**OAO SIBUR Holding**

**International Financial Reporting Standards**
**Consolidated Interim Condensed**
**Financial Information (unaudited)**

**As of and for the three and six months ended 30 June 2014**

***Report on Review of Interim Financial Information***

To the Shareholders and Board of Directors of OAO SIBUR Holding

**Introduction**

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO SIBUR Holding and its subsidiaries (the "Group") as of 30 June 2013 and the related consolidated interim condensed statements of profit and loss, comprehensive income, changes in equity and cash flows for the three and six months then ended. Management is responsible for the preparation and presentation of this consolidated interim condensed financial information set out on pages 2 to 34 in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

15 September 2014
Moscow, Russian Federation

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**(In millions of Russian roubles, unless otherwise stated)**

| Notes | | 30 June 2014 | 31 December 2013 |
|---|---|---|---|
| | **Assets** | | |
| | **Non-current assets** | | |
| 5 | Property, plant and equipment | 298,651 | 282,198 |
| 3, 6 | Goodwill | 11,959 | 9,480 |
| 6 | Intangible assets excluding goodwill | 119,577 | 4,553 |
| 7 | Investments in joint ventures and associates | 29,408 | 27,521 |
| 11 | Other non-current assets | 2,197 | 1,598 |
| | Deferred income tax assets | 6,969 | 7,956 |
| 8 | Advances and prepayments for capital construction | 11,655 | 11,126 |
| 10 | Trade and other receivables | 424 | 455 |
| | **Total non-current assets** | **480,840** | **344,887** |
| | **Current assets** | | |
| 12 | Inventories | 26,662 | 24,440 |
| | Prepaid current income tax | 6,845 | 4,011 |
| 9 | Loans receivable | 1,380 | 1,735 |
| 10 | Trade and other receivables | 16,133 | 14,561 |
| 13 | Prepayments and other current assets | 15,063 | 14,743 |
| 14 | Restricted cash | 834 | 1,106 |
| 14 | Cash and cash equivalents | 14,781 | 7,948 |
| | **Total current assets** | **81,698** | **68,544** |
| 4 | Assets classified as held for sale | 30,570 | 5,885 |
| | **Total assets** | **593,108** | **419,316** |
| | | | |
| | **Equity and liabilities** | | |
| | **Non-current liabilities** | | |
| 15 | Long-term debt | 80,677 | 57,731 |
| 16 | Grants and subsidies | 39,425 | 34,966 |
| 17 | Other non-current liabilities | 4,693 | 4,379 |
| | Deferred income tax liabilities | 30,102 | 5,606 |
| | **Total non-current liabilities** | **154,897** | **102,682** |
| | **Current liabilities** | | |
| 18 | Trade and other payables | 72,597 | 36,458 |
| | Income tax payable | 775 | 252 |
| 20 | Taxes other than income tax payable | 2,623 | 2,027 |
| 19 | Short-term debt and current portion of long-term debt | 48,570 | 42,743 |
| | **Total current liabilities** | **124,565** | **81,480** |
| 4 | Liabilities, associated with assets classified as held for sale | 1,375 | - |
| | **Total liabilities** | **280,837** | **184,162** |
| | **Equity** | | |
| 21 | Ordinary share capital | 21,784 | 21,784 |
| | Share premium | 9,357 | 9,357 |
| 29 | Equity-settled share-based payment plans | 15,703 | 7,894 |
| | Retained earnings | 264,566 | 195,269 |
| | **Total equity attributable to the Group's shareholders** | **311,410** | **234,304** |
| | Non-controlling interest | 861 | 850 |
| | **Total liabilities and equity** | **593,108** | **419,316** |

D.V. Konov
Chief Executive Officer
15 September 2014

P.N. Malyi
Chief Financial Officer
15 September 2014

The accompanying notes on pages 7 to 34 are an integral part of this consolidated interim condensed financial information.

| Notes | | Three months ended 30 June 2014 | Three months ended 30 June 2013 | Six months ended 30 June 2014 | Six months ended 30 June 2013 |
|---|---|---|---|---|---|
| 22 | Revenue | 91,710 | 63,846 | 171,712 | 130,030 |
| 23 | Operating expenses before equity-settled share-based payment plans | (70,927) | (48,862) | (133,573) | (97,297) |
| 29 | Equity-settled share-based payment plans | (3,909) | - | (7,809) | - |
| | **Operating profit** | **16,874** | **14,984** | **30,330** | **32,733** |
| 24 | Finance income | 7,720 | 588 | 2,833 | 976 |
| 24 | Finance expenses | (1,156) | (3,896) | (3,374) | (6,246) |
| 3 | Gain on acquisition of subsidiary | - | - | 52,773 | - |
| 3 | Gain on deconsolidation of subsidiary | - | - | - | 2,413 |
| | Gain on disposal of subsidiary | - | - | 18 | - |
| | Share of net income/(loss) of joint ventures and associates | 881 | (129) | 765 | 148 |
| | **Profit before income tax** | **24,319** | **11,547** | **83,345** | **30,024** |
| 25 | Income tax expense | (5,402) | (1,636) | (7,654) | (4,479) |
| | **Profit for the reporting period** | **18,917** | **9,911** | **75,691** | **25,545** |
| | **Profit for the reporting period, including attributable to:** | **18,917** | **9,911** | **75,691** | **25,545** |
| | Non-controlling interest | (22) | (19) | (33) | 4 |
| | Shareholders of the parent company | 18,939 | 9,930 | 75,724 | 25,541 |
| | **Basic and diluted earnings per share (in RR per share)** | 8.7 | 4.6 | 34.8 | 11.7 |
| 21 | Weighted average number of shares outstanding (in thousands) | 2,178,479 | 2,178,479 | 2,178,479 | 2,178,479 |

**(In millions of Russian roubles, unless otherwise stated)**

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Profit for the reporting period** | **18,917** | **9,911** | **75,691** | **25,545** |
| **Total comprehensive income for the reporting period** | **18,917** | **9,911** | **75,691** | **25,545** |
| **Total comprehensive income/(loss) for the reporting period, including attributable to:** | **18,917** | **9,911** | **75,691** | **25,545** |
| Non-controlling interest | (22) | (19) | (33) | 4 |
| Shareholders of the parent company | 18,939 | 9,930 | 75,724 | 25,541 |

**(In millions of Russian roubles, unless otherwise stated)**

| Notes | | Six months ended 30 June 2014 | Six months ended 30 June 2013 |
|---|---|---|---|
| | **Operating activities** | | |
| 26 | Cash from operating activities before income tax payment | **46,868** | **42,783** |
| 25 | Income tax paid | (9,797) | (5,788) |
| 26 | **Net cash from operating activities** | **37,071** | **36,995** |
| | **Investing activities** | | |
| | Purchase of property, plant and equipment | (26,520) | (36,044) |
| | Loans issued | (1,399) | (628) |
| 14 | Transfers from/(to) restricted cash for investing activities | 299 | (806) |
| | Repayment of loans and notes receivable | 459 | 239 |
| | Proceeds from sale of property, plant and equipment | 772 | 937 |
| | Proceeds from disposal of subsidiaries, net of cash disposed | 138 | - |
| 3 | Acquisition of interest in subsidiaries, net of cash acquired | (20,666) | (329) |
| 7 | Additional contribution to the share capital of joint ventures | (4,475) | (500) |
| | Interest received | 255 | 392 |
| | Dividends received | 969 | 600 |
| | Purchase of intangible assets and other non-current assets | (1,252) | (186) |
| | **Net cash used in investing activities** | **(51,420)** | **(36,325)** |
| | **Financing activities** | | |
| | Proceeds from debt | 76,371 | 30,968 |
| | Repayment of debt | (51,473) | (32,131) |
| | Interest paid | (2,647) | (1,474) |
| | Dividends paid | (6,383) | (7,625) |
| | Payment of bank fees | (115) | (251) |
| | Grants and subsidies received | 5,403 | 521 |
| | **Net cash from/(used in) financing activities** | **21,156** | **(9,992)** |
| | Effect of exchange rate changes on cash and cash equivalents | 26 | 12 |
| | **Net increase/(decrease) in cash and cash equivalents** | **6,833** | **(9,310)** |
| | Cash and cash equivalents, at the beginning of the reporting period | 7,948 | 13,570 |
| | **Cash and cash equivalents, at the end of the reporting period** | **14,781** | **4,260** |

**(In millions of Russian roubles, unless otherwise stated)**

| | Attributable to Group's shareholders | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Equity-settled share-based payment plans | Share premium | Retained earnings | Total | Non-controlling interest | Total equity |
| **Balance as of 31 December 2012** | **21,784** | **-** | **9,357** | **163,624** | **194,765** | **991** | **195,756** |
| Total comprehensive income for the reporting period | - | - | - | 25,541 | 25,541 | 4 | 25,545 |
| Dividends paid | - | - | - | (7,625) | (7,625) | - | (7,625) |
| **Balance as of 30 June 2013** | **21,784** | **-** | **9,357** | **181,540** | **212,681** | **995** | **213,676** |
| | | | | | | | |
| **Balance as of 31 December 2013** | **21,784** | **7,894** | **9,357** | **195,269** | **234,304** | **850** | **235,154** |
| Total comprehensive income for the reporting period | - | - | - | 75,724 | 75,724 | (33) | 75,691 |
| Redemption of treasury shares of subsidiaries | - | - | - | (44) | (44) | 44 | - |
| Equity-settled share-based payment plans | - | 7,809 | - | - | 7,809 | - | 7,809 |
| Dividends paid | - | - | - | (6,383) | (6,383) | - | (6,383) |
| **Balance as of 30 June 2014** | **21,784** | **15,703** | **9,357** | **264,566** | **311,410** | **861** | **312,271** |

## 1 NATURE OF OPERATIONS

OAO SIBUR Holding (hereinafter, the "Company") and its subsidiaries (together referred to as the "Group") form a vertically integrated gas processing and petrochemicals business. The Group purchases and processes raw materials (primarily associated petroleum gas and natural gas liquids), produces and markets energy and petrochemical products, both domestically and internationally.

