OAO SIBUR Holding

International Financial Reporting Standards
Combined Financial Information and
Independent Auditor's Report

31 December 2011

Independent auditor's report

To the Shareholders and Board of Directors of OAO SIBUR Holding:

We have audited the accompanying combined financial information of the feedstock and energy and petrochemical segments of the Group as described in notes 1 and 2, which comprise the combined statement of financial position as at 31 December 2011, 2010 and 2009 and the combined statements of comprehensive income, cash flows and changes in equity for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined financial information

Management is responsible for the preparation and fair presentation of this combined financial information in accordance with International Financial Reporting Standards and the basis of preparation set out in note 2 to the combined financial information, and for such internal control as management determines is necessary to enable the preparation of combined financial information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this combined financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial information presents fairly, in all material respects, the financial position of the Group as at 31 December 2011, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

14 December 2012

Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit , White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F:+7 (495) 967-6001, www.pwc.ru

(In millions of Russian roubles, unless otherwise stated)

Notes		31 December 2011	31 December 2010	31 December 2009
	Assets			
	Non-current assets			
6	Property, plant and equipment	150,502	101,662	75,881
7	Goodwill	6,697	6,697	6,272
8	Investments in joint ventures	18,118	5,810	3,086
27	Deferred income tax assets	10,380	1,409	135
9	Advances and prepayments for capital construction	32,858	26,511	14,472
10	Loans receivable	638	4,947	5,674
11	Trade and other receivables	335	4,224	2,313
12	Other non-current assets	3,432	2,653	2,304
	Total non-current assets	**222,960**	**153,913**	**110,137**
	Current assets			
13	Inventories	22,187	12,651	11,472
11	Trade and other receivables	20,965	21,024	15,166
11	Receivables for disposed businesses	11,368	-	-
	Prepaid current income tax	3,025	1,007	474
14	Prepayments and other current assets	20,749	13,439	10,355
10	Loans receivable	911	10,299	9,804
15	Cash and cash equivalents	14,971	15,416	14,846
5	Assets classified as held for sale	5,993	2,802	-
	Total current assets	**100,169**	**76,638**	**62,117**
	Total assets	**323,129**	**230,551**	**172,254**
	Liabilities and equity			
	Non-current liabilities			
16	Long-term debt	51,716	28,532	30,447
17	Grants and subsidies	19,549	7,286	947
27	Deferred income tax liabilities	8,110	3,993	2,931
18	Other non-current liabilities	6,512	6,716	2,335
	Total non-current liabilities	**85,887**	**46,527**	**36,660**
	Current liabilities			
20	Short-term debt and current portion of long-term debt	31,194	30,166	25,217
19	Trade and other payables	29,973	31,357	20,557
	Income tax payable	5,286	2,696	2,188
21	Taxes other than income tax payable	4,788	5,441	2,250
5	Liabilities associated with non-current assets classified as held for sale	667	-	-
	Total current liabilities	**71,908**	**69,660**	**50,212**
	Total liabilities	**157,795**	**116,187**	**86,872**
22	**Equity**			
	Shareholders of the parent company net investment	163,911	113,692	84,926
23	Non-controlling interest	1,423	672	456
	Total equity	**165,334**	**114,364**	**85,382**
	Total liabilities and equity	**323,129**	**230,551**	**172,254**

D.V. Konov
Chief Executive Officer
14 December 2012

A.N. Filippovskiy
Chief Financial Officer
14 December 2012

The accompanying notes on pages 6 to 59 are an integral part of this combined financial information.

(In millions of Russian roubles, unless otherwise stated)

Notes		Year ended 31 December		
		2011	**2010**	**2009**
	Continuing operations			
24	Revenue	248,660	188,563	127,800
25	Operating expenses	(170,207)	(136,751)	(106,256)
	Operating profit	**78,453**	**51,812**	**21,544**
26	Finance income	2,910	5,622	8,045
26	Finance expenses	(7,325)	(4,570)	(9,638)
4	Gain on acquisition of subsidiaries	4,957	-	-
8	Share of net income (loss) of joint ventures	236	108	(88)
11,4	Impairment of notes and other receivables	(1,731)	-	(3,262)
5	(Loss)/gain on disposal of investments	(380)	16	3,514
	Profit before income tax	**77,120**	**52,988**	**20,115**
27	Income tax expense	(15,561)	(12,251)	(3,964)
	Profit from continuing operations	**61,559**	**40,737**	**16,151**
	Discontinued operations			
5	Gain from disposal of Amtel Group assets	1,240	-	-
	Profit for the year, including attributable to:	**62,799**	**40,737**	**16,151**
23	Non-controlling interest	(30)	(46)	(53)
	Shareholders of the parent company	62,829	40,783	16,204
	Other comprehensive loss after tax:			
	Actuarial loss on post-employment benefit obligations	(94)	(311)	(207)
	Other comprehensive loss for the year	**(94)**	**(311)**	**(207)**
	Total comprehensive income for the year from continuing operations	**61,465**	**40,426**	**15,944**
	Total comprehensive income for the year, including attributable to:	**62,705**	**40,426**	**15,944**
	Non-controlling interest	(30)	(46)	(53)
	Shareholders of the parent company	62,735	40,472	15,997

The accompanying notes on pages 6 to 59 are an integral part of this combined financial information.

(In millions of Russian roubles, unless otherwise stated)

Notes		Year ended 31 December 2011	2010	2009
28	Cash from operating activities of continuing operations before income tax payment	72,558	64,101	21,122
	Income tax paid from continuing operations	(18,377)	(12,670)	(1,019)
	Net cash from operating activities of continuing operations	**54,181**	**51,431**	**20,103**
	Net cash from operating activities	**54,181**	**51,431**	**20,103**
	Investing activities			
	Purchase of property, plant and equipment	(55,553)	(39,423)	(24,934)
10,32	Loans issued	(41,968)	(5,507)	(8,333)
8	Acquisition of interest in joint ventures	(12,650)	(3,366)	(1,750)
	Purchase of listed equity securities held for trading at fair value through profit and loss	(2,050)	-	-
	Acquisition of interest in subsidiaries, net of cash acquired	(3,433)	(1,205)	(8,192)
5	Proceeds from disposal of subsidiaries, net of cash disposed	1,110	749	-
	Repayment of loans and notes receivable	17,008	6,551	9,107
5	Settlement/(purchase) of receivables from Amtel Group	3,081	(4,205)	(1,917)
	Proceeds from sale of property, plant and equipment	5,946	1,489	574
	Dividends received	6,921	-	1,344
22	Proceeds from disposal of the Mineral Fertilizers and Tyres businesses, net of related income tax of RR 4,295	33,023	-	-
	Decrease in short-term deposits	-	-	21,879
15	Restricted cash for investment activities	-	-	8,833
8	Refund of contingent consideration	-	750	-
	Repayment/(purchase) of equity instruments of the Tyres business	4,981	-	(4,981)
	Investment in share capital of the Tyres business	-	(6,000)	-
	Decrease/(increase) in other non-current assets, net	137	(642)	(28)
	Cash used in investing activities of continuing operations	**(43,447)**	**(50,809)**	**(8,398)**
	Cash from investing activities of discontinued operations	**2,157**	**-**	**-**
	Net cash used in investing activities	**(41,290)**	**(50,809)**	**(8,398)**
	Financing activities			
	Proceeds from issue of ordinary shares of parent company	-	-	9,000
	Proceeds from long-term debt	43,298	14,019	49,452
	Repayment of long-term debt	(63,137)	(11,257)	(41,224)
	Proceeds from short-term debt	84,135	90,092	21,370
	Repayment of short-term debt	(81,798)	(88,298)	(32,058)
17	Grants and subsidies received	13,632	6,339	225
	Sale of OAO SIBUR Holding shares	6,984	-	-
	Interest received	757	1,154	1,083
	Prepaid borrowing costs	(37)	(3,701)	-
	Proceeds from issue of promissory notes	-	-	5,000
	Repayment of promissory notes and loans	(13,129)	(392)	-
	Interest paid	(3,509)	(3,706)	(5,238)
	Dividends paid to the Company's shareholders	-	(4,612)	(8,760)
	Settlement of forward and options contracts	-	-	(4,688)
	Other	278	158	66
	Cash used in financing activities of continuing operations	**(12,526)**	**(204)**	**(5,772)**
	Net cash used in financing activities	**(12,526)**	**(204)**	**(5,772)**
	Effect of exchange rate changes on cash and cash equivalents	(810)	152	133
	Net (decrease)/increase in cash and cash equivalents	**(445)**	**570**	**6,066**
	Cash and cash equivalents, at the beginning of the reporting year	15,416	14,846	8,780
	Cash and cash equivalents, at the end of the reporting year	**14,971**	**15,416**	**14,846**

The accompanying notes on pages 6 to 59 are an integral part of this combined financial information.

(In millions of Russian roubles, unless otherwise stated)

Notes		Shareholders of the parent company net investment	Non-controlling interest	Total equity
	Balance as of 31 December 2008	**64,831**	**487**	**65,318**
	Profit for the year	16,204	(53)	16,151
	Actuarial loss on post-employment benefit obligations	(207)	-	(207)
	Comprehensive income for the year	**15,997**	**(53)**	**15,944**
	Acquisition of shares in subsidiaries	**-**	22	22
	Share issue	9,000	-	9,000
22	Net contributions/distributions from/to shareholders of the Mineral Fertilizers and Tyres businesses	(4,902)	-	(4,902)
	Balance as of 31 December 2009	**84,926**	**456**	**85,382**
	Profit for the year	40,783	(46)	40,737
	Actuarial loss on post-employment benefit obligations	(311)	-	(311)
	Comprehensive income for the year	**40,472**	**(46)**	**40,426**
	Acquisition of shares in subsidiaries	**-**	285	285
	Disposal of shares in subsidiaries	-	(23)	(23)
	Dividends	(4,612)	-	(4,612)
22	Net contributions/distributions from/to shareholders of the Mineral Fertilizers and Tyres businesses	(7,094)	-	(7,094)
	Balance as of 31 December 2010	**113,692**	**672**	**114,364**
	Profit for the year	62,829	(30)	62,799
	Actuarial loss on post-employment benefit obligations	(94)	-	(94)
	Comprehensive income for the year	**62,735**	**(30)**	**62,705**
	Acquisition of subsidiaries	**-**	781	781
22	Disposal of treasury shares	6,984	-	6,984
22	Acquisition of treasury shares	(72,374)	-	(72,374)
22	Net contributions/distributions from/to shareholders of the Mineral Fertilizers and Tyres businesses	52,874	-	52,874
	Balance as of 31 December 2011	**163,911**	**1,423**	**165,334**

1 NATURE OF OPERATIONS

OAO SIBUR Holding (the "Company") and its subsidiaries (together referred to as the "SIBUR Group") form a vertically integrated gas processing and petrochemicals business. This combined financial information of the Company and its subsidiaries excludes those subsidiaries engaged in the activities of the Mineral Fertilizers and Tyres businesses (together referred to as the "Group"). The Group is comprised of the Feedstock & Energy and Petrochemicals segments. The Group purchases and processes raw materials (primarily associated petroleum gas and natural gas liquids) and produces and markets energy and petrochemical products domestically and internationally.

The Group's productions facilities are located in the Russian Federation.

From 24 June 2008, the non-state pension fund Gazfund through OAO Gazprombank ("Gazprombank"), was the Group's ultimate parent. In December 2010, ZAO Miracle, a company owned by Dellawood Holdings Ltd and ultimately controlled by Mr L.V. Mikhelson, acquired rights to a 50 percent stake in the Company from the previous owners. This acquisition was subject to antimonopoly approval. The first 25 percent was acquired on 23 December 2010, while the remaining 25 percent was acquired on 2 March 2011 upon receipt of approval.

On 24 January 2011, the Company changed its legal form from an open joint-stock company (in Russian: OAO) to a closed joint-stock company (in Russian: ZAO).

In September 2011, Mr L.V. Mikhelson became the Group's controlling shareholder with the acquisition of 9,141 additional shares in the Company by ZAO Miracle, thus increasing its ownership stake in OAO SIBUR Holding to 50.02 percent.

In October 2011, Dellawood Holdings Ltd. acquired the remaining 49.98 percent stake in the Company.

In November 2011, Dellawood Holdings Ltd. was renamed to Sibur Limited and acquired 0.02 percent in the Company from ZAO Miracle, which resulted in a 100 percent ownership in the Company, including direct ownership of a 50-percent-plus-one-share stake and indirect ownership (through ZAO Miracle) of a 50-percent-less-one-share stake.

Also, in November 2011, the Company acquired a 100 percent stake in ZAO Miracle from Sibur Limited. As a result, the Company recognised its 50-percent-less-one-share stake in OAO SIBUR Holding as treasury shares (Note 22).

In February 2012, ZAO Miracle was formally merged with OAO SIBUR Holding under Russian law, which resulted in the Company redeeming its treasury shares and Sibur Limited becoming the direct owner of the Company.

On 9 June 2012, the Company changed its legal form from a closed joint-stock company (ZAO) to an open joint- stock company (OAO).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation. This combined financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and 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 Russian Federal Law on Accounting (RAR). The financial information is based on statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

(In millions of Russian roubles, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The combined financial information as at and for the years ended 31 December 2011, 2010 and 2009 comprises an aggregate of the amounts included in the financial statements of OAO SIBUR Holding and its subsidiaries relating to the activities of the SIBUR Group's Feedstock & Energy and Petrochemicals reportable segments by applying the principals of IAS 27 and IAS 27R underlying the consolidation procedures. The combined financial information is different than the consolidated financial statements for the year ended 31 December 2011, as the combined financial information does not give effect to inclusion of the Mineral Fertilizers and Tyres businesses that were treated as discontinued operations in the consolidated financial statements for the year ended 31 December 2011. The principal entities included within the combined financial information are shown in Note 31.

During the first quarter of 2011, the SIBUR Group announced its intention to sell its Mineral Fertilizers and Tyres businesses. These businesses were disposed by the SIBUR Group in December 2011 (Note 22). The combined financial information excludes these businesses.

