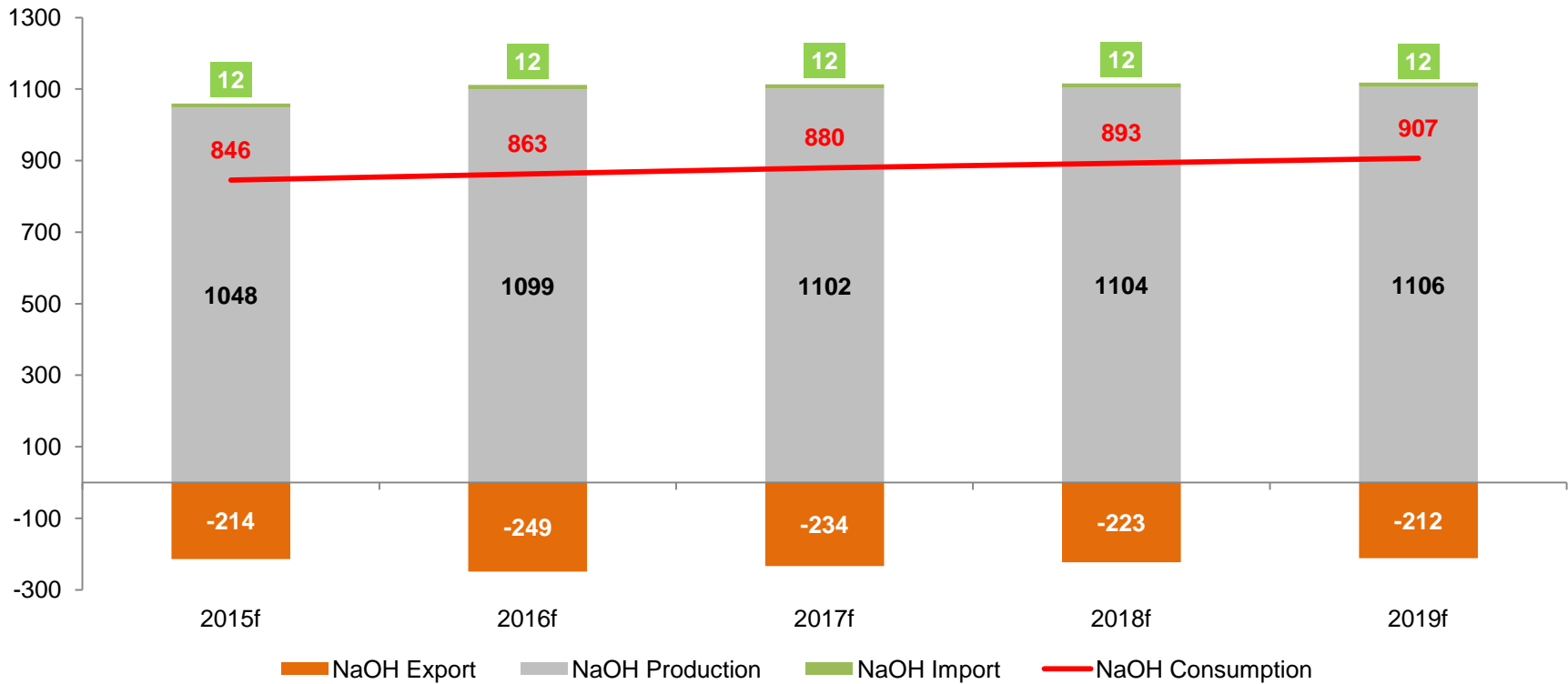
Export (2014/2013): -5% *Due to consumption growth.*

Consumption (2014/2013): +2% *Chemical and P&P segments (Korund, Volzhskiy orgsintez, Metafrax, Phosphorit, Mondj, KuibyshevAzot) increased consumption.*

Source: RVL calculation based on agencies reports (ChlorKompleks, HimCourier, Market report), custom statistic and RVL research.

CAUSTIC SODA MARKET WILL NOT IMPOSE CONSTRAINTS TO LOCAL PVC INTEGRATED PRODUCERS

NaOH market balance 2015-2019, kdmt



- All PVC producers (RusVinyl, Sayanshiplast, BSC, and Caustic Volgograd) have own electrolysis units
- Caustic soda export will count around quarter of local production
- Significant demand in Ukraine, Turkey and Scandinavian countries facilitate export outside Russia

Source: RVL calculation based on agencies' reports and forecasts (IHS, ChlorKompleks)