The Group's overall sales have no material exposure to seasonal factors. The Group's production facilities are located in the Russian Federation.

Since September 2011, Mr. Leonid V. Mikhelson has been the Group's ultimate controlling shareholder. OAO SIBUR Holding's parent company is Sibur Limited.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

***Basis of preparation.*** This consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard No. 34, Interim Financial Reporting (IAS 34). This consolidated interim condensed financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations.

Most of the Group's companies maintain their accounting records in Russian roubles (RR) and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation (RAR). This consolidated interim condensed financial information is based on the statutory records of Group companies, with adjustments and reclassifications recorded to ensure fair presentation in accordance with IFRS.

The principal accounting policies applied by the Group are consistent with those disclosed in the Group's consolidated financial statements for the year ended 31 December 2013, except for income tax expense recognised based on the Group management's best estimate of the weighted average annual income tax rate expected for the full financial year (see Note 25).

## 3 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES

### *OOO Yugragazpererabotka*

In 2007, SIBUR and the TNK-BP Group, which was subsequently acquired by the Rosneft Group, established a joint venture, OOO Yugragazpererabotka, in which SIBUR owned a 51 percent, while TNK-BP's share was 49 percent. In March 2013, the Group and the TNK-BP Group signed several agreements regarding their joint venture OOO Yugragazpererabotka. Under these agreements, the duration of the joint venture arrangement, which was previously set to expire in 2016, has become indefinite and the call options that had entitled the Group to purchase TNK-BP's share in OOO Yugragazpererabotka have been terminated. Therefore, since 12 March 2013, the Group has started accounting for its investment in OOO Yugragazpererabotka in accordance with IFRS 11, Joint Arrangements as a joint venture in its financial statements as opposed to the previously used approach, wherein OOO Yugragazpererabotka was consolidated as a wholly owned subsidiary of the Group and TNK-BP's contribution was accounted for as interest-bearing long-term loans.

**(In millions of Russian roubles, unless otherwise stated)**

## 3 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

The carrying amounts of assets and liabilities at the deconsolidation date are summarised in the table below:

| | **Carrying amounts as of 31 March 2013** |
|---|---|
| Property, plant and equipment (see Note 5) | 7,688 |
| Deferred income tax asset | 92 |
| Inventory | 558 |
| Cash and cash equivalents | 1 |
| Trade and other receivables | 1,262 |
| Other assets | 407 |
| Loans and borrowings | (2,602) |
| Trade and other payables | (1,800) |
| Other liabilities | (142) |
| Deferred income tax liabilities | (288) |
| **Net assets deconsolidated** | **5,176** |

The post-tax gain recognised upon the deconsolidation of OOO Yugragazpererabotka, and included as a gain on deconsolidation/acquisition of a subsidiary in the consolidated statement of profit or loss, was calculated as follows:

| | |
|---|---|
| Income from derecognition of the Rosneft Group's (formerly TNK-BP's) share previously recognised as long-term debt | 4,949 |
| Share of net assets recognised as an investment in a joint venture (based on net assets of RR 5,176 and 51 percent ownership) | 2,640 |
| **Total income from deconsolidation of subsidiary** | **7,589** |
| Less: Net assets deconsolidated | (5,176) |
| **Post-tax gain on deconsolidation of subsidiary** | **2,413** |

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 RR 55,733 (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 is payable within one year from the acquisition date at a nominal interest rate of nil.

In addition to the share purchase agreement the Group and the Rosneft Group have agreed to increase guaranteed supplies of associated petroleum gas from the Rosneft Group's oil fields to OOO Yugragazpererabotka's processing facilities to the level of 10 billion cubic metres per annum for the period through 2032. Furthermore, the parties agreed that the Group will sell to the Rosneft Group all dry gas produced at the Nizhnevartovskiy, Belozerniy and Nyagan gas processing plants from associate petroleum gas received from the Rosneft Group. Accordingly, the gas processing arrangement between OOO Yugragazpererabotka and the Rosneft Group that had been in effect before 6 March 2014 was cancelled. As a result, the Group recognised intangible assets related to the relevant associated petroleum gas supply contracts of RR 115,816.

**(In millions of Russian roubles, unless otherwise stated)**

## 3 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

The carrying amounts of assets and liabilities at the acquisition date are summarised in the table below:

| | **Fair values** |
|---|---|
| Property, plant and equipment (see Note 5) | 23,934 |
| Deferred income tax assets | 577 |
| Intangible assets (see Note 6) | 115,816 |
| Other non-current assets | 41 |
| Inventories | 440 |
| Trade and other receivables | 1,837 |
| Prepayments and other current assets | 769 |
| Cash and cash equivalents | 1 |
| Short-term and long-term debt | (2,559) |
| Deferred income tax liabilities | (26,096) |
| Trade and other payables | (5,808) |
| Other current liabilities | (271) |
| **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** |

As of the acquisition date, the Group remeasured its previously held interest in OOO Yugragazpererabotka at fair value. As a result, a RR 52,773 gain was recognised in the consolidated statement of profit and loss.

During the reporting period, OOO Yugragazpererabotka's subsidiaries were involved in litigation with OAO Tyumenenergo, an electrical utility. Based on Russian electricity market regulations, OAO Tyumenenergo had assumed that power supply services should be provided by the owner of electricity transmission assets based on an operating lease agreement ("last mile"). But, because the regulations do not clearly define what constitutes the "last mile" holder, OOO Yugragazpererabotka's subsidiaries claimed in court that they were not obligated to sign such an agreement with Tyumenenergo. Instead, based on favourable court precedent, these subsidiaries concluded a service contract directly with FGC UES, another electrical utility, for the period from 1 August 2012 to 30 June 2013. In turn, OAO Tyumenenergo has counter-claimed that the joint venture and its subsidiaries were legally obligated to conclude this contract with them. The Group's management has assessed the risk of an unfavourable outcome from this litigation as probable based on court rulings handed down in May 2014. The potential impact of an unfavourable outcome would be that OOO Yugragazpererabotka's subsidiaries may be ordered to pay RR 4,272 to OAO Tyumenenergo, including value added tax, penalties and fines. However, the Group may be able to offset this impact with a contingent receivable of RR 1,062 (including value added tax) from FGC UES as reimbursement for the consideration already paid for power supply services provided in the relevant period. OOO Yugragazperebotka's subsidiaries have not recognised any contingent assets, but have recognised RR 4,272 in liabilities as part of the purchase price allocation exercise as of the date of acquisition of the remaining 49 percent stake in OOO Yugragazpererabotka. As of 30 June 2014, the Group's, liabilities related to this litigation increased by RR 155 to RR 4,427 as a result of additional penalties expected to be paid in September 2014 and recognised in the Group's statement of profit or loss.

The acquired subsidiary contributed RR 472 in revenue and RR 7 in loss to the Group for the period from the acquisition date until 30 June 2014 and RR 7 in revenue and RR 13 in loss to the Group for the three-month period ended 30 June 2014. If the acquisition had occurred on 1 January 2014, Group revenue and profit for the six-month period ended 30 June 2014 would have been RR 172,633 and RR 75,960, respectively.

**(In millions of Russian roubles, unless otherwise stated)**

## 3 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

The Group's management believes that the acquired goodwill of RR 2,479 mainly represents expected cost savings and utilisation of the Group's feedstock advantage.

| | |
|---|---|
| **Total purchase consideration** | **55,733** |
| Less: | |
| Cash and cash equivalents of acquired subsidiary | (1) |
| Payables for acquisition of subsidiary | (35,185) |
| **Outflow of cash and cash equivalents on acquisition** | **20,547** |

Transactions during the period until the consolidation date with OOO Yugragazpererabotka are disclosed in Note 29.

## 4 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

### *Sibur-Portenergo LLC*

As of 30 June 2014 assets and liabilities classified as held for sale included the assets and liabilities of the Ust-Luga liquefied petroleum gas and naphtha transhipment facility (Group subsidiary: Sibur-Portenergo LLC), amounting to RR 24,855 in assets and RR 1,167 in liabilities, which are expected to be sold within next 12 months as non-core business of the Group.

| **Assets and liabilities of the Ust-Luga transhipment facility classified as held for sale** | |
|---|---|
| **Assets** | |
| Property, plant and equipment | 24,527 |
| Other intangible assets | 6 |
| Inventories | 62 |
| Advances and prepayments for capital construction | 150 |
| Trade and other receivables | 110 |
| **Total assets** | **24,855** |
| | |
| **Liabilities** | |
| Trade and other payables | 972 |
| Taxes other than income tax payable | 59 |
| Income tax payable | 136 |
| **Total liabilities** | **1,167** |

### *ZAO Spetstransoperator*

As of 30 June 2014 and 31 December 2013 assets and liabilities classified as held for sale included part of the Group's rail car fleet worth RR 5,715 and related deferred tax liabilities of RR 208 expected to be sold within the next 12 months as a non-core business of the Group.

### *OAO OKA-Polimer*

As of 31 December 2013, the Group classified RR 170 of property, plant and equipment related to OAO OKA-Polimer as assets held for sale. In January 2014, the Group sold a 100 percent stake in OAO OKA-Polimer.