The balances and financial results of the following key SIBUR Group subsidiaries have been excluded from this combined financial information:

		Effective percentage of share capital held by SIBUR Group as of		
Tyres business:	**Type of activity**	**31 December 2011**	**31 December 2010**	**31 December 2009**
OAO SIBUR-Russian Tyres	Holding company, tyre sale activity	-	100	100
OAO Yaroslavsky Tyre Plant	Tyre production	-	91	91
OAO Sibur-Volzhskiy	Tyre cord production	-	100	100
OOO Uralsk Tyre Plant	Tyre production	-	100	100
OAO Voltair-Prom	Tyre production	-	95	95
OAO Omskshina	Tyre production	-	85	85
OAO Volzhskiy Airnitrogen Plant	Chemical products	-	95	95
Mineral Fertilizers business:				
OAO SIBUR-Mineral Fertilizers	Holding company, mineral fertilizers sales	-	100	100
OAO AZOT, Kemerovo	Mineral fertilizer and caprolactam production	-	89	89
OAO Mineralnye Udobreniya, Perm	Mineral fertilizers production	-	51[1]	51[1]

[1] includes potential voting rights interest of 48 percent

The following summarises the accounting and other principles applied in preparing the combined financial information.

- The combined financial information is presented under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- Any funding, investments in or dividends received from the excluded entities have been recorded within movements in equity (Note 22).
- Proceeds/payments (including current and deferred taxes) related to disposal of the Mineral Fertilizers and Tyres businesses received/accrued during the period of the combined financial information have been recorded within movements in equity (Note 22).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The combined financial information excludes the balances, results of operations and cash flows and related disclosures of entities and operations included in the Mineral Fertilizers and Tyres businesses as described above. However, the transactions and balances with these entities which are not consolidated by the Group by have been classified as related-party transactions at the historical intercompany sales prices established by the Company, and details of such transactions and balances are included in Note 32.

- The combined financial information was prepared on the assumption that transactions related to the Group's purchasing of raw materials with subsequent resale to the Mineral Fertilizers and Tyres businesses will continue after SIBUR Group's disposal of the businesses, and the relevant purchases and sales have been included within the combined statement of comprehensive income and classified as related-party transactions up to the moment of disposal in Note 32.

- Historically, the Company has not recharged the corporate costs of the Group's management company to any of the underlying businesses. No adjustment has been made to the combined financial information to reflect any amount which might be viewed as being attributable to the excluded entities.

The Group results presented for the period may have been different had those entities excluded from the combined financial information operated outside of the Company's control throughout the period, and thus the results are not necessarily indicative of those of future periods.

- Tax charges in this combined financial information have been determined based on the tax charges recorded by Group companies in their local statutory accounts. The tax charges recorded in the combined information of comprehensive income may not necessarily be representative of the charges that may arise in the future.

- Cash flows relating to transactions recorded within equity are presented as cash flows from operating, investing and financing activities, according to their nature.

The preparation of combined financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial information, are disclosed in Note 3.

This combined financial information was updated to reflect certain reclassifications to make this set of combined financial information comparable with the latest available interim condensed combined financial information prepared for the nine months ended 30 September 2012, and with the combined financial information to be prepared for the current reporting year ending 31 December 2012. This set of combined financial information for the three years ended 31 December 2011 was also updated for events after the reporting date (Note 34).

The principal accounting policies applied in the preparation of this combined financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation procedures. For the purposes of this combined financial information, subsidiaries, related to the activities of SIBUR Group’s Feedstock & Energy and Petrochemicals reportable segments, as described above, are those companies and other entities (including special purpose entities) in which the Group holds, directly or indirectly, an interest of more than one half of the voting rights or is otherwise has power to govern the entities’ financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are included in the combined financial information from the date on which control is transferred to the Group (acquisition date) and are excluded from the date that such control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, regardless of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction-by-transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of the acquiree’s net assets.

Goodwill is measured by deducting the acquiree’s net assets from the aggregate amount of the consideration transferred for the acquiree, as well as the amount of non-controlling interest in the acquiree and the fair value of the interest in the acquiree held immediately before the acquisition date. Any negative amount (“negative goodwill”) is recognised in profit or loss, after management reassesses whether it identified all the assets acquired, and all liabilities and contingent liabilities assumed, and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition-related costs such as fees for advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the relevant cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group’s policies.

Non-controlling interest is that part of the net results and equity of a subsidiary that is attributable to interests which the Company does not own, directly or indirectly. Non-controlling interest forms a separate component of the Group’s equity.

Purchases of subsidiaries from parties under common control. Purchases of subsidiaries from parties under common control are accounted for using the purchase accounting method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, regardless of the extent of any non-controlling interest.

(In millions of Russian roubles, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets and disposal groups classified as held for sale. Assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as “assets classified as held for sale” if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within 12 months after the reporting period and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Non-current assets or disposal groups classified as held for sale in the current period’s statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

Property, plant and equipment. Property, plant and equipment are stated at cost, restated to the equivalent purchasing power of the Russian rouble as of 31 December 2002 for assets acquired prior to 1 January 2003, less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. The cost of replacing major parts or components of property, plant and equipment items is capitalised when it is probable that future economic benefits will flow to the Group, the cost of the item can be measured reliably and the replaced part has been retired and derecognised. Gains and losses on disposals determined by comparing proceeds with carrying amounts are recognised in profit or loss.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Depreciation. Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	20-100
Facilities	10-50
Machinery and equipment	5-30
Transport vehicles and other	5-20

The useful lives are reviewed annually taking into consideration the nature of the assets, existing practices regarding repairs and maintenance of the assets, their intended use and the evolution of technology. The change of useful lives of property, plant and equipment is handled as a change in accounting estimate and is accounted for on a prospective basis.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is assumed to be nil if the Group expects to use the asset until the end of its physical life. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

Leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the period of the lease.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group carries substantially all the risk and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payment.

Each lease payment is allocated between the liability and finance charges. The relevant rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment items acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Intangible assets.

(a) Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Acquired licences are shown at historical cost. Licences have a finite useful life from one to ten years and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. Annually, at each reporting date, management assesses whether there is any indication of impairment of intangible assets. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

(c) Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life of eight years and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

Impairment of non-financial assets. Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Investments in joint ventures. Joint ventures are entities over which the Group exercises joint control. Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of joint ventures includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of post-acquisition profit or loss of joint ventures is recorded in profit or loss for the year as a share of the net income of joint ventures. The Group's share of other post-acquisition comprehensive income of joint ventures is recognised in the Group's other comprehensive income.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

***Loans and receivables*.** Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method amount less a provision made for impairment of these receivables.

Amortised cost is the amount at which the financial instrument was initially recognised less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method allocates interest income or expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the entire expected lifespan of the instrument. The present value calculation includes all fees paid or received between parties to a contract that are an integral part of the effective interest rate.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on a weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

***Cash and cash equivalents*.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Trade and other payables. Trade payables are accrued when a counterparty has performed its obligations under a relevant contract, and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are reassessed at each reporting date and changes in the provisions are reflected in the profit or loss within operating expenses.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Value added tax. Output value added tax (VAT) related to sales is payable to the relevant tax authorities upon the earlier of (a) collection of the receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the relevant VAT invoice. The Russian tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases which have not been settled at the reporting date (VAT recoverable and payable) is recognised on a gross basis and disclosed separately as current asset and short-term liability, while VAT related to the long-term portion of restructured liabilities is included within non-current assets. Where a provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT liability is maintained until the debt is written off for tax purposes.

Grants and subsidies. Grants and subsidies are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants and subsidies relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the profit or loss: a) on a straight-line basis over the expected lives of the related assets, or b) in full amount when the assets are sold.

Debt. Debt is recognised initially at fair value, net of transaction costs incurred. Debt is subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the debt using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs and presented as prepaid borrowing costs.

To the extent there is no evidence of the probability that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the relevant facility.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to prepare for their intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation occurred on or after 1 January 2008.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditures on qualifying assets. Capitalised borrowing costs are calculated at the Group’s average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity. As this combined financial information has been prepared on a combined basis, it is not meaningful to show share capital or analysis of reserves. Therefore, amounts which reflect the carrying value of investments by the Group's companies were aggregated and disclosed as "Equity", while the carrying value of net assets attributable to shareholders other than the Group were presented as "Non-controlling interest".

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity until the equity instruments are reissued, disposed of, or cancelled. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included back into equity.

Dividends. Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are declared after the reporting date but before the financial information is authorised for issue.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. The Group recognises the difference between the purchase consideration and the carrying amount of non-controlling interest acquired and records it as a capital transaction directly in equity. Any difference between the sales consideration and carrying amount of non-controlling interest sold is also recognised as a capital transaction in the statement of changes in equity.

Current and deferred income tax. Income taxes have been provided for in the combined financial information in accordance with Russian law that has been enacted or substantively enacted by the reporting date. The income tax charge or credit comprises current tax and deferred tax and is recognised in profit or loss, unless it is recognised in other comprehensive income or directly in equity because it relates to transactions that are recognised, in the same or different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than income tax are recorded within operating expenses. Deferred income tax is recognised using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that there are sufficient taxable temporary differences, or that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains at their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Post-employment obligations. Some Group companies provide post-retirement benefits to their retired employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Revenue recognition. Revenues from sales of goods are recognised for financial reporting purposes at the point of transfer of ownership risks and rewards, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are delivered to the customer at the destination point.

Sales are shown net of VAT, excise taxes and other similar mandatory payments. Revenues are measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time-proportion basis using the effective interest method.

Classification of financial assets. The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as financial assets at fair value through profit or loss. Assets in this category are classified as current assets as they are expected to be settled within 12 months. Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the profit or loss within finance income and finance expense in the period in which they arise.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group’s loans and receivables comprise trade and other receivables, loans and notes receivable, and cash and cash equivalents in the statement of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for trading, which also includes financial derivatives, and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and measurement of financial assets. Regular purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed through the profit or loss.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and the realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;

- the counterparty is considering bankruptcy or a financial reorganisation;

- there is an adverse change in the payment status of the counterparty as a result of changes in national or local economic conditions that impact the counterparty; or

- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

(In millions of Russian roubles, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

Foreign currency transactions. The functional currency of each of the Group's entities included in the combined financial information is the currency of the primary economic environment in which the given entity operates. The functional currency of the Company and most of its subsidiaries, and the Group's presentation currency, is the national currency of the Russian Federation, the Russian rouble (RR).

Monetary assets and liabilities, which are held by Group entities as of 31 December 2011, 2010 and 2009 and denominated in foreign currencies, are translated into RR at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised as exchange gains or losses in the profit or loss.

The official US dollar (USD) and euro (EUR) to RR exchange rates, as determined by the Central Bank of Russia, are as follows:

	Euro	US dollar
As at 31.12.2009	43.3883	30.2442
2009 weighted average	44.1299	31.7231
As at 31.12.2010	40.3331	30.4769
2010 weighted average	40.2980	30.3692
As at 31.12.2011	41.6714	32.1961
2011 weighted average	40.8848	29.3874

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments with revenues, results or assets that represent ten percent or more of all segments are reported separately.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities in future financial reporting periods. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Management also makes certain judgements, apart from those involving estimates, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities in future financial reporting periods are as follows:

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 33).

Initial recognition of loans given to and received from related parties. In the normal course of business, the Group provides loans to and receives loans from its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. The terms and conditions of loans given to related parties are disclosed in Note 10. The terms and conditions of loans received from related parties are disclosed in Notes 16 and 20.

Deferred income tax asset recognition. The deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimates based on the recent taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

Useful lives of property, plant and equipment (PP&E). Property, plant and equipment items are stated net of accumulated depreciation. Estimating the useful life of a PP&E item is a matter of management judgement and is based on experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, residual value, physical wear and tear, and the environment in which the asset is operated. Differences between such estimates and actual results may result in losses in future periods, and changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Estimated impairment of goodwill. The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amounts of cash-generating units are the higher of their fair value less costs to sell and their value-in-use calculations. These calculations require the use of estimates (Note 7).

Estimated impairment of property, plant and equipment (PP&E). Property, plant and equipment items are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGU). The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value-in-use calculations, which require the estimation of discounted cash flows. The estimation of cash flows and assumptions consider all information available at the year-end on the future development of the operating business and may deviate from actual future developments. An impairment charge is the difference between the carrying amount and the recoverable amount of CGU.

4 ACQUISITION OF SUBSIDIARIES

Acquisition of Citco Waren-Handelsgesellschaft m.b.H. In July 2009, the Group acquired a 100 percent stake in the share capital of Citco Waren-Handelsgesellschaft m.b.H., for RR 9,708 (EUR 222 million) from a third party. The acquired business contributed revenues of RR 41,838 and net profit of RR 805 to the Group for the period from 2 July 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, Group revenue would have been RR 136,045 and profit for the year would have been RR 17,053.

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

The Group has been indemnified and held harmless by the seller from and against any and all direct losses, damages, liabilities, penalties, interest or expenses suffered, incurred or paid directly as a result of, in connection with, or arising out of any non-compliance with relevant legislation due to an event or circumstances existing or arising prior to the acquisition date of Citco Waren-Handelsgesellschaft m.b.H. if the seller is responsible for such non-compliance. The Group recognised the relevant indemnification asset at the acquisition date at a fair value of nil due to the uncertainty of future cash flows because of collectability considerations. In 2011, Citco Waren-Handelsgesellschaft m.b.H. was renamed SIBUR International GmbH.

The assets and liabilities arising from the acquisition are as follows:

	Fair values
Property, plant and equipment	32
Inventories	3,757
Trade and other receivables	5,490
Cash and cash equivalents	1,516
Trade and other payables	(7,359)
Net assets of the acquired subsidiary	**3,436**
Less: Total purchase consideration	9,708
Goodwill arising on acquisition	**6,272**

Formation of OOO Plastic-Geosintetika. In January 2010, the Group received a 67 percent stake in the share capital of OOO Plastic-Geosintetika, a newly established entity, through the disposal of construction-in-progress worth RR 570. The other investor, the Leader-innovations Venture Fund, then a related party, received a 33 percent stake in OOO Plastic-Geosintetika through a cash contribution of RR 300. The Group has consolidated this entity, which it controls.

