

## 9M 2019 Operational and Financial Results

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# 9M 2019 HIGHLIGHTS

## Key Developments

### FINANCIALS

- Revenue at RUB 395 bln (-5% y-o-y) / \$6.1 bln (-10% y-o-y)
- EBITDA at RUB 126 bln (-16% y-o-y) / \$1.9 bln (-21% y-o-y)
- Adj. EBITDA at RUB 135 bln (-12% y-o-y) / \$2.1 bln (-17% y-o-y)

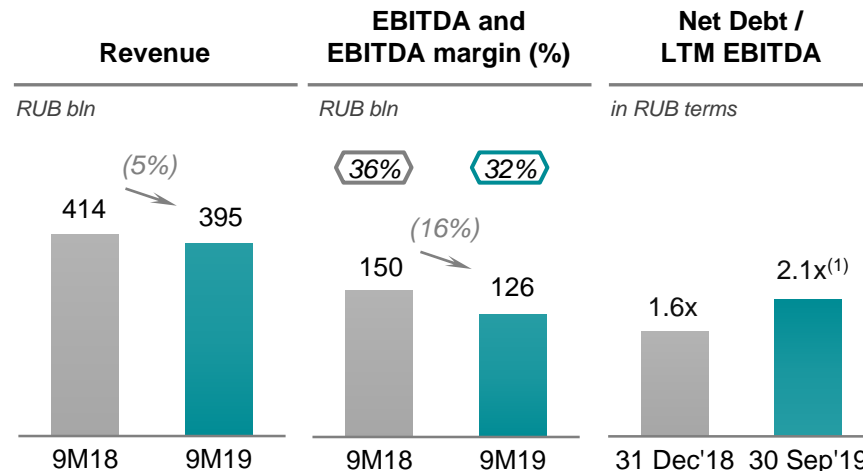
### INVESTMENTS

- ZapSib: commissioning and start-up works are underway - cracker unit operating in a test mode, first tonnes of PE and PP produced
- Amur: preliminary 1.5mt LPG supply agreement signed with Gazprom leading to project capacity uplift from 1.5 mt of PE to 2.7 mt of PE/PP (September)
- SIBUR entered into a binding contract for the sale of its petrochemical facilities in Togliatti to Tatneft (October)

### CORPORATE

- S&P assigned SIBUR BBB- investment grade with stable outlook (August); SIBUR now has IG-rate from 3 major rating agencies
- Five-year Eurobonds issue of \$500 million at a 3.45% coupon rate (September)
- SIBUR joined UN Global Compact (September)

## Key Results



+0,4% y-o-y

2,767 ths tn

Petrochemical products

+6,7% y-o-y

4,927 ths tn

Midstream products

+0.4% y-o-y

5,699 ths tn

Raw NGL fractionation

0.40

LTIF

(1) Our net debt increased primarily due to new Eurobond placement in September 2019 and Group's adoption of IFRS 16 starting 1 January 2019

# ZAPSIB PROGRESS UPDATE

Please follow the link to see the video of the construction site:  
<https://www.sibur.ru/en/press-center/video/>

## Progress Update

- Construction and pre-commissioning works completed at key processing and technological units



*Production site  
panoramic view:  
cracker unit trial run*

- Continued demobilisation of the contractors' construction staff
- Commissioning and start-up works at advanced stage:
  - PP produced in a test run from third-party and internal feedstock
  - First PE produced from ethylene of cracker unit

## Project Budget and Financing

- Invested as of 30 Sep'19<sup>(1)</sup>: c.\$7.7 bln (or RUB 469 bln)
- Residual budget for 4Q2019-2020 c.\$1.2bln<sup>(2)</sup>
- Committed credit lines (ECA, NDB)<sup>(3)</sup> c.\$564 mln

(1) Calculated using annual average P/\$ exchange rates and average exchange rates for the 1H'19  
(2) Calculated based on exchange rates P/\$ at 65.61, P/€ at 74.93  
(3) ECA stands for Export Credit Agency. NDB stands for New Development Bank. Undrawn or unutilised amounts

## Preparations for the Launch & Distribution

- Client portfolio was formed on key markets based on preliminary pre-marketing activities in Russia, CIS, Turkey, Europe and Asia
- Distribution agreement signed with SINOPEC to supply polyethylene to China
- Logistics upgrade - platform in Tobolsk and Hub in Kaluga region (Karl Schmidt) launched and fully operational