**(In millions of Russian roubles, unless otherwise stated)**

## 5 PROPERTY, PLANT AND EQUIPMENT

Movements in the net book value of property, plant and equipment were as follows:

| | Buildings | Facilities | Machinery and equipment | Transport | Assets under construction | Other | Total |
|---|---|---|---|---|---|---|---|
| **Net book value as of 31 December 2012** | **23,553** | **38,814** | **37,813** | **6,958** | **96,725** | **3,792** | **207,655** |
| Depreciation charge | (389) | (1,737) | (3,038) | (339) | - | (121) | (5,624) |
| Additions | - | - | - | - | 44,375 | 747 | 45,122 |
| Deconsolidation of subsidiary (see Note 3) | (1,203) | (3,008) | (2,948) | (1) | (386) | (142) | (7,688) |
| Reclassifications | - | (1,740) | 1,740 | - | - | - | - |
| Transfers | 526 | 1,510 | 5,430 | 73 | (7,584) | 45 | - |
| Disposals | (147) | (33) | (121) | (32) | (359) | (4) | (696) |
| Impairment | (132) | (32) | (13) | (4) | - | - | (181) |
| Historical cost as of 30 June 2013 | 28,628 | 48,197 | 65,039 | 10,333 | 132,771 | 5,226 | 290,194 |
| Accumulated depreciation | (6,420) | (14,423) | (26,176) | (3,678) | - | (909) | (51,606) |
| **Net book value as of 30 June 2013** | **22,208** | **33,774** | **38,863** | **6,655** | **132,771** | **4,317** | **238,588** |
| | | | | | | | |
| **Net book value as of 31 December 2013** | **28,937** | **66,415** | **90,537** | **561** | **91,557** | **4,191** | **282,198** |
| Depreciation charge | (603) | (3,166) | (5,785) | (80) | - | (472) | (10,106) |
| Additions | - | - | - | - | 28,051 | 813 | 28,864 |
| Acquisition of subsidiary (see Note 3) | 4,693 | 16,438 | 2,192 | 3 | 482 | 126 | 23,934 |
| Transfers | 3,446 | 39,375 | 11,449 | 192 | (54,542) | 80 | - |
| Disposals | (95) | (53) | (268) | (33) | (276) | (2) | (727) |
| Reclassification to assets held for sale (see Note 4) | (91) | (2,293) | (19,923) | (21) | (2,198) | (1) | (24,527) |
| Reclassifications to intangible assets | - | - | - | - | (985) | - | (985) |
| Historical cost as of 30 June 2014 | 43,088 | 136,301 | 112,894 | 2,453 | 62,089 | 6,881 | 363,706 |
| Accumulated depreciation | (6,801) | (19,585) | (34,692) | (1,831) | - | (2,146) | (65,055) |
| **Net book value as of 30 June 2014** | **36,287** | **116,716** | **78,202** | **622** | **62,089** | **4,735** | **298,651** |

Transfers for the six-month period ended 30 June 2014 include the construction of a natural gas liquids pipeline connecting the Purovsky Gas Condensate Plant, the Yuzhno-Balykskaya Main Pumping Station and the southern part of the section between the Yuzhno-Balykskaya Main Pumping Station and the Tobolsk production site in the Tyumen Region, and a second gas fractionation facility at Tobolsk-Neftekhim which were completed and put into operation in the second half of March 2014.

For the six-month periods ended 30 June 2014 and 30 June 2013, the Group capitalised borrowing costs of RR 2,436 and RR 2,830, respectively. Borrowing costs included foreign exchange losses from financing activities in the amount of RR 898 and RR 1,106 for the six-month periods ended 30 June 2014 and 30 June 2013, respectively. The capitalisation rates, excluding the effects of capitalised foreign exchange losses from financing activities, were 4.0 percent and 3.5 percent, respectively.

**(In millions of Russian roubles, unless otherwise stated)**

## 6 GOODWILL AND INTANGIBLE ASSETS EXCLUDING GOODWILL

The net book value of intangible assets was as follows:

| | Goodwill | Customer relationships | Supply contract | Software and licences | Development costs | Total |
|---|---|---|---|---|---|---|
| **Net book value as of 31 December 2012** | **9,480** | **680** | **-** | **835** | **-** | **10,995** |
| Additions | - | - | - | 613 | - | 613 |
| Amortisation charge | - | - | - | (225) | - | (225) |
| Historical cost as of 30 June 2013 | 9,480 | 680 | - | 1,894 | - | 12,054 |
| Accumulated amortisation | - | - | - | (671) | - | (671) |
| **Net book value as of 30 June 2013** | **9,480** | **680** | **-** | **1,223** | **-** | **11,383** |
| | | | | | | |
| **Net book value as of 31 December 2013** | **9,480** | **556** | **-** | **3,997** | **-** | **14,033** |
| Transfer from PP&E to intangible assets | - | - | - | - | 985 | 985 |
| Additions (see Note 3) | 2,479 | - | 115,816 | 435 | 220 | 118,950 |
| Disposals | - | - | - | - | (106) | (106) |
| Amortisation charge | - | (36) | (2,048) | (242) | - | (2,326) |
| Historical cost as of 30 June 2014 | 11,959 | 680 | 115,816 | 5,030 | 1,099 | 134,584 |
| Accumulated amortisation | - | (160) | (2,048) | (840) | - | (3,048) |
| **Net book value as of 30 June 2014** | **11,959** | **520** | **113,768** | **4,190** | **1,099** | **131,536** |

Amortisation of intangible assets is recorded as operating expenses in the consolidated statement of profit or loss. Intangible assets other than goodwill are presented in a separate line in the consolidated statement of financial position.

## 7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| OOO RusVinyl | 20,326 | 16,990 |
| OOO NPP Neftekhimia | 3,381 | 3,743 |
| ZAO Sibgazpolimer | 2,504 | 1,416 |
| OOO Yuzhno-Priobsky GPZ | 2,379 | 1,955 |
| OOO ITSK | 639 | 586 |
| Reliance Sibur Elastomers Private Limited | 178 | 175 |
| OOO Yugragazpererabotka (see Note 3) | - | 2,655 |
| OOO SNHK | 1 | 1 |
| **Total investments in joint ventures and associates** | **29,408** | **27,521** |

***OOO RusVinyl.*** In June 2007, the Group formed a joint venture, OOO RusVinyl, with SolVin Holding Nederland B.V. (which is ultimately controlled by Solvay SA) for the construction of a polyvinyl chloride production complex in the Nizhny Novgorod Region. During the six months ended 30 June 2014, the Group and SolVin Holding Nederland B.V. each additionally contributed RR 3,350 to the share capital of OOO RusVinyl; the Group's ownership share remained unchanged.

The Group has issued a finance guarantee for 50 percent of a loan obtained by OOO RusVinyl and pledged its share in the joint venture as security for the financial obligations of OOO RusVinyl. As of 30 June 2014 and 31 December 2013, the maximum credit risk exposures due to financial guarantees issued for the OOO RusVinyl loan were RR 16,366 and RR 16,446, respectively.

**(In millions of Russian roubles, unless otherwise stated)**

## 7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

***ZAO Sibgazpolimer.*** In 2013, the Group established a joint venture with OAO Gazpromneft to invest in OOO Poliom, an independent producer of polypropylene located in the Omsk Region.

In May 2014 ZAO Sibgazpolimer acquired 50 percent stake in OOO Poliom from the Titan Group for a cash consideration of RR 2,297 and contingent consideration of RR 2,131. Also, ZAO Sibgazpolimer acquired accounts receivable from OOO Poliom, with a nominal value of RR 1,344 and a fair value of RR 888, from the Titan Group.

Contingent consideration includes a working capital price adjustment of RR 281 and production capacity price adjustment of RR 1,850. The production capacity price adjustment relates to the increase in production capacity at OOO Poliom polypropylene plant from 180,000 to 210,000 tonnes, which should be confirmed within a one year after the transaction date. Based on an assessment by the Group's management assessment it is highly probable that ZAO Sibgazpolimer will pay this contingent consideration. Accordingly, the Group recognised its 50 percent share in ZAO Sibgazpolimer's contingent liability as short-term other payables of RR 1,065.

The table below provides information on the fair values of OOO Poliom's assets and liabilities as of the transaction date:

| | **Fair values** |
|---|---|
| Property, plant and equipment | 10,566 |
| Deferred income tax assets | 352 |
| Other non-current assets | 264 |
| Inventories | 711 |
| Trade and other receivables | 271 |
| Prepayments and other current assets | 263 |
| Cash and cash equivalents | 34 |
| Short-term and long-term debt | (12,305) |
| Deferred income tax liabilities | (702) |
| Trade and other payables | (2,512) |
| Other current liabilities | (11) |
| **Net liability of OOO Poliom** | **(3,069)** |

The table below provides a reconciliation of ZAO Sibgazpolimer's investment in OOO Poliom as of 30 June 2014:

| | |
|---|---|
| **ZAO Sibgazpolimer's investment in OOO Poliom** | **4,813** |
| ZAO Sibgazpolimer's share in OOO Poliom's net income | (387) |
| Goodwill | (5,960) |
| **ZAO Sibgazpolimer's share in net liability of OOO Poliom's net liability as of the transaction date** | **(1,535)** |

**(In millions of Russian roubles, unless otherwise stated)**

## 7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The table below provides information on the fair values of ZAO Sibgazpolimer's assets and liabilities as of 30 June 2014:

| | **Fair values** |
|---|---|
| Investment in OOO Poliom | 4,813 |
| Accounts receivable from OOO Poliom | 888 |
| Other | 87 |
| Loans payable to shareholders | (779) |
| Contingent consideration payable for acquisition of OOO Poliom | (2,131) |
| **Net assets of ZAO Sibgazpolimer** | **2,878** |

