**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion and analysis of our financial condition and results of operations as of 31 December 2015 and for the year then ended (hereinafter referred to as "MD&A") in conjunction with our audited consolidated financial statements as of and for the years ended 31 December 2015 and 2014 (hereinafter referred to as the "consolidated financial statements"). The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial and operational information contained in this MD&A comprises information on PAO SIBUR Holding and its consolidated subsidiaries (hereinafter jointly referred to as "we", "SIBUR", "Company" or the "Group").

## SELECTED DATA[1]

## Operating Results

The following table presents the Group's key operational measures for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | | *Change* |
|---|---|---|---|
| *Tonnes, except as stated* | **2015** | **2014** | *%* |
| **Processing and production volumes** | | | |
| APG processing[2] (thousand cubic metres) | 21,466,977 | 20,834,647 | *3.0%* |
| APG processing, SIBUR's share[3] (thousand cubic metres) | 21,227,997 | 19,397,321 | *9.4%* |
| Natural gas production[2] (thousand cubic metres) | 18,470,903 | 18,034,813 | *2.4%* |
| Natural gas production, SIBUR's share[3] (thousand cubic metres) | 18,342,824 | 16,657,211 | *10.1%* |
| Raw NGL fractionation[4] | 7,772,976 | 6,315,299 | *23.1%* |
| Raw NGL fractionation, SIBUR's share | 6,572,976 | 5,788,169 | *13.6%* |
| **Sales volumes** | | | |
| Natural gas sales volumes (thousand cubic metres) | 17,624,726 | 16,004,874 | *10.1%* |
| LPG sales volumes | 4,267,750 | 3,468,260 | *23.1%* |
| MTBE, other fuels & fuel additives sales volumes | 603,018 | 603,830 | *(0.1%)* |
| Petrochemical products sales volumes | 2,587,445 | 2,246,660 | *15.2%* |
| Plastics and organic synthesis products | 921,621 | 787,920 | *17.0%* |
| Basic polymers | 704,965 | 649,640 | *8.5%* |
| Synthetic rubbers | 411,108 | 360,038 | *14.2%* |
| Intermediates and other chemicals | 549,751 | 449,062 | *22.4%* |

(1) In this and other tables of this MD&A, immaterial deviations in the calculation of percentage changes, subtotals and totals are explained by rounding.
(2) Including Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015. Including Rosneft's share in the processing / production volumes of Yugragazpererabotka in the first quarter of 2014.
(3) Excluding Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015. Excluding Rosneft's share in the processing / production volumes of Yugragazpererabotka in the first quarter of 2014.
(4) Including fractionation volumes under processing arrangements.

## Financial Results

The following table presents the Group's key financial measures for the years ended 31 December 2015 and 2014:

| *RR millions, except as stated* | Year ended 31 December 2015 | 2014 | *Change %* |
|---|---|---|---|
| **Income statement highlights** | | | |
| Revenue (net of VAT and export duties) | 379,852 | 361,000 | *5.2%* |
| *Revenue adjusted for naphtha trading*[(1)] | *379,852* | *319,420* | *18.9%* |
| EBITDA | 135,635 | 102,767 | *32.0%* |
| *EBITDA margin, %* | *35.7%* | *28.5%* | |
| *EBITDA margin adjusted for naphtha trading, %* | *35.7%* | *32.2%* | |
| Profit for the reporting period | 6,505 | 25,071 | *(74.1%)* |
| Adjusted profit for the reporting period[(2)] | 62,437 | 69,311 | *(9.9%)* |
| **Cash flow highlights** | | | |
| Net cash from operating activities, *including* | 119,078 | 91,052 | *30.8%* |
| *Operating cash flows before working capital changes* | *128,892* | *105,540* | *22.1%* |
| Net cash used in investing activities, *including* | (121,741) | (97,370) | *25.0%* |
| *Capital expenditures*[(3)] | *(84,391)* | *(71,550)* | *17.9%* |
| *Acquisition of interest in subsidiaries, net of cash acquired* | *(61,726)* | *(20,666)* | *198.7%* |
| *Proceeds from disposal of subsidiary, net of cash disposed* | *21,278* | *138* | *n/m* |
| Net cash from financing activities, *including* | 144,802 | 24,093 | *501.0%* |
| *Dividends paid to SIBUR shareholders* | *(18,125)* | *(14,073)* | *28.8%* |

| | As of 31 December 2015 | As of 31 December 2014 |
|---|---|---|
| **Key ratios** | | |
| Net debt[(4)] / EBITDA | 2.10x | 1.74x |
| EBITDA / Interest[(5)] | 9x | 16x |

In 2015, SIBUR recorded a 32.0% increase in EBITDA, which was driven by an almost threefold growth in the EBITDA of our petrochemicals segment, albeit counterbalanced by a 10.4% decrease in the contribution of our feedstock & energy segment. We recorded the highest EBITDA margin of 35.7% for the Group and our petrochemicals segment demonstrated 31.4% EBITDA margin. The results of 2015 were largely attributable to the contribution of new capacities launched in previous years. During 2014, our polypropylene production facility in Tobolsk gradually ramped up operations, which enabled us to increase production and sales volumes of polypropylene. At the end of 2014, we launched an expanded integrated transportation and feedstock processing system. The extended pipeline provides SIBUR with access to additional volumes of raw NGL in the northern part of Western Siberia, which are processed at our recently expanded fractionation capacity in Tobolsk, thus enabling SIBUR to increase its overall production volumes of energy products. We also benefited from the Russian rouble depreciation, as our sales are primarily linked to international commodity benchmark prices quoted in US dollars or euros, which supported our revenues as prices turned downward, while our operating expenses are largely denominated in Russian roubles.

The acquisition from Rosneft of a 49% stake in our JV OOO Yugragazpererabotka in March 2014 had a neutral effect on the processing and production volumes at our GPPs. At the same time, consolidation of this JV and the new cooperation terms with Rosneft resulted in higher revenue from natural gas sales and lower expenses related to raw NGL purchases, which were largely offset by higher expenses related to APG purchases.

In 2015, our revenue increased by 5.2% to RR 379,852 million compared to RR 361,000 million in 2014. Adjusted for naphtha trading ceased in 2015, the revenue increased by 18.9%. The major driver of this growth was a 32.7% increase in our petrochemicals revenue, while the growth in revenue from energy product sales adjusted for naphtha trading totaled 6.2%.

(1) Adjusted for the estimated value of naphtha trading operations via Ust-Luga, ceased in 2015.
(2) Profit for the reporting period net of the realised foreign exchange loss in 2015 and foreign exchange loss in 2014, the equity-settled share-based payment plans, and the non-cash gains on acquisition of OOO Yugragazpererabotka in March 2014.
(3) Includes purchase of property, plant and equipment, intangible assets and other non-current assets.
(4) Net debt represents total debt less cash and cash equivalents.
(5) Interest represents accrued interest, i.e. includes interest expense and capitalised interest.

The 39.3% growth in revenues from sales of plastics & organic synthesis products was mainly attributable to capacity expansions in PET and BOPP-films, as well as increase in glycols production. We saw the growth of 32.6% in our basic polymers revenues, which was attributable to higher polypropylene production due to a year-on-year increase in the average capacity utilisation rate of our polypropylene production facility in Tobolsk. This increase was partially offset by higher polypropylene internal use for BOPP-films production, thus contributing to the growth in revenues from this product sales. The revenue from sales of synthetic rubbers increased by 26.0% on higher capacity load due to improved economics on the Russian rouble depreciation and lower feedstock prices. The 27.3% increase in our revenues from sales of intermediates and other chemicals was attributable to higher sales of ethylene to RusVinyl and higher production following the steam cracker expansion in Kstovo.

Our energy product group results were challenged by the collapsed international benchmark prices, but still delivered a solid performance. The decline in the energy product revenues of 14.1% was attributable to the termination of the low-marginal naphtha trading operations via the Ust-Luga transshipment facility, as well as the increase in LPG and raw NGL internal use. Adjusted for naphtha trading, our revenues from energy product sales increased by 6.2% primarily on (i) substantial Russian rouble depreciation, which to a large extent offset the decline in international benchmark prices, (ii) higher LPG production following the launch of our expanded transportation and fractionation capacities, and (iii) higher sales of natural gas following the acquisition from Rosneft of a 49% stake in the JV OOO Yugragazpererabotka.

Our EBITDA for the period amounted to RR 135,635 million, a growth of 32.0% from RR 102,767 million in 2014. Our EBITDA margin totaled 35.7% compared to 28.5% reported a year earlier. Our estimated EBITDA margin, adjusted for low-marginal naphtha trading activities via the Ust-Luga transshipment facility(1) increased from 32.2% in 2014.

The solid growth in the Group's EBITDA was driven by the strong performance of our petrochemicals segment despite lower EBITDA of the feedstock & energy segment. Our petrochemicals segment recorded an almost threefold growth in EBITDA reaching RR 58,937 million in 2015 from RR 20,806 million in 2014. The segment also demonstrated strong improvement in EBITDA margin to 31.4% in 2015 from 14.6% in 2014. The increase in EBITDA and the respective margin was mainly driven by lower feedstock costs for petrochemical production on the back of the dramatically declined prices for energy products, as well as the ramp-up of the polypropylene production facility in Tobolsk. At the same time, the downward pricing trend impacted our feedstock & energy segment EBITDA, which was down by 10.4% year-on-year. The segment's EBITDA margin decreased to 37.1% in 2015 as compared to 41.8%(2) a year ago.

Our profit in 2015 decreased by 74.1% to RR 6,505 million from RR 25,071 million a year earlier. The decrease was mainly attributable to the RR 52,773 million non-cash gain on acquisition of a 49% stake in OOO Yugragazpererabotka recorded in 2014, compensated by higher operating profit and lower foreign exchange loss. Adjusted for the realised foreign exchange loss in 2015 and foreign exchange loss in 2014, the equity-settled share-based payment plans, and the non-cash gain on acquisition of OOO Yugragazpererabotka in March 2014, our profit for the period decreased by 9.9% to RR 62,437 million in 2015 from RR 69,311 million a year earlier.

Our net cash from operating activities increased by 30.8% to RR 119,078 million from RR 91,052 million in 2015 and 2014, respectively. This was primarily attributable to a 32.0% year-on-year growth in EBITDA.

*For a detailed discussion on SIBUR's operational and financial performance see "Results of Operations" and "Liquidity and Capital Resources".*

(1) Trading operations via the Ust-Luga transshipment facility were ceased starting 2015.
(2) Adjusted for the estimated value of naphtha trading operations via Ust-Luga, ceased in 2015.

The following table provides a reconciliation of EBITDA to profit for the years ended 31 December 2015 and 2014:

| *RR millions* | Year ended 31 December 2015 | 2014 |
|---|---|---|
| **Profit for the reporting period** | **6,505** | **25,071** |
| Income tax expense / (benefit) | 6,814 | (2,054) |
| Share of net loss of joint ventures and associates | 1,264 | 3,827 |
| Loss on disposal of assets held for sale | 188 | - |
| Gain on disposal of subsidiary | (1,012) | (18) |
| Gain on acquisition of subsidiary | - | (52,773) |
| Net finance expenses | 76,923 | 89,765 |
| Equity-settled share-based payment plans | 12,976 | 11,580 |
| Impairment of PPE, assets held for sale and write-off of advances for capital construction | 479 | 1,048 |
| Depreciation and amortisation | 31,498 | 26,321 |
| **EBITDA** | **135,635** | **102,767** |

## OVERVIEW

SIBUR is a uniquely positioned vertically integrated gas processing and petrochemicals company. We own and operate Russia's largest gas processing business in terms of associated petroleum gas processing volumes and are a leader in the Russian petrochemicals industry.

We have two operating and reportable segments: feedstock & energy and petrochemicals. SIBUR's feedstock & energy segment comprises (i) gathering and processing of associated petroleum gas (APG) that we purchase from major Russian oil companies, (ii) transportation, fractionation and other processing of natural gas liquids (NGLs) that we produce internally or purchase from major Russian oil and gas companies, and (iii) production, marketing and sales of energy products, such as natural gas, liquefied petroleum gases (LPG), naphtha, methyl tertiary butyl ether (MTBE) and other fuels and fuel additives. We sell these energy products on the Russian and international markets and use some of them as feedstock for our petrochemicals segment. Our petrochemicals segment produces a wide range of petrochemical products, including plastics and products of organic synthesis, basic polymers, synthetic rubbers, as well as intermediates & other chemicals.

As of 31 December 2015, SIBUR operated 26 production sites across Russia and employed almost 28,000 personnel[1]. We serve over 1,400 large customers operating in the energy, automotive, construction, fast moving consumer goods (FMCG), chemical and other industries in approximately 75 countries.

[1] Excluding the personnel of non-consolidated joint ventures.

## RECENT DEVELOPMENTS

**In March 2016,** SIBUR completed APG processing capacity expansion and modernisation project at the Vyngapurovskiy Gas Processing Plant. The project included the increase in annual APG processing capacity at the Vyngapurovskiy GPP to 4.2 bcm from 2.8 bcm, the construction of the 114 km pipeline between the Varieganskaya compressor station and Vyngapurovskiy GPP, and the compressor station upgrade.

**In March 2016,** SIBUR placed rouble bonds in the amount of RR 10 billion. With a coupon period of 182 days, the bonds have a tenor of 10 years and a put option in 5 years. The par value of the bonds is RR 1,000 each. The offering price is 100% of the par value. The coupon rate was set at 10.5% per annum. The overall amount that can be placed with the registered issue totals RR 60 billion, decisions on further placements will be made depending on the market environment.

**In March 2016,** SIBUR was placed under review for possible downgrade by Moody's along with ratings of other private non-financial corporates rated “Ba2” and above, which reflects the decision to place Russia's government bond ratings on review for downgrade. Earlier in December 2015 Moody’s updated the outlook on SIBUR from Negative to Stable, the rating was affirmed at “Ba1”.

**In March 2016,** Fitch revised the outlook on SIBUR from Stable to Negative, the rating was affirmed at “BB+”. Previously, the rating was affirmed in February 2015 with the Stable outlook.

**In February 2016,** SIBUR acquired 100% of the Tobolsk Heating and Power Plant (Tobolsk HPP) from Fortum. Launched as part of the infrastructure to support Tobolsk production site, Tobolsk HPP is currently the only supplier of vapour and also sells power in the wholesale market, acting as the key source of heat for the city of Tobolsk. The Tobolsk HPP has an installed capacity of 665 MW of electric power and 2,585 MW of heat.

**In December 2015,** SIBUR won the auction arranged by the Ministry of Land and Property Relations of Bashkortostan to acquire a 17.5% stake in AO POLIEF from the Government of the Republic of Bashkortostan. Following the acquisition, SIBUR consolidates 100% of POLIEF.

**In December 2015,** China Petrochemical Corporation (“Sinopec Group”), a major global energy and chemicals company, acquired a 10% stake in SIBUR. Following the deal closing, Sinopec representative, Chang Zhenyong, Vice President and Head of Chemical Division, joined SIBUR Board of Directors.

**In December 2015,** RDIF[(1)] and leading Middle Eastern sovereign wealth funds invested USD 210 million in ZapSibNeftekhim (ZapSib-2). ZapSibNeftekhim raised USD 1.75 billion with a tenor of 15 years from NWF[(2)] within RDIF’s quota in NWF.

**In November 2015,** SIBUR sold a terminal in the commercial port of Ust-Luga on the Baltic Sea to a consortium comprising RDIF and international investors.

**In September 2015,** SIBUR signed credit facility arrangements with a consortium of European banks, which is covered by a EUR 412 million guarantee from French credit agency Coface with the tenor of 15 years, to raise long-term financing for a portion of the capital expenditures related to the ZapSibNeftekhim (ZapSib-2). The Company is in process of fulfilling the precedent conditions required for the first disbursement under facility.

**In September 2015,** Gazprom Neft and SIBUR commissioned Yuzhno-Priobskiy Gas Processing Plant (Yuzhno-Priobskiy GPP). The construction of Yuzhno-Priobskiy GPP based on the Yuzhno-Priobskaya compressor station started in February 2014 and was carried out as part of a joint venture between Gazprom Neft and SIBUR. The GPP was designed by NIPIGAZ, SIBUR’s subsidiary and a leading Russian centre for engineering and developing oil and gas processing and petrochemicals facilities. The

(1) Russian Direct Investment Fund.
(2) National Wealth Fund.

annual capacity of the plant is 900 million cubic metres of APG, and the liquids recovery ratio is expected to exceed 95%.

**In July 2015,** SIBUR approved the expansion of the gas fractionation facility at the Tobolsk production site by means of equipment additions for internals, heat-exchange and pump equipment, construction of a cooling tower and expanded feedstock range. As a result, the site's capacity is expected to increase from 6.6 to 8 million tonnes per annum.

**In April 2015,** SIBUR paid the remaining amount due to Rosneft for a 49% stake in OOO Yugragazpererabotka acquired in March 2014. SIBUR does not have any payable outstanding for this transaction.

**In March 2015,** SIBUR Board of Directors approved the 2015 capital expenditures(1) plan of RR 64.7 billion (net of VAT).

**In February 2015,** SIBUR announced the official launch of ZapSibNeftekhim construction, as the first foundations have been laid at ZapSibNeftekhim, a facility for deep hydrocarbon to polyolefin processing in the Tyumen Region.

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

## CERTAIN FACTORS AFFECTING OUR RESULTS OF OPERATIONS

### Macroeconomic and Other Economic Trends

Overall economic conditions in Russia and globally have significantly impacted our operations as demand for our products is driven by consumers across a diverse range of industries, which are dependent on the state of the global economy and the economies of their respective countries.

*Current Macroeconomic Situation*

In 2014, the macroeconomic environment substantially deteriorated on the back of the sharp decline in oil prices and the material Russian rouble depreciation. Also, the political crisis in Ukraine and the respective negative reaction from United States of America, European Union and other aligned countries resulted in the imposition of sanctions against certain Russian individuals and legal entities, which has constrained access to liquidity from international capital markets and banks for some Russian banks and corporate borrowers. SIBUR currently is not subject to any of the above sanctions. SIBUR management believes that sanctions imposed on other Russian entities have had no material effect on SIBUR's operational and financial performance.

In 2015, the volatility of benchmark commodity prices and the Russian rouble exchange rates relative to the US dollar and the euro remained high. The management continues to closely monitor the situation and takes preventive measures to mitigate negative effects of the changes in macroeconomic parameters.

*GDP Growth*

One of the key factors that drive demand for our products or otherwise affect our results of operations is GDP growth globally. SIBUR is also subject to economic risks specific to the Russian Federation as all of our production assets are located in Russia.

The following table contains selected data on year-on-year GDP growth for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| European Union (EU-15) | 1.8% | 1.2% |
| United States | 2.4% | 2.4% |
| China | 6.9% | 7.3% |
| Russia | (3.7%)[1] | 0.6% |

*Source:* Eurostat, U.S. Bureau of Economic Analysis, National Bureau of Statistics of the People's Republic of China, Russian Federal State Statistics Service

*Foreign Exchange Rate Fluctuations*

The movements of the Russian rouble against the US dollar and the euro may have a significant impact on our financial performance.

