



## **OVERCOMING DIFFICULTIES, COPING WITH THE WEATHER, AND LAUNCHING NEW PRODUCTS**

SIBUR's clients recount memorable moments of the outgoing year 2017.

### **Polyethylene: stability is king**



**KONSTANTIN ARKHIPOV**

Executive Director, Izhevsk Plastic Plant

**Konstantin Arkhipov,**  
Executive Director, Izhevsk Plastic Plant

Stability is what makes this year memorable.

Stability helped us not to rise our own prices, which, needless to say, was appreciated by our customers. This enabled us to generate stronger sales and better margins, which comes after 2016, when they fell 20% and 11%, respectively.

It is worth noting that SIBUR's facilities have been upgraded, and this has improved the quality of LDPE that is of great interest to us as our principal feedstock. Currently, we are running a series of pilot tests, experimenting with process parameters and mixes. There are some early indications that our end product, i.e. polyethylene foam, can also be improved. Final results are expected in 2018.



## **NATALIA GOLOVACHEVA**

Deputy CEO for Feedstock Procurement, Artplast

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### **Natalia Golovacheva,**

Deputy CEO for Feedstock Procurement, Artplast

This year our company celebrated its 20th anniversary. While celebrating, we kept pushing ahead with an upgrade programme launched in previous years. Purchasing the newest 10-colour Miraflex printing press made by Windmoeller & Hoelscher with enhanced print width has become yet another highlight of the year.

Combined with a three-layer extruder of the same brand purchased earlier, it will help diversify our product offering. While our sales volumes remained generally flat, sales structure has been revised, and the increase in the share of flexible packaging helped us offset the negative effects of the declining demand for plastic bags.

2017 was not an easy year. Many companies struggled with feedstock shortages. This made solid business relationships with suppliers all the more important. We have been partnering with SIBUR for over nine years, and our current business is based on long-term agreements.

We have seen a sea of change in their view of the client-oriented business model. We look forward to expanding our cooperation and receiving first batches of bimodal polyethylene from their new plant (ZapSibNeftekhim). So far we had to source BPE from abroad.



## **IGOR MOSKALENKO**

Director, Tompolymer

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### **Igor Moskalenko,**

Director, Tompolymer

Our experience with SIBUR dates back to 2001. Throughout this period, we have always enjoyed their support. This was of utmost importance in 2017 that was rather bumpy for us. We were experiencing huge swings in feedstock prices, as well as growing unfair competition. Since March, when our companies signed a formula pricing agreement, things have become easier for us.

In the recent years, SIBUR has changed a lot. They have become much more open and willing to provide all kinds of technical support to their clients. They also are making significant progress in improving their feedstock products, which results in noticeably higher end-product quality.

## **BOPP: gains in product quality are front and centre**



**MARIA KUNGURTSEVA**

Director of Production Procurement, EDAS PAK

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### **Maria Kungurtseva,**

Director of Production Procurement, EDAS PAK

The year 2017 was fairly tumultuous. In the first six months, when a supplier of ours suspended production, we faced shortfalls in feedstock availability. We found enough internal resources to overcome the challenge but nevertheless had to slow down deliveries to our customers. In the second half of the year, we were hit by the cold summer weather that has hampered the anticipated level of demand for ice cream and soft drinks, for which we supply labels.

Despite the negative impacts of external factors, we have managed to modernise our equipment and switch to the last-generation printing presses. This improved the quality of our products, as well as production rates. Going forward, gains in product quality achieved through equipment upgrades will create an upside potential for manufacturing packaging materials that so far have been mostly imported. This will become our contribution to the overall import substitution trend in Russia. In this respect, we cannot overestimate the assistance of our key supplier BIAXPLEN (part of SIBUR group) that offers us test batches of their new enhanced products on a regular basis.

## **Polypropylene: processors' exports are on the rise**



**VICTORIA BUNINA**

**Victoria Bunina,**

Deputy CEO, Commerce and Production, Gexa

In 2017, we witnessed a significant decline in domestic demand primarily related to decreasing purchasing power of the Russian population. The demand from national chains, i.e. our core customers, dropped by an unprecedented 40% relative to 2016 levels. To prevent a drop in sales, we had no choice but to start exploring new markets. This led us to exporting to such countries as Italy, Georgia, Azerbaijan and Egypt, albeit in "trial-size" batches. Moreover, we have steered our business towards certain categories of products that have remained as much in demand as before. These include membrane films that are quickly replacing imported products, and hygiene-related products.

We expect that in 2018 this set of measures will let us go beyond simply preserving our production volumes and increase our output. Solid relations with suppliers are critical for achieving this goal. SIBUR has been our supplier for over five years, and we are happy with both the quality and range of their products.

