

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 30 June 2016 and for the six months then ended (hereinafter referred to as "MD&A") in conjunction with our unaudited consolidated interim condensed financial information as of and for the six months ended 30 June 2016 (hereinafter referred to as the "consolidated interim financial information"). The consolidated interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

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 three and six months ended 30 June 2016 and 2015:

<i>Tonnes, except as stated</i>	Three months ended		Change %	Six months ended		Change %
	30 June			30 June		
	2016	2015		2016	2015	
Processing and production volumes						
APG processing ⁽²⁾ (thousand cubic metres)	5,264,107	5,202,846	1.2%	10,910,688	10,331,481	5.6%
APG processing, SIBUR's share ⁽³⁾ (thousand cubic metres)	5,145,723	5,193,088	(0.9%)	10,667,869	10,300,488	3.6%
Natural gas production ⁽²⁾ (thousand cubic metres)	4,567,236	4,503,095	1.4%	9,464,480	8,907,047	6.3%
Natural gas production, SIBUR's share ⁽³⁾ (thousand cubic metres)	4,475,389	4,496,472	(0.5%)	9,276,914	8,884,131	4.4%
Raw NGL fractionation ⁽⁴⁾	1,616,383	1,896,262	(14.8%)	3,632,228	3,780,341	(3.9%)
Raw NGL fractionation, SIBUR's share	1,578,323	1,596,262	(1.1%)	3,294,168	3,180,341	3.6%
Sales volumes						
Natural gas sales volumes (thousand cubic metres)	4,292,519	4,345,898	(1.2%)	8,867,239	8,551,695	3.7%
NGLs sales volumes	1,416,098	1,303,453	8.6%	2,994,070	2,660,554	12.5%
MTBE, other fuels & fuel additives sales volumes	137,037	150,026	(8.7%)	316,328	298,506	6.0%
Petrochemical products sales volumes	682,434	695,332	(1.9%)	1,392,292	1,341,642	3.8%
Basic polymers	169,814	191,042	(11.1%)	371,772	375,496	(1.0%)
Synthetic rubbers	115,609	107,122	7.9%	228,642	212,476	7.6%
Plastics and organic synthesis products	250,174	249,543	0.3%	478,754	472,569	1.3%
Intermediates and other chemicals	146,837	147,625	(0.5%)	313,124	281,101	11.4%

⁽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.

⁽³⁾ Excluding Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015.

⁽⁴⁾ Including fractionation volumes under processing arrangements.

Financial Results

The following table presents the Group's key financial measures for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended		Change %
	2016	30 June 2015	
Income statement highlights			
Revenue (net of VAT and export duties)	196,124	181,397	8.1%
EBITDA	65,380	64,622	1.2%
<i>EBITDA margin, %</i>	33.3%	35.6%	
EBITDA of feedstock & energy segment	29,032	38,066	(23.7%)
<i>Feedstock & energy segment EBITDA margin</i>	28.8%	37.4%	
EBITDA of petrochemicals segment	39,573	28,923	36.8%
<i>Petrochemicals segment EBITDA margin</i>	38.7%	31.4%	
Profit for the reporting period	63,273	21,331	196.6%
Distributable profit ⁽¹⁾	29,012	33,992	(14.7%)
Cash flow highlights			
Net cash from operating activities	59,865	58,059	3.1%
Net cash used in investing activities, including	(88,867)	(102,288)	(13.1%)
<i>Purchase of property, plant and equipment</i>	(83,558)	(30,537)	173.6%
<i>Acquisition of interest in subsidiaries, net of cash acquired</i>	(2,013)	(61,727)	(96.7%)
Net cash (used in)/from financing activities	(76,680)	28,750	n/m
	As of	As of	
	30 June 2016	31 December 2015	
Key ratios			
Net debt / EBITDA ⁽²⁾	2.2x	2.1x	
Debt / EBITDA	2.7x	3.4x	

In the first half of 2016, our business continued to adjust to the new prices for hydrocarbons with Brent price down by 31.4% year-on-year. Our total EBITDA marginally increased to RR 65,380 million, while its composition rebalanced with the contribution of petrochemicals segment taking over the feedstock & energy segment first time in the history of SIBUR. Our petrochemicals EBITDA grew by 36.8% year-on-year to RR 39,573 million for the EBITDA margin of 38.7%, an increase from 31.4%. Our feedstock & energy segment EBITDA declined by 23.7% to RR 29,032 million for the EBITDA margin of 28.8%, a decrease from 37.4%.

In the first half of 2016, our revenue increased by 8.1% year-on-year to RR 196,124 million, which was attributable to the growth across all petrochemicals product groups, as well as higher trading and other sales, while the revenue from sales of energy products was largely flat. Our basic polymers continued to deliver strong results with the 14.2% growth in revenues year-on-year to RR 29,086 million. This growth was partially shared with the plastics & organic synthesis product group via polypropylene supplies to the expanded production of BOPP-films. Overall our revenue from sales of plastics & organic synthesis products increased by 7.3% year-on-year to RR 33,307 million. Our synthetic rubber business improved year-on-year showing a 13.0% growth in revenues to RR 19,694 million on higher sales volumes and due to the completed homologation of thermoplastic elastomers with key clients. Our revenue from sales of energy products remained largely flat year-on-year at RR 88,018 million, as the growth in sales volumes across all products was offset by lower selling prices for liquids. Our revenues from sales of intermediates and other chemicals increased by 12.1% year-on-year, which was largely attributable to higher sales of ethylene and styrene. An increase of 62.8% in other revenue to RR 11,554 million was a result of the material increase in revenue from NIPIGAZ services, as well as revenue from sales of heat and electricity to third parties following the acquisition of Tobolsk Heating and Power Plant in February 2016.

In the first half of 2016, our EBITDA increased by 1.2% year-on-year to RR 65,380 million with the respective EBITDA margin totaling 33.3%. The solid growth in the petrochemicals segment EBITDA fully compensated for the decline in EBITDA of feedstock & energy segment. In the first half of 2016, EBITDA of our petrochemicals segment increased by 36.8% year-on-year to RR 39,573 million with EBITDA margin reaching 38.7%, benefiting from wider spreads between petrochemicals prices and

⁽¹⁾ Distributable profit is calculated as profit for the reporting period attributable to SIBUR shareholders adjusted for exceptional non-cash income and expenses. In the first half of 2016, the adjustment was made for the foreign exchange differences from revaluation of debt portfolio. In the first half of 2015, the adjustment was made for the equity-settled share-based payment plans.

⁽²⁾ Net debt represents total debt less cash and cash equivalents and bank deposits.

prices for feedstock. At the same time, the downward pricing trend in hydrocarbons coupled with higher transportation and logistics costs had a negative impact on our feedstock & energy segment EBITDA, which was down by 23.7% year-on-year for the EBITDA margin of 28.8%.

Our profit for the first half of 2016 increased threefold to RR 63,273 million on the foreign exchange gain recorded in the reporting period as opposed to the foreign exchange loss a year earlier, and due to the charge related to the equity-settled share-based plans in the first half of 2015. In the first half of 2016, our distributable profit calculated as the profit attributable to SIBUR shareholders net of the foreign exchange differences from revaluation of debt portfolio totaled RR 29,012 million.

Our net cash from operating activities totaled RR 59,865 million, an increase of 3.1% year-on-year.

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

The following table provides a reconciliation of EBITDA to profit for the six months ended 30 June 2016 and 2015:

<i>RR millions</i>	Six months ended 30 June	
	2016	2015
Profit for the reporting period	63,273	21,331
Income tax expense	15,874	9,621
Share of net income of joint ventures and associates	(3,666)	(1,492)
Loss on disposal of assets held for sale	-	188
Gain on acquisition of subsidiary	(2,356)	-
Net finance (income) / expenses	(25,209)	7,064
Equity-settled share-based payment plans	-	12,976
Impairment of property, plant and equipment	341	-
Depreciation and amortisation	17,123	14,934
EBITDA	65,380	64,622

RECENT DEVELOPMENTS

In August 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 3 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 9.65% per annum.

In July 2016, SIBUR completed the reconstruction project at the raw NGL fractionation capacity in Tobolsk, expanding the production site's total fractionation capacity from 6.6 to 8 mtpa. SIBUR's investment in the project totaled RR 5.5 billion (excl. VAT).

In June 2016, the Company sold 44% in AO NIPIgazpererabotka ("NIPIGAZ"), representing 50% of voting shares, to companies controlled by some of SIBUR shareholders. The Company has continued to consolidate NIPIGAZ into its accounts. NIPIGAZ has a contract with Gazprom for managing a project of construction of the Amur Gas Processing Plant. Under this agreement NIPIGAZ manages and supervises the engineering work, procurement and delivery to site of equipment, materials and construction work until the mechanical completion.

In April 2016, Moody's confirmed SIBUR rating at "Ba1" with Negative outlook.

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.

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 reflected 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.

SELECTED MACROECONOMIC AND MARKET DATA

GDP Growth

The following table contains selected data on year-on-year GDP growth for the three and six months ended 30 June 2016 and 2015:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
European Union (EU-15)	1.7%	1.8%	1.7%	1.7%
United States	1.5%	2.7%	1.7%	2.8%
China	6.7%	7.0%	6.7%	7.0%
Russia	(0.6%) ⁽¹⁾	(4.6%)	(0.9%) ⁽¹⁾	(3.5%)

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 following table presents selected data on exchange rate movements for the six months ended 30 June 2016 and 2015:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
RR/USD rate at the end of the preceding period	67.6076	58.4643	72.8827	56.2584
RR/USD rate at the end of the reporting period	64.2575	55.5240	64.2575	55.5240
Average RR/USD rate for the period	65.8883	52.6543	70.2583	57.3968
RR/EUR rate at the end of the preceding period	76.5386	63.3695	79.6972	68.3427
RR/EUR rate at the end of the reporting period	71.2102	61.5206	71.2102	61.5206
Average RR/EUR rate for the period	74.3966	58.2447	78.3669	64.3057

Source: CBR

Inflation

The following table presents selected data on inflation rates for the three, six and twelve months ended 30 June 2016 and 2015:

	30 June to 31 March		30 June to 31 December		30 June to 30 June	
	2016	2015	2016/2015	2015/2014	2016/2015	2015/2014
Consumer price index (CPI)	101.2%	101.0%	103.3%	108.5%	107.5%	115.3%
Producer price index (PPI)	106.4%	102.1%	106.4%	111.5%	105.1%	113.1%

Source: Russian Federal State Statistics Service

Market Prices for Energy Products

The following table presents average benchmark international market prices for crude oil, naphtha and LPG for the six months ended 30 June 2016 and 2015:

USD per tonne except as stated	Three months ended 30 June		Change %	Six months ended 30 June		Change %
	2016	2015		2016	2015	
Brent crude oil (USD per bbl) ⁽¹⁾	45.6	61.9	(26.4%)	39.7	57.9	(31.4%)
Naphtha (CIF NWE) ⁽²⁾	399.6	538.2	(25.7%)	360.0	503.1	(28.4%)
LPG DAF Brest ⁽²⁾	225.6	363.4	(37.9%)	229.1	336.4	(31.9%)
LPG Sonatrach for Bethioua ⁽²⁾	287.8	377.5	(23.8%)	281.6	377.1	(25.3%)
LPG Argus cif ara (large) ⁽²⁾	300.6	390.1	(23.0%)	283.0	390.2	(27.5%)

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

⁽¹⁾ Preliminary data.

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. As the average LPG price for the export duty rate calculation was below USD 490 per ton in both reporting periods, we applied a zero export duty rate in respect of our LPG export sales.

The export duty on naphtha is calculated as a percentage of export duties on crude oil (Urals). Effective 1 January 2015, the Russian Government set the export duty on naphtha at 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 phased decrease in export duty rates for naphtha is implemented as part of the tax maneuver in the Russian oil industry. The tax maneuver defines a procedure for calculation of excise duties and tax deductions with respect to domestic sales and processing of naphtha, benzene and paraxylene. According to the procedure an excise duty is incurred at the production of these products. An incremental tax deduction is applicable if the product is processed into non-excisable petrochemical products. A tax deduction is not applicable for naphtha if it is sold to entities that do not convert excisable goods into non-excisable petrochemical products.

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

<i>Export duties, USD per tonne</i>	Three months ended 31 March		Three months ended 30 June		Six months ended 30 June		<i>Change, % H1 2016 / 2015</i>
	2016	2015	2016	2015	2016	2015	
LPG (excl. butane and isobutane)							
At the end of the period	0.0	0.0	0.0	0.0	0.0	0.0	<i>n/m</i>
Average for the period	0.0	16.1	0.0	0.0	0.0	8.0	<i>(100.0%)</i>
Butane and isobutane							
At the end of the period	0.0	0.0	0.0	0.0	0.0	0.0	<i>n/m</i>
Average for the period	0.0	1.6	0.0	0.0	0.0	0.8	<i>(100.0%)</i>
Naphtha (excl. pentane and isopentane)							
At the end of the period	28.0	89.9	57.2	122.7	57.2	122.7	<i>(53.4%)</i>
Average for the period	39.0	110.1	47.6	110.9	43.3	110.5	<i>(60.8%)</i>

Natural Gas Prices

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

<i>Effective date of increase</i>	Regulated natural gas price changes %
1 January 2014	(1.9%)
1 July 2015	7.5%

During 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% and remained unchanged until the end of the second quarter 2016.