The following table presents selected data on exchange rate movements for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| RR/USD rate at the end of the preceding period | 56.2584 | 32.7292 |
| RR/USD rate at the end of the reporting period | 72.8827 | 56.2584 |
| Average RR/USD rate | 60.9579 | 38.4217 |
| RR/EUR rate at the end of the preceding period | 68.3427 | 44.9699 |
| RR/EUR rate at the end of the reporting period | 79.6972 | 68.3427 |
| Average RR/EUR rate | 67.7767 | 50.8150 |

*Source:* CBR

[1] Preliminary data.

SIBUR's functional and reporting currency is the Russian rouble. Our sales to countries outside of Russia (44.3% and 51.2% of total revenue in 2015 and 2014, respectively) are primarily denominated in US dollars and, to a lesser extent, in euros. In many cases our domestic sales are linked to international benchmark prices quoted in US dollars and euros, however in case of substantial shifts in the Russian rouble exchange rate the adjustment of domestic selling prices can take a certain amount of time. At the same time, our expenses are primarily denominated in Russian roubles. As a result, depreciation of the Russian rouble relative to the US dollar or the euro positively affects our operational results, while appreciation of the Russian rouble relative to these currencies tends to have a negative effect on our operational results.

A significant part of our borrowings is also denominated in foreign currencies, primarily in US dollars and, to a lesser extent, in euros. When the Russian rouble depreciates against the US dollar or euro, our liabilities denominated in these currencies increase in Russian rouble terms, as do interest costs on SIBUR's foreign currency-denominated borrowings. Correspondingly, our financial expenses tend to increase as a result of foreign exchange losses recorded by the Group. When the Russian rouble appreciates against the US dollar or euro, our liabilities denominated in these currencies decrease in Russian rouble terms, as do interest costs on SIBUR's foreign currency-denominated borrowings. Correspondingly, our financial income tends to increase as a result of foreign exchange gain recorded by the Group.

The Russian rouble on average depreciated by 58.7% relative to the US dollar and by 33.4% relative to the euro in 2015 compared to the average 2014 levels, which had a positive impact on our revenue. At the same time, the Russian rouble as of 31 December 2015 depreciated against the year-end level of 2014 by 29.5% relative to the US dollar, resulting in a substantial financial loss reported in SIBUR's consolidated financial statements for 2015, which was largely attributable to the revaluation of our foreign currency-denominated debt.

*Inflation*

Historically Russia has reported higher inflation rates compared to developed markets. Increases in inflation may significantly affect our financial results because of an increase in operating expenses, which are linked to the general price level in Russia, such as staff costs, rent and others.

In 2015, high inflation rates were largely driven by indexation of transportation tariffs (see "Transportation Tariffs").

The following table presents selected data on inflation rates for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | |
|---|---|---|
| | **2015/2014** | **2014/2013** |
| Consumer price index (CPI) | 15.9% | 11.4% |
| Producer price index (PPI) | 10.6% | 5.8% |

*Source: Russian Federal State Statistics Service*

## Crude Oil, Naphtha, Raw NGL and LPG Prices

Prices for a large portion of our feedstock and processed goods are directly or indirectly linked to oil or oil derivative prices. Growth in prices for oil or oil derivatives generally has a net positive effect on our financial results because our position as a net seller of energy products allows us to mitigate the negative effect that growth in oil and oil derivative prices has on our cost base. Decline in prices for oil or oil derivatives generally has a net negative effect on our financial results, which is partially offset by decrease in our cost base.

Crude oil prices typically influence prices for raw NGL, LPG and naphtha, which we purchase from third parties as feedstock. This correlation, however, is not perfect, as prices for LPG and naphtha are also influenced by supply and demand trends and other factors in their own markets, while prices for raw NGL, depending on its composition, largely correlate with prices for LPG and naphtha.

Oil prices have a significant impact on the Russian rouble exchange rate fluctuations. Historically, the Russian rouble has typically, though not consistently, appreciated in real terms against the US dollar and the euro when oil prices increased, and depreciated against these currencies when oil prices decreased. The negative effect of declining oil prices tends to reduce our revenue, while mitigated by the positive effect of the weakening Russian rouble on export sales or domestic sales linked to the US dollar or the euro (see “Foreign Exchange Rate Fluctuations” above).

Oil and oil derivative prices have historically been volatile and dependent on a variety of factors including, among others, market supply and demand balances, geopolitical developments affecting the principal producing nations and force majeure events.

The following table presents average benchmark international market prices for crude oil, naphtha and LPG for the years ended 31 December 2015 and 2014:

| | **Year ended 31 December** | | ***Change*** |
|---|---|---|---|
| *USD per tonne except as stated* | **2015** | **2014** | ***%*** |
| Brent crude oil (USD per bbl) | 52.5 | 99.5 | *(47.2%)* |
| Naphtha (CIF NWE) | 461.9 | 836.6 | *(44.8%)* |
| LPG DAF Brest | 348.4 | 715.1 | *(51.3%)* |
| LPG Sonatrach for Bethioua | 352.3 | 728.8 | *(51.7%)* |
| LPG Argus cif ara (large) | 362.9 | 712.3 | *(49.1%)* |

*Source:*
(1) Bloomberg
(2) Argus

## Export Duties on LPG and naphtha

The LPG and naphtha (excluding pentane and isopentane) that we export are subject to export duties, which are set monthly by the Russian Government. Export sales to member states of the Customs Union (Republic of Belarus and Republic of Kazakhstan) are not subject to export duties.

The export duty on LPG (excluding butane and isobutane) is formula-based and depends on the international benchmark price of LPG (LPG DAF Brest). When the market price for LPG is below USD 490 per tonne, no export duty is levied. Effective 1 January 2015, the Russian Government imposed an export duty on butane and isobutane, which is calculated as the percentage of the export duty on LPG grades excluding butane and isobutane and is set at 10% of that level for 2015 with successive annual increases by 10% until 2022 inclusively.

The export duty on naphtha is calculated as a percentage of export duties on crude oil (Urals). On 1 July 2012, the export duty on naphtha was set at 90% of the crude oil export duty. Effective 1 January 2015, the Russian Government decreased the export duty on naphtha to 85% of the crude oil export duty and announced successive decreases in this rate to 71% for 2016 and 55% for 2017 and further. The decrease in export duty rates for naphtha is implemented as part of the “tax maneuver” in the Russian oil industry.

As Russia's domestic prices for raw NGL, LPG and naphtha are based on export netback prices, higher export duties reduce the domestic price for these products, while declining export duties support domestic prices. Increase in export duties negatively affect our export and domestic sales of LPG and naphtha, at the same time reducing our feedstock purchasing costs. Decrease in export duties as a result of declining prices for LPG and naphtha supports our external export and domestic sales of these products.

The following table presents export duties on LPG, naphtha and paraxylene for the periods and as of the dates indicated:

| Export duties, USD per tonne | 1 quarter | | 2 quarter | | 3 quarter | | 4 quarter | | 12 months | | *Change, %* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | ***2015 / 2014*** |
| **LPG** | | | | | | | | | | | |
| ***excl. butane and isobutane*** | | | | | | | | | | | |
| At the end of the period | 0.0 | 169.1 | 0.0 | 86.0 | 0.0 | 221.0 | 0.0 | 124.8 | 0.0 | 124.8 | *(100.0%)* |
| Average for the period | 16.1 | 189.3 | 0.0 | 101.1 | 0.0 | 152.7 | 0.0 | 131.9 | 4.0 | 143.8 | *(97.2%)* |
| ***butane and isobutane*** | | | | | | | | | | | |
| At the end of the period | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | *n/m* |
| Average for the period | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | *n/m* |
| **Naphtha (excl. pentane and isopentane)** | | | | | | | | | | | |
| At the end of the period | 89.9 | 345.9 | 122.7 | 346.5 | 92.8 | 330.8 | 75.1 | 249.7 | 75.1 | 249.7 | *(69.9%)* |
| Average for the period | 110.1 | 351.5 | 110.9 | 344.4 | 109.2 | 342.3 | 78.4 | 281.6 | 102.2 | 330.0 | *(69.0%)* |

*Source:* Russian Government

## Natural Gas Prices

The prices at which we purchase a large portion of feedstock and sell natural gas as well as our utility costs are significantly impacted by changes in regulated domestic gas prices at which Gazprom, the major Russian gas producer, sells natural gas on the domestic market. Until July 2015 price regulation was executed by the Russian Government, through the Federal Tariff Service (FTS). In July 2015, a Decree of the President of the Russian Federation became effective abolishing the FTS and transferring its functions to the Federal Anti-Monopoly Service. Although this price regulation does not apply to independent gas producers, the regulated price significantly influences domestic market conditions and our effective selling prices.

During 2014 and the first half of 2015, regulated natural gas prices for sales to all customer categories on the domestic market (excluding residential customers) did not change and were calculated using a price formula based on parameters set in December 2013.

Effective 1 July 2015, the Regulator adjusted the parameters used in the formula for wholesale natural gas prices calculation and, as a result, wholesale natural gas prices for sales to all customer categories (excluding residential customers) on the domestic market were increased by 7.5%.

In October 2015, the Ministry of Economic Development of the Russian Federation published the “Forecast of Socio-economic Development of the Russian Federation for 2016 and planned period 2017 and 2018” based on which wholesale natural gas prices for sales to all customer categories (excluding residential customers) in July 2016, 2017 and 2018 will be increased by an average of 2.0%, 3.0% and 3.0%, respectively. The Russian Federation government continues to discuss various concepts relating to the natural gas industry development, including natural gas prices and transportation tariffs growth rates on the domestic market.

The following table presents information on regulated natural gas price changes:

| *Effective date of increase* | **Regulated natural gas price changes** % |
|---|---|
| 1 January 2014 | (1.9%) |
| 1 July 2015 | 7.5% |

Although we are not subject to the Russian Government's regulation of prices for natural gas that we produce from APG, our effective average selling prices for natural gas are close to the regulated gas prices and are typically also indexed in line with the regulated price changes. SIBUR is a net seller of natural gas and historically our financial results have been positively impacted by increases in domestic natural gas prices.

Prices for APG, one of our key feedstock, are not regulated by the Russian Government. There is also no benchmark market price for APG. Prices at which we purchase APG from oil companies are negotiated on a case-by-case basis and depend on a variety of factors (see “Feedstock Sourcing and Mix” below). We typically purchase APG at a price that substantially differs from the regulated domestic natural gas prices because of the significant capital expenditures required to develop and maintain the processing and transportation infrastructure. At the same time, some of our supply contracts regularly index APG prices to reflect changes in the regulated domestic gas prices. Such indexations, however, are not always synchronised with the respective changes in the regulated domestic gas prices. Additionally, there are other factors that influence our APG purchase prices; hence there may be certain discrepancies between movements in our APG purchase prices and the regulated domestic gas prices (see “Feedstock Sourcing and Mix” below for further details).

**Cyclicality of the Petrochemicals Industry**

Prices for petrochemical products are subject to significant fluctuations as they are influenced by trends in global and domestic supply and demand, including differences in supply and demand between domestic and export markets. Demand is generally linked to economic activity, while supply is linked to long-term investments in capacity expansion and structural changes in feedstock supply, such as, for example, the discovery and commercialisation of new feedstock sources. When significant new capacity becomes available and is not matched by corresponding growth in demand, average industry operating margins typically fall. At the same time, capacity additions require substantial lead times and when growth in demand is not matched by respective capacity expansions, average industry operating margins typically rise. As a result, the petrochemicals industry experiences periods of tight supply, leading to high capacity utilisation rates and margins, followed by periods of oversupply, leading to reduced capacity utilisation rates and margins, and, accordingly, the profit margins of petrochemical producers historically have been cyclical.

As the Group is vertically integrated into the feedstock & energy business and is a net seller of energy products, which are not dependent on the cyclicality of the petrochemicals industry, this partially protects the Group against margin pressures in the periods of oversupply in the petrochemicals industry. Additionally, the Group's access to attractively priced feedstock, its diversified mix as well as a diversified product portfolio puts the Group in a more advantaged position compared to majority of other petrochemical companies during market downturns in the petrochemicals industry.

**Feedstock Sourcing and Mix**

*Types of Hydrocarbon Feedstock*

To operate our business successfully we must obtain sufficient quantities of feedstock in a timely manner and at acceptable prices. Therefore, our access to feedstock and its mix have a material impact on our financial results. We use two major types of hydrocarbon feedstock: associated petroleum gas (APG) and natural gas liquids (NGLs), primarily raw NGL, as well as LPG and naphtha.

APG is a by-product of oil production. We process APG at our gas processing plants (GPPs) to produce natural gas and raw NGL. APG accounted for 44.6% and 44.3% of our expenses related to third-party hydrocarbon feedstock purchases in 2015 and 2014, respectively. As a percentage of total feedstock and materials costs, APG accounted for 26.7% and 26.3% in 2015 and 2014, respectively.

NGLs are used as raw material for both the feedstock & energy business and for the petrochemicals business. Raw NGL is produced as a result of APG processing or through stabilisation of unstable gas condensate which is obtained from the processing of wet gas extracted from gas fields. LPG and naphtha are produced through fractionation of raw NGL. We also produce NGLs at our own GPPs and GFUs and also purchase them from third parties. NGLs accounted for 55.4% and 55.7% of our expenses related to third-party hydrocarbon feedstock purchases in 2015 and 2014, respectively. As a percentage of total feedstock and materials costs, NGLs accounted for 33.3% and 33.1% in 2015 and 2014, respectively.

*Feedstock Sourcing*

We purchase APG and NGLs from major oil and gas companies in Western Siberia, including Rosneft, Gazprom Neft, RussNeft, LUKOIL, NOVATEK and Gazprom, primarily under long-term contracts.

In 2014, SIBUR expanded its access to abundant raw NGL sources in Western Siberia through commissioning of a raw NGL pipeline connecting NOVATEK's Purovsky Gas Condensate Plant to our expanded gas fractionation capacities in Tobolsk, which enabled us to consolidate rising supplies of raw NGL. Our major external raw NGL suppliers are NOVATEK and Gazprom.

In March 2014, SIBUR acquired from Rosneft a 49% interest in OOO Yugragazpererabotka. The transaction had a neutral effect on the processing and production volumes at our GPPs, while the parties entered into new contracts with extended tenor through 2032 for (i) APG supplies from Rosneft's fields to OOO Yugragazpererabotka's GPPs with guaranteed supply volumes increased to approximately 10 billion cubic metres per annum, and (ii) dry gas sales from OOO Yugragazpererabotka's GPPs to Rosneft. Following the acquisition, SIBUR pays for 100% of APG supplied to the GPPs of OOO Yugragazpererabotka with Rosneft remaining the major supplier and retains 100% of raw NGL and natural gas produced at the GPPs. In 2015, Rosneft's share in our APG supplies increased to 71.1% from 68.6% of SIBUR's total APG supplies in volume terms in 2014. The raw NGL supplies from Rosneft in 2015 decreased to zero from 15.1% in SIBUR's total NGLs supplies in volume terms in 2014 (see Appendix II for further details).

In September 2015, Gazprom Neft and SIBUR commissioned the newly built Yuzhno-Priobskiy Gas Processing Plant (Yuzhno-Priobskiy GPP) with annual APG processing capacity of 900 million cubic metres. The GPP is operated by a joint venture of SIBUR and Gazprom Neft with both partners having economic interest of 50%. Gazprom Neft supplies APG to the plant for processing into raw NGL and natural gas. SIBUR pays for 50% of the total APG volumes supplied to the plant, while the remaining 50% is processed for Gazprom Neft. SIBUR obtains 50% of all raw NGL and dry gas volumes produced, while Gazprom Neft obtains the rest. Subsequently SIBUR purchases Gazprom Neft's share of raw NGL and sells its share of natural gas to Gazprom Neft.

As of 31 December 2015, approximately 91% of our planned APG supplies for 2016 were guaranteed under multi-year supply contracts. Overall, as of 31 December 2015, our multi-year APG supply contracts had a weighted average maturity of 15.7 years.

As of 31 December 2015, approximately 94% of our planned NGLs supplies for 2016 were guaranteed under multi-year supply contracts. Overall, as of 31 December 2015, our multi-year NGLs supply contracts had a weighted average maturity of 17.3 years.

We continuously work with all the largest oil and gas producers in Western Siberia with the view of extending tenors of the existing agreements and/or entering into new long-term supply contracts on both APG and NGLs supplies. Multi-year supply contracts and joint venture arrangements enhance predictability of feedstock pricing and volumes and allow better planning of the Group's future operating expenses and investments, which is particularly important given the capital-intensive nature of the Group's investment programme.

*Pricing*

Oil companies produce APG as a by-product of oil extraction and by law must evacuate it from the field or otherwise utilise it. Failure to do so can result in fines and potentially jeopardise an oil company's license to operate the field. Most oil companies in Western Siberia do not own gas processing facilities and have been reluctant to develop such facilities as this requires substantial capital investments, while oil companies prefer to invest in their core oil exploration and production business. Apart from being processed into hydrocarbon feedstock at a GPP, only limited volumes of APG can be used productively, mostly for power generation or for re-injection into the reservoir.

The Russian Government has consistently increased incentives for oil companies to utilise APG. Based on the Russian Government's resolution issued in November 2012, penalties for APG flaring exceeding permitted thresholds (currently set at 5% of APG production volumes) have been substantially increased and become material for oil companies: effective 1 January 2013, the penalty has been increased from 4.5x the standard emission charge in 2012 to 12x the standard emission charge in 2013 and 25x the standard emission charge starting from 2014. The standard emission charges depend on the type of pollutant and are regularly indexed. According to CDU TEK, the total volume of flared APG in Russia in

2014 was 12.2 billion cubic metres or 16% of total produced volumes, while APG utilisation level totaled 84% as a percentage of produced volumes. In 2015, the total volume of flared APG in Russia was 10.4 billion cubic metres or 13% of total produced volumes, while APG utilisation level totaled 87% as a percentage of produced volumes.

SIBUR provides oil companies with an attractive solution for APG utilisation, therefore, we are able to source APG at advantageous prices. Given the limited options for using APG and the lack of alternatives for evacuating it from oil fields, there is no market or benchmark price for APG. APG pricing is also not subject to government regulation. As a result, we purchase APG from oil companies at prices that are negotiated on a case-by-case basis and typically substantially differ from the FTS regulated natural gas prices. The magnitude of the difference and the absolute price for APG is dependent on the following key factors: the quality and composition of APG in terms of target liquid fractions content, distance of an APG source from our GPPs, availability of collection and transportation infrastructure and capital and operating expenditures needed to construct, expand and maintain that infrastructure. The price is also dependent on the potential capital expenditures that the oil company would need to incur to construct its own gas processing capacity as an alternative to selling APG to SIBUR.

