OAO SIBUR Holding

International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report

31 December 2013

Independent Auditor's Report

To the Shareholders and Board of Directors of OAO SIBUR Holding

We have audited the accompanying consolidated financial statements of OAO SIBUR Holding and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated financial statements 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 consolidated financial statements.

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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

13 March 2014
Moscow, Russian Federation

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Notes		31 December 2013	31 December 2012
	Assets		
	Non-current assets		
6	Property, plant and equipment	282,198	207,655
7	Goodwill	9,480	9,480
8	Investments in joint ventures and associates	27,521	17,690
28	Deferred income tax assets	7,956	7,437
9	Advances and prepayments for capital construction	11,126	45,692
10	Loans receivable	-	743
11	Trade and other receivables	455	94
7	Intangible assets	4,553	1,515
12	Other non-current assets	1,598	1,180
	Total non-current assets	**344,887**	**291,486**
	Current assets		
13	Inventories	24,440	24,750
11	Trade and other receivables	14,561	15,983
	Prepaid current income tax	4,011	4,222
14	Prepayments and other current assets	14,743	21,464
10	Loans receivable	1,735	1,222
15	Cash and cash equivalents	7,948	13,570
15	Restricted cash	1,106	890
	Total current assets	**68,544**	**82,101**
5	Assets classified as held for sale	5,885	1,044
	Total assets	**419,316**	**374,631**
	Liabilities and equity		
	Non-current liabilities		
16	Long-term debt	57,731	41,058
17	Grants and subsidies	34,966	30,502
28	Deferred income tax liabilities	5,606	6,503
18	Other non-current liabilities	4,379	5,171
	Total non-current liabilities	**102,682**	**83,234**
	Current liabilities		
19	Short-term debt and current portion of long-term debt	42,743	54,936
20	Trade and other payables	36,458	36,569
	Income tax payable	252	1,560
21	Taxes other than income tax payable	2,027	2,576
	Total current liabilities	**81,480**	**95,641**
	Total liabilities	**184,162**	**178,875**
22	**Equity**		
	Ordinary share capital	21,784	21,784
	Share premium	9,357	9,357
34	Equity-settled share-based payment plans	7,894	-
	Retained earnings	195,269	163,624
	Total equity attributable to the Group shareholders	**234,304**	**194,765**
23	Non-controlling interest	850	991
	Total equity	**235,154**	**195,756**
	Total liabilities and equity	**419,316**	**374,631**

D.V. Konov
Chief Executive Officer
13 March 2014

P.N. Malyi
Chief Financial Officer
13 March 2014

The accompanying notes on pages 7 to 62 are an integral part of these consolidated financial statements.

Notes		Year ended 31 December	
		2013	**2012**
	Continuing operations		
25	Revenue	269,814	271,330
26	Operating expenses before equity-settled share-based payment plans	(205,316)	(199,618)
34	Equity-settled share-based payment plans	(7,894)	-
	Total operating expenses	(213,210)	(199,618)
	Operating profit	**56,604**	**71,712**
27	Finance income	1,198	4,601
27	Finance expenses	(6,042)	(1,561)
4	Gain on acquisition of subsidiaries	-	430
8	Share of net income of joint ventures and associates	794	751
4	Gain on deconsolidation of subsidiary	2,413	-
4	Gain on disposal of subsidiaries	335	283
	Profit before income tax from continuing operations	**55,302**	**76,216**
28	Income tax expense	(9,844)	(15,816)
	Profit from continuing operations	**45,458**	**60,400**
	Discontinued operations		
5	Loss from disposal of Amtel Group's assets	-	(315)
	Profit for the year, including attributable to:	**45,458**	**60,085**
23	Non-controlling interest from continuing operations	(140)	(41)
	Shareholders of the parent company from continuing operations	45,598	60,126
24	**Basic and diluted earnings per share (in Russian roubles per share)**		
	- From continuing operations	20.9	27.6
	- From discontinued operations	-	(0,1)
22, 24	Weighted average number of shares outstanding (in thousands)	2,178,479	2,178,479

The accompanying notes on pages 7 to 62 are an integral part of these consolidated financial statements.

	Year ended 31 December	
	2013	**2012**
Profit for the year from continuing operations	**45,458**	**60,400**
Profit for the year	**45,458**	**60,085**
Other comprehensive loss after tax that will not be reclassified to profit or loss:		
Actuarial loss on post-employment benefit obligations	(171)	(204)
Total comprehensive income for the year from continuing operations	**45,287**	**60,196**
Total comprehensive income for the year, including attributable to:	**45,287**	**59,881**
Non-controlling interest from continuing operations	(138)	(43)
Non-controlling interest from discontinued operations	-	-
Shareholders of the parent company from continuing operations	45,425	59,924
Shareholders of the parent company from discontinued operations	-	-

Notes		Year ended 31 December 2013	Year ended 31 December 2012
	Operating activities		
29	Cash from operating activities of continuing operations before income tax payment	84,975	80,994
	Income tax paid from continuing operations	(12,234)	(18,333)
29	**Net cash from operating activities of continuing operations**	**72,741**	**62,661**
	Investing activities		
	Purchase of property, plant and equipment	(70,010)	(74,274)
8	Additional contribution to the share capital of joint ventures	(6,299)	(169)
	Acquisition of interest in subsidiaries, net of cash acquired	(1,742)	(1,811)
10, 34	Loans issued	(946)	(2,041)
15	Transfers to restricted cash for investment activities	(216)	(890)
	Proceeds from sale of financial instruments	-	2,273
	Settlement of receivables from Amtel Group	557	3,629
	Proceeds from sale of investments	156	-
4	Proceeds from disposal of subsidiaries, net of cash disposed	573	307
8	Dividends received	600	1,365
	Repayment of loans and notes receivable	2,011	536
	Proceeds from sale of property, plant and equipment	5,134	5,074
	Other	(962)	674
	Cash used in investing activities of continuing operations	**(71,144)**	**(65,327)**
5	**Cash from investing activities of discontinued operations, net of related income tax**	**-**	**14,335**
	Net cash used in investing activities	**(71,144)**	**(50,992)**
	Financing activities		
	Proceeds from debt	64,769	74,107
	Repayment of debt	(60,256)	(66,664)
17	Grants and subsidies received	5,971	12,761
	Interest received	760	600
23	Proceeds from sale of non-controlling interest	439	-
	Acquisition of non-controlling interest in subsidiary	(156)	-
	Payment of bank fees	(336)	(728)
	Repayment of promissory notes	(633)	-
	Interest paid	(3,718)	(3,496)
22	Dividends paid to the Company's shareholders	(14,008)	(29,192)
	Other	-	(117)
	Net cash used in financing activities of continuing operations	**(7,168)**	**(12,729)**
	Effect of exchange rate changes on cash and cash equivalents	(51)	(341)
	Net decrease in cash and cash equivalents	**(5,622)**	**(1,401)**
	Cash and cash equivalents, at the beginning of the reporting year	13,570	14,971
	Cash and cash equivalents, at the end of the reporting year	**7,948**	**13,570**

Notes		Share capital	Treasury shares	Equity-settled share-based payment plans	Share premium	Retained earnings	Total	Non-controlling interest	Total equity
				Attributable to Group's shareholders					
	Balance as of 31 December 2011	**43,570**	**(72,374)**	**-**	**9,357**	**183,358**	**163,911**	**1,423**	**165,334**
	Profit for the year	-	-	-	-	60,126	60,126	(41)	60,085
	Actuarial loss on post-employment benefit obligations	-	-	-	-	(202)	(202)	(2)	(204)
	Comprehensive income for the year	**-**	**-**	**-**	**-**	**59,924**	**59,924**	**(43)**	**59,881**
	Dividends paid	-	-	-	-	(29,192)	(29,192)	-	(29,192)
22	Acquisition of treasury shares	(21,786)	72,374	-	-	(50,588)	-	-	-
23	Acquisition of non-controlling interest in subsidiaries	-	-	-	-	122	122	(389)	(267)
	Balance as of 31 December 2012	**21,784**	**-**	**-**	**9,357**	**163,624**	**194,765**	**991**	**195,756**
	Profit for the year	-	-	-	-	45,598	45,598	(140)	45,458
	Actuarial loss on post-employment benefit obligations	-	-	-	-	(173)	(173)	2	(171)
	Total comprehensive income for the reporting period	**-**	**-**	**-**	**-**	**45,425**	**45,425**	**(138)**	**45,287**
34	Equity-settled share-based payment plans	-	-	7,894	-	-	7,894	-	7,894
23	Sale of non-controlling interest in subsidiaries	-	-	-	-	337	337	102	439
23	Acquisition of non-controlling interest in subsidiaries	-	-	-	-	(109)	(109)	(105)	(214)
22	Dividends paid	-	-	-	-	(14,008)	(14,008)	-	(14,008)
	Balance as of 31 December 2013	**21,784**	**-**	**7,894**	**9,357**	**195,269**	**234,304**	**850**	**235,154**

1 NATURE OF OPERATIONS

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

The Group’s production facilities are located in the Russian Federation.

From June 2008 until September 2011, Non-State Pension Fund Gazfund was the Group’s ultimate parent through OAO Gazprombank.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC). Most of the Group’s companies maintain their accounting records in Russian roubles (RR) and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation (RAR). The financial statements are based on the Group’s companies statutory records, with adjustments and reclassifications recorded to ensure fair presentation in accordance with IFRS.

