



HIGHLIGHTS OF THE YEAR

2016 was a year of surprises for Russian processing companies. Despite gloomy forecasts, many markets showed signs of stabilisation. The competitive landscape has changed a lot, with international players scaling down their operations in Russia as a result of currency exchange fluctuations and domestic companies focusing on efficiency improvements.

We asked SIBUR clients which of the 2016 events they considered to be of utmost importance for their businesses and industries in general.



ANDREY MIRONOV

CCO of Rosplast

Surprise of the year: crisis is no obstacle

"The key surprise of the year for us was that the plasticiser market was not only able to withstand the crisis, but also started to steadily, if slowly, recover. I find the current developments somewhat paradoxical.

Just like many of the peer industry professionals, I spent the end of the previous year making calculations in an attempt to predict how much the market would contract. Yet, contrary to what everyone believed, right now we are witnessing a completely different situation.

As our key clients have weathered the crisis, we are cautiously optimistic, expecting higher consumption of our products going forward. That is not to say that the industry has undergone any major transformations: there were no newcomers in the market and the old industry players keep operating as they used to. The market has only changed thanks to the small steps taken by the existing manufacturers. Combined, these steps gave the industry new momentum."



NIKOLAY BABKIN

CEO of Tom-LTD

Trend of the year: pursuing greater efficiency

"The highlight of 2016 for us is that Tom-LTD and SIBUR, our key supplier, have finally managed to fine-tune the film shipments schedule. This has helped to substantially boost our operating efficiency. We started to work on the optimisation of shipments long ago. Now that the optimisation process is over, we have been able to cut our inventories by 70%, as we no longer depend on the seasonal feedstock shortages that traditionally occur in the market in spring and before the New Year. We would like to take this opportunity to thank the SIBUR team, who switched to formula pricing contracts and tailored their production processes to meet our needs.

At the end of 2014, we had major concerns about a potential drop in demand for our products (we mainly manufacture packaging) because of the economic crisis and increasing production costs. But the reality has proved us wrong: a handful of international competitors left the Russian market due to, among other things, volatility of the national currency and, as a result, we have managed to increase our market share and win a greater number of orders. That is why, in 2016, we set a new production record by manufacturing over 1,000 tonnes of plastic packaging in just one month."

Intrigue of the year: trying to find balance

OKSANA MAYER

Head of Petrochemical Department at Kama-Himnab

"The year 2016 has brought a lot of changes, including those related to the political environment, commodity prices and currency exchange rates. Unfortunately, this makes historical experience and forecasts increasingly irrelevant. The industrial landscape is changing, although, I believe, at this stage it is difficult to predict where precisely this transformation will take us and whether the balance will be in favour of domestic or overseas consumers.

Consider the situation in the benzene segment, for instance. In theory, the supply and demand have been balanced for over two years, while in reality, it was due to unstable performance of certain producers.

Only in November 2016, all production sites became operational, which kickstarted exports of this feedstock. It is certainly a milestone in the two years of market operations. The market is changing due to a number of reasons, and its participants just have to adjust accordingly.



SERGEY ATAMANOV

CCO of Pigment

Decision of the year: time to enter new markets

"In 2016, our output of acrylic emulsions grew 1.6-fold. This was following the launch of a new PXE process technology and capacity expansion to some 27,500 tonnes of acrylic emulsions annually.

As a result, we managed to increase our market share to 13–14% compared to just 7–8% last year.

The feedstock for our acrylic emulsions are acrylate monomers that we receive from SIBUR.

What is especially important, in 2016 we enhanced our export capabilities by almost doubling the volumes we ship abroad, with Kazakhstan and Uzbekistan as our key clients. In volume terms, exports for the full year reached some 3,500 tonnes."



IGOR KOLESNIKOV

Deputy CEO of the Europlast Plant in Kazan

Question of the year: what are the consequences of the efforts to ban PET packaging?

"This year, we have been actively opposed to the new law that bans 1.5 litre PET packaging for beer as we believe it would have negative implications for both packaging producers and beer companies. Finally, in cooperation with other businesses, we managed to negotiate a temporary delay. However, the law, if and when it is passed, might well strike a huge blow to everyone.

Curiously, current market demand for PET is fully met by Russian producers, which is in line with the government's focus on import substitution. The efforts against PET packaging have been the most negative market development for us. Apart from that, the year 2016 has delivered quite positive results. Our sales of packaging in volume terms went up by 5% – even despite the fact that per unit weight has been steadily going down over the past years. One of our best achievements this year is the launch of production of 30 litre plastic kegs to replace the outdated metal ones that are currently used by many beer producers.

I believe that the new product has a great potential. What is also important, we managed to review our relations with SIBUR as our key supplier. Among other things, we have simplified the document approval process. Along with other measures, this helped to nearly

halve our purchases of imported feedstock."



OLEG KUZIN

CEO of Aktilan

Forecast of the year: new idea for growth needed

"The year 2016 has been a good one for us. We managed to capitalise on the import substitution drive and boost our output and sales, which, by the way, caused us to buy more butyl acrylate and styrene from SIBUR.

The efforts and commitment of our team helped us launch a new product for the budget segment. This had a direct impact on our relations with distributors and some large consumers that have been relying on us as their key supplier this year.

So, as I have said, it has been a good year. However, we do have concerns about 2017: by now, we have almost fully realised the import substitution benefits and will have to look for new growth opportunities."