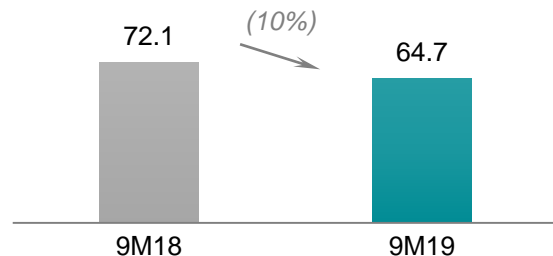


*Packaging of first  
batches of PP  
produced in a test run*

# MACRO ENVIRONMENT

## Average Oil Price (Brent)<sup>(1)</sup>

\$ / bbl

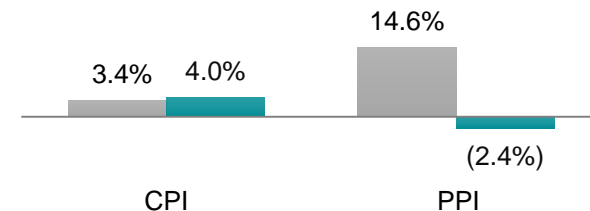


## Russian GDP<sup>(2)</sup>



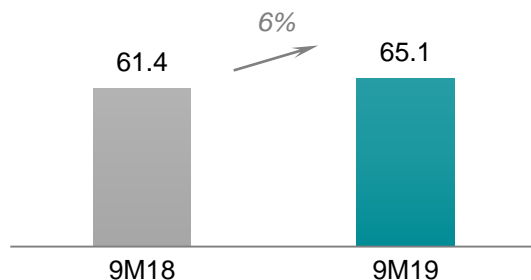
## CPI & PPI<sup>(3)</sup>

■ 30 Sep'19 / 30 Sep'18  
■ 30 Sep'18 / 30 Sep'17



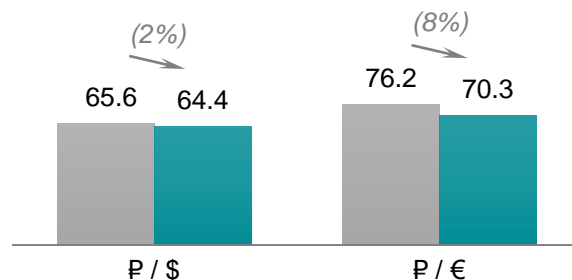
## Average Exchange Rate<sup>(4)</sup>

₽ / \$



## EOP Exchange Rate<sup>(4)</sup>

■ 30 Sep'19  
■ 31 Dec'18



## Tariffs Indexation

Description	Effective Date	Indexation Rate
Regulated natural gas price	Aug 2018	3.4%
	Jul 2019	1.4%
Railway transportation tariff	Jan 2019	3.6%
SIBUR effective avg. electricity tariff	9M19/9M18	12.0%

(1) Source: Bloomberg

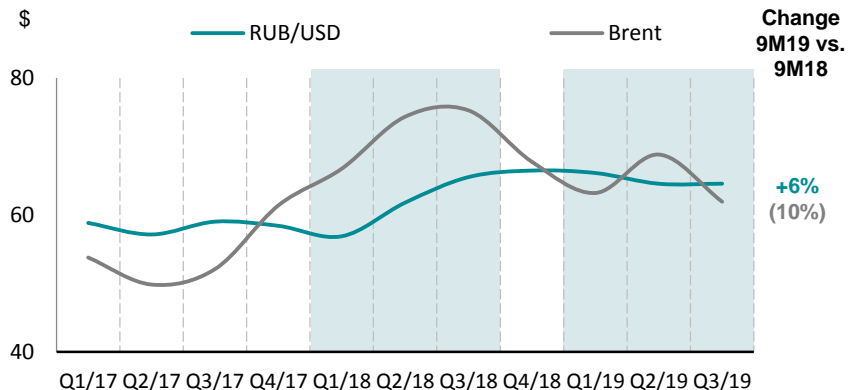
(2) Sources: 9M18 - Russian Federal State Statistics Service, 9M19 - Ministry of Economic Development of the Russian Federation (estimate)

(3) Source: Russian Federal State Statistics Service

(4) Source: Bank of Russia

# MARKET ENVIRONMENT – MIDSTREAM

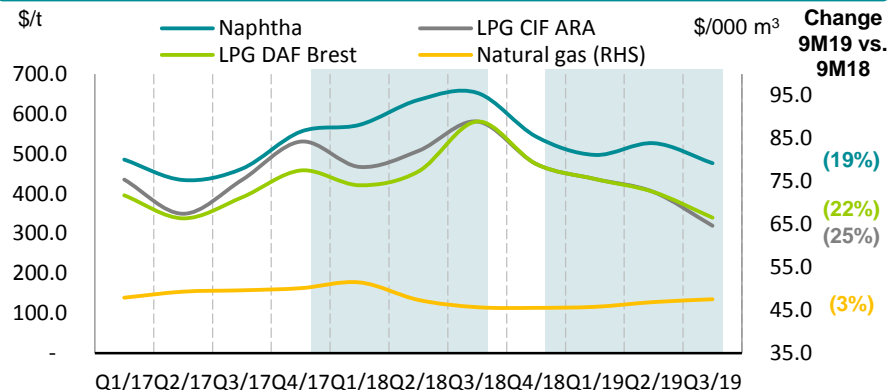
## Oil and FX



## Comments

- 9M19 was marked by lower oil prices pressured by increased oil production in US outpacing OPEC+ cuts.
- Production in 3Q19 remained flat - 100.5 mln bbl / day; US Permian basin was key contributor to oil production, resulting in LPG volumes surge
- At the end of 3Q19, the rise in oil prices was temporarily caused by attacks on Saudi oil facilities in September, the price has then returned to the same levels
- Russia and OPEC agree to extend OPEC+ agreement
- Q-o-Q production cut in Saudi Arabia, flat in the US, growth in Russia

## Midstream



## Comments – EU & US Hydrocarbons

### 9M19

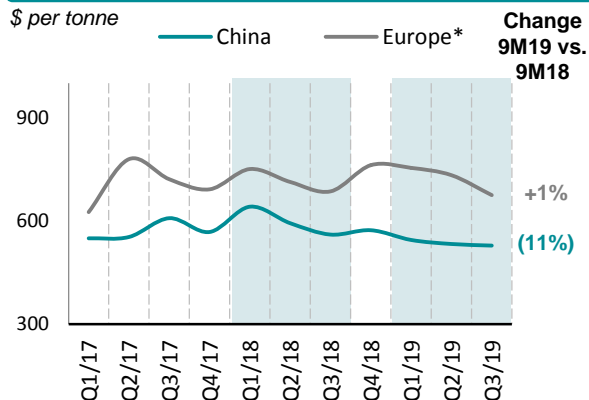
- LPG and naphtha benchmarks posted a much deeper decline compared to oil mainly driven by higher LPG volumes exported from US as a result of growth in oil and APG production and lower demand for naphtha as a feedstock for chemical producers

### 3Q19

- LPG benchmarks further down as a result of significant growth in exports from the US
- Naphtha benchmarks down due to the decrease in world oil prices, as well as lower demand (increased competition with LPG)

# MARKET ENVIRONMENT – PETROCHEMICALS

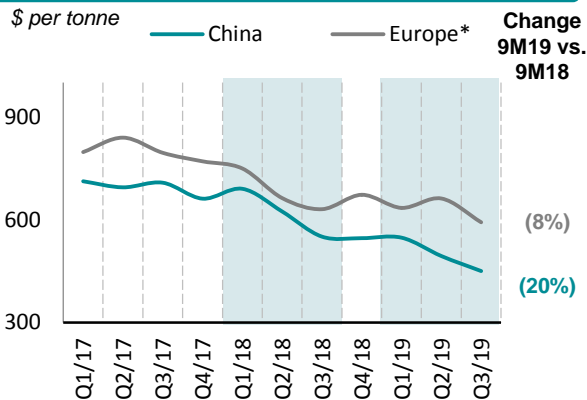
## Polypropylene Spread to Naphtha (O&P)