The consolidated financial statements have been prepared 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. The preparation of consolidated financial statements under IFRS requires certain critical accounting estimates. It also requires management to exercise judgement when applying the Group’s accounting policies. Those areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor’s returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired, as well as 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, 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 released, equity instruments issued, and liabilities incurred or assumed, including the fair values 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 for an acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of a 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. In addition, unrealised losses are also eliminated unless the relevant cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies that are consistent with the Group's policies.

Non-controlling interest is the part of a subsidiary's net results and equity that is attributable to interests that the Company does not own, either 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 acquisition method of accounting. Identifiable assets acquired, as well as 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.

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 over the 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 presented again in the comparative statement of financial position to reflect the classification at the end of the current period.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment. Property, plant and equipment items 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, wherever required.

Costs for minor repairs and day-to-day maintenance are expensed when incurred. The cost for 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 taken out of commission 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 immediately recorded to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation. Depreciation on property, plant and equipment items 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	20-60
Facilities	10-50
Machinery and equipment	5-30
Transport vehicles and other	5-20
Catalysers	3-5

The useful lives are reviewed annually with due consideration of the nature of the assets, existing practices regarding their repair and maintenance, their intended use and technological evolution of technology. A change in the useful life of a property, plant and equipment item 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.

Operating leases. Where the Group is a lessee in a lease that does not substantially transfer all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Intangible assets

a) Goodwill represents the excess of the cost for an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the acquisition date. 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 with respect to the entity sold.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Acquired licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. The useful lives are reviewed annually taking into consideration the nature of the licenses. 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) Development costs directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Impairment of non-financial assets. Assets with an indefinite useful life, goodwill for example, are not subject to amortisation and are tested annually for impairment. Assets 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 has 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. Dividends received from joint ventures reduce the carrying value of the investment in joint ventures. The carrying amount of joint ventures includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group’s share of the 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.

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 any 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. In addition, unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally resulting from a shareholding of between 20 and 50 percent of voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of investments in associates. Other post-acquisition changes in the Group’s share of net assets of an associate are recognised as follows: (i) the Group’s share of profits or losses of the associate is recorded in the profit or loss for the year as a share of the results of associates, (ii) the Group’s share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group’s share of the carrying value of associates’ net assets are recognised in profit or loss within the share of the results of associates.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. In addition, 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 plus transaction costs and subsequently measured at amortised cost using the effective interest method amount less a provision made for impairment of these receivables.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of an asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is recorded accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is assigned 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 nonetheless 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 on 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. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period are included in other non-current assets.

Trade and other payables. Trade payables are accrued when a single counterparty has performed its obligations under a relevant contract, and are recognised initially at fair value plus transaction costs and subsequently carried 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 so that a reliable estimate of the relevant 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 there is little likelihood of an outflow connected to any item included in the same class of obligations. Where the Group expects a provision to be reimbursed, under an insurance contract for example, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain. Provisions are reassessed at each reporting date and changes in the provisions are reflected in the profit or loss.

Provisions are measured at the present value of the expenditures expected to be required in order 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 a provision due to passage of time is recognised as interest expense.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 that have not been settled at the reporting date (VAT recoverable and payable) is recognised on a gross basis and disclosed separately as a current asset and current liability, respectively. 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 accompanying 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 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 statement of profit or loss over the period of the debt using the effective interest method.

Fees paid for the establishment 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 require considerable time to be prepared for their intended use or sale (qualifying assets) are capitalised as part of the costs for such assets if the commencement date for capitalisation occurred on or after 1 January 2009.

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 the borrowings, are capitalised.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as share premium.

Where the Group companies purchase the Company's equity share capital, the consideration paid including any attributable transaction costs net of income taxes is deducted from total shareholders' equity until the equity instruments are cancelled, sold or reissued. 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 in shareholders' equity. The gains (losses) arising from treasury shares transactions are recognised in the consolidated statement of changes in shareholders' equity, net of associated costs including taxation.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

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 declared after the reporting date but before the financial statements are 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 covered in the consolidated financial statements in accordance with Russian law as it is 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 a different period, in other comprehensive income or directly in equity.

Current income tax is the amount expected to be paid to or refunded by the tax authorities on taxable profits or losses for the current and prior periods. 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. Under 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 individual Group companies. 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 there will be future taxable profit 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.

Taxes other than income tax, VAT, excise tax and export duties are recorded within operating expenses.

Post-employment obligations. Some Group companies provide retirement benefits to their retired employees. 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 such 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.

Employee benefits. Wages, salaries and contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the Group’s employees. The Group has no legal or constructive obligation to carry out pension or similar benefit payments beyond the unified social tax and the payments to the statutory defined contribution scheme.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment plans. The share option programme allows the Group's management to held shares of the Company. The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured at the fair value for the underlying shares calculated at the grant date using valuation model taking into account terms and conditions in the options were granted. Each tranche is accounted as separate arrangement and expensed, together with a corresponding increase in shareholder's equity, on a straight-line basis over the vesting periods.

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 tax 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 from the reporting date. 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 expenses 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 which are classified as non-current assets. The Group's loans and receivables include 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 from 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)

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one where transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is insufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of the investees' financial data are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed according to their levels in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 31.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition 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, instead, included in the carrying values of related items in the statement of financial position.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effective interest method is a method for allocating interest income or interest 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 date for establishing a new interest price, 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 whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract which are an integral part of the effective interest rate.

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 (hereinafter “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 whereby impairment was incurred for an individually assessed financial asset, whether significant or not, it thus 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 settlement systems;
- The counterparty experiences a significant financial difficulty as evidenced by its financial information which the Group has obtained;
- 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.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of the counterparty’s financial difficulties, 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.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the given entity operates. The functional currency of the Company and 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 the Group entities as of 31 December 2013 and 2012 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 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 profit or loss.

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

	euro	**US dollar**
As at 31.12.2012	40.2286	30.3727
2012 weighted average	39.9083	31.0742
As at 31.12.2013	44.9699	32.7292
2013 weighted average	42.3129	31.8480

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group formulates 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, such as forecast on future events that are considered to be reasonable under the given circumstances.

Management also makes certain judgements, in addition to those involving estimates, when it applies its 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 (see Note 35).

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 the application of the related tax benefit is probable. When determining future taxable profits and the amount of tax benefits available to certain Group entities, the management makes judgements and applies estimates based on recent taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

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

Useful lives of property, plant and equipment. Property, plant and equipment items are stated net of accumulated depreciation. Estimating the useful life of a property, plant and equipment item is a matter of management judgement and is based on experience with similar assets. When determining the useful life of an asset, the 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 (see Note 7).

Estimated impairment of property, plant and equipment. 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 CGU amount.

Equity-settled share-based payment plans for directors and key management. The Group's management applied estimates and judgments in its financial statements with respect to equity-settled share-based payment plans for the Group's directors and key management (see Note 34).

The equity-settled share awards under the plans are measured at the fair value for the underlying shares as calculated at the grant date using a valuation model.

As of the grant date, the calculation of the Group's equity value uses pre-tax cash flow projections based on a five-year financial forecast. Cash flows beyond the five-year period are extrapolated based on an estimated growth rate of 2.4 percent, which is the long-term average growth rate for the industry in which the Group operates. The following key assumptions are used in the equity value calculation: a pre-tax discount rate of 16.6 percent, oil price of USD 89-99 per bbl and Russian Federation Consumer Price Index at 5.0 – 6.5 percent.

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 several 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 set for the period till 2018 inclusive, including amounts of regional investments in business and social infrastructure, local income taxes paid, number of jobs created and safeguarded. Such reimbursements 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. Quarterly, at each reporting date, management assesses whether there is a reasonable assurance that the Group is able to comply with required conditions. The management believes that the Company will be able to comply with the conditions stipulated by the agreements.

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

Operating leases: The Group has a number of contracts with third parties for the rental of tank wagons (railway cars) with terms of 5-10 years each. At their inception minimum lease payments for some of the contracts were close to the market value of the wagons. At the same time this situation resulted from a shortage of rail cars on the market and the strong negotiating position of service providers. Based on that, and on the fact that the rewards are not substantially transferred to the Company because at the end of the lease period cars will be capable of generating significant cash flow (even if they are subsequently sold or rented at significant discounts), the rented cars are presented as an operating lease in the financial statements.

In 2012, the Group entered into arrangements with the shipping companies Sovcomflot and Navigator for freight of four vessels with the terms of 15 and 10 years, respectively. At the inception date minimum lease payments for contracts were 80-85 percent of the value of the vessels and the economic useful life amounted to approximately 30 years. Based on that, and on the fact that the rewards are not substantially transferred to the Company because at the end of the lease period vessels will be capable for generating significant cash flow, the rented vessels presented as and operating lease in these consolidated financial statements.

4 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES

Disposal of OAO Plastic. On 25 December 2013, the Group sold 100 percent stake in OAO Plastic for cash consideration of RR 575.