## Expanded polystyrene: packaging is new building and construction

**Vladimir Roshkanyanu,**

Technical Director, TPK Polystyrol

Throughout 2017, the construction market was seriously depressed due to the overall drop in purchasing power underpinned by strong foreign exchange and high mortgage rates. Obviously, this did not help the demand for our building materials.

So far we see no basis for cardinal changes in the existing environment, and therefore dedicate our efforts to expanding our packaging and decorative product offerings. In 2017, we went as far as launching a specialised production plant for these applications outfitted with the newest moulding machines.

We have been partners with SIBUR since its incorporation. Over all these years things have been working out smoothly and to the benefit of both parties. We are looking forward to further improvements in the quality of their products for decorative applications that has been falling behind some comparable international products. Recently we have been testing a new polystyrene grade. In case of positive test results it will replace its Finnish counterpart that is 15–20% more expensive.



**ANDREI TARASOV**

Director, Microtest, a research and production company

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**Andrei Tarasov,**

Director, Microtest, a research and production company

The EPS market has shrunk to 70% of the pre-2014 levels. First of all, this is a reflection of the current state of our customer industries, such as construction and automotive, that so far have not had much to boast about. However, we are not seeing any new negative trends. Compared to 2016, our sales have been generally flat. This suggests that our market position is stable and lets us be cautiously optimistic about the future.

SIBUR has been our partner for a long time, since the very first days following the launch of the Perm polystyrene plant. They have high-quality products, and their volumes meet our production needs. Our expectation for the future is to see faster response times added to their proven competitive advantages. At present, the lag between payment and actual shipment dates may be close to 10 days, and we would like to make it shorter, as this would help improve our business process.

## Polyethylene terephthalate: overcoming artificial barriers

**Natalia Selezneva,**

Head of Marketing, Europlast Holding Company



**DMITRI TARASOV**

Head of Procurement, Europlast Holding Company

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**Dmitri Tarasov,**

Head of Procurement, Europlast Holding Company

We estimate that in 2017 the Russian packaging market capacity grew by 2%. However, in some segments problems may persist. For example, we had fewer orders from small businesses, whose finances were affected by the crisis the most.

In 2017, Europlast turned 20. We celebrated this anniversary with a variety of special events. At the Prodexpo food and beverage trade fair, we held our first ever client conference and decided to continue on the annual basis, since such events improve communications with our customer base and provide insights into relevant market trends.

As far as new product lines are concerned, in 2017 we launched mass production of large PET-containers, i.e. beer kegs and 19-litre bottles. In 2018, we are going to start manufacturing polymer lids for cardboard containers that are a novelty on the Russian market.

Our ongoing active partnership with SIBUR includes both purchasing feedstock and enhancing our product line-up and quality. This involves numerous bilateral discussions, including a recent one with SIBUR representatives who visited one of our facilities. In our opinion, SIBUR is among the most client-oriented Russian companies. They are always available for open discussions with their partners, fully disclose their information, quickly respond to all problems, and are genuinely interested in the experiences of their clients and end-users.



**VERA ZARYANOVA**



**Vera Zaryanova,**  
Director of Marketing, Retal

**Irina Mikhailichenko,**  
Head of Procurement, Retal

Obviously, the new law imposing restrictions on plastic beer containers has driven down the demand in this segment. However, an increase in the use of PET containers for water, non-alcoholic beverages, dairy products and vegetable oils has nearly offset this loss. Moreover, now, at the end of the season, we can say that the market has fully recovered from the crisis.

Weather has become a rather unpleasant surprise this year. Soft drink consumption hinges on weather, and the cold spring has certainly impacted the demand for our products. Yet, we worked hard to minimise this impact and have met almost all of our 2017 goals. Entering the PET beer keg market has been the most notable event of the year for our company.



**IRINA MIKHAILICHENKO**  
Head of Procurement, Retal

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Our 2018 plans are aligned with our strategy for developing the PET container market and thus fuelling our own growth. We take environmental protection aspects no less seriously than food safety of our products. Retal is working incessantly to reduce packaging weight and participates in its recycling.

SIBUR has been our partner for over 10 years. Our core areas of interaction and procurement are PET bottle and film grades, as well as high-viscosity PET grades for beer kegs. We view SIBUR as a strategic partner. We see clearly that SIBUR pays an ever increasing attention to client relations. For once, they have cut their response times, be it for requests or complaints, which has certainly required large-scale internal changes.

We can state with certitude that SIBUR is a highly client-oriented company. And we expect SIBUR to adhere to their high standards in the future.