### Comments

- **China:** weaker domestic demand due to trade war and depreciation of the RMB relative to the USD. Expectations of local capacity additions put additional pressure on prices.
- **Europe:** balanced market with significant US imports partially compensated by unplanned local cracker outages.
- **Russia:** more favourable environment in 1H19 resulted from maintenance shutdowns of major Russian producers followed by weaker Q3 pricing dynamics

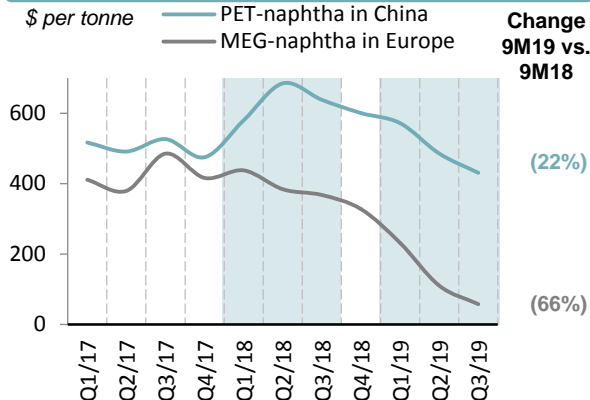
## Polyethylene\*\* Spread to Naphtha (O&P)



### Comments

- **China:** markets remained under pressure on elevated geopolitical and US/China trade issues. Weaker demand and slower inventory build-up from converters exacerbated by price decline expectations.
- **Europe:** economic slowdown and negative customers expectations. European exports were competing to US products
- **Russia:** domestic market dynamics were resilient to global benchmarks fluctuations, yet we observed weakening spread during the period

## PET & MEG Spreads to Naphtha (PE&I)



### Comments

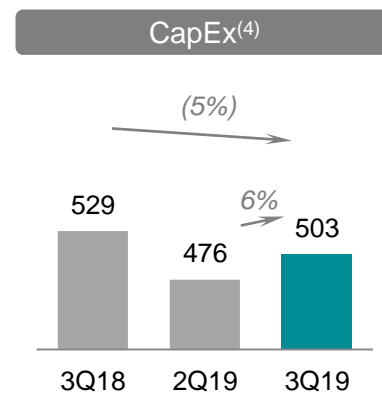
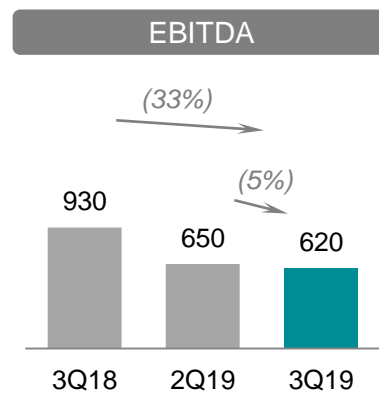
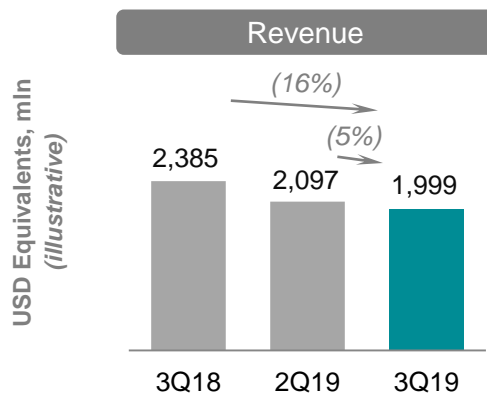
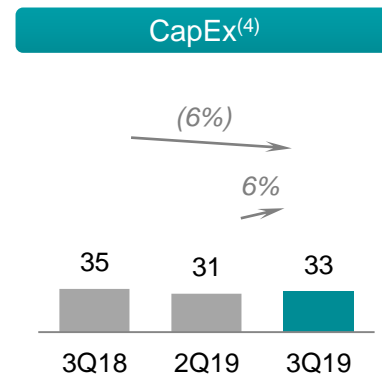
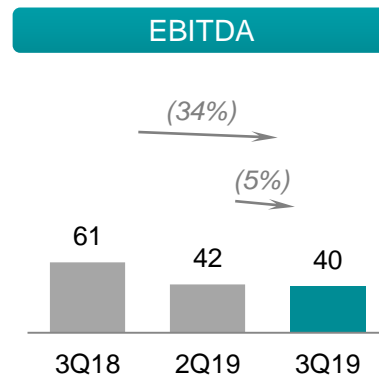
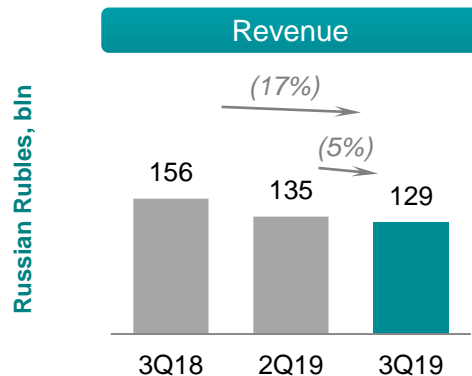
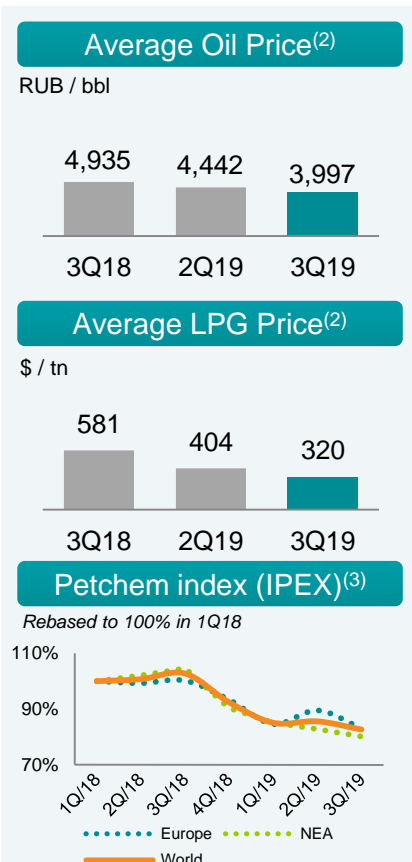
- **PET:** in 1H18, supply shortage due to force majeure of major manufacturers and delay in new capacities launch. Commissioning of delayed capacities, reopening of repaired ones and cheaper feedstock resulted in weaker margins continuing through 9M19. Seasonal demand declining since mid-August.
- **MEG:** new capacities in US and China, higher imports from US to EU due to higher duties in China; expectations of additional launches in end-2019
- **Russia:** in line with China PET and European MEG with one-month lag