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

	Carrying amounts
Property, plant and equipment (see Note 6)	417
Deferred income tax asset	108
Investments	465
Tax prepayments	169
Inventory	339
Cash and cash equivalents	2
Trade and other receivables	36
Other assets	12
Loans and borrowings	-
Trade and other payables	(1,214)
Other liabilities	(48)
Deferred income tax liabilities	(76)
Net assets deconsolidated	**210**

The post-tax gain recognised upon the disposal of OAO Plastic, and included in gain on disposal of a subsidiaries in the consolidated statement of profit or loss, was calculated as follows:

Income from disposal of 100 percent share in OAO Plastic	575
Total income from disposal of subsidiary	**575**
Less: Net assets deconsolidated	(210)
Post-tax gain on disposal of subsidiary	**365**

4 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

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

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

	Carrying amounts
Property, plant and equipment (see Note 6)	7,688
Deferred income tax asset	92
Inventory	558
Cash and cash equivalents	1
Trade and other receivables	1,262
Other assets	407
Loans and borrowings	(2,602)
Trade and other payables	(1,800)
Other liabilities	(142)
Deferred income tax liabilities	(288)
Net assets deconsolidated	**5,176**

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

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

Balances outstanding as of 31 December 2013 and transactions for the year ended 31 December 2013 with OOO Yugragazpererabotka are disclosed in Note 34.

The deconsolidation of OOO Yugragazpererabotka did not have an impact on the Company's investing cash flows for the reporting period.

In March 2014 the Group acquired from Rosneft Group 49 percent in OOO Yugragazpererabotka and accordingly consolidated OOO Yugragazpererabotka and its production subsidiaries (Note 36).

4 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

Acquisition of OOO Biaxplen. On 29 March 2012, the Group finalised the acquisition of control over OOO Biaxplen, a BOPP-film producer, by acquiring an additional 50 percent stake for RR 1,200 and, as a result, increased the Group's ownership to 100 percent. The acquisition was made to strengthen the Group's position on the growing Russian BOPP-film market as OOO Biaxplen is one of the largest BOPP-film manufacturers in Russia.

Details on the assets and liabilities acquired are as follows:

	Fair values
Property, plant and equipment (see Note 6)	5,183
Intangible assets	680
Deferred income tax assets	447
Other non-current assets	6
Inventories	857
Trade and other receivables	1,294
Loans receivable	71
Cash and cash equivalents	62
Other current assets	29
Deferred income tax liabilities	(656)
Trade and other payables	(1,279)
Short-term and long-term debt	(7,047)
Other non-current liabilities	(30)
Net assets of the acquired subsidiary	**(383)**
Less:	
Fair value of interest previously held	1,200
Total purchase consideration	1,200
Goodwill arising on acquisition	**2,783**

The acquired subsidiary contributed RR 3,299 in revenue and RR 205 in profit to the Group for the period from the acquisition date until 31 December 2012. If the acquisition had occurred on 1 January 2012, Group revenue and profit from continuing operations for the year ended 31 December 2012 would have been RR 274,629 and RR 60,290, respectively.

As of the acquisition date, the Group remeasured its previously held interest in OOO Biaxplen at fair value. As a result, a RR 430 gain was recognised in the consolidated statement of profit or loss.

The Group's management believes that the acquired goodwill of RR 2,783 relates mostly to expected cost savings, utilisation of the Group's feedstock advantage, and strengthening of its competitive position through access to end customers on the growing Russian BOPP-film market.

Total purchase consideration	**1,200**
Less:	
Cash and cash equivalents of the acquired subsidiary	(62)
Outflow of cash and cash equivalents on acquisition	**1,138**

5 DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale. As of 31 December 2013 assets classified as held for sale included part of rail cars fleet of the Group's subsidiary ZAO SIBUR-Trans of RR 5,885 expected to be sold within next 12 months. As of 31 December 2012 assets classified as held for sale included a number of construction projects with the carrying value RR 1,044, which were completed during the year and sold off by the Group in December 2013 for RR 2,966.

Disposal of the Mineral Fertilizers business and Amtel Group assets. In December 2011, the Group disposed of its Mineral Fertilizers business.

During the period from August to November 2011, the Group acquired Amtel Group's subsidiary, OAO Kirov Tyre Plant, and essentially all of the assets of the Voronezh tyre plant in the course of bankruptcy. In December 2011, the Group sold its subsidiary, OAO Kirov Tyre Plant, which owned the Kirov tyre plant's assets. In February 2012, the Group sold its newly formed subsidiary, ZAO Voronezh Tyre Plant, which owned the Voronezh tyre plant's assets and was classified within assets held for sale as of 31 December 2011.

Cash from investing activities of discontinued operations, recorded in the consolidated statement of cash flows for the year ended 31 December 2012, includes RR 6,584 for OAO Kirov Tyre Plant and ZAO Voronezh Tyre Plant from OOO E-Volution Tyre, a joint venture of the Pirelli Group and Russian Technologies, as sale consideration, and RR 7,751 in settlement of the remaining part of receivables due from the buyers of the Group's Mineral Fertilizers business net of related income tax of RR 900.

The post-tax loss recognised on the disposal of ZAO Voronezh Tyre Plant and included as a loss from discontinued operations in the consolidated statement of profit or loss was calculated as follows:

Total consideration	**3,641**
Less: net assets disposed	3,956
Post-tax loss on disposal of ZAO Voronezh Tyre Plant	**(315)**

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 2011	**18,334**	**28,138**	**31,224**	**7,497**	**63,598**	**2,385**	**151,176**
Depreciation charge	(768)	(3,204)	(5,248)	(757)	-	(241)	(10,218)
Additions	62	44	30	44	65,616	2,585	68,381
Acquisition of subsidiaries (see Note 4)	2,364	268	2,453	14	16	68	5,183
Reclassifications	(1)	953	(302)	(19)	-	(631)	-
Transfers	4,058	15,865	10,106	280	(30,842)	533	-
Impairment	(115)	(47)	(27)	(2)	-	(71)	(262)
Disposals	(381)	(376)	(423)	(99)	(1,663)	(836)	(3,778)
Reclassification to assets held for sale (see Note 5)	-	(2,827)	-	-	-	-	(2,827)
Historical cost as of 31 December 2012	30,427	53,306	62,873	10,447	96,725	4,669	258,447
Accumulated depreciation	(6,874)	(14,492)	(25,060)	(3,489)	-	(877)	(50,792)
Net book value as of 31 December 2012	**23,553**	**38,814**	**37,813**	**6,958**	**96,725**	**3,792**	**207,655**
Depreciation charge	(872)	(4,028)	(7,539)	(679)	-	(949)	(14,067)
Additions	77	25	25	7	105,903	1,310	107,347
Reclassifications	47	(1,786)	1,739	-	-	-	-
Transfers	7,788	38,450	61,681	234	(108,367)	214	-
Impairment	-	(2)	-	(1)	(884)	-	(887)
Disposal of subsidiaries	(1,395)	(3,076)	(3,063)	(1)	(421)	(149)	(8,105)
Disposals	(137)	(31)	(107)	(238)	(1,399)	(27)	(1,939)
Reclassification to assets held for sale (see Note 5)	(124)	(1,951)	(12)	(5,719)	-	-	(7,806)
Historical cost as of 31 December 2013	35,213	82,444	119,413	2,389	91,557	5,878	336,894
Accumulated depreciation	(6,276)	(16,029)	(28,876)	(1,828)	-	(1,687)	(54,696)
Net book value as of 31 December 2013	**28,937**	**66,415**	**90,537**	**561**	**91,557**	**4,191**	**282,198**

The construction of the Tobolsk polypropylene plant was completed in September 2013. The Tobolsk polypropylene plant comprises a set of production facilities that currently operate at different utilisation rates. The Group is continuing to ramp up the production at the plant. Transfers for the 12 months ended 31 December 2013 include RR 63,886 of assets related to Tobolsk polypropylene plant.

In December 2013 the Group finalized construction of the liquid petroleum gas and light oils transshipment facility at Ust-Luga sea port in the Leningrad region. Transfers from assets under construction for the year ended 31 December 2013 include RR 22,693 of assets related to this transshipment facility.

For 2013 and 2012, the Group capitalised borrowing costs of RR 6,019 and RR 3,039, respectively. Borrowing costs included RR 2,856 and RR nil in foreign exchange losses from financing activities for the year ended 31 December 2013 and 31 December 2012, respectively. The capitalisation rates excluding the effect of capitalised foreign exchange losses were 3.31 percent and 4.26 percent, respectively.

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In February 2014 the Group disposed chlorine and caustic soda production assets in Dzerzhinsk (OAO Industrial Park OKA-Polimer) and reversed impairment provision of RR 169. For the years ended 31 December 2013 and 2012, the Group recognised impairment losses of RR 1,056 and RR 262 for frozen construction projects, as well as, chlorine and caustic soda production assets in Dzerzhinsk (OAO Industrial Park OKA-Polimer, Nizhny Novgorod Region (Petrochemicals segment)), respectively. The recoverable amount of assets was determined based on its fair value less cost to sell. Fair value was determined based on the market price.

7 INTANGIBLE ASSETS

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

	Goodwill	Customer relationships	Software and license	Total
Net book value as of 31 December 2011	**6,697**	**-**	**1,209**	**7,906**
Additions	2,783	680	34	3,497
Amortisation charge		-	(408)	(408)
Historical cost as of 31 December 2012	9,480	680	1,281	11,441
Accumulated amortisation	-	-	(446)	(446)
Net book value as of 31 December 2012	**9,480**	**680**	**835**	**10,995**
Additions	-	-	3,315	3,315
Amortisation charge	-	(124)	(153)	(277)
Historical cost as of 31 December 2013	9,480	680	4,596	14,756
Accumulated amortisation	**-**	(124)	(599)	(723)
Net book value as of 31 December 2013	**9,480**	**556**	**3,997**	**14,033**

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

Impairment tests for goodwill

Goodwill related to the acquisition of SIBUR International GmbH and OOO Biaxplen is allocated to the Group's cash-generating units (CGUs), which are the same as operating and reportable segments (see Note 32).