The table below provides reconciliation of the Group's investment in ZAO Sibgazpolimer as of 30 June 2014:

| | |
|---|---|
| **The Group's investment in ZAO Sibgazpolimer** | **2,504** |
| Contingent consideration payable to Titan by the Group | (1,065) |
| **ZAO Sibgazpolimer's share in net liability of OOO Poliom's net liability** | **1,439** |

The table below summarises information about the Group's major investments in joint ventures and associates.

| | | | **Interest held (percent) as of** | |
|---|---|---|---|---|
| | **Country of incorporation** | **Nature of operations** | **30 June 2014** | **31 December 2013** |
| *Joint ventures:* | | | | |
| OOO Yugragazpererabotka (see Notes 3, 29) | Russia | Associated petroleum gas processing | 100 | 51 |
| OOO RusVinyl* | Russia | Polyvinyl chloride production | 50 | 50 |
| OOO NPP Neftekhimia | Russia | Polypropylene production | 50 | 50 |
| ZAO Sibgazpolimer** | Russia | Investments in Omsk polypropylene plant OOO "Poliom" (50 percent share) | 50 | 50 |
| OOO ITSK | Russia | IT and metrology services | 50 | 50 |
| OOO Yuzhno-Priobsky GPZ* | Russia | Associated petroleum gas processing | 50 | 50 |
| OOO SNHK | Russia | Production of plastics and synthetic resins | 50 | 50 |
| *Associates:* | | | | |
| Reliance Sibur Elastomers Private Limited* | India | Butyl rubber production | 25 | 25 |

*Investment projects

**Special purpose vehicle formed for investing in production entities.

As of 30 June 2014 and 31 December 2013 the voting and ownership percentage in joint ventures and associates are the same.

## 8 ADVANCES AND PREPAYMENTS FOR CAPITAL CONSTRUCTION

As of 30 June 2014 and 31 December 2013, the most significant advances and prepayments for capital construction were paid to the Group's contractors for the construction of a natural gas liquids pipeline connecting the Purovsky Gas Condensate Plant, the Yuzhno-Balykskaya Main Pumping Station and the Tobolsk production site in the Tyumen Region and gas infrastructure assets in the St Petersburg area. The Group's most significant advances and prepayments related to capital construction projects were paid to the following contractors: OOO Lenniihimmash, OOO NGSK (Moscow), and ZAO Stroytransgaz as of 30 June 2014 and 31 December 2013.

**(In millions of Russian roubles, unless otherwise stated)**

## 9 LOANS RECEIVABLE

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| OOO Yuzhno-Priobskiy GPZ | 971 | 414 |
| ZAO Sibgazpolimer | 386 | - |
| OOO Yugragazpererabotka (see Note 3) | - | 1,288 |
| Other | 23 | 33 |
| **Total loans receivable** | **1,380** | **1,735** |

The fair value of loans receivable approximates its carrying value.

## 10 TRADE AND OTHER RECEIVABLES

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Trade receivables (net of impairment provisions of RR 263 and RR 199 as of 30 June 2014 and 31 December 2013, respectively) | 15,159 | 13,552 |
| Other receivables (net of impairment provisions of RR 341 and RR 205 as of 30 June 2014 and 31 December 2013, respectively) | 1,398 | 1,464 |
| **Total trade and other receivables** | **16,557** | **15,016** |
| Less non-current portion: other receivables | (424) | (455) |
| | **16,133** | **14,561** |

The fair value of trade receivables approximates its carrying value.

## 11 OTHER NON-CURRENT ASSETS

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Advances issued | 980 | 949 |
| Raw natural gas liquids in pipelines | 936 | 488 |
| Recoverable VAT related to assets under construction | 28 | 33 |
| Other | 253 | 128 |
| **Total other non-current assets** | **2,197** | **1,598** |

## 12 INVENTORIES

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Refined products and work in progress | 15,462 | 14,482 |
| Materials and supplies | 8,951 | 8,398 |
| Goods for resale | 2,249 | 1,560 |
| **Total inventories** | **26,662** | **24,440** |

As of 30 June 2014 and 31 December 2013 inventory write-downs amounted to RR 562 and RR 661, respectively. No significant reversals of previous inventory write-downs were made during the six-month periods ended 30 June 2014 and 30 June 2013.

## 13 PREPAYMENTS AND OTHER CURRENT ASSETS

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| **Non-financial assets** | | |
| Prepayments and advances to suppliers | 5,387 | 4,103 |
| VAT receivable | 3,787 | 5,289 |
| Recoverable VAT | 3,829 | 3,295 |
| Other prepaid taxes | 1,556 | 1,510 |
| Recoverable excise | 409 | 354 |
| Other current assets | 123 | 225 |
| **Total prepayments and other current assets** | **15,091** | **14,776** |
| Less: | | |
| Non-current portion of recoverable VAT related to assets under construction | (28) | (33) |
| | **15,063** | **14,743** |

**(In millions of Russian roubles, unless otherwise stated)**

## 14 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents include deposits held with banks, which are readily convertible to cash and have an original maturity of less than three months, of RR 10,249 and RR 3,374 as of 30 June 2014 and 31 December 2013, respectively.

Restricted cash included OAO Vnesheconombank letters of credit worth RR 834 and RR 1,106 as of 30 June 2014 and 31 December 2013, respectively. These letters of credit were opened to finance capital expenditures for the construction of a polypropylene plant in Tobolsk.

## 15 LONG-TERM DEBT

| Long-term debt payable to | Currency | Due | 30 June 2014 | 31 December 2013 |
|---|---|---|---|---|
| Variable rate | | | | |
| OAO Vnesheconombank | USD | 2013-2023 | 15,433 | 15,729 |
| OAO Nordea Bank | USD | 2015-2016 | 6,724 | 7,359 |
| ING Bank Group | EUR, USD | 2008-2021 | 3,651 | 3,088 |
| Citibank | USD | 2013-2023 | 1,504 | 1,542 |
| HSBC Bank plc | USD | 2013-2014 | 1,441 | 2,805 |
| UniCredit Bank | EUR | 2013-2019 | 813 | 871 |
| Deutsche Bank | EUR | 2015-2022 | 621 | - |
| Fixed rate | | | | |
| OAO Sberbank of Russia | RR | 2014-2016 | 35,902 | 9,000 |
| Eurobonds | USD | 2018 | 33,505 | 32,585 |
| OOO Gazprom Mezhregiongaz | RR | 2011-2014 | 593 | 573 |
| Other | USD | 2031 | 15 | 16 |
| **Total long-term debt** | | | **100,202** | **73,568** |
| Less: current portion | | | (19,525) | (15,837) |
| | | | **80,677** | **57,731** |

***Eurobonds.*** On 31 January 2013, the Group issued notes worth USD 1 billion on the Irish Stock Exchange, bearing 3.914 percent annual interest and maturing in 2018. The Group used the aggregate net proceeds from the notes issue for refinancing of short-term debt and general corporate purposes. The fair value of issued notes was RR 32,458 and RR 31,645 as of 30 June 2014 and 31 December 2013, respectively.

***OAO Vnesheconombank.*** In July 2010, the Group signed an agreement with OAO Vnesheconombank for project financing for the construction of new polypropylene production facilities in the Tobolsk area. The financing was primarily secured by OOO Tobolsk-Polymer shares and property, plant and equipment. In April 2014 OAO Vnesheconombank and the Group signed an additional agreement to decrease the nominal interest rate. In accordance with this additional agreement, OOO Tobolsk-Polymer share and property, plant and equipment were released from the pledge in July and August 2014.

Long-term RR-denominated debt bore average interest rates of 8.5 percent and 7.7 percent as of 30 June 2014 and 31 December 2013, respectively. Long-term USD-denominated debt bore average interest rates of 3.5 percent and 3.8 percent as of 30 June 2014 and 31 December 2013, respectively. Long-term EUR-denominated debt bore average interest rates of 1.7 percent as of 30 June 2014 and 31 December 2013.

The scheduled maturities of long-term debt as of 30 June 2014 and 31 December 2013 are presented below:

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| **Due for repayment:** | | |
| Between one and two years | 30,496 | 6,344 |
| Between two and five years | 41,547 | 42,454 |
| After five years | 8,634 | 8,933 |
| **Total long-term debt** | **80,677** | **57,731** |

## 15 LONG-TERM DEBT (CONTINUED)

The carrying amounts of long-term fixed-rate borrowings approximate their fair value. The carrying amounts of long-term debt with variable interest rates linked to LIBOR or EURIBOR, except issued notes, approximate their fair value. The Group had no subordinated debt and no debt that may be converted into an equity interest in the Group.

As of 30 June 2014 and 31 December 2013, the Group had the following committed long-term credit facilities:

| | Credit limit | Undrawn amount |
|---|---|---|
| **As of 30 June 2014** | | |
| EUR-denominated (in millions of EUR) | 101 | 24 |
| RR-denominated (in millions of RR) | 44,000 | 32,000 |
| **As of 31 December 2013** | | |
| EUR-denominated (in millions of EUR) | 81 | 37 |
| RR-denominated (in millions of RR) | 28,000 | 19,000 |

As of 30 June 2014 and 31 December 2013, the total rouble equivalent of the Group's undrawn committed long-term credit facilities were RR 33,103 and RR 20,674, respectively.