In May 2016, the Ministry of Economic Development of the Russian Federation published “Scenario conditions, basic parameters of the Forecast of Socio-economic Development of the Russian Federation and overall price (tariff) level for services provided by the companies of infrastructure sector for 2017 and planned period 2018 and 2019” (“Parameters of the Forecast of Socio-economic Development for 2017-2019”) providing for increases of wholesale natural gas prices for sales to all customer categories (excluding residential customers) in 2016-2019 on average by 2.0% on an annual basis effective 1 July of each respective year. As of our report date there was no information regarding the actual effective date and the size of wholesale natural gas price adjustments in 2016. The Russian Federation government continues to debate various policies relating to the natural gas industry development.

Railway Transportation Tariffs

Effective 1 January 2015, the FTS⁽¹⁾ increased all railroad transportation tariffs by 10% in accordance with the Ministry of Economic Development Forecast published in September 2014. Effective 29 January 2015, the Russian Railways expanded the 13.4% increase in tariffs for export deliveries for all types of products. Effective 3 January 2016, FAS increased railroad freight transportation tariffs by an additional 9%.

Electricity and Heat Tariffs

The following table presents volumes purchased and effective average prices for electricity and heat tariffs for the six months ended 30 June 2016 and 2015:

	Six months ended 30 June				Change	
	2016		2015		%	Average
	Volume	Average tariff	Volume	Average tariff	Volume	tariff
Electricity (millions of kw/hour or RR per kw/hour)	4,897	2.09	4,665	2.08	5.0%	0.1%
Heat (thousands of gigacalories or RR per gigacalory)	3,215	920	4,947	737	(35.0%)	24.7%

⁽¹⁾ Federal Tariff Service, which functions were transferred to the Federal Antimonopoly Service (FAS) as of 21 July 2015.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED 30 JUNE 2016 AND 2015

The following table presents selected data on our results of operations for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended 30 June				Change %
	2016	% of revenue	2015	% of revenue	
Revenue	196,124	100.0%	181,397	100.0%	8.1%
Energy products	88,018	44.9%	87,459	48.2%	0.6%
Petrochemical products	96,552	49.2%	86,841	47.9%	11.2%
Other	11,554	5.9%	7,097	3.9%	62.8%
Operating expenses before equity-settled share-based payment plans	(148,208)	(75.6%)	(131,709)	(72.6%)	12.5%
Equity-settled share-based payment plans	-	-	(12,976)	(7.2%)	(100.0%)
Operating expenses	(148,208)	(75.6%)	(144,685)	(79.8%)	2.4%
Operating profit	47,916	24.4%	36,712	20.2%	30.5%
Net finance income / (expenses)	25,209	12.9%	(7,064)	(3.9%)	n/m
Gain on acquisition of subsidiary	2,356	1.2%	-	-	n/m
Share of net income of joint ventures and associates	3,666	1.9%	1,492	0.8%	145.7%
Loss on disposal of assets held for sale	-	-	(188)	(0.1%)	(100.0%)
Profit before income tax	79,147	40.4%	30,952	17.1%	155.7%
Income tax expense	(15,874)	(8.1%)	(9,621)	(5.3%)	65.0%
Profit for the reporting period	63,273	32.3%	21,331	11.8%	196.6%
Profit for the reporting period, including attributable to:	63,273	32.3%	21,331	11.8%	196.6%
Non-controlling interest	221	0.1%	315	0.2%	(30.0%)
Shareholders of SIBUR	63,052	32.1%	21,016	11.6%	200.0%

Revenue

The following table presents a breakdown of our revenue by product group for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended 30 June				Change %
	2016	% of revenue	2015	% of revenue	
Energy products					
LPG	37,272	19.0%	39,234	21.6%	(5.0%)
Natural gas	22,373	11.4%	20,109	11.1%	11.3%
Naphtha	14,206	7.2%	15,070	8.3%	(5.7%)
MTBE	9,923	5.1%	10,192	5.6%	(2.6%)
Raw NGL	2,564	1.3%	902	0.5%	184.3%
Other fuels and fuel additives	1,680	0.9%	1,952	1.1%	(13.9%)
Total energy product sales	88,018	44.9%	87,459	48.2%	0.6%
Petrochemical products					
Plastics and organic synthesis products	33,307	17.0%	31,027	17.1%	7.3%
Basic polymers	29,086	14.8%	25,480	14.0%	14.2%
Synthetic rubbers	19,694	10.0%	17,426	9.6%	13.0%
Intermediates and other chemicals	14,465	7.4%	12,908	7.1%	12.1%
Total petrochemical products sales	96,552	49.2%	86,841	47.9%	11.2%
Trading and other sales	10,981	5.6%	6,469	3.6%	69.7%
Sales of processing services	573	0.3%	628	0.3%	(8.8%)
Total revenue	196,124	100.0%	181,397	100.0%	8.1%

In the first half of 2016, our revenue increased by 8.1% year-on-year to RR 196,124 million from RR 181,397 million in the first half of 2015.

Energy Products

In the first half of 2016, our revenue from sales of energy products remained largely flat year-on-year at RR 88,018 million compared to RR 87,459 million in the corresponding period of 2015, as the increase in sales volumes across all products was offset by lower selling prices for liquids (LPG, naphtha and raw NGL).

Liquefied Petroleum Gases (LPG)

In the first half of 2016, our revenue from LPG sales decreased by 5.0% year-on-year to RR 37,272 million from RR 39,234 million on an 11.8% decrease in the effective average selling price despite a 7.7% increase in sales volumes.

The decrease in our effective average selling price was driven by the negative dynamics of international market prices that was partially mitigated by the Russian rouble depreciation.

Higher sales volumes were largely attributable to a 7.0% production growth, as well as lower supplies to our petrochemicals business, which was partially offset by lower LPG trading volumes and lower inventory sales. The increase in our production volumes was attributable to higher purchases of raw NGL, which was somewhat offset by a planned maintenance shutdown at our production site in Tobolsk. Additionally, we reduced supplies of LPG to our petrochemicals business, as we temporarily replaced it with raw NGL at our crackers in Kstovo and Tomsk. These factors were partially offset by lower volumes of raw NGL supplied by NOVATEK under processing arrangements and the respective decline in LPG purchases from NOVATEK after processing raw NGL at our GFU in Tobolsk. We also recorded lower inventory sales as opposed to the corresponding period of 2015 when we completed an export delivery accumulated a year earlier.

In the first half of 2016, domestic sales accounted for 21.4% of total LPG revenue, while 78.6% was attributable to export sales.

Natural Gas

In the first half of 2016, our revenue from natural gas sales increased by 11.3% year-on-year to RR 22,373 million from RR 20,109 million on a 7.3% increase in the effective average selling price and a 3.7% increase in sales volumes. The increase in our effective average selling price was driven by an indexation of the regulated natural gas prices of 7.5% as of 1 July 2015. The growth in natural gas sales volumes was attributable to a 4.4% growth in production on higher volumes of APG processing as a result of recent capacity expansions. We sell 100% of our natural gas in Russia.

Naphtha

In the first half of 2016, our revenue from naphtha sales decreased by 5.7% year-on-year to RR 14,206 million from RR 15,070 million on a 10.3% decrease in the effective average selling price despite a 5.1% increase in sales volumes.

The decrease in our effective average selling price was driven by the international market prices. The decrease was partially offset by the Russian rouble depreciation and further reduction in export duties.

The increase in sales volumes despite a 6.2% decrease in production was primarily attributable to the launch of a temporary trading arrangement. Additionally, we reduced supplies of naphtha to our petrochemicals business, as we temporarily replaced it with raw NGL at our crackers in Kstovo and Tomsk. The decrease in production was a result of planned maintenance shutdown at our Tobolsk production site in the first half of 2016, as well as the overall decrease of naphtha content in the supplied raw NGL feedstock. Our naphtha stock was largely flat as opposed to the substantial inventory decrease a year earlier.

In the first half of 2016, our share of export sales accounted for 84.6% of total naphtha revenue, while 15.4% was derived from domestic sales.

Methyl Tertiary Butyl Ether (MTBE)

In the first half of 2016, our revenue from MTBE sales decreased by 2.6% year-on-year to RR 9,923 million from RR 10,192 million on a 9.0% decrease in the effective average selling price despite a 7.0% increase in sales volumes.

Our effective average selling price for MTBE decreased, while we observed different dynamics on export and domestic markets. Our domestic selling price decreased by 3.6% following the negative dynamics of international market prices supported by the Russian rouble depreciation and favorable domestic market environment. High volatility on European markets in the first half of 2015 and uneven distribution of sales volumes monthly within the reporting periods resulted in a 21.2% decrease in our export selling price. The increase in sales volumes was largely attributable to a 6.9% increase in production due to the capacity expansion in Togliatti, as well as higher feedstock availability due to shutdowns at the production of feedstock for MTBE a year earlier. This was partially offset by a decrease of production at our site in Tobolsk due to planned maintenance shutdown in the first half of 2016.

In the first half of 2016, our share of domestic sales accounted for 73.9% of total MTBE revenue, while 26.1% was attributable to export sales.

Raw NGL

In the first half of 2016, our revenue from sales of raw NGL increased three times year-on-year to RR 2,564 million from RR 902 million as a result of fourfold increase in sales volumes despite a 28.1% decrease in the effective average selling price.

In the first half of 2016, raw NGL production at our GPPs was flat year-on-year. However, the volumes attributable to SIBUR decreased by 2.0%, which was a result of lower production at our fully owned GPPs, while production at the JV with Gazprom Neft (Yuzhno-Priobskiy GPP launched in September 2015) increased. The increase in sales volumes was largely attributable to a 47.1% increase in third-party purchases on (i) growth of raw NGL supplies under long-term contracts with NOVATEK, and (ii) higher purchasing volumes within the JV with Gazprom Neft. Additional purchases of raw NGL were partially utilised internally with the growth attributable inter alia to temporarily higher intercompany sales to our petrochemicals business pending the expansion of fractionation capacity in Tobolsk.

Higher volumes of raw NGL purchases resulted in a temporary increase of raw NGL available for external sales and consequently lower effective average selling price. The decrease in effective average selling price was also driven by negative dynamics of international market prices which was partially mitigated by the Russian rouble depreciation.

In the first half of 2016, our share of export sales accounted for 72.4% of total raw NGL revenue, while 27.6% was attributable to domestic sales.

Petrochemical Products

In the first half of 2016, revenue from sales of petrochemical products increased by 11.2% year-on-year to RR 96,552 million from RR 86,841 million a year earlier on strong results across all petrochemical product groups. The growth in revenue from sales of plastics & organic synthesis products was primarily driven by higher revenue from sales of BOPP-films on higher capacity utilisation rates, as well as increase in the effective average selling price. The growth in revenue from sales of basic polymers was primarily attributable to higher average selling prices for PP and LDPE due to the Russian rouble depreciation and favorable market environment domestically. Improved revenue from sales of synthetic rubbers was largely attributable to higher production volumes of thermoplastic elastomers following the completed homologation with key clients, as well as material inventory sales in commodity rubbers. Higher sales of intermediates was attributable to the increase of styrene and ethylene production volumes,

which was partially offset by lower sales of propylene as a result of higher internal use in PP production. Russian rouble depreciation strongly supported our petrochemical product sales.

Plastics and Organic Synthesis Products

In the first half of 2016, our revenue from sales of plastics and organic synthesis products increased by 7.3% year-on-year to RR 33,307 million from RR 31,027 million in the respective period of 2015. The increase was primarily driven by higher revenue from sales of BOPP-films and glycols, which was partially offset by lower sales of alcohols largely attributable to lower international benchmark prices.

Polyethylene Terephthalate (PET)

In the first half of 2016, our revenue from PET sales remained largely flat year-on-year at RR 9,920 million compared to RR 9,886 million as a 7.7% increase in the effective average selling price was fully compensated by a 6.8% decrease in sales volumes. The increase in effective average selling price reflected the negative dynamics for international market prices in US dollar terms fully mitigated by Russian rouble depreciation. The increase in sales volumes on largely flat production volumes was primarily a result of inventory movements: substantial sales of inventories in the first half of 2015, while in the respective period of 2016 we moderately increased inventories pending maintenance shutdowns at our PET production sites. In the first half of 2016, domestic sales accounted for 97.7% of total PET revenue, while 2.3% was attributable to export sales.