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

	31 December 2013	31 December 2012
SIBUR International GmbH		
Feedstock & Energy	4,020	4,020
Petrochemicals	2,677	2,677
OOO Biaxplen:		
Petrochemicals	2,783	2,783
Total goodwill	**9,480**	**9,480**

The recoverable amount for each CGUs 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 five-year financial forecast. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3 percent. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operates. The following key assumptions are used in the value-in-use calculation: a discount rate of 16.6 percent, oil price of USD 96-104 per bbl and Consumer Price Index of 6.0-6.4 percent. The discount rates used are pre-tax and reflect specific risks relating to the CGUs operating activity.

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	31 December 2013	31 December 2012
OOO RusVinyl	16,991	13,712
OOO NPP Neftekhimia	3,743	3,504
OOO Yugragazpererabotka	2,655	-
OOO Yuzhno-Priobskiy GPZ	1,955	7
ZAO Sibgazpolimer	1,416	-
OOO ITSK	586	296
Reliance Sibur Elastomers Private Limited	175	169
OOO SNHK	-	2
Total investments in joint ventures and associates	**27,521**	**17,690**

The table below summarises the movements in the carrying amount of the Group's investment in associates and joint ventures all of which are unlisted.

	2013		2012	
	Associates	**Joint Ventures**	**Associates**	**Joint Ventures**
Investments in joint ventures and associates as of the beginning of the year	**169**	**17,519**	**-**	**18,118**
Share of profit of associates and joint ventures	6	788	-	751
Fair value of net assets of associates and joint ventures acquired	-	9,639	169	-
Disposal of net assets of associates and joint ventures acquired	-	-	-	(773)
Dividends received from associates and joint ventures	-	(600)	-	(575)
Investments in joint ventures and associates as of the end of the year	**175**	**27,346**	**169**	**17,521**

In 2013 and 2012, the Group received dividends from OOO NPP Neftekhimia of RR 600 and RR 450 and from OOO ITSK in a total amount of RR nil and RR 125, respectively.

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

			Interest held, percent, as of	
	Country of incorporation	**Nature of operations**	**31 December 2013**	**31 December 2012**
Joint ventures:				
OOO Yugragazpererabotka (see Note 4, 34)	Russia	Associated petroleum gas processing	51	-
OOO RusVinyl*	Russia	Polyvinyl chloride production	50	50
OOO NPP Neftekhimia	Russia	Polypropylene production	50	50
ZAO Sibgazpolimer**	Russia	Polypropylene production	50	-
OOO ITSK	Russia	IT and metrology services	50	50
OOO Yuzhno-Priobsky GPZ*	Russia	Associated petroleum gas processing	50	50
OOO SNHK	Russia	Production of plastics and synthetic resins	50	50
Associates:				
Reliance Sibur Elastomers Private Limited*	India	Butyl rubber production	25	25

* Investment projects
**Special purpose vehicle formed for investments in production entities

The voting and ownership percentage in joint ventures and associates are the same.

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The nature of the Group's relationship and financial information of each individually material associate and joint venture is provided below.

OOO RusVinyl. In June 2007, the Group formed a joint venture, OOO RusVinyl, with SolVin Holding Nederland B.V. (which is ultimately controlled by Solvay SA) for the construction of a polyvinyl chloride production complex in the Nizhny Novgorod Region. During 2013, the Group and SolVin Holding Nederland B.V. each additionally contributed RR 3,650 to the share capital of OOO RusVinyl; the Group's ownership share remained unchanged.

The Group has issued a finance guarantee for 50 percent of a loan obtained by OOO RusVinyl and pledged its share in joint venture as security for the finance obligations of OOO RusVinyl. As of 31 December 2013 and 31 December 2012, the maximum credit risk exposures due to financial guarantees issued for the OOO RusVinyl loan were RR 16,446 and RR 10,917, respectively.

The table below provides information on the statement of financial position and the results of OOO RusVinyl as of and for the year ended 31 December 2013 and 2012.

	31 December 2013	31 December 2012
Assets		
Non-current assets		
Property, plant and equipment	53,882	35,281
Other non-current assets	6,244	10,020
Total non-current assets	**60,126**	**45,301**
Current assets		
Cash and cash equivalents	4,423	2,942
Other current assets	1,470	2,900
Total current assets	**5,893**	**5,842**
Total assets	**66,019**	**51,143**
Liabilities		
Non-current liabilities		
Financial liabilities	29,406	21,483
Other non-current liabilities	-	1,113
Total non-current liabilities	**29,406**	**22,596**
Current liabilities		
Financial liabilities	1,680	356
Other current liabilities	952	767
Total current liabilities	**2,632**	**1,123**
Total liabilities	**32,038**	**23,719**
Net assets	**33,981**	**27,424**

Reconciliation to carrying amounts:

	Year ended 31 December	
	2013	**2012**
Opening net assets	**27,424**	**26,742**
Profit/(loss) for the period	(743)	682
Additional contribution to the share capital	7,300	-
Closing net assets	33,981	27,424
Reporting entity's share in percent	50	50
Reporting entity's share	16,991	13,712
Goodwill	-	-
Carrying amount	**16,991**	**13,712**

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

	Year ended 31 December	
	2013	**2012**
Revenue	677	460
Depreciation and amortization	1	2
Interest income	129	36
Interest expense	(129)	(36)
Income tax benefit	364	18
Profit for the year	**(743)**	**682**

OOO NPP Neftekhimia. In September 2010, the Group created a joint venture, OOO NPP Neftekhimia, with OAO Moskovskiy NPZ (later renamed as OAO Gazprom Neft – MNPZ), a member of the Gazprom Neft Group, in order to boost its presence in the polypropylene market. The joint venture is a polypropylene producer located in the City of Moscow and the Group purchases substantially all of its production volumes.

The table below provides information of the statement on financial position and the results of OOO NPP Neftekhimia as of and for the year ended 31 December 2013 and 2012.

	31 December 2013	**31 December 2012**
Assets		
Non-current assets		
Property, plant and equipment	1,890	2,134
Other non-current assets	43	35
Total non-current assets	**1,933**	**2,169**
Current assets		
Cash and cash equivalents	167	138
Other current assets	2,603	1,766
Total current assets	**2,770**	**1,904**
Total assets	**4,703**	**4,073**
Liabilities		
Non-current liabilities		
Other non-current liabilities	8	6
Total non-current liabilities	**8**	**6**
Current liabilities		
Other current liabilities	352	203
Total current liabilities	**352**	**203**
Total liabilities	**360**	**209**
Net assets	**4,343**	**3,864**

Reconciliation to carrying amounts:

	Year ended 31 December	
	2013	**2012**
Opening net assets	**3,864**	**3,902**
Profit/(loss) for the period	1,679	862
Dividends paid	(1,200)	(900)
Closing net assets	4,343	3,864
Reporting entity’s share in percent	50	50
Reporting entity’s share	2,171	1,932
Goodwill	1,572	1,572
Carrying amount	**3,743**	**3,504**

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

	Year ended 31 December	
	2013	**2012**
Revenue	6,203	5,083
Depreciation and amortization	305	42
Interest income	135	89
Income tax expense	(490)	(306)
Profit/loss from continuing operations	1,681	869
Other comprehensive loss	(2)	(7)
Profit for the year	**1,679**	**862**

OOO Yugragazpererabotka. In March 2007, the Group and the TNK-BP Group (subsequently acquired by Rosneft Group) established OOO Yugragazpererabotka, which is 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 Group (subsequently Rosneft Group) received a 49 percent stake by contributing cash. The Group consolidated the contributed assets through the call options included in the relevant agreement. Accordingly, OOO Yugragazpererabotka was consolidated as a wholly owned subsidiary of the Group and TNK-BP's contribution was accounted for as an interest-bearing long-term loan in these consolidated financial statements. Until March 2013 the Group retained control over OOO Yugragazpererabotka through call options included in the joint venture agreement. In March 2013, the Group and TNK-BP Group signed several agreements regarding their joint venture OOO Yugragazpererabotka. Under these agreements, the duration of the joint venture arrangement was made indefinite and the call options that had entitled the Group to purchase TNK-BP's (subsequently Rosneft) share in OOO Yugragazpererabotka have been terminated. Therefore, since 12 March 2013, the Group has started accounting for its investment in OOO Yugragazpererabotka under IFRS 11, *Joint Arrangements* as a joint venture (see Note 4).

The table below provides information of the statement on financial position and the results of OOO Yugragazpererabotka as of and for the nine months ended 31 December 2013 (Note 4).

The joint venture is located in the Khanty-Mansi Autonomous Area, Russia and the Group supplies associated petroleum gas to OOO Yugragazpererabotka for processing it into raw natural gas liquids and natural gas.