Acquisition of OOO Novatek-Polymer. In September 2010, the Group acquired a 100 percent stake in the share capital of OOO Novatek-Polymer (renamed OOO Biaxplen NK in December 2010) for a total cash consideration of RR 2,400. After the transaction, the seller (OAO NOVATEK) became a related party of the Group (Note 32). The acquired subsidiary is one of the largest producers of BOPP-film and polyethylene-based isolating anticorrosive materials in Russia and the CIS countries. This acquisition has created an additional sales channel of basic polymers for the Group.

The fair values of the assets and liabilities acquired are based on a valuation performed by an independent professional appraiser. Details of the assets and liabilities acquired and relevant goodwill are as follows:

	Fair values
Property, plant and equipment	1,172
Inventories	450
Trade and other receivables	621
Cash and cash equivalents	39
Other liabilities	(105)
Deferred tax liability	(63)
Fair value of identifiable net assets of subsidiary	**2,114**
Goodwill arising on acquisition	286
Total purchase consideration	**2,400**
Less:	
Accounts payable for acquisition of subsidiary	1,730
Discount on accounts payable for acquisition of subsidiary	383
Cash and cash equivalents of subsidiary acquired	39
Outflow of cash and cash equivalents on acquisition	**248**

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

The acquired subsidiary contributed revenue of RR 640 and profit of RR 56 to the Group for the period from the date of acquisition to 31 December 2010. If the acquisition had occurred on 1 January 2010, Group revenue for 2010 would have been RR 190,302, and profit for 2010 would have been RR 40,902.

As of 31 December 2011 and 2010, respectively, 100 percent of OOO Novatek-Polymer's shares were pledged until full settlement.

Acquisition of transportation infrastructure. In August 2010, the Group acquired a 100 percent stake in the share capital of ZAO Promyshleniy Capital and a 97 percent equity stake in OAO Tyumenpromgeldotrans from a group of individuals for a total cash consideration of RR 1,004. The acquired subsidiaries own the transportation infrastructure in the Tobolsk region, and the acquisition was intended to secure transportation infrastructure in the Tyumen Region and to reduce the Group's transportation costs.

The fair values of assets and liabilities acquired are based on a valuation performed by an independent professional appraiser. Details of the assets and liabilities acquired and relevant goodwill are as follows:

	Fair values
Property, plant and equipment	875
Inventories	35
Trade and other receivables	134
Cash and cash equivalents	47
Other current assets	46
Loans and borrowings	(61)
Trade and other payables	(74)
Deferred tax liability	(137)
Fair value of identifiable net assets of subsidiaries	**865**
Less: non-controlling interest	-
Goodwill arising on acquisition	139
Total purchase consideration	**1,004**
Less: Cash and cash equivalents of subsidiaries acquired	47
Outflow of cash and cash equivalents on acquisition	**957**

The acquired subsidiaries contributed revenue of RR 143 and loss of RR 72 to the Group for the period from the date of acquisition to 31 December 2010. If the acquisition had occurred on 1 January 2010, Group revenue for 2010 would have been RR 188,849, and profit for 2010 would have been RR 40,593.

Acquisition of the Acrylate Group. In July 2011, the Group acquired a 100 percent equity stake in the Acrylate Group so as to enter a new product market. The total consideration paid was RR 1,673. The Acrylate Group is the only producer of acrylic acid in Russia.

The fair values of assets and liabilities acquired are based on a valuation performed by an independent professional appraiser. Details of the assets and liabilities acquired are as follows:

	Fair values
Property, plant and equipment	2,960
Inventories	415
Trade and other receivables	48
Cash and cash equivalents	11
Loans and borrowings	(61)
Trade and other payables	(1,221)
Other current liability	(50)
Deferred tax liability	(429)
Net assets of subsidiary	**1,673**
Less: Cash and cash equivalents of subsidiary acquired	11
Outflow of cash and cash equivalents on acquisition	**1,662**

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

The acquired subsidiary contributed for the period from the date of acquisition to 31 December 2011 revenue of RR 361 and profit of RR 101 to the Group. If the acquisition had occurred on 1 January 2011, Group revenue from continuing operations for 2011 would have been RR 249,267, and profit from continuing operations for 2011 would have been RR 61,926.

Acquisition of OOO National Polymers and OAO Polief. In 2005, the Group entered into a joint venture arrangement with ZAO Lukoil-Neftekhim to jointly control OOO National Polymers and acquire shares in OAO Polief, a terephthalic acid and polyethylene terephthalate producer, located in Bashkortostan, a region of Russia.

In June 2011, the Group directly acquired an 18 percent stake in OAO Polief from OAO VTB Bank for RR 1,554, payable by 2019. This investment was recognised at the acquisition date at a fair value of RR 941, using an eight percent market interest rate.

In October 2011, the Group acquired control over OAO Polief by means of increasing its stake in OOO National Polymers from 50 percent to 100 percent for USD 9,003,000 (RR: 283). As a result, the Group increased its ownership stake in OAO Polief to 83 percent, including direct ownership of 18 percent and indirect ownership (through OOO National Polymers) of 65 percent.

The fair values of the assets and liabilities of OOO National Polymers and OAO Polief at the acquisition date are based on a valuation performed by an independent professional appraiser. Details of the assets and liabilities acquired and relevant goodwill are as follows:

	Fair values
Property, plant and equipment	11,576
Deferred tax asset	1,183
Inventories	1,601
Trade and other receivables	1,283
Cash and cash equivalents	248
Other assets	527
Loans and borrowings	(12,050)
Trade and other payables	(498)
Other liabilities	(16)
Deferred tax liability	(204)
Net assets of subsidiary	**3,650**
Less:	
Non-controlling interest	781
Fair value of interest previously held	1,822
Recognised within gain on acquisition of subsidiaries	764
Total purchase consideration	**283**
Less: Cash and cash equivalents of subsidiary acquired	248
Outflow of cash and cash equivalents on acquisition	**35**

The gain on acquisition of these subsidiaries of RR 764 resulted mainly from the absence of other market participants interested in acquiring OAO Polief and OOO National Polymers. This gain was recognised within a gain on acquisition of subsidiaries in the combined statement of comprehensive income.

The acquired subsidiaries contributed for the period from the date of acquisition to 31 December 2011 revenue of RR 1,643 and loss of RR 11 to the Group, respectively. If the acquisition had occurred on 1 January 2011, Group revenue and profit from continuing operations for the 12 months of 2011 would have been RR 258,167 and RR 62,411, respectively.

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

As of the date of acquisition, the Group remeasured its previously held interest in OAO Polief and OOO National Polymers at fair value (Note 8). As a result, a further RR 877 gain was recognised in the combined statement of comprehensive income in this combined financial information.

On acquisition, the Group had loans and notes receivable from OAO Polief of RR 4,772, of which a RR 3,316 was impaired during 2009 with the respective loss recognised within impairment of notes and other receivables in this combined financial information (Note 10). As of the acquisition date, the Group remeasured loans and notes receivable from OAO Polief, and as a result a RR 3,316 gain was recognised in the combined statement of comprehensive income within gain on acquisition of subsidiaries.

5 DISPOSAL OF SUBSIDIARIES, ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF OTHER SUBSIDIARIES

Amtel Group assets. In 2009-2010, the Group acquired the majority of receivables to be paid by the Amtel Group (Note 11). The Amtel Group is a tyre producer that was undergoing bankruptcy in 2011. It owned two tyre plants: the Kirov tyre plant and the Voronezh tyre plant.

During August to November 2011, the Group acquired the Amtel Group subsidiaries OAO Kirov Tyre Plant and essentially all of the assets of the Voronezh tyre plant in the course of bankruptcy. These acquisitions were not business acquisitions as defined by IFRS 3 Business Combinations; therefore, they were not accounted under the acquisition method of accounting.

The funds received by the Amtel Group from the partial sale of its assets were used to settle a portion of its liabilities, including the receivables acquired by the Group. As a result, the Amtel Group partially settled the receivables of the Group in the amount of RR 3,081. In 2012, the Group expects to receive RR 3,500 from the Amtel Group before its bankruptcy procedure is finalised.

In December 2011, the Group sold its subsidiary OAO Kirov Tyre Plant, which owned the Kirov tyre plant's assets. In February 2012, the Company sold its newly formed subsidiary ZAO Voronezh Tyre Plant, which owned the Voronezh tyre plant's assets. Both subsidiaries were sold to OOO E-Volution Tyre, a joint venture of the Pirelli Group and Rostechnologii, for a total consideration of EUR 222 million (RR 9,251).

The disposed assets and liabilities of OAO Kirov Tyre Plant were as follows:

	Carrying amounts
Assets	2,909
Liabilities	161
Net assets of OAO Kirov Tyre Plant	**2,748**

The post-tax gain recognised on the disposal of OAO Kirov Tyre Plant, included in profit from discontinued operations in the combined statement of comprehensive income, was calculated as follows:

Total consideration	**4,936**
Less: Net assets disposed	2,748
Less: Income tax expense	438
Post-tax gain on disposal of OAO Kirov Tyre Plant	**1,750**

(In millions of Russian roubles, unless otherwise stated)

5 DISPOSAL OF SUBSIDIARIES, ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL OF OTHER SUBSIDIARIES (CONTINUED)

The assets and liabilities of ZAO Voronezh Tyre Plant were included in assets classified as held for sale and liabilities associated with non-current assets classified as held for sale in the combined statement of financial position as follows:

	Carrying amounts
Assets	4,621
Liabilities	667
Net assets of ZAO Voronezh Tyre Plant	**3,954**

The Group recognised a pre-tax loss of RR 510 on the remeasurement of ZAO Voronezh Tyre Plant's net assets to the lower of the carrying amount and fair value less selling costs. This loss was included in the results from discontinued operations in the combined statement of comprehensive income.

Other assets classified as held for sale. As of 31 December 2011 and 2010, assets classified as held for sale included ZAO Severnye Gazoprovody and OOO Yugozapadnye Gazoprovody's property, plant and equipment of RR 1,370 and RR 2,802, respectively. In 2012, the Group plans to sell these property, plant and equipment items.

Other subsidiaries

In June 2010, the Group disposed of all of its shares in its 100% subsidiary OAO Kauchuk for a total consideration of RR 758 to Group ROEL. The gain of RR 62 was recognised in the combined statement of comprehensive income as a gain from disposal of investments.

In April 2011, the Group disposed of all of its shares in its 100% subsidiary ZAO Novokuybyshevskaya Neftekhimicheskaya Kompaniya for a total consideration of RR 728 to OOO Nefteorgsintez. The loss of RR 156 was recognised in the combined statement of comprehensive income as a loss from disposal of investments.

In June 2011, the Group disposed of all of its shares in its 100% subsidiary OAO Saranskiy Zavod RTI for a total consideration of RR 400 to OAO Kurskrezinotechnika. The loss of RR 224 was recognised in the combined statement of comprehensive income as a loss from disposal of investments.

(In millions of Russian roubles, unless otherwise stated)

6 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 2008	**9,526**	**11,886**	**11,839**	**5,140**	**17,140**	**589**	**56,120**
Depreciation charge	(315)	(1,089)	(2,526)	(403)	-	(90)	(4,423)
Additions	-	5	3,051	5	21,353	104	24,518
Acquisition of subsidiaries	-	-	32	-	-	-	32
Reclassifications	-	-	-	-	533	-	533
Transfers	927	10,577	1,599	131	(13,462)	228	-
Disposals	(9)	(293)	(137)	(69)	(420)	(5)	(933)
Reversal of write-offs	-	-	-	-	34	-	34
Historical cost as of 31 December 2009	16,033	31,477	28,607	7,046	25,178	1,349	109,690
Accumulated depreciation	(5,904)	(10,391)	(14,749)	(2,242)	-	(523)	(33,809)
Net book value as of 31 December 2009	**10,129**	**21,086**	**13,858**	**4,804**	**25,178**	**826**	**75,881**
Depreciation charge	(347)	(1,590)	(3,292)	(526)	-	(98)	(5,853)
Additions	83	451	924	66	34,224	30	35,778
Acquisition of subsidiaries	459	566	747	146	73	56	2,047
Reclassifications	949	(3,481)	2,532	-	-	-	-
Transfers	842	3,549	4,225	2,600	(11,396)	180	-
Impairment	-	(293)	-	-	(133)	-	(426)
Disposal of subsidiaries	(332)	(163)	(150)	(114)	(72)	(10)	(841)
Disposals	(66)	(1,052)	(4)	(34)	(956)	(10)	(2,122)
Reclassification to assets held for sale (Note 5)	-	(646)	-	-	(2,156)	-	(2,802)
Historical cost as of 31 December 2010	17,678	27,686	36,000	9,485	44,762	1,567	137,178
Accumulated depreciation	(5,961)	(9,259)	(17,160)	(2,543)	-	(593)	(35,516)
Net book value as of 31 December 2010	**11,717**	**18,427**	**18,840**	**6,942**	**44,762**	**974**	**101,662**
Depreciation charge	(508)	(2,063)	(3,936)	(648)	-	(202)	(7,357)
Additions	22	1,465	53	123	47,954	4	49,621
Acquisition of subsidiaries (Note 4)	4,253	1,536	8,187	42	444	74	14,536
Reclassifications	(17)	13	(16)	1	-	19	-
Transfers	3,186	11,772	8,577	1,232	(25,681)	914	-
Disposal of subsidiaries	(7)	(59)	(151)	(19)	(39)	(12)	(287)
Disposals	(312)	(1,583)	(330)	(176)	(3,842)	(60)	(6,303)
Reclassification to assets held for sale (Note 5)	-	(1,370)	-	-	-	-	(1,370)
Historical cost as of 31 December 2011	24,513	39,568	51,623	10,484	63,598	2,465	192,251
Accumulated depreciation	(6,179)	(11,430)	(20,399)	(2,987)	-	(754)	(41,749)
Net book value as of 31 December 2011	**18,334**	**28,138**	**31,224**	**7,497**	**63,598**	**1,711**	**150,502**

For 2011, 2010 and 2009, the Group capitalised interest expenses of RR 1,796, RR 1,080 and RR 1,093, respectively. The capitalisation rates were 5.45 percent, 6.97 percent and 8.18 percent, respectively.