Source: IHS

\* Spot prices

\*\* PE calculated as average LDPE, LLDPE and HDPE

# 3Q 2019 FINANCIAL SUMMARY<sup>(1)</sup>



(1) Values in USD estimated based on average P/\$ rate of 64.6, 64.6 and 65.5 in 3Q19, 2Q19 and 3Q18, respectively

(2) Source: Argus

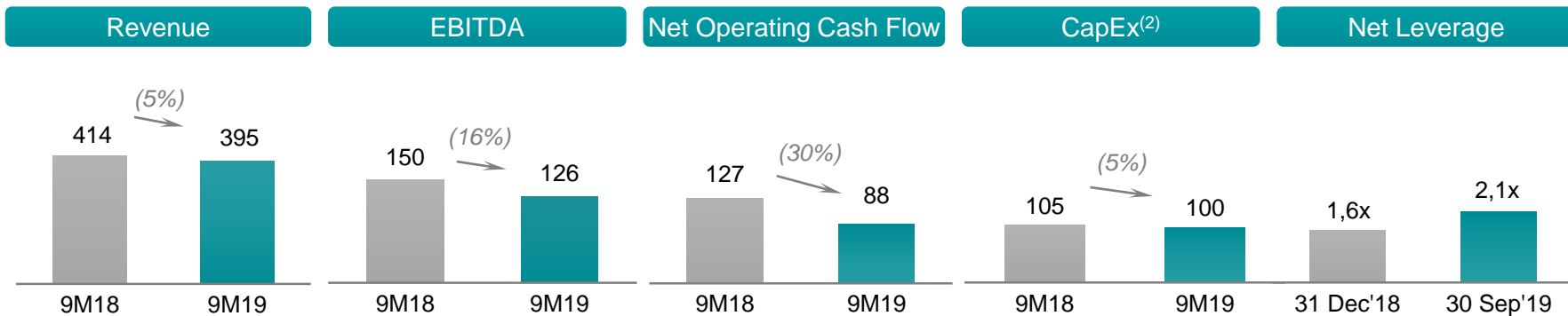
(3) ICIS composite index, comprising 12 chemical products

(4) Includes purchase of PPE, intangible assets and other non-current assets

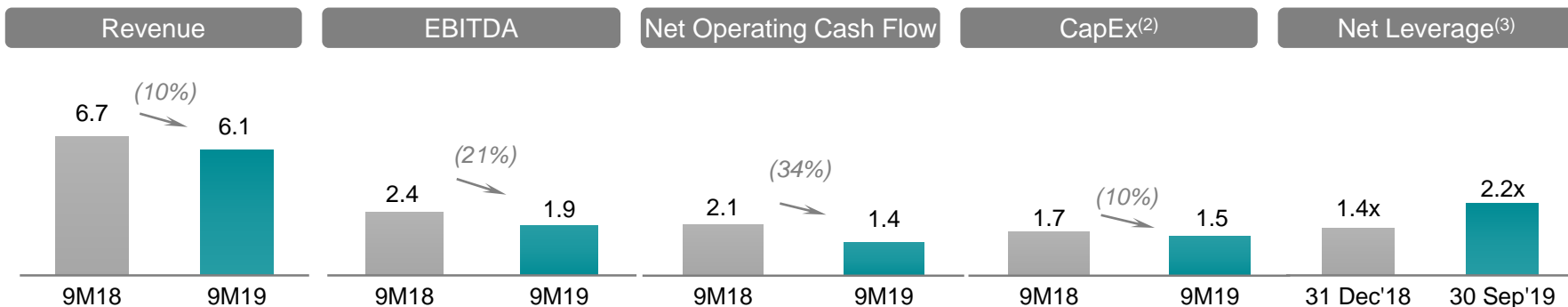


# 9M 2019 SIBUR FINANCIAL SUMMARY<sup>(1)</sup>

Russian Rubles, bln



USD Equivalents, bln  
(illustrative)



(1) Values in USD estimated based on average P/\$ rate of 65.1 and 61.4 in 9M19 and 9M18, respectively