BOPP-films

In the first half of 2016, our revenue from BOPP-film sales increased by 20.2% year-on-year to RR 9,356 million from RR 7,781 million on a 10.9% increase in the effective average selling price and an 8.4% growth in sales volumes. The increase in the effective average selling price reflected the negative dynamics of international market prices, which was more than compensated by the Russian rouble depreciation, as well as improved domestic demand and continuing optimisation in grades and export geographies sales mix. Higher sales volumes were largely attributable to a 7.9% production growth on higher capacity utilisation rates. In the first half of 2016, domestic sales accounted for 66.9% of total BOPP-film revenue, while 33.1% was attributable to export sales.

Glycols

In the first half of 2016, our revenue from sales of glycols increased by 15.2% year-on-year to RR 5,118 million from RR 4,444 million on a 10.8% increase in sales volumes and a 4.0% increase in the effective average selling price. The increase in sales volumes was largely attributable to a 9.6% increase in production volumes due to glycols capacity expansion at our production site in Dzerzhinsk in 2015, as well as shorter maintenance shutdowns in the reporting period compared to the previous year. This was partially offset by different movements in stock, as we moderately accumulated inventories in the reporting period due to logistical constraints, while we decreased inventories a year earlier, which related to goods-in-transit balances to export markets. Higher effective average selling price reflected mixed dynamics in the European market prices for different glycol grades mitigated by the Russian rouble depreciation. In the first half of 2016, our glycols revenue was split 50/50 between the domestic and export markets.

Alcohols

In the first half of 2016, our revenue from sales of alcohols decreased by 19.3% year-on-year to RR 2,786 million from RR 3,454 million on a 12.6% decrease in the effective average selling price and a 7.7% decrease in sales volumes. Our effective average selling price for alcohols decreased while we observed negative dynamics on export and domestic markets. Our domestic selling price decreased by 6.6% following the negative dynamics of international market prices, which was partially compensated by the different dynamic of the relevant benchmarks and the Russian rouble depreciation. Our effective average export selling price decreased by 17.0% reflecting the negative dynamics of international market prices, which was only partially compensated by the Russian rouble depreciation. The decrease in alcohols sales

volumes was attributable to a 2.4 % decrease in production due to the maintenance shutdowns in the first half of 2016 and higher internal use following the expansion of the acrylates production capacity, which consumes alcohols as raw material. In the first half of 2016, domestic sales accounted for 54.5% of total alcohols revenue, while 45.5% was attributable to export sales.

Basic Polymers

In the first half of 2016, our revenue from sales of basic polymers increased by 14.2% year-on-year to RR 29,086 million from RR 25,480 million. The growth was primarily driven by higher average selling prices for PP and LDPE due to the Russian rouble depreciation and favourable market environment on the domestic market. In the first six months of 2016, domestic sales accounted for 66.1% of total basic polymers revenue, while 33.9% was attributable to export sales.

Polypropylene (PP)

In the first half of 2016, our revenue from PP sales increased by 16.7% year-on-year to RR 18,968 million from RR 16,252 million on a 10.5% increase in the effective average selling price and a 5.6% growth in sales volumes. The increase in our average selling prices reflected the dynamics of the relevant benchmarks. The growth in PP sales volumes was attributable to a 5.6% growth in PP production on increased capacity utilisation rate at our production site in Tobolsk and higher third-party purchases from NPP Neftekhimia, while a year ago there was a maintenance shutdown at the production site of the JV. These factors were partially offset by higher internal use following the increase in BOPP-film production. The scheduled maintenance shutdown in Tomsk in the end of first half of 2016 resulted in the decrease in production and higher inventory accumulation at this production site. In the first half of 2016, domestic sales accounted for 58.7% of total PP revenue, while 41.3% was attributable to export sales.

Low Density Polyethylene (LDPE)

In the first half of 2016, our revenue from LDPE sales increased by 9.6% year-on-year to RR 10,118 million from RR 9,228 million on a 26.4% increase in the effective average selling price despite a 13.3% decrease in sales volumes. The increase in the effective average selling price despite lower international market prices was largely a result of Russian rouble depreciation and temporary shortage caused by unscheduled shutdowns of third-party production facilities on the domestic market and certain export geographies. The decrease in LDPE sales volumes was due to substantial inventory accumulation pending maintenance shutdown at our production site in Tomsk in the end of the first half of 2016 as part of the LDPE capacity expansion investment project, which also resulted in a decrease in production volumes. In the first half of 2016, our share of domestic sales increased to 80.0% of the total LDPE revenue from 61.8% in the respective period of 2015, while export sales decreased to 20.0% from 38.2% in the respective period of 2015 as we placed additional volumes in the domestic market due to temporary shortage on the supply side.

Synthetic Rubbers

In the first half of 2016, our revenue from synthetic rubber sales increased by 13.0% year-on-year to RR 19,694 million from RR 17,426 million on higher sales of commodity rubbers and thermoplastic elastomers, partially compensated by lower revenue from sales of specialty rubbers. Our synthetic rubber results were largely attributable to completed homologation with key clients for thermoplastic elastomers, which resulted in the respective sales volumes growth, as well as due to material inventory sales in commodity rubbers. In the first six months of 2016, domestic sales accounted for 32.3% of total synthetic rubber revenue, while 67.7% was attributable to export sales.

Commodity Rubbers

In the first half of 2016, our revenue from sales of commodity rubbers increased by 14.8% year-on-year to RR 11,663 million from RR 10,159 million on an 8.9% increase in sales volumes and a 5.5% increase in the effective average selling price.

Growth in our sales volumes of commodity rubbers was mainly attributable to substantial inventory sales versus material inventory accumulation in the respective period of 2015 despite a 6.1% decrease in production. The decrease in production was attributable to the shifts in the maintenance shutdowns schedule at our production sites. We substantially decreased inventories due to higher contract sales on the back of additional demand from tyre producers on the domestic market and the maintenance shutdown of third-party synthetic rubber production facilities. The effective average selling price for commodity rubbers largely followed the negative dynamics in European and Asian market prices that was fully mitigated by the Russian rouble depreciation and was also affected by specific pricing arrangements in our contract sales.

In the first six months of 2016, domestic sales accounted for 36.7% of total commodity rubber revenue, while 63.3% was attributable to export sales.

Thermoplastic Elastomers

In the first half of 2016, our revenue from sales of thermoplastic elastomers (SBS) increased by 37.8% year-on-year to RR 3,675 million from RR 2,668 million on an 18.8% increase in sales volumes and a 15.9% growth in the effective average selling price. The increase in sales volumes was attributable to higher production volumes as a result of the completed homologation of thermoplastic elastomers with key clients by the end of 2015. Our effective average selling price for thermoplastic elastomers increased in line with the respective benchmarks dynamics supported by the Russian rouble depreciation, we also canceled discounts applied for premarketing sales in 2015.

In the first six months of 2016, domestic sales accounted for 40.9% of total thermoplastic elastomers revenue, while 59.1% was attributable to export sales.

Intermediates and Other Chemicals

In the first half of 2016, our revenue from sales of intermediates and other chemicals increased by 12.1% year-on-year to RR 14,465 million from RR 12,908 million. The increase was largely attributable to (i) higher revenue from sales of styrene as a result of higher styrene capacity utilisation in Perm, as well as in Tula region, where we produce styrene under processing arrangement, due to favourable pricing environment on the domestic market, and (ii) higher revenue from sales of ethylene due to the increase in production volumes as a result of shorter maintenance shutdowns at our production site in Kstovo in the reporting period compared to the previous year. These factors were partially offset by lower revenue from sales of propylene as a result of higher internal use due to (i) growth in PP production at our production site in Tobolsk, and (ii) temporary propylene shortage caused by unscheduled shutdowns of third-party production facilities in Russia in the first half of 2016. The decrease in the effective average selling price for propylene reflected the negative dynamics of the international prices for propylene, partially compensated by the Russian rouble depreciation.

Out of 2.5 million tonnes of intermediates and other chemicals produced in the first six months of 2016, approximately 87.7% were used internally for further intercompany processing compared to 88.7% in the respective period of 2015.

Other Revenue

In the first half of 2016, other revenue increased by 62.8% year-on-year to RR 11,554 million from RR 7,097 million in the respective period of 2015, which was primarily attributable to the revenue from NIPIGAZ services and sales of power following the acquisition of Tobolsk Heating and Power Plant in February 2016.

Operating Expenses

The following table presents a breakdown of our operating expenses for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended 30 June				<i>Change %</i>
	2016	<i>% of revenue</i>	2015	<i>% of revenue</i>	
Feedstock and materials	38,589	19.7%	39,003	21.5%	(1.1%)
Transportation, logistics and rent	37,844	19.3%	32,302	17.8%	17.2%
<i>Transportation and logistics</i>	33,272	17.0%	27,862	15.4%	19.4%
<i>Rent expenses</i>	4,572	2.3%	4,440	2.4%	3.0%
Energy and utilities	18,304	9.3%	16,772	9.2%	9.1%
Staff costs	17,953	9.2%	15,433	8.5%	16.3%
Depreciation and amortisation	17,123	8.7%	14,934	8.2%	14.7%
Goods for resale	6,095	3.1%	5,981	3.3%	1.9%
Services provided by third parties	4,421	2.3%	2,873	1.6%	53.9%
Repairs and maintenance	3,363	1.7%	3,163	1.7%	6.3%
Taxes other than income tax	1,179	0.6%	1,176	0.6%	0.2%
Processing services of third parties	1,012	0.5%	408	0.2%	148.0%
Charity and sponsorship, marketing and advertising	763	0.4%	506	0.3%	50.9%
<i>Charity and sponsorship</i>	519	0.3%	367	0.2%	41.4%
<i>Marketing and advertising</i>	244	0.1%	139	0.1%	75.7%
Impairment of property, plant and equipment	341	0.2%	-	-	n/m
Loss on disposal of property, plant and equipment	262	0.1%	134	0.1%	95.5%
Other	2,238	1.1%	925	0.3%	303.4%
Change in work-in-progress and refined products balances	(1,279)	(0.7%)	(1,901)	(1.0%)	(32.7%)
Operating expenses before equity-settled share-based payment plans	148,208	75.6%	131,709	72.6%	12.5%
Equity-settled share-based payment plans	-	n/m	12,976	7.2%	(100.0%)
Operating expenses	148,208	75.6%	144,685	79.8%	2.4%

In the first half of 2016, our operating expenses increased by 2.4% year-on-year to RR 148,208 million as compared to RR 144,685 million a year earlier. As a percentage of total revenue, our operating expenses decreased to 75.6% in the first half of 2016 from 79.8% in the first half of 2015. In 2015, we recorded a non-cash charge related to equity-settled share-based payment plans for directors and key management in the amount of RR 12,976 million. In the first quarter of 2015, all granted shares were vested and there are no further charges in relation to this plan (see Appendix III for further details).

Our operating expenses before equity-settled share-based payment plans (the “Net operating expenses”) increased by 12.5% year-on-year to RR 148,208 million from RR 131,709 million. As a percentage of total revenue, our net operating expenses amounted to 75.6% in the first half of 2016 as compared to 72.6% in the first half of 2015. The growth in net operating expenses was primarily attributable to (i) higher transportation, logistics and rent expenses on higher volumes and tariffs, (ii) higher staff costs as a result of higher headcount of NIPIGAZ, as well as changes in the perimeter, and (iii) higher depreciation and amortisation costs.

Feedstock and Materials

In the first half of 2016, our feedstock and materials costs decreased by 1.1% year-on-year to RR 38,589 million from RR 39,003 million, decreasing as a percentage of total feedstock and materials expenses to 19.7% from 21.5%. The decrease was driven by somewhat lower expenses related to purchases of hydrocarbon feedstock, as well as an increased stock of feedstock and materials.

The following table presents information on our costs related to purchasing of feedstock and materials for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended 30 June				Change %
	2016	% of feedstock and materials expenses	2015	% of feedstock and materials expenses	
APG	11,274	29.2%	10,670	27.4%	5.7%
NGLs	11,193	29.0%	12,185	31.2%	(8.1%)
Paraxylene	3,478	9.0%	3,008	7.7%	15.6%
Benzene	2,148	5.6%	1,713	4.4%	25.4%
Methanol	1,536	4.0%	1,831	4.7%	(16.1%)
Other feedstock and materials	11,372	29.5%	10,089	25.9%	12.7%
Change of stock	(2,412)	(6.3%)	(493)	(1.3%)	389.1%
Feedstock and materials, total	38,589	100.0%	39,003	100.0%	(1.1%)

The following table presents selected data on our feedstock purchasing volumes for the six months ended 30 June 2016 and 2015:

<i>Tonnes, except as stated</i>	Six months ended 30 June		Change %
	2016	2015	
APG (thousand cubic metres)	10,667,869	10,300,488	3.6%
NGLs	1,782,834	1,288,546	38.4%
Paraxylene	85,951	87,399	(1.7%)
Benzene	69,286	61,097	13.4%
Methanol	116,956	110,093	6.2%

In the first half of 2016, our expenses related to purchases of hydrocarbon feedstock decreased by 1.7% year-on-year to RR 22,467 million from RR 22,855 million staying relatively flat at 58.2% of total feedstock and materials expenses. The decrease in expenses in absolute terms was a result of an 8.1% decrease in NGLs purchases largely offset by a 5.7% increase in APG purchases. Lower NGLs purchasing expenses were attributable to a 33.6% decrease in the effective average purchase prices reflecting lower export netbacks, which was negated by a 38.4% increase in purchasing volumes of raw NGL under the long-term contract with NOVATEK. Higher APG purchasing expenses were a result of a 3.6% increase in purchasing volumes following our APG processing capacities expansion. Our average APG purchase price increased by 2.0% due to the indexation of regulated natural gas prices of 7.5% as of 1 July 2015, which was partially mitigated by the negative dynamics in netbacks for liquids.

