

CHEMISTRY AND PETROCHEMISTRY

Chemical industry makes up about 9% of all manufacturing Industries.

Chemical industry is characterized by an almost complete monopoly of the state.

As for the certain types of chemical products Belarus is one of the leaders in the world and among the countries of the CIS.

Belarus plans to build new plants in 2013.

Lately a revival of dialogue with foreign investors has been observed.

The chemical industry is traditionally export-oriented.

Annual production at actual prices amounts to from 3.5 to 8.9 bln USD. In 2013, the production of chemical products amounted to 8.6 bln USD. Chemical industry commodities occupy 12-17% of total exports of the country. The main products of the Belarusian chemistry are fertilizers, chemical fibers and yarns, tires, polyethylene and others.

Almost all the major chemical productions in the country are controlled by the state. 3 companies (Belaruskaliy, Grodno Azot, Gomel Chemical Plant) are engaged in fertilizers production with the share of the state in them estimating to more than 99%. Fiber and polymer productions – MogilevKhimvolokno, Polymir "Naftan", SvetlogorskKhimvolokno – also almost entirely belong to the Republic of Belarus.

In terms of volume of potash fertilizers production Belarus is currently the third biggest countries in the world after Canada and Russia, and in terms of their production per capita – the first one. "Belaruskaliy" OJSC is one of the largest producers of potash fertilizers in the world and across the CIS. The company accounts for 15% of global potash production. Polyethylene production in Belarus is also one of the largest across the CIS. Capacity of Polymir plant is comparable with companies such as Kazanorgsintez Tomskneftekhim, Ufaorgsintez and others. Global production of chemicals and integrated fiber and yarns Belarus accounts for 0.6% of the release - production of highly developed petrochemical industry.

In 2013, Belarus completed the construction of three factories of complex fertilizers production with a capacity of 240 thsd tons per year each. These volumes should be sufficient both for the domestic market and for export. By the end of 2015 implementation of a major project on modernization the production is planned for "MogilevKhimvolokno" OJSC, involving the construction of a new industrial complex. In addition, a construction of a new nitrogen complex for "Grodno Azot" OJSC is planned, as well as a new ethylene-propylene positioning based on Polymir ("Naftan") plant in 2013.

In the near future attraction of foreign investment for large-scale projects in the industry is expected. Belarus is ready to consider a strategic partnership with investors in the chemical industry. Also, an investment project worth 1.5 bln USD fully financed by foreign investors is implemented in the potash industry.

Belarusian chemical industry is export-oriented. In 2012, the export of chemical products reached recording 7.6 bln USD. Thus, the country exports virtually all of the produced potash fertilizers, 40-50% of produced nitrogen fertilizers, 70-80% of the production of chemical fibers and yarns, 60-70% of polyethylene, about 70% of the production of tires.

However, Belarus has consistently negative balance of Foreign trade of items as products of organic and inorganic chemistry, pharmaceuticals, paints and varnishes, dyes.

CHEMISTRY AND PETROCHEMISTRY

General description of the industry

PRODUCTION

The chemical industry is one of the most important industries in Belarus, amounting to 8.6% of manufacturing industries (together with the production of rubber and plastics). Availability of a formed back in the 1960-1970s base and the rich resources of potash and rock salt, wood, phosphorites, chalk and limestone and natural dyes in conjunction with the human resources create favorable conditions for the industry. The main the chemical complex of Belarus consists of more than 80 companies, which, as a rule, are members of the "Belneftekhim" concern.

Output of the main kinds of products of chemical production in Belarus has sharply declined in 2013, by 41.4% to 5.421 mln USD.

FOREIGN TRADE

In 2013, exports of chemical products fell sharply to 3.4 bln USD after recording 7.6 bln USD in 2012. 71% of exports of chemical products accrue to fertilizers.

Imports of chemical products amounted to about 3.1 bln USD, which is also a significant index. The main imports compiles of drugs, organic compounds, paints and varnishes.

KEY PLAYERS

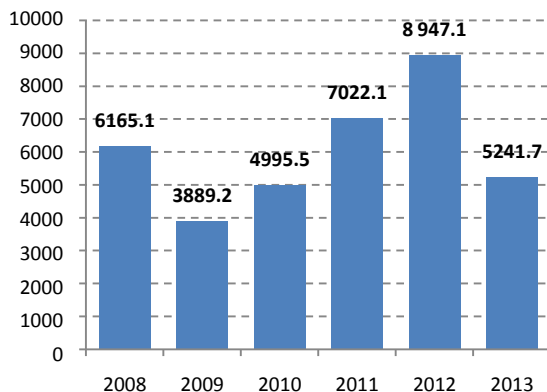
"Belaruskaliy" OJSC, "Grodno Azot" OJSC, "Gomel Chemical Plant" OJSC, "MogilevKhimvolokno" OJSC, "Polymir" plant "Naftan" OJSC, "Lakokraska" OJSC, "Belshina" OJSC and others.

FOREIGN CAPITAL

Belarus chemical industry is almost completely controlled by the state, thus, any significant deals with the participation of foreign capital have not occurred yet. However, recently thoughts about attracting foreign investment for large-scale projects in the industry have occurred. Belarus is ready to consider a strategic partnership in the petrochemical industry with investors, which have their own supply streams.

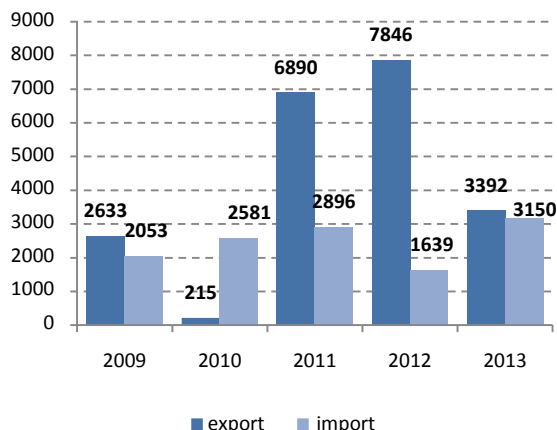
Attracting foreign capital can be a necessity, given that the capacities of chemical plants were introduced in 1960-1970s, whereas modernization requires significant capital expenditures.

Chemical production, mln USD (at current prices)



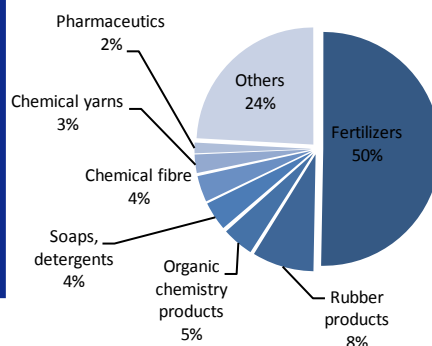
Source: NSC RB, Uniter

Foreign trade of chemical products, mln USD



Source: SC RB, Uniter

Structure of exports of chemical products



Source: SC RB, Uniter

CHEMISTRY AND PETROCHEMISTRY

General description of the industry

FOREIGN CAPITAL

In accordance with the state comprehensive program of the development of the petrochemical complex of Belarus until 2015 with the outlook for 2020 an implementation of over 40 large investment projects in the chemical industry of the country is planned.

Along with proprietary funds and credit resources as a source of funding for the program the use of foreign direct investment is planned. The negotiations on the participation in the development of the organizations of the concern are held with a number of leading international companies.

The main emphasis in the development of the chemical complex up to 2020 is made on the reconstruction of existing facilities, with an increase in capacity and the creation of new productions, including the maximum use of the Belarusian raw materials.

Total volume of funding modernization plans of the concern in 2013 will amount to 15.5 trillion rubles.

The largest projects the industry implemented in 2013:

- reconstruction of the flare gas return system, a new base for oil storage and storage park and docks of loading of liquefied gas at "Naftan";
- reconstruction of the urea-4 production facility, caprolactam production and construction of a facility for the production of PA-6 at "Grodno Azot" OJSC;
- construction of production of NPK-fertilizers and chemical plant of deep complex processing of chlorine-containing minerals at "Belaruskalyi";
- technical re-equipment of lightweight flow and production of truck SMC tires at "Belshina";
- modernization of the pipe line Weber NE-7 at "Borisov plant of plastic products (BPPP)".

A number of other major projects at various organizations of concern both of oil refineries and chemical are in the active phase of implementation.