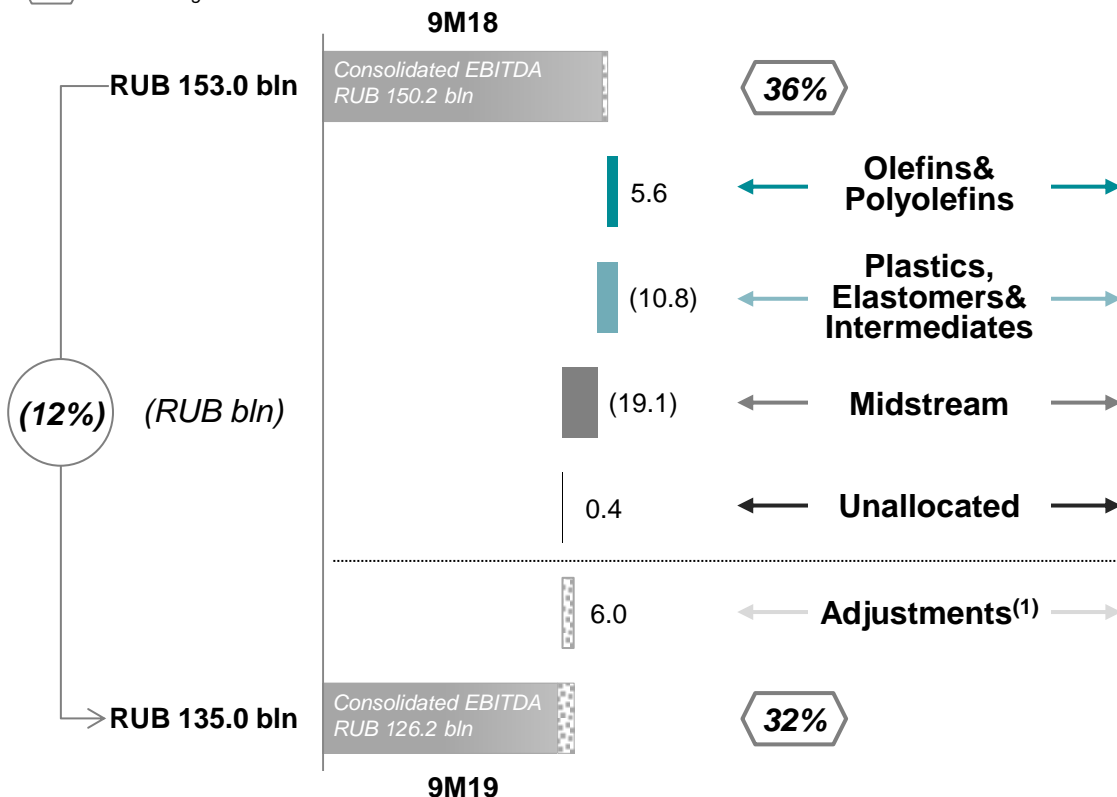
(2) Includes purchase of PPE, intangible assets and other non-current assets

(3) Net Debt for the purpose of Net Leverage calculation is converted in USD with respective end-of-period P/\$ exchange rates

# ADJUSTED EBITDA DYNAMICS

## Adjusted EBITDA Dynamics

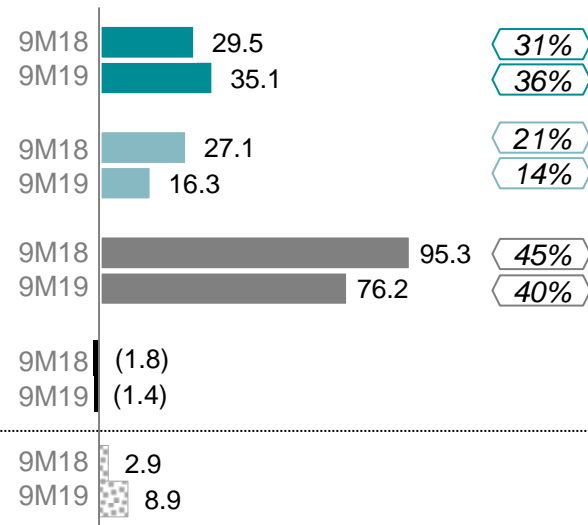
% EBITDA margin



## Segments

% EBITDA margin

### EBITDA by Segment (RUB bln)



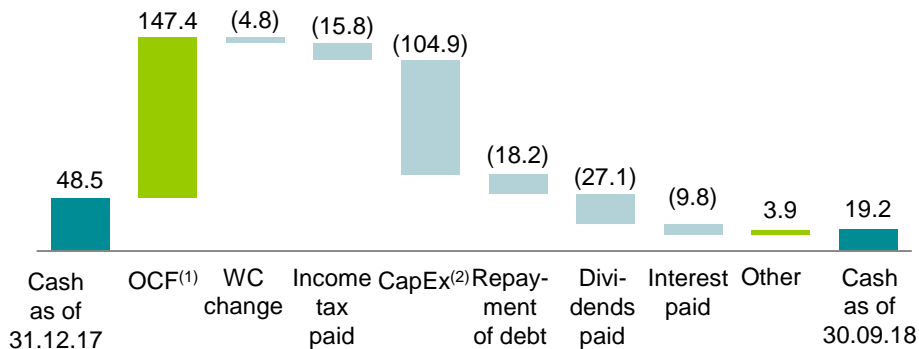
(1) Adjusted for SIBUR's portion of EBITDA of JVs and associates less NCI share of subsidiaries' EBITDA.

# CASH FLOWS HIGHLIGHTS

## 9M18 Cash Flow Reconciliation

RUB bln

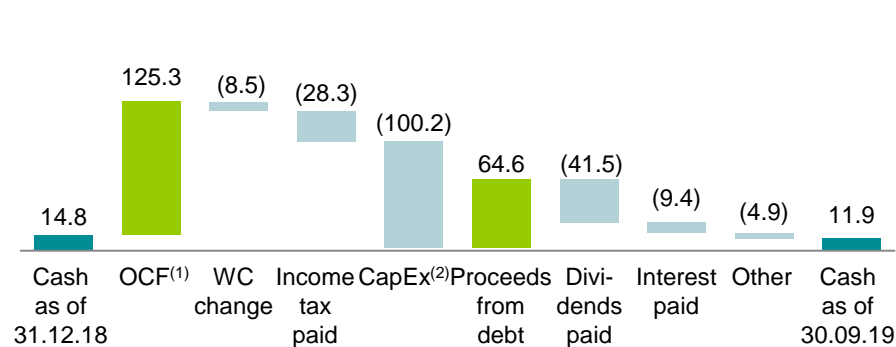
Net CF: (29.3)



## 9M19 Cash Flow Reconciliation

RUB bln

Net CF: (2.9)



## Key Factors Affecting Cash Flows

- OCF before WC changes decreased by 15.0% due to lower EBITDA
- Negative changes in working capital were primarily attributable to the increase in recoverable VAT balance
- Higher income tax paid due to:
  - substantial FX gain recognised in the period and one-off gain following the sale of LPG tank car fleet
  - utilisation of prepaid taxes in the first quarter of 2018
- CapEx in line with approved budget
- Proceeds from debt as a result of new Eurobond issue in Sep'19 and drawdowns for ZapSib compared to repayment of Eurobonds 2013 in 1Q18

(1) Operating cash flow before working capital changes and income tax paid

(2) Includes purchase of property, plant and equipment, intangible assets and other non-current assets.