In the first half of 2016, our expenses related to paraxylene purchases increased by 15.6% year-on-year to RR 3,478 million from RR 3,008 million, increasing as a percentage of total feedstock and materials expenses to 9.0% from 7.7%. The growth in expenses was attributable to a 17.6% year-on-year increase in the effective average paraxylene purchase price due to the Russian rouble depreciation despite lower international benchmark prices. Our paraxylene purchasing volumes were largely flat year-on-year.

In the first half of 2016, our expenses related to benzene purchases increased by 25.4% year-on-year to RR 2,148 million from RR 1,713 million, increasing as a percentage of total feedstock and materials expenses to 5.6% from 4.4%. The growth in expenses was attributable to a 13.4% increase in purchasing volumes and a 10.6% increase in the effective average purchase price. The increase in purchasing volumes was largely attributable to higher production of styrene, that consumes benzene as raw material. The increase in the effective average purchase price reflected the negative dynamics of the international prices fully compensated by the Russian rouble depreciation.

In the first half of 2016, our expenses related to methanol purchases decreased by 16.1% year-on-year to RR 1,536 million from RR 1,831 million, decreasing as a percentage of total feedstock and materials expenses to 4.0% from 4.7%. The decrease was largely attributable to a 21.0% decrease in the effective average purchase price due to the negative dynamics for international market prices in US dollar terms partially mitigated by Russian rouble depreciation, which was partially offset by favourable changes in our contract terms with suppliers. Our methanol purchasing volumes were largely flat year-on-year.

In the first half of 2016, other feedstock and materials expenses increased by 12.7% year-on-year to RR 11,372 million from RR 10,089 million, increasing as a percentage of total feedstock and materials expenses to 29.5% from 25.9%. The growth in expenses was largely attributable to higher purchases of

repairs materials pending planned maintenance shutdowns with a corresponding reversal recorded in the change of stock.

Transportation, Logistics and Rent

In the first half of 2016, our combined expenses related to transportation, logistics and rent increased by 17.2% to RR 37,844 million from RR 32,302 million, increasing as a percentage of total revenue to 19.3% from 17.8%. The increase was attributable to (i) higher transported volumes, mainly energy products, which was also reflected in our revenue from sales of the respective products, (ii) Russian rouble depreciation, which affected our international transportation expenses, and (iii) 9.0% increase in railroad transportation tariffs by the FAS.

Energy and Utilities

In the first half of 2016, our energy and utilities expenses increased by 9.1% year-on-year to RR 18,304 million from RR 16,772 million, staying largely flat as a percentage of total revenue at 9.3%. The increase was primarily attributable to the consolidation of Tobolsk HPP from February 2016 and consequently higher fuel and electricity consumption volumes, which was fully offset by lower external purchases of heat and higher revenue from sales of heat and energy to third parties. Our effective average electricity tariffs were largely flat. Our effective average heat tariffs increased by 24.7%, as we consolidated Tobolsk HPP, which supplied heat at relatively low tariffs compared to other suppliers.

The following table presents data on our energy and utilities costs for six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended 30 June				Change %
	2016	% of total energy and utilities	2015	% of total energy and utilities	
Electricity	10,404	56.8%	10,077	60.1%	3.2%
Fuel	3,795	20.7%	2,094	12.5%	81.2%
Heat	2,937	16.0%	3,622	21.6%	(18.9%)
Other	1,168	6.5%	979	5.8%	19.3%
Energy and utilities, total	18,304	100.0%	16,772	100.0%	9.1%

Staff Costs

In the first half of 2016, our staff costs increased by 16.3% year-on-year to RR 17,953 million from RR 15,433 million, increasing as a percentage of total revenue to 9.2% from 8.5%. The increase in expenses was primarily attributable to (i) growth in the headcount of NIPIGAZ as a result of the expansion in their project portfolio, (ii) changes in the perimeter due to consolidation of Tobolsk HPP and IT-service company that previously functioned on outsourcing basis, and also (iii) movement in bonus provisions. Our average headcount totaled 28,148 employees.

Depreciation and Amortisation

In the first half of 2016, our depreciation and amortisation expenses increased by 14.7% to RR 17,123 million from RR 14,934 million, increasing as a percentage of total revenue to 8.7% from 8.2%. The growth in expenses was attributable to higher depreciation of the catalysts at our petrochemicals production sites and higher depreciation and amortisation related to the acquisition of Tobolsk HPP.

Services Provided by Third Parties

In the first half of 2016, our expenses related to services provided by third parties increased by 53.9% to RR 4,421 million from RR 2,873 million, increasing as a percentage of total revenue to 2.3% from 1.6%. The increase was primarily attributable to the expenses of NIPIGAZ related to the subcontractors.

Other

In the first half of 2016, our other expenses increased by the factor of 2.4x year-on-year to RR 2,238 million from RR 925 million, increasing as a percentage of total revenue to 1.1% from 0.5%. The increase was inter alia attributable to an accrual of bad debt provision, as well as general inflation on other minor expense items.

Operating Profit

In the first half of 2016, our operating profit increased by 30.5% year-on-year to RR 47,916 million from RR 36,712 million. The corresponding operating margin totaled 24.4% and 20.2% in the first half of 2016 and 2015, respectively.

Net of the non-cash charge related to the equity-settled share-based payment plans, our operating profit decreased by 3.6% to RR 47,916 million in the first half of 2016 from RR 49,688 million in the first half of 2015 due to the factors discussed above. The corresponding operating margin totaled 24.4% and 27.4% in the first half of 2016 and 2015, respectively.

Net Finance Income / (Expense)

In the first half of 2016, we reported a net finance income of RR 25,209 million compared to a net finance expense of RR 7,064 million in the first half of 2015, which was largely attributable to the foreign exchange gain incurred in the first half of 2016.

The following table presents data on our finance income and expenses for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended 30 June		Change %
	2016	2015	
Interest income	471	566	(16.8%)
Interest expense	(7,241)	(5,199)	39.3%
Foreign exchange gain / (loss)	33,279	(2,791)	n/m
Other finance (expense) / income	(1,300)	360	n/m
Total finance income / (expense), net	25,209	(7,064)	n/m

In the first half of 2016, our interest expense increased by 39.3% year-on-year to RR 7,241 million from RR 5,199 million. The increase was largely attributable to the depreciation of Russian rouble, which resulted in higher accrued interest in relation to the foreign currency denominated debt, as well as the overall increase in total debt. Our weighted average interest rate on Russian rouble-denominated borrowings was 12.3% and 12.6% as of 30 June 2016 and 2015. Our weighted average interest rate on US dollar-denominated borrowings was 3.2% and 3.5% as of 30 June 2016 and 2015. Our weighted average interest rate on euro-denominated borrowings was 1.1% and 1.3% as of 30 June 2016 and 2015.

In the first half of 2016, we recorded a foreign exchange gain in the amount of RR 33,279 million compared to a foreign exchange loss of RR 2,791 million reported in the same period a year earlier. The substantial gain from financing activities was attributable primarily to the revaluation of US dollar-denominated debt, as RR/USD rate decreased by 11.8% to 64.2575 as 30 June 2016 from 72.8827 as of 31 December 2015.

Gain on Acquisition of Subsidiary

In the first half of 2016, we recorded a non-cash gain on acquisition of subsidiary in the amount of RR 2,356 million following the acquisition of Tobolsk HPP from OAO Fortum in February 2016.

Share of net income of joint ventures and associates

In the first half of 2016, our share of net income of joint ventures increased by factor of 2.5x year-on-year to RR 3,666 million from RR 1,492 million a year earlier. The increase was largely attributable to the higher income of OOO RusVinyl due to the higher production volumes and selling prices, as well as (ii) higher income of OOO Poliom.

Income Tax Expense

In the first half of 2016, our income tax expense increased by 65.0% year-on-year to RR 15,874 million from RR 9,621 million. The increase was attributable to higher pre-tax profit, adjusted for non-cash charges related to the equity-settled share-based payment plans and non-cash gain on acquisition of subsidiary.

Profit for the Reporting Period

In the first half of 2016, our profit increased three times year-on-year to RR 63,273 million from RR 21,331 million in the first half of 2015. The increase was largely attributable to the foreign exchange gain, as well as higher operating profit. Our net margin totaled 32.3% and 11.8% in the first half of 2016 and 2015, respectively.

SEGMENT INFORMATION

In the first half of 2016, our gross revenue of feedstock and energy segment remained largely flat year-on-year at RR 100,744 million compared to RR 101,652 million. EBITDA contribution of the feedstock and energy segment decreased by 23.7% year-on-year to RR 29,032 million from RR 38,066 million. EBITDA margin of the segment decreased to 28.8% in the first half of 2016 from 37.4% a year earlier largely due to negative pricing trends in hydrocarbons and higher transportation and logistics costs on larger volumes.

In the first half of 2016, our gross revenue of petrochemicals segment increased by 11.2% to RR 102,360 million from RR 92,024 million in the corresponding period of 2015. EBITDA contribution of the petrochemicals segment increased by 36.8% year-on-year to RR 39,573 million from RR 28,923 million. EBITDA margin of the segment increased to 38.7% in the first half of 2016 from 31.4% a year earlier. The increase in EBITDA and EBITDA margin of the petrochemicals segment was largely attributable to wider spreads between petrochemicals prices and prices for feedstock.

The following table presents data on our segments' revenue and EBITDA contribution for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended 30 June							
	2016				2015			
	Feedstock & Energy	Petrochemicals	Unallocated	Total	Feedstock & Energy	Petrochemicals	Unallocated	Total
Total segment revenue	100,744	102,360	11,867	214,971	101,652	92,024	9,941	203,617
Inter-segment transfers	(11,690)	(4,804)	(2,353)	(18,847)	(12,629)	(5,564)	(4,026)	(22,220)
External revenue	89,054	97,556	9,514	196,124	89,023	86,459	5,915	181,397
EBITDA	29,032	39,573	(3,225)	65,380	38,066	28,923	(2,367)	64,622
<i>EBITDA margin</i>	<i>28.8%</i>	<i>38.7%</i>		<i>33.3%</i>	<i>37.4%</i>	<i>31.4%</i>		<i>35.6%</i>

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table presents selected data on our net cash flows for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended		<i>Change %</i>
	2016	2015	
Net cash from operating activities	59,865	58,059	3.1%
<i>Operating cash flows before working capital changes</i>	65,012	63,219	2.8%
<i>Changes in working capital</i>	329	(3,100)	n/m
<i>Income tax paid</i>	(5,476)	(2,060)	165.8%
Net cash used in investing activities, including	(88,867)	(102,288)	(13.1%)
<i>Purchase of property, plant and equipment</i>	(83,558)	(30,537)	173.6%
<i>Acquisition of interest in subsidiaries, net of cash acquired</i>	(2,013)	(61,727)	(96.7%)
<i>Placement of deposits</i>	(3,343)	(8,520)	(60.8%)
Net cash (used in) / from financing activities, including	(76,680)	28,750	n/m
<i>Net (repayment of) / proceeds from debt</i>	(53,775)	52,458	n/m
<i>Dividends paid</i>	(7,058)	(9,629)	(26.7%)
<i>Interest paid</i>	(12,310)	(7,092)	73.6%
<i>Bank fees paid</i>	(2,562)	(7,964)	(67.8%)
Effect of exchange rate changes on cash and cash equivalents	(237)	(2,291)	(89.7%)
Net decrease in cash and cash equivalents	(105,919)	(17,770)	496.1%

Net Cash from Operating Activities

In the first half of 2016, our net cash from operating activities increased by 3.1% year-on-year to RR 59,865 million from RR 58,059 million in the first half of 2015. Operating cash flows before working capital changes increased by 2.8% year-on-year to RR 65,012 million from RR 63,219 million in the first half of 2015 on the back of largely flat EBITDA adjusted for the movement in bonus provisions and accrual of bad debt provision. In the first half of 2016, changes in working capital had marginally positive effect on our net cash from operating activities in the amount of RR 329 million versus a negative impact of RR 3,100 million in the first half of 2015. Income tax paid increased twice and totaled RR 5,476 million versus RR 2,060 million a year earlier, as we reported higher pre-tax profit for the first half of 2016 as compared to the first half of 2015.