Currently SIBUR has two types of APG purchase contracts:

- Under first contract type, APG purchase price once agreed upon in absolute terms, is typically regularly indexed to reflect changes in the FTS regulated prices for natural gas.
- Under the new arrangements with Rosneft for APG supplies to Nizhnevartovskiy, Belozerniy and Nyagan GPPs, the APG purchase price is indexed in line with changes in prices for APG derivatives: natural gas and raw NGL (see "Crude Oil, Naphtha, Raw NGL and LPG Prices" and "Natural Gas Prices" above).

Additional volumes of APG that we source from oil companies (new volumes under new agreements or volumes under existing agreements that exceed initially pre-agreed or guaranteed volumes) can be supplied at a higher price due to additional capital and operating expenses incurred by oil companies to produce and deliver such volumes. Also, modification of terms of the existing agreements, both at expiry or as a result of renegotiation, may cause material changes in our APG pricing levels.

Our NGLs feedstock is typically priced with reference to international prices for LPG and naphtha, while prices for raw NGL, depending on its composition, are largely correlated with prices for LPG and naphtha. As the supply of NGLs significantly exceeds demand in Russia and particularly in Western Siberia, prices for NGLs are determined on an export netback basis, which reflects transportation costs and export duties. Transportation of NGLs out of Western Siberia is costly, with transportation costs consistently rising, reducing the prices at which NGLs are available for purchase in Western Siberia. Therefore, the domestic prices for NGLs feedstock in Western Siberia are substantially lower than those available to the majority of SIBUR's international petrochemical peers. The Group's NGLs supply contracts typically contain a formula where prices are determined by the respective netbacks and reflect the fraction content of NGLs, need for and cost of fractionation, capital expenditures required to construct and maintain the respective infrastructure as well as the availability and quality of alternative selling channels that the oil or gas company supplying the NGLs has.

*Feedstock Trends*

APG volumes from oil fields located in Western Siberia are expected to increase only moderately given the maturity profile of the region's oil fields, while concentration of liquid fractions in the APG may decline. We expect this trend to be partially offset by lower APG flaring rates and our efforts to increase the liquids recovery ratio at our GPPs.

We expect that supplies of NGLs from gas fields in Western Siberia will grow substantially faster than supplies of APG or NGLs derived from APG, due to the steadily growing production of natural gas and the increasing share of wet gas in gas production, according to IHS CERA. We expect NGLs derived from wet gas to be a growing source for the future development of our petrochemicals business, particularly for projects located in Western Siberia.

## Transportation Tariffs

We incur substantial transportation costs due to the geographic spread of our operations. For the transportation services we use railway, port facilities and trucks. While we operate our own gas and raw NGL pipelines and railway carrier fleet, we also use third-party transportation services. Third-party transportation services accounted for 20.9% and 15.3% of our net operating expenses in 2015 and 2014, respectively. Changes in transportation tariffs and prices for third-party services have a significant effect on our operating expenses.

### *Railway Transportation Tariffs*

We use rail for transportation of refined products, intermediates and feedstock, including 100% of our LPG, naphtha and MTBE, certain volumes of raw NGL and a major part of our petrochemical products.

Our rail transportation costs comprise a transportation tariff charged for access to Russia's main railway and usage of locomotives (the "Railway Tariff"), which accounts for the majority of our total rail transportation costs. The Railway Tariff is charged by Russian Railways, Russia's state-owned monopoly, and is regulated by the FTS. The Railway Tariff is specific to types of products, types of carriers and their tonnage, transportation routes and the volume of a delivery. The FTS reviews the Railway Tariff on an annual basis. The average Railway Tariff remained unchanged in 2014 for the majority of products, while effective 9 August 2014, Russian Railways increased railroad transportation tariffs within the Russian Federation territory for LPG deliveries to the export markets by 13.4%. Effective 29 January 2015, Russian Railways expanded a 13.4% increase in tariffs for export deliveries for all types of products.

Effective 1 January 2015, the FTS increased railroad transportation tariffs by 10% in accordance with the Ministry of Economic Development Forecast published in September 2014. Effective 3 January 2016, the tariff was further increased by 9%.

## Electricity and Heat Tariffs

Our business is energy-intensive. Electricity and heat account for the largest portion of our energy costs. As a result, changes in tariffs for electric power and heat have a significant effect on our operating expenses.

### *Electricity*

We make electricity purchases on a centralised basis. In addition to purchases of electricity for internal needs, we also buy electricity for further resale to third parties, which, inter alia, include other companies located at our production sites. Revenue from sales of electricity to third parties is reported under "Other sales" in the consolidated financial statements.

The Russian electricity market has been liberalised gradually over the past few years. However, maximum levels of electricity prices remain under the supervision of the Federal Antimonopoly Service (FAS) and regional regulatory authorities. One of the most important factors that influence electricity prices is fuel cost (primarily natural gas and coal), and increases in natural gas prices tend to result in higher electricity prices. We also own and continue to expand our own electric power generating capacity in order to reduce our exposure to higher electricity prices from third-party suppliers. In 2014, SIBUR launched an 18 MW per hour power plant at the Perm production site. At the Group's level, internal electric power generation accounts for an insignificant share in total electricity consumption.

*Heat Energy*

We source heat energy in the form of steam and hot water from regional suppliers at regulated prices. Heat energy prices are also largely dependent on prices for natural gas. In order to minimise dependence on third-party providers, we generate a substantial portion of heat energy (approximately 53% of the total heat consumed in 2015) at our own production sites.

The following table presents volumes purchased and effective average prices for electricity and heat tariffs for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | | | | Change % | |
|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | | |
| | Volume | Average tariff | Volume | Average tariff | Volume | Average tariff |
| Electricity (millions of kw·hour or RR per kw·hour) | 9,462 | 2.06 | 8,363 | 2.14 | *13.1%* | *(4.0%)* |
| Heat (thousands of gigacalories or RR per gigacalorie)(1) | 9,586 | 759 | 9,022 | 757 | *6.3%* | *0.2%* |

SIBUR's ability to sell natural gas enables it to balance its exposure to growth in electricity and heat costs, which to a large extent are influenced by increases in natural gas prices.

In February 2016, SIBUR acquired Tobolsk Heating and Power Plant, the only supplier of vapour for SIBUR’s Tobolsk production site.

(1) 2014 data was restated.

## RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

The following table presents selected data on our results of operations for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | | | | Change |
|---|---|---|---|---|---|
| *RR millions, except as stated* | **2015** | ***% of revenue*** | **2014** | ***% of revenue*** | ***%*** |
| **Revenue** | **379,852** | ***100.0%*** | **361,000** | ***100.0%*** | ***5.2%*** |
| Energy products | 186,497 | *49.1%* | 217,233 | *60.2%* | *(14.1%)* |
| Petrochemical products | 175,802 | *46.3%* | 132,513 | *36.7%* | *32.7%* |
| Other | 17,553 | *4.6%* | 11,254 | *3.1%* | *56.0%* |
| Operating expenses before equity-settled share-based payment plans | (276,194) | *(72.7%)* | (285,602) | *(79.1%)* | *(3.3%)* |
| Equity-settled share-based payment plans | (12,976) | *(3.4%)* | (11,580) | *(3.2%)* | *12.1%* |
| Operating expenses | (289,170) | *(76.1%)* | (297,182) | *(82.3%)* | *(2.7%)* |
| **Operating profit** | **90,682** | ***23.9%*** | **63,818** | ***17.7%*** | ***42.1%*** |
| Net finance expenses | (76,923) | *(20.3%)* | (89,765) | *(24.9%)* | *(14.3%)* |
| Gain on acquisition of subsidiary | - | - | 52,773 | *14.6%* | *(100.0%)* |
| Gain on disposal of subsidiary | 1,012 | *0.3%* | 18 | - | *n/m* |
| Loss on disposal of assets held for sale | (188) | *(0.0%)* | - | *0.0%* | *n/m* |
| Share of net loss of joint ventures and associates | (1,264) | *(0.3%)* | (3,827) | *(1.1%)* | *(67.0%)* |
| **Profit before income tax** | **13,319** | ***3.5%*** | **23,017** | ***6.4%*** | ***(42.1%)*** |
| Income tax expense | (6,814) | *(1.8%)* | 2,054 | *0.6%* | *n/m* |
| **Profit for the reporting period** | **6,505** | ***1.7%*** | **25,071** | ***6.9%*** | ***(74.1%)*** |
| **Profit for the reporting period, including attributable to:** | **6,505** | ***1.7%*** | **25,071** | ***6.9%*** | ***(74.1%)*** |
| Non-controlling interest | 254 | *0.1%* | 67 | *0.0%* | *279.1%* |
| Shareholders of SIBUR | 6,251 | *1.6%* | 25,004 | *6.9%* | *(75.0%)* |

## Revenue

The following table presents a breakdown of our revenue by product group for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | | | | Change |
|---|---|---|---|---|---|
| *RR millions, except as stated* | **2015** | ***% of revenue*** | **2014** | ***% of revenue*** | ***%*** |
| **Energy products** | | | | | |
| LPG | 82,926 | *21.8%* | 77,165 | *21.4%* | *7.5%* |
| Natural gas | 43,000 | *11.3%* | 38,007 | *10.5%* | *13.1%* |
| Naphtha | 31,445 | *8.3%* | 68,877 | *19.1%* | *(54.3%)* |
| MTBE | 21,657 | *5.7%* | 19,364 | *5.4%* | *11.8%* |
| Other fuels and fuel additives | 3,800 | *1.0%* | 4,111 | *1.1%* | *(7.6%)* |
| Raw NGL | 3,669 | *1.0%* | 9,709 | *2.7%* | *(62.2%)* |
| **Total energy products sales** | **186,497** | ***49.1%*** | **217,233** | ***60.2%*** | ***(14.1%)*** |
| **Petrochemical products** | | | | | |
| Plastics and organic synthesis products | 63,748 | *16.8%* | 45,777 | *12.7%* | *39.3%* |
| Basic polymers | 50,892 | *13.4%* | 38,393 | *10.6%* | *32.6%* |
| Synthetic rubbers | 35,079 | *9.2%* | 27,847 | *7.7%* | *26.0%* |
| Intermediates and other chemicals | 26,083 | *6.9%* | 20,496 | *5.7%* | *27.3%* |
| **Total petrochemical products sales** | **175,802** | ***46.3%*** | **132,513** | ***36.7%*** | ***32.7%*** |
| Sales of processing services | 1,339 | *0.4%* | 979 | *0.3%* | *36.8%* |
| Other sales | 16,214 | *4.3%* | 10,275 | *2.8%* | *57.8%* |
| **Total revenue** | **379,852** | ***100.0%*** | **361,000** | ***100.0%*** | ***5.2%*** |

In 2015, our revenue increased by 5.2% year-on-year to RR 379,852 million from RR 361,000 million in 2014 primarily on higher sales of petrochemical products. Adjusted for naphtha trading operations via Ust-Luga ceased in 2015, our revenue increased by 18.9%.

***Energy Products***

In 2015, our revenue from sales of energy products decreased by 14.1% to RR 186,497 million from RR 217,233 million in 2014 due to lower naphtha sales volumes, as we ceased trading operations via the Ust-Luga transshipment facility. Adjusted for the trading activities, our revenue from sales of energy products increased by 6.2%. We also increased raw NGL fractionation volumes, which resulted in lower raw NGL sales. At the same time we organically increased LPG sales, while negative dynamics in energy prices was largely compensated by Russian rouble depreciation.

In 2015, 45.5% of total external energy product sales was derived from the domestic market compared to 36.5% in 2014, while export sales accounted for 54.5% versus 63.5% in 2015 and 2014, respectively. The share of domestic volumes increased as SIBUR ceased naphtha trading operations via the Ust-Luga terminal.

*Liquefied Petroleum Gases (LPG)*

In 2015, our revenue from LPG sales increased by 7.5% to RR 82,926 million from RR 77,165 million in 2014 on a 23.1% increase in sales volumes, partially offset by a 12.7% decrease in the effective average selling price.

Our external LPG sales volumes increased on a 15.8% production growth supported by higher trading volumes, which was partially offset by higher supplies to our petrochemicals business. The increase in our production volumes was a result of higher fractionation following the capacity expansion in Tobolsk in the first quarter of 2014 and expanded access to the additional volumes of raw NGL via the newly launched pipeline sections in the end of 2014. Moreover, the newly available raw NGL feedstock volumes from NOVATEK have a relatively higher LPG content, which also contributes to the production growth. We acquire some LPG that we produce for NOVATEK under processing arrangements, which contributes to the increase in LPG trading volumes. These factors were partially offset by higher volumes supplied to our petrochemicals business following (i) a year-on-year increase in average capacity utilisation rate at our polypropylene production site in Tobolsk that consumes propane as feedstock, (ii) higher butadiene production that consumes butane as feedstock, (iii) as well as shorter shutdowns at our steam cracker in Kstovo.

Our effective average selling price decreased by 12.7% in Russian rouble terms (a decrease of 45.0% in US dollar terms) reflecting the negative dynamics of international market prices. The negative dynamics in US dollar terms was partially mitigated by the Russian rouble depreciation and lower export duties that on average decreased by 97.2% year-on-year in US dollar terms, as well as expanded sales to the European markets.

In 2015, domestic sales accounted for 20.9% of total LPG revenue, while 79.1% was attributable to export sales.

*Natural Gas*

In 2015, our revenue from natural gas sales increased by 13.1% to RR 43,000 million from RR 38,007 million in 2014 on a 10.1% increase in sales volumes and a 2.7% increase in the effective average selling price. The growth in natural gas sales volumes was largely attributable to the OOO Yugragazpererabotka transaction in March 2014 and the subsequent consolidation of 100% of natural gas produced at the GPPs of the JV, while previously we were entitled to 51% of the JV's production volumes (see Appendix II for further details).

The effective average selling price increased by 2.7% reflecting an indexation of the regulated natural gas prices of 7.5% as of 1 July 2015, as well as new pricing arrangements with the existing customers.

We sell 100% of our natural gas in Russia.

*Naphtha*

In 2015, our revenue from naphtha sales decreased by 54.3% to RR 31,445 million from RR 68,877 million in 2014 on a 48.5% decrease in sales volumes and an 11.3% decrease in the effective average selling price.

Starting 2015, SIBUR changed the terms of cooperation with its naphtha trading suppliers and ceased purchases of the product for resale, instead providing transshipment services via the Ust-Luga transshipment facility to the partners, which resulted in the substantial sales volumes decrease.

Our effective average selling price decreased by 11.3% in Russian rouble terms (44.1% decline in US dollar terms) reflecting the negative international market prices dynamics and shorter delivery basis due to the termination of trading operations. The decrease was materially compensated by (i) the Russian rouble depreciation, (ii) lower export duties that on average decreased by 69.0% year-on-year in US dollar terms, and (iii) higher share of separate fractions in sales mix that are not subject to export duties and some are linked to higher-priced benchmarks.

In 2015, our share of export sales decreased to 91.7% of total naphtha revenue from 98.6% in 2014, while 8.3% and 1.4%, respectively, were derived from domestic sales. The change in the mix was primarily attributable to the termination of trading activities.

*Methyl Tertiary Butyl Ether (MTBE)*

In 2015, our revenue from MTBE sales increased by 11.8% to RR 21,657 million from RR 19,364 million in 2014 on a 10.3% increase in the effective average selling price and a 1.4% increase in sales volumes.

The effective average selling price increased by 10.3% in Russian rouble terms (a decrease of 30.5% in US dollar terms) reflecting the negative dynamics in international market prices fully mitigated by the Russian rouble depreciation. The increase in sales volumes on a 0.9% production growth was supported by moderate changes in stock, as in 2015 we saw inventory sales as compared to inventory accumulation in 2014.

In 2015, domestic sales accounted for 88.8% of total MTBE revenue and 11.2% was attributable to export sales, while in 2014 we sold 100% of our MTBE in Russia.

*Other Fuels and Fuel Additives*

In 2015, our revenue from other fuels and fuel additives sales decreased by 7.6% to RR 3,800 million from RR 4,111 million in 2014 on a 4.5% decrease in sales volumes and a 3.2% decrease in the effective average selling price. The decrease in sales volumes despite a 6.5% growth in production was largely attributable to higher internal use and inventory accumulation in 2015 as compared to inventory sales in 2014. Our effective average selling price decreased due to lower benchmark prices.

In 2015, domestic sales accounted for 32.0% of total fuel and fuel additives revenue, while 68.0% was attributable to export sales.

*Raw NGL*

In 2015, our revenue from raw NGL sales decreased by 62.2% to RR 3,669 million from RR 9,709 million in 2014 on a 63.1% decrease in sales volumes despite a 2.5% increase in the effective average selling price. In 2015, raw NGL production at our GPPs increased by 1.9%. At the same time we increased third-party purchases outside of OOO Yugragazpererabotka on additional raw NGL volumes available in Western Siberia, inter alia from NOVATEK following the expansion of Purovsky GCP. Additional available volumes of raw NGL were fully utilised internally with the growth attributable to (i) higher fractionation volumes following the capacity expansion in Tobolsk in the first quarter of 2014, and (ii) higher volumes utilised at our steam cracker in Kstovo that was closed for a lengthy shutdown in 2014 and opened with an expanded capacity. As a result, our external raw NGL sales volumes decreased year-on-year.

Our effective average selling price increased on mixed dynamics of international market prices for LPG and naphtha net of export duties in Russian rouble terms.

New cooperation terms with Rosneft had a neutral impact on availability of raw NGL for external sales and internal usage. Following the transaction, we consolidate 100% of raw NGL production at the GPPs of OOO Yugragazpererabotka, and as a result we recorded higher production volumes. At the same time, we terminated raw NGL purchases from Rosneft, which resulted in a corresponding decrease in third-party purchases (see Appendix II for further details).

In 2015, domestic sales accounted for 40.0% of total raw NGL revenue, while 60.0% was attributable to export sales.

***<u>Petrochemical Products</u>***

In 2015, revenue from sales of petrochemical products increased by 32.7% year-on-year to RR 175,802 million from RR 132,513 million a year earlier on higher revenue across all petrochemical product groups. The growth in revenue from sales of plastics & organic synthesis products was a result of higher effective average selling prices and capacity expansions. The growth in revenue from sales of basic polymers was primarily attributable to higher PP production following a year-on-year increase in the average capacity utilisation rate at our polypropylene production site in Tobolsk. This increase was partially offset by higher polypropylene internal use for BOPP-films production, thus contributing to the growth in revenues from sales of plastics & organic synthesis products. Our revenue from sales of synthetic rubbers recovered on better economics on the back of the Russian rouble depreciation and lower feedstock prices, which allowed us to increase utilisation rates of our synthetic rubber capacities. Higher sales of intermediates were attributable to the initiation of ethylene supplies to RusVinyl in the end of 2014, as well as the expansion of the steam cracker in Kstovo in August 2014 and the respective increase in sales. Russian rouble depreciation strongly supported our petrochemical product sales.