State complex program of development of the petrochemical complex of Belarus until 2015 – 40 investment projects



**Total cost of the projects of the program
USD17.2 bln**

USD9.9 bln –
for the development of chemical
branch (2012-2020)

**USD7.3
bln–**
for the developme
nt of other
branches of

of the
organizations

petrochemi
cal complex

**implementation –
increase in production capacity for the following
chemicals:**

potash chloride	up to 12 mln tons per year
nitrogen fertilizer	up to 1.16 mln tons per year
NPK-fertilizers	up to 2 mln tons per year
tires	up to 1.4 mln tons per year
film materials	up to 3 mln tons per year

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Mineral fertilizers

PRODUCTION

The most important branch of the chemical industry is the production of mineral fertilizers.

Belarus is one of the few countries in the world, which has production of all three major types of fertilizer – nitrogen, potash and phosphate.

Interactive production of mineral fertilizers has been steadily increasing, with the exception of the recessionary 2009, when the output fell by 63% from 6.70 mln tons to 4.23 mln tons. Nevertheless, in 2010 the level of fertilizer production exceeded the index of 2008 by 5.2%. In 2013, there was 5.3 mln tons of fertilizers produced, which is 10% less than in 2012.

The largest percentage in the structure belongs to potash production – 80.3%, followed by nitrogen – 15.9%, and phosphate – 3.9% (2013).

FOREIGN TRADE

Foreign trade of mineral fertilizers has several features.

Exports of potash fertilizers amounted to about 80% of the domestic production in 2012, but in 2013 it amounted to less than 48.6%. Imports of potash fertilizers is not significant and amounts to less than 1 thsd tons. Given the magnitude of exports and production, import statistics can be neglected.

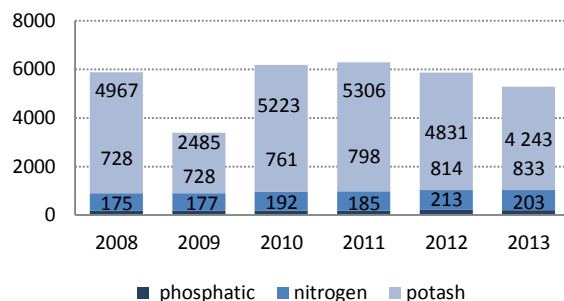
Volume of exports of nitrogen fertilizers increased by 67% in 2013, compared with 2012. In turn, the imports of nitrogen fertilizers fell by 27.5% during the same period.

Volume of imports of phosphate fertilizers fell to 0 in recent years.

Belarus annually exports 250-340 thsd tons and buys 180-260 thsd tons of complex fertilizers. Imports of this type of fertilizers is continually growing.

The structure of exports of the most important type of fertilizer – potash – is characterized by the dominancy of major developing countries: Brazil, India and China. These states are the largest consumers in the world.

Dynamics of mineral fertilizers production (equivalent to 100% of nutrients), thsd tons



Exports of the main types of fertilizers (thsd tons)

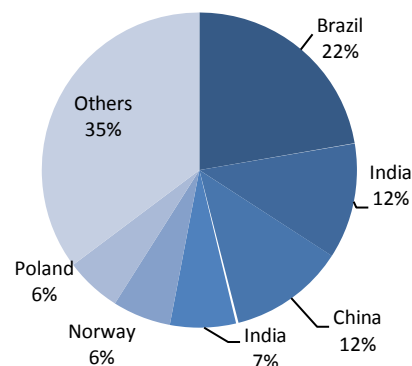
	2010	2011	2012	2013
potash	4 180.6	4 698.3	3 669.0	2063.0
nitrogen	238.2	323.3	235.3	393.1
complex	264.3	285.3	341.1	n/a

Imports of the main types of fertilizers (thsd tons)

	2010	2011	2012	2013
nitrogen	378.4	247.8	219.3	159.2
phosphate	49.39	0.84	2.6	0
complex	193.06	259.12	180.8	n/a

Source: NSC RB, Comtrade

The structure of exports of potash, 2013



Source: Comtrade

CHEMISTRY AND PETROCHEMISTRY

Mineral fertilizers

MARKET CAPACITY

Capacity of Belarusian potash fertilizers market continued to grow due to a drop in exports. In 2012, the estimated capacity of the domestic market amounted to 2 180 thsd tons. During January-December of last year average deal export prices on potash fertilizers rose by 2% and amounted to USD 727 for 1 ton of active fraction. Domestic demand is fully guaranteed by "Belaruskaliy" OJSC, the imports are negligible.

Capacity of the domestic market of nitrogen fertilizers amounts to 600-900 thsd tons per year. The share of imports in the consumption amount to about 27% (2013), the share of exports in production – 47%.

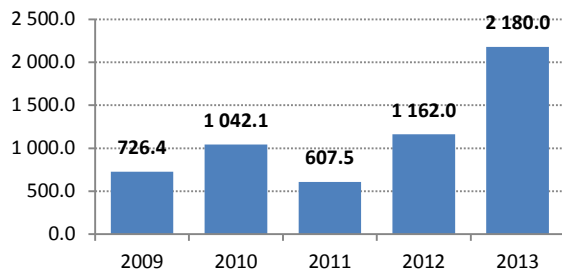
According to our estimates, the volume of exports of phosphate fertilizers is negligible, and as a consequence, is not taken into account.

The estimated size of the phosphate fertilizers market amounts to 185-240 thsd tons per year. In 2011, domestic consumption amounted to 215.5 thsd tons.

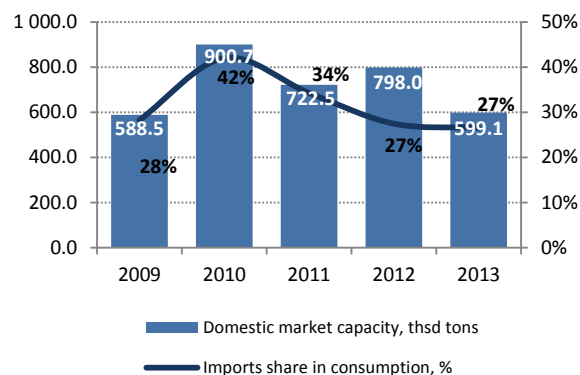
Almost all the volume of produced phosphate fertilizers is consumed domestically.

Capacity of the Belarusian complex fertilizers market amounts to 800-880 thsd tons. The main volume of import of complex fertilizers (90%) is imported from Russia.

Capacity of domestic potash market, thsd tons (K2O)



Capacity of domestic market of nitrogen fertilizers



Capacity of domestic market of potash fertilizers, thsd tons

	2009	2010	2011	2012	2013
Production	177.2	192.4	184.6	213	203
Imports	9.6	49.4	0.8	2.5	0
Market capacity	186.8	241.8	185.4	215.5	203

Source: NSC RB, Uniter

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Mineral fertilizers

KEY PLAYERS

Fertilizer production in the Republic of Belarus is quite monopolized and controlled by the state via the concern Belneftekhim. In addition, each type of fertilizers in Belarus belongs to the only manufacturer.

Enterprise	Product
"Belaruskaliy" OJSC	Potash fertilizers
"Grodno Azot" OJSC	Nitrogen fertilizers
"Gomel Chemical Plant" OJSC	Phosphate fertilizers, complex fertilizers



Belaruskaliy.

"Belaruskaliy" OJSC is one of the largest producers of potash fertilizers in the world and across the CIS.

Currently, the production capacity of "Belaruskaliy" OJSC amounts to about 10.3 mln tons of potash fertilizers per year in volume terms (KCL).

The company accounts for 15.4% of the global market potash production, the share of exports – 17.3% (IFA). The company was reincorporated as a joint-stock company in 2010. The state's share – 100%.

The main markets for potash are in Latin America (Brazil, Venezuela), Asia (China, India, Vietnam, Indonesia, Malaysia), Western and Eastern Europe (Poland, Norway, Belgium, Ukraine).

The main markets for technical sodium chloride are Russia, Poland, Lithuania, Latvia, Germany, Sweden.

Functioning on the basis of the Starobin deposit of potassium salts, "Belaruskaliy" OJSC includes four mining administrations, auxiliary shops and service units, which employ about 20 thsd people.

Belarus' "Belaruskaliy" OJSC plans to increase production capacity in 2013 by 6.8% to 11 mln tons, as compared to 2012.

Increase in production capacity is one of the strategic objectives of the industrial complex. If in 2011 the capacity amounted to 8.8 mln tons, then by 2020, according to the program of "Belaruskaliy" OJSC until 2020, the production capacity of the plant should be increased to 12.5 mln tons.