The following table presents data on changes in working capital for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Six months ended 30 June	
	2016	2015
Increase in trade and other receivables	(365)	(757)
Increase in advances issued under construction management	(20,268)	-
Increase in inventories	(2,684)	(2,610)
(Increase)/decrease in prepayments and other current assets	(1,023)	64
Increase in taxes payable	2,292	951
Increase/(decrease) in trade and other payables	1,625	(748)
Increase in advances received under construction management	20,752	-
Changes in working capital	329	(3,100)

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 43,833 million as of 30 June 2016 compared to RR 40,261 million as of 30 June 2015. Our working capital days was 40.5 and 40.2 days in the first half of 2016 and 2015, respectively.

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 and logistical constraints, which could require substantial inventory accumulation.

Net Cash Used in Investing Activities

In the first half of 2016, our net cash used in investing activities decreased by 13.1% year-on-year to RR 88,867 million from RR 102,288 million a year earlier, as in the previous year we repayed the final

tranche for the acquisition of Rosneft's 49% stake in OOO Yugragazpererabotka in the amount of RR 61,410 million (see Appendix II for further details), while in the first half of 2016 our payments for acquisition of subsidiaries totaled only RR 2,013 million (purchase of Tobolsk HPP and non-controlling interest in AO Polief). Additionally, in the first half of 2016 we placed RR 3,343 million as deposits versus RR 8,520 a year earlier. This was substantially offset by nearly threefold increase in our capital expenditures to RR 83,558 million in the first half of 2016 from RR 30,537 million a year earlier due to continued financing of ZapSibNeftekhim ("ZapSib").

Net Cash (Used in) / from Financing Activities

In the first half of 2016, our net cash used in financing activities amounted to RR 76,680 million compared to the net cash received from financing activities in the amount of RR 28,750 million in the first half of 2015. In the first half of 2016, our net cash used in financing activities primarily related to substantial net debt repayment and interests paid in the amount of RR 12,310 million, while in the first half of 2015 our net cash received from financing activities was attributable to new borrowings to fund the final tranche for the acquisition of a 49% stake in the OOO Yugragazpererabotka. We paid RR 7,058 and RR 9,629 million in dividends to the Group's shareholders in the first half of 2016 and 2015, respectively.

Capital Expenditures

In the first half of 2016, our capital expenditures⁽¹⁾ increased three times year-on-year to RR 83,558 million compared to RR 30,537 million in the first half of 2015 (net of VAT), as we continued expansive financing of ZapSibNeftekhim ("ZapSib") through the first half of 2016.

The following table presents data on our key ongoing investment projects for the six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>		Six months ended 30 June		
Location	Description	2016	2015	Completion
Tobolsk	ZapSibNeftekhim	73,475	12,916	2020
Tomsk	Expansion of PP and LDPE production	2,134	1,674	2016
Tobolsk	Second GFU expansion	1,411	1,058	2016

ZapSibNeftekhim ("ZapSib") 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 C₄ (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.

By the end of June 2016, SIBUR has completed major part of piling and finished preparation for delivery of heavy lift equipment. Construction works "above ground" (installation of concrete and metal structures) and underground piping for processing units started.

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

⁽¹⁾ The respective residual expenditures are calculated at the respective foreign exchange rates as of 31 December 2015.

- EUR 1,676 million; As of 30 June 2016, SIBUR had drawn down EUR 234 million from this credit facility;
- (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; the Company is in process of fulfilling the precedent conditions required for the first disbursement under facility;
 - (iii) in November 2015, RDIF⁽¹⁾ 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⁽²⁾ within RDIF's quota in NWF.

Borrowings

As of 30 June 2016, our total debt amounted to RR 367,984 million, a decrease of 19.5% from RR 457,149 million as of 31 December 2015. The decrease was attributable to the repayment of debt denominated primarily in foreign currencies, as well as to Russian rouble appreciation as RR/USD rate decreased by 11.8% to 64.2575 as of 30 June 2016 from 72.8827 as of 31 December 2015.

Our net debt⁽¹⁾ increased by 4.8% to RR 298,607 million as of 30 June 2016 from RR 285,066 million as of 31 December 2015, as we continued to utilise sources provided by the National Wealth Fund for the construction of ZapSibNeftekhim.

The following table presents data on our total debt, cash and cash equivalents and bank deposits, as well as net debt position as of 30 June 2016 and 31 December 2015:

<i>RR millions, except as stated</i>	As of 30 June 2016	As of 31 December 2015	Change, %
Total debt	367,984	457,149	(19.5%)
<i>Debt excluding related to ZapSibNeftekhim</i>	221,314	299,004	(26.0%)
<i>ZapSibNeftekhim related debt</i>	146,670	158,145	(7.3%)
Cash and cash equivalents	66,164	172,083	(61.6%)
Bank deposits	3,213	-	n/m
Net debt	298,607	285,066	4.8%
<i>Net debt excluding related to ZapSibNeftekhim</i>	215,392	247,131	(12.6%)
<i>ZapSibNeftekhim related net debt</i>	83,215	37,935	119.4%

As of 30 June 2016, all of our debt was unsecured.

⁽¹⁾ Russian Direct Investment Fund.

⁽²⁾ National Wealth Fund.

⁽¹⁾ Net debt is calculated as total debt less cash and cash equivalents and bank deposits.

The following table presents detailed information on our total borrowings as of 30 June 2016 and 31 December 2015:

<i>RR millions, except as stated</i>	Currency	Due	As of 30 June 2016	As of 31 December 2015
<u>Variable rate loans</u>				
National Wealth Fund financing	US dollar	2030	112,451	127,545
Vnesheconombank	USD	2013-2023	25,674	31,620
Deutsche Bank	EUR	2014-2029	20,188	13,492
Raiffeisen Bank	USD	2017	9,612	10,893
ING Bank Group	USD, EUR	2011-2021	6,421	14,151
Citibank	USD	2013-2023	2,332	2,840
PAO Sberbank of Russia	RR	2016-2021	855	29,816
UniCredit Bank	USD, EUR	2013-2019	804	1,029
Nordea Bank	USD	2015-2016	-	5,831
Rosbank	USD	2017	-	10,907
Promsvyazbank	USD	2017	-	18,205
<u>Fixed rate loans</u>				
Eurobonds	USD	2018	64,202	72,809
Gazprombank	RR	2020	35,000	32,000
PAO Sberbank of Russia	RR	2014-2019	26,803	50,659
UniCredit Bank	RR	2019	17,911	17,905
Alfa Bank	USD	2016	17,671	-
Russian Direct Investment Fund	US dollar	2018-2020	13,494	15,305
Russian rouble bonds	RR	2021	10,000	-
Russian Agricultural Bank	USD	2016	3,000	-
OOO NPP Neftekhimia	RR	2017	1,025	1,625
Gazprom Mezhrefiongaz	RR	2011-2017	513	482
Other	USD	2031	28	33
Total debt			367,984	457,149

SIBUR aims to maintain a diversified debt portfolio with a sound balance of fixed and floating interest rate instruments. As of 30 June 2016, our share of fixed rate borrowings decreased to 48.5% from 58.3% as of 31 December 2015. Our share of variable rate borrowings was 51.5% as of 30 June 2016 and 41.7% as of 31 December 2015. These changes were attributable to the repayment of foreign currency-denominated variable rate borrowings.

The following table presents scheduled maturities of our outstanding debt excluding related to ZapSibNeftekhim as of 30 June 2016 and 31 December 2015:

<i>RR millions, except as stated</i>	As of 30 June 2016	% of total borrowings	As of 31 December 2015	% of total borrowings	Change, %
Debt excl. related to ZapSibNeftekhim due for repayment:					
Within one year	42,096	19.0%	46,605	15.6%	(9.7%)
Between one and two years	69,725	31.5%	47,654	15.9%	46.3%
Between two and five years	101,085	45.7%	192,787	64.5%	(47.6%)
More than five years	8,408	3.8%	11,958	4.0%	(29.7%)
Total debt	221,314	100.0%	299,004	100.0%	(26.0%)

The share of long-term debt excluding related to ZapSibNeftekhim amounted to 81.0% as of 30 June 2016 and 84.4% as of 31 December 2015, while the portion of short-term debt amounted to 19.0% as of 30 June 2016 and 15.6% as of 31 December 2015.

The following table presents scheduled maturities of our outstanding debt related to ZapSibNeftekhim as of 30 June 2016 and 31 December 2015:

<i>RR millions, except as stated</i>	As of 30 June 2016	% of total borrowings	As of 31 December 2015	% of total borrowings	Change, %
Debt related to ZapSibNeftekhim due for repayment:					
Within one year	1,012	0.7%	1,140	0.7%	(11.2%)
Between one and two years	1,012	0.7%	1,140	0.7%	(11.2%)
Between two and five years	18,479	12.6%	19,500	12.3%	(5.2%)
Between five and ten years	8,343	5.7%	-	-	n/m
More than ten years	117,824	80.3%	136,366	86.2%	(13.6%)
Total debt	146,670	100.0%	158,145	100.0%	(7.3%)

Our debt related to ZapSibNeftekhim is almost fully represented by long-term debt, with 80.3% attributable to debt maturing after ten years.

The following table presents the currency split of our outstanding debt as of 30 June 2016 and 31 December 2015:

<i>RR millions, except as stated</i>	As of 30 June 2016	<i>% of total borrowings</i>	As of 31 December 2015	<i>% of total borrowings</i>	Change, %
Denominated in:					
Russian rouble	94,654	25.7%	131,097	28.7%	(27.8%)
Euro	24,909	6.8%	19,470	4.3%	27.9%
US Dollar	248,422	67.5%	306,582	67.0%	(19.0%)
Total debt	367,984	100.0%	457,149	100.0%	(19.5%)

As of 30 June 2016, the Russian rouble-denominated debt as a percentage of total borrowings amounted to 25.7% as compared to 28.7% as of 31 December 2015.

The following table presents our key liquidity and credit ratios as of 30 June 2016 and 31 December 2015:

	As of 30 June 2016	As of 31 December 2015
Current ratio	1.7x	2.7x
Debt / EBITDA	2.7x	3.4x
Net debt ⁽¹⁾ / EBITDA	2.2x	2.1x
<i>Net debt excluding related to ZapSibNeftekhim</i>	<i>1.6x</i>	<i>1.8x</i>
<i>ZapSibNeftekhim related net debt</i>	<i>0.6x</i>	<i>0.3x</i>
EBITDA / Interest ⁽²⁾	5x	9x

As of 30 June 2016, our net debt to EBITDA ratio was at 2.2x compared to 2.1x as of 31 December 2015. The EBITDA to interest⁽²⁾ ratio was at 5x as of 30 June 2016 compared to 9x as of 31 December 2015.

As of 30 June 2016, SIBUR had RR 239,511 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 154,588 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 and bank deposits.

⁽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 three and six months ended 30 June 2016 and 2015:

<i>RR millions, except as stated</i>	Three months ended 30 June					Six months ended 30 June				
	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %
LPG	17,183	18.1%	18,941	20.8%	(9.3%)	37,272	19.0%	39,234	21.6%	(5.0%)
<i>Domestic</i>	3,848	22.4%	3,906	20.6%	(1.5%)	7,984	21.4%	7,329	18.7%	8.9%
<i>Export</i>	13,335	77.6%	15,035	79.4%	(11.3%)	29,288	78.6%	31,904	81.3%	(8.2%)
Natural gas, domestic sales	10,822	11.4%	10,192	11.2%	6.2%	22,373	11.4%	20,109	11.1%	11.3%
Naphtha	6,522	6.9%	7,013	7.7%	(7.0%)	14,206	7.2%	15,070	8.3%	(5.7%)
<i>Domestic</i>	1,084	16.6%	1,016	14.5%	6.7%	2,188	15.4%	1,129	7.5%	93.8%
<i>Export</i>	5,439	83.4%	5,997	85.5%	(9.3%)	12,018	84.6%	13,941	92.5%	(13.8%)
MTBE	4,223	4.5%	5,043	5.5%	(16.3%)	9,923	5.1%	10,192	5.6%	(2.6%)
<i>Domestic</i>	3,320	78.6%	3,095	61.4%	7.3%	7,337	73.9%	8,243	80.9%	(11.0%)
<i>Export</i>	903	21.4%	1,948	38.6%	(53.7%)	2,586	26.1%	1,948	19.1%	32.7%
Raw NGL	1,381	1.5%	365	0.4%	278.5%	2,564	1.3%	902	0.5%	184.3%
<i>Domestic</i>	215	15.5%	194	53.2%	10.7%	707	27.6%	194	21.5%	264.4%
<i>Export</i>	1,166	84.5%	171	46.8%	582.8%	1,858	72.4%	708	78.5%	162.4%
Other fuels and fuel and additives	816	0.9%	1,032	1.1%	(21.0%)	1,680	0.9%	1,952	1.1%	(13.9%)
<i>Domestic</i>	320	39.2%	339	32.8%	(5.7%)	586	34.9%	623	31.9%	(5.8%)
<i>Export</i>	496	60.8%	694	67.2%	(28.5%)	1,093	65.1%	1,329	68.1%	(17.8%)
Energy products, total	40,947	43.2%	42,586	46.7%	(3.8%)	88,018	44.9%	87,459	48.2%	0.6%
<i>Domestic</i>	19,609	47.9%	18,741	44.0%	4.6%	41,174	46.8%	37,627	43.0%	9.4%
<i>Export</i>	21,339	52.1%	23,844	56.0%	(10.5%)	46,844	53.2%	49,831	57.0%	(6.0%)