***Plastics and Organic Synthesis Products***

In 2015, our revenue from sales of plastics and organic synthesis products increased by 39.3% to RR 63,748 million from RR 45,777 million in 2014. The increase was primarily attributable to higher sales volumes of PET and BOPP-films following capacity expansions, as well as higher glycols sales volumes due to the low base of 2014 inter alia as a result of lengthy shutdowns in Kstovo and Dzerzhinsk in 2014. We observed declining market prices for the vast majority of products, which was strongly compensated by material Russian rouble depreciation.

*Polyethylene Terephthalate (PET)*

In 2015, our revenue from PET sales increased by 42.9% to RR 19,472 million from RR 13,627 million on a 24.1% increase in the effective average selling price and a 15.2% increase in sales volumes. Our effective average selling price largely reflected negative dynamics in the international market prices in US dollar terms, which was strongly compensated by Russian rouble depreciation. The increase in sales volumes on a 6.7% growth in production volumes was largely attributable to substantial sales of inventories that we accumulated during 2014 in line with the production expansion. The increase in production was a result of PET capacity expansion at our production site in Blagoveshchensk (increase in annual nameplate production capacity to 210,000 tonnes from 140,700 tonnes) and low base of 2014 due to lengthy shutdowns related to the capacity expansion. In 2015, domestic sales accounted for 98.9% of total PET revenue, while 1.1% was attributable to export sales.

*BOPP-films*

In 2015, our revenue from BOPP-film sales increased by 58.7% to RR 17,066 million from RR 10,755 million in 2014 on a 27.2% growth in sales volumes and a 24.8% increase in the effective average selling price. Higher sales volumes were largely attributable to a 27.5% increase in production following the capacity expansion at our production site in Novokuybyshevsk in May 2014 (increase in annual nameplate production capacity to 55,500 tonnes from 25,000 tonnes), as well as lower production capacity utilisation in 2014. The increase in the effective average selling price reflected the dynamics of international market prices supported by the Russian rouble depreciation, increased domestic consumption and higher share of certain high-priced grades in our export sales structure. In 2015, domestic sales accounted for 68.9% of total BOPP-film revenue, while 31.1% was attributable to export sales.

*Glycols*

In 2015, our revenue from sales of glycols increased by 75.0% to RR 8,389 million from RR 4,795 million a year earlier as a result of a 48.3% increase in sales volumes and a 18.0% increase in the effective average selling price. The increase in sales volumes was largely attributable to a 33.8% growth in production volumes due to the low base of 2014 as a result of lengthy shutdowns at our production sites in Kstovo and Dzerzhinsk. Additionally, we sold inventories, inter alia related to goods-in-transit balances to export markets. These factors were partially offset by (i) higher internal use on higher PET production that consumes glycols as raw material, and (ii) a decrease in third-party purchases performed in 2014 during the production sites shutdowns. Higher effective average selling price reflected mixed dynamics in the European market prices for different glycol grades mitigated by the Russian rouble depreciation. In 2015, our share of export sales increased to 54.9% of total glycols revenue from 25.3% in 2014, while 45.1% and 74.7%, respectively, were derived from domestic sales.

*Expandable Polystyrene*

In 2015, our revenue from sales of expandable polystyrene increased by 20.4% to RR 8,351 million from RR 6,938 million in 2014 on a 20.5% increase in the effective average selling price and largerly flat sales volumes. The increase in the effective average selling price reflected lower international market prices mitigated by the Russian rouble depreciation. In 2015, domestic sales accounted for 75.5% of total expandable polystyrene revenue, while 24.5% were derived from export sales.

*Alcohols*

In 2015, our revenue from sales of alcohols increased by 7.2% to RR 6,524 million from RR 6,088 million in 2014 on a 6.7% increase in sales volumes and largerly flat effective average selling price. The increase in alcohols sales volumes on a 2.2% growth in production was attributable to sales of goods-in-transit balances of alcohols export deliveries in 2015 versus moderate inventory accumulation in 2014. Higher production was as a result of a low base of 2014 attributable to propylene feedstock shortage as a result of lengthy maintenance shutdowns at our steam cracker in Kstovo in 2014. Our effective average selling price remained largely flat due to mixed dynamics on export and domestic markets. In 2015, domestic sales accounted for 51.2% of total alcohols revenue, while 48.8% were derived from export sales.

*Acrylates*

In 2015, our revenue from acrylates sales increased by 15.8% to RR 3,946 million from RR 3,409 million in 2014 on a 12.0% increase in the effective average selling price and a 3.4% increase in sales volumes. Higher effective average selling price reflected the decrease in the international market prices mitigated by the Russian rouble depreciation. The increase in our sales volumes was attributable to a 3.3% production growth due to certain technical upgrades at our production site in the Nizhniy Novgorod region and shorter maintenance shutdowns in 2015 as compared to a year earlier. In 2015, we increased the share of domestic sales of acrylates to 57.3% of total revenue from 48.7% in 2014, while 42.7% and 51.3% was attributable to export sales in 2015 and 2014, respectively. In 2015, we continued to keep focus on the more attractive domestic market, where prices are higher than on export markets.

*Plastic Compounds (including ABS plastics and PVC cable compounds)*

In 2015, we did not record revenue from sales of plastic compounds, while in 2014 it was RR 165 million, as a result of the divestment of PVC cable compounds division at our production site in Dzerzhinsk in April 2014. Following these divestment SIBUR does not consolidate plastic compounds in its product portfolio.

***Basic Polymers***

In 2015, our revenue from sales of basic polymers increased by 32.6% to RR 50,892 million from RR 38,393 million in 2014. The increase was largely attributable to higher PP sales volumes following a year-on-year increase in the average capacity utilisation rate at our polypropylene production site in Tobolsk. in Tobolsk. This increase was partially offset by higher polypropylene internal use for BOPP-films production, thus contributing to the growth in revenues from sales of plastics & organic synthesis products. The growth in basic polymers revenues was also driven by higher average selling prices for PP and LDPE due to the Russian rouble depreciation despite lower international benchmark prices. In 2015, domestic sales accounted for 66.6% of total basic polymers revenue, while 33.4% was attributable to export sales.

*Polypropylene (PP)*

In 2015, our revenue from sales of PP increased by 39.0% to RR 32,072 million from RR 23,066 million in 2014 on an 18.7% increase in the effective average selling price and a 17.1% increase in sales volumes. The increase in our effective selling prices for PP despite lower international market prices was attributable to the weak Russian rouble. Our PP sales volumes growth was primarily attributable to a 30.6% increase in PP production due to a year-on-year increase in the average capacity utilisation rate at our polypropylene production site in Tobolsk. This was partially offset by (i) higher internal use following the capacity expansion at BOPP-film production site in Novokuybyshevsk in May 2014 (increase in annual nameplate production capacity to 55,500 tonnes from 25,000 tonnes) and (ii) lower PP purchases for resale from Poliom, as the trading activities were replaced with an agent scheme starting the third quarter of 2014. In 2015, domestic sales accounted for 61.7% of total PP revenue, while 38.3% was attributable to export sales.

*Low Density Polyethylene (LDPE)*

In 2015, our revenue from sales of LDPE increased by 22.8% to RR 18,820 million from RR 15,327 million in 2014 on a 28.8% increase in the effective average selling price despite a 4.7% decrease in sales volumes. The increase in the effective average selling price for LDPE reflected lower international market prices supported by the Russian rouble depreciation. The decrease in LDPE sales volumes was largely attributable to a 4.8% decrease in production volumes due to a longer maintenance shutdown for the reconstruction at our production site in Tomsk. In 2015, domestic sales accounted for 75.0% of total LDPE revenue, while 25.0% was attributable to export sales.

***Synthetic Rubbers***

In 2015, our revenue from synthetic rubber sales increased by 26.0% year-on-year to RR 35,079 million from RR 27,847 million in 2014 largerly attributable to the increase in revenue from commodity rubbers and thermoplastic elastomers. Our synthetic rubber results were largely attributable to higher production capacity load as compared to the low base of 2014, when we saw a weak market environment for commodity and specialty rubbers and continued thermoplastic elastomers homologation with key clients completed by the year end. In 2015, domestic sales accounted for 31.9% of total synthetic rubber revenue, while 68.1% was attributable to export sales.

*Commodity Rubbers*

In 2015, our revenue from sales of commodity rubbers increased by 22.2% year-on-year to RR 20,390 million from RR 16,679 million in 2014 on an 11.8% increase in sales volumes and a 9.3% increase in the effective average selling price.

The growth in our sales volumes of commodity rubbers was mainly attributable to a 12.0% increase in production due to higher capacity load on collapsed feedstock prices as compared to 2014 when we reduced production in a weak market environment. The increase was attributable to higher emulsion styrene-butadiene rubber (ESBR) and polybutadiene rubber (PBR-Nd) production volumes despite lower polyisoprene rubber (IR) production volumes. The dynamics of the effective average selling price for commodity rubbers was driven by the European and Asian market prices, which was largerly compensated by the Russian rouble depreciation.

In 2015, domestic sales accounted for 35.3% of total commodity rubbers revenue, while 64.7% was attributable to export sales.

*Specialty Rubbers*

In 2015, our revenue from sales of specialty rubbers increased by 17.4% year-on-year to RR 8,822 million from RR 7,516 million in 2014 on a 13.0% increase in the effective average selling price and a 3.8% increase in sales volumes.

The increase in the effective average selling price for specialty rubbers was attributable to Russian rouble depreciation that fully offset the declining prices on Asian markets. The growth in specialty rubbers sales volumes was a result of higher nitrile-butadiene rubber (NBR) and butyl rubber (IIR) production volumes due to the increased capacity load on collapsed feedstock pricing. This was partially offset by inventory sales in 2014 on expectation of a weak market environment, compared to marginal inventory accumulation in 2015.

In 2015, domestic sales accounted for 12.3% of total specialty rubbers revenue, while 87.7% was attributable to export sales.

*Thermoplastic Elastomers*

In 2015, our revenue from sales of thermoplastic elastomers (SBS) increased by 60.7% to RR 5,868 million from RR 3,652 million in 2014 on a 49.6% increase in sales volumes and a 7.3% growth in the effective average selling price.

The increase in sales volumes was attributable to a 54.9% increase in production volume as compared to a low base of 2014 attributable to a lengthy product homologation with key clients completed by the year end. Our domestic selling price, which is linked to prices on Asian markets, increased by 12.6%, following the negative dynamics for butadiene and styrene prices in US dollar terms (butadiene and styrene are key feedstock for SBS), compensated by the Russian rouble depreciation. Our export selling price for thermoplastic elastomers increased by 2.9%, while we observed mixed dynamics of the international prices.

In 2015, domestic sales accounted for 49.3% of total thermoplastic elastomers revenue, while 50.7% was attributable to export sales.

### *Intermediates and Other Chemicals*

In 2015, our revenue from sales of intermediates and other chemicals increased by 27.3% year-on-year to RR 26,083 million from RR 20,496 million in 2014. The increase was largely attributable to (i) higher revenue from sales of ethylene to our JV RusVinyl that was commissioned in September 2014, (ii) higher revenue from sales of propylene due to the increase in production inter alia following the expansion of the cracking capacity in Kstovo in August 2014 (increase in annual nameplate production capacity to 360,000 tonnes from 300,000 tonnes), and (iii) higher revenues from sales of ethylene oxide following the expansion of existing ethylene oxide capacity at the production site in Dzerzhinsk in June 2014 (increase in annual nameplate production capacity to 300,000 tonnes from 264,000 tonnes) as compared to a low base of 2014 attributable to lengthy shutdowns in Kstovo and Dzerzhinsk.

Out of 4.7 million tonnes of intermediates and other chemicals produced in 2015, approximately 88.6% were used internally for further intercompany processing compared to 89.2% in 2014.

### *Other Revenue*

In 2015, other revenue increased by 56.0% year-on-year to RR 17,553 million from RR 11,254 million in 2014, which was primarily attributable to the revenue from NIPIGAZ services as a contractor within Gazprom's Amur GPP project, higher liquid hydrocarbon transportation services provided via Ust-Luga as the terminal operator, as well as revenue from electricity supplies to our JV RusVinyl.

## Operating Expenses

The following table presents a breakdown of our operating expenses for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | | | | *Change* |
|---|---|---|---|---|---|
| *RR millions, except as stated* | **2015** | *% of revenue* | **2014** | *% of revenue* | *%* |
| Feedstock and materials | 83,931 | *22.1%* | 78,052 | *21.6%* | *7.5%* |
| Transportation, logistics and rent | 66,788 | *17.6%* | 52,010 | *14.4%* | *28.4%* |
| *Transportation and logistics* | *57,831* | *15.2%* | *43,789* | *12.1%* | *32.1%* |
| *Rent expenses* | *8,957* | *2.4%* | *8,221* | *2.3%* | *9.0%* |
| Depreciation and amortisation | 31,498 | *8.3%* | 26,321 | *7.3%* | *19.7%* |
| Staff costs | 30,658 | *8.1%* | 27,152 | *7.5%* | *12.9%* |
| Energy and utilities | 28,397 | *7.5%* | 31,218 | *8.6%* | *(9.0%)* |
| Goods for resale, *including* | 11,929 | *3.1%* | 48,051 | *13.3%* | *(75.2%)* |
| *Naphtha trading via Ust-Luga* | - | - | *41,580* | *11.5%* | *(100.0%)* |
| Repairs and maintenance | 8,620 | *2.3%* | 8,782 | *2.4%* | *(1.8%)* |
| Services provided by third parties | 6,946 | *1.8%* | 6,496 | *1.8%* | *6.9%* |
| Taxes other than income tax | 1,923 | *0.5%* | 1,783 | *0.5%* | *7.9%* |
| Charity and sponsorship, marketing and advertising | 1,269 | *0.3%* | 1,411 | *0.4%* | *(10.1%)* |
| *Charity and sponsorship* | *816* | *0.2%* | *987* | *0.3%* | *(17.3%)* |
| *Marketing and advertising* | *453* | *0.1%* | *424* | *0.1%* | *6.8%* |
| Processing services of third parties | 981 | *0.3%* | 1,917 | *0.5%* | *(48.8%)* |
| Impairment of PPE, assets held for sale and write-off of advances for capital construction | 479 | *0.1%* | 1,048 | *0.3%* | *(54.3%)* |
| Loss on disposal of property, plant and equipment | 244 | *0.1%* | 221 | *0.1%* | *10.4%* |
| Other | 3,940 | *1.0%* | 1,998 | *0.6%* | *97.2%* |
| Change in work-in-progress and refined products balances | (1,409) | *(0.4%)* | (858) | *(0.2%)* | *64.2%* |
| **Operating expenses before equity-settled share-based payment plans** | **276,194** | ***72.7%*** | **285,602** | ***79.1%*** | ***(3.3%)*** |
| Equity-settled share-based payment plans | 12,976 | *3.4%* | 11,580 | *3.2%* | *12.1%* |
| **Operating expenses** | **289,170** | ***76.1%*** | **297,182** | ***82.3%*** | ***(2.7%)*** |

In 2015, our operating expenses decreased by 2.7% year-on-year to RR 289,170 million as compared to RR 297,182 million in 2014. As a percentage of total revenue, our operating expenses decreased to 76.1% in 2015 from 82.3% in 2014. In 2015 and 2014, we recorded a non-cash charge related to equity-settled share-based payment plans for directors and key management, as the Group was recognising current and past service costs associated with the respective payment plans as operating expenses together with a corresponding increase in the shareholders' equity starting from the third quarter of 2013 (see Appendix III for further details).

Our operating expenses before equity-settled share-based payment plans (the "Net operating expenses") decreased by 3.3% year-on-year to RR 276,194 million from RR 285,602 million in 2014. As a percentage of total revenue, our net operating expenses amounted to 72.7% in 2015 as compared to 79.1% in 2014. The decrease in net operating expenses was primarily attributable to the decrease in purchases of goods for resale following the termination of trading activities via the Ust-Luga transshipment facility in 2015, partially offset by (i) higher transportation, logistics and rent expenses due to the Russian rouble depreciation, the railway tariff indexation and higher transported volumes, (ii) higher feedstock and materials costs on weaker Russian rouble and higher purchasing volumes of hydrocarbon feedstock, and (iii) higher depreciation and amortisation costs due to the commissioning of new production facilities as well as the amortisation of intangible assets.

Acquisition of a 49% stake in OOO Yugragazpererabotka from Rosneft and the related new terms of cooperation between SIBUR and Rosneft have resulted in a net increase in our operating expenses, as higher APG purchase expenses are only partially compensated by lower raw NGL purchase expenses. Also, following the transaction SIBUR consolidates 100% of the JV operating expenses, while the related processing fee is treated as intercompany. The increase was however compensated by higher natural gas sales revenue.

*Feedstock and Materials*

In 2015, our feedstock and materials costs increased by 7.5% year-on-year to RR 83,931 million from RR 78,052 million in 2014. As a percentage of total revenue, feedstock and materials costs increased to 22.1% from 21.6% in 2014. The increase was driven by higher expenses related to purchases of hydrocarbon feedstock and other feedstock & materials, compensated by lower expenses related to polypropylene purchases.

In 2015, our expenses related to hydrocarbon feedstock purchases were affected by the acquisition of a 49% stake in JV OOO Yugragazpererabotka from Rosneft in March 2014 and the related changes in terms of cooperation between Rosneft and SIBUR. The parties entered into a new APG supply agreement and at the same time terminated the raw NGL supply agreement effective from 1 April 2014. Under the new arrangements SIBUR (i) pays for 100% of APG supplied to the GPPs of OOO Yugragazpererabotka, while previously SIBUR paid for 51%, and (ii) retains 100% of raw NGL volumes produced at these GPPs, while previously SIBUR purchased 49% of these volumes from Rosneft. The new APG price is formula-based and subject to indexation in line with changes in prices for APG derivatives: natural gas and raw NGL (see Appendix II for further details). As a result, in the first quarter of 2015, our APG purchasing volumes increased by 40.6% with a corresponding decrease in the NGLs purchasing volumes by 35.0% as compared to the first quarter of 2014. From the second quarter of 2014 there have been no structural changes in our hydrocarbon feedstock sourcing.