Production, "Belaruskaliy" OJSC (thsd tons)



Indises	2010	2011	2012
Potash fertilizers	8 60.2	8 735.9	7 960.7
Including potassium chloride granular	4 393.6	4 221.0	4 076.0
Fertilizer mixture NPK	-	18.2	18.7
Industrial salt	1 916.0	2 072.3	1 613.4
Cattle salt	80.0	79.3	71.5
Edible salt	64.4	73.4	73.3
Natural brine	6.309	5.133	4.988
Ground sylvinit	1.296	1.961	2.217

Source: SCP, Uniter

Financial indexation of "Belaruskaliy" OJSC (USDM)

	2010	2011	2012
Net income	2 201.8	3 113.8	2195.2
Sales profit	641.4	1 419.3	948.8
Net profit	473.6	1 303.4	800.4
Profit margins of sales	29.1%	45.6%	43%
Net margin	21.5%	41.9%	36%

Source: SCP, Uniter

CHEMISTRY AND PETROCHEMISTRY

Mineral fertilizers



Open Joint Stock Company "Grodno Azot" is one of the largest petrochemical complexes in the Republic of Belarus. The state's share – 99.9%.

Among the range of products the dominating part compiles of the production of technical liquid ammonia, as well as different types of nitrogen fertilizers (the share of profit from this activity amounts to 48%). The company employs about 11 thsd people.

About 44% percent of the products are sold at the domestic market (2012).

During 2012, the net income of the company amounted to USD1005.2 trillion, net profit – USD 62.24 mln.

In 2011, the company was joined by "Grodno Khimvolokno".

Gomel Chemical Plant

The company is the only manufacturer in the country producing phosphorus-containing fertilizers. The state's share in the authorized capital of the company – 99.5%.

The factory specializes in the production of complex phosphorus-containing fertilizers, as well as inorganic synthesis products.

The factory was founded in 1966 as a superphosphate plant. Gomel Chemical Plant currently produces sulfuric acid, ammophos, nitrogen-phosphorus-potash fertilizers, ammoniated superphosphate, sodium sulfite, aluminum fluoride, cryolite.

During 2012, the net income of the company amounted to USD 367.6 mln, net profit – USD35.76 mln.

Foreign capital in the branch

In Belarus, the production of mineral fertilizers is completely controlled by the state. However, in October 2011, LLC "Slavkaly" JV, a subsidiary of the company GCM Global Energy PLC, was registered. Formed company will build a new potash plant in Belarus. Investment in the project will amount to no less than USD 1.5 bln. At the first stage the production capacity will amount to 1.1-2.0 mln tons of potash per year. According to the investment project, new potash plant is to be built in Belarus by 2017.

Enterprise capacity, "Grodno Azot" OJSC

	C. u.	2012
Mineral fertilizers in 100% nitrogen	T	745 740
Caprolactam	T	121 269
Industrial methanol	T	84 279
Tire fabric	thsd	49 549 m ³
Industrial yarn	T	20 753
Texturized yarn	T	7 493
PA-6	T	51 625
Polymer composite materials	T	10 384
Heat power		2 338
	Gcal	627
Electrical power	Thd kWh	532 996

Financial indexation of "Grodno Azot" OJSC, mln USD

	2011	2012
Net income	1 143.3	1005.2
Sales profit	192.2	102.16
Net profit	142.1	62.24
<i>Profit margins of sales</i>	16.8%	10.16%
<i>Net margin</i>	12.4%	6.19%

USDM, average weighted exchange rate for the period

Financial indexation of "Gomel Chemical Plant" OJSC, mln USD

	2011	2012
Net income	272.8	367.6
Sales profit	20.3	42.66
Net profit	15.3	35.76
<i>Profit margins of sales</i>	7.5%	12%
<i>Net margin</i>	5.6%	10%

USDM, average weighted exchange rate for the period

source: SCP RB, Uniter

CHEMISTRY AND PETROCHEMISTRY

Investment activity

Investment projects of "Belaruskaliy" OJSC in 2013

"Belaruskaliy" OJSC is implementing a number of projects. Thus, in July 2012, the first line of Berezovsky mine (Minsk region) with a capacity of 2 mln tons of ore per year was launched. Second and third lines of the mine with a capacity of 2 mln tons each is scheduled for 2013 and 2014.

In December 2012, three lines of Krasnoslobodsky mine (Minsk region) with a total capacity of 6 mln tons of ore per year were put into service.

Increasing the volume of production capacity of "Belaruskaliy" will also be contributed by to the construction of new ore-dressing plant on the basis of Petrykovsky potash salt deposit (Gomel region). The first line is scheduled for opening for December 2021.

In the future, "Belaruskaliy" plans to engage in the processing stocks of Darasinsky area of Starobin deposit (Minsk region), as well as off-balance reserves.

"Belaruskaliy" OJSC completed the project of construction of NPK-fertilizers production with a capacity of 240 thsd tons, having started commercial production on April 1 of the current year. The volume of investments amounted to USD 26 mln.

Increase in the production capacity of NPK-fertilizers of "Belaruskaliy" OJSC to 960 thsd tons per year through the construction of a plant for the production of NPK-fertilizers with a capacity of 720 thsd tons per year at the 2nd mine group is planned. Pre-work and design of the facility are carried out for this project.

The enterprise is also building a chemical plant for deep complex processing of chlorine-containing minerals with a total investment of USD87.3 mln. In accordance with the schedule, the construction is to be completed in late 2013.

"Belaruskaliy" started implementation of a project on industrial development of Petrykovsky potash salt deposit with the construction and subsequent operation of the ore-dressing plant in Gomel region with the estimated cost of USD2 bln.

In total, in 2013, "Belaruskaliy" OJSC plans to assimilate 4.7 trillion rubles of investments.



CHEMISTRY AND PETROCHEMISTRY

Mineral fertilizers

LEGAL REGULATION OF THE INDUSTRY. MARKETING

The exclusive right for foreign trade (as of exports) of mineral or chemical potash fertilizers was always reserved by the state and implemented by "Belaruskaliy" OJSC and "Belarusian Potash Company" CJSC.

However, since January 2013 the exclusive right for foreign trade of Belarusian potash fertilizers, reserved by the state, will be implemented alongside "Belaruskaliy" OJSC and "Belarusian Potash Company" CJSC by other organizations nominated by the President. This is provided for by the decree №566 dated of December 22, 2012. Thus, the "Belaruskaliy" will export potash fertilizers outside the country and merchandise them to Belarusian Potash Company, as well as other organizations, nominated by the President of Belarus. The purpose of the adopted decree is to improve regulation of exports of certain goods, taking into account the economic interests of the republic.

BPC was the largest exporter of potash fertilizers in the world, by also exporting potash fertilizers to "Uralkaliy" OJSC, the share of which in the world production amount to about 20%. Share of BPC supplies to the world market amounted to more than 42%. However, in July 2013 "Uralkaliy" announced the termination of cooperation with the BPC.

The main shareholders of BPC are "Belaruskaliy" OJSC and "Uralkaliy" OJSC, with 45% and 50% respectively. 5% of the shares are owned by BR.

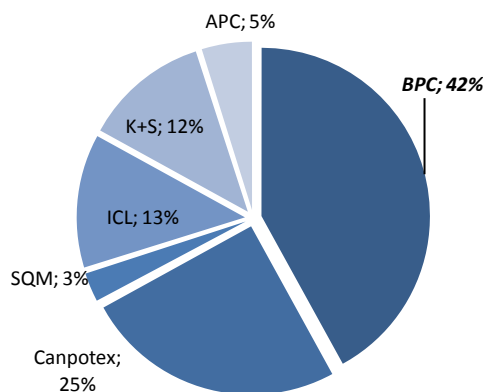
LEGAL REGULATION OF THE INDUSTRY. IMPOSTS AND TAXES

According to the decree №548 dated of December 7, 2012, Belarus established two fees of export customs duties on potash fertilizers exported from the territory of the Republic outside the territory of member states of the Eurasian Economic Community. According to the decree, the fee of export customs duties on potash fertilizers delivered to countries having international agreements on free trade with the Republic equals 75 euros per 1 ton, in other states – 85 euro per 1 ton.

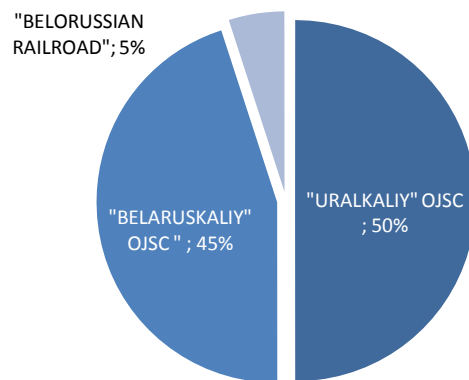
Now the Republic of Belarus maintains export duties on only about 8 commodity headings, mainly wood processing products. It should also be noted that in Russia the export duties on potash fertilizers are absent.