(In millions of Russian roubles, unless otherwise stated)

7 INTANGIBLE ASSETS

Movements in the net book value of intangible assets were as follows:

	Goodwill	Other	Software licences	Total
Net book value as of 31 December 2008	**-**	**746**	**-**	**746**
Amortisation charge	-	(8)	-	(8)
Acquisition of subsidiary	6,272	-	-	6,272
Historic cost as of 31 December 2009	6,272	763	-	7,035
Accumulated amortisation	-	(25)	-	(25)
Net book value as of 31 December 2009	**6,272**	**738**	**-**	**7,010**
Amortisation charge	-	(8)	-	(8)
Acquisition of subsidiary	425	-	-	425
Historic cost as of 31 December 2010	6,697	763	-	7,460
Accumulated amortisation	-	(33)	-	(33)
Net book value as of 31 December 2010	**6,697**	**730**	**-**	**7,427**
Additions	-	484	837	1,321
Amortisation charge	-	(5)	(837)	(842)
Historic cost as of 31 December 2011	6,697	1,247	837	8,781
Accumulated amortisation	-	(38)	(837)	(875)
Net book value as of 31 December 2011	**6,697**	**1,209**	**-**	**7,906**

Amortisation of intangible assets of RR 842 (2010: RR 8, 2009: RR 8) is recorded as operating expenses in the profit and loss.

Intangible assets other than goodwill are presented as other non-current assets in the statement of financial position (Note 12).

Impairment tests for goodwill

Goodwill related to the acquisition of SIBUR International GmbH (Citco Waren-Handelsgesellschaft m.b.H. before 2011) is allocated to the Group's cash-generating units (CGUs) identified according to operating segments (Note 30).

An operating segment-level summary of the goodwill allocation is presented below.

	31 December 2011	31 December 2010	31 December 2009
Feedstock & Energy	4,020	4,020	3,763
Petrochemicals	2,677	2,677	2,509
Total goodwill	**6,697**	**6,697**	**6,272**

The recoverable amount of each CGU segment is the higher of its fair value less selling cost and its value-in-use calculations, and has been determined based on a value-in-use calculation. These calculations use pre-tax cash flow projections based on the management-approved four-year financial forecast. Cash flows beyond the four-year period are extrapolated using an estimated growth rate of three percent. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. A discount rate of 13 percent and gross margin of 28 percent were used as the key assumptions for value-in-use calculations.

Management determined a budgeted gross margin based on its expectations of market conditions relating to the relevant operating segments. The discount rates used are pre-tax and reflect specific risks relating to the CGU operating activity.

(In millions of Russian roubles, unless otherwise stated)

8 INVESTMENTS IN JOINT VENTURES

	31 December 2011	31 December 2010	31 December 2009
OOO Rusvinyl	13,371	1,257	1,299
OOO NPP Neftekhimia	3,523	3,418	-
OOO Biaxplen	960	971	1,685
OOO ITSK	256	123	71
OOO Yuzhno-Priobskiy GPZ	6	25	28
OOO SNHK	2	3	3
OOO Sintez-Invest, Voronezh	n/a	13	-
OOO National Polymers	n/a	-	-
	18,118	**5,810**	**3,086**

OOO RusVinyl. In June 2007, the Group formed a joint venture with SolVin Holding Nederland B.V. (ultimately controlled by Solvay SA) for the construction of a polyvinyl chloride production complex in the Nizhny Novgorod Region and contributed RR 1,400 to this joint venture.

In 2011, the Group and SolVin Holding Nederland B.V. each contributed RR 12,650 to the share capital of OOO RusVinyl and, consequently, the Group's ownership share remained unchanged.

OOO NPP Neftekhimia. In September 2010, the Group entered into a joint venture by acquiring a 50 percent stake in OOO NPP Neftekhimia from OAO Gazpomneft MNPZ (former OAO Moskovsky NPZ) for a total cash consideration of RR 3,360. This increased the Group's share on the Russian polypropylene market.

OOO Biaxplen. In December 2009, the Group acquired a 50 percent stake in OOO Biaxplen, a polyethylene terephthalate producer, for a total net cash consideration of RR 1,000. On 29 March 2012, the Group acquired an additional 50 percent stake in OOO Biaxplen for a total consideration of RR 1,200, and, as a result, increased the Group's ownership up to 100 percent.

OOO National Polymers. In October 2011, the Group increased to 100 percent its stake in OOO National Polymers, which controls OAO Polief (Note 4). Accordingly, the Group acquired control over OAO Polief.

In 2011, the Group disposed of its investments in OOO Sintez-Invest, Voronezh.

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

			Interest, percent, held as of 31 December		
	Country of incorporation	Nature of operations	2011	2010	2009
OOO Rusvinyl	Russia	Polyvinyl chloride	50	50	50
OOO NPP Neftekhimia	Russia	Polypropylene production	50	50	-
OOO Biaxplen	Russia	Polyethylene terephthalate	50	50	50
OOO ITSK	Russia	Information services	50	50	50
OOO Yuzhno-Priobskiy GPZ	Russia	Associated petroleum gas processing	50	50	50
OOO SNHK	Russia	Production of plastics and synthetic resins	50	50	50
OOO Sintez-Invest, Voronezh	Russia	Petrochemicals production	-	50	-
OOO National Polymers	Russia	Investments in OAO Polief	-	50	50

(In millions of Russian roubles, unless otherwise stated)

8 INVESTMENTS IN JOINT VENTURES (CONTINUED)

	31 December 2011	31 December 2010	31 December 2009
Balance at the beginning of the year	**5,810**	**3,086**	**4,257**
Share of net profit/(loss)	236	108	(88)
Additions	12,657	3,366	1,750
Dividends	(585)	-	-
Repayment of contingent consideration	-	(750)	-
Disposals	-	-	(2,833)
Balance at the end of the year	**18,118**	**5,810**	**3,086**

Additions during 2011 primarily consisted of the Group's RR 12,650 equity contribution to OOO RusVinyl.

In January 2009, the Group disposed of its interest in OOO Sibmetakhim (a methanol production business) for a total consideration of RR 6,333 in the form of settlement of a loan payable with a relevant gain of RR 3,500, which was recognised within the combined statement of comprehensive income as a gain on disposal of investments.

The Group's share of the results of its principal joint ventures, all of which are unlisted, and its aggregated assets and liabilities, are as follows:

As of and for the year ended 31 December 2011

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Reve-nues	Profit /(loss)
OOO RusVinyl	2,329	14,726	200	3,403	229	(537)
OOO Biaxplen	1,017	2,966	1,167	2,873	5,860	(11)
OOO NPP Neftekhimia	795	1,397	131	1	2,828	690
OOO ITSK	550	15	306	-	1,808	132
OOO Yuzhno-Priobskiy GPZ	252	718	228	722	-	(19)
OOO Sintez-Invest	-	-	-	-	-	(19)
OOO SNHK	1	-	1	-	-	-

As of and for the year ended 31 December 2010

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Reve-nues	Profit /(loss)
OOO RusVinyl	4,110	4,062	6,669	156	124	(42)
OOO Biaxplen	752	3,170	1,018	2,952	2,792	33
OOO National Polymers	637	4,187	701	2,992	2,504	(110)
OOO NPP Neftekhimia	538	1,465	145	-	822	58
OOO ITSK	290	10	170	-	1,149	55
OOO Yuzhno-Priobskiy GPZ	68	277	64	256	-	(2)
OOO Sintez-Invest	8	62	3	-	22	6
OOO SNHK	1	-	1	-	-	-

As of and for the year ended 31 December 2009

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Reve-nues	Profit /(loss)
OOO RusVinyl	1,516	2,493	2,668	16	43	(83)
OOO Biaxplen	703	2,543	1,107	3,051	332	(64)
OOO ITSK	215	11	149	-	1,742	57
OOO National Polymers	-	-	-	674	-	(132)
OOO Yuzhno-Priobskiy GPZ	65	217	163	92	-	2
OOO NPP Neftekhimia	-	-	-	-	-	-
OOO Sintez-Invest	-	-	-	-	-	-
OOO SNHK	-	-	-	-	-	-

(In millions of Russian roubles, unless otherwise stated)

9 ADVANCES AND PREPAYMENTS FOR CAPITAL CONSTRUCTION

As of 31 December 2011, 2010 and 2009 the most significant advances and prepayments for capital construction were paid to Group contractors for the construction of a polymer plant in Tobolsk and gas infrastructure assets in the St Petersburg area. The Group's most significant advances and prepayments for capital construction were paid to the following contractors: LINDE-KCA-DRESDEN GmbH, Tecnimont S.p.A, OOO Tecnimont Russia, OOO Gazprom Mezhregiongaz, and OOO Lenniihimmash.

10 LOANS RECEIVABLE

	31 December 2011	**31 December 2010**	**31 December 2009**
OAO SIBUR-Mineral Fertilizers	-	6,554	5,846
OAO SIBUR-Russian Tyres	410	779	7,118
OAO Polief (Note 4)	-	1,510	-
OOO Yuzhno-Priobskiy GPZ	638	-	-
OOO Biaxplen	501	-	-
OOO RusVinyl (Note 8)	-	5,900	2,360
Other	-	503	154
	1,549	**15,246**	**15,478**
Less non-current portion:	(638)	(4,947)	(5,674)
	911	**10,299**	**9,804**

During 2009, OAO Polief's financial position deteriorated. An impairment loss of RR 3,316 was recorded in relation to OAO Polief's notes receivable in the profit or loss for the year ended 31 December 2009. In 2010, the Company provided OAO Polief with a loan of RR 1,510. As of 31 December 2010, the financial position of OAO Polief indicated that this loan would be repaid, and thus it was not impaired. In September 2011, the Group provided a RR 5,964 loan to OOO National Polymers, which was consolidated to the Group in November 2011 (Note 4).

Loans given to SIBUR-Russian Tyres bore average interest rates of 8.52 to 8.8 percent as of 31 December 2011, 2010 and 2009, mature in 2012. These loans were fully paid in February 2012.

Loans given to SIBUR-Mineral Fertilizers bore interest rates of nil as of 31 December 2010 and 2009, and had an original maturity in 2012. Those loans were recognised at fair value using a 14.9 percent market interest rate as of 31 December 2010 and 2009. The market interest rate was determined at the loans' origination dates based on the average market interest rate under loans provided to commercial entities other than financial institutions as reported by the Central Bank of Russia. As of 31 December 2011, these loans were fully paid.

11 TRADE AND OTHER RECEIVABLES

	31 December 2011	**31 December 2010**	**31 December 2009**
Trade receivables (net of impairment provision of RR 243, RR 293 and RR 243 as of 31 December 2011, 2010 and 2009 , respectively)	14,816	12,485	14,565
Other receivables (net of impairment provision of RR 1,771, RR 31 and RR 25 as of 31 December 2011, 2010 and 2009, respectively)	6,484	12,763	2,914
	21,300	**25,248**	**17,479**
Less non-current portion:			
Prepaid borrowing cost	-	(1,919)	-
Other receivables	(335)	(2,305)	(2,313)
	20,965	**21,024**	**15,166**
Receivables for disposed businesses	11,368	**-**	**-**

(In millions of Russian roubles, unless otherwise stated)

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

As of 31 December 2011, 2010 and 2009, respectively, RR 383, RR 565 and RR 439 of trade receivables were secured by collateral, mainly bank guarantees.

In 2009, the Group acquired receivables to be paid by the Amtel Group for RR 1,917. In 2010, the Group acquired additional receivables of the Amtel Group for RR 5,729 paid in cash in the amount of RR 4,205 and in the promissory notes of one the Group's subsidiaries in the amount of RR 1,524.

As of 31 December 2011, 2010 and 2009, respectively, other receivables included RR 3,500, RR 8,300 and RR 1,917 in receivables from the Amtel Group, net of impairment provisions of RR 1,731 as of 31 December 2011 and nil as of 31 December 2010 and 2009, respectively (Note 5). The impairment provision was recognised by the Group in the course of the Amtel Group's bankruptcy and was included in impairment of other receivables in the combined statement of comprehensive income.

As of 31 December 2011, receivables for disposed businesses included RR 8,589 from one of the buyers of the Group's Mineral Fertilizers business (Note 5). This receivable was fully paid in January 2012.

As of 31 December 2011, receivables for disposed businesses included RR 2,779 from OOO E-Volution Tyre for OAO Kirov Tyre Plant (Note 5). This receivable was fully paid in March 2012.

The aging analysis of trade receivables that are past due but not impaired is as follows:

	Trade receivables	Other receivables	Total
As of 31 December 2011			
Up to 3 months	225	5	230
3 to 6 months	204	-	204
	429	**5**	**434**
As of 31 December 2010			
Up to 3 months	615	193	808
3 to 6 months	236	1	237
	851	**194**	**1,045**
As of 31 December 2009			
Up to 3 months	446	20	466
3 to 6 months	1,071	7	1,078
6 to 12 months	145	3	148
	1,662	**30**	**1,692**

Movements in the Group's provision for impairment of trade receivables are as follows:

	Trade receivables	Other receivables	Total
As of 31 December 2008	**509**	**799**	**1,308**
Provision for impairment	131	19	150
Written off during the year as uncollectible	(248)	(721)	(969)
Unused amounts reversed	(149)	(72)	(221)
As of 31 December 2009	**243**	**25**	**268**
Provision for impairment	94	20	114
Written off during the year as uncollectible	(8)	(13)	(21)
Unused amounts reversed	(36)	(1)	(37)
As of 31 December 2010	**293**	**31**	**324**
Written off during the year as uncollectible	(35)	(14)	(49)
Unused amounts reversed	(52)	(6)	(58)
Impairment for receivables	37	1,760	1,797
As of 31 December 2011	**243**	**1,771**	**2,014**

The impairment provision was accrued on trade and other accounts receivable which are more than 365 days past due. Accrual and release of the impairment provision have been recognised as other operating expenses in the profit and loss, except for impairment of accounts receivable which do not relate to the Group's operating activity. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(In millions of Russian roubles, unless otherwise stated)

12 OTHER NON-CURRENT ASSETS

	31 December 2011	31 December 2010	31 December 2009
Intangible assets	1,209	730	738
Metal catalysts	674	492	518
Raw natural gas liquids in pipelines	633	623	558
Recoverable VAT related to assets under construction	364	232	175
Other	552	576	315
	3,432	**2,653**	**2,304**

13 INVENTORIES

	31 December 2011	31 December 2010	31 December 2009
Refined products and work in progress (net of impairment provision of RR 85 , RR 40 and RR nil as of 31 December 2011, 2010 and 2009, respectively)	13,227	7,082	6,077
Materials and supplies (net of impairment provision of RR 130, RR 176 and RR 328 as of 31 December 2011, 2010 and 2009, respectively)	8,172	5,379	4,767
Goods for resale (net of impairment provision of RR 19, RR 175 and RR nil as of 31 December 2011, 2010 and 2009, respectively)	788	190	628
	22,187	**12,651**	**11,472**

14 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2011	31 December 2010	31 December 2009
Financial assets			
Listed equity securities held for trading	1,400	-	-
Derivative financial instruments	548	-	-
Non-financial assets			
Prepayments and advances to suppliers	5,142	3,163	2,620
VAT receivable	4,567	3,404	2,272
Recoverable VAT	3,384	3,906	4,310
Prepaid borrowing cost	2,784	1,389	-
Other prepaid taxes	1,367	1,018	413
Recoverable excise	1,275	593	692
Other current assets	646	198	223
Total prepayments and other current assets	**21,113**	**13,671**	**10,530**
Less non-current portion:			
Recoverable VAT related to assets under construction	(364)	(232)	(175)
	20,749	**13,439**	**10,355**

15 CASH, 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 5,775, RR 9,635 and RR 11,744 as of 31 December 2011, 2010 and 2009, respectively.