## 16 GRANTS AND SUBSIDIES

As a major investor in infrastructure and social projects in the regions where it operates, the Group signed cooperation agreements with a number of regional authorities, including investment and financial support agreements, under which the Group is entitled to a partial refund of capital expenditures incurred in the respective regions subject to certain conditions, including amounts of regional investments in business and social infrastructure and local income taxes paid. Such refunds are made after supporting documents have been submitted to the relevant authority either in the form of an income tax rebate or a direct grant of public funds.

| | 2014 | 2013 |
|---|---|---|
| **Balance as of 1 January** | **34,966** | **31,080** |
| Less: current portion | - | (578) |
| **Non-current portion of grants and subsidies as of 1 January** | **34,966** | **30,502** |
| Grants and subsidies received | 5,400 | 701 |
| Recognised in profit or loss | (941) | - |
| **Balance as of 30 June** | **39,425** | **31,781** |
| Less: current portion | - | (578) |
| **Non-current portion of grants and subsidies as of 30 June** | **39,425** | **31,203** |

## 17 OTHER NON-CURRENT LIABILITIES

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| **Financial liabilities** | | |
| Payables for acquisition of subsidiaries | 1,552 | 1,596 |
| Accounts payable to contractors and suppliers of production licences | 217 | - |
| Promissory notes payable | 5 | 5 |
| **Total financial non-current liabilities** | **1,774** | **1,601** |
| **Non-financial liabilities** | | |
| Post-employment obligations | 1,909 | 1,741 |
| Payables to employees | 1,009 | 1,035 |
| Other liabilities | 1 | 2 |
| **Total non-financial non-current liabilities** | **2,919** | **2,778** |
| **Total other non-current liabilities** | **4,693** | **4,379** |

(In millions of Russian roubles, unless otherwise stated)

## 17 OTHER NON-CURRENT LIABILITIES (CONTINUED)

As of 30 June 2014 and 31 December 2013, payables for the acquisition of subsidiaries included payables for the acquisition of OAO Polief of RR 1,510 and RR 1,555 respectively.

The Group maintains a cash-settled, long-term incentive (LTI) plan. Among other factors, remuneration under the LTI plan is contingent upon the contribution that management makes toward increases in the Group's business fair value, which is measured by changes in the Group's business fair value divided by the median change in the business fair values of certain other international corporations operating in the petrochemicals industry. The LTI plan requires that participants provide services to the Group within a specific time period. Remuneration granted is vested to each participant on an annual basis and in separate tranches. Each tranche equals 33.3 percent of the total remuneration granted, provided that the participant is continuously employed by the Group from the grant date until the applicable vesting date. Each tranche is accounted for as a separate arrangement and expensed, together with a corresponding increase in other non-current liabilities. The current portion of liabilities under the long-term incentive plan is classified within trade and other payables. For the six-month periods ended 30 June 2014 and 30 June 2013, the Group recognised RR 175 and RR 252, respectively, as expenses under the LTI plan.

As of 30 June 2014 and 31 December 2013, payables to employees were comprised of the long-term portion of provisions for bonuses (including provisions for social taxes) of RR 1,009 and RR 1,035, respectively.

The carrying amounts of other non-current liabilities approximate their fair value.

## 18 TRADE AND OTHER PAYABLES

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| **Financial liabilities** | | |
| Payables for acquisition of subsidiaries | 34,190 | 819 |
| Trade payables | 13,502 | 14,883 |
| Accounts payable to contractors and suppliers of property, plant and equipment | 9,891 | 10,424 |
| Interest payable | 940 | 982 |
| Promissory notes payable | - | 1 |
| Other payables | - | 101 |
| **Total financial trade and other payables** | **58,523** | **27,210** |
| **Non-financial liabilities** | | |
| Payables to employees | 5,520 | 5,313 |
| Advances from customers | 3,802 | 3,902 |
| Other payables | 4,752 | 33 |
| **Total non-financial trade and other payables** | **14,074** | **9,248** |
| **Total trade and other payables** | **72,597** | **36,458** |

As of 30 June 2014 and 31 December 2013, payables to employees included provisions for annual bonuses, other bonuses and vacation reserves (including provisions for social taxes) of RR 4,829 and RR 5,313, respectively.

As of 30 June 2014, payables for the acquisition of subsidiaries included payables for the acquisitions of OOO Yugragazpererabotka of RR 33,006, ZAO Sibgazpolimer of RR 1,065 (see Note 7), and OAO Polief of RR 119. As of 31 December 2013, payables for the acquisition of subsidiaries included payables for the acquisitions of ZAO Sibgazpolimer of RR 700, and OAO Polief of RR 119.

As of 30 June 2014, other payables included contingent liabilities related to the litigation involving OOO Yugragazpererabotka’s subsidiaries, which were consolidated by the Group in March 2014, with electrical utility OAO Tyumenenergo (see Note 3).

(In millions of Russian roubles, unless otherwise stated)

## 19 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| **Short-term debt:** | | |
| RR-denominated debt | 700 | 1,697 |
| USD-denominated debt | 28,332 | 25,091 |
| EUR-denominated borrowings | 13 | 118 |
| **Total short-term debt** | **29,045** | **26,906** |
| Current portion of long-term debt | 19,525 | 15,837 |
| | **48,570** | **42,743** |

Short-term RR-denominated debt bore average interest rates of 8.0 percent and 7.7 percent as of 30 June 2014 and 31 December 2013, respectively. Short-term USD-denominated debt bore average interest rates of 1.5 percent and 1.6 percent as of 30 June 2014 and 31 December 2013, respectively. Short-term EUR-denominated debt bore average interest rates of 1.6 percent and 1.7 percent as of 30 June 2014 and 31 December 2013, respectively.

The carrying amount of short-term debt approximates its fair value.

As of 30 June 2014 and 31 December 2013, the Group had no committed short-term credit facilities.

## 20 TAXES OTHER THAN INCOME TAX PAYABLE

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| VAT | 1,731 | 1,345 |
| Social taxes | 381 | 292 |
| Property tax | 301 | 277 |
| Other taxes | 210 | 113 |
| **Total taxes other than income tax payable** | **2,623** | **2,027** |

## 21 SHAREHOLDERS' EQUITY

***Share capital.*** The share capital of OAO SIBUR Holding (authorised, issued and paid-in) was RR 21,784 as of 30 June 2014 and 31 December 2013, and consisted of 2,178,479,100 ordinary shares, each with a par value of ten Russian roubles.

***Dividends.*** Dividends in the amount of RR 6,383 for the six months ended 31 December 2013 and RR 7,625 for the six months ended 31 December 2012 were paid during the six-month periods ended 30 June 2014 and 30 June 2013, respectively.

***Equity-settled share-based payment plans for directors and key management.*** 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 members of the Group's key management (see Note 29). For the six-month period ended 30 June 2014, the Group recognised RR 7,809 within equity reserves and a corresponding increase in operating expenses.

***Earnings per share.*** The basic and diluted earnings per share ratio has been calculated by dividing the profit for the reporting period attributable to equity holders by the weighted average number of shares outstanding during the period.

**(In millions of Russian roubles, unless otherwise stated)**

## 22 REVENUE

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Energy products:** | | | | |
| Liquefied petroleum gas | 20,378 | 14,008 | 39,371 | 27,098 |
| Naphtha | 19,031 | 5,820 | 34,219 | 11,884 |
| Natural gas | 10,494 | 5,505 | 17,589 | 12,736 |
| MTBE | 4,627 | 4,105 | 8,999 | 9,676 |
| Raw natural gas liquids | 2,348 | 2,398 | 5,207 | 4,491 |
| Other fuels and fuel additives | 894 | 536 | 2,009 | 1,334 |
| **Petrochemical products:** | | | | |
| Plastics and organic synthesis products | 11,570 | 11,175 | 21,351 | 20,737 |
| Basic polymers | 9,299 | 5,551 | 16,695 | 10,555 |
| Synthetic rubbers | 6,749 | 8,312 | 13,488 | 16,878 |
| Intermediates and other chemicals | 4,079 | 4,621 | 8,396 | 9,814 |
| **Total energy and petrochemical products (net of excise tax, customs duties and VAT)** | **89,469** | **62,031** | **167,324** | **125,203** |
| Sales of processing services | 122 | 22 | 596 | 1,370 |
| Trading and other sales | 2,119 | 1,793 | 3,792 | 3,457 |
| **Total revenue** | **91,710** | **63,846** | **171,712** | **130,030** |

## 23 OPERATING EXPENSES BEFORE EQUITY-SETLLED SHARE BASED PAYMENT PLANS

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Feedstock and materials | 19,387 | 15,979 | 38,879 | 33,257 |
| Goods for resale | 11,645 | 1,776 | 21,966 | 3,087 |
| Transportation and logistics | 10,805 | 9,808 | 20,647 | 19,360 |
| Energy and utilities | 7,902 | 5,251 | 14,994 | 13,012 |
| Staff costs | 6,647 | 5,929 | 13,071 | 12,907 |
| Depreciation and amortisation | 6,134 | 2,628 | 11,347 | 5,203 |
| Repairs and maintenance | 2,269 | 1,754 | 3,621 | 3,151 |
| Rent expenses | 1,936 | 1,344 | 3,672 | 2,689 |
| Services provided by third parties | 1,462 | 1,323 | 2,640 | 2,438 |
| Processing services of third parties | 224 | 1,563 | 1,560 | 1,632 |
| Taxes other than income tax | 412 | 492 | 734 | 911 |
| Charity and sponsorship | 273 | 304 | 495 | 581 |
| Impairment of property, plant and equipment | - | - | | 181 |
| Marketing and advertising | 104 | 181 | 190 | 231 |
| Loss/(gain) on disposal of property, plant and equipment | 43 | (123) | (46) | (463) |
| Other | 211 | 144 | 782 | 599 |
| Change in WIP and refined products balances | 1,473 | 509 | (979) | (1,479) |
| **Total operating expenses before equity-settled share based payment plans** | **70,927** | **48,862** | **133,573** | **97,297** |

**(In millions of Russian roubles, unless otherwise stated)**

## 24 FINANCE INCOME AND EXPENSES

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Foreign exchange gain from non-financing activities | 1,870 | 383 | 2,560 | 405 |
| Foreign exchange gain from financing activities | 5,700 | - | - | - |
| Interest income | 148 | 204 | 269 | 492 |
| Other income | 2 | 1 | 4 | 79 |
| **Total finance income** | **7,720** | **588** | **2,833** | **976** |
| Foreign exchange loss from financing activities | - | (3,638) | (1,585) | (5,297) |
| Interest expense | (889) | (243) | (1,406) | (659) |
| Unwinding of discount on borrowings and non-current accounts payable | (250) | (12) | (356) | (287) |
| Other expense | (17) | (3) | (27) | (3) |
| **Total finance expenses** | **(1,156)** | **(3,896)** | **(3,374)** | **(6,246)** |

## 25 INCOME TAXES

The Group incurred current income tax of RR 7,599 and RR 4,584 for the six and three months ended 30 June 2014, and RR 4,727 and RR 685 for the six and three months ended 30 June 2013, respectively

The Group paid current income tax of RR 9,797 and RR 5,788 for the six-month periods ended 30 June 2014 and 30 June 2013, respectively.