In 2011, Belarus increased the tax on production of potash fertilizers to 12.24 thsd Belarussian roubles per ton from 972 roubles, in order to increase budget revenue.

Structure of world exports of BPC



Share holders of BPC



Share of BPC in basic markets

Country	%
China	55%
India	43%
Brazil	34%
Southeast Asia	42%

CHEMISTRY AND PETROCHEMISTRY

Chemical fibers and yarns

PRODUCTION

Belarus has a developed industry of chemical fibers and yarns. The state's share accounts for about half of the total production of chemical fibers and yarns across the CIS. Belarus is a monopolist in the CIS markets in production of certain types of products (polyester fibers and yarns, polyacrylic fibers, viscose tire fabric).

Capacities of all enterprises of chemical fibers and yarns of the Republic amounts to about 310 thsd tons per year. Dynamically the production of chemical fibers is not stable. In 2009, the indicators fell by 13%, whereas in 2010 the indicators of production exceeded pre-crisis levels and the total output amounted to 233.1 thsd tons. In 2012, production still increased slightly to 239 thsd tons, and in 2013 then slightly dropped to 215.6 thsd tons.

Exports of chemical fibers and yarns are about 80% of domestic production. In 2013, this figure amounted to 64.6%.

The main problem of chemical fiber industry in Belarus is a deep depreciation of fixed assets. This applies to all enterprises of chemical fiber of the country and, in particular, to the viscose production.

FOREIGN TRADE

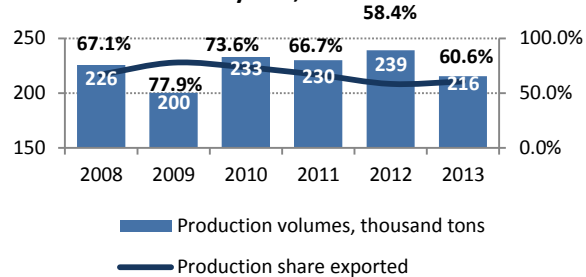
Volume of production of chemical fibers and yarns is in 2.5-3 times higher than the demand of Belarus, so it makes up a significant export part. For example, in 2012 the value of exports of chemical fibers and yarns amounted to USD 223 mln. In total, in 2012 about 140 thsd tons of fibers and yarns were exported.

In 2012 import of chemical fibers declined by more than 2 times and amounted to 5.4 thsd tons. Imports of synthetic yarns also declined. Moreover, chemical yarns approximately amount to 2/3 of total import volume.

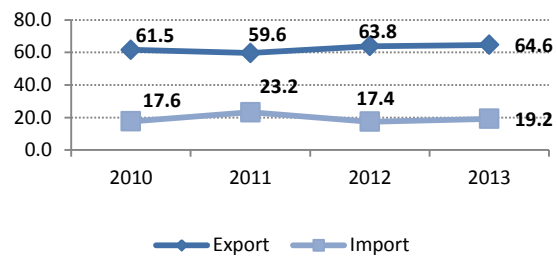
MARKET CAPACITY

Based on the statistics of production, exports and imports, the capacity of the domestic market of chemical fibers and yarns amounted to 110.6 thsd tons. Despite the significant and even excess capacities of Belarusian enterprises, the share of imports in consumption amount to about 20%.

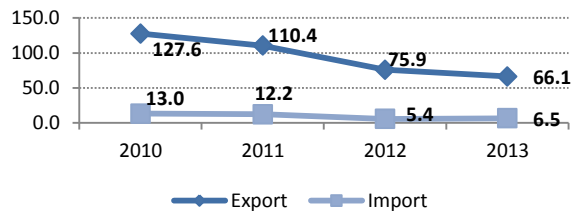
Dynamics of production of chemical fibres and yarns, thsd tons



Exports/imports of chemical yarns

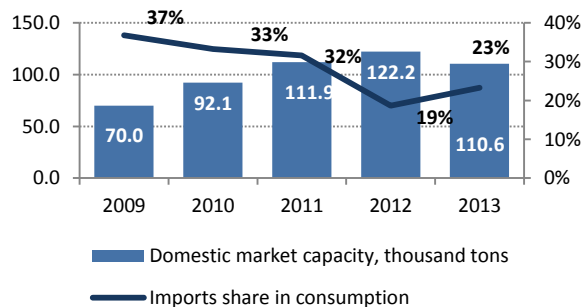


Exports/imports of chemical fibers



Source: SCC RB

Chemical fibers and yarns domestic market capacity



Source: NSC RB, SCC RB, Uniter

CHEMISTRY AND PETROCHEMISTRY

Chemical fibers and yarns

KEY PLAYERS OF THE BRANCH

Key producers in the branch	Products
"SvetlogorskKhimvolokno" OJSC	Polyester fibers, viscose cord, carbon materials, arselon, nonwovens
"MogilevKhimvolokno" OJSC	Polyethylene terephthalate, polyester fibers and tows, polyester yarns, polyester filler, polyester composites, polyester thermoplastic elastomers, polyester substrates
PTC "Khimvolokno" JSC "Grodno Azot"	nylon yarn, polyester yarn, tire fabric for tire industry, textured nylon yarn BCF; PA-6, PA-6-based polymer composites.
Plant "Polymir" "Naftan" OJSC	Acrylic fibers: NITRON-C and NITRON-D (tow and fiber for the textile, knitwear and carpet industry)

Source: Uniter



"SVETLOGORSKKHIMVOLOKNO" OJSC

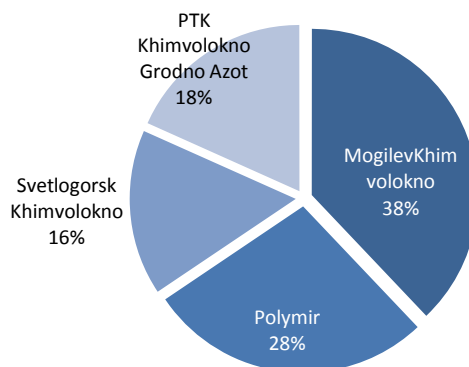
The company was founded in 1964. The total area of the company draws 1934.1 thsd square meters, production area – 620 thsd square meters. The company consists of three divisions:

- Synthetic Fiber Plant
- Plant of polyester textile yarns
- Production of consumer goods.

In 2011, "SvetlogorskKhimvolokno" OJSC increased the volume of production in comparable prices by 6% compared to 2010. Modernization of production of the polyester textile yarn, completed in 2011, helped to significantly reduce the depreciation of fixed assets – from 66% in 2006 to 37.8% in 2011.

On December 28, 2011 RUE "Svetlogorsk Production Association "Khimvolokno" was registered as a resident of SEZ "Gomel-Raton." In early 2012, the company was reincorporated as a joint-stock company. In 2011, export of the enterprise amounted to an estimated 95 mln USD.

Structure of internal production of chemical fibers and yarns



Source: NSC RB, Uniter

Basic production, "SvetlogorskKhimvolokno" OJSC

	C. u.	2010	2011
Polyester yarn	T	30 312	31 269
Yarn for cord and technical products	T	1 308	405
Tire fiber	thsd m ²	1 300	998
Filament polypropylene yarns	T	3 290	5 107
Polypropylene cord	T	1 101	1 411
Polypropylene packets	thsd units	9 764	14 587
Spanbel (old machine)	T	3 411	2 187
Spanbel, aquaspun (new machine)	T	4 509	4 945
Polyethylene film	T	1 818	1 759

Source: SCP RB

Financial indicators "SvetlogorskKhimvolokno", USDm

	2011	2012
Net income	155.0	170.96
Sales profit	23.6	0.42
Net profit	0.0	0.00
Profit margins of sales	15.24%	0%
Net margin	0.02%	0%

CHEMISTRY AND PETROCHEMISTRY

Chemical fibers and yarns



"MOGILEVKHIMVOLOKNO" OJSC

"Mogilevkhimvolokno" is the only one in the Republic of Belarus major producer of dimethyl terephthalate, polyester granulate polyethyleneterephthalate, including edible,

polyester fibers and yarns and the major supplier of raw materials for consumer goods industry.

Peculiarity of the company is association of productions bonded by technological cycle in one place in a single set. Enterprise is a set of 4 plants and 1 production:

- Organic synthesis plant
- Synthetic fiber plant
- Polyester yarns plant
- Machinery and repair plant
- Construction production.