⁽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 production, purchases and sales volumes of our energy products for the three and six months ended 30 June 2016 and 2015:

<i>Tonnes, except as stated</i>	Three months ended			Six months ended		
	30June		Change	30June		Change
	2016	2015	%	2016	2015	%
LPG						
Production ⁽¹⁾	1,397,515	1,583,945	(11.8%)	3,134,892	3,208,953	(2.3%)
Production, SIBUR's share	1,360,026	1,288,445	5.6%	2,801,903	2,617,953	7.0%
Purchases from third parties, including	47,776	128,674	(62.9%)	175,213	240,408	(27.1%)
<i>Purchases for resale</i>	41,358	112,585	(63.3%)	166,918	212,485	(21.4%)
Total production and purchases	1,407,801	1,417,119	(0.7%)	2,977,116	2,858,361	4.2%
(Internal use) ⁽²⁾	(110,159)	(123,357)	(10.7%)	(250,589)	(236,012)	6.2%
(Increase) / decrease in stock	(20,164)	37,664	n/m	13,839	60,028	(76.9%)
Gross sales, including	1,277,479	1,331,426	(4.1%)	2,740,367	2,682,377	2.2%
Intercompany sales to petrochemical business	234,723	319,591	(26.6%)	553,981	652,350	(15.1%)
External sales	1,042,756	1,011,835	3.1%	2,186,386	2,030,027	7.7%
<i>Domestic</i>	308,843	266,947	15.7%	626,226	518,721	20.7%
<i>Export</i>	733,913	744,887	(1.5%)	1,560,159	1,511,305	3.2%
Natural gas (thousands of cubic metres)						
Production ⁽³⁾	4,567,236	4,503,095	1.4%	9,464,480	8,907,047	6.3%
Production, SIBUR's share⁽⁴⁾	4,475,389	4,496,472	(0.5%)	9,276,914	8,884,131	4.4%
Purchases from third parties	3	363	(99.2%)	24	688	(96.5%)
Total production and purchases	4,475,392	4,496,835	(0.5%)	9,276,938	8,884,819	4.4%
(Internal use)	(182,873)	(150,937)	21.2%	(409,699)	(333,124)	23.0%
(Increase) / decrease in stock	0	-	n/m	0	0	n/m
External sales	4,292,519	4,345,898	(1.2%)	8,867,239	8,551,695	3.7%
<i>Domestic</i>	4,292,519	4,345,898	(1.2%)	8,867,239	8,551,695	3.7%
<i>Export</i>	-	-	n/m	-	-	n/m
Naphtha						
Production	316,751	360,016	(12.0%)	666,483	710,403	(6.2%)
Purchases from third parties, including	113,632	106,092	7.1%	261,643	187,035	39.9%
<i>Purchases for resale</i>	25,123	-	n/m	66,152	-	n/m
Total production and purchases	430,382	466,108	(7.7%)	928,125	897,438	3.4%
(Internal use) ⁽²⁾	(1,750)	(656)	166.6%	(3,410)	(2,233)	52.7%
(Increase) / decrease in stock	1,683	924	82.3%	3,582	31,317	(88.6%)
Gross sales, including	430,315	466,375	(7.7%)	928,298	926,523	0.2%
Intercompany sales to petrochemical business	163,579	197,342	(17.1%)	317,958	345,919	(8.1%)
External sales	266,736	269,034	(0.9%)	610,340	580,603	5.1%
<i>Domestic</i>	49,309	43,011	14.6%	102,953	48,035	114.3%
<i>Export</i>	217,428	226,023	(3.8%)	507,388	532,569	(4.7%)
MTBE						
Production	100,441	112,711	(10.9%)	239,902	224,387	6.9%
Purchases from third parties	-	-	n/m	-	-	n/m
Total production and purchases	100,441	112,711	(10.9%)	239,902	224,387	6.9%
(Internal use) ⁽²⁾	(174)	(142)	22.5%	(308)	(258)	19.4%
(Increase) / decrease in stock	811	(1,753)	n/m	(621)	(688)	(9.7%)
External sales	101,078	110,815	(8.8%)	238,973	223,442	7.0%
<i>Domestic</i>	77,822	67,779	14.8%	166,534	180,405	(7.7%)
<i>Export</i>	23,256	43,036	(46.0%)	72,439	43,036	68.3%

⁽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.

⁽⁴⁾ Excluding Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015.

<i>Tonnes, except as stated</i>	Three months ended		<i>Change</i> %	Six months ended		<i>Change</i> %
	30June			30June		
	2016	2015		2016	2015	
Raw NGL						
Production ⁽¹⁾	1,231,308	1,266,093	(2.7%)	2,561,130	2,548,157	0.5%
Production, SIBUR's share⁽²⁾	1,196,677	1,263,898	(5.3%)	2,488,620	2,540,268	(2.0%)
Purchases from third parties, including	797,785	579,485	37.7%	1,579,121	1,073,588	47.1%
<i>Purchases for resale</i>	-	-	<i>n/m</i>	-	-	<i>n/m</i>
Total production and purchases	1,994,462	1,843,383	8.2%	4,067,741	3,613,856	12.6%
(Fractionation) ⁽³⁾	(1,616,383)	(1,896,262)	(14.8%)	(3,632,228)	(3,780,341)	(3.9%)
(Fractionation, SIBUR's share)	(1,578,323)	(1,596,262)	(1.1%)	(3,294,168)	(3,180,341)	3.6%
(Increase) / decrease in stock	(27,469)	(19,083)	43.9%	7,392	19,687	(62.5%)
Gross sales, including	388,670	228,038	70.4%	780,965	453,202	72.3%
Intercompany sales to petrochemical business	282,064	205,453	37.3%	583,621	403,278	44.7%
External sales	106,606	22,584	372.0%	197,344	49,924	295.3%
<i>Domestic</i>	<i>23,994</i>	<i>13,752</i>	<i>74.5%</i>	<i>70,050</i>	<i>13,752</i>	<i>409.4%</i>
<i>Export</i>	<i>82,611</i>	<i>8,833</i>	<i>835.3%</i>	<i>127,294</i>	<i>36,171</i>	<i>251.9%</i>
Other fuels and fuel additives						
Production	49,538	55,744	(11.1%)	108,050	112,618	(4.1%)
Purchases from third parties	314	489	(35.8%)	568	636	(10.8%)
Total production and purchases	49,851	56,233	(11.3%)	108,617	113,254	(4.1%)
(Internal use) ⁽⁴⁾	(13,149)	(19,467)	(32.5%)	(32,135)	(38,530)	(16.6%)
(Increase) / decrease in stock	(744)	2,445	<i>n/m</i>	872	425	105.0%
External sales	35,959	39,211	(8.3%)	77,355	75,064	3.1%
<i>Domestic</i>	<i>18,256</i>	<i>17,280</i>	<i>5.6%</i>	<i>34,551</i>	<i>32,426</i>	<i>6.6%</i>
<i>Export</i>	<i>17,702</i>	<i>21,930</i>	<i>(19.3%)</i>	<i>42,804</i>	<i>42,638</i>	<i>0.4%</i>

⁽¹⁾ Including Gazprom Neft's share in production volumes of Yuzhno-Priobskiy GPP.

⁽²⁾ Excluding Gazprom Neft's share in production volumes of Yuzhno-Priobskiy GPP.

⁽³⁾ Including fractionation volumes under processing arrangements.

⁽⁴⁾ Including internal use at the segment's production facilities and immaterial natural losses.

Plastics and Organic Synthesis Products

The following table presents a breakdown of revenue from sales of our plastics and organic synthesis products for the three and six months ended 30 June 2016 and 2015:

RR millions, except as stated	Three months ended 30 June					Six months ended 30 June				
	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %
PET	4,910	5.2%	5,198	5.7%	(5.5%)	9,919	5.1%	9,886	5.4%	0.3%
Domestic	4,800	97.8%	5,161	99.3%	(7.0%)	9,692	97.7%	9,809	99.2%	(1.2%)
Export	110	2.2%	37	0.7%	n/m	227	2.3%	77	0.8%	n/m
BOPP-films	4,814	5.1%	4,256	4.7%	13.1%	9,356	4.8%	7,781	4.3%	20.2%
Domestic	3,344	69.5%	2,906	68.3%	15.1%	6,259	66.9%	5,193	66.7%	20.5%
Export	1,470	30.5%	1,350	31.7%	8.8%	3,097	33.1%	2,588	33.3%	19.7%
Glycols	2,919	3.1%	2,369	2.6%	23.2%	5,118	2.6%	4,444	2.4%	15.2%
Domestic	1,346	46.1%	1,141	48.2%	17.9%	2,560	50.0%	1,960	44.1%	30.6%
Export	1,573	53.9%	1,228	51.8%	28.1%	2,558	50.0%	2,484	55.9%	3.0%
Expandable polystyrene	2,317	2.4%	2,084	2.3%	11.2%	4,105	2.1%	3,610	2.0%	13.7%
Domestic	1,656	71.5%	1,570	75.3%	5.5%	2,890	70.4%	2,808	77.8%	2.9%
Export	661	28.5%	514	24.7%	28.7%	1,214	29.6%	802	22.2%	51.5%
Alcohols	1,394	1.5%	1,708	1.9%	(18.4%)	2,786	1.4%	3,454	1.9%	(19.3%)
Domestic	768	55.1%	967	56.6%	(20.5%)	1,517	54.5%	1,514	43.8%	0.2%
Export	626	44.9%	742	43.4%	(15.6%)	1,269	45.5%	1,940	56.2%	(34.6%)
Acrylates	1,064	1.1%	848	0.9%	25.4%	2,023	1.0%	1,854	1.0%	9.2%
Domestic	789	74.2%	561	66.2%	40.6%	1,353	66.9%	1,042	56.2%	29.8%
Export	274	25.8%	287	33.8%	(4.4%)	670	33.1%	811	43.8%	(17.4%)
Plastics and organic synthesis products, total	17,417	18.4%	16,464	18.0%	5.8%	33,307	17.0%	31,027	17.1%	7.3%
Domestic	12,703	72.9%	12,306	74.7%	3.2%	24,272	72.9%	22,326	72.0%	8.7%
Export	4,714	27.1%	4,157	25.3%	13.4%	9,035	27.1%	8,701	28.0%	3.8%

⁽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.

The following table presents data on our production, purchases and sales volumes in plastics and organic synthesis products for the three and six months ended 30 June 2016 and 2015:

<i>Tonnes, except as stated</i>	Three months ended			Six months ended		
	30 June		<i>Change %</i>	30 June		<i>Change %</i>
	2016	2015		2016	2015	
Production	269,180	263,942	2.0%	543,666	523,847	3.8%
PET	72,249	75,303	(4.1%)	147,813	149,791	(1.3%)
BOPP-films	39,618	36,603	8.2%	78,612	72,845	7.9%
Glycols	80,376	73,432	9.5%	158,335	144,448	9.6%
Expandable polystyrene	25,632	24,794	3.4%	51,033	49,973	2.1%
Alcohols	40,308	43,547	(7.4%)	83,806	85,910	(2.4%)
Acrylates	10,998	10,264	7.2%	24,067	20,881	15.3%
Purchases from third parties	1,398	1,091	28.1%	5,000	2,511	99.2%
Total production and purchases	270,579	265,033	2.1%	548,666	526,358	4.2%
(Internal use)	(31,859)	(31,006)	2.8%	(64,480)	(61,024)	5.7%
(Increase)/decrease in stock	11,454	15,516	(26.2%)	(5,432)	7,235	n/m
External sales						
PET	72,860	83,663	(12.9%)	147,388	158,226	(6.8%)
<i>Domestic</i>	71,208	83,088	(14.3%)	144,050	157,037	(8.3%)
<i>Export</i>	1,652	574	n/m	3,338	1,189	n/m
BOPP-films	39,636	39,667	(0.1%)	78,394	72,314	8.4%
<i>Domestic</i>	26,038	24,751	5.2%	50,497	45,220	11.7%
<i>Export</i>	13,598	14,916	(8.8%)	27,898	27,094	3.0%
Glycols	61,405	51,007	20.4%	106,225	95,900	10.8%
<i>Domestic</i>	28,147	25,224	11.6%	51,957	43,949	18.2%
<i>Export</i>	33,258	25,783	29.0%	54,268	51,951	4.5%
Expandable polystyrene	26,463	24,934	6.1%	47,541	43,695	8.8%
<i>Domestic</i>	18,976	19,009	(0.2%)	33,637	34,437	(2.3%)
<i>Export</i>	7,487	5,924	26.4%	13,904	9,258	50.2%
Alcohols	35,624	38,652	(7.8%)	71,438	77,426	(7.7%)
<i>Domestic</i>	20,079	22,353	(10.2%)	39,269	36,623	7.2%
<i>Export</i>	15,545	16,299	(4.6%)	32,169	40,803	(21.2%)
Acrylates	14,185	11,621	22.1%	27,767	25,006	11.0%
<i>Domestic</i>	10,228	7,384	38.5%	17,399	13,186	31.9%
<i>Export</i>	3,958	4,237	(6.6%)	10,368	11,820	(12.3%)
External sales	250,174	249,543	0.3%	478,754	472,569	1.3%
<i>Domestic</i>	174,676	181,810	(3.9%)	336,809	330,454	1.9%
<i>Export</i>	75,498	67,733	11.5%	141,945	142,115	(0.1%)