Income tax expense is recognised based on management’s best estimate of the weighted average annual income tax rate expected for the full financial year adjusted for non-recurring items.

**(In millions of Russian roubles, unless otherwise stated)**

## 26 CASH GENERATED FROM OPERATIONS

| | | Six months ended 30 June | |
|---|---|---|---|
| **Notes** | | **2014** | **2013** |
| | **Profit before income tax** | **83,345** | **30,024** |
| | **Adjustments to profit before income tax** | | |
| 23 | Depreciation and amortisation | 11,347 | 5,203 |
| 21 | Equity-settled share-based payment plans | 7,809 | - |
| | Impairment of trade and other receivables | 196 | - |
| 24 | Interest expense | 1,406 | 659 |
| 23 | Impairment of property, plant and equipment | - | 181 |
| 23 | (Gain)/loss on disposal of property, plant and equipment | (46) | (463) |
| | Share of net (income)/loss of joint ventures and associates | (765) | (148) |
| | Gain on acquisition of subsidiary | (52,773) | - |
| | Gain on disposal of subsidiary | (18) | - |
| 3 | Gain on deconsolidation of subsidiary | - | (2,413) |
| | Reversal of bonuses | (510) | (321) |
| 24 | Interest income | (269) | (492) |
| 24 | Unwinding of discount on borrowings and non-current accounts payable | 356 | 287 |
| 24 | Foreign exchange (gain)/loss, net | (975) | 4,892 |
| | Other adjustments | 178 | 418 |
| | **Operating cash flows before working capital changes** | **49,281** | **37,827** |
| | **Changes in working capital** | | |
| | (Increase)/decrease in trade and other receivables | (751) | 3,760 |
| | Decrease in prepayments and other current assets | 372 | 4,457 |
| | Increase in inventories | (1,703) | (1,401) |
| | Decrease in trade and other payables | (877) | (1,369) |
| | Increase/(decrease) in taxes payable | 546 | (491) |
| | **Total changes in working capital** | **(2,413)** | **4,956** |
| | **Cash generated before income tax payment** | **46,868** | **42,783** |
| | Income tax paid | (9,797) | (5,788) |
| | **Net cash from operating activities** | **37,071** | **36,995** |

## 27 SEGMENT INFORMATION

The Group operates as a vertically integrated business, gathering and processing hydrocarbon feedstock, which it obtains from major Russian oil and gas companies, and producing and selling energy products as well as a wide range of petrochemical products.

The Group's chief operating decision-makers are the chief executive officer, two executive directors and the chief financial officer. These executives review the Group's internal reporting in order to assess performance and allocate resources.

The Group's management has determined two operating and reportable segments:

- Feedstock & Energy – processing of associated petroleum gas and other hydrocarbon feedstock to produce energy products, including natural gas, raw natural gas liquids and naphtha, which are marketed and sold externally and are also used as feedstock by the Petrochemicals segment. In addition, the Feedstock & Energy segment produces fuel additives, including methyl tertiary butyl ether (MTBE), 100 percent of which is sold externally; and
- Petrochemicals – the production of basic polymers, synthetic rubbers, plastics, organic synthesis products and other petrochemical products.

**(In millions of Russian roubles, unless otherwise stated)**

## 27 SEGMENT INFORMATION (CONTINUED)

The Group's management assesses the performance of each operating segment based on their respective EBITDA contributions. The revenues and expenses of some of the Group's subsidiaries, which primarily provide energy supply, transportation, processing, managerial and other services to other Group entities, are not allocated into the operating segments. Other information provided to management, except as noted below, is measured in a manner consistent with that in this consolidated interim condensed financial information.

| | Feedstock & Energy | Petroche-micals | Total reportable segments | Unallocated | Total |
|---|---|---|---|---|---|
| **Three months ended 30 June 2014** | | | | | |
| Total segment revenue | 65,709 | 33,969 | 99,678 | 3,602 | 103,280 |
| Inter-segment transfers | (7,022) | (2,352) | (9,374) | (2,196) | (11,570) |
| **External revenue** | **58,687** | **31,617** | **90,304** | **1,406** | **91,710** |
| **EBITDA** | **23,350** | **3,598** | **26,948** | **(31)** | **26,917** |
| **Six months ended 30 June 2014** | | | | | |
| Total segment revenue | 125,360 | 64,742 | 190,102 | 6,644 | 196,746 |
| Inter-segment transfers | (15,233) | (4,617) | (19,850) | (5,184) | (25,034) |
| **External revenue** | **110,127** | **60,125** | **170,252** | **1,460** | **171,712** |
| **EBITDA** | **47,371** | **5,905** | **53,276** | **(3,790)** | **49,486** |

| | Feedstock & Energy | Petroche-micals | Total reportable segments | Unallocated | Total |
|---|---|---|---|---|---|
| **Three months ended 30 June 2013** | | | | | |
| Total segment revenue | 37,676 | 32,394 | 70,070 | 3,191 | 73,261 |
| Inter-segment transfers | (5,441) | (1,912) | (7,353) | (2,062) | (9,415) |
| **External revenue** | **32,235** | **30,482** | **62,717** | **1,129** | **63,846** |
| **EBITDA** | **14,836** | **3,733** | **18,569** | **(957)** | **17,612** |
| **Six months ended 30 June 2013** | | | | | |
| Total segment revenue | 81,066 | 63,986 | 145,052 | 6,396 | 151,448 |
| Inter-segment transfers | (13,340) | (4,016) | (17,356) | (4,062) | (21,418) |
| **External revenue** | **67,726** | **59,970** | **127,696** | **2,334** | **130,030** |
| **EBITDA** | **33,190** | **7,614** | **40,804** | **(2,687)** | **38,117** |

(In millions of Russian roubles, unless otherwise stated)

## 27 SEGMENT INFORMATION (CONTINUED)

A reconciliation of EBITDA to profit before income tax is provided as follows:

| | Feedstock & Energy | Petroche-micals | Total reportable segments | Unallocated | Total |
|---|---|---|---|---|---|
| **Three months ended 30 June 2014** | | | | | |
| **EBITDA** | **23,350** | **3,598** | **26,948** | **(31)** | **26,917** |
| Depreciation and amortisation | (3,373) | (2,466) | (5,839) | (295) | (6,134) |
| Equity-settled share-based payments plans for key management | - | - | - | (3,909) | (3,909) |
| Impairment of property, plant and equipment | - | - | - | - | - |
| **Operating profit/(loss)** | **19,977** | **1,132** | **21,109** | **(4,235)** | **16,874** |
| Finance income | - | - | - | 7,720 | 7,720 |
| Finance expenses | - | - | - | (1,156) | (1,156) |
| Share of net income/(loss) of joint ventures and associates | - | - | - | 881 | 881 |
| **Total profit/(loss) before income tax** | **19,977** | **1,132** | **21,109** | **3,210** | **24,319** |

| | Feedstock & Energy | Petroche-micals | Total reportable segments | Unallocated | Total |
|---|---|---|---|---|---|
| **Six months ended 30 June 2014** | | | | | |
| **EBITDA** | **47,371** | **5,905** | **53,276** | **(3,790)** | **49,486** |
| Depreciation and amortisation | (5,506) | (4,734) | (10,240) | (1,107) | (11,347) |
| Equity-settled share-based payments plans for key management | - | - | - | (7,809) | (7,809) |
| **Operating profit/(loss)** | **41,865** | **1,171** | **43,036** | **(12,706)** | **30,330** |
| Finance income | - | - | - | 2,833 | 2,833 |
| Finance expenses | - | - | - | (3,374) | (3,374) |
| Gain on acquisition of subsidiary | - | - | - | 52,773 | 52,773 |
| Share of net income/(loss) of joint ventures and associates | - | - | - | 765 | 765 |
| Gain on disposal of subsidiary | - | - | - | 18 | 18 |
| **Total profit/(loss) before income tax** | **41,865** | **1,171** | **43,036** | **40,309** | **83,345** |