	31 December 2013
Assets	
Non-current assets	
Property, plant and equipment	6,592
Other non-current assets	718
Total non-current assets	**7,310**
Current assets	
Cash and cash equivalents	2
Other current assets	3,235
Total current assets	**3,237**
Total assets	**10,547**
Liabilities	
Non-current liabilities	
Other non-current liabilities	204
Total non-current liabilities	**204**
Current liabilities	
Financial liabilities	2,577
Other current liabilities	2,560
Total current liabilities	**5,137**
Total liabilities	**5,341**

Net assets	**5,206**

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Reconciliation to carrying amounts:

	Year ended 31 December
	2013
Opening net assets	**5,177**
Profit/(loss) for the period	29
Closing net assets	5,206
Reporting entity's share in percent	51
Reporting entity's share	2,655
Goodwill	-
Carrying amount	**2,655**

	Year ended 31 December
	2013
Revenue	9,131
Depreciation and amortization	907
Interest expense	(153)
Income tax expense	(37)
Profit/loss from continuing operations	29
Other comprehensive loss	-
Profit for the year	**29**

During the reporting period, OOO Yugragazperebotka's subsidiaries were involved in court proceedings with electricity service provider OAO Tyumenenergo. Based on state regulation requirements for Russia's electricity markets OAO Tyumenenergo assumes that the services should be provided by the owner of electricity transmission assets based on an operating lease agreement ("last mile"). Russian state regulations are unclear on the definition of a "last mile" holder and OOO Yugragazpererabotka's subsidiaries claimed the obligation to sign the contract in court and based on the received court decision, they have concluded contract on the provision of services directly with another electricity transmission services provided FGC UES, instead of OAO Tyumenenergo, for the period from 1 August 2012 until 30 June 2013. OAO Tyumenenergo has claimed that joint venture was obliged to conclude this contract with OAO Tyumenenergo. The management assessed the risk of a negative final outcome from court proceedings as possible. The potential impact is that the joint venture might be required to pay RR 3,344 to OAO Tyumenenergo. However this impact may be able to offset by a contingent receivable of RR 2,444 from FGC UES to reimburse the consideration already paid by the joint venture for transmission services received in the period. The joint venture has not recognised any contingent assets or liabilities in its financial statement as management believes that its interpretation of the relevant legislation is appropriate.

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Summarised financial information of each individually immaterial joint ventures and associates is provided below.

As of and for the year ended 31 December 2013

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Oper. profit	Profit /(loss)
OOO ITSK	2,442	209	1,466	2	7,140	2,160	581
Reliance Sibur Elastomers Private Limited	486	167	-	-	19	23	23
OOO Yuzhno-Priobskiy GPZ	82	4,956	999	102	-	-	(3)
ZAO Sibgazpolimer	2,834	-	2	-	-	-	(31)

As of and for the year ended 31 December 2012

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Oper. profit	Profit /(loss)
OOO ITSK	1,615	77	1,134	2	5,064	1,567	330
OOO SNHK	2	-	2	-	4		4
OOO Yuzhno-Priobskiy GPZ	366	3,322	416	3,232	-	-	1
Reliance Sibur Elastomers Private Limited	545	114	6	570	-	-	-
OOO Biaxplen	-	-	-	-	1,928	(57)	(378)

The Group has a number of multiyear contracts with joint ventures, including contracts for procurement of processing services and purchase of finished goods. Balances outstanding as of 31 December 2013 and transactions for the year ended 31 December 2013 with joint ventures and associates are disclosed in Note 34.

The Group finances investments in its joint ventures and associates should these entities be unable to attract third parties financing. The Group commitments under these investing arrangements comprised RR 7,586 and RR 10,435 as of 31 December 2013 and 2012, respectively.

9 ADVANCES AND PREPAYMENTS FOR CAPITAL CONSTRUCTION

As of 31 December 2013 and 2012, the most significant advances and prepayments for capital construction were paid to the Group’s contractors for the construction of: a natural gas liquids pipeline connecting the Purovsky Gas Condensate Plant, the Yuzhno-Balykskaya Main Pumping Station and the Tobolsk production site in the Tyumen Region (see Note 6); and gas infrastructure assets in the St Petersburg area.

The Group’s most significant advances and prepayments related to capital construction projects were paid to the following contractors: OOO NGSK (Moscow), ZAO Stroytransgaz, OOO Lenniihimmash as of 31 December 2013 and LINDE-KCA-DRESDEN GmbH, Tecnimont S.p.A., OOO Tecnimont Russia, MAVEG GmbH, OOO Gazprom Mezhregiongaz, OAO ChelPipe, TECHNIP BENELUX B.V., OOO NPA Vira Realtime and ZAO Stroytransgaz as of 31 December 2012.

A large portion of the advances and prepayments made to major contractors for the provision of construction and other services and supplies has been secured by bank guarantees and letters of credit. For less significant contractors, the Group requires collateral against the advance payment made or a mix of collateral and bank guarantees from third party banks. On a monthly basis, management reviews and monitors the status of work performed under each service supply agreement. Management believes that there is no significant risk of loss related to advances and prepayments made by the Group.

10 LOANS RECEIVABLE

	31 December 2013	31 December 2012
OOO Yugragazpererabotka	1,288	-
OOO Yuzhno-Priobskiy GPZ	414	1,661
ZAO Edas Pak	-	180
Other	33	124
Total loans receivable	**1,735**	**1,965**
Less: non-current portion	-	(743)
	1,735	**1,222**

11 TRADE AND OTHER RECEIVABLES

	31 December 2013	31 December 2012
Trade receivables (net of impairment provisions of RR 199 and RR 327 as of 31 December 2013 and 2012, respectively)	13,552	14,614
Other receivables (net of impairment provisions of RR 205 and RR 18 as of 31 December 2013 and 2012, respectively)	1,464	1,463
Total trade and other receivables	**15,016**	**16,077**
Less non-current portion: other receivables	(455)	(94)
	14,561	**15,983**

As of 31 December 2013 and 2012, respectively, RR 1,841 and RR 1,339 in trade receivables were secured by collateral, mainly bank guarantees.

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

	Trade receivables	Other receivables	Total
As of 31 December 2013			
Up to three months	266	1,157	1,423
Three to six months	107	-	107
Total	**373**	**1,157**	**1,530**
As of 31 December 2012			
Up to three months	86	464	550
Three to six months	80	1	81
Total	**166**	**465**	**631**

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Trade receivables	Other receivables	Total
As of 31 December 2011	**243**	**1,771**	**2,014**
Written off during the year as uncollectible	(38)	(7)	(45)
Usage of provision for receivables	-	(1,602)	(1,602)
Unused amounts reversed	(18)	(158)	(176)
Impairment for receivables	140	14	154
As of 31 December 2012	**327**	**18**	**345**
Written off during the year as uncollectible	(123)	(6)	(129)
Reversal as result of disposal of subsidiary	(77)	-	(77)
Unused amounts reversed	(6)	(3)	(9)
Impairment for receivables	78	196	274
As of 31 December 2013	**199**	**205**	**404**

The impairment provision was accrued on trade and other receivables that 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 that 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. The amount of write-offs or impairment of trade receivables experienced by the Group for the past five years was insignificant.

12 OTHER NON-CURRENT ASSETS

	31 December 2013	31 December 2012
Raw natural gas liquids in pipelines	488	494
Recoverable VAT related to assets under construction	33	137
Other	1,077	549
Total other non-current assets	**1,598**	**1,180**

13 INVENTORIES

	31 December 2013	31 December 2012
Refined products and work in progress	14,482	14,728
Materials and supplies	8,398	9,467
Goods for resale	1,560	555
Total inventories	**24,440**	**24,750**

As of 31 December 2013 and 2012 previous inventory write-downs amounted to RR 661 and RR 363, respectively. No significant reversals of previous inventory write-downs were made during the years ended 31 December 2013 and 31 December 2012.

14 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2013	31 December 2012
Non-financial assets		
VAT receivable	5,289	8,201
Prepayments and advances to suppliers	4,103	4,323
Recoverable VAT	3,295	4,460
Other prepaid taxes	1,510	1,755
Recoverable excise	354	300
Prepaid borrowing cost	-	2,371
Other current assets	225	191
Total prepayments and other current assets	**14,776**	**21,601**
Less:		
Non-current portion of recoverable VAT related to assets under construction	(33)	(137)
	14,743	**21,464**

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 3,374 and RR 5,127 as of 31 December 2013 and 2012, respectively.

Restricted cash included OAO Vnesheconombank letters of credit worth RR 1,106 and RR 890 as of 31 December 2013 and 2012, respectively. The letters of credit were opened to finance capital expenditures for the construction of the polypropylene plant in Tobolsk.

16 LONG-TERM DEBT

Long-term debt payable to	Currency	Due	31 December 2013	31 December 2012
Variable rate				
OAO Vnesheconombank	USD	2013-2023	15,729	17,844
OAO Nordea Bank	USD	2013-2016	7,359	10,609
ING Bank Group	EUR, USD	2008-2021	3,088	1,404
HSBC Bank plc	USD	2013-2014	2,805	4,556
Citibank	USD	2013-2023	1,542	-
UniCredit Bank	EUR	2013-2019	871	909
OAO Rosbank AKB	USD	2013	-	4,556
Fixed rate				
Eurobonds	USD	2018	32,585	-
OAO Sberbank of Russia	RR	2014	9,000	12,857
OOO Gazprom Mezhregiongaz	RR	2011-2014	573	2,085
Other	USD	2031	16	13
OOO NPP Neftekhimia	RR	2015	-	625
TNK-BP Group (subsequently Rosneft Group), (see Note 4)	RR, USD	2013-2017	-	4,485
Total long-term debt			**73,568**	**59,943**
Less: current portion			(15,837)	(18,885)
			57,731	**41,058**

16 LONG-TERM DEBT (CONTINUED)

Eurobonds. On 31 January 2013, the Group issued notes worth USD 1 billion on the Irish Stock Exchange, bearing a 3.914 percent annual interest and maturing in 2018. The Group used the aggregate net proceeds from the notes issue for refinancing of short-term debt and general corporate purposes.

