



## **NOTE TO READERS**

Sergey Lukichev, member of the Management Board and Managing director of SIBUR, Chairman of the Task Force on COVID-19 and other Health Emergencies.

Dear clients and partners,

2020 has been an unprecedented year. Nothing like this has ever happened before – the events, decisions, and their outcomes we're living through are exceptional. Most restrictions triggered by the pandemic and the global lockdown are coming to an end. Production resumes as businesses are adapting to the new rules, seeking to balance their operations, market and corporate practices. A new reality has emerged, but getting to grips with it will take time.

Our new issue of SIBUR to Clients is dedicated to the search for balance in this new world. It explores how to arrange production amid a continuing pandemic, how to help staff adapt to a mix of working on-site and remotely, what kind of labour market we are going to see, what projects are worth investing and feasible in these circumstances and what had better be postponed.

It is hardly possible to exactly predict how markets, economy, commodity prices and capex may change over a 1–3 year period. Planning horizons have narrowed to weeks – months at best. But changes mean challenges and opportunities that drive development.

Like many other industries in Russia, the petrochemical industry suffered a decline and a strong reverse. The challenges helped us test the operational resilience of our businesses, effectiveness of anti-crisis measures, flexibility of the management, and readiness to change. The crisis is still far from over, but some takeaways are already clear.

Thanks to its heavy investment in production, business diversification and deeper processing, SIBUR was able to make some fast tactical moves and find new development opportunities even in an adverse macro environment. By refocusing on products for the healthcare needs of the country, increasing the plastic feedstock output, embracing a flexible approach to working with partners and expanding into new global markets, SIBUR adjusted swiftly to the new market conditions. Moreover, the Company launched ZapSibNeftekhim, the largest petrochemical facility in Europe, and increased polypropylene and polyethylene production. Even though these steps did not help to completely avoid losses, SIBUR minimised them and supplied sufficient polymer feedstock to Russian manufacturers of personal protective equipment.

Thanks to the digital transformation launched a few years ago, the Company came out of the lockdown with the least loss and was able to implement working remotely and minimise contacts both within the Company and with partners and customers. Having put in place effective COVID-19 prevention procedures, SIBUR did not halt any of its major capex projects.

To address the threats the Company and other market players have faced, it developed a set of actions aimed at stabilising the situation and preventing disruption at critical production facilities in Russia. In all regions of our operation, logistics providers which are part of the Company's continuous production supply chain, including those involved in shipments for the businesses making medical

goods and prime necessities, operate on an uninterrupted basis. We have been arranging for the necessary intercity and international transportation permits to be issued in a timely manner in those regions of our clients' presence where restrictions on the entry and movement of vehicles have been imposed.

The Company has increased its production of polymers, including polypropylene, to ensure supply of high-quality disposable PPE to healthcare facilities. We are doing our best to keep the prices for medical grade polymers at their minimum levels. We also expand cooperation with producers of medical supplies to support high utilisation of their capacities and help drive their production growth. On top of that, SIBUR invests in developing a feedstock base for import substitution of medical products in order to meet the nation-wide demand for disposable PPE. The Company invests in developing polymers with antimicrobial activity for the food and medical industries. Research on improving the antimicrobial properties of polymers carried out jointly with Russia's leading industry-related institutes looks very promising amid the pandemic.

Yet, not all market players came out of the COVID-19 pandemic relatively unscathed. A number of industries have been hit by tough market conditions and the epidemic restrictions. Government support to small petrochemical companies has never been more important. Otherwise, we risk losing a number of modern, innovative and high-potential companies that propel the industry in Russia. SIBUR asked 64 governors in Russia to provide assistance to the manufacturers and suppliers whose operations are of critical importance to the industry and SIBUR. The Company also urged other industry players to file requests to the government authorities and propose effective support measures.

17 July will mark the twenty-fifth anniversary of the Company. Symbolically, this remarkable date coincides with the period of hardships and shocks. Since its inception, the Company has come a long way to become a leader in the global petrochemical industry. This was largely made possible by its ability to overcome challenges it faced in the previous years. Today, the Company remains as firm as ever in its intention to become more effective, competitive and strong.

On behalf of SIBUR's management team, I would like to thank our partners, customers and suppliers for the long-standing cooperation, constructive approach, and desire to move forward together. We value all this and are always grateful to you!

If you have any questions, suggestions or opinions (including criticisms), do not hesitate to email them to **[dearcustomer@sibur.ru](mailto:dearcustomer@sibur.ru)** (<mailto:dearcustomer@sibur.ru>)