(In millions of Russian roubles, unless otherwise stated)

16 LONG -TERM DEBT

Long-term debt payable to	Currency	Due	31 December 2011	31 December 2010	31 December 2009
Variable rate					
OAO Vnesheconombank	USD	2013-2023	13,718	1,478	339
OAO Nordea Bank	EUR, USD	2011-2016	11,246	6,490	6,424
OAO Rosbank AKB	USD	2013	4,829	-	-
ING Bank Group	EUR, USD	2008-2021	1,627	981	748
ZAO UniCredit Bank	EUR, USD	2011-2019	858	3,032	4,234
Fixed rate					
OAO Sberbank of Russia	RR,USD	2011-2014	18,000	6,095	6,049
OOO Mezhregiongaz	RR	2011-2014	4,547	4,511	4,946
OAO TNK-BP	RR, USD	2013-2017	4,545	3,598	3,265
Russian rouble-denominated bonds	RR	2012	31	31	31
OAO Gazprombank	EUR	2013	-	9,199	9,595
Other	USD	2011-2031	15	1	2
Total long-term debt			**59,416**	**35,416**	**35,633**
Less: current portion of long-term debt			(7,700)	(6,884)	(5,186)
			51,716	**28,532**	**30,447**

Long-term RR-denominated debt bore average interest rates of 7.2 percent, 8 percent and 12 percent for the years ended 31 December 2011, 2010 and 2009, respectively. Long-term USD-denominated debt bore average interest rates of 3.5 percent, 5 percent and 7.4 percent for the years ended 31 December 2011, 2010 and 2009, respectively. Long-term EUR-denominated debt bore average interest rates of 3.1 percent, 7 percent and 7.7 percent for the years ended 31 December 2011, 2010 and 2009, 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. As of 31 December 2011, the Group had received RR 13,718 out of a RR 39,280 (USD 1,220 million) tranche covered by export credit agencies. The financing is primarily secured by OOO Tobolsk-Polymer shares and property, plant and equipment valued at RR 15,523.

OOO Mezhregiongaz. The Group entered into a number of agreements with OOO Mezhregiongaz, a subsidiary of Gazprom, then a related party. Under these agreements, OOO Mezhregiongaz provided loans to OAO SIBUR Holding in 2007-2009 to finance the construction of gas transport infrastructure in the regions (see also Note 17).

TNK-BP Group. In March 2007, the Group and the TNK-BP Group established OOO Yugragazpererabotka, located in the Tyumen Region, to process associated petroleum gas. The Group received a 51 percent stake by contributing its subsidiaries OOO Nizhnevartovskiy GPK, OOO Belozerniy GPK and OOO Truboprovodnaya Company. TNK-BP received a 49 percent stake by contributing cash. The Group consolidates the contributed assets through call options included in the agreement. Under the call options, the Group will pay interest at an annual rate of between 10 and 20 percent on the amounts contributed by TNK-BP.

Accordingly, OOO Yugragaspererabotka was consolidated as a wholly owned subsidiary of the Group and TNK-BP's contribution is accounted for as an interest-bearing long-term loan in this combined financial information.

In December 2010, the Group and TNK-BP additionally contributed RR 560 each to OOO Yugragazpererabotka to finance the acquisition of OOO Nyagangazpererabotka, a Group subsidiary. Accordingly, the long-term loan from TNK-BP was increased by RR 560 on 31 December 2010.

16 LONG -TERM DEBT (CONTINUED)

During 2007-2011, OOO Yugragazpererabotka received long-term loans from TNK-BP of RR 1,234 to finance capital investments in the gas processing assets of OOO Nizhnevartovskiy GPK and OOO Belozerniy GPK. The loans have an interest rate of 8 percent and mature in December 2013.

The scheduled maturities of long-term debt as of 31 December 2011, 2010 and 2009 are presented below:

	31 December 2011	31 December 2010	31 December 2009
Due for repayment:			
Between one and two years	16,364	4,633	17,133
Between two and five years	22,636	20,974	10,646
After five years	12,716	2,925	2,668
Total debt	**51,716**	**28,532**	**30,447**

Long-term debt include fixed-rate loans with carrying values of RR 24,730, RR 24,393 and RR 23,436, and fair values of RR 24,370, RR 23,222 and RR 21,179 as of 31 December 2011, 2010 and 2009, respectively. All other long-term debt generally have variable interest rates linked to LIBOR or EURIBOR, and the carrying amounts 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 31 December 2011, 2010 and 2009 the Group had the following committed long-term credit facilities:

	Credit limit	Undrawn amount
As of 31 December 2011		
EUR-denominated (in millions of EUR)	61	4
USD-denominated (in millions of USD)	1,646	1,160
RR-denominated (in millions of RR)	36,000	15,000
As of 31 December 2010		
EUR-denominated (in millions of EUR)	454	139
USD-denominated (in millions of USD)	1,795	1,381
As of 31 December 2009		
USD-denominated (in millions of USD)	753	542

17 GRANTS AND SUBSIDIES

As a major investor in infrastructure and social projects in the regions where it operates, the Group has 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.

	2011	2010	2009
Balance as of 1 January	**7,286**	**947**	**722**
Less: current portion	-	-	-
	7,286	**947**	**722**
Grants and subsidies received	13,632	6,339	225
Recognised in profit or loss	(669)	-	-
Balance as of 31 December	**20,249**	**7,286**	**947**
Less: current portion	(700)	-	-
	19,549	**7,286**	**947**

(In millions of Russian roubles, unless otherwise stated)

18 OTHER NON-CURRENT LIABILITIES

	31 December 2011	31 December 2010	31 December 2009
Financial liabilities			
Payables for acquisition of a subsidiary and an associate	3,090	1,730	-
Interest payable	1,353	1,115	738
Promissory notes payable	564	914	-
Restructured liabilities	32	448	337
	5,039	**4,207**	**1,075**
Non-financial liabilities			
Post-employment obligations	1,296	1,242	833
Payables to employees	-	1,016	-
Other liabilities	177	251	427
	1,473	**2,509**	**1,260**
	6,512	**6,716**	**2,335**

The carrying amounts of non-current trade and other payables approximate their fair value.

19 TRADE AND OTHER PAYABLES

	31 December 2011	31 December 2010	31 December 2009
Financial liabilities			
Accounts payable to contractors and suppliers of property, plant and equipment	9,094	8,365	1,374
Trade payables	6,673	5,117	3,558
Short-term promissory notes payable	2,631	6,060	6,276
Interest payable	510	234	567
Other payables	217	214	602
	19,125	**19,990**	**12,377**
Non-financial liabilities			
Payables to employees	4,059	5,903	4,736
Advances from customers	3,769	3,135	844
Other payables	2,320	2,329	2,600
Current portion of grants and subsidies	700	-	-
	10,848	**11,367**	**8,180**
	29,973	**31,357**	**20,557**

Payables to employees as of 31 December 2011, 2010 and 2009 include provisions for annual bonuses of RR 2,540, RR 2,500 and RR nil, respectively.

Payables to employees as of 31 December 2010 and 31 December 2009 included a liability related to the Share Option Plan of RR 737 and 4,252, respectively (Note 32). As of 31 December 2011, this obligation was fully paid.

Payables to employees as of 31 December 2010 included a provision for bonuses to Group management of RR 3,214 (31 December 2009: nil) with a non-current portion of RR 1,016 recorded in other non-current liabilities (Note 18). As of 31 December 2011, this obligation was fully paid.

20 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

	31 December 2011	31 December 2010	31 December 2009
Short-term debt:			
RR-denominated debt	15,542	23,282	20,031
USD-denominated debt	7,675	-	-
EUR-denominated debt	277	-	-
	23,494	**23,282**	**20,031**
Current portion of long-term debt	7,700	6,884	5,186
	31,194	**30,166**	**25,217**

Short-term RR-denominated debt bore average interest rates of 7.8 percent, 7 percent and 10.4 percent for the years ended 31 December 2011, 2010 and 2009, respectively. Short-term USD-denominated debt bore average interest rates of 2.2 percent and 5.1 percent for the years ended 31 December 2011 and 2009, respectively; there were no short-term USD-denominated debt as of 31 December 2010. Short-term EUR-denominated debt bore an average interest rate of 2 percent for the year ended 31 December 2011; there were no short-term EUR-denominated debt as of 31 December 2010 and 2009.

The carrying amounts of short-term debt approximate their fair value.

As of 31 December 2011, the Group had no committed short-term credit facilities. As of 31 December 2010 and 2009 the Group had the following committed short-term credit facilities:

	Credit limit	Undrawn amount
As of 31 December 2010		
RR-denominated (in millions of RR)	3,550	3,550
USD-denominated (in millions of USD)	375	231
As of 31 December 2009		
RR-denominated (in millions of RR)	2,880	2,880

21 TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2011	31 December 2010	31 December 2009
VAT	2,416	4,007	832
Excise tax	1,061	536	661
Property tax	227	202	201
Social taxes	235	121	154
Other taxes	849	575	402
	4,788	**5,441**	**2,250**

(In millions of Russian roubles, unless otherwise stated)

22 EQUITY

Registered capital contribution. In 2009, OAO Gazprombank contributed cash of RR 9,000 for additional shares issued in a total amount of 3,469,549 with a nominal value of RR 1,000 per share. The state registration of the issue was finalised in January 2010.

Dividends. On 23 June 2010, the Group's shareholders approved the distribution of a final dividend for the year ended 31 December 2009 in the amount of RR 4,612 (110.85 Roubles per share). These distributions have been accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 December 2010. No dividends were accrued and paid during the 12 months ended 31 December 2011.

Treasury shares. In February 2011, OAO Gazprombank acquired 2,005,002 shares of OAO SIBUR Holding from the Group for a cash consideration of RR 6,984.

In November 2011, as a result of the acquisition of ZAO Miracle, the Company recognised 21,784,788 treasury shares at a cost of RR 72,374 (Note 32a).

Net contributions/(distributions) from/to shareholders of the Mineral Fertilizers and Tyres businesses.

	Year ended 31 December		
	2011	**2010**	**2009**
Proceeds from disposal of the Mineral Fertilizers and Tyres businesses, net of related income tax of RR 4,295	33,023	-	-
Receivables for disposed businesses (Note 11)	8,589	-	-
Deferred income tax related to disposal of the Mineral Fertilizers and Tyres businesses (Note 27)	1,650	-	-
Sale/(purchase) of equity instruments of the Mineral Fertilizers and Tyres businesses	4,981	(6,000)	(4,981)
Dividends from the disposed businesses	7,499	-	1,337
Other contributions /(distributions) from/(to) disposed businesses	(2,868)	(1,094)	(1,258)
	52,874	**(7,094)**	**(4,902)**

In accordance with the basis of preparation, the above transactions were recognised within equity (Note 2).