OAO Vnesheconombank. In July 2010, the Group signed an agreement with OAO Vnesheconombank for project financing for the construction of new polypropylene production facilities in the Tobolsk area. The financing is primarily secured by OOO Tobolsk-Polymer shares and property, plant and equipment.

Long-term RR-denominated debt bore average interest rates of 7.7 percent and 7.4 percent as of 31 December 2013 and 2012, respectively. Long-term USD-denominated debt bore average interest rates of 3.8 percent and 3.6 percent as of 31 December 2013 and 2012, respectively. Long-term EUR-denominated debt bore average interest rates of 1.7 percent and 1.8 percent as of 31 December 2013 and 2012, respectively.

The scheduled maturities of long-term debt as of 31 December 2013 and 2012 are presented below:

	31 December 2013	31 December 2012
Due for repayment:		
Between one and two years	6,344	15,175
Between two and five years	42,454	12,679
After five years	8,933	13,204
Total long-term debt	**57,731**	**41,058**

Long-term debt includes fixed-rate loans with carrying values of RR 42,173 and RR 20,342 as of 31 December 2013 and 2012, respectively. All other long-term debt generally has 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 2013 and 2012 the Group had the following committed long-term credit facilities:

	Credit limit	Undrawn amount
As of 31 December 2013		
EUR-denominated (in millions of EUR)	81	37
USD-denominated (in millions of USD)	-	-
RR-denominated (in millions of RR)	28,000	19,000
As of 31 December 2012		
EUR-denominated (in millions of EUR)	14	2
USD-denominated (in millions of USD)	1,425	762
RR-denominated (in millions of RR)	27,000	18,000

As of 31 December 2013 and 2012 the total rouble equivalent of the Group's undrawn committed long-term credit facilities was RR 20,674 and RR 41,224, respectively.

As of 31 December 2013 and 2012 committed credit facilities include RR 1,674 and RR 93 of ECA backed financing linked to specific import contracts. Committed credit facilities under the Tobolsk-Polymer project finance facility comprised RR nil and RR 17,056 as of 31 December 2013 and 2012, respectively. The remaining amounts of RR 19,000 and RR 24,075 were available for general corporate purposes as of 31 December 2013 and 2012, respectively.

17 GRANTS AND SUBSIDIES

	2013	2012
Balance as of 1 January	**31,080**	**20,249**
Less: current portion	(578)	(700)
Non-current portion of grants and subsidies as of 31 December	**30,502**	**19,549**
Grants and subsidies received	5,971	12,761
Recognised in profit or loss	(2,085)	(1,930)
Balance as of 31 December	**34,966**	**31,080**
Less: current portion	-	(578)
Non-current portion of grants and subsidies as of 31 December	**34,966**	**30,502**

18 OTHER NON-CURRENT LIABILITIES

	31 December 2013	31 December 2012
Financial liabilities		
Payables for acquisition of subsidiaries	1,596	1,375
Interest payable	-	1,665
Promissory notes payable	5	568
Total financial non-current liabilities	**1,601**	**3,608**
Non-financial liabilities		
Post-employment obligations	1,741	1,562
Payables to employees	1,035	-
Other liabilities	2	1
Total non-financial non-current liabilities	**2,778**	**1,563**
Total other non-current liabilities	**4,379**	**5,171**

As of 31 December 2013 and 31 December 2012, payables for acquisition of subsidiaries included payables for the acquisition of OAO Polief of RR 1,555 and RR 1,375, respectively. The carrying amounts of other non-current liabilities approximate their fair value.

As of 31 December 2013 and 31 December 2012, payables to employees were comprised of the long-term portion of provisions for bonuses (including provisions for social taxes) of RR 1,035 and RR nil, respectively.

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

	31 December 2013	31 December 2012
Short-term debt:		
RR-denominated debt	1,697	200
USD-denominated debt	25,091	35,851
EUR-denominated debt	118	-
Total short-term debt	**26,906**	**36,051**
Current portion of long-term debt	15,837	18,885
	42,743	**54,936**

Short-term RR-denominated debt bore an average interest rate of 7.7 percent as of 31 December 2013. Short-term USD-denominated debt bore average interest rates of 1.6 percent and 2.0 percent as of 31 December 2013 and 2012, respectively. Short-term EUR-denominated debt bore an average interest rate of 1.7 percent as of 31 December 2013.

As of 31 December 2013 and 2012, the Group had no committed short-term credit facilities.

20 TRADE AND OTHER PAYABLES

	31 December 2013	31 December 2012
Financial liabilities		
Trade payables	14,883	8,947
Accounts payable to contractors and suppliers of property, plant and equipment	10,424	12,565
Interest payable	982	521
Payables for acquisition of subsidiaries	819	1,730
Promissory notes payable	1	2
Other payables	101	61
Total financial trade and other payables	**27,210**	**23,826**
Non-financial liabilities		
Payables to employees	5,313	5,800
Advances from customers	3,902	6,270
Other payables	33	95
Current portion of grants and subsidies	-	578
Total non-financial trade and other payables	**9,248**	**12,743**
Total trade and other payables	**36,458**	**36,569**

As of 31 December 2013 and 2012, payables to employees included provisions for annual bonuses, other bonuses and vacation reserves of RR 5,313 and RR 5,770, respectively.

As of 31 December 2013, payables for acquisition of subsidiaries included payables for the acquisitions of OAO Polief of RR 119, and ZAO Sibgazpolimer of RR 700. As of 31 December 2012, payables for acquisition of subsidiaries included payables for the acquisitions of OAO Polief of RR 119, and OOO Biaxplen NK of RR 1,611.

21 TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2013	31 December 2012
VAT	1,345	1,386
Social taxes	292	284
Property tax	277	723
Other taxes	113	183
Total taxes other than income tax payable	**2,027**	**2,576**

22 SHAREHOLDERS' EQUITY

Share capital. The share capital of OAO SIBUR Holding (authorised, issued and paid-in) was RR 21,784 and RR 21,784 as of 31 December 2013 and 31 December 2012, respectively, and consists of 2,178,479,100 ordinary shares, each with a par value of ten Russian roubles.

Treasury shares. In November 2011, as a result of the acquisition of ZAO Miracle, the Company recognised the acquisition of 21,784,788 treasury shares at a cost of RR 72,374. In February 2012, ZAO Miracle was formally merged with OAO SIBUR Holding under Russian law, which resulted in the Company redeeming its treasury shares.

Dividends. During the year ended 31 December 2013, dividends in the amount of RR 7,625 and RR 6,383 for the six-months ended 31 December 2012 and for the six-months ended 30 June 2013, respectively, were paid out. In 2012 the Group made dividends pay outs for the year ended 31 December 2011 and the six months ended 30 June 2012 of RR 21,785 and RR 7,407, respectively.

Equity-settled share-based payment plans for key management. On 28 June 2013, a company beneficially owned by Mr. Mikhelson and Mr. Timchenko granted equity-settled share-based payment plans to certain current and former members of the Group's key management (see Note 34). For the year ended 31 December 2013, the Group recognised RR 7,894 within equity reserves and a corresponding increase in operating expenses.

23 NON-CONTROLLING INTEREST

The following table provides information about each subsidiary with a non-controlling interest that is material to the Group:

	Place of business	Proportion of non-controlling interest, percent	Proportion of non-controlling interest's voting rights held, percent	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
Year ended 31 December 2013					
OAO Polief	Russia	17	17	(226)	363
OAO NIPIgazpererabotka	Russia	10	10	103	240
OAO Siburenergomenedgment*	Russia	-	-	25	-
OOO PlasticGeosintetika	Russia	33	33	(25)	162
OAO Krasnoyarsk Synthetic Rubbers Plant	Russia	25	25	(17)	85
				(140)	**850**
Year ended 31 December 2012					
OAO Polief	Russia	17	17	(192)	589
OAO Siburenergomenedgment	Russia	52	52	25	81
OAO NIPIgazpererabotka	Russia	10	10	157	136
OOO PlasticGeosintetika	Russia	33	33	(37)	188
Other	Russia	-	-	6	(3)
				(41)	**991**

*In December 2013 52 percent non-controlling interest share was acquired by the Group.

The Group's subsidiaries with a non-controlling interest did not distribute dividends during the years ended 31 December 2013 and 2012.

During the year ended 31 December 2013 the Group sold 25 percent share in OAO Krasnoyarsk Synthetic Rubbers Plant (see Note 33). The difference between the cash consideration of RR 439 and the carrying amount of non-controlling interest shares acquired has been recorded in equity.

During the year ended 31 December 2013 the Group acquired an additional 52 percent stake in OAO Siburenergomenedgment for RR 214 and, as a result, increased the Group's ownership in this subsidiary to 100 percent.

24 EARNINGS PER SHARE

The basic and diluted earnings per share ratio has been calculated by dividing the profit for the reporting year attributable to equity holders by the weighted average number of shares outstanding during the year, excluding treasury shares. The weighted average number of ordinary shares outstanding for the year ended 31 December 2013 and 2012 was 2,178,479,100 and 2,178,479,100, respectively.