**(In millions of Russian roubles, unless otherwise stated)**

## 27 SEGMENT INFORMATION (CONTINUED)

| | Feedstock & Energy | Petroche-micals | Total reportable segments | Unallocated | Total |
|---|---|---|---|---|---|
| **Three months ended 30 June 2013** | | | | | |
| **EBITDA** | **14,836** | **3,733** | **18,569** | **(957)** | **17,612** |
| Depreciation and amortisation | (1,088) | (1,333) | (2,421) | (207) | (2,628) |
| **Operating profit/(loss)** | **13,748** | **2,400** | **16,148** | **(1,164)** | **14,984** |
| Finance income | - | - | - | 588 | 588 |
| Finance expenses | - | - | - | (3,896) | (3,896) |
| Share of net income/(loss) of joint ventures and associates | - | - | - | (129) | (129) |
| **Total profit/(loss) before income tax** | **13,748** | **2,400** | **16,148** | **(4,601)** | **11,547** |

| | Feedstock & Energy | Petroche-micals | Total reportable segments | Unallocated | Total |
|---|---|---|---|---|---|
| **Six months ended 30 June 2013** | | | | | |
| **EBITDA** | **33,190** | **7,614** | **40,804** | **(2,687)** | **38,117** |
| Depreciation and amortisation | (2,341) | (2,448) | (4,789) | (414) | (5,203) |
| Impairment of property, plant and equipment | - | (181) | (181) | - | (181) |
| **Operating profit/(loss)** | **30,849** | **4,985** | **35,834** | **(3,101)** | **32,733** |
| Finance income | - | - | - | 976 | 976 |
| Finance expenses | - | - | - | (6,246) | (6,246) |
| Gain on deconsolidation of subsidiary | - | - | - | 2,413 | 2,413 |
| Share of net income/(loss) of joint ventures and associates | - | - | - | 148 | 148 |
| **Total profit/(loss) before income tax** | **30,849** | **4,985** | **35,834** | **(5,810)** | **30,024** |

***Geographical information.*** All of the Group's production facilities are located in the Russian Federation.

The breakdown of revenues by geographical regions is as follows:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Russia | 43,233 | 36,847 | 79,914 | 76,055 |
| Europe | 36,349 | 13,832 | 66,998 | 28,575 |
| Asia | 7,242 | 7,390 | 13,095 | 14,324 |
| CIS | 4,531 | 5,097 | 10,462 | 9,653 |
| Other | 355 | 680 | 1,243 | 1,423 |
| **Total revenue** | **91,710** | **63,846** | **171,712** | **130,030** |

The change in comparative figures for the three and six months ended 30 June 2013 is explained by change in the accounting policy regarding the allocation of revenue to geographical.Sales to Europe mainly cover the following countries: the Netherlands, Belgium, Sweden, Poland, Estonia, Hungary, France, the United Kingdom, Finland and Germany. Sales to Asia mainly cover the following countries: Turkey, China, India and Korea. Sales to the CIS mainly cover the following countries: Ukraine, Belarus and Kazakhstan.

**(In millions of Russian roubles, unless otherwise stated)**

## 28 PRINCIPAL SUBSIDIARIES

***Principal wholly owned operating subsidiaries of the Group***

| | |
|---|---|
| OOO Biaxplen | OAO SiburTyumenGaz |
| OAO Siburenergomenedgment | OOO Tobolsk-Neftekhim |
| OOO SIBUR GEOSINT | OOO Tobolsk-Polymer |
| SIBUR International GmbH | OOO Togliattikauchuk |
| ZAO Sibur-Khimprom | OOO Tomskneftekhim |
| OAO Sibur-Neftekhim | OAO Uralorgsintez |
| OAO Sibur-PETF | OAO Voronezhsintezkauchuk |
| OOO SIBUR-Portenergo | OOO Yugragazpererabotka* |
| ZAO SIBUR-Trans | |

*OOO Yugragazpererabotka controls OOO Belozerniy GPK, OOO Nizhnevartovskiy GPK, OOO Nyagangazpererabotka and OOO Truboprovodnaya Kompaniya (see Note 3).

***Other principal operating subsidiaries of the Group:***

| | Effective percent of share capital held by the Group as of | |
|---|---|---|
| | **30 June 2014** | **31 December 2013** |
| OAO NIPIgazpererabotka | 89 | 90 |
| OAO Polief | 83 | 83 |
| OAO Krasnoyarskiy ZSK | 75 | 75 |
| OOO PlasticGeosintetika | 67 | 67 |

As of 30 June 2014 and 31 December 2013 the voting and ownership percentage in the Group's subsidiaries with a non-controlling interest are the same.

Operating subsidiaries of the Group are incorporated and located in the Russian Federation, except for SIBUR International GmbH, an export trading company of the Group which is incorporated in Austria.

## 29 RELATED PARTIES

For the purposes of this consolidated interim condensed financial information, parties are generally considered to be related if one party is part of the Group's key management or Board of Directors, has the ability to control or jointly control the other party, they are under common control, or if one party can exercise significant influence over the other party in the financial and operational decision-making process. In considering each possible related-party relationship, attention is paid to the substance of the relationship, not merely the entities' legal form.

The nature of the related-party relationships for those related parties with whom the Group entered into significant transactions during the six-month periods ended 30 June 2014 and 30 June 2013, or had significant balances outstanding as of 30 June 2014 and 31 December 2013, are presented below.

**(In millions of Russian roubles, unless otherwise stated)**

## 29 RELATED PARTIES (CONTINUED)

### a) Significant transactions with parties under Mr Mikhelson's control, joint control or significant influence

During the six and three months ended 30 June 2014 and 30 June 2013, the Group engaged in transactions with OAO NOVATEK and its subsidiaries (jointly the "NOVATEK Group"). The Group's transactions and balances with the NOVATEK Group during the relevant periods are set out below:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Operating activities** | | | | |
| Purchases of natural gas | 696 | 567 | 1,616 | 1,251 |
| Purchases of liquefied petroleum gas | 68 | - | 244 | 195 |
| Purchases of raw natural gas liquids | 1,077 | - | 1,905 | - |
| Purchases of services | 131 | - | 131 | - |
| Natural gas sales | 3,922 | 2,457 | 7,296 | 6,475 |
| Liquid hydrocarbons sales | 32 | - | 96 | - |
| Sales of processing services | 115 | - | 115 | - |
| Sales of other work and services | 335 | - | 445 | 6 |

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Trade and other receivables | 232 | 265 |
| Advances and prepayments | 27 | 16 |
| Trade and other payables (including payables for the acquisition of subsidiaries) | 491 | 117 |
| Advances received | 160 | 14 |

During the six and three months ended 30 June 2014 and 30 June 2013, the Group engaged in transactions with OOO Nova related to the construction of a natural gas liquids pipeline connecting the Purovsky Gas Condensate Plant, the Yuzhno-Balykskaya Main Pumping Station and the Tobolsk production site in the Tyumen Region.

The Group's transactions and balances with OOO Nova as of the end and during the relevant periods are set out below:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Investing activities** | | | | |
| Purchases of other goods and services | - | 1,992 | 14 | 2,990 |

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Advances and prepayments for capital construction | - | 8 |
| Trade and other payables | 12 | 454 |

As of 30 June 2014 and 31 December 2013, the Group had contractual capital expenditure commitments with OOO Nova of RR 8 and RR 448, respectively.

**(In millions of Russian roubles, unless otherwise stated)**

## 29 RELATED PARTIES (CONTINUED)

During the six and three months ended 30 June 2014, the Group deposited cash in OAO Pervobank.

The Group's transactions and balances with OAO Pervobank as of the end and during the relevant periods are set out below:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Finance income** | | | | |
| Interest income on cash and cash equivalents | 48 | 27 | 65 | 81 |

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Cash and cash equivalents | 3,907 | 2,516 |

### b) Significant transactions with parties under Mr. Timchenko's control or joint control

In October 2011, the Gunvor Group, which is jointly controlled by Mr Gennady N. Timchenko, became a related party of the Group after Mr Timchenko acquired significant influence over the Group. The Group's primary transactions with the Gunvor Group entailed sales of energy products. In March 2014 it was announced that Mr Timchenko had sold his share in the Gunvor Group and, as a result, it ceased to be a related party of the Group.

The Group's transactions and balances with the Gunvor Group during the relevant periods are set out below:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Operating activities** | | | | |
| Sales of energy products | - | 151 | 1,139 | 687 |

| | | 31 December 2013 |
|---|---|---|
| Trade and other receivables | - | 6 |

During the six and three months ended 30 June 2014, the Group entered into transactions with OAO Stroytransgaz and its subsidiary, OOO Stroytransgaz-M (jointly, the "Stroytransgaz companies"). The transactions primarily included purchases by the Group from the Stroytransgaz companies of construction, repair and maintenance services.

The Group's transactions and balances with the Stroytransgaz companies as of the end and during the relevant periods are set forth below:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Operating and investing activities** | | | | |
| Purchases of construction and repair and maintenance services | 650 | 576 | 1,244 | 2,092 |
| Sales of other goods and services | 8 | - | 19 | - |

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| Advances and prepayments for capital construction | 415 | 210 |
| Trade and other payables | 78 | 224 |

As of 30 June 2014 and 31 December 2013, the Group had contractual capital expenditure commitments with Stroytransgaz Group of RR 1,538 and RR 1,621, respectively.

## 29 RELATED PARTIES (CONTINUED)

### c) Remuneration of directors and key management

The Group's Board of Directors comprised nine individuals, including shareholder representatives. Members of the Board of Directors are entitled to annual compensation, as approved by the Annual General Shareholders' Meeting.

During the six-month and three-month periods ended 30 June 2014 and 30 June 2013, the Company accrued RR 40 and RR 20, and RR 40 and RR 20, net of social taxes, respectively, to Board of Directors members as part of their compensation for the years ended 31 December 2014 and 2013.

Key management personnel comprised 16 individuals during the first six months of 2014 (16 during the first six months of 2013). Key management personnel are entitled to salaries, bonuses, voluntary medical insurance and other employee benefits (see Note 17). Remuneration for key management personnel is determined by the terms set out in the relevant annual employment contracts. Remuneration of key management personnel amounted to RR 433 and RR 186, and RR 541 and RR 263, net of social taxes, for the six-month and three-month periods ended 30 June 2014 and 30 June 2013, respectively.

### d) Equity-settled share-based payment plans for directors and key management

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 members of the 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 percent to 82.5 percent. Furthermore, the total combined equity interest held by the current and former members of the Group's management increased from 5.5 percent to 17.5 percent.