The company employs 7.5 thsd people (2011). The company's revenue is estimated in USD 500-600 mln.



"Khimvolokno" OJSC "Grodno Azot"

The enterprise was founded in 1971. The company is a major producer of polyamide and polyester yarns and fibers, as well as polyamide-6 (PA-6) and polymer composites based on it.

At PTC "Khimvolokno" JSC "Grodno Azot" the production of industrial products and consumer goods is implemented by four structures:

- production of industrial nylon yarn and tire fabric; industrial cord and caprone yarns; manufacture of plastics; production of consumer goods.

In October 2011, the accession of "Grodno Khimvolokno" OJSC to "Grodno Azot" OJSC was completed. "Belneftekhim" was the initiator of the reorganization of "Grodno Azot" OJSC.

Production capacities at the beginning of 2013, thsd tons

Polyamide-6	95.16 tons
Industrial nylon yarn and tire fabric including synthetic fibers	49.5 tons
Chemical polyester fibers and yarns	12.26 tons
	2.575 tons

Source: SCP RB

Basic production, "Mogilevkhimvolokno" OJSC

	2009	2011	2012
synthetic fibre, tons	57239	66424	71174
Industrial and textile fiber, tons	10672	18352	16483
Polyethyleneterephthalate, tons	196661	209390	213743
Preforms, thsd units	26755	135302	89513
Biodiesel fuel, tons	264416	299365	415457
Wrapping tape, tons	332	436	290
Methyl esters of fatty acid, tons	8692	9553	19310

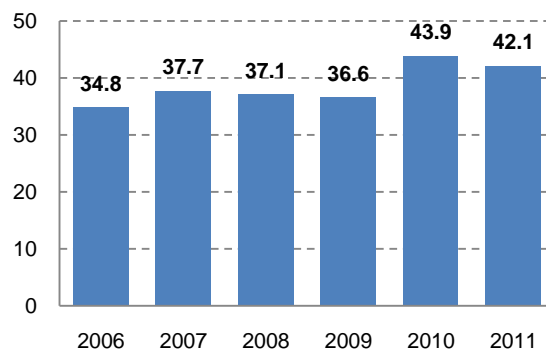
Source: NSC RB, Uniter

Major financial indicators of "Mogilevkhimvolokno" OJSC, mln USD

	2011	2012
Net income	520.4	429.52
Sales profit	18.0	3.85
Net profit	18.0	0.00
Profit margins of sales	9.6%	1%
Net margin	3.5%	0%

Source: Ministry of Finance, Uniter

Production of chemical fibers and yarns, PTC "Khimvolokno" JSC "Grodno Azot", thsd tons



Source: NSC RB, Uniter

CHEMISTRY AND PETROCHEMISTRY

Chemical fibers and yarns



"POLYMIR" "NAFTAN" OJSC

The company was founded in 1968, Since 2010, it is a part of the "Naftan" OJSC.

Technological process of the enterprise is based on the pyrolysis of hydrocarbons (gasoline and light hydrocarbon fractions).

Production capacities are:

- Capacity in the production of fibers - NITRON C 30 thsd tons per year.
- Capacity in the production of fibers - NITRON D 30 thsd tons per year.

More than 70% of production is exported.

Raw materials:

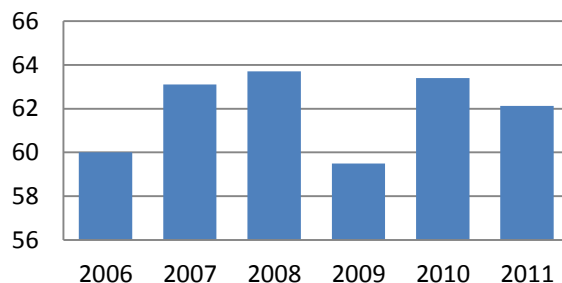
- Raw materials proper – naphtha and natural gasoline from "Naftan";
- Imported raw materials – LPG from Russia, naphtha and natural gasoline from Mozyrsky refinery.

FOREIGN CAPITAL IN THE BRANCH

In 2011, several significant innovative projects were implemented in the chemical industry of Belarus. Thus, "Mogilevkhimvolokno" met creation of production of polyester substrates for roofing materials, high-impact and low-shrinkage yarns of HT and LS type. "Grodno Khimvolokno" OJSC met construction of shop of fabric impregnation and processing, apparatus of superimposed formation, stretching and winding of industrial polyamide yarns, organization of production of polyamide resin yarn. RUE "Svetlogorsk PD "Khimvolokno" met technology development of production of fiber Arselon-C for the production of heat-resistant clothing for firefighters, tankers, pilots, workers of hot shops, as well as the development of equipment and technology of producing thin filamentary cellulose yarn for filter materials of medical purposes.

Companies producing chemical fibers and yarns are almost completely controlled by the state, in particular by the concern Belneftekhimp. Plans for the participation of foreign capital in the development of Belarusian fiber production are under discussion.

Production of chemical fibres and yarns, plant Polymir "Naftan" OJSC, thsd tons



Source: NSC RB, Uniter

Basic production, Polymir, tons

	2009	2010	2011
Polyethylene	121 544	121 529	125 313
Fiber (OPS+O.D.)	53 921	59 002	59 265
Neutron activation logging	29 660	20 760	25 400

Planned investment projects:

Project description	Lead time
"Mogilevkhimvolokno" OJSC:	2012
✓Complex for the production of polyethylene terephthalate of food purposes	
✓Apparatus for continuous polycondensation with direct filament formation and production of industrial yarns	
Polymir "Naftan" OJSC (USD 1.8 bln):	by 2014
✓Modernization and technical reequipment of the plant	
PTC "Khimvolokno":	2012
✓Reconstruction of production of caprone and cord yarn	

CHEMISTRY AND PETROCHEMISTRY

Polymers

PRODUCTION

Despite the relatively well-developed chemical industry, there is only one type of polymer produced in Belarus – low density poly ethylene. Proper production of high-density polyethylene (HDPE) and polypropylene is absent. The only producer of LDPE in the country is a plant "Polymir" "Naftan" OJSC, the capacity of which allows production of up to 140 thsd tons of LDPE per year.

There are five productions with thirty main and auxiliary shops at the territory of the plant. The plant employs more than 6000 people. Annual foreign trade turnover amounts to about USD 400 mln.

In 2013, LDPE production in Belarus amounted to 136 thsd tons. Thus, polyethylene production of the plant "Polymir" is running at full capacity.

FOREIGN TRADE

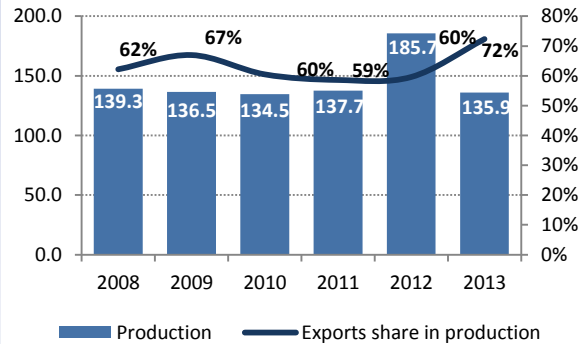
Polyethylene production in Belarus is export-oriented. On average, about 60% of LDPE output is exported. In 2013, the volume of exports of LDPE amounted to 98 thsd tons.

Despite the fact that the capacity of plant "Polymir" can fully meet the domestic demand, the Republic also imports LDPE. Annually, about 10-20 thsd tons of the product are imported. In 2013, imports amounted to 46.4 thsd tons.

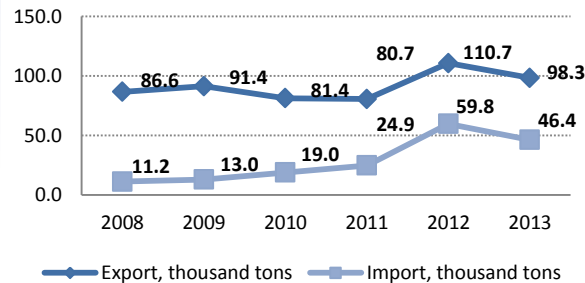
Geographically exports are characterized by the dominance of Russia as the main consumer of the Belarusian LDPE. At this market, "Polymir" competes with companies such as Kazanorgsintez, Tomskneftekhim, Ufaorgsintez et al.

The second most important market for Belarusian polyethylene is Ukraine (15% of total exports in 2013).