25 REVENUE

	Year ended 31 December	
	2013	**2012**
Energy products:		
Liquefied petroleum gas	60,823	54,760
Natural gas	26,673	24,938
Naphtha	26,256	25,727
Methyl tertiary butyl ether (MTBE)	18,596	16,731
Raw natural gas liquids	9,405	3,911
Other fuels and fuel additives	2,963	3,342
Petrochemical products:		
Plastics and organic synthesis products	41,583	39,633
Synthetic rubbers	32,432	41,134
Basic polymers	22,818	22,179
Intermediates and other chemicals	19,185	23,493
Total energy and petrochemical products (net of excise tax, custom duties and VAT)	**260,734**	**255,848**
Sales of processing services	1,393	5,184
Other sales	7,687	10,298
Total revenue from continuing operations	**269,814**	**271,330**

26 OPERATING EXPENSES BEFORE EQUITY-SETTLED SHARE-BASED PAYMENT PLANS

	Year ended 31 December	
	2013	**2012**
Feedstock and materials	67,152	62,989
Transportation and logistics	38,984	37,525
Energy and utilities	25,823	29,691
Staff costs	25,144	26,116
Depreciation and amortisation	13,477	10,317
Repairs and maintenance	7,468	7,602
Goods for resale	6,446	9,775
Rent	5,783	4,451
Processing services of third parties	5,225	458
Services provided by third parties	5,082	6,101
Taxes other than income tax	1,790	2,118
Charity and sponsorship	1,257	1,586
Impairment of property, plant and equipment	887	262
Marketing and advertising	742	871
Other	2,289	2,751
Change in work-in-progress and refined products balances	(10)	(1,267)
Gain on disposal of property, plant and equipment	(2,223)	(1,728)
Total operating expenses	**205,316**	**199,618**

Rent expenses include operating lease payments for railways cars of RR 5,073 and RR 3,739 for the years ended 31 December 2013 and 2012, respectively.

Transportation and logistics expenses includes lease payments under freight contracts of transportation vessels of RR 221 and RR nil for the years ended 31 December 2013 and 2012, respectively.

The future minimum lease payments under non-cancellable freight contracts are as follows:

	Year ended 31 December	
	2013	**2012**
Not later than 1 year	812	135
Later than 1 year and not later than 5 years	2,887	-
Later than 5 years	3,668	-
Total future minimum lease payments	**7,367**	**135**

27 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2013	**2012**
Foreign exchange gain from financing activities	-	2,556
Foreign exchange gain from non-financing activities	52	77
Interest income	745	870
Income from sale of investments	302	-
Unwinding of discount on non-current accounts payable and non-current accounts receivable	17	685
Fair value gain on listed equity securities held for trading	-	242
Fair value gain on derivative financial instruments	-	53
Discount on borrowings and non-current accounts payable	-	88
Other income	82	30
Total finance income	**1,198**	**4,601**
Foreign exchange loss from financing activities	(3,922)	-
Interest expenses	(1,538)	(696)
Unwinding of discount on non-current accounts receivable	(42)	-
Unwinding of discount on borrowings and non-current accounts payable	(410)	(646)
Pension liabilities	(123)	-
Other expenses	(7)	(219)
Total finance expenses	**(6,042)**	**(1,561)**

28 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 within one entity. The offset amounts are as follows:

	31 December 2013	**31 December 2012**
Deferred income tax assets to be recovered after more than 12 months	9,602	8,093
Deferred income tax assets to be recovered within 12 months	5,127	3,012
Total deferred income tax assets	**14,729**	**11,105**
Deferred income tax liabilities to be paid after more than 12 months	(10,232)	(8,743)
Deferred income tax liabilities to be paid within 12 months	(2,148)	(1,428)
Total deferred income tax liabilities	**(12,380)**	**(10,171)**

28 INCOME TAXES (CONTINUED)

The movement in deferred income tax assets and liabilities during the year is as follows:

	31 December 2013	Deconsolidation and disposal of subsidiaries	Credited/ (charged) to profit or loss	31 December 2012	Business combinations and acquisitions	Credited/ (charged) to profit or loss	31 December 2011
Tax effects of taxable temporary differences							
Property, plant and equipment	(11,026)	315	(3,546)	(7,795)	(491)	(1,531)	(5,773)
Inventory	(759)	-	147	(906)	-	135	(1,041)
Investments in joint ventures and associates	(270)	-	(71)	(199)	-	(68)	(131)
Prepaid borrowing costs	-	-	723	(723)	-	191	(914)
Disposal of the Mineral Fertilizers and Tyres businesses	-	-	-	-	-	1,086	(1,086)
Others	(325)	49	174	(548)	-	(381)	(167)
Deferred tax liabilities	**(12,380)**	**364**	**(2,573)**	**(10,171)**	**(491)**	**(568)**	**(9,112)**
Less: deferred tax assets offset	6,774	-	3,106	3,668	-	2,666	1,002
Total deferred tax liabilities	**(5,606)**	**364**	**533**	**(6,503)**	**(491)**	**2,098**	**(8,110)**
Tax effects of deductible temporary differences							
Tax loss carry-forwards	5,656	(171)	2,981	2,846	447	(933)	3,332
Inventory	547	-	(232)	779	-	71	708
Trade and other receivables	-	-	-	-	-	(141)	141
Payables to employees	1,088	(22)	4	1,106	-	598	508
Grants and subsidies	6,844	-	944	5,900	-	2,316	3,584
Disposal of the Mineral Fertilizers and Tyres businesses	-	-	-	-	-	(2,647)	2,647
Others	594	(7)	127	474	-	12	462
Deferred tax assets	**14,729**	**(200)**	**3,824**	**11,105**	**447**	**(724)**	**11,382**
Less: deferred tax liabilities offset	(6,773)		(3,105)	(3,668)		(2,666)	(1,002)
Total deferred tax assets	**7,956**	**(200)**	**719**	**7,437**	**447**	**(3,390)**	**10,380**
Total net deferred tax assets	**2,350**	**164**	**1,252**	**934**	**(44)**	**(1,292)**	**2,270**

Differences between recognition criteria under Russian tax regulations and under IFRS have given 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.

28 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 future taxable profits is probable. The Group did not recognise deferred income tax assets of RR nil (2012: RR 27) regarding losses amounting to RR nil (2012: RR 136) which can be carried forward against future taxable income. Under the Russian Tax Code, a tax loss can be carried forward for ten years from its origination date, after which it expires.

	Year ended 31 December	
	2013	**2012**
Current income tax:		
Current income tax on profits for the year	11,335	14,359
Adjustments for prior years	(239)	165
Total current income tax	**11,096**	**14,524**
Deferred income tax:		
Accrual/(reversal) of temporary differences	(1,252)	1,292
Total deferred income tax	**(1,252)**	**1,292**
Total income tax expense	**9,844**	**15,816**

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

	Year ended 31 December	
	2013	**2012**
Profit before income tax and non-controlling interest	**55,302**	**76,216**
Theoretical income tax expense at statutory rate of 20 percent	(11,061)	(15,243)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible expenses	(2,271)	(2,514)
Non-taxable income	3,488	1,941
Total income tax expense	**(9,844)**	**(15,816)**

29 CASH GENERATED FROM OPERATIONS

Notes		Year ended 31 December	
		2013	**2012**
	Profit before income tax from continuing operations	**55,302**	**76,216**
	Adjustments to profit before income tax and non-controlling interest of continuing operations		
26	Depreciation and amortisation	13,477	10,317
	Equity-settled share-based payment plans	7,894	-
27	Foreign exchange loss/(gain), net	3,870	(2,633)
20	Accrual of annual bonuses	578	1,430
	Impairment of receivables and loans issued	504	-
	Accrual of provision for inventory obsolescence and valuation allowances	341	123
27	Interest expense	1,538	696
27	Discount on borrowings and non-current accounts payable	-	(88)
27	Unwinding of discount on non-current accounts payable and non-current accounts receivable	(17)	(685)
27	Discount on loans receivable and non-current accounts receivable	42	-
27	Unwinding of discount on borrowings and non-current accounts payable	410	646
27	Fair value (gain)/loss on listed equity securities held for trading	-	(242)
27	Fair value gain on derivative financial instruments	-	(53)
26	Gain on disposal of property, plant and equipment	(2,223)	(1,728)
	Share of net income of joint ventures and associates	(794)	(751)
27	Interest income	(745)	(870)
4	Gain on acquisition of subsidiaries	-	(430)
4	Gain on deconsolidation of subsidiary	(2,413)	-
4	Gain on disposal of subsidiaries	(335)	(283)
	Income from sale of investments	(302)	-
6,26	Impairment of property, plant and equipment	887	262
	Other adjustments	(119)	653
	Operating cash flows before working capital changes of continuing operations	**77,916**	**82,580**
	Changes in working capital of continuing operations		
	Decrease in trade and other receivables	649	1,720
	Decrease/(increase) in prepayments and other current assets	2,226	(3,176)
	Increase in inventories	(954)	(1,076)
	Increase in trade and other payables	5,571	2,477
	Decrease in taxes payable	(433)	(1,531)
	Total changes in working capital of continuing operations	**7,059**	**(1,586)**
	Cash generated from operating activities of continuing operations before income tax payment	**84,975**	**80,994**
	Income tax paid from continuing operations	(12,234)	(18,333)
	Net cash from operating activities of continuing operations	**72,741**	**62,661**

30 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

	Financial assets	
	31 December 2013	31 December 2012
Non-current financial assets		
Trade and other receivables	455	94
Loans receivable	-	743
Total non-current financial assets	**455**	**837**
Current financial assets		
Cash and cash equivalents and restricted cash	9,054	14,460
Trade and other receivables	14,561	15,983
Loans receivable	1,735	1,222
Total current financial assets	**25,350**	**31,665**
Total current and non-current financial assets	**25,805**	**32,502**

	Financial liabilities at amortised cost	
	31 December 2013	31 December 2012
Non-current financial liabilities		
Trade and other payables	1,596	3,040
Debt	57,731	41,058
Promissory notes payable	5	568
Total non-current financial liabilities	**59,332**	**44,666**
Current financial liabilities		
Trade and other payables	27,210	23,824
Debt	42,743	54,936
Promissory notes payable	1	2
Total current financial liabilities	**69,954**	**78,762**
Total current and non-current financial liabilities	**129,286**	**123,428**

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 its financial performance. The Group focuses on managing exposure to risks that could lead to a potential loss of RR 1 billion or more.