23 NON-CONTROLLING INTEREST

	Year ended 31 December		
	2011	**2010**	**2009**
Non-controlling interest at the beginning of the reporting year	**672**	**456**	**531**
Non-controlling interest share of net income of subsidiaries	(30)	(46)	(53)
Effect of acquisition of subsidiaries	781	285	-
Effect of disposal of subsidiaries	-	(23)	(22)
Non-controlling interest at the end of the reporting year	**1,423**	**672**	**456**

(In millions of Russian roubles, unless otherwise stated)

24 REVENUE

	Year ended 31 December		
	2011	**2010**	**2009**
Sales of refined products (net of excise tax, custom duties and VAT):			
Energy products:			
Liquefied petroleum gas	52,502	34,628	22,401
Naphtha	21,118	15,700	9,822
Natural gas	17,440	15,766	14,286
MTBE	14,946	10,753	10,438
Other fuels and fuel additives	4,218	2,230	1,312
Raw natural gas liquids	2,113	732	477
Petrochemical products:			
Synthetic rubbers	50,971	38,336	19,995
Plastics and organic synthesis products	24,742	18,079	11,273
Basic polymers	21,782	18,760	14,466
Intermediates and other chemicals	24,407	24,247	14,020
Total refined products	**234,239**	**179,231**	**118,490**
Sales of processing services	5,171	3,749	3,110
Other sales	9,250	5,583	6,200
Total revenue	**248,660**	**188,563**	**127,800**

25 OPERATING EXPENSES

	Year ended 31 December		
	2011	**2010**	**2009**
Feedstock and materials	49,309	34,191	20,454
Transportation	30,909	26,803	19,456
Energy and utilities	28,950	25,086	20,236
Staff costs	22,091	22,798	18,649
Goods for resale	15,516	7,141	3,834
Depreciation and amortisation	8,216	5,940	4,423
Services provided by third parties	6,437	5,980	6,160
Repairs and maintenance	5,001	3,902	2,151
Rent expenses	2,962	2,575	2,248
Taxes other than income tax	1,543	758	555
Charity and sponsorship	1,051	159	78
Marketing and advertising	783	435	578
Impairment of PPE	-	426	-
Other	3,107	2,195	5,830
Change in WIP and refined products balances	(5,668)	(1,638)	1,604
Total operating expenses	**170,207**	**136,751**	**106,256**

(In millions of Russian roubles, unless otherwise stated)

26 FINANCE INCOME AND EXPENSES

	Year ended 31 December		
	2011	2010	2009
Discount on borrowings and non-current accounts payable	-	1,034	265
Interest income	2,142	3,271	2,547
Foreign exchange gain	-	352	-
Gain on written-off restructured liabilities	-	210	212
Fair value gain on derivative financial instruments	498	-	5,021
Gain on reversal of financial guarantee	-	755	-
Unwinding of discount on loans receivable and non-current accounts receivable	270	-	-
Finance income	**2,910**	**5,622**	**8,045**
Foreign exchange loss	(3,660)	-	(720)
Discount on loans receivable (Note 10) and non-current accounts receivable	-	(873)	(1,621)
Interest expenses	(2,524)	(3,292)	(5,883)
Unwinding of discount on borrowings and non-current accounts payable	(314)	(306)	(659)
Fair value loss on listed equity securities held for trading	(600)	-	-
Loss on financial guarantee	-	-	(755)
Other expenses	(227)	(99)	-
Finance expenses	**(7,325)**	**(4,570)**	**(9,638)**

The Group operates internationally and has significant accounts receivable and debt denominated in foreign currencies. In 2008 and 2009, the Group managed its foreign exchange risk arising from future sales primarily by using forward contracts. The increase in fair value of those financial instruments was recorded as finance income for the year 2009 in the amount of RR 5,021. The financial instruments were settled in full as of 31 December 2009. Since then, the Group has ceased using derivatives to hedge its foreign exchange risk exposure.

27 INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on the taxable entity. The offset amounts are as follows:

	31 December 2011	31 December 2010	31 December 2009
Deferred tax asset to be recovered after more than 12 months	9,654	16	15
Deferred tax asset to be recovered within 12 months	726	1,393	120
Deferred tax assets	**10,380**	**1,409**	**135**
Deferred tax liability to be paid after more than 12 months	(6,514)	(3,596)	(2,693)
Deferred tax liability to be paid within 12 months	(1,596)	(397)	(238)
Deferred tax liabilities	**(8,110)**	**(3,993)**	**(2,931)**

(In millions of Russian roubles, unless otherwise stated)

27 INCOME TAXES (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same subsidiaries, is as follows:

	31 December 2011	**Business combi-nations and acquisitions**	**Credited/ (charged) to the profit or loss or equity**	**31 December 2010**	**Business combi-nations and acquisitions**	**Credited/ (charged) to the profit or loss**	**31 December 2009**	**Credited/ (charged) to the profit or loss**	**31 December 2008**
Tax effects of taxable temporary differences									
Property, plant and equipment	(5,506)	(633)	(1,842)	(3,031)	(201)	(69)	(2,761)	(231)	(2,530)
Inventory	(333)	-	(333)	-	-	94	(94)	273	(367)
Investments in joint ventures	(131)	-	(44)	(87)	-	(11)	(76)	6	(82)
Prepaid borrowing costs	(914)	-	(67)	(847)	-	(847)	-	-	-
Disposal of the Mineral Fertilizers and Tyres businesses	(1,086)	-	(1,086)	-	-	-	-	-	-
Others	(140)	-	(112)	(28)	-	(28)	-	155	(155)
Deferred tax liabilities	**(8,110)**	**(633)**	**(3,484)**	**(3,993)**	**(201)**	**(861)**	**(2,931)**	**203**	**(3,134)**
Tax effects of deductible temporary differences									
Tax losses carry forward	3,313	1,981	662	670	1	361	308	(14)	322
Inventory	-	-	(220)	220	-	220	-	-	-
Financial instruments	-	-	-	-	-	-	-	(987)	987
Trade and other receivables	134	-	115	19	-	19	-	-	-
Payables to employees	508	-	8	500	-	500	-	(548)	548
Grants and subsidies	3,584	-	3,584	-	-	-	-	-	-
Disposal of the Mineral Fertilizers and Tyres businesses	2,647	-	2,647	-	-	-	-	-	-
Others	194	-	194	-	-	173	(173)	(173)	-
Deferred tax assets	**10,380**	**1,981**	**6,990**	**1,409**	**1**	**1,273**	**135**	**(1,722)**	**1,857**
Total net deferred tax assets/(liabilities)	**2,270**	**1,348**	**3,506**	**(2,584)**	**(200)**	**412**	**(2,796)**	**(1,519)**	**(1,277)**

Differences between the recognition criteria in Russian tax regulations and IFRS give rise to temporary differences between the carrying value of certain assets and liabilities for financial reporting and income tax purposes. The tax effect of changes in these temporary differences is recorded at the statutory tax rate.

Deferred tax liabilities arise mainly from differences in the taxable and financial reporting bases of property, plant and equipment.

(In millions of Russian roubles, unless otherwise stated)

27 INCOME TAXES (CONTINUED)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RR 683 (2010: RR 1,175, 2009: RR1,164) regarding losses amounting to RR 3,414 (2010: RR 5,876, 2009: RR 5,820) that can be carried forward against future taxable income. Under the Russian Tax Code, a tax loss can be carried forward until an expiry date ten years after the origination of the tax loss. The temporary differences associated with undistributed earnings of subsidiaries comprised RR 1,395, RR 1,054 and RR 740 as of 31 December 2011, 2010 and 2009, respectively. A deferred tax liability on these temporary differences was not recognised because management controls the timing of this temporary difference reversal, and believes that there will be no reversal in the foreseeable future.

	Year ended 31 December		
	2011	**2010**	**2009**
Current tax:			
Current tax on profits for the year	17,749	12,747	2,638
Adjustments in respect of prior years	(332)	(84)	(193)
Total current tax	**17,417**	**12,663**	**2,445**
Deferred tax:			
Accrual/(reversal) of temporary differences	(3,506)	(412)	1,519
Temporary differences related to disposal of the Mineral Fertilizers and Tyres businesses (Note 22)	1,650	-	-
Total deferred tax	**(1,856)**	**(412)**	**1,519**
Income tax expense	**15,561**	**12,251**	**3,964**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Russian statutory tax rate applicable to the consolidated entities' profits as follows:

	Year ended 31 December		
	2011	**2010**	**2009**
Profit before income tax and non-controlling interest	**77,120**	**52,988**	**20,115**
Theoretical tax charge at the statutory rate (20% for years ended 31 December 2011 and 2010)	(15,424)	(10,599)	(4,023)
Tax effect of items which are not deductible or assessable for taxation purposes:			
Non-deductible differences	(2,683)	(1,837)	(2,098)
Non-taxable differences	2,546	185	2,157
Income tax expense	**(15,561)**	**(12,251)**	**(3,964)**

(In millions of Russian roubles, unless otherwise stated)

28 CASH GENERATED FROM OPERATIONS

Notes		Year ended 31 December 2011	2010	2009
	Profit before income tax from continuing operations	**77,120**	**52,988**	**20,115**
	Adjustments to profit before income tax and non-controlling interest of continuing operations			
25	Depreciation and amortisation	8,216	5,940	4,423
26	Foreign exchange loss/(gain)	3,660	(352)	720
19	Accrual of annual bonuses	-	2,500	-
	Impairment of other receivables	1,731	-	3,262
	Impairment charge/(reversal) of trade and other receivables	-	56	(1,040)
	(Reversal)/accrual of provision for inventory obsolescence and valuation allowances	(84)	32	(575)
26	Interest expense	2,524	3,292	5,883
26	Discount on loans receivable and non-current accounts receivable	-	873	1,621
26	Discount on borrowings and non-current accounts payable	-	(1,034)	(265)
26	Unwinding of discount on loans receivable and non-current accounts receivable	(270)	-	-
26	Unwinding of discount on borrowings and non-current accounts payable	314	306	659
	(Reversal)/Accrual of Share Option Plan obligations and other obligations to employees	-	(357)	4,252
	Fair value loss on listed equity securities held for trading	600	-	-
	Fair value gain on derivative financial instruments	(498)	-	-
	(Gain)/loss on disposal of property, plant and equipment	(308)	633	359
8	Share of net income of joint ventures	(236)	(108)	88
26	Interest income	(2,142)	(3,271)	(2,547)
4	Gain on acquisition of subsidiaries	(4,957)	-	-
	Fair value gains on financial instruments	-	-	(5,021)
	Loss/gain on disposal of investments	380	(16)	(3,514)
	Reversal of tax fines and penalties	-	-	(917)
26	Gain on restructured taxes and other liabilities	-	(210)	(212)
6,25	Impairment of property, plant and equipment	-	426	-
26	(Gain)/loss on financial guarantee	-	(755)	755
	Other adjustments	(1,566)	(795)	743
	Operating cash flows before working capital changes of continuing operations	**84,484**	**60,148**	**28,789**
	Changes in working capital of continuing operations			
	Decrease/(increase) in trade and other receivables	322	3,692	(4,634)
	Increase in prepayments and other current assets	(5,092)	(1,713)	(1,216)
	(Increase)/decrease in inventories	(7,327)	(1,294)	3,549
	Decrease in trade and other payables	(502)	(126)	(4,785)
	Increase /(decrease) in taxes payable	673	3,394	(581)
	Cash generated from operating activities of continuing operations before income tax payment	**72,558**	**64,101**	**21,122**
	Income tax paid from continuing operations	(18,377)	(12,670)	(1,019)
	Net cash from operating activities of continuing operations	**54,181**	**51,431**	**20,103**

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

	Loans and receivables		
	31 December 2011	**31 December 2010**	**31 December 2009**
Non-current financial assets			
Trade and other receivables	335	2,305	2,313
Loans receivable	638	4,947	5,674
Current financial assets			
Cash and cash equivalents	14,971	15,416	14,846
Trade and other receivables	32,333	21,024	15,166
Loans receivable	911	10,299	9,804
	49,188	**53,991**	**47,803**

	Financial instruments at fair value through profit and loss		
	31 December 2011	**31 December 2010**	**31 December 2009**
Current financial assets			
Listed equity securities held for trading	1,400	-	-
Derivative financial instruments	548	-	-
	1,948	**-**	**-**

	Financial instruments at amortised cost		
	31 December 2011	**31 December 2010**	**31 December 2009**
Non-current financial liabilities			
Trade and other payables	4,475	3,293	1,075
Debt	51,716	28,532	29,663
Promissory notes payable	564	914	-
Current financial liabilities			
Trade and other payables	16,494	12,360	6,101
Debt	31,194	30,166	25,217
Promissory notes payable	2,631	6,060	6,276
	107,074	**81,325**	**68,332**

The Group’s activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group’s overall risk management focuses on financial market unpredictability, and seeks to minimise potential adverse effects on the Group’s financial performance. The Group focuses on managing exposure to risks that could lead to a potential loss of RR 1,000 or more.

Risk management is carried out by the central finance function. The Group’s treasury manages credit risks relating to transactions with financial institutions. Credit risks relating to operating transactions are managed by the relevant business units according to written policies established at the Group level. Liquidity risk is managed by the Group’s treasury.

Foreign exchange risk. As the Group operates internationally, exports its production to Europe and Asia, and has a substantial amount of foreign currency-denominated debt, it is exposed to foreign exchange risk.

The table below summarises the Group’s exposure to foreign currency exchange risk at the reporting date:

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

	Denominated in		
As of 31 December 2011	**USD**	**EUR**	**Other currency**
Cash and cash equivalents	88	571	35
Trade and other receivables	27	6,207	1
	115	**6,778**	**36**
Trade and other payables	60	213	3
Debt	40,370	2,630	-
	40,430	**2,843**	**3**

	Denominated in		
As of 31 December 2010	**USD**	**EUR**	**Other currency**
Cash and cash equivalents	525	1,009	6
Trade and other receivables	46	5,520	10
	571	**6,529**	**16**
Trade and other payables	-	328	3
Debt	17,724	12,307	-
	17,724	**12,635**	**3**

	Denominated in		
As of 31 December 2009	**USD**	**EUR**	**Other currency**
Cash and cash equivalents	1,370	2,348	3
Trade and other receivables	52	6,515	6
	1,422	**8,863**	**9**
Trade and other payables	757	2,149	-
Debt	13,290	17,498	-
	14,047	**19,647**	**-**

The sensitivity analysis given in the table below reflects the hypothetical gain/(loss) that would occur assuming the Russian rouble had weakened/strengthened by 10 percent against the US dollar and euro, and that there were no changes in the portfolio of instruments and other variables as of 31 December 2011, 2010 and 2009, respectively.

	Increase in exchange rate	**31 December 2011**	**31 December 2010**	**31 December 2009**
Effect on pre-tax profit				
RR / USD	10%	(4,032)	(1,716)	(1,262)
RR / EUR	10%	394	(606)	(1,078)

	Decrease in exchange rate	**31 December 2011**	**31 December 2010**	**31 December 2009**
Effect on pre-tax profit				
RR / USD	10%	4,032	1,716	1,262
RR / EUR	10%	(394)	606	1,078

Cash flow and fair value interest rate risk. The Group's interest rate risk arises from long-term debt. Debt issued at variable rates expose the Group to cash flow interest rate risk. Debt issued at fixed rates expose the Group to fair value interest rate risk. During 2011, 2010 and 2009, the Group's debt at floating rates were denominated in Russian roubles, US dollars and euros (Notes 16 and 20). The Group's interest-bearing assets primarily included loans receivable and cash deposits as of 31 December 2011, 2010, 2009.

The Group analyses its interest rate exposure on a regular basis. Financing decisions are made after careful consideration of various scenarios and may include refinancing, renewing existing positions or alternative financing. The Group currently does not use derivative instruments to hedge its cash flow and fair value interest rate risk.