# DEBT PROFILE

## Key Figures

<i>RUB bln, except as stated</i>	30 September 2019	30 June 2019	31 December 2018	30 Sep'19 vs. 30 Jun'19, %	30 Sep'19 vs. 31 Dec'18, %
<b>Total debt</b>	<b>389.2</b>	<b>367.6</b>	<b>332.4</b>	<b>6%</b>	<b>17%</b>
<i>Conventional debt</i>	115.7	98.2	86.6	18%	33%
<i>ZapSib related debt</i>	256.6	251.9	245.8	2%	4%
<i>Lease liabilities</i>	16.9	17.5	-	(3%)	n/m
Cash & cash equivalents	11.9	18.9	14.8	(37%)	(20%)
<b>Net debt</b>	<b>377.3</b>	<b>348.7</b>	<b>317.6</b>	<b>8%</b>	<b>19%</b>
<b>WA loan tenor (years)</b>	<b>6.2</b>	<b>6.3</b>	<b>7.1</b>		
<i>WA Conventional debt</i>	3.6	3.0	3.1		
<i>WA ZapSib related debt</i>	7.5	7.8	8.5		
<b>Available credit lines, incl.</b>	313.7	323.9	391.9	(3%)	(20%)
<i>Committed</i>	73.4	90.0	133.8	(18%)	(45%)

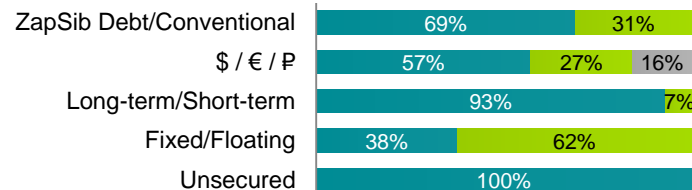
## Leverage Ratios

	30 September 2019	30 June 2019	31 December 2018
Debt / EBITDA	2.20x	1.86x	1.65x
Debt / EBITDA ( <i>in \$</i> )	2.24x	1.93x	1.49x
Net debt / EBITDA	2.13x	1.76x	1.58x
<i>Conventional net debt</i>	0.69x	0.54x	0.37x
<i>ZapSib related net debt</i>	1.44x	1.22x	1.21x
Net debt / EBITDA ( <i>in \$</i> )	2.17x	1.83x	1.43x

## Overview

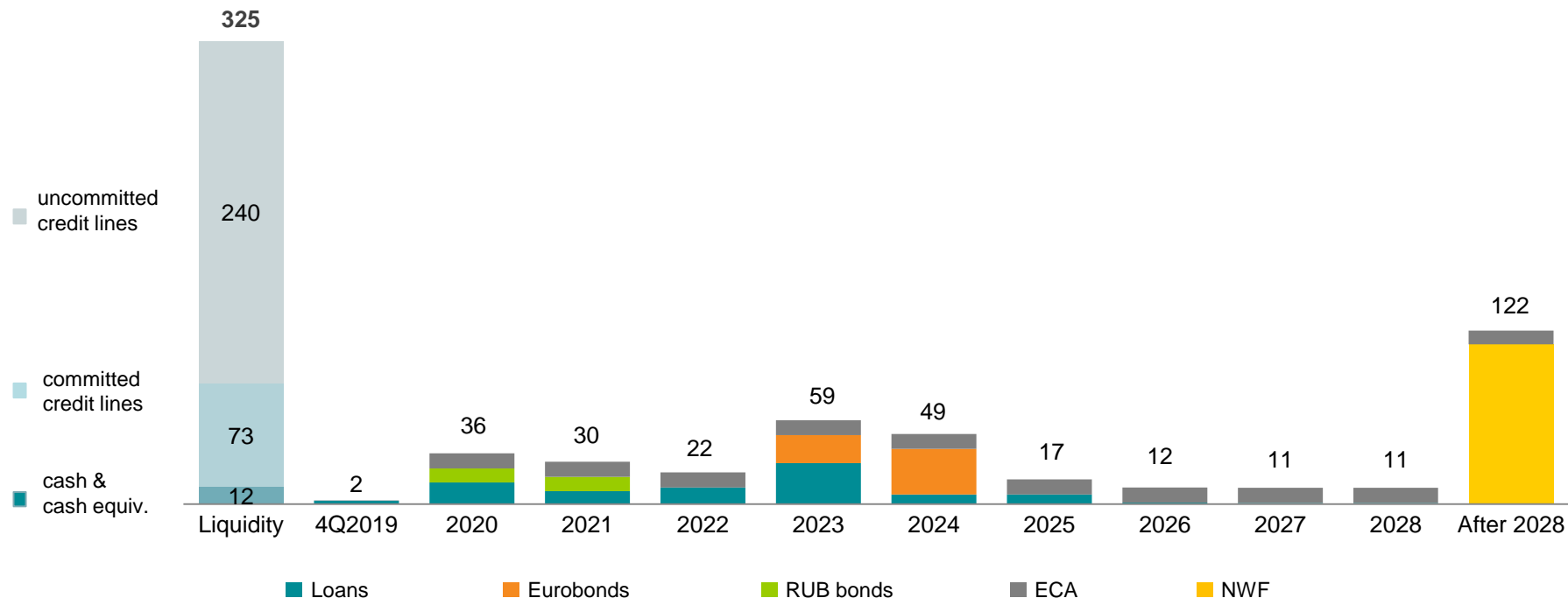
- Total debt increased mainly due to:
  - New draw-downs for ZapSib funding
  - Adoption of IFRS 16 from 1 January 2019
  - Placement of a USD 500 million Eurobonds maturing in 2024 at a 3.45% coupon rate
- Net debt increased in line with total debt
- Net leverage increased to 2.1x from 1.6x
- Accumulated ZapSib investments of \$7.7 bln is significantly higher than the overall debt balance of SIBUR

## Loan portfolio structure as of 30 Sep'19



# LIQUIDITY AND DEBT MATURITY PROFILE<sup>(1)</sup>

As of 30 September 2019, P bln

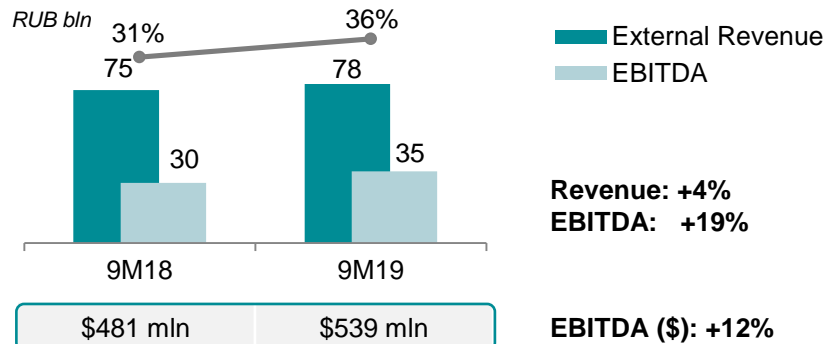


(1) Items denominated in \$ and € are converted into P at P/\$ and P/€ FX rates as of 30 September 2019.