Production of LDPE in Belarus, thsd tons



Dynamics of exports/imports of polyethylene



Source: NSC RB

Exports structure of LPDE, 2013



Source: NSC RB

CHEMISTRY AND PETROCHEMISTRY

Polymers

Rated capacity of the Belarusian market of LDPE amounted to 60-80 thsd tons. In 2012, the market capacity reached 135 thsd tons, mainly due to the growth of imports and production.

70-80% of the domestic demand are provided by plant "Polymir. " Since the largest manufacturers of plastics, film, plastic pipes (main consumers of LDPE) are also a part of "Belneftekhim", they buy raw materials from the Belarusian producer.

Basically, it can be stated that main part of the imports is represented by trademarks of LDPE, which are not produced by "Polymir".

HDPE. As noted above, there is no domestic production of high-density polyethylene in Belarus, so the volume of imports is almost equal to the volume of domestic demand.

The volume of the market capacity of HDPE amounts to 35-55 thsd tons.

Market capacity of LDPE is by about 30% more than demand for HDPE.

POLYPROPYLENE. Belarus has also no facilities for the production of polypropylene. Annually, the country imports 40-55 thsd tons of polypropylene.

The main supplier is Russia, in particular, companies such as

Nizhnekamckneftkhim, Stavrolen, Ufaorgsintez, Tomskneftekhim.

FOREIGN CAPITAL IN THE BRANH

Since in Belarus there is only one producer of polymers – "Polymir" belonging to the fully state controlled "Naftan", no deals in the industry with the participation of foreign capital took place.

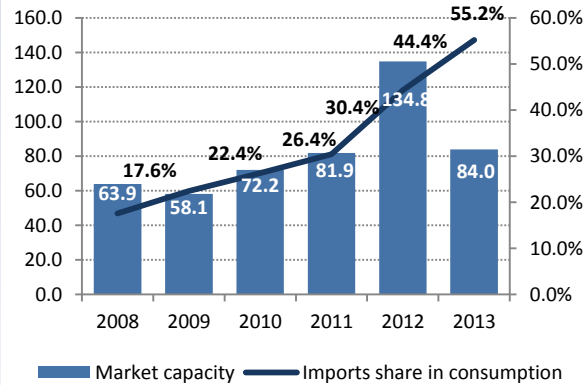
However, "Polymir" plans to create new import substitution productions of:

- high-density polyethylene with capacity of 150 thsd tons per year and
- polypropylene with capacity of 150 thsd tons per year.

This project is one of 14 most effective projects, in maximum corresponding to the priority directions of technological development of the petrochemical complex and Belarus as a whole, which concern "Belneftekhim" assigned for implementation in 2011-2015.

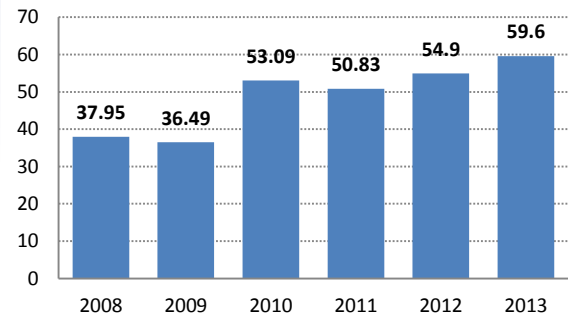
According to the statements of concern, it is possible that for the project implementation outside capital from raw streams, mainly from Russia will be attracted.

LDPE market capacity, thsd tons



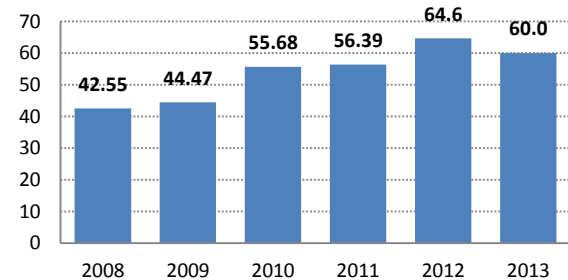
Source: NSC RB, Comtrade, Uniter

LDPE import (market capacity), thsd tons



Source: Comtrade

Polypropylene imports (market capacity), thsd tons



Source: Comtrade

CHEMISTRY AND PETROCHEMISTRY

Tires

PRODUCTION

Production of automobile tires and tires for agricultural machinery amounts to 4.7-5.7 mln units. In 2012, 5.7 mln tires were produced, which is 11% above the indicator of 2010.

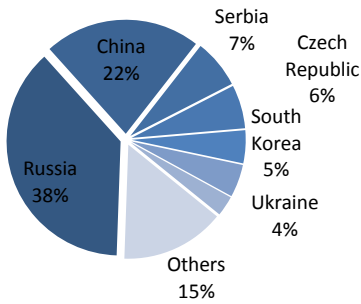
In Belarus, there is only one tire manufacturer – "Belshina" OJSC, which is a major supplier for manufacturers of heavy trucks, buses, tractors and other agricultural machinery.

FOREIGN TRADE

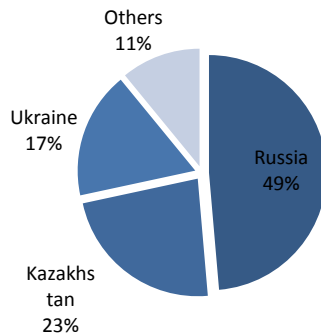
About 70-75% of tire production is exported (3.5-4.3 mln units per year). The main consumers of Belarusian tires are Russia, Ukraine, Kazakhstan.

Tire imports to Belarus amounts to 1.4-1.7 mln units. Major suppliers are Russia, China, Poland, South Korea, Ukraine, etc. About half of the domestic consumption is provided by imports.

Tire imports structure



Tire exports structure



Source: Comtrade

KEY PLAYERS OF THE BRANCH



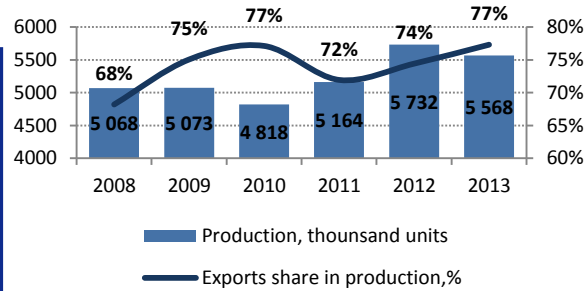
"BELSHINA" OJSC

- one of the largest in Europe producing over 300 sizes, models and standard ply rating types of tires for light vehicles, trucks, heavy trucks, road construction and lifting transport vehicles, electric transport, buses, tractors and agricultural machinery.

Company includes:

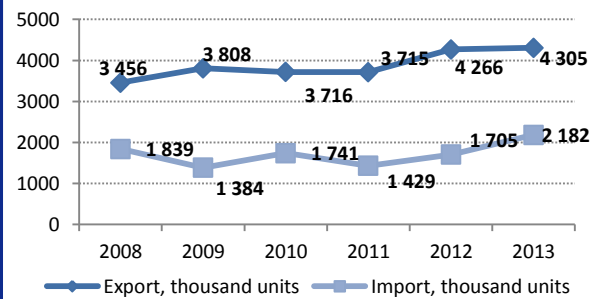
- Plant of large tires,
- Plant of mass tires,
- Plant of OTR tires,
- Mechanical Plant,
- other structures needed for production

Production of tires

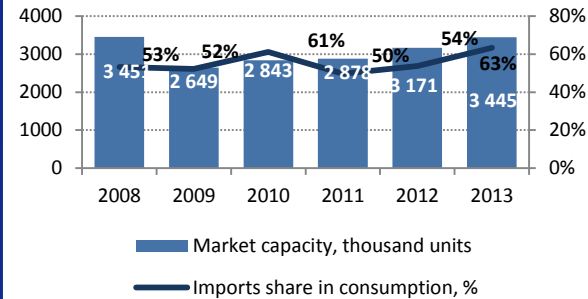


Source: NSC RB, Comtrade

Exports/imports of chemical fibers



Tires domestic market capacity, thsd tons



Source: NSC RB, Comtrade, Uniter

Key financial indicators of "Belshina" OJSC, mln USD

	2011	2012
Net income	984.1	1052.81
Sales profit	10.59	194.26
Net profit	4	108.66
Profit margins of sales	18.10%	18%
Net margin	0.40%	10%

Source: SCP RB, Uniter

CHEMISTRY AND PETROCHEMISTRY

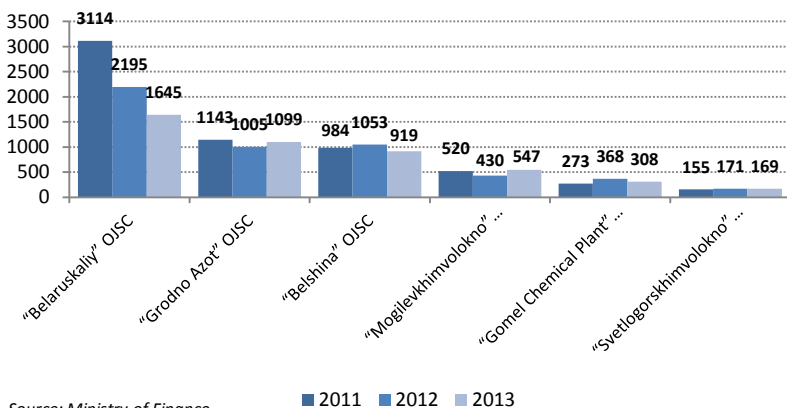
Key players

Chemical Industry of the Republic of Belarus is represented by large enterprises, some of them are included in the list of top profitable open joint-stock companies of the country, generating significant part of the profit.