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

The Group's financial results are sensitive to changes in interest rates on the floating portion of the Group's debt portfolio. If the interest rates applicable to floating rate debt were higher/lower, assuming all other variables remain constant, it is estimated that the Group's profit before taxation would change by the amounts shown below:

	Increase in floating rates by	31 December 2011	31 December 2010	31 December 2009
Effect on pre-tax profit				
RR-denominated debt	10%	(87)	-	-
USD-denominated debt	15%	(182)	(48)	(32)
EUR-denominated debt	15%	(9)	(16)	(67)
	Decrease in floating rates by	**31 December 2011**	**31 December 2010**	**31 December 2009**
Effect on pre-tax profit				
RR-denominated debt	10%	87	-	-
USD-denominated debt	15%	182	48	32
EUR-denominated debt	15%	9	16	67

Credit risk. Credit risk arises from cash and cash equivalents (including short-term deposits with banks), as well as from loans given and credit exposures to customers, including outstanding receivables and committed transactions.

Cash and cash equivalents are deposited only with banks that are considered by the Group at the time of deposit to have minimal risk of default within set credit limits.

All loans given were provided to joint ventures or subsidiaries, approved by the investment committee and Board of Directors, and supported by project feasibility studies (see Note 10).

With regard to customers, a large portion of the Group's domestic receivables come from Russia's largest companies, including OAO Gazprom, OAO LUKOIL, TNK-BP Group, OAO Gazpromneft and OAO Rosneft, which the Group assessed as having a high credit quality. For other domestic customers, the Group assesses credit quality taking into account financial position and past experience alongside other factors. Regarding export customers, the Group's priority is also to sell to major market players including Michelin Group, Continental Group, Gunvor Group, and Naftomar LTD INC, among others, based on a maximum standard delay of 30 days. Most other export sales are secured primarily by letters of credit or are prepaid. Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

The maximum credit risk exposure for accounts receivable is RR 32,668, RR 25,248 and RR 17,479 as of 31 December 2011, 2010 and 2009, respectively.

The Group estimates the fair value of its financial liabilities as a close-out amount that does not incorporate changes in the Group's credit risk.

The credit risk posed by off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to adhere to the relevant contract. The Group uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

As of 31 December 2011, the maximum credit risk exposure due to financial guarantees issued for SIBUR-Russian Tyres' loans was RR 4,140. As of 31 December 2011, this credit risk was mitigated by a bank guarantee of RR 1,129. In February 2012, the Group was released from the financial guarantee of RR 3,011.

Also, as of 31 December 2011, the Group issued a finance guarantee for 50 percent of a loan obtained by OOO RusVinyl. The maximum credit risk exposure for the guarantee issued by the Group is RR 3,089, RR nil, and RR 756 as of 31 December 2011, 2010 and 2009, respectively. The table below shows the credit limit and balance of the major counterparty groups as of the reporting date.

As of and for the year ended 31 December 2011				
	Bank equity	**Rating**	**Credit limit for one bank**	**Balance**
Major banks	>= 25,000	B+/B2	5,000	12,517
Secondary banks	>= 5,000	B+/B2	2,500	1,700
Other banks	Not set	Not set	Individually set	754
				14,971
As of and for the year ended 31 December 2010				
	Bank equity	**Rating**	**Credit limit for one bank**	**Balance**
Related banks - Gazprombank	Not limited	BBB-	Not set	5,277
Major banks	>= 25,000	B+/B2	5,000	4,631
Secondary banks	>= 5,000	B+/B2	2,500	4,486
Other banks	Not set	Not set	Individually set	1,022
				15,416
As of and for the year ended 31 December 2009				
	Bank equity	**Rating**	**Credit limit for one bank**	**Balance**
Related banks - Gazprombank	Not limited	BBB-	Not set	10,007
Major banks	>= 25,000	B+/B2	5,000	2,451
Secondary banks	>= 5,000	B+/B2	2,500	2,151
Other banks	Not set	Not set	Individually set	237
				14,846

No credit limits were exceeded during the reporting period, and management does not expect any losses resulting from these counterparties' non-performance. The maximum credit risk exposure for cash and cash equivalents is RR 14,971, RR 15,416 and RR 14,846 as of 31 December 2011, 2010 and 2009, respectively.

Liquidity risk and capital risk management. Liquidity risk management includes maintaining sufficient cash balances, available funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's management maintains funding flexibility by ensuring funds availability under committed credit lines and expected cash flows from operating activities. Management monitors rolling forecasts of the Group's liquidity reserve, comprising the undrawn debt facilities (Notes 16 and 20) and cash and cash equivalents on the basis of expected cash flow. This is carried out at the Group level on a monthly and annual basis. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these while maintaining debt financing plans.

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

The table below analyses the Group's financial liabilities in relevant maturity groupings based on the remaining period at the reporting date up to the contractual maturity date.

As of 31 December 2011	Less than one year	Between one and two years	Between two and five years	Over five years
Debt	28,738	17,474	25,739	25,309
Trade and other payables	19,125	5,039	-	-
	47,863	**22,513**	**25,739**	**25,309**
As of 31 December 2010				
Debt	28,700	5,743	24,950	6,414
Trade and other payables	18,420	4,207	-	-
	47,120	**9,950**	**24,950**	**6,414**
As of 31 December 2009				
Debt	33,694	16,028	14,827	4,187
Trade and other payables	12,377	1,075	-	-
	46,071	**17,103**	**14,827**	**4,187**

As the amounts in the table represent contractual undiscounted cash flows, they may not reconcile with those disclosed in the financial position statement on debt, derivative financial instruments, trade and other payables.

In 2011, 2010 and 2009, the Group monitored liquidity on the basis of the net debt to EBITDA ratio, which was calculated as net debt divided by EBITDA. Net debt is calculated as total debt less cash, cash equivalents and short-term deposits. EBITDA for any period means the Group's profit/(loss) for the period adjusted for income tax expense, finance income and expenses, share of net income/loss of joint ventures, depreciation and amortization, impairment of property, plant and equipment, loss/gain on disposal of investments as well as for certain exceptional items.

Under some of its bank loan agreements, the Group must not exceed the debt to EBITDA ratio stipulated in the relevant agreements. The Group's financial policy is to maintain a net debt to EBITDA ratio of 2.5 or lower and an EBITDA to interest expense ratio of 7 or higher. This policy is stricter than the banks' requirements. The net debt to EBITDA ratio was 0.78, 0.74 and 1.57 as of 31 December 2011, 2010 and 2009, respectively. The EBITDA to interest expense ratio was 34, 18 and 5 as of 31 December 2011, 2010 and 2009, respectively.

The primary objectives of the Group's liquidity management policy is to ensure a strong liquidity base to fund and sustain its business operations through prudent investment decisions and to maintain investor, market and creditor confidence to support its business activities.

30 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:

(In millions of Russian roubles, unless otherwise stated)

30 SEGMENT INFORMATION (CONTINUED)

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% of which is sold externally; and

- Petrochemicals – the production of basic polymers, synthetic rubbers, plastics, organic synthesis products and other petrochemical products.

The Group reports two segments in this combined financial information and comparative amounts were adjusted, accordingly.

The Group's management assesses the performance of each operating segment based on their respective EBITDA contributions (Note 29). 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 combined financial information.

	Feedstock & Energy segment	**Petrochemicals segment**	**Unallocated**	**Total**
Year ended 31 December 2011				
Total segment revenue	149,478	134,243	18,221	301,942
Inter-segment transfers	(36,329)	(9,525)	(7,428)	(53,282)
External revenue	**113,149**	**124,718**	**10,793**	**248,660**
EBITDA	**68,106**	**24,330**	**(5,767)**	**86,669**
Year ended 31 December 2010				
Total segment revenue	108,379	105,510	12,268	226,157
Inter-segment transfers	(28,389)	(3,500)	(5,705)	(37,594)
External revenue	**79,990**	**102,010**	**6,563**	**188,563**
EBITDA	**49,136**	**20,330**	**(11,288)**	**58,178**
Year ended 31 December 2009				
Total segment revenue	67,271	62,357	10,147	139,775
Inter-segment transfers	(8,183)	(1,830)	(1,962)	(11,975)
External revenue	**59,088**	**60,527**	**8,185**	**127,800**
EBITDA	**24,678**	**8,347**	**(7,058)**	**25,967**

(In millions of Russian roubles, unless otherwise stated)

30 SEGMENT INFORMATION (CONTINUED)

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

	Continuing operations			
	Feedstock & Energy segment	**Petrochemicals segment**	**Unallocated**	**Total**
Year ended 31 December 2011				
EBITDA	**68,106**	**24,330**	**(5,767)**	**86,669**
Depreciation and amortisation	(3,152)	(3,410)	(1,654)	(8,216)
Operating profit	**64,954**	**20,920**	**(7,421)**	**78,453**
Finance income			2,910	2,910
Finance expenses	-	-	(7,325)	(7,325)
Gain on acquisition of subsidiaries	-	-	4,957	4,957
Share of net income of joint ventures	-	-	236	236
Loss on disposal of investments	-	-	(380)	(380)
Impairment of notes receivable	-	-	(1,731)	(1,731)
Profit before income tax	**64,954**	**20,920**	**(8,754)**	**77,120**
Year ended 31 December 2010				
EBITDA	**49,136**	**20,330**	**(11,288)**	**58,178**
Depreciation and amortisation	(2,834)	(2,500)	(606)	(5,940)
Impairment of property, plant and equipment	-	-	(426)	(426)
Operating profit	**46,302**	**17,830**	**(12,320)**	**51,812**
Finance income	-	-	5,622	5,622
Finance expenses	-	-	(4,570)	(4,570)
Share of net income of joint ventures	-	-	108	108
Gain on disposal of investments	-	-	16	16
Profit before income tax	**46,302**	**17,830**	**(11,144)**	**52,988**
Year ended 31 December 2009				
EBITDA	**24,678**	**8,347**	**(7,058)**	**25,967**
Depreciation and amortisation	(1,940)	(2,038)	(445)	(4,423)
Operating profit	**22,738**	**6,309**	**(7,503)**	**21,544**
Finance income	-	-	8,045	8,045
Finance expenses	-	-	(9,638)	(9,638)
Share of net loss of joint ventures	-	-	(88)	(88)
Impairment of other receivables	-	-	(3,262)	(3,262)
Loss on disposal of subsidiaries	-	-	3,514	3,514
Profit before income tax	**22,738**	**6,309**	**(8,932)**	**20,115**

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:

	Year ended 31 December		
	2011	**2010**	**2009**
Russia	141,999	106,876	71,568
Europe	66,330	56,424	34,556
Asia	20,397	15,689	9,013
CIS	13,077	6,137	7,271
Other	6,857	3,437	5,392
Total revenue	**248,660**	**188,563**	**127,800**

(In millions of Russian roubles, unless otherwise stated)

30 SEGMENT INFORMATION (CONTINUED)

Sales to Europe comprise sales to Switzerland, Austria, Poland, France, the Netherlands, Greece, Hungary, Germany, Finland, and the Czech Republic. Sales to Asia comprise sales to the following countries: China, Turkey, the United Arab Emirates, Hong Kong, Taiwan, Korea, Singapore, and India. Sales to the CIS comprise sales to Ukraine, Belarus, Kazakhstan, and Moldova.

31 PRINCIPAL SUBSIDIARIES

Principal wholly-owned operating subsidiaries of the Group

OAO Gubkinskiy GPK	OOO Tobolsk-Neftekhim
OAO Yuzhno-Balykskiy GPK	OAO Krasnoyarskiy ZSK
OOO Noyabrskiy GPK*	ZAO Sibur-Khimprom
OAO Sibur-Neftekhim	OOO Sibur-Belservice
OAO Sibur-PETF	ZAO Sibur-Trans
SIBUR International GmbH (Citco Waren H m.b.H.)	OOO Tomskneftekhim
OAO SiburTyumenGaz	
OOO Sibur-Geotekstil	
OOO Tollyattikauchuk	

* OOO Noyabrskiy GPK is a holding entity for Muravlenkovskiy GPP and Vyngapurovskiy GPP

Other principal operating subsidiaries of the Group

	Effective percent of share capital held by the Group as of		
	31 December 2011	**31 December 2010**	**31 December 2009**
OAO Uralorgsintez	97	96	95
OAO Voronezhsintezkauchuk	98	77	75
KOAO Orton	99	96	96
OAO Plastic	99	67	67
OAO Polief	83	25	25
OOO Yugragaspererabotka (Note 16)*	51	51	51

* OOO Yugragaspererabotka (TNK-BP is the second shareholder) controls OOO Belozerniy GPK, OOO Nizhnevartovskiy GPK and OOO Nyagangaspererabotka

32 RELATED PARTIES

For the purposes of this combined financial information, parties are generally considered to be related if one party has the ability to 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 year ended 31 December 2011, 2010 and 2009, or had significant balances outstanding as of 31 December 2011, 2010 and 2009 are presented below.

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

a) ZAO Miracle acquisition

In September and October 2011, the Company provided RR 34,250 in loans to ZAO Miracle at an average interest rate of 8.5 percent, which are mature in September 2013. The loans were used for the partial refinancing of bank loans that ZAO Miracle received for acquisition of Company shares (Note 1).

In November 2011, the Company acquired a 100 percent equity stake in ZAO Miracle for RR 1. ZAO Miracle is not a business as defined by IFRS 3 “Business Combinations”; thus, this acquisition was not accounted for under the accounting purchase method. As a result of the acquisition, the Group recognised the following assets and liabilities of ZAO Miracle:

	7 November 2011
Deferred tax assets	797
Investments in OAO SIBUR Holding shares	72,374
Short-term investments	50
Cash and cash equivalents	41
Other assets	13
Long-term loans and debt, including:	(72,598)
long-term loans from the Group	(34,419)
short-term loans and debt	(676)

As a result of the acquisition, OAO SIBUR Holding effectively acquired 50 percent less 1 of its own shares, which were deducted from equity. Additionally, the long-term loan provided by the Group to ZAO Miracle before the acquisition was effectively settled at the date of acquisition without impact on profit or loss.