The following table presents information on our costs related to purchasing of feedstock and materials for the years ended 31 December 2015 and 2014:

| | **Year ended 31 December** | | | | |
|---|---|---|---|---|---|
| *RR millions, except as stated* | **2015** | ***% of feedstock and materials expenses*** | **2014** | ***% of feedstock and materials expenses*** | ***Change %*** |
| NGLs | 27,908 | *33.3%* | 25,832 | *33.1%* | *8.0%* |
| APG | 22,426 | *26.7%* | 20,544 | *26.3%* | *9.2%* |
| Paraxylene | 6,478 | *7.7%* | 4,828 | *6.2%* | *34.2%* |
| Methanol | 3,767 | *4.5%* | 2,754 | *3.5%* | *36.8%* |
| Polypropylene | 1,766 | *2.0%* | 4,783 | *6.1%* | *(63.1%)* |
| Other feedstock and materials | 22,599 | *26.9%* | 20,065 | *25.7%* | *12.6%* |
| Change of stock | (1,013) | *(1.2%)* | (756) | *(1.0%)* | *34.0%* |
| **Feedstock and materials, total** | **83,931** | ***100%*** | **78,052** | ***100%*** | ***7.5%*** |

The following table presents selected data on our feedstock purchasing volumes for the years ended 31 December 2015 and 2014[(1)]:

| | Year ended 31 December | | Change |
|---|---|---|---|
| *Tonnes, except as stated* | **2015** | **2014** | *%* |
| NGLs | 2,844,814 | 2,553,000 | *11.4%* |
| APG (thousand cubic metres) | 21,227,997 | 19,397,321 | *9.4%* |
| Paraxylene | 180,947 | 163,729 | *10.5%* |
| Methanol | 221,681 | 233,831 | *(5.2%)* |
| Polypropylene | 27,273 | 89,263 | *(69.4%)* |

In 2015, our expenses related to purchases of NGLs increased by 8.0% year-on-year to RR 27,908 million from RR 25,832 million in 2014, increasing as a percentage of total feedstock and materials to 33.3% from 33.1%. The increase in expenses was attributable to an 11.4% year-on-year increase in purchasing volumes, which was partially offset by a 3.0% decrease in the effective average purchase price. The increase in purchasing volumes was largely attributable to the raw NGL purchases from NOVATEK and naphtha purchases for our production site in Kstovo, which was closed for the lengthy shutdown in 2014. This was partially offset by (i) lower raw NGL purchasing volumes based on the new cooperation terms with Rosneft, when SIBUR ceased raw NGL purchases as discussed above, and (ii) lower LPG purchasing volumes on higher production and internal use (see “Results of Operations”). The decrease in the effective average purchase prices was a result of the respective netbacks dynamics.

In 2015, our expenses related to APG purchases increased by 9.2% year-on-year to RR 22,426 million from RR 20,544 million in 2014, increasing as a percentage of total feedstock and materials expenses to 26.7% from 26.3%. The growth in expenses was attributable to a 9.4% increase in purchasing volumes despite largerly flat effective average purchase price (a 0.3% decrease year-on-year). The increase in purchasing volumes was largely attributable to the redefinition of cooperation terms with Rosneft as discussed above. The flat effective average purchase price was a result of the dynamics in netbacks for liquids offset by the indexation of regulated natural gas prices of 7.5% as of 1 July 2015 (see “Natural Gas Prices” in “Certain Factors Affecting Our Results of Operations”).

In 2015, our expenses related to paraxylene purchases increased by 34.2% year-on-year to RR 6,478 million from RR 4,828 million in 2014, increasing as a percentage of total feedstock and materials expenses to 7.7% from 6.2%. The growth in expenses was attributable to a 21.4% increase in the effective average purchase price and a 10.5% increase in purchasing volumes. Higher purchase price was a result of higher netbacks for paraxylene due to lower export duties that were decreased as part of the “tax maneuver”. Our paraxylene purchasing volumes increased by 10.5% year-on-year due to higher production volumes of terephthalic acid as a result of shorter maintenance shutdowns at our production site in Blagoveshchensk in 2015 compared to 2014.

In 2015, our expenses related to methanol purchases increased by 36.8% year-on-year to RR 3,767 million from RR 2,754 million in 2014, increasing as a percentage of total feedstock and materials expenses to 4.5% from 3.5%. The growth in expenses was attributable to a 44.3% increase in the effective average price, despite a 5.2% decrease in purchasing volumes. Higher purchase price was attributable to the Russian rouble depreciation despite lower international benchmark prices and local shortage on the domestic market.

In 2015, our expenses related to polypropylene purchases decreased by 63.1% year-on-year to RR 1,766 million from RR 4,783 million in 2014, decreasing as a percentage of total feedstock and materials expenses to 2.1% from 6.1%. The decrease was attributable to a 69.4% decrease in purchasing volumes, as we partially substituted third-party purchases with polypropylene produced in-house at our production site in Tobolsk, and a 20.9% increase in the effective average purchase price on higher international benchmark prices in Russian rouble terms.

In 2015, other feedstock and materials expenses increased by 12.6% year-on-year to RR 22,599 million from RR 20,065 million in 2014, increasing as a percentage of total feedstock and materials expenses to 26.9% from 25.7%. The increase was related to the expanded production volumes and weaker rouble.

[(1)] Excluding volumes purchased for trading, which are reported as goods for resale.

*Transportation, Logistics and Rent*

In 2015, our combined expenses related to transportation, logistics and rent increased by 28.4% to RR 66,788 million from RR 52,010 million in 2014, increasing as a percentage of total revenue to 17.6% from 14.4%. The increase was mainly attributable to (i) Russian rouble depreciation, which affected our international transportation expenses, (ii) 13.4% increase in railroad transportation tariffs within the Russian Federation for the deliveries to the export markets by Russian Railways and 10% increase in railroad transportation tariffs by the FTS (see "Transportation Tariffs" in "Certain Factors Affecting Our Results of Operations"), (iii) higher transported volumes of LPG and polypropylene, which was also reflected in our revenue from sales of the respective products. Our rent expenses increased year-on-year on higher transported volumes following the launch of the second GFU in Tobolsk in June 2014 and our production site in Kstovo, which was closed for a lengthy shutdown in 2014. Our rolling stock under management decreased by 1.0% to 23,488 as of 31 December 2015 from 23,719 as of 31 December 2014.

*Depreciation and Amortisation*

In 2015, our depreciation and amortisation expenses increased by 19.7% to RR 31,498 million from RR 26,321 million in 2014, increasing as a percentage of total revenue to 8.3% from 7.3%. The growth in expenses was attributable to (i) the commissioning of new production facilities, including certain sections of the Purovsk – Pyt-Yakh – Tobolsk pipeline launched during 2014, the expansion of the cracking capacity in Kstovo, completed in August 2014, as well as the second GFU with certain elements of related infrastructure in Tobolsk launched in March 2014, and (ii) the amortisation of intangible assets related to the APG supply contracts between SIBUR and Rosneft (see Appendix II for further details).

*Staff Costs*

In 2015, our staff costs increased by 12.9% year-on-year to RR 30,658 million from RR 27,152 million in 2014, increasing as a percentage of total revenue to 8.1% from 7.5%. The growth in expenses was primarily attributable to changes in the perimeter due to consolidation of OOO Yugragazpererabotka and a service company that previously functioned on outsourcing basis, as well as increase in the headcount of NIPIGAZ, a contractor on design and construction within the Amur GPP project of Gazprom. Our average headcount totaled 27,135 employees in 2015.

*Energy and Utilities*

In 2015, our energy and utilities expenses decreased by 9.0% year-on-year to RR 28,397 million from RR 31,218 million in 2014, decreasing as a percentage of total revenue to 7.5% from 8.6%. The decrease was primarily attributable to the release of the provision in the amount of RR 4,617 million, which was previously accrued in relation to the litigation of OOO Yugragazpererabotka with OAO Tyumenenergo, as the respective lawsuit was closed in July 2015. Our effective average electricity tariffs decreased by 4.0% year-on-year, our effective average heat tariffs were largely flat (a 0.2% increase year-on-year). This was partially offset by the increase in electricity purchase volume by 13.1% on capacity expansions.

The following table presents data on our energy and utilities costs for the years ended 31 December 2015 and 2014:

| | **Year ended 31 December** | | | | |
|---|---|---|---|---|---|
| *RR millions, except as stated* | **2015** | ***% of total energy and utilities*** | **2014** | ***% of total energy and utilities*** | ***Change %*** |
| Electricity | 15,081 | *53.1%* | 18,490 | *59.2%* | *(18.4%)* |
| Heat | 7,227 | *25.4%* | 6,757 | *21.6%* | *7.0%* |
| Fuel | 3,963 | *14.0%* | 4,180 | *13.4%* | *(5.2%)* |
| Other | 2,126 | *7.5%* | 1,791 | *5.7%* | *18.7%* |
| **Energy and utilities, total** | **28,397** | ***100.0%*** | **31,218** | ***100.0%*** | ***(9.0%)*** |

*Goods for Resale*

In 2015, our expenses related to purchases of goods for resale decreased by 75.2% year-on-year to RR 11,929 million from RR 48,051 million in 2014, decreasing as a percentage of total revenue to 3.1% from 13.3%. The decrease in expenses was driven by the termination of trading activities via the Ust-Luga transshipment facility in 2015.

*Repairs and Maintenance*

In 2015, our repairs and maintenance expenses decreased by 1.8% to RR 8,620 million from RR 8,782 million in 2014, decreasing as a percentage of total revenue to 2.3% from 2.4% in 2014. The decrease in expenses in absolute terms was primarily attributable to lower repair expenses due to the high base of 2014 resulted from the maintenance works during the shutdowns at our production sites in Kstovo and Dzerzhinsk in 2014, partially compensated by (i) higher maintenance costs of the Purovsk – Pyt-Yakh – Tobolsk pipeline launched in 2014, and (ii) higher expenses related to the repair works during the shutdown of our production site in Tobolsk in 2015.

*Services Provided by Third Parties*

In 2015, our expenses related to services provided by third parties increased by 6.9% to RR 6,946 million from RR 6,496 million in 2014, remaining a 1.8% of total revenue. The increase in expenses in absolute terms was primarily attributable to services provided by NIPIGAZ, serving as a subcontractor, as well as services related to SAP ERP implementation, largerly compensated by the decreased expenses attributable to services of subcontractors in relation to Yuzhno-Priobskiy GPP construction, as the facility was launched in September 2015.

*Taxes other than Income Tax*

In 2015, our taxes other than income tax increased by 7.9% to RR 1,923 million from RR 1,783 million in 2014, remaining flat as a percentage of total revenue at 0.5%. The increase was mainly attributable to changes in the perimeter and launch of new production facilities.

*Charity and Sponsorship, Marketing and Advertising*

In 2015, our combined expenses related to charity and sponsorship, marketing and advertising decreased by 10.1% to RR 1,269 million from RR 1,411 million in 2014, decreasing as a percentage of total revenue to 0.3% from 0.4%. The decline in expenses was related to the changes in the respective activities.

*Processing Services of Third Parties*

In 2015, our expenses related to third-party processing services decreased by 48.8% to RR 981 million from RR 1,917 million in 2014, decreasing as a percentage of total revenue to 0.3% from 0.5%. The decline in expenses was primarily attributable to the consolidation of OOO Yugragazpererabotka from March 2014, when we started reporting our payments for APG processing as intercompany expenses, while before (March 2013 – February 2014) they were treated as external payments for APG processing to OOO Yugragazpererabotka (see Appendix II for further details).

*Impairment of Property, Plant and Equipment, Assets Held for Sale and Write-off of Advances for Capital Construction*

In 2015, we recognised an impairment charge of RR 479 million, attributable to revaluation of the asset available for sale. In 2014, we recognised an impairment charge of RR 1,048 million, attributable to a minor investment project termination.

*Loss on Disposal of Property, Plant and Equipment*

In 2015, we recorded a loss of RR 244 million on disposal of the non-core assets, compared to RR 221 million reported in 2014.

*Change in Work-in-progress and Refined Products Balances*

In 2015, we recorded a reversal to our operating expenses in the amount of RR 1,409 million as compared to a reversal in the amount of RR 858 million in 2014, which was mainly attributable to the growth in balances of refined products.

*Equity-Settled Share-Based Payment Plans*

In 2015, our charge related to equity-settled share-based payment plans increased by 12.1% to RR 12,976 million from RR 11,580 million in 2014 (see Appendix III for further details).

**Operating Profit**

In 2015, our operating profit increased by 42.1% year-on-year to RR 90,682 million from RR 63,818 million. Net of the non-cash charge related to the equity-settled share-based payment plans, our operating profit increased by 37.5% to RR 103,658 million in 2015 from RR 75,398 million in 2014. The increase in net operating profit was attributable to the launch of our strategic large-scale investment projects and positive impact of the foreign exchange rate fluctuations on our revenues. The corresponding operating margin totaled 27.3% and 20.9% in 2015 and 2014, respectively.

**Net Finance Expense**

In 2015, our net finance expense decreased by 14.3% year-on-year to RR 76,923 million from RR 89,765 million a year earlier. The net finance expense was largely attributable to the Russian rouble depreciation which resulted in the substantial foreign exchange loss and a more than threefold year-on-year increase in interest expense.

The following table presents data on our finance income and expenses for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | | Change |
|---|---|---|---|
| *RR millions, except as stated* | **2015** | **2014** | *%* |
| Interest income | 1,412 | 632 | *123.4%* |
| Interest expense | (11,399) | (3,541) | *221.9%* |
| Foreign exchange loss | (63,135) | (85,433) | *(26.1%)* |
| Other finance expense | (3,801) | (1,423) | *167.1%* |
| **Total finance expense** | **(76,923)** | **(89,765)** | ***(14.3%)*** |

In 2015, our interest expense increased more than three times to RR 11,399 million from RR 3,541 million in 2014. The increase was attributable to the depreciation of Russian rouble, which resulted in the growth in total debt and accrued interest in relation to the foreign currency denominated debt. Our weighted average interest rate on Russian rouble-denominated borrowings was 13.0% and 10.1% as of 31 December 2015 and 2014. Our weighted average interest rate on US dollar-denominated borrowings was 3.4% and 3.0% as of 31 December 2015 and 2014. Our weighted average interest rate on euro-denominated borrowings was 1.3% and 1.5% as of 31 December 2015 and 2014.

In 2015, our net foreign exchange loss decreased by 26.1% year-on-year to RR 63,135 million from RR 85,433 million in 2014. The substantial loss from financing activities was attributable to the revaluation of US dollar-denominated debt, as RR/USD rate increased by 29.5% to 72.8827 as of 31 December 2015 from 56.2584 as of 31 December 2014. The loss from non-financing activities was attributable to the revaluation of the USD 1 billion in payables related to the acquisition of OOO Yugragazpererabotka and fully paid in the first quarter of 2015 at the relatively higher RR/USD exchange rate than as of 31 December 2014.

**Gain on Acquisition of Subsidiary**

In 2014, we recorded a non-cash gain on acquisition of subsidiary in the amount of RR 52,773 million following the acquisition of a 49% stake in OOO Yugragazpererabotka from Rosneft in March 2014. The gain was attributable to the difference between the fair value of SIBUR's interest in the JV following the transaction and SIBUR's share in the JV accounted for at historical cost before the transaction (see Appendix II for further details).

**Gain on Disposal of Subsidiary**

In 2015, we recognised a gain of RR 1,012 million on disposal of OOO SIBUR-Portenergo. In 2014, we recognised a gain of RR 18 million.

**Loss on disposal of assets held for sale**

In 2015, we recognised a loss of RR 188 million.

**Share of Net Loss of Joint Ventures and Associates**

In 2015, our share of net loss of joint ventures decreased by 67.0% to RR 1,264 million from RR 3,827 million a year earlier. The decrease was attributable to lower foreign exchange loss of OOO RusVinyl due to the Russian rouble depreciation.

**Income Tax (Expense) / Benefit**

In 2015, our income tax expense amounted to RR 6,814 million compared to an income tax benefit of RR 2,054 million a year earlier. The tax benefit in 2014 was attributable to the pre-tax loss, calculated as our pre-tax results for the year adjusted for the non-cash charge related to the equity-settled share-based payment plans and non-cash gain on acquisition of subsidiary. The pre-tax loss was recorded due to the foreign exchange loss.

**Profit for the Reporting Period and Profit Attributable to Shareholders of SIBUR**

In 2015, our profit decreased by 74.1% to RR 6,505 million from RR 25,071 million in 2014. The decrease was largely attributable to a non-cash gain on the acquisition of a 49% stake in OOO Yugragazpererabotka recorded in 2014, compensated by higher operating profit and lower foreign exchange loss. Our net margin totaled 1.7% and 6.9% in 2015 and 2014, respectively. In 2015, profit attributable to shareholders of SIBUR decreased by 75.0% to RR 6,251 million from RR 25,004 million in 2014.

Net of the non-cash charges related to the realised foreign exchange loss in 2015 and foregin exchange loss in 2014, the equity-settled share-based payment plans, and the non-cash gains on acquisition of OOO Yugragazpererabotka in March 2014, our profit decreased by 9.9% to RR 62,437 million in 2015 from RR 69,311 million in 2014. The corresponding net margin totaled 16.4% in 2015 and 19.2% in 2014. Our profit attributable to shareholders of SIBUR and adjusted for the realised foreign exchange loss in 2015 and foregin exchange loss in 2014, the equity-settled share-based payment plans and the non-cash gain on acquisition of OOO Yugragazpererabotka decreased by 10.2% in 2015 to RR 62,183 million from RR 69,244 million in 2014.

**SEGMENT INFORMATION**

In 2015, our feedstock and energy segment's gross revenue decreased by 15.7% to RR 213,046 million from RR 252,813 million in 2014. EBITDA contribution of the feedstock and energy segment decreased by 10.4% to RR 79,144 million in 2015 from RR 88,346 million in 2014. The decrease of the segment's contribution was attributable to the negative dynamics of the international energy products prices. It was partially compensated by the release of the provision in the amount of RR 4,617 million, which was previously accrued in relation to the litigation of OOO Yugragazpererabotka with OAO Tyumenenergo and released after the respective lawsuit was closed in July 2015. EBITDA margin of the segment increased to 37.1% in 2015 from 34.9% in 2014. EBITDA margin of the segment adjusted for low-marginal naphtha trading operations ceased in 2015 decreased from 41.8% in 2014.

In 2015, our petrochemicals segment's gross revenue increased by 31.9% to RR 187,733 million from RR 142,308 million in 2014. EBITDA contribution of the petrochemicals segment increased almost three times to RR 58,937 million in 2015 from RR 20,806 million in 2014. EBITDA margin of the segment increased to 31.4% in 2015 from 14.6% in 2014. The increase in EBITDA and EBITDA margin of the petrochemicals segment was largerly attributable to lower feedstock prices due to decreasing prices for energy products, as well as the gradual ramp up of our production site in Tobolsk during 2014.