Following the results of activity in 2012, "Belaruskaliy" has become the most profitable open joint-stock company in chemical industry and the country as a whole (3rd place). In 2012, the company's income amounted to 2.19 bln USD, net profit –0.8 bln USD. It should be noted that the income and net profit of "Belaruskaliy" OJSC is much higher than indicators of the rest of the industry enterprises.

Second best is "Belshina" OJSC – by the end of 2012 the company's income amounted to 1.05 bln USD. It is followed by "Grodno Azot" OJSC with the income amounting to 1 bln USD. These companies occupy the fifth and seventh positions in the list respectively.

Revenue, mln USD, 2013

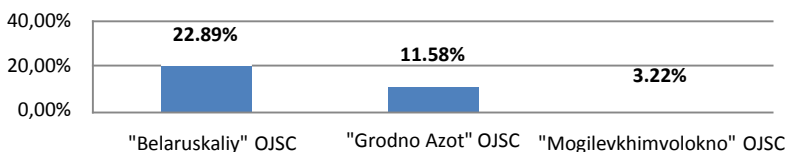


Source: Ministry of Finance

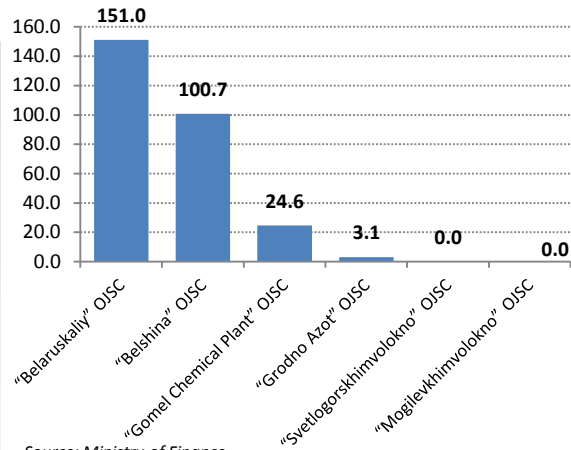
The highest income per 1 employee is noted in "Gomel Chemical Plant" OJSC –151 thsd USD. This figure is achieved due to a small number of employees (2,438 people, compared with 18,706 employees at "Belaruskaliy" OJSC).

In terms of the effectiveness, the leader is "Belaruskaliy" OJSC: ROA – 23%, profit margins of sales – 43%. Among the companies in the industry and there are extremely marginal ones ("Mogilevkhimvolokno" OJSC and "Svetlogorskikhimvolokno" OJSC).

ROA (return on assets), 2011, %

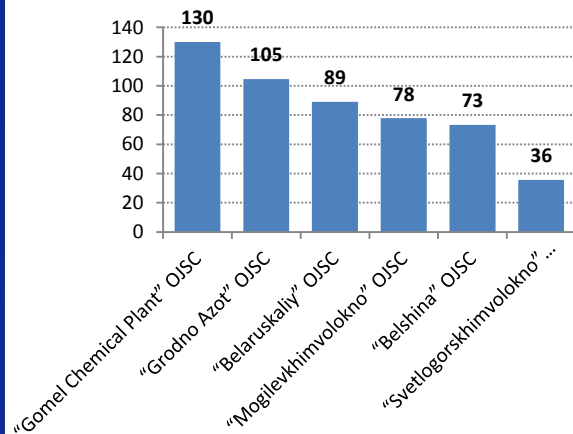


Net profit for 2013, mln USD



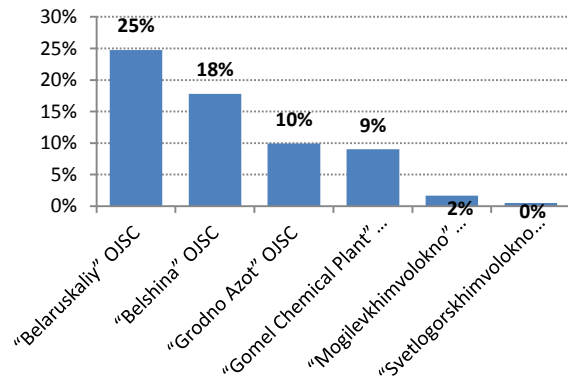
Source: Ministry of Finance

Revenue per average worker, thsd USD



Source: Ministry of Finance

Margin on sales, %



Source: Ministry of Finance

CHEMISTRY AND PETROCHEMISTRY

Latest changes

Belarus invites Vietnam to the implementation of projects on co-production of fertilizers

The official visit of the Prime Minister of Vietnam to Belarus took place on May 15-17, 2013. The Vietnam National Chemical Corporation "Vinachem" and "Belgorkhimprom" OJSC discussed the enrichment of apatite ores in Vietnam and production of potash salt in Laos. The possibility of the creation of joint venture for the production of complex fertilizers using Belarusian raw materials in Vietnam is being worked out. Agreement on supplies to Vietnam in 2013 of no less than 350 thsd tons of potash fertilizers was reached.

"Belaruskaliy" OJSC started industrial production of nitrogen-phosphorus-potash fertilizers

"Belaruskaliy" OJSC started industrial production of nitrogen-phosphorus-potash fertilizers. The latest technology are applied for their production. Thanks to this a single granule has a concentration of three components and essential trace elements at once. Fertilizer composition can be rapidly changed for each individual crop.

New technology is waste-free. At present, the production capacity amounts to about 240 thsd tons. In future, it is planned to increase the figure by 4 times. The total cost of the project amounts to USD 0.25 mln.

PTC "Khimvolokno" plans to create the production of composites in 2013

In 2013, the production and technological complex "Khimvolokno" JSC "Grodno Azot" plans to create production of composites with capacity of 15 thsd tons per year.

The new production is created for deeper processing of raw materials and additional profit. To organize such production, the company plans to purchase two complete lines with the level of performance amounting to nine tons per day each.

PTC "Khimvolokno" completed a comprehensive modernization of production of industrial nylon yarn. "With this, the production of these products increased in 2012 by 30% compared with the previous year, while the consumption of primary raw material – caprolactam – decreased by two times to 1.011 kg per ton.



CHEMISTRY AND PETROCHEMISTRY

Statistical attachment

Core economic indicators

Indicator	C. u.	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nominal GDP	BYR trln	65.07	79.27	97.17	129.79	137.44	164.48	297.16	530.36	636.78
Nominal GDP *	USD bln	30.2	37.0	45.3	60.6	49.1	54.9	50.9	63.4	71.5
Real GDP growth	% y/y	9.4	10.0	8.6	10.2	0.2	7.7	5.5	1.7	0.9
Industrial production	% y/y	10.5	11.4	8.6	11.3	-3.1	11.7	9.1	5.8	-4.8
Agricultural production	% y/y	1.7	5.9	4.1	8.9	1.0	2.5	6.6	6.6	-4.0
CPI	% y/y p. avg.	10.4	7.0	8.4	14.8	13.0	7.7	52.3	67.5	18.5
CPI	% y/y eop	8.0	6.6	12.1	13.3	10.1	9.9	108.7	21.8	16.5
PPIIP	% y/y p. avg.	12.1	8.3	16.3	14.8	15.0	13.5	69.2	90.5	14.0
PPIIP	% y/y eop	11.0	9.0	22.2	15.4	11.3	18.9	149.6	20.6	10.7
Exports of goods and services (USD)	% y/y	15.9	22.3	24.5	34.9	-32.9	20.5	58.8	11.4	-15.5
Imports of goods and services (USD)	% y/y	3.8	33.2	28.7	37.8	-26.8	23.0	29.7	2.3	-6.7
Current account	USD M	436	-1448	-3013	-4959	-6133	-8280	-5053	-1688	-
Current account*	% GDP	1.4	-3.9	-6.7	-8.2	-12.5	-15.1	-9.9	-2.7	-
FDI (net)	USD M	303	351	1792	2157	1774	1343	3877	1308	-
International reserves	USD M eop	1297	1383	4182	3061	5653	5031	7916	8095	6651
Budget surplus	% GDP	-0.7	1.4	0.4	1.4	-0.7	-2.6	2.1	0.5	0.2
Domestic government debt	% GDP eop	5.8	6.5	6.3	6.6	5.7	5.6	10.9	9.3	10.7
Gross foreign debt*	% GDP eop	17.0	18.5	27.6	25.0	45.0	51.7	66.8	53.5	-
Monetary base	% y/y eop	74	20	38.4	11.7	-11.5	49.5	84.1	61.6	13.4
Currency rate (NBRB, official)**	BYR/USD p. avg.	2154	2145	2146	2136	2793	2978	4623	8336	8876
Currency rate (NBRB, official)**	BYR/USD eop	2152	2140	2150	2200	2863	3000	8350	8570	9510
Currency rate (NBRB, official)**	BYR/EUR p. avg.	2681	2692	2937	3135	3885	3950	6432	10712	11782
Currency rate (NBRB, official)**	BYR/EUR eop	2546	2817	3167	3077	4106	3973	10800	11340	13080