## APPENDIX

# O&P (OLEFINS & POLYOLEFINS) SEGMENT HIGHLIGHTS

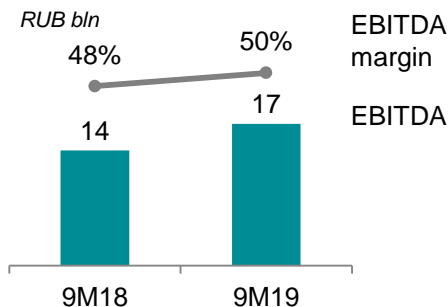
## Segment Financial Performance



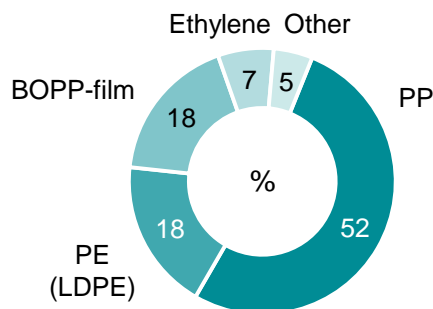
## Key Factors

- Segment revenue increased on higher sales volumes of PP and PE.
- Decline in PE prices followed negative dynamics of international benchmarks, partially supported by higher domestic prices for PP in the 1H 2019 as a result of temporary PP supply disruptions.
- EBITDA increase was driven by higher spreads as feedstock purchase price decline was outpacing the decrease in the benchmark and domestic prices for PE and PP.

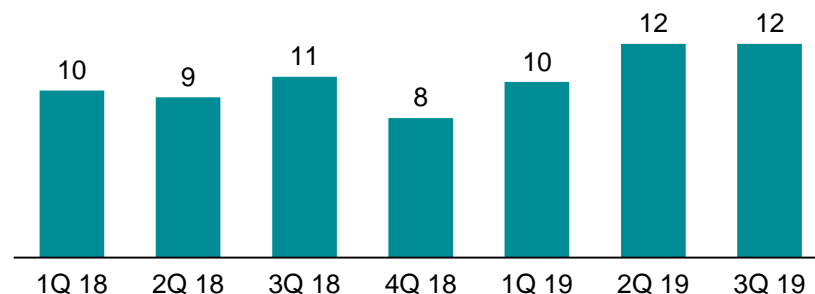
## Tobolsk PP Results



## Revenue<sup>(1)</sup> Structure 9M19



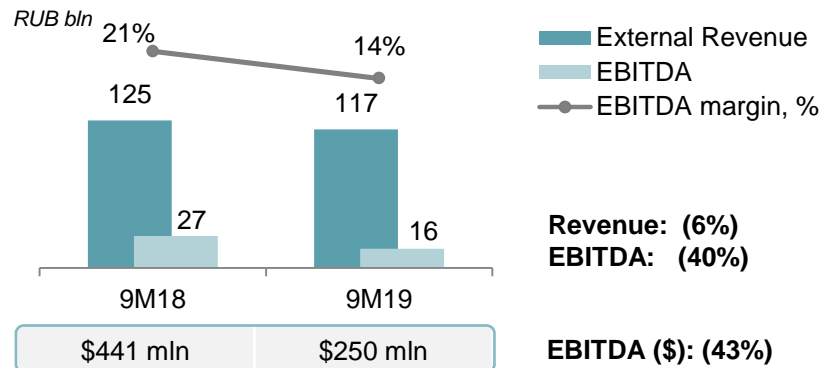
## Quarterly EBITDA dynamics



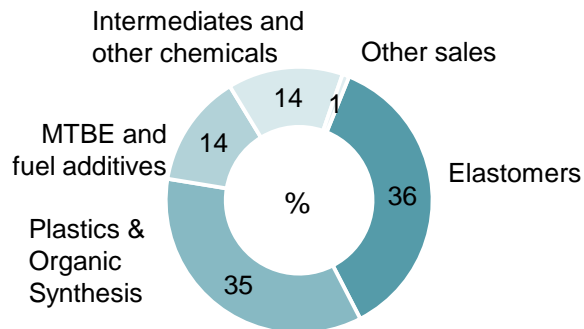
(1) Represents external revenue

# PE&I (PLASTICS, ELASTOMERS & INTERMEDIATES) SEGMENT HIGHLIGHTS

## Segment Financial Performance



## Revenue<sup>(1)</sup> Structure 9M19

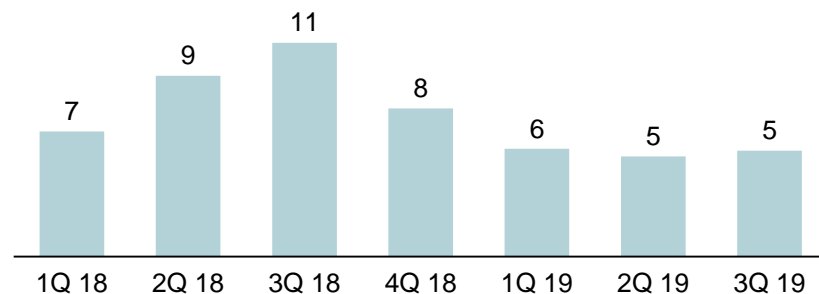


(1) Represents external revenue

## Key Factors

- Revenue down due to negative pricing dynamics across the segment
- Plastics and Organic Synthesis volumes up slightly:
  - Higher MEG sales volumes and DOTP production
  - Lower PET and alcohols sales volumes (due to maintenance shutdowns)
- Elastomers revenue up on higher sales volumes
- EBITDA negatively affected by tighter spreads, as well as purchases of TPA instead of paraxylene during capacity expansion project and increased fixed costs in the reporting period