The following table presents data on our segments' revenue and EBITDA contribution for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | 2014 | | | |
| *RR millions, except as stated* | **Feedstock & Energy** | **Petro-chemicals** | **Unallocated** | **Total** | **Feedstock & Energy** | **Petro-chemicals** | **Unallocated** | **Total** |
| Total segment revenue | 213,046 | 187,733 | 22,064 | 422,843 | 252,813 | 142,308 | 14,192 | 409,313 |
| Inter-segment transfers | (24,315) | (10,188) | (8,488) | (42,991) | (29,686) | (10,408) | (8,219) | (48,313) |
| **External revenue** | **188,731** | **177,545** | **13,576** | **379,852** | **223,127** | **131,900** | **5,973** | **361,000** |
| **EBITDA** | **79,144** | **58,937** | **(2,446)** | **135,635** | **88,346** | **20,806** | **(6,385)** | **102,767** |
| *EBITDA margin* | *37.1%* | *31.4%* | | *35.7%* | *34.9%* | *14.6%* | | *28.5%* |

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow

The following table presents selected data on our net cash flows for years ended 31 December 2015 and 2014:

| *RR millions, except as stated* | **Year ended 31 December 2015** | **2014** | ***Change %*** |
|---|---|---|---|
| Net cash from operating activities | 119,078 | 91,052 | *30.8%* |
| *Operating cash flows before working capital changes* | *128,892* | *105,540*[(1)] | *22.1%* |
| *Changes in working capital* | *(5,509)* | *1,789*[(1)] | *n/m* |
| *Income tax paid* | *(4,305)* | *(16,277)* | *(73.6%)* |
| Net cash used in investing activities, *including* | (121,741) | (97,370) | *25.0%* |
| *Capital expenditures*[(2)] | *(84,391)* | *(71,550)* | *17.9%* |
| *Acquisition of interest in subsidiaries, net of cash acquired* | *(61,726)* | *(20,666)* | *198.7%* |
| *Proceeds from disposal of subsidiaries, net of cash disposed* | *21,278* | *138* | *n/m* |
| Net cash from financing activities, *including* | 144,802 | 24,093 | *501.0%* |
| *Net proceeds from debt* | *186,014* | *34,346* | *441.6%* |
| *Dividends paid to the Company's shareholders* | *(18,125)* | *(14,073)* | *28.8%* |
| *Interest paid* | *(14,867)* | *(5,710)* | *160.4%* |
| *Payment of bank fees* | *(9,994)* | *(697)* | *n/m* |
| Effect of exchange rate changes on cash and cash equivalents | 2,277 | 1,944 | *17.1%* |
| **Net increase in cash and cash equivalents** | **144,416** | **19,719** | ***632.4%*** |

*Net Cash from Operating Activities*

In 2015, our net cash from operating activities increased by 30.8% to RR 119,078 million from RR 91,052 million in 2014. Operating cash flows before working capital changes increased by 22.1% year-on-year to RR 128,892 million from RR 105,540 million in 2014 on the back of higher EBITDA adjusted for the release of the provision in the amount of RR 4,617 million (see "Segment Information"). In 2015, changes in working capital had a negative impact on our net cash from operating activities in the amount of RR 5,509 million compared to a positive impact of RR 1,789 million in 2014. In 2015, negative impact of working capital changes was primarily attributable to the increase in trade and other receivables related to Yuzhno-Priobskiy GPP construction, where SIBUR acted as a general contractor, and increase in receivables attributable to higher recoverable and receivable excise. Income tax paid decreased by 73.6% and totaled RR 4,305 million as compared to RR 16,277 million a year earlier, which was related to a decrease in advance tax payments.

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

The following table presents data on changes in working capital for the years ended 31 December 2015 and 2014:

| *RR millions, except as stated* | Year ended 31 December | |
|---|---|---|
| | **2015** | **2014** |
| (Increase) / decrease in trade and other receivables | (3,128) | 959 |
| (Increase) / decrease in prepayments and other current assets | (1,362) | 117 |
| Increase in inventories | (1,167) | (1,369) |
| (Decrease) / increase in trade and other payables | (596) | 1,537 |
| Increase in taxes payable | 744 | 545 |
| **Changes in working capital** | **(5,509)** | **1,789** |

SIBUR's management monitors its liquidity and operational efficiency on the basis of the adjusted working capital (see Appendix I for further details). Our adjusted working capital was positive at RR 49,297 million as of 31 December 2015 and RR 37,205 million as of 31 December 2014. Our working capital days increased to 47 in 2015 from 38 in 2014.

Our net working capital balance may fluctuate from period to period due to factors within or outside our control, such as market conditions, our tactical marketing initiatives in response to changes in market conditions, logistical constraints as well as completion of major investment projects, which could require substantial inventory accumulation.

*Net Cash Used in Investing Activities*

In 2015, our net cash used in investing activities increased by 25.0% year-on-year to RR 121,741 million from RR 97,370 million a year earlier, which was largely attributable to (i) the payment of the final tranche for the acquisition of Rosneft's 49% stake in OOO Yugragazpererabotka in the amount of RR 61,410 million versus RR 20,548 million paid in 2014, and (ii) a 17.9% increase in capital expenditures[(1)] to RR 84,391 million in 2015 compared to RR 71,550 million a year earlier, as we started financing ZapSibNeftekhim (ZapSib-2) in the end of 2014, while completed several large-scale investment projects in early 2014. This was partially compensated by proceeds from the divestment of LPG and naphtha transshipment terminal located in Ust-Luga region for cash consideration of RR 21,335 million.

*Net Cash from Financing Activities*

In 2015, our net cash received from financing activities amounted to RR 144,802 million compared to the net cash received from financing activities in the amount of RR 24,093 million in 2014. In 2015, our net cash flow from financing activities was primarily related to new borrowings (i) for ZapSib-2 financing (primarily raised from NWF) and (ii) funding the final tranche for the acquisition of a 49% stake in the OOO Yugragazpererabotka. This was partially offset by (i) RR 9,994 million paid in bank fees, primarily to the consortium of European banks for the arrangement of long-term credit facility related to ZapSib-2 investment project, (ii) higher interest paid due to increase in borrowings, and (iii) lower grants and subsidies received by SIBUR from various regional budgets. Dividends paid to the Group's shareholders in 2015 amounted to RR 18,125 million.

## Capital Expenditures

In 2015, our capital expenditures[(1)] increased by 17.9% year-on-year to RR 84,391 million compared to RR 71,550 million in 2014 (net of VAT), as we started financing ZapSibNeftekhim (ZapSib-2) in the end of 2014, while completed several large-scale investment projects in early 2014.

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

The following table presents data on our key ongoing investment projects for the years ended 31 December 2015 and 2014:

| *RR millions, except as stated* | | Year ended 31 December | | |
|---|---|---|---|---|
| **Location** | **Description** | **2015** | **2014** | **Completion** |
| **Feedstock and Energy** | | | | |
| Transportation infrastructure development | | | | |
| Tobolsk | Second GFU expansion | 2,868 | 222 | 2016 |
| Gas fractionation capacity modernisation and expansion | | | | |
| Yamal-Nenets Autonomous Area | APG processing capacity expansion at Vyngapurovskiy GPP | 6,577 | 6,102 | Completed |
| **Petrochemicals** | | | | |
| Tobolsk | ZapSibNeftekhim (ZapSib-2) | 43,168 | 21,135 | 2020 |
| Tomsk | Expansion of PP and LDPE production | 4,125 | 2,292 | 2016 |

ZapSibNeftekhim (ZapSib-2) is designed to operate (i) a world-scale ethylene cracking unit with an annual capacity of 1.5 million tonnes, that will also produce 525,000 tonnes of propylene and 100,000 tonnes of crude $C_4$ (technology provided by Linde), and (ii) polyolefin units with an annual capacity of 1.5 million tonnes of polyethylene (technology provided by INEOS) and 500,000 tonnes of polypropylene (technology provided by LyondellBasell). This is a greenfield construction near our Tobolsk production site, and the facility will have direct access to the existing fractionation capacity. SIBUR believes that the investment will enable us to achieve economies of scale, further strengthen our vertically integrated business model and provide us with the first-mover advantage in establishing large-scale petrochemicals production capacities in Western Siberia.

SIBUR has completed most of site preparation works and has started civil works for processing units and utilities, infrastructure and offsites. We have signed contracts for detailed engineering and procurement of equipment and materials (EP contracts) with the three major contractors: (i) Linde AG (Germany) for the ethylene cracking facility, (ii) ThyssenKrupp Industrial Solutions (Germany) for the polypropylene production unit, and (iii) Technip (France) for the polyethylene production unit.

The residual capital expenditures for the project was estimated by the Company at USD 7.2[(1)] billion as of 31 December 2015 with the following currency structure: approximately 35% in Russian roubles, approximately 35% in US dollars and approximately 30% in euro.

The following funding sources are available for the project:

(i) in December 2014, SIBUR signed an agreement with a consortium of European banks for ECA-backed long-term financing in the amount of EUR 1,575 million for the contracts with Linde AG and ThyssenKrupp Industrial Solutions, later the amount was revised upward to EUR 1,676 million;

(ii) in September 2015, SIBUR signed credit facility arrangements with a consortium of European banks, which is covered by a EUR 412 million guarantee from French credit agency Coface, to raise long-term financing for a portion of the capital expenditures related to ZapSib-2; the Company is in process of fulfilling the precedent conditions required for the first disbursement under facility;

(iii) in November 2015, RDIF[(2)] and leading Middle Eastern sovereign wealth funds invested USD 210 million in ZapSibNeftekhim;

(iv) in December 2015, ZapSibNeftekhim raised USD 1.75 billion with a tenor of 15 years from NWF[(3)] within RDIF's quota in NWF.

[(1)] The respective residual expenditures are calculated at the respective foreign exchange rates as of 31 December 2015.
[(2)] Russian Direct Investment Fund.
[(3)] National Wealth Fund.

***

SIBUR's Board of Directors has approved the 2016 capital expenditures budget in the aggregate amount of RR 147.5 billion (net of VAT). This excludes investments under joint ventures, loans issued to joint ventures or acquisitions. The Board of Directors will review the budget later in the year and the number may be revised subject to macroeconomic and market environment.

We expect that we will finance the approved capital expenditures through a combination of cash and cash equivalents, cash flows from operations as well as new borrowings within the limits of our financial policy.

**Borrowings**

As of 31 December 2015, our total debt amounted to RR 457,149 million compared to RR 206,294 million as of 31 December 2014, a twofold increase year-on-year.

The increase was mainly attributable to (i) the funding for ZapSibNeftekhim (see "Capital Expenditures"), (ii) the new borrowings to fund the acquisition of a 49% stake in OOO Yugragazpererabotka, and (iii) a substantial Russian rouble depreciation against the US dollar and euro and the respective revaluation of loans denominated in these currencies.

Our net debt[(4)] increased by 59.6% to RR 285,066 million as of 31 December 2015 from RR 178,627 million as of 31 December 2014. The increase was attributable to the growth in total debt related to funding the acquisition of a 49% stake in OOO Yugragazpererabotka. Borrowings raised from the National Wealth Fund by ZapSibNeftekhim had no material impact on our net debt as of 31 December 2015 due to respective increase in cash balances.

The following table presents data on our total debt, cash and cash equivalents and net debt position as of 31 December 2015 and 2014:

| *RR millions, except as stated* | **As of 31 December 2015** | **As of 31 December 2014** | ***Change, %*** |
|---|---|---|---|
| Total debt | 457,149 | 206,294 | *121.6%* |
| Cash and cash equivalents | 172,083 | 27,667 | *522.0%* |
| Net debt | 285,066 | 178,627 | *59.6%* |
| *Conventional net debt* | *247,131* | *172,869* | *43.0%* |
| *Net debt raised for ZapSibNeftekhim* | *37,935* | *5,758* | *558.9%* |

As of 31 December 2015, all of our debt was unsecured.

(4) Net debt is calculated as total debt less cash and cash equivalents.

The following table presents detailed information on our borrowings as of 31 December 2015 and 2014:

| *RR millions, except as stated* | **Currency** | **Due** | **As of 31 December 2015** | **As of 31 December 2014** |
|---|---|---|---|---|
| **Variable rate loans** | | | | |
| National Wealth Fund | USD | 2030 | 127,545 | - |
| Vnesheconombank | USD | 2013-2023 | 31,620 | 26,822 |
| Sberbank of Russia | RR, USD | 2016-2021 | 29,818 | - |
| Promsvyazbank | USD | 2017 | 18,205 | 14,041 |
| ING Bank Group | USD, EUR | 2011-2021 | 14,151 | 5,065 |
| Deutsche Bank (ECA financing) | EUR | 2014-2029 | 13,492 | 2,120 |
| Rosbank | USD | 2017 | 10,907 | - |
| RaiffeisenBank | USD | 2015-2017 | 10,893 | 16,812 |
| Nordea Bank | USD | 2015-2016 | 5,831 | 11,252 |
| Citibank | USD | 2013-2023 | 2,840 | 2,449 |
| UniCredit Bank Group | USD, EUR | 2013-2019 | 1,029 | 17,900 |
| Alfa-Bank | USD | 2016 | - | 3,376 |
| **Fixed rate loans** | | | | |
| Eurobonds | USD | 2018 | 72,809 | 56,150 |
| Sberbank of Russia | RR | 2014-2019 | 50,659 | 37,805 |
| Gazprombank | RR | 2020 | 32,000 | - |
| UniCredit Bank Group | RR | 2019 | 17,905 | - |
| Russian Direct Investment Fund | USD | 2018-2020 | 15,305 | - |
| Alfa-Bank | USD | 2015 | - | 11,252 |
| NPP Neftekhimia | RR | 2017 | 1,625 | 800 |
| ZAO Sibgazpolimer | RR | 2014 | - | - |
| Mezhregiongaz | RR | 2011-2017 | 482 | 425 |
| Other | USD | 2031 | 33 | 25 |
| **Total debt** | | | **457,149** | **206,294** |

SIBUR aims to maintain a diversified debt portfolio with a sound balance of fixed and floating interest rate instruments. Our share of fixed rate borrowings decreased to 41.7% as of 31 December 2015 from 51.6% as of 31 December 2014. Our share of variable rate borrowings amounted to 58.3% as of 31 December 2015 and 48.4% as of 31 December 2014.

The following table presents scheduled maturities of our outstanding debt as of 31 December 2015 and 2014:

| *RR millions, except as stated* | **As of 31 December 2015** | ***% of total borrowings*** | **As of 31 December 2014** | ***% of total borrowings*** | ***Change, %*** |
|---|---|---|---|---|---|
| **Due for repayment:** | | | | | |
| Within one year | 47,745 | *10.4%* | 56,240 | *27.3%* | *(15.1%)* |
| Between one and two years | 48,794 | *10.7%* | 31,500 | *15.3%* | *54.9%* |
| Between two and five years | 212,286 | *46.4%* | 105,062 | *50.9%* | *102.1%* |
| After five years | 148,324 | *32.4%* | 13,492 | *6.5%* | *999.3%* |
| **Total debt** | **457,149** | ***100.0%*** | **206,294** | ***100.0%*** | ***121.6%*** |

As of 31 December 2015, the share of long-term debt increased to 89.6% from 72.7% as of 31 December 2014, while the portion of short-term debt decreased to 10.4% from 27.3% as of 31 December 2014.

The following table presents the currency split of our outstanding debt as of 31 December 2015 and 2014:

| *RR millions, except as stated* | **As of 31 December 2015** | ***% of total borrowings*** | **As of 31 December 2014** | ***% of total borrowings*** | ***Change, %*** |
|---|---|---|---|---|---|
| **Denominated in:** | | | | | |
| Russian rouble | 131,096 | *28.7%* | 39,030 | *18.9%* | *235.9%* |
| Euro | 19,470 | *4.3%* | 8,112 | *3.9%* | *140.0%* |
| US Dollar | 306,583 | *67.1%* | 159,152 | *77.2%* | *92.6%* |
| **Total debt** | **457,149** | ***100.0%*** | **206,294** | ***100.0%*** | ***121.6%*** |

As of 31 December 2015, the Russian rouble-denominated debt as a percentage of total borrowings increased to 28.7% from 18.9% as of 31 December 2014. The growth in Russian rouble borrowings was mainly attributable to obtaining RR-denominated financing to fund the acquisition of OOO Yugragazpererabotka and replace short-term debt denominated in foreign currencies by RR-denominated debt with extended maturities.

The following table presents our key liquidity and credit ratios as of 31 December 2015 and 2014:

| | As of 31 December 2015 | As of 31 December 2014 |
|---|---|---|
| Current ratio | 2.67x | 0.66x |
| Debt / EBITDA | 3.37x | 2.01x |
| Net debt[(1)] / EBITDA, *including* | 2.10x | 1.74x |
| *Conventional net debt* | *1.82x* | *1.68x* |
| *Net debt raised for ZapSibNeftekhim* | *0.28x* | *n/m* |
| EBITDA / Interest[(2)] | 9x | 16x |

As of 31 December 2015, our net debt[(1)] to EBITDA ratio was 2.10x compared to 1.74x as of 31 December 2014. The EBITDA to interest[(2)] ratio was at 9x as of 31 December 2015 and 16x as of 31 December 2014.

As of 31 December 2015, SIBUR had RR 287,735 million available under its existing credit facilities denominated in Russian roubles, US dollars and euros, both short- and long-term, of which an equivalent of RR 169,944 million was committed.

Management considers SIBUR to have a strong financial position, supported by robust internal cash generation and sustainable access to external financing. These resources enable us to finance capital expenditure needs, while meeting our debt and other obligations.

[(1)] Net debt is calculated as total debt less cash and cash equivalents.
[(2)] Interest represents accrued interest, i.e. includes interest expense and capitalised interest.