Basic Polymers

The following table presents data on our revenue from basic polymer sales for the three and six months ended 30 June 2016 and 2015:

RR millions, except as stated	Three months ended 30 June					Six months ended 30 June				
	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %
PP	9,111	9.6%	8,392	9.2%	8.6%	18,968	9.7%	16,252	9.0%	16.7%
Domestic	5,639	61.9%	4,906	58.5%	15.0%	11,127	58.7%	8,838	54.4%	25.9%
Export	3,472	38.1%	3,486	41.5%	(0.4%)	7,842	41.3%	7,413	45.6%	5.8%
PE (LDPE)	4,343	4.6%	4,963	5.4%	(12.5%)	10,118	5.2%	9,228	5.1%	9.6%
Domestic	4,036	92.9%	3,340	67.3%	20.9%	8,098	80.0%	5,706	61.8%	41.9%
Export	307	7.1%	1,624	32.7%	(81.1%)	2,019	20.0%	3,522	38.2%	(42.7%)
Basic polymers, total	13,454	14.2%	13,355	14.6%	0.7%	29,086	14.8%	25,480	14.0%	14.2%
Domestic	9,676	71.9%	8,245	61.7%	17.3%	19,225	66.1%	14,545	57.1%	32.2%
Export	3,778	28.1%	5,110	38.3%	(26.1%)	9,861	33.9%	10,935	42.9%	(9.8%)

The following table presents data on our basic polymer production, purchases and sales volumes for the three and six months ended 30 June 2016 and 2015:

Tonnes, except as stated	Three months ended 30 June			Change %	Six months ended 30 June		Change %
	2016	2015	2016		2015		
Production	196,590	201,020	(2.2%)	427,040	416,403	2.6%	
PP	135,994	136,339	(0.3%)	301,262	285,193	5.6%	
PE (LDPE)	60,596	64,681	(6.3%)	125,778	131,210	(4.1%)	
Purchases from third parties	33,207	29,545	12.4%	66,585	60,569	9.9%	
Total production and purchases	229,798	230,566	(0.3%)	493,625	476,972	3.5%	
(Internal use) ⁽²⁾	(46,417)	(43,618)	6.4%	(88,385)	(83,900)	5.3%	
(Increase)/decrease in stock	(13,566)	4,094	n/m	(33,467)	(17,576)	90.4%	
External sales							
PP	122,581	123,596	(0.8%)	258,198	244,525	5.6%	
Domestic	72,708	71,821	1.2%	144,721	131,434	10.1%	
Export	49,872	51,774	(3.7%)	113,477	113,091	0.3%	
PE (LDPE)	47,234	67,446	(30.0%)	113,574	130,972	(13.3%)	
Domestic	43,869	45,194	(2.9%)	91,200	80,929	12.7%	
Export	3,365	22,252	(84.9%)	22,374	50,042	(55.3%)	
External sales	169,814	191,042	(11.1%)	371,772	375,496	(1.0%)	
Domestic	116,577	117,016	(0.4%)	235,921	212,363	11.1%	
Export	53,237	74,026	(28.1%)	135,851	163,133	(16.7%)	

⁽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 three and six months ended 30 June 2016 and 2015:

RR millions, except as stated	Three months ended 30 June					Six months ended 30 June				
	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %
Commodity rubbers	6,042	6.4%	4,554	5.0%	32.7%	11,663	5.9%	10,159	5.6%	14.8%
Domestic	2,282	37.8%	1,521	33.4%	50.0%	4,281	36.7%	3,547	34.9%	20.7%
Export	3,761	62.2%	3,033	66.6%	24.0%	7,382	63.3%	6,611	65.1%	11.7%
Specialty rubbers	2,194	2.3%	1,992	2.2%	10.2%	4,356	2.2%	4,599	2.5%	(5.3%)
Domestic	318	14.5%	149	7.5%	113.9%	577	13.2%	507	11.0%	13.8%
Export	1,876	85.5%	1,843	92.5%	1.8%	3,779	86.8%	4,093	89.0%	(7.7%)
Thermoplastic elastomers	1,851	2.0%	1,589	1.7%	16.5%	3,675	1.9%	2,668	1.5%	37.8%
Domestic	564	30.5%	748	47.1%	(24.5%)	1,502	40.9%	1,351	50.6%	11.2%
Export	1,287	69.5%	841	52.9%	53.0%	2,173	59.1%	1,317	49.4%	65.0%
Synthetic rubbers, total	10,088	10.6%	8,135	8.9%	24.0%	19,694	10.0%	17,426	9.6%	13.0%
Domestic	3,164	31.4%	2,418	29.7%	30.9%	6,360	32.3%	5,405	31.0%	17.7%
Export	6,924	68.6%	5,717	70.3%	21.1%	13,334	67.7%	12,021	69.0%	10.9%

The following table presents data on our synthetic rubber production, purchases and sales volumes for the three and six months ended 30 June 2016 and 2015:

Tonnes, except as stated	Three months ended 30 June			Change %	Six months ended 30 June		Change %
	2016	2015			2016	2015	
Production	97,855	117,517	(16.7%)	218,389	221,405	(1.4%)	
Commodity rubbers	60,771	74,262	(18.2%)	133,147	141,788	(6.1%)	
Specialty rubbers	22,373	26,410	(15.3%)	49,343	50,645	(2.6%)	
Thermoplastic elastomers	14,710	16,844	(12.7%)	35,899	28,971	23.9%	
Purchases from third parties	690	2	n/m	710	2	n/m	
Total production and purchases	98,545	117,519	(16.1%)	219,099	221,407	(1.0%)	
(Internal use) ⁽²⁾	(425)	(227)	87.4%	(611)	(295)	106.7%	
(Increase)/decrease in stock	17,490	(10,170)	n/m	10,154	(8,635)	n/m	
External sales							
Commodity rubbers	74,704	64,553	15.7%	144,193	132,460	8.9%	
Domestic	27,418	20,880	31.3%	51,576	46,425	11.1%	
Export	47,286	43,673	8.3%	92,618	86,035	7.7%	
Specialty rubbers	23,014	23,670	(2.8%)	48,406	49,688	(2.6%)	
Domestic	2,932	1,588	84.7%	5,328	4,885	9.1%	
Export	20,082	22,082	(9.1%)	43,078	44,803	(3.8%)	
Thermoplastic elastomers	17,891	18,899	(5.3%)	36,043	30,329	18.8%	
Domestic	4,828	7,794	(38.1%)	13,996	13,834	1.2%	
Export	13,063	11,104	17.6%	22,047	16,494	33.7%	
External sales	115,609	107,122	7.9%	228,642	212,476	7.6%	
Domestic	35,178	30,262	16.2%	70,900	65,144	8.8%	
Export	80,431	76,860	4.6%	157,742	147,332	7.1%	

⁽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 three and six months ended 30 June 2016 and 2015:

RR millions, except as stated	Three months ended 30 June					Six months ended 30 June				
	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %	2016	% of revenue ⁽¹⁾	2015	% of revenue ⁽¹⁾	Change %
Ethylene	1,295	1.4%	779	0.9%	66.3%	2,565	1.3%	1,763	1.0%	45.6%
Domestic	1,295	100.0%	779	100.0%	66.3%	2,565	100.0%	1,763	100.0%	45.6%
Export	-	-	-	-	n/m	-	-	-	-	n/m
Ethylene oxide	1,217	1.3%	1,043	1.1%	16.7%	2,381	1.2%	1,960	1.1%	21.5%
Domestic	969	79.6%	854	81.9%	13.5%	1,837	77.1%	1,579	80.6%	16.3%
Export	248	20.4%	189	18.1%	31.1%	544	22.9%	381	19.4%	42.9%
Styrene	1,288	1.4%	859	0.9%	49.9%	2,362	1.2%	1,553	0.9%	52.1%
Domestic	997	77.4%	786	91.4%	26.8%	1,489	63.1%	1,374	88.5%	8.4%
Export	291	22.6%	74	8.6%	296.4%	872	36.9%	179	11.5%	387.6%
Benzene	541	0.6%	592	0.6%	(8.7%)	1,249	0.6%	1,018	0.6%	22.7%
Domestic	541	100.0%	592	100.0%	(8.7%)	1,249	100.0%	1,018	100.0%	22.7%
Export	-	-	-	-	n/m	-	-	-	-	n/m
Propylene	491	0.5%	1,246	1.4%	(60.6%)	1,161	0.6%	2,104	1.2%	(44.8%)
Domestic	93	19.0%	381	30.6%	(75.5%)	142	12.3%	465	22.1%	(69.4%)
Export	398	81.0%	865	69.4%	(54.0%)	1,018	87.7%	1,639	77.9%	(37.9%)
Isoprene	88	0.1%	177	0.2%	(50.1%)	257	0.1%	274	0.2%	(6.2%)
Domestic	8	8.9%	3	1.8%	142.2%	14	5.3%	11	3.9%	28.7%
Export	81	91.1%	174	98.2%	(53.6%)	243	94.7%	263	96.1%	(7.6%)
Terephthalic acid	45	0.0%	87	0.1%	(48.0%)	227	0.1%	222	0.1%	2.1%
Domestic	24	53.1%	29	34.0%	(18.8%)	204	89.8%	165	74.2%	23.4%
Export	21	46.9%	57	66.0%	(63.0%)	23	10.2%	57	25.8%	(59.5%)
Isobutylene	72	0.1%	136	0.1%	(46.8%)	212	0.1%	284	0.2%	(25.3%)
Domestic	72	100.0%	136	100.0%	(46.8%)	212	100.0%	284	100.0%	(25.3%)
Export	-	-	-	-	n/m	-	-	-	-	n/m
Butadiene	42	0.0%	27	0.0%	58.0%	114	0.1%	41	0.0%	178.2%
Domestic	42	100.0%	27	100.0%	58.0%	114	100.0%	41	100.0%	178.2%
Export	-	-	-	-	n/m	-	-	-	-	n/m
Other intermediates	368	0.4%	467	0.5%	(21.3%)	871	0.4%	865	0.5%	0.6%
Domestic	325	88.3%	277	59.4%	17.0%	730	83.8%	547	63.2%	33.6%
Export	43	11.7%	190	40.6%	(77.3%)	141	16.2%	319	36.8%	(55.9%)
Total intermediates	5,448	5.8%	5,412	5.9%	0.7%	11,399	5.8%	10,084	5.6%	13.0%
Domestic	4,366	80.1%	3,864	71.4%	13.0%	8,557	75.1%	7,246	71.9%	18.1%
Export	1,082	19.9%	1,548	28.6%	(30.1%)	2,842	24.9%	2,838	28.1%	0.1%
Other chemicals	1,538	1.6%	1,451	1.6%	6.0%	3,066	1.6%	2,824	1.6%	8.6%
Domestic	1,420	92.3%	1,346	92.8%	5.5%	2,851	93.0%	2,623	92.9%	8.7%
Export	119	7.7%	105	7.2%	13.0%	214	7.0%	201	7.1%	6.7%
Intermediate and other chemicals, total	6,986	7.4%	6,863	7.5%	1.8%	14,465	7.4%	12,908	7.1%	12.1%
Domestic	5,786	82.8%	5,210	75.9%	11.1%	11,408	78.9%	9,869	76.5%	15.6%
Export	1,200	17.2%	1,653	24.1%	(27.4%)	3,057	21.1%	3,039	23.5%	0.6%

⁽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 three and six months ended 30 June 2016 and 2015:

Tonnes, except as stated	Three months ended			Six months ended		
	30 June		Change %	30 June		Change %
	2016	2015		2016	2015	
Production	1,205,664	1,254,560	(3.9%)	2,572,247	2,467,436	4.2%
Intermediates, including	988,107	1,040,870	(5.1%)	2,120,242	2,053,875	3.2%
Benzene	38,898	38,053	2.2%	80,994	74,894	8.1%
Styrene	48,921	47,073	3.9%	99,456	90,824	9.5%
Terephthalic acid	66,147	64,378	2.7%	134,331	132,014	1.8%
Propylene	187,496	202,298	(7.3%)	412,994	407,615	1.3%
Ethylene oxide	79,136	74,740	5.9%	156,248	145,794	7.2%
Butadiene	56,908	63,485	(10.4%)	123,500	121,280	1.8%
Isoprene	17,423	19,229	(9.4%)	34,935	38,521	(9.3%)
Isobutylene	33,454	41,392	(19.2%)	79,885	80,544	(0.8%)
Ethylene	174,907	170,440	2.6%	357,378	332,476	7.5%
Other intermediates	284,816	319,782	(10.9%)	640,521	629,913	1.7%
Other chemicals	217,558	213,690	1.8%	452,005	413,561	9.1%
Purchases from third parties	471	938	(49.8%)	3,139	2,049	53.2%
Total production and purchases	1,206,135	1,255,497	(3.9%)	2,575,386	2,469,485	4.3%
(Internal use)	(1,056,006)	(1,108,910)	(4.8%)	(2,255,713)	(2,188,321)	3.1%
(Increase)/decrease in stock	(3,292)	1,038	n/m	(6,549)	(62)	n/m
External sales						
Benzene	12,256	15,451	(20.7%)	30,530	28,145	8.5%
Domestic	12,256	15,451	(20.7%)	30,530	28,145	8.5%
Export	-	-	n/m	-	-	n/m
Styrene	17,899	12,258	46.0%	35,126	24,318	44.4%
Domestic	13,933	11,326	23.0%	21,725	21,605	0.6%
Export	3,966	932	325.5%	13,402	2,713	394.0%
Terephthalic acid	1,327	2,107	(37.0%)	5,614	5,441	3.2%
Domestic	828	711	16.5%	5,075	4,045	25.5%
Export	499	1,397	(64.3%)	539	1,397	(61.4%)
Propylene	15,066	28,330	(46.8%)	34,775	48,862	(28.8%)
Domestic	3,915	10,674	(63.3%)	5,884	13,049	(54.9%)
Export	11,152	17,656	(36.8%)	28,891	35,814	(19.3%)
Ethylene oxide	21,223	21,704	(2.2%)	41,219	41,482	(0.6%)
Domestic	17,224	18,052	(4.6%)	32,716	34,134	(4.2%)
Export	3,999	3,652	9.5%	8,503	7,348	15.7%
Butadiene	782	556	40.7%	2,432	803	202.8%
Domestic	782	556	40.7%	2,432	803	202.8%
Export	-	-	n/m	-	-	n/m
Isoprene	903	1,849	(51.2%)	2,514	2,755	(8.7%)
Domestic	81	37	119.3%	137	121	13.5%
Export	822	1,812	(54.6%)	2,377	2,634	(9.8%)
Isobutylene	921	1,976	(53.4%)	2,904	3,932	(26.1%)
Domestic	921	1,976	(53.4%)	2,904	3,932	(26.1%)
Export	-	-	n/m	-	-	n/m
Ethylene	37,483	24,625	52.2%	74,428	50,858	46.3%
Domestic	37,483	24,625	52.2%	74,428	50,858	46.3%
Export	-	-	n/m	-	-	n/m
Other intermediates	21,896	20,450	7.1%	51,374	37,008	38.8%
Domestic	19,586	12,703	54.2%	42,710	24,168	76.7%
Export	2,309	7,747	(70.2%)	8,664	12,840	(32.5%)
Total intermediates	129,755	129,307	0.3%	280,916	243,604	15.3%
Domestic	107,009	96,111	11.3%	218,541	180,859	20.8%
Export	22,746	33,195	(31.5%)	62,376	62,745	(0.6%)
Other chemicals	17,082	18,319	(7.0%)	32,208	37,497	(14.1%)
Domestic	14,514	15,658	(7.3%)	27,157	32,483	(16.4%)
Export	2,568	2,661	(3.5%)	5,050	5,014	0.7%
External sales	146,837	147,625	(0.5%)	313,124	281,101	11.4%
Domestic	121,523	111,769	8.7%	245,698	213,342	15.2%
Export	25,315	35,856	(29.4%)	67,426	67,759	(0.5%)

DESCRIPTION OF SELECTED OPERATIONAL AND FINANCIAL ITEMS

Revenue

Revenue, unless otherwise stated, represents revenue from sales to third parties, which excludes any inter-segment transfers. It is reported net of VAT, excise taxes and export duties and includes transportation costs incurred in relation to the delivery of respective refined products to the customers.

Operating Expenses

Feedstock and materials. Feedstock and materials include purchases from third-party suppliers of various types of feedstock and intermediates, which are used for further processing into higher value-added products, and materials. Our key raw materials are represented by hydrocarbon feedstock, such as APG and NGLs, which comprise raw NGL, LPG and naphtha, as well as paraxylene, which is used in the production of terephthalic acid (PTA) and polypropylene, which is used in the production of BOPP-films. We also purchase other feedstock and materials. Other feedstock includes methanol, which is used in the production of MTBE and certain intermediate chemicals such as butadiene, benzene and others. We purchase intermediates in addition to our own production of intermediates primarily for further processing into higher value-added petrochemical products. Materials primarily include supplementary raw materials, spare parts, materials for auxiliary workshops and other operating supplies. Amounts of recoverable excise are included into feedstock & materials item.

Transportation and logistics. Transportation and logistics comprise expenses related to transportation of feedstock, materials and refined products by railway, via pipelines that are not owned and operated by SIBUR, by trucks and marine vessels, as well as through multimodal transportation operators. These costs also include transshipment and storage services, as well as charges for rail cars/tankers used by SIBUR under short-term transportation contracts. Transportation and logistics costs are related to third-party services and exclude expenses associated with ZAO Sibur-Trans (the Group's subsidiary) activities and maintenance of our own gas and product pipelines.

Rent expenses. Rent expenses primarily represent rental of rolling stock for transportation of raw NGL and LPG, as we rent specialised rail cars and tank wagons, as well as general purpose rail cars. Rent expenses also include lease payments for land plots on which our facilities are located.

Goods for resale. Goods for resale include purchases of products from third parties for further resale externally, including refined products and intermediates.

Energy and utilities. Energy and utilities costs primarily comprise expenses associated with purchases of electric power, heat and fuel from third-party suppliers.

Staff costs. Staff costs comprise primarily salaries, bonuses and other personnel incentives, severance payments, pension expenses and related social taxes.

Depreciation and amortisation. Depreciation comprises depreciation of property, plant and equipment calculated on a straight-line basis to allocate the cost of property, plant and equipment to their respective residual values over their respective estimated useful lives (except for depreciation of catalysts, which are depreciated using the unit-of-production method). Amortisation comprises amortisation of intangible assets calculated using a straight-line method to allocate the cost of relevant intangible assets over their estimated useful lives.

Repairs and maintenance. Repairs and maintenance comprise services for repairs and maintenance of the Group's production facilities provided by third parties. These expenses include inter alia expenses incurred in relation to implementation of one-off targeted programmes.

Processing services of third parties. Processing services represent services we obtain from other manufacturers, including our non-consolidated joint ventures, to process our feedstock / intermediates

into higher value-added products. Our decision to use such services depends on existing agreements, market trends, logistical issues and shortages of our own capacity.

Services provided by third parties. Services provided by third parties comprise services related to environmental and industrial safety, R&D, design and engineering, security expenses as well as legal, audit, consulting services, etc.

Taxes other than income tax. Taxes other than income tax primarily include land tax and property tax.

Charity and sponsorship. SIBUR places a very high degree of importance on social responsibility. As a major investor in the economic development of the regions where we operate, we have signed mutually beneficial agreements with a number of regional authorities, including agreements on social-economic cooperation. As part of our social initiatives, we implement a range of humanitarian projects and programmes in several regions, including Western Siberia, the Nizhny Novgorod regions and other areas, where we are implementing our strategic investment projects. This includes investments in regional infrastructure, improvement of people's life quality, ecological initiatives, support of sports organisations, promotion of child and youth sports, etc. We also actively promote Russia's chemical science and professional education in cooperation with leading chemical institutions, universities and schools.

Marketing and advertising. Marketing and advertising costs are associated with the promotion of SIBUR's corporate brand and are aimed at enhancing SIBUR's profile among our customers, suppliers, partners and general public. The majority of our marketing and advertising expenses relate to corporate sponsorships of leading Russian and regional football, hockey, basketball and volleyball teams in different regions of Russia, including Tyumen, Nizhny Novgorod, which positions us as an active promoter of Russian sports both nationally and in the regions where we operate.

Additionally, marketing and advertising costs include promotion of SIBUR's corporate brand and selected products at industrial exhibitions, conferences and forums, as well as via TV, print media and the Internet.

Change in work-in-progress and refined products balances. The change in work-in-progress and refined product balances represents an adjustment to expenses associated with the production of refined products to reflect changes in inventory balances of such products. When inventory balances of refined products increase at the end of a reporting period compared to the beginning of the respective period, operating expenses are reduced by an amount, which represents the cost of production of such refined products incurred in the reporting period, while revenue from sale of these products will be recognised in the future. When inventory balances of refined products decrease at the end of a reporting period compared to the beginning of the respective period, operating expenses are increased by an amount, which represents the cost of production of such refined products incurred in the preceding periods, while revenue from the sale of these products is recognised in the reporting period.

Our volumes of refined product balances fluctuate from period to period depending on market conditions, changes in marketing and distribution strategy, as well as logistical constraints. They also tend to increase in the periods of completion of our major investment projects, which may trigger substantial inventory accumulation.

Equity-settled share-based payment plans represent respective grants to certain current and former directors and members of the key management of the Group. In accordance with IFRS 2 "Share-based Payment", the Group has to recognise current and past service costs associated with the plans as operating expenses in the statement of profit or loss, and also record the corresponding amounts as an increase in equity in the statement of changes in equity and the statement of financial position. See Appendix III for further details.

Net operating expenses represent total operating expenses less operating expenses related to equity-settled share-based payment plans.

Operating Profit

Operating profit represents revenue less operating expenses.

EBITDA

EBITDA represents profit / loss for the reporting period adjusted for income tax expense, finance income and expenses, share of net income / loss of joint ventures, depreciation and amortisation, impairment of property, plant and equipment, gain / loss on disposal of investments and exceptional items.

Finance Income and Expenses

Finance income includes primarily interest income on bank deposits and loans issued and foreign exchange gains. Finance expenses include primarily interest expense on debt, bank charges and foreign exchange losses.

Share of Net Income / (Loss) of Joint Ventures

Share of net income / loss of joint ventures represents our share of post-acquisition profit or loss of joint ventures as recognised under equity accounting method.

Income Tax Expense

We do not pay corporate income tax on a consolidated basis since, for taxation purposes, the members of the Group are assessed individually. The statutory corporate income tax rate in Russia was set at 20% for the periods under review. The difference between our effective and statutory tax rates is typically attributable to certain non-deductible expenses and (or) non-taxable income as well as tax benefits that we may obtain in certain regions where we operate.

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 30 June 2016, 31 December 2015 and 30 June 2015:

<i>RR millions, except as stated</i>	As of 30 June 2016	As of 31 December 2015	As of 30 June 2015
Current assets	159,443	262,566	98,680
Current liabilities	(96,379)	(98,114)	(142,636)
Working capital	63,064	164,452	(43,956)
Adjustments to assets, including:	(75,499)	(178,790)	(21,453)
Loans receivable	(1,919)	(4,101)	(4,007)
Cash and cash equivalents	(66,164)	(172,083)	(9,897)
Bank deposits	(3,213)	-	(8,967)
Prepaid borrowing cost	(4,203)	(2,610)	1,411
Recoverable VAT related to assets under construction ⁽¹⁾	-	4	7
Adjustments to liabilities, including:	56,268	63,288	105,670
Accounts payable to contractors and suppliers of property, plant and equipment	9,446	8,029	7,786
Payables for acquisition of subsidiaries and joint ventures	1,651	3,038	2,986
Interest payable	2,063	2,288	1,564
Derivative financial instruments	-	2,188	351
Short-term debt and current portion of long-term borrowings	43,108	47,745	92,983
Adjusted working capital	43,833	48,950	40,261
Revenue for the period then ended	196,124	379,852	181,379
Working capital turnover, days	40.5	47.0	40.2

⁽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.

The following table presents calculation of the post-tax gain recognised on deconsolidation of OOO Yugragazpererabotka in the first half of 2013:

Income from derecognition of RN Holding's share previously recognised as long-term debt	4,949 ⁽¹⁾
Share of net assets recognised as investment in joint ventures (based on net assets of RR 5,176 million and a 51% ownership)	2,640
Total income from deconsolidation of a subsidiary	7,589
Less: Net assets deconsolidated	(5,176)
Post-tax gain on deconsolidation of a subsidiary	2,413

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

⁽¹⁾ Includes principal amounts of debt owed by SIBUR to RN Holding and accrued interest. Excludes debt owed by OOO Yugragazpererabotka to RN Holding.

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 related to the supply contracts	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 was 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.