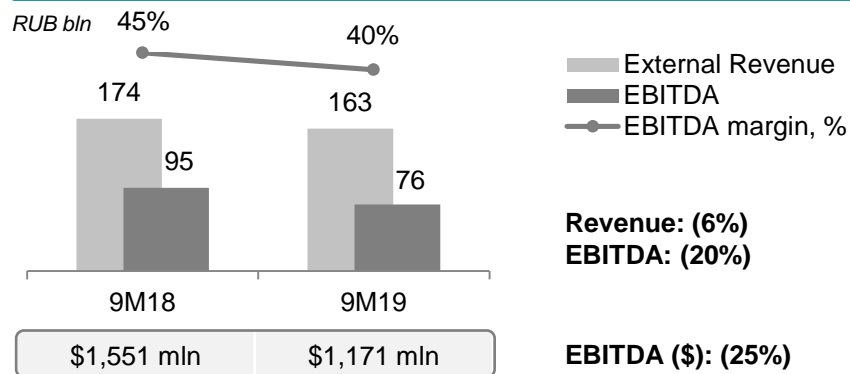
## Quarterly EBITDA dynamics



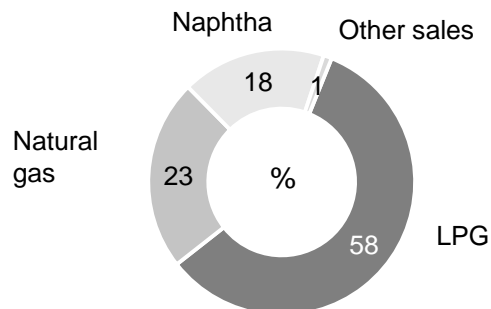


# MIDSTREAM SEGMENT HIGHLIGHTS

## Segment Financial Performance



## Revenue<sup>(1)</sup> Structure 9M19

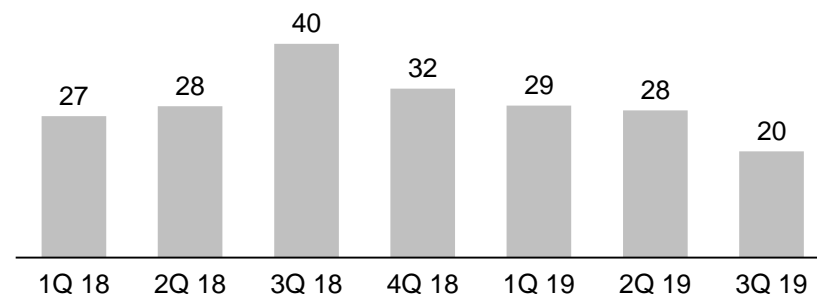


(1) Represents external revenue

## Key Factors

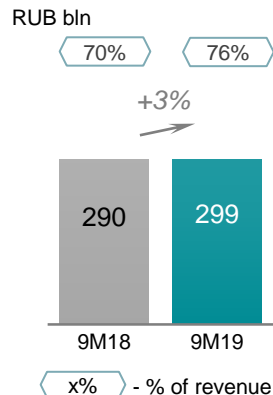
- Price benchmarks on LPG and naphtha were down on:
  - Higher volumes imported to Europe from US
  - Weaker demand in Europe caused by warmer winter season and logistical constraints
- Higher external LPG sales volumes on shift towards higher share of internal naphtha consumption
- Naphtha sales volumes up as internally produced naphtha was redirected to external sales while purchased naphtha was used at our crackers to take advantage of logistic savings

## Quarterly EBITDA dynamics



# OPERATING EXPENSES STRUCTURE AND DYNAMICS

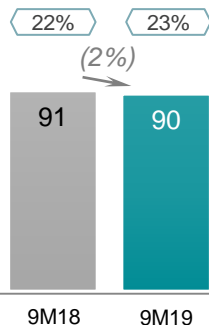
## OpEx



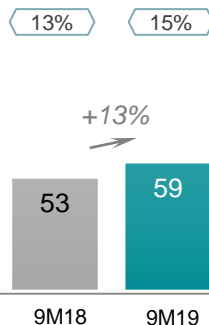
## Key Factors

- Lower **feedstock and materials costs** driven by lower netbacks largely offset by:
  - > volumes of naphtha (40%) and raw NGL (8%) purchased
  - external purchases of TPA instead of paraxylene during shutdown as part of capacity expansion project in Blagoveshchensk
- Higher **transportation & logistics costs** due to transfer of in-house transportation services outside SIBUR's perimeter
- Higher **staff costs**
  - growth in the headcount of NIPIGAZ as a result of the expansion of its operations
- Higher **staff costs** (continued)
  - salaries indexation in mid-2018
  - upward staff bonuses revision for the positive financial results of 2018
- Higher **electricity tariffs** to compensate for capital expenditures of generating companies under the CDA (Capacity Delivery Agreement) modernization program
- Lower purchases of **goods for resale** driven by lower volumes of MTBE purchases for resale and reduction in NIPIGAZ procurement volumes

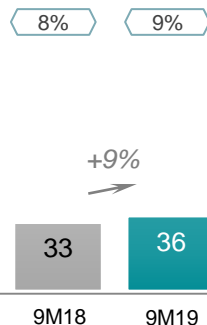
## Feedstock & Materials



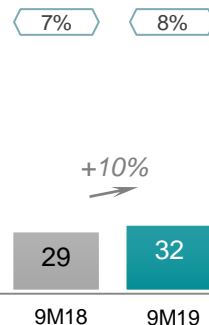
## Transport & Logistics



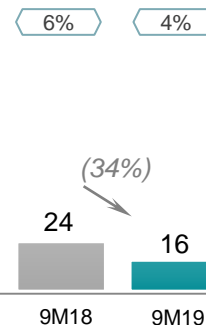
## Staff Costs



## Energy and Utilities



## Goods for resale



## Other