## OPERATIONAL DATA

### ***Energy Products***

The following table presents a breakdown of our revenue from energy product sales for the years ended 31 December 2015 and 2014:

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| *RR millions, except as stated* | **2015** | ***% of revenue[(1)]*** | **2014** | ***% of revenue[(1)]*** | ***Change %*** |
| LPG | 82,926 | *21.8%* | 77,165 | *21.4%* | *7.5%* |
| *Domestic* | *17,322* | *20.9%* | *14,824* | *19.2%* | *16.9%* |
| *Export* | *65,604* | *79.1%* | *62,341* | *80.8%* | *5.2%* |
| Natural gas, domestic sales | 43,000 | *11.3%* | 38,007 | *10.5%* | *13.1%* |
| Naphtha | 31,445 | *8.3%* | 68,877 | *19.1%* | *(54.3%)* |
| *Domestic* | *2,617* | *8.3%* | *991* | *1.4%* | *164.1%* |
| *Export* | *28,827* | *91.7%* | *67,886* | *98.6%* | *(57.5%)* |
| MTBE | 21,657 | *5.7%* | 19,364 | *5.4%* | *11.8%* |
| *Domestic* | *19,229* | *88.8%* | *19,364* | *100.0%* | *(0.7%)* |
| *Export* | *2,428* | *11.2%* | *-* | *-* | *n/m* |
| Other fuels and fuel additives | 3,800 | *1.0%* | 4,111 | *1.1%* | *(7.6%)* |
| *Domestic* | *1,215* | *32.0%* | *1,211* | *29.5%* | *0.3%* |
| *Export* | *2,584* | *68.0%* | *2,900* | *70.5%* | *(10.9%)* |
| Raw NGL | 3,669 | *1.0%* | 9,709 | *2.7%* | *(62.2%)* |
| *Domestic* | *1,468* | *40.0%* | *4,927* | *50.7%* | *(70.2%)* |
| *Export* | *2,201* | *60.0%* | *4,782* | *49.3%* | *(54.0%)* |
| **Energy products, total** | **186,497** | ***49.1%*** | **217,233** | ***60.2%*** | ***(14.1%)*** |
| ***Domestic*** | ***84,852*** | ***45.5%*** | ***79,324*** | ***36.5%*** | ***7.0%*** |
| ***Export*** | ***101,645*** | ***54.5%*** | ***137,909*** | ***63.5%*** | ***(26.3%)*** |

[(1)] Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table present data on production, purchases and sales volumes of our energy products for the years ended 31 December 2015 and 2014:

| *Tonnes, except as stated* | Year ended 31 December 2015 | 2014 | *Change %* |
|---|---|---|---|
| **LPG** | | | |
| Production[(1)] | 6,510,329 | 5,121,538 | *27.1%* |
| **Production, SIBUR's share** | **5,328,329** | **4,602,315** | ***15.8%*** |
| Purchases from third parties, including | 513,570 | 242,282 | *112.0%* |
| *Purchases for resale* | *476,964* | *163,801* | *191.2%* |
| **Total production and purchases** | **5,841,900** | **4,844,597** | ***20.6%*** |
| (Internal use)[(2)] | (486,127) | (453,270) | *7.2%* |
| (Increase) / decrease in stock | 23,964 | (42,641) | *n/m* |
| Gross sales, including | 5,379,737 | 4,348,685 | *23.7%* |
| Intercompany sales to petrochemical business | 1,111,987 | 880,426 | *26.3%* |
| **External sales** | **4,267,750** | **3,468,260** | ***23.1%*** |
| ***Domestic*** | ***1,185,502*** | ***909,656*** | ***30.3%*** |
| ***Export*** | ***3,082,248*** | ***2,558,604*** | ***20.5%*** |
| **Natural gas (thousands of cubic metres)** | | | |
| Production[(3)] | 18,470,903 | 18,034,813 | *2.4%* |
| **Production, SIBUR's share[(4)]** | **18,342,824** | **16,657,211** | ***10.1%*** |
| Purchases from third parties | 819,668 | 937,375 | *(12.6%)* |
| **Total production and purchases** | **19,162,492** | **17,594,585** | ***8.9%*** |
| (Internal use)[(5)] | (1,537,767) | (1,587,111) | *(3.1%)* |
| (Increase) / decrease in stock | - | (2,601) | *(100.0%)* |
| **External sales** | **17,624,726** | **16,004,874** | ***10.1%*** |
| ***Domestic*** | ***17,624,726*** | ***16,004,874*** | ***10.1%*** |
| ***Export*** | ***-*** | ***-*** | ***n/m*** |
| **Naphtha** | | | |
| Production | 1,478,908 | 1,460,179 | *1.3%* |
| Purchases from third parties, including | 335,637 | 1,602,261 | *(79.1%)* |
| *Purchases for resale* | *2,975* | *1,323,708* | *(99.8%)* |
| **Total production and purchases** | **1,814,545** | **3,062,440** | ***(40.7%)*** |
| (Internal use)[(2)] | (1,821) | (3,835) | *(52.5%)* |
| (Increase) / decrease in stock | 46,987 | 20,272 | *131.8%* |
| Gross sales, including | 1,859,711 | 3,078,877 | *(39.6%)* |
| Intercompany sales to petrochemical business | 630,935 | 691,633 | *(8.8%)* |
| **External sales** | **1,228,776** | **2,387,245** | ***(48.5%)*** |
| ***Domestic*** | ***118,559*** | ***36,611*** | ***223.8%*** |
| ***Export*** | ***1,110,216*** | ***2,350,634*** | ***(52.8%)*** |
| **MTBE** | | | |
| Production | 452,846 | 448,981 | *0.9%* |
| Purchases from third parties | - | - | *n/m* |
| **Total production and purchases** | **452,846** | **448,981** | ***0.9%*** |
| (Internal use)[(2)] | (499) | (791) | *(36.9%)* |
| (Increase) / decrease in stock | 1,355 | (721) | *n/m* |
| **External sales** | **453,701** | **447,469** | ***1.4%*** |
| ***Domestic*** | ***400,079*** | ***447,469*** | ***(10.6%)*** |
| ***Export*** | ***53,622*** | ***-*** | ***n/m*** |

(1) Including production volumes under processing arrangements.
(2) Including internal use at the segment's production facilities and immaterial natural losses.
(3) Including Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015. Including Rosneft's share in the processing / production volumes of Yugragazpererabotka in the first quarter of 2014.
(4) Excluding Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015. Excluding Rosneft's share in the processing / production volumes of Yugragazpererabotka in the first quarter of 2014.
(5) Including internal use at our production facilities and immaterial natural losses.

| Tonnes, except as stated | Year ended 31 December 2015 | Year ended 31 December 2014 | Change % |
|---|---|---|---|
| **Other fuels and fuel additives** | | | |
| Production | 220,910 | 207,439 | *6.5%* |
| Purchases from third parties | 2,450 | 2,772 | *(11.6%)* |
| **Total production and purchases** | **223,360** | **210,211** | ***6.3%*** |
| (Internal use)[1] | (72,520) | (59,663) | *21.5%* |
| (Increase) / decrease in stock | (1,438) | 5,813 | *n/m* |
| **External sales** | **149,317** | **156,362** | ***(4.5%)*** |
| ***Domestic*** | ***64,488*** | ***60,957*** | ***5.8%*** |
| ***Export*** | ***84,828*** | ***95,405*** | ***(11.1%)*** |
| **Raw NGL** | | | |
| Production[2] [3] | 5,265,436 | 5,165,247 | *1.9%* |
| **Production, SIBUR's share[4]** | **5,222,799** | **4,822,694** | ***8.3%*** |
| Purchases from third parties, including | 2,475,546 | 2,195,966 | *12.7%* |
| *Purchases for resale* | - | - | *n/m* |
| **Total production and purchases** | **7,698,345** | **7,018,660** | ***9.7%*** |
| (Fractionation)[3][5] | (7,772,976) | (6,315,299) | *23.1%* |
| **(Fractionation, SIBUR's share)** | **(6,572,976)** | **(5,788,169)** | ***13.6%*** |
| (Increase) / decrease in stock | 6,612 | 37,350 | *(82.3%)* |
| Gross sales, including | 1,131,980 | 1,267,841 | *(10.7%)* |
| Intercompany sales to petrochemical business | 905,387 | 653,477 | *38.5%* |
| **External sales** | **226,593** | **614,364** | ***(63.1%)*** |
| ***Domestic*** | ***107,164*** | ***350,590*** | ***(69.4%)*** |
| ***Export*** | ***119,429*** | ***263,774*** | ***(54.7%)*** |

(1) Including internal use at the segment's production facilities and immaterial natural losses.

(2) Including Rosneft's share in production volumes of OOO Yugragazpererabotka for the first quarter of 2014 and Gazprom Neft's share in production volumes of Yuzhno-Priobskiy GPP.

(3) Following the acquisition of control in OOO Yugragazpererabotka, we changed our approach to the treatment of raw NGL production and fractionation volumes at Nyagan GPP.

(4) Excluding Rosneft's share in production volumes of OOO Yugragazpererabotka for the first quarter of 2014 and Gazprom Neft's share in production volumes of Yuzhno-Priobskiy GPP.

(5) Including fractionation volumes under processing arrangements.

### *Plastics and Organic Synthesis Products*

The following table presents a breakdown of revenue from sales of our plastics and organic synthesis products for the years ended 31 December 2015 and 2014:

| | **Year ended 31 December** | | | | |
|---|---|---|---|---|---|
| *RR millions, except as stated* | **2015** | ***% of revenue*[(1)]** | **2014** | ***% of revenue*[(1)]** | ***Change %*** |
| PET | 19,472 | *5.1%* | 13,627 | *3.8%* | *42.9%* |
| *Domestic* | *19,249* | *98.9%* | *13,584* | *99.7%* | *41.7%* |
| *Export* | *222* | *1.1%* | *43* | *0.3%* | *n/m* |
| BOPP-films | 17,066 | *4.5%* | 10,755 | *3.0%* | *58.7%* |
| *Domestic* | *11,756* | *68.9%* | *8,057* | *74.9%* | *45.9%* |
| *Export* | *5,311* | *31.1%* | *2,698* | *25.1%* | *96.8%* |
| Glycols | 8,389 | *2.2%* | 4,795 | *1.3%* | *75.0%* |
| *Domestic* | *3,783* | *45.1%* | *3,580* | *74.7%* | *5.7%* |
| *Export* | *4,606* | *54.9%* | *1,215* | *25.3%* | *n/m* |
| Expandable polystyrene | 8,351 | *2.2%* | 6,938 | *1.9%* | *20.4%* |
| *Domestic* | *6,302* | *75.5%* | *4,856* | *70.0%* | *29.8%* |
| *Export* | *2,049* | *24.5%* | *2,082* | *30.0%* | *(1.6%)* |
| Alcohols (including 2-ethylhexanol) | 6,524 | *1.7%* | 6,088 | *1.7%* | *7.2%* |
| *Domestic* | *3,340* | *51.2%* | *3,559* | *58.5%* | *(6.2%)* |
| *Export* | *3,184* | *48.8%* | *2,529* | *41.5%* | *25.9%* |
| Acrylates | 3,946 | *1.0%* | 3,409 | *0.9%* | *15.8%* |
| *Domestic* | *2,263* | *57.3%* | *1,662* | *48.7%* | *36.2%* |
| *Export* | *1,683* | *42.7%* | *1,747* | *51.3%* | *(3.7%)* |
| Plastic compounds | - | - | 165 | *0.05%* | *(100.0%)* |
| *Domestic* | - | *n/m* | *161* | *97.6%* | *(100.0%)* |
| *Export* | - | *n/m* | *4* | *2.4%* | *(100.0%)* |
| **Plastics and organic synthesis products, total** | **63,748** | ***16.8%*** | **45,777** | ***12.7%*** | ***39.3%*** |
| ***Domestic*** | ***46,694*** | ***73.2%*** | ***35,459*** | ***77.5%*** | ***31.7%*** |
| ***Export*** | ***17,054*** | ***26.8%*** | ***10,318*** | ***22.5%*** | ***65.3%*** |

(1) Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table presents data on our production, purchases and sales volumes in plastics and organic synthesis products for the years ended 31 December 2015 and 2014:

| *Tonnes, except as stated* | **Year ended 31 December** **2015** | **2014** | ***Change*** ***%*** |
|---|---|---|---|
| Production | 1,022,927 | 900,118 | *13.6%* |
| PET | 298,571 | 279,920 | *6.7%* |
| BOPP-films | 153,465 | 120,386 | *27.5%* |
| Glycols | 264,560 | 197,665 | *33.8%* |
| Expandable polystyrene | 99,214 | 97,377 | *1.9%* |
| Alcohols (including 2-ethylhexanol) | 161,801 | 158,260 | *2.2%* |
| Acrylates | 45,316 | 43,852 | *3.3%* |
| Plastic compounds | - | 2,658 | *(100.0%)* |
| Purchases from third parties | 5,586 | 11,201 | *(50.1%)* |
| **Total production and purchases** | **1,028,512** | **911,319** | ***12.9%*** |
| (Internal use)[1] | (127,718) | (119,491) | *6.9%* |
| (Increase)/decrease in stock | 20,827 | (3,908) | *n/m* |
| **External sales** | | | |
| PET | 309,446 | 268,690 | *15.2%* |
| *Domestic* | *306,059* | *267,874* | *14.3%* |
| *Export* | *3,387* | *816* | *n/m* |
| BOPP-films | 151,034 | 118,761 | *27.2%* |
| *Domestic* | *100,299* | *86,314* | *16.2%* |
| *Export* | *50,735* | *32,447* | *56.4%* |
| Glycols | 167,746 | 113,127 | *48.3%* |
| *Domestic* | *78,133* | *85,423* | *(8.5%)* |
| *Export* | *89,612* | *27,705* | *n/m* |
| Expandable polystyrene | 98,755 | 98,874 | *(0.1%)* |
| *Domestic* | *76,112* | *69,998* | *8.7%* |
| *Export* | *22,643* | *28,876* | *(21.6%)* |
| Alcohols (including 2-ethylhexanol) | 143,513 | 134,555 | *6.7%* |
| *Domestic* | *78,180* | *80,568* | *(3.0%)* |
| *Export* | *65,332* | *53,987* | *21.0%* |
| Acrylates | 51,127 | 49,450 | *3.4%* |
| *Domestic* | *26,814* | *22,575* | *18.8%* |
| *Export* | *24,314* | *26,875* | *(9.5%)* |
| Plastic compounds | - | 4,462 | *(100.0%)* |
| *Domestic* | - | *4,327* | *(100.0%)* |
| *Export* | - | *135* | *(100.0%)* |
| **External sales** | **921,621** | **787,920** | ***17.0%*** |
| ***Domestic*** | ***665,597*** | ***617,079*** | ***7.9%*** |
| ***Export*** | ***256,024*** | ***170,840*** | ***49.9%*** |

[1] Including internal use at the segment's production facilities and immaterial natural losses.

### *Basic Polymers*

The following table presents data on our revenue from basic polymer sales for the years ended 31 December 2015 and 2014:

| *RR millions, except as stated* | Year ended 31 December 2015 | *% of revenue*[(1)] | 2014 | *% of revenue*[(1)] | *Change %* |
|---|---|---|---|---|---|
| PP | 32,072 | *8.4%* | 23,066 | *6.4%* | *39.0%* |
| *Domestic* | *19,780* | *61.7%* | *14,018* | *60.8%* | *41.1%* |
| *Export* | *12,292* | *38.3%* | *9,048* | *39.2%* | *35.9%* |
| PE (LDPE) | 18,820 | *5.0%* | 15,327 | *4.2%* | *22.8%* |
| *Domestic* | *14,106* | *75.0%* | *10,348* | *67.5%* | *36.3%* |
| *Export* | *4,715* | *25.0%* | *4,979* | *32.5%* | *(5.3%)* |
| **Basic polymers, total** | **50,892** | ***13.4%*** | **38,393** | ***10.6%*** | ***32.6%*** |
| ***Domestic*** | ***33,886*** | ***66.6%*** | ***24,366*** | ***63.5%*** | ***39.1%*** |
| ***Export*** | ***17,006*** | ***33.4%*** | ***14,027*** | ***36.5%*** | ***21.2%*** |

The following table presents data on our basic polymer production, purchases and sales volumes for the years ended 31 December 2015 and 2014:

| *Tonnes, except as stated* | Year ended 31 December 2015 | 2014 | *Change %* |
|---|---|---|---|
| Production | 764,090 | 655,590 | *16.5%* |
| PP | 516,337 | 395,309 | *30.6%* |
| PE (LDPE) | 247,754 | 260,281 | *(4.8%)* |
| Purchases from third parties | 124,533 | 148,541 | *(16.2%)* |
| **Total production and purchases** | **888,623** | **804,132** | ***10.5%*** |
| (Internal use)[(2)] | (169,604) | (145,230) | *16.8%* |
| (Increase) / decrease in stock | (14,055) | (9,262) | *51.8%* |
| **External sales** | | | |
| PP | 461,042 | 393,719 | *17.1%* |
| *Domestic* | *278,275* | *239,498* | *16.2%* |
| *Export* | *182,767* | *154,221* | *18.5%* |
| PE (LDPE) | 243,923 | 255,921 | *(4.7%)* |
| *Domestic* | *179,911* | *171,830* | *4.7%* |
| *Export* | *64,012* | *84,091* | *(23.9%)* |
| **External sales** | **704,965** | **649,640** | ***8.5%*** |
| ***Domestic*** | ***458,186*** | ***411,328*** | ***11.4%*** |
| ***Export*** | ***246,779*** | ***238,312*** | ***3.6%*** |

(1) Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.
(2) Including internal use at the segment's production facilities and immaterial natural losses.

### *Synthetic Rubbers*

The following table presents a breakdown of revenue from our synthetic rubber sales for the years ended 31 December 2015 and 2014:

| *RR millions, except as stated* | **Year ended 31 December** 2015 | *% of revenue*[1] | 2014 | *% of revenue*[1] | *Change %* |
|---|---|---|---|---|---|
| Commodity rubbers | 20,390 | *5.4%* | 16,679 | *4.6%* | *22.2%* |
| *Domestic* | *7,200* | *35.3%* | *6,956* | *41.7%* | *3.5%* |
| *Export* | *13,191* | *64.7%* | *9,723* | *58.3%* | *35.7%* |
| Specialty rubbers | 8,822 | *2.3%* | 7,516 | *2.1%* | *17.4%* |
| *Domestic* | *1,085* | *12.3%* | *1,035* | *13.8%* | *4.8%* |
| *Export* | *7,737* | *87.7%* | *6,481* | *86.2%* | *19.4%* |
| Thermoplastic elastomers | 5,868 | *1.5%* | 3,652 | *1.0%* | *60.7%* |
| *Domestic* | *2,891* | *49.3%* | *2,162* | *59.2%* | *33.7%* |
| *Export* | *2,977* | *50.7%* | *1,491* | *40.8%* | *99.7%* |
| **Synthetic rubbers, total** | **35,079** | ***9.2%*** | **27,847** | ***7.7%*** | ***26.0%*** |
| ***Domestic*** | ***11,175*** | ***31.9%*** | ***10,152*** | ***36.5%*** | ***10.1%*** |
| ***Export*** | ***23,905*** | ***68.1%*** | ***17,695*** | ***63.5%*** | ***35.1%*** |

The following table presents data on our synthetic rubber production, purchases and sales volumes for the years ended 31 December 2015 and 2014:

| *Tonnes, except as stated* | **Year ended 31 December** 2015 | 2014 | *Change %* |
|---|---|---|---|
| Production | 409,345 | 353,257 | *15.9%* |
| Commodity rubbers | 256,658 | 229,127 | *12.0%* |
| Specialty rubbers | 94,712 | 86,700 | *9.2%* |
| Thermoplastic elastomers | 57,975 | 37,430 | *54.9%* |
| Purchases from third parties | 2 | 3,310 | *(99.9%)* |
| **Total production and purchases** | **409,347** | **356,567** | ***14.8%*** |
| (Internal use)[2] | (492) | (1,283) | *(61.7%)* |
| (Increase) / decrease in stock | 2,253 | 4,754 | *(52.6%)* |
| External sales | | | |
| Commodity rubbers | 254,699 | 227,758 | *11.8%* |
| *Domestic* | *91,550* | *97,376* | *(6.0%)* |
| *Export* | *163,149* | *130,382* | *25.1%* |
| Specialty rubbers | 94,194 | 90,705 | *3.8%* |
| *Domestic* | *10,246* | *11,759* | *(12.9%)* |
| *Export* | *83,948* | *78,946* | *6.3%* |
| Thermoplastic elastomers | 62,215 | 41,575 | *49.6%* |
| *Domestic* | *29,103* | *24,500* | *18.8%* |
| *Export* | *33,112* | *17,075* | *93.9%* |
| **External sales** | **411,108** | **360,038** | ***14.2%*** |
| ***Domestic*** | ***130,899*** | ***133,635*** | ***(2.0%)*** |
| ***Export*** | ***280,209*** | ***226,403*** | ***23.8%*** |

[1] Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.
[2] Including internal use at the segment's production facilities and immaterial natural losses.