In December 2011, the Company fully repaid the bank loans received by ZAO Miracle for financing the acquisition of Company shares.

b) NOVATEK Group

As of 31 December 2011 and 2010, trade and other payables included RR 1,502 and RR 1,730, respectively, and payables to NOVATEK Group for the acquisition of OOO Novatek-Polymer. This amount is payable by 31 December 2013. OOO Novatek-Polymer was subsequently renamed OOO Biaxplen NK.

c) Gunvor Group

In October 2011, a party that jointly controls the Gunvor Group acquired a 37.5 percent stake in the Group. During the period from October to December 2011, the Group’s revenue from sales of petrochemical products to the Gunvor Group amounted to RR 1,846. As of 31 December 2011, the Group’s trade receivables included trade receivables from the Gunvor Group of RR 497.

d) Gazprombank Group

	Year ended 31 December		
	2011	2010	2009
Financing activities			
Interest expense	133	743	2,558
Interest income	226	357	331
Fair value gain on financial instruments	-	-	2,203

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

As of 31 December 2010 and 2009, the SIBUR Group had the following balances with Gazprombank companies:

	31 December 2010	31 December 2009
Cash and cash equivalents	5,293	10,991
Long-term debt (Note 16)	9,199	9,595

As of 31 December 2010 and 31 December 2009, the Group had short-term undrawn credit facilities with the Gazprombank Group of RR 3,500 and RR 3,050, respectively, and long-term undrawn credit facilities with the Gazprombank Group of RR 200 and RR 200, respectively.

In October 2011, the Gazprombank Group ceased to be a related party of the Group.

e) Gazprom Group

	Year ended 31 December		
	2011	**2010**	**2009**
Operating activities			
Purchases of materials and supplies	10,298	7,705	2,585
Purchases of gas transportation and other transportation services	1,738	1,697	1,215
Purchases of other goods and services	451	870	948
Total purchases	**12,487**	**10,272**	**4,748**
Dry gas sales	4,562	3,370	4,677
Petrochemical products sales	1,347	773	1,787
Sales of other goods and services	13	109	652
Total revenues	**5,922**	**4,252**	**7,116**

As of 31 December 2010 and 2009, the Group had the following balances with the Gazprom Group:

	31 December 2010	31 December 2009
Accounts receivable and prepayments	578	1,492
Advances and prepayments for capital construction	4,966	3,694
Accounts payable and accrued charges	391	653
Current portion of restructured liabilities	-	15
Long-term debt	2,273	1,353
Short-term debt	2,238	3,593

In October 2011, Gazprom companies ceased to be related parties of the Group.

f) Remuneration of directors and key management

The Group's Board of Directors consists of nine members, including shareholder representatives. Members of the Board of Directors are entitled to annual compensation, approved at the General Shareholders' Meeting. In 2011, 2010 and 2009, the Company paid RR 218, RR 127 and RR 127, respectively, to Board of Directors members as compensation for the years ended 31 December 2010, 2009 and 2008, respectively. In 2012, the Company expects to pay RR 84 for the year ended 31 December 2011.

Key management is entitled to salaries, bonuses, voluntary medical insurance and other employee benefits, including Share Option Plan-related benefits, which in total amounted to RR 1,028, RR 5,079 and RR 577 for the years ended 31 December 2011, 2010 and 2009, respectively. Key management compensation is set by relevant annual employment contracts.

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

j) Share Option Plan

In March 2008, the Board of Directors approved a Share Option Plan for the Group's management and key employees (the "Plan"). The Plan provided for the granting of share options at a specially determined exercise price to the members of the Management Board and other key Group employees, most of whom have provided services to the Group over the past three years or more. The number of share options granted to each individual manager was based on the duration of services provided by manager to the Group. As of 31 December 2009, 1,657,609 shares had been granted.

All options outstanding as of 31 December 2009 were exercisable in November 2010.

Plan participants had no right to exercise the share option at any time before the exercise date. If their employment was terminated before the exercise date, Plan participants lost their rights under the Plan.

The Plan was cash settled. As of the exercise date, Plan participants had the right to purchase shares at the exercise price with the obligation to subsequently sell the shares back at the market price. The shares' market price at the exercise date would have been determined based on the current stock quote if the Group had completed a public offering before November 2010. Otherwise, the implied market share price would have been determined based on the Enterprise Value (EV)/EBITDA multiple of similar internationally listed companies, multiplied by the Group's EBITDA for the most recent four reporting quarters, and adjusted for the Group's net debt. As of 31 December 2009, the Group recognised a liability of RR 4,252 related to the fair value of options recorded within trade and other payables, and the relevant charge is recorded within operating expenses as staff costs. The fair value of options granted was measured using the Black-Scholes share option pricing model.

In November 2010, the Group signed agreements with all Plan participants to terminate the Plan with a RR 3,452 repayment obligation. As of 31 December 2010, the obligation was partially repaid and the outstanding amount of RR 737 was recorded in trade and other payables. As of 31 December 2011, the obligation had been fully repaid. The remaining balance of originally accrued liability related to the Plan was written down with the corresponding effect of RR 790, and recorded as a credit to staff costs in operating expenses.

k) Joint ventures

As of 31 December 2011, 2010 and 2009, the Group had the following balances with its associated companies:

	31 December 2011	31 December 2010	31 December 2009
Loans receivable	1,139	7,410	2,360
Short-term debt	500	-	-
Trade and other receivables	1,314	2,244	5,089
Trade and other payables	259	112	59

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

	Year ended 31 December		
	2011	**2010**	**2009**
Operating activities			
Purchases of materials, goods and services	7,626	1,991	3
Sales of materials	2,530	1,594	-
Interest income	704	418	650

l) Mineral Fertilizers

Subsidiaries belonging to the SIBUR Group's Mineral Fertilizers business are considered related parties for the purpose of this combined financial information up to the moment when it was disposed of by the SIBUR Group to third parties in December 2011. The following operations which the Group performed with Mineral Fertilizers business were included into the respective financial information line items.

	Year ended 31 December		
	2011	**2010**	**2009**
Sales of raw materials	4,346	3,845	2,335
Sales of electric power	1,025	920	682
Discount on loans receivable (Note 10)	-	188	1,621
Interest income	556	783	721
Unwinding of discount on loans receivable	270	-	-

As of 31 December 2010 and 2009, the Group had the following balances with SIBUR Group's subsidiaries in the Mineral Fertilizers business.

	31 December 2010	**31 December 2009**
Accounts receivable	100	69
Short-term loans receivable	3,695	3,358
Long-term loans receivable	2,859	2,488
Promissory notes receivable	-	53
Short-term debt	3,181	-
Short-term promissory notes payable on demand	-	1,009
Advances received	117	29

m) Tyres

Subsidiaries belonging to the SIBUR Group's Tyres business are considered related parties for the purpose of this combined financial information up to the moment when it was disposed of by the SIBUR Group to third parties in December 2011. The following operations which the Group performed with the Tyres business were included into the respective financial information line items.

	Year ended 31 December		
	2011	**2010**	**2009**
Sales of raw materials and other inventories	13,365	8,617	4,307
Sales of electric power	965	797	779
Sales of other work and services	40	85	91
Purchases of tyres and rubber goods	-	2	5
Purchases of other work and services	-	12	-
Purchases of financial investments and financial issues	-	-	17
Interest income	-	691	640
Interest expense	294	520	347

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

As of 31 December 2010 and 2009, the Group had the following balances with SIBUR Group's subsidiaries in the Tyres business.

	31 December 2010	31 December 2009
Accounts receivable	1,610	515
Long-term loans given (Note 9)	560	3,186
Short-term loans given	219	3,932
Accounts payable	153	158
Notes payable (Note 19)	5,306	5,192
Advances received	2	11

33 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

Operating environment. The Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation are subject to varying interpretations and contribute to the challenges faced by companies operating in Russia.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables arising from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

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 this period, the Group was involved in a number of court proceedings (as both plaintiff and defendant) arising in the ordinary course of business. Management believes there are no current legal proceedings or other claims outstanding which 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 combined financial information.

Taxation. Russian tax, currency and customs legislation are subject to varying interpretations and changes, which can occur frequently. 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.

Recent events in Russia suggest that the Russian tax authorities may be taking 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 be challenged. The Supreme Arbitrazh Court has issued guidance to lower courts on reviewing tax cases, providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of the tax authorities' scrutiny. 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 three calendar years preceding the year under review. Under certain circumstances, reviews may cover longer periods.

33 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

Russian transfer pricing rules, which were introduced on 1 January 1999, allow the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities on all controllable transactions, provided that they can prove that the transaction price established by the parties differs from the market price by more than 20 percent.

Controllable transactions include those with interdependent parties, as determined under the Russian Tax Code, and all cross-border transactions (regardless of whether they are between related or unrelated parties), as well as transactions where the price applied by a taxpayer differs by more than 20 percent from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance on how these rules should be applied in practice. The arbitrazh court practice in this respect is contradictory.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible that, with the evolving interpretation of Russian transfer pricing rules and the changes in the Russian tax authorities' approach, such transfer prices could potentially be challenged in future. Given the brief nature of current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the Group's financial condition and/or overall operations.

New transfer pricing rules have been introduced in Russia, with effect from 2012. Compared to the previous transfer pricing legislation, these new rules appear more technically developed and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). In connection with the introduction of new transfer pricing rules in Russia, the Group is revising its transfer pricing policies and will be required to prepare annual notices to local tax offices and transfer pricing documentation supporting the arm's length nature of prices applied and transfer pricing methods used in transactions that are subject to special oversight by the tax authorities. The Group is currently assessing the potential impact of the new transfer pricing rules on intragroup transactions.

The Group includes companies incorporated outside Russia. The Group's tax liabilities are determined on the assumption that these companies are not subject to Russian profits tax because they are not permanently established in Russia. Russian tax law does not provide any detailed rules on the taxation of foreign companies. With the evolution of Russian legislative rules and/or administrative practice in respect to the interpretation of these rules, the Russian tax authorities' approach to determining the tax status of the Group's foreign companies may change. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the relevant Group entity's financial condition and/or overall operations. Management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be retained. Where management believes it is probable that a position cannot be retained, an appropriate amount has been accrued in these IFRS combined financial information.

Environmental matters. The enforcement of environmental regulation 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 which 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, which 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, recreation and other social needs. Such funding is expensed as incurred.

33 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

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.

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 2012 of RR 68,479 (2011: RR 64,209, 2010: RR 46,445).

34 EVENTS AFTER THE REPORTING DATE

In February 2012, ZAO Miracle was merged with OAO SIBUR Holding, which became its legal successor. Upon the merger, all of the Company shares owned by ZAO Miracle were cancelled and the number of the Company’s outstanding shares equalled 21,784,791. As a result, Sibur Limited became the direct owner of the Company.

In February 2012, the Company sold ZAO Voronezh Tyre Plant to OOO E-Volution Tyre, a joint venture between the Pirelli Group and Rostechnologii for RR 3,641.

On 26 April 2012, the Company’s Annual General Meeting of Shareholders voted to:

a) declare a stock split of the Company's shares at a ratio of 100: 21,784,791 ordinary registered shares of the Company with a nominal value of 1,000 Russian roubles each to be converted into 2,178,479,100 ordinary registered shares with a nominal value of 10 Russian roubles each;

b) distribute RR 21,785 as dividends to the Company's shareholders by paying out a dividend of 1,000 Russian roubles per ordinary share.

On 29 March 2012, the Group acquired an additional 50 percent stake in OOO Biaxplen, a polyethylene terephthalate producer, for a total consideration of RR 1,200 and, as a result, increased the Group’s ownership stake up to 100 percent.

On 15 October 2012, the Company’s shareholders approved a decision to pay out dividends in the amount of RR 7,407 (3.40 Russian roubles per ordinary share).

35 NEW ACCOUNTING DEVELOPMENTS

Beginning from 1 January 2011, the Group has adopted the following new standards and interpretations:

Amendment to IAS 24 “Related-Party Disclosures” (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

35 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event-driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements, and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination, and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in this combined financial information. The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in this combined financial information by disclosing collateral values separately for (i) those financial assets where collateral and other credit enhancements are equal to, or exceed, carrying value of the asset ("over-collateralised assets") and (ii) those financial assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

Other revised standards and interpretations effective for the current period. IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" relating to prepayments of minimum funding requirements and amendments to IFRS 1 "First-Time Adoption of IFRS", did not have any impact on this combined financial information.

The adoption of these new standards and interpretations had an insignificant effect on the Group's combined financial information. Some new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2012 or later, and that the Group has not early adopted.

35 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

IFRS 9 "Financial Instruments: Classification and Measurement". IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015, and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets must be classified in one of two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The classification decision is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the given instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IFRS 10 "Consolidated Financial Statements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the new standard on its financial information.

IFRS 11 "Joint Arrangements" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group is currently assessing the impact of the new standard on its financial information

35 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

IFRS 12 "Disclosure of Interest in Other Entities" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in Associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the new standard on its financial information.

IFRS 13 "Fair Value Measurement" (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across all IFRS. The Group is currently assessing the impact of the standard on its financial information.

IAS 27 "Separate Financial Statements" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 "Consolidated Financial Statements". The Group is currently assessing the impact of the amended standard on its financial information.

IAS 28 "Investments in Associates and Joint Ventures" (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group is currently assessing the impact of the amended standard on its financial information.

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The Group is currently assessing the impact of the amended standard on disclosures in its financial information.

Amendments to IAS 1 "Presentation of Financial Statements" (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to "statement of profit or loss and other comprehensive income". The Group expects the amended standard to change presentation of its financial information, but have no impact on measurement of transactions and balances.

35 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

Amended IAS 19 "Employee Benefits" (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group is currently assessing the impact of the amended standard on its financial information.

Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

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). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of the phrase "currently has a legally enforceable right of set-off", and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

***Other revised standards and interpretations*:** The amendments to IFRS 1 "First-Time Adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, the amendment to IAS 12 "Income Taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, and IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", which considers when and how to account for the benefits arising from stripping activity in the mining industry, will not have any impact on this combined financial information.

The Group's Head Office:

OAO SIBUR Holding

16/1 Krzhizhanovskogo St.

Moscow, GSP-7, 117997

Russia

Telephone/fax: +7 (495) 777 5500

Website: www.sibur.ru (Russian)

www.sibur.ru/eng/(English)