Source: Research centre IAM

* - indicators were calculated on the basis of market exchange rates (average assessment of the market rate in 2012 - 8336 USD / BYR).

** - In April and October 2011, there was a multiplicity of exchange rates.

CHEMISTRY AND PETROCHEMISTRY

Statistical attachment

Production of fertilizers, 2006-2012 (thsd tons)

	2006	2007	2008	2009	2010	2011	2012	2013
Mineral fertilizers – in total	6261.9	6715.5	6703	4227.3	7051.6	7188.4	5 857.9	5279
where:								
phosphatic	153	157,2	175	177.2	192.4	184.6	213	203
nitrogen	710.6	750.7	727.6	727.7	760.5	798	814	833
potash	4605.3	4971.6	4967.4	2485.4	5222.7	5305.8	4831	4243

Source: NSC RB

Foreign trade of fertilizers, 2008-2012 (thsd tons)

	2009	2010	2011	2012	2013
exports					
Potash fertilizers	1 759.0	4 180.6	4 698.3	3 669.0	2063.0
Nitrogen fertilizers	305.6	238.2	323.3	235.3	393.1
Complex fertilizers	254.02	264.25	285.33	341.1	No data
imports					
nitrogen	166.4	378.4	247.8	219.3	159.2
phosphatic	9.64	49.39	0.84	2.6	0
complex	143.5	193.06	259.12	180.8	No data

Source: NSC RB, Comtrade

Key indicators of chemical fiber market, thsd tons, 2006-2012

	2006	2007	2008	2009	2010	2011	2012	2013
Production								
In total	203.2	228.6	225.7	200.4	233.1	230.0	239.1	
SvetlogorskKhimvolokno	25.6	30.2	33.6	33.9	36	37.1		
Polymir	60	63.1	63.7	59.5	63.4	63.6		
Grodno Khimvolokno	34.8	37.7	37.1	36.6	43.9	42.1		
Mogilev Khimvolokno	82.8	97.6	91.3	70.4	89.8	87.2		
				2009	2010	2011	2012	2013
Exports								
Chemical yarns				51.5	61.5	59.6	63 757	64.6
Chemical fiber				117.3	127.6	110.4	75 894	66.1
Imports								
Chemical yarns				15.1	17.6	23.2	17 357	19.2
Chemical fiber				10.7	13.0	12.2	5 410	6.5

Source: NSC RB, SCC

CHEMISTRY AND PETROCHEMISTRY

Statistical attachment

Key indicators of polymer market, 2006-2012

	2006	2007	2008	2009	2010	2011	2012	2013
LDPE, thsd tons								
Production	138.9	137.3	139.3	136.5	134.5	137.7	185.7	135.9
Exports	97.85	89.86	86.63	91.4	81.35	80.69	110.7	98.3
Imports	9.04	11.44	11.24	13.04	19.02	24.91	59.8	46.4
HDPE, thsd tons								
Imports	34.92	33.15	37.95	36.49	53.09	50.83	54.9	59.6
Polypropylene, thsd tons								
Exports	44.62	40.65	42.55	44.47	55.68	56.39	64.6	60.0

Key indicators of tire market, 2006-2012

	2006	2007	2008	2009	2010	2011	2012	2013
Production, thsd units	3563	4792	5068	5073	4818	5164	5732.2	5568
Exports, thsd units	2636	3492	3456	3808	3716	3715	4 266	4305
Imports, thsd units	2033	1425	1839	1384	1741	1429	1 705	2182

Source: NSC RB, Comtrade

Structure of tire imports, 2012

IN TOTAL	100%
Russia	38%
China	22%
South Korea	5%
Slovakia	2%
Hungary	2%
Japan	2%
Ukraine	5%
Czech Republic	6%
Other	19%

Structure of tire exports, 2012

IN TOTAL	100%
Russia	49%
Ukraine	17%
Kazakhstan	23%
Other	11%

Source: Comtrade

CHEMISTRY AND PETROCHEMISTRY

Statistical attachment – latest changes

Key indicators, Q3 2013 (chemical products)

	Q3 2013	by Q3 2012, in %
Chemical production, bln rubles	35 249.6	73.6
Chemical production, USDbln	4.03	
Chemical products exports, USDM	2 599.01	38.0
Chemical products imports, USDM	2 391.32	105.8

Source: NSC RB

Key indicators, Q3 2013 (fertilizers)

	Q3 2013	by Q3 2012, in %
Production		
expressed in terms of 100% nutrient chemicals , thsd tons	4 163.6	87.2
nitrogen	607.6	97.3
potash	3 395.7	85.4
phosphatic	160.3	93.1
Potash fertilizers exports, thsd tons	2 687	89.4
China	371	130.2
Brazil	569	65.3
Bangladesh	154	3.9 times
Poland	144	98.6
Norway	160	89.9
India	178	54.6
Indonesia	133	198.5
Belgium	126	124.8
Nitrogen fertilizers exports, tons N	178 397	263.4
Brazil	31760	207.7
France	40132	120.8
Poland	25200	290.1
Lithuania	11 376	249.7
Germany	15 489	323.4
Canada	17 719	93.8
Nitrogen fertilizers imports, tons	57 167	68.2
Russia	54 340	66.7
Poland	2 163	120.8

Source: NSC RB

Key indicators, Q3 2013, (chemical fiber and yarns)

	Q3 2013	by Q3 2012, in %
Production		
Synthetic fiber, thsd tons	160.6	91.0
man-made yarn , tons	-	
Exports	99.0	96.8
complex synthetic yarns, thsd tons	47.9	104.6
synthetic fiber, thsd tons	51.2	90.5
Imports	18.5	110.1
complex synthetic yarns, thsd tons	14.2	110.6
synthetic fiber, thsd tons	4.2	108.6

Source: NSC RB, SCP RB

Key indicators, Q3 2013 (tires)

	Q3 2013	by Q3 2012, in %
Production, thsd units	4212	91.0
tires for lightweight vehicles, thsd units	2466	93.6
tires for buses or trucks, thsd units	1139	106.4
tires for agricultural and forestry machinery, other production machinery, thsd units.	608	65.7
Tire exports, thsd units	3229	99.9
Russia	1546	89.3
Kazakhstan	815	123.3
Ukraine	534	137.3
Imports, thsd units	1495	126.4
China	409	149.8
Russia	488	135.9
Czech Republic	111	111.0

Source: NSC RB

CHEMISTRY AND PETROCHEMISTRY

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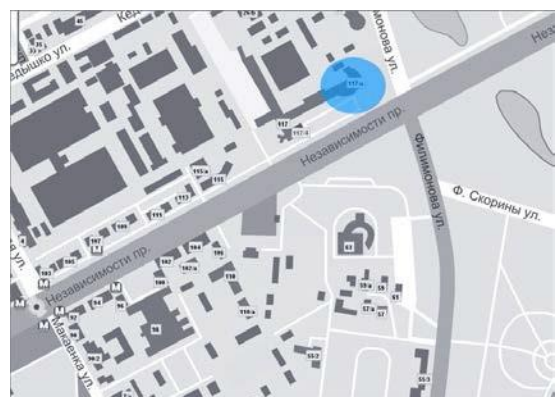
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