### *Intermediates and Other Chemicals*

The following table presents a breakdown of revenue from sales of our intermediates and other chemicals for the years ended 31 December 2015 and 2014:

| | **Year ended 31 December** | | | | |
|---|---|---|---|---|---|
| *RR millions, except as stated* | **2015** | ***% of revenue***[(1)] | **2014** | ***% of revenue***[(1)] | ***Change %*** |
| Ethylene | 3,899 | *1.0%* | 579 | *0.2%* | *n/m* |
| *Domestic* | *3,899* | *100.0%* | *579* | *100.0%* | *n/m* |
| *Export* | *-* | *-* | *-* | *-* | *n/m* |
| Ethylene oxide | 3,787 | *1.0%* | 2,826 | *0.8%* | *34.0%* |
| *Domestic* | *3,023* | *79.8%* | *2,287* | *80.9%* | *32.2%* |
| *Export* | *764* | *20.2%* | *539* | *19.1%* | *41.7%* |
| Propylene | 3,339 | *0.9%* | 1,506 | *0.4%* | *n/m* |
| *Domestic* | *604* | *18.1%* | *756* | *50.2%* | *(20.1%)* |
| *Export* | *2,735* | *81.9%* | *750* | *49.8%* | *n/m* |
| Styrene | 3,163 | *0.8%* | 3,078 | *0.9%* | *2.8%* |
| *Domestic* | *2,752* | *87.0%* | *2,767* | *89.9%* | *(0.5%)* |
| *Export* | *410* | *13.0%* | *311* | *10.1%* | *31.8%* |
| Benzene | 2,302 | *0.6%* | 1,679 | *0.5%* | *37.1%* |
| *Domestic* | *2,302* | *100.0%* | *1,679* | *100.0%* | *37.1%* |
| *Export* | *-* | *-* | *-* | *-* | *n/m* |
| Terephthalic acid | 626 | *0.2%* | 1,366 | *0.4%* | *(54.2%)* |
| *Domestic* | *493* | *78.8%* | *724* | *53.0%* | *(31.9%)* |
| *Export* | *133* | *21.2%* | *642* | *47.0%* | *(79.3%)* |
| Isobutylene | 572 | *0.2%* | 437 | *0.1%* | *30.9%* |
| *Domestic* | *572* | *100.0%* | *437* | *100.0%* | *30.9%* |
| *Export* | *-* | *-* | *-* | *-* | *n/m* |
| Isoprene | 542 | *0.1%* | 891 | *0.2%* | *(39.2%)* |
| *Domestic* | *14* | *2.6%* | *10* | *1.2%* | *36.6%* |
| *Export* | *528* | *97.4%* | *881* | *98.8%* | *(40.1%)* |
| Butadiene | 116 | *0.0%* | 115 | *0.0%* | *0.9%* |
| *Domestic* | *116* | *100.0%* | *115* | *100.0%* | *0.9%* |
| *Export* | *-* | *-* | *-* | *-* | *n/m* |
| Other intermediates | 1,631 | *0.4%* | 2,472 | *0.7%* | *(34.0%)* |
| *Domestic* | *1,119* | *68.6%* | *1,844* | *74.6%* | *(39.3%)* |
| *Export* | *512* | *31.4%* | *628* | *25.4%* | *(18.5%)* |
| Total intermediates | 19,978 | *5.3%* | 14,949 | *4.1%* | *33.6%* |
| *Domestic* | *14,896* | *74.6%* | *11,198* | *74.9%* | *33.0%* |
| *Export* | *5,082* | *25.4%* | *3,751* | *25.1%* | *35.5%* |
| Other chemicals | 6,105 | *1.6%* | 5,547 | *1.5%* | *10.1%* |
| *Domestic* | *5,633* | *92.3%* | *5,319* | *95.9%* | *5.9%* |
| *Export* | *472* | *7.7%* | *228* | *4.1%* | *n/m* |
| **Intermediate and other chemicals, total** | **26,083** | ***6.9%*** | **20,496** | ***5.7%*** | ***27.3%*** |
| ***Domestic*** | ***20,529*** | ***78.7%*** | ***16,517*** | ***80.6%*** | ***24.3%*** |
| ***Export*** | ***5,553*** | ***21.3%*** | ***3,979*** | ***19.4%*** | ***39.6%*** |

[(1)] Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table presents data on our production, purchases and sales volumes in intermediates and other chemicals for the years ended 31 December 2015 and 2014:

| | **Year ended 31 December** | | ***Change %*** |
|---|---|---|---|
| *Tonnes, except as stated* | **2015** | **2014** | |
| Production[1] | 4,744,748 | 4,232,671 | *12.1%* |
| Intermediates, including | 3,930,607 | 3,520,928 | *11.6%* |
| Ethylene | 635,041 | 516,724 | *22.9%* |
| Ethylene oxide | 268,141 | 204,665 | *31.0%* |
| Propylene | 729,893 | 608,589 | *19.9%* |
| Styrene | 174,803 | 171,525 | *1.9%* |
| Benzene | 153,145 | 125,164 | *22.4%* |
| Terephthalic acid | 265,983 | 252,391 | *5.4%* |
| Isobutylene | 146,006 | 161,665 | *(9.7%)* |
| Isoprene | 66,735 | 70,068 | *(4.8%)* |
| Butadiene | 232,654 | 189,428 | *22.8%* |
| Other intermediates | 1,258,205 | 1,220,709 | *3.1%* |
| Other chemicals | 814,141 | 711,743 | *14.4%* |
| Purchases from third parties | 5,027 | 11,362 | *(55.8%)* |
| **Total production and purchases** | **4,749,775** | **4,244,033** | ***11.9%*** |
| (Internal use)[1][2] | (4,206,728) | (3,787,482) | *11.1%* |
| (Increase) / decrease in stock | 6,704 | (7,489) | *n/m* |
| **External sales** | | | |
| Ethylene | 112,514 | 20,581 | *446.7%* |
| *Domestic* | *112,514* | *20,581* | *446.7%* |
| *Export* | *-* | *-* | *n/m* |
| Ethylene oxide | 76,866 | 64,669 | *18.9%* |
| *Domestic* | *63,483* | *54,228* | *17.1%* |
| *Export* | *13,382* | *10,441* | *28.2%* |
| Propylene | 75,575 | 35,322 | *114.0%* |
| *Domestic* | *17,118* | *20,423* | *(16.2%)* |
| *Export* | *58,458* | *14,899* | *292.4%* |
| Styrene | 48,910 | 58,149 | *(15.9%)* |
| *Domestic* | *42,338* | *53,223* | *(20.5%)* |
| *Export* | *6,572* | *4,926* | *33.4%* |
| Benzene | 62,945 | 40,873 | *54.0%* |
| *Domestic* | *62,945* | *40,873* | *54.0%* |
| *Export* | *-* | *-* | *n/m* |
| Terephthalic acid | 14,822 | 39,475 | *(62.5%)* |
| *Domestic* | *11,630* | *21,999* | *(47.1%)* |
| *Export* | *3,192* | *17,476* | *(81.7%)* |
| Isobutylene | 7,533 | 6,460 | *16.6%* |
| *Domestic* | *7,533* | *6,460* | *16.6%* |
| *Export* | *-* | *-* | *n/m* |
| Isoprene | 5,313 | 10,695 | *(50.3%)* |
| *Domestic* | *160* | *118* | *36.1%* |
| *Export* | *5,153* | *10,577* | *(51.3%)* |
| Butadiene | 2,103 | 2,094 | *0.4%* |
| *Domestic* | *2,103* | *2,094* | *0.4%* |
| *Export* | *-* | *-* | *n/m* |
| Other intermediates | 73,692 | 87,014 | *(15.3%)* |
| *Domestic* | *53,151* | *60,229* | *(11.8%)* |
| *Export* | *20,540* | *26,785* | *(23.3%)* |
| Total intermediates | 480,273 | 365,332 | *31.5%* |
| *Domestic* | *372,976* | *280,228* | *33.1%* |
| *Export* | *107,298* | *85,104* | *26.1%* |
| Other chemicals | 69,478 | 83,730 | *(17.0%)* |
| *Domestic* | *59,126* | *80,047* | *(26.1%)* |
| *Export* | *10,352* | *3,683* | *181.1%* |
| **External sales** | **549,751** | **449,062** | ***22.4%*** |
| ***Domestic*** | ***432,101*** | ***360,275*** | ***19.9%*** |
| ***Export*** | ***117,649*** | ***88,787*** | ***32.5%*** |

(1) In 2014, we changed approach to the treatment of production and internal use volumes for intermediates and other chemicals and reflect gross production volumes and the respective increase in internal use.
(2) Including internal use at the segment's production facilities and immaterial natural losses.

## APPENDIX I: Net Working Capital

SIBUR's net working capital position takes into account trade receivables net of advances from customers; inventory balances of refined products, goods for resale, feedstock and materials; VAT balance; trade payables net of prepayments and advances to suppliers; payables to employees; and other assets and liabilities listed in the table below.

The following table presents detailed calculation of our net working capital position as of 31 December 2015 and 2014:

| *RR millions, except as stated* | **As of 31 December 2015** | **As of 31 December 2014** |
|---|---|---|
| Current assets | 262,912 | 105,667 |
| Current liabilities | (98,114) | (159,180) |
| **Working capital** | **164,798** | **(53,513)** |
| **Adjustmets to assets, including:** | **(178,790)** | **(30,124)** |
| Loans receivable | (4,101) | (1,245) |
| Cash and cash equivalents | (172,083) | (27,667) |
| Restricted cash | - | (910) |
| Prepaid borrowing cost | (2,610) | (310) |
| Recoverable VAT related to assets under construction[1] | 4 | 8 |
| **Adjustmets to liabilities, including:** | **63,289** | **120,842** |
| Accounts payable to contractors and suppliers of property, plant and equipment | 8,029 | 6,803 |
| Payables for acquisition of subsidiaries | 3,039 | 56,032 |
| Interest payable | 2,288 | 1,452 |
| Derivative financial instruments | 2,188 | 315 |
| Short-term debt and current portion of long-term borrowings | 47,745 | 56,240 |
| **Adjusted working capital** | **49,297** | **37,205** |

[1] Represents non-current portion.

## APPENDIX II: OOO Yugragazpererabotka

***Establishment of OOO Yugragazpererabotka in 2007***

In 2007, SIBUR and TNK-BP Holding (renamed RN Holding as of 30 July 2013 following the acquisition by Rosneft) established a joint venture (JV) OOO Yugragazpererabotka. SIBUR owned a 51% stake in the JV, while RN Holding's share was 49%. OOO Yugragazpererabotka owned and operated three GPPs with total APG processing capacity of 13.4 billion cubic metres per annum (Nizhnevartovskiy GPP, Belozerniy GPP and Nyagan GPP), three compressor stations and APG pipelines from compressor stations to the GPPs. SIBUR and RN Holding operated within a contractual network, under which RN Holding supplied APG to OOO Yugragazpererabotka for processing into raw NGL and natural gas. In addition to volumes from RN Holding, dominant supplier of APG to the JV, OOO Yugragazpererabotka also processed APG supplied from other oil companies. SIBUR and RN Holding owned the feedstock and refined products, while paying a processing fee to OOO Yugragazpererabotka. SIBUR paid for 51% of the total APG volumes supplied for processing to OOO Yugragazpererabotka and obtained 51% of the total NGLs and dry gas volumes produced by the JV. RN Holding obtained the remaining volumes. Subsequently SIBUR purchased RN Holding's share of NGLs and sold to RN Holding its share of natural gas.

***Deconsolidation of OOO Yugragazpererabotka in 2013***

In March 2013, SIBUR's call options that had entitled the Group to purchase RN Holding's share in OOO Yugragazpererabotka were terminated, and the term of the JV was extended to indefinite. Following the termination of the call options, we started accounting for our investment in OOO Yugragazpererabotka as an investment in joint ventures, while previously OOO Yugragazpererabotka was consolidated as a wholly owned subsidiary and RN Holding's contribution was accounted for as interest-bearing long-term loans. As a result of the deconsolidation, we recognised a gain of RR 2,413 million (post-tax) in the first quarter of 2013, which was attributable to higher carrying amount of newly recognised balance sheet items of OOO Yugragazpererabotka compared to carrying amount of deconsolidated balance sheet items.

***Acquisition of control in OOO Yugragazpererabotka and new supply and purchase contracts in 2014***

On 6 March 2014 the Group acquired the remaining 49 percent stake in OOO Yugragazpererabotka from the Rosneft Group (formerly, the TNK-BP Group) for a cash consideration of rouble equivalent to USD 1,567 million. As a result, the Group has acquired control over OOO Yugragazpererabotka and its production subsidiaries. In March 2014 under the terms of the share purchase agreement, the Group paid RR 20,548 (equivalent to USD 567 million). The remaining amount RR 61,410 (equivalent to USD 1,000 million) was repaid during first half of 2015.

New contracts replaced a number of supply and purchase contracts for APG, raw NGL and dry gas supplied to and produced at the GPPs of OOO Yugragazpererabotka, under which the parties previously operated. The new contracts are effective from 1 April 2014. Tenor of the APG and natural gas contracts was extended from 2026 to 2032 (inclusive). Rosneft increased guaranteed volumes of APG to be supplied to the three GPPs to approximately 10 billion cubic metres per annum from 6.6 billion cubic metres per annum. Under new arrangements, SIBUR pays for 100% of APG supplied to the GPPs of OOO Yugragazpererabotka with Rosneft remaining the dominant supplier. The new APG price is formula-based and indexed in line with changes in prices for APG derivatives: natural gas and raw NGL. SIBUR retains 100% of natural gas produced at the GPPs and has an arrangement to sell all volumes produced at the GPPs at a price directly linked to the regulated domestic gas price. The supply contracts for raw NGL produced at the the GPPs of OOO Yugragazpererabotka were terminated and SIBUR retains 100% of raw NGL volumes produced at these GPPs.

SIBUR consolidates OOO Yugragazpererabotka as a wholly owned subsidiary from the acquisition date. The arrangements have the following impact on our operational and financial results:

- *increase in APG purchasing volumes and costs*. SIBUR purchases 100% of APG supplied to the GPPs of OOO Yugragazpererabotka, while previously we purchased 51% of the volumes.
- *increase in raw NGL production, decrease in raw NGL purchasing volumes and costs*. SIBUR consolidates 100% of raw NGL produced by the GPPs of OOO Yugragazpererabotka, while previously we retained 51% of these volumes and purchased the remaining 49% from Rosneft.
- *increase in production volumes, sales volumes and revenue from sales of natural gas*. SIBUR consolidates 100% of natural gas produced by the GPPs of OOO Yugragazpererabotka and has a right to sell 100% of these volumes to Rosneft. Previously Rosneft obtained 49% of natural gas produced at the the GPPs of OOO Yugragazpererabotka, while SIBUR sold the remaining 51% to Rosneft.
- *increase in operating expenses other than feedstock & materials*. SIBUR consolidates operating expenses of OOO Yugragazpererabotka, while the related processing fee is treated as intercompany. Following the deconsolidation in March 2013, we paid processing fee to the JV and did not consolidate its operating expenses. The change primarily affects energy & utilities, staff costs, depreciation & amortisation, repairs & maintenance, as well as processing services of third parties.
- *increase in the value of PP&E, goodwill and other non-current assets*. As a result of the transaction, the Group recognised intangible assets related to the supply contracts of RR 115,816 million and goodwill arising on the acquisition of RR 2,479 million as of 31 March 2014.

  The following table presents the carrying amounts of assets and liabilities at the acquisition date:

| | Fair values |
|---|---|
| Property, plant and equipment | 23,934 |
| Intangible assets | 115,816 |
| Deferred income tax liabilities | (26,096) |
| Short-term and long-term debt | (2,559) |
| Other | (2,414) |
| **Net assets of the acquired subsidiary** | **108,681** |
| Less: | |
| Fair value of interest previously held | 55,427 |
| Total purchase consideration | 55,733 |
| **Goodwill arising on acquisition** | **2,479** |

- *decrease in the value of accounts payable.* The decrease relates to the fact that the payables for the acquisition of OOO Yugragazpererabotka in the amount of RR 55,913 million as of 31 December 2014 were fully paid as of 30 June 2015.
- *increase in the value of total debt.* The increase relates to the new borrowings for funding the transaction.
- *non-cash gain on equity interest recorded in our statement of profit or loss in the amount of RR 52,773 million.* It relates to the difference between fair value of SIBUR's interest in the JV and the amount of the deconsolidated net assets, which represent SIBUR's share in the JV accounted for at historical cost. For the purpose of dividends calculation SIBUR's net profit will be adjusted for this charge.
- *increase in capital expenditures*. Following the acquisition of control in OOO Yugragazpererabotka, SIBUR consolidates OOO Yugragazpererabotka's capital expenditures, while previously we paid 51% and reported them as loans issued or contributions to share capital of joint ventures.

## APPENDIX III: Equity-Settled Share-Based Payment Plans

On 28 June 2013, a company beneficially owned by Mr. Mikhelson and Mr. Timchenko granted equity-settled share-based payment plans to certain current and former Group's directors and key management. Consequently, the indirect interest beneficially owned by Mr. Mikhelson and Mr. Timchenko in the Company's share capital decreased from 94.5% to 82.5%. Furthermore, the total combined equity interest held by the current and former members of the Group's management increased from 5.5% to 17.5%.

The transactions resulting in this change in ownership were made through companies that are not under the control of the Group but through a company jointly and beneficially held by the major shareholders. Thus, at the Group level, there are no current or future cash payments or liabilities under two plans, terms and conditions of which vary for different Participants. However, under IFRS 2 "Share-Based Payment", the Group must recognise current and past service costs in its statement of profit or loss with corresponding amounts recorded in a statement on changes in equity.

The final terms of the plans, which cover certain members of the directors and key management (the "Participants") of the Group, were approved by the Group's shareholders in July 2013.

***The First Plan*** **-** The plan for one group of Participants (the "First Plan") requires that the Participants provide services to the Group within a certain time period. If the services are terminated before the vesting date, the First Plan Participants retain their rights under the First Plan pro rata to the period of service provided. The granted shares are vested to each Participant annually in tranches. Each tranche comes to 20% of the total shares granted provided that the participant is continuously employed by the Company from the grant date until the applicable vesting date. Each tranche is accounted as a separate arrangement and expensed, together with a corresponding increase in shareholders' equity, on a straight–line basis over the vesting periods.

***The Second Plan*** **-** The plan for the other participants (the "Second Plan") was immediately vested and there are no future charges under this plan.

In the first quarter 2015 the plan was modified by shareholders. As a result the shares granted were immediately vested and the remaining tranches were expensed in the amount of RR 12,976 million and recognised in the consolidated statement of profit or loss with a corresponding increase in shareholders' equity.