The transactions resulting in this change in ownership were made through companies that are not under the control of the Group but, rather, through a company jointly and beneficially held by the Group's majority shareholders. Thus, at the Group level, there are no current or future cash payments or liabilities under both plans to be discussed below. 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 the statement of changes in equity.

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

***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, 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 equals 20 percent 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.

For the six-month periods ended 30 June 2014 and 30 June 2013, the Group recognised RR 7,809 (USD 223 million) and RR nil, respectively, as expenses under the First Plan and a corresponding increase in other equity reserves.

***The Second Plan.*** The plan for the other Participants (the "Second Plan") was immediately vested. Second Plan Participants partially paid for the shares granted with the remainder to be paid for at a later date with interest. No amounts related to the Second Plan were recognised for the six-month periods ended 30 June 2014 and 30 June 2013.

**(In millions of Russian roubles, unless otherwise stated)**

## 29 RELATED PARTIES (CONTINUED)

### e) Joint ventures and associates

The Group's transactions and balances with its joint ventures as of the end and during the relevant periods are set forth below:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Operating and investing activities** | | | | |
| Purchases of materials, goods and services | 2,191 | 1,795 | 4,199 | 3,542 |
| Purchases of processing services | - | 1,459 | 1,079 | 1,459 |
| Sales of materials | 316 | 451 | 686 | 545 |
| Interest income | 37 | 93 | 69 | 129 |

| | **30 June 2014** | **31 December 2013** |
|---|---|---|
| Loans receivable | 971 | 1,703 |
| Short-term debt | 700 | 1,697 |
| Trade and other receivables | 74 | 279 |
| Trade and other payables | 3,283 | 2,585 |

Balances outstanding as of 31 December 2013 and transactions for the six-month period ended 30 June 2014 included OOO Yugragazpererabotka, a subsidiary that was deconsolidated and had been disclosed as a joint venture since March 2013 (see Note 3) and was then reconsolidated following its acquisition by the Group in March 2014 (see Note 3), as follows:

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Operating and investing activities** | | | | |
| Purchases of materials, goods and services | - | 53 | 4 | 53 |
| Purchases of processing services | - | 1,459 | 1,079 | 1,459 |
| Sales of materials, goods and services | - | 365 | 120 | 365 |
| Interest income | - | 26 | 18 | 26 |

| | **31 December 2013** |
|---|---|
| Loans receivable | 1,288 |
| Trade and other receivables | 192 |
| Trade and other payables | 1,231 |

The Group has issued a short-term finance guarantee for the value-added tax liabilities of OOO Yugragazpererabotka as of 31 December 2013; the maximum credit risk exposures as of 31 December 2013 due to financial guarantees issued for OOO Yugragazpererabotka were RR 1,290.

## 30 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

***Operating environment.*** The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

The ongoing uncertainty and volatility in financial markets, particularly in Europe, and other risks could have significant negative effects on the Russian financial and corporate sectors. The future economic and regulatory situation may differ from management's current expectations.

Recent developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including difficulties in obtaining international funding. These and other events, in case of escalation, may have a significant impact on the operating environment in the Russian Federation.

## 30 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

Russia’s future economic development is dependent upon both external factors and government measures to sustain growth and change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment.

***Legal proceedings.*** During the reporting period, the Group was involved in a number of lawsuits (as both plaintiff and defendant) arising in the ordinary course of business. Management believes there are no current legal proceedings or other outstanding claims that could have a material adverse effect on the Group’s operational results or financial position, and which have not been accrued or disclosed in the consolidated financial statements.

Certain agreements under which the Group has disposed of various businesses and assets contain warranties and indemnities in favour of purchasers related to title, environmental and other matters. Although the Group’s potential obligations under such warranties and indemnities may be material, the scope of such potential obligations cannot be accurately assessed until a specific claim is filed.

***Taxation.*** Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. The Group management’s interpretation of such legislation, as applied to the Group’s transactions and activity, may be challenged by the relevant federal and regional authorities.

The Russian tax authorities may take a more assertive position in their interpretation of the law and assessments, and it is possible that transactions and activities that have not been challenged in the past may now be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for the three calendar years preceding the year under review.

Recent amendments to Russian transfer pricing legislation took effect on 1 January 2012. These new transfer pricing rules appear more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This new legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. The Group’s management exercises its judgment about whether or not the transfer pricing documentation that the relevant entity has prepared, as required by the new legislation, provides sufficient evidence to support the entity's tax positions and related tax returns. Given that the practice of implementing the new Russian transfer pricing rules has not yet fully developed, the impact of any challenge to an entity's transfer prices cannot be reliably predicted; however, it may be significant to the financial condition and/or overall operations of the entity.

The Group includes companies incorporated outside of Russia. The Group’s tax liabilities are determined on the assumption that these companies are not subject to Russian income tax, if they are not permanently established in Russia. Russian tax law does not provide detailed rules on the taxation of foreign companies. With the evolution of the interpretation of these rules and changes in the Russian tax authorities’ approach, it is possible that the non-taxable status of some or all of the Group’s foreign companies in Russia may be challenged. The impact of any such challenge cannot be reliably assessed; however, it may be significant to the financial condition and/or overall operations of the entity.

The Group’s management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Where the Group’s management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these IFRS consolidated financial statements.

**(In millions of Russian roubles, unless otherwise stated)**

## 30 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

***Environmental matters.*** The enforcement of environmental regulations in the Russian Federation is evolving, and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. Obligations are recognised as soon as they are determined. Potential liabilities that could arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated, but could be material. Management believes that there are no likely liabilities for environmental damage, that would have a materially adverse impact on the Group's financial position or operating results.

***Social commitments.*** The Group contributes to the maintenance and upkeep of the local infrastructure and the welfare of employees in those areas where it has production operations, including contributions to the construction, development and maintenance of housing, hospitals, transport services, recreational facilities and other social infrastructure. Such funding is expensed as incurred.

***Compliance with covenants.*** The Group is subject to certain covenants primarily related to its debt. Non-compliance with such covenants may result in negative consequences for the Group, i.e. increased borrowing costs. Management believes that the Group is in compliance with its covenants.

***Operating lease commitments.*** Where the Group is a lessee in a lease that does not substantially transfer all risks and rewards incidental to ownership from the lessor to the Company, the total lease payments (as specified in a lease contract) are charged to profit or loss for the year on a straight-line basis over the lease term. The Company has two types of lease contracts in place: fixed-term agreements and continuous contracts. The vast majority of fixed-term contracts are non-cancellable before the expiry date and only a few of them may be terminated by the lessee at its sole discretion. The continuous contracts may be terminated by either party by giving proper notice of termination. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option. Lease payments include payments for non-lease elements in the arrangement such as scheduled maintenance expenses, insurance expenses, pollution charges and related taxes. Payments for the non-lease elements are not specifically predetermined in the contracts and may vary depending on the level of servicing required. Accordingly, it would not be practicable to disclose them separately.

| | 30 June 2014 | 31 December 2013 |
|---|---|---|
| No later than 1 year | 6,248 | 5,652 |
| Later than 1 year, but no later than 5 years | 21,054 | 18,766 |
| Later than 5 years | 9,408 | 10,507 |
| **Total operating lease commitments** | **36,710** | **34,925** |

***Capital commitments.*** In the normal course of business, the Group has entered into contracts for the purchase of property, plant and equipment. The Board of Directors has approved a capital expenditure budget for 2014 of RR 52,616 (2013: RR 73,694). As of 30 June 2014, the Group had contractual capital expenditure commitments of RR 27,930 (31 December 2013: RR 28,660).

## 31 EVENTS AFTER THE REPORTING DATE

On 5 September 2014, OOO Yauza 12 acquired a 17 percent stake in OAO SIBUR Holding from entities under the control of Mr Gennady Timchenko. OOO Yauza 12 is owned by Mr Kirill Shamalov, one of the Group's top managers, who as a result of the transaction increased his ownership share to 21.3 percent. In turn, Mr Timchenko’s ownership share in the Company decreased accordingly to 15.3 percent.

On 11 September 2014, the Company’s Board of Directors voted to expand the 2014 capital expenditures budget by including the ZapSib-2 investment project budget in the overall capex budget. As a result, the Company’s approved capital expenditures budget for 2014 has increased to RR 73.6 billion (net of VAT) from the previously approved level RR 52.6 billion (net of VAT).

The ZapSib-2 project involves building an ethylene cracking unit and polymers production units located in Tobolsk, Tyumen Region. The facility is designed to operate an ethylene cracker unit with annual capacity of 1.5 million tonnes of ethylene, 525 thousand tonnes of propylene and 100 thousand tonnes of crude C4, four polyethylene production units with a total annual capacity of 1.5 million tonnes, and one polypropylene production unit with an annual capacity of 500 thousand tonnes. Total capital expenditures for the ZapSib-2 project are estimated at USD 9.5 billion (net of VAT).

On 11 September 2014, the Company’s Board of Directors voted to distribute RR 7,690 as dividends to the Company’s shareholders by paying out a dividend of 3.5 Russian roubles per ordinary share.

## 32 NEW ACCOUNTING DEVELOPMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, which have not had a material impact on the Group's financial position or operations:

- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014);
- IFRIC 21, Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014);
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period);
- Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting (issued in June 2013 and effective for annual periods beginning 1 January 2014).

The Group is considering the implications of the following amendments, the impact on the Group and the timing of their adoption by the Group:

- IFRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018);
- Amendments to IAS 19, Defined Benefit Plans: Employee Contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014);
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below);
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014);
- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for periods beginning on or after 1 January 2016).
- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for periods beginning on or after 1 January 2017).

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