Financial 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 products to Europe and Asia, and has a substantial amount of foreign currency-denominated debt, it is exposed to foreign exchange risk.

30 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

	Denominated in		
As of 31 December 2013	**USD**	**EUR**	**Other currency**
Cash and cash equivalents	286	1,073	52
Trade and other receivables	3,369	941	-
Total financial assets	**3,655**	**2,014**	**52**
Trade and other payables	2,418	3,109	31
Debt	85,254	3,950	0
Total financial liabilities	**87,672**	**7,059**	**31**

	Denominated in		
As of 31 December 2012	**USD**	**EUR**	**Other currency**
Cash and cash equivalents	644	1,128	15
Trade and other receivables	4,750	1,247	-
Total financial assets	**5,394**	**2,375**	**15**
Trade and other payables	1,568	2,298	23
Debt	76,251	2,171	-
Total financial liabilities	**77,819**	**4,469**	**23**

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 securities portfolio and other variables as of 31 December 2013 and 2012, respectively.

	Increase in exchange rate	**31 December 2013**	**31 December 2012**
Effect on pre-tax profit			
RR / USD	10 percent	(8,402)	(7,243)
RR / EUR	10 percent	(505)	(209)

	Decrease in exchange rate	**31 December 2013**	**31 December 2012**
Effect on pre-tax profit			
RR / USD	10 percent	8,402	7,243
RR / EUR	10 percent	505	209

Cash flow and fair value interest rate risk. The Group's interest rate risk arises from short- and long-term debt. Debt issued at variable rates exposes the Group to cash flow interest rate risk. Debt issued at fixed rates exposes the Group to fair value interest rate risk. During 2013 and 2012, the Group's debt at floating rates was denominated in Russian roubles, US dollars and euro (see Notes 16 and 19). The Group's interest-bearing assets primarily included loans receivable and cash deposits as of 31 December 2013 and 2012.

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.

30 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

The Group's financial results are sensitive to changes in interest rates on the floating portion of its 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 income tax would change by the amounts shown below:

	Increase in floating rates by	31 December 2013	31 December 2012
Effect on profit before income tax			
USD-denominated debt	10 percent	(137)	(191)
EUR-denominated debt	10 percent	(6)	(4)

	Decrease in floating rates by	31 December 2013	31 December 2012
Effect on profit before income tax			
USD-denominated debt	10 percent	137	191
EUR-denominated debt	10 percent	6	4

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

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

With regard to customers, a large portion of the Group's domestic receivables come from Russia's largest companies, including Rosneft, NOVATEK Group, Cordiant Group and LUKOIL Group, which the Group has assessed as having high credit quality. Regarding export customers, the Group has also prioritised selling to key market players including Aygaz A.S. Group, BP Oil International ltd., LITASCO S.A., SHV Gas Supply & Risk Management Group, Total Group, Dow Europe GmbH Hydrocarbons Division, Continental Group, among others. Export sales are executed on prepayment basis or secured by letters of credit as well as on credit basis. In assessing the credit quality of its customers, the Group takes into account the market segment, the relevant company's financial position and its market share and past experience alongside other factors. 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 15,016 and RR 16,077 as of 31 December 2013 and 2012, 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.

30 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

The table below shows the credit limit and balance of cash and cash equivalents and restricted cash of the major counterparty groups as of the reporting date.

As of and for the year ended 31 December 2013

	Bank equity	Rating	Credit limit for one bank	Balance
Major banks	>= 25,000	B+/B2	5,000	5,933
Secondary banks	>= 5,000	B+/B2	2,500	2,516
Other banks	Not set	Not set	Individually set	605
Total cash and cash equivalents and restricted cash				**9,054**

As of and for the year ended 31 December 2012

	Bank equity	Rating	Credit limit for one bank	Balance
Major banks	>= 25,000	B+/B2	5,000	14,046
Secondary banks	>= 5,000	B+/B2	2,500	7
Other banks	Not set	Not set	Individually set	407
Total cash and cash equivalents and restricted cash				**14,460**

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 9,054 and RR 14,460 as of 31 December 2013 and 2012, 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 (see Notes 16 and 19), 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.

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 2013	**Less than one year**	**Between one and two years**	**Between two and five years**	**Over five years**
Debt	45,700	8,420	46,690	9,721
Trade and other payables	27,210	1,601	-	-
Total	**72,910**	**10,021**	**46,690**	**9,721**
As of 31 December 2012				
Debt	58,058	17,230	16,025	15,695
Trade and other payables	23,826	3,608	-	-
Total	**81,884**	**20,838**	**16,025**	**15,695**

Guarantees issued by the Group as of 31 December 2013 and 31 December 2012 are disclosed in note 34.

30 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

In 2013 and 2012, 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 and associates, depreciation and amortisation, impairment of property, plant and equipment, gain/loss on disposal of investments and exceptional items.

The Group has adopted a financial policy that includes maintaining a net debt to EBITDA ratio of no higher than 2.5 and an EBITDA to interest accrued ratio of no lower than 7. In addition, the policy requires the Group to maintain average forward-looking net debt/EBITDA for the next three years of no higher than 2. This policy is stricter than the relevant contractual requirements. The net debt to EBITDA ratio was 1.17 and 1.00 as of 31 December 2013 and 2012, respectively. The EBITDA to interest accrued ratio was 17 and 22 for the years ended 31 December 2013 and 2012, 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 as well as to maintain investor, market and creditor confidence to support its business activities.

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Liabilities carried at amortised cost. The fair value of Eurobonds as of 31 December 2013 was RR 31,833 and was based on quoted market prices which are level 1 measurements. Fair values of other long-term and short-term debt carried at amortised cost was determined using valuation techniques. The estimated fair value of variable interest rate instruments linked to LIBOR or EURIBOR with stated maturity was estimated based on level 2 measurements as expected cash flows discounted at current LIBOR or EURIBOR rates increased on the margin stipulated by the corresponding loan agreement. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on level 3 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The carrying amounts of other long-term and short-term debt carried at amortised cost in the consolidated statement of financial position approximate its fair value.

Other financial assets and liabilities. The carrying amounts of other financial assets and liabilities in the consolidated statement of financial position approximate their fair value determined based on level 3 measurements.

32 SEGMENT INFORMATION

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

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

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

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

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

	Feedstock & Energy	Petrochemicals	Unallocated	Total
Year ended 31 December 2013				
Total segment revenue	171,464	128,333	15,058	314,855
Inter-segment transfers	(27,757)	(8,463)	(8,821)	(45,041)
External revenue	**143,707**	**119,870**	**6,237**	**269,814**
EBITDA	**77,587**	**7,623**	**(6,348)**	**78,862**
Year ended 31 December 2012				
Total segment revenue	168,091	135,634	21,298	325,023
Inter-segment transfers	(33,656)	(8,686)	(11,351)	(53,693)
External revenue	**134,435**	**126,948**	**9,947**	**271,330**
EBITDA	**74,831**	**16,130**	**(8,670)**	**82,291**

32 SEGMENT INFORMATION (CONTINUED)

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

	Feedstock & Energy	Petrochemical	Unallocated	Total
Year ended 31 December 2013				
EBITDA	**77 587**	**7,623**	**(6,348)**	**78,862**
Depreciation and amortisation	(4,579)	(7,591)	(1,307)	(13,477)
Equity settled share based payments plans for key management	-	-	(7,894)	(7,894)
Impairment of property, plant and equipment	(537)	(303)	(47)	(887)
Operating profit	**72,471**	**(271)**	**(15,596)**	**56,604**
Finance income	-	-	1,198	1,198
Finance expenses	-	-	(6,042)	(6,042)
Gain on acquisition of subsidiaries	-	-	-	-
Share of net income of joint ventures and associates	-	-	794	794
Gain on deconsolidation of subsidiaries	-	-	2,413	2,413
Gain on disposal of subsidiaries	-	-	335	335
Total profit before income tax	**72,471**	**(271)**	**(16,898)**	**55,302**
Year ended 31 December 2012				
EBITDA	**74,831**	**16,130**	**(8,670)**	**82,291**
Depreciation and amortisation	(4,216)	(4,656)	(1,445)	(10,317)
Equity settled share based payments plans for key management	-	-	-	-
Impairment of property, plant and equipment	-	(262)	-	(262)
Operating profit	**70,615**	**11,212**	**(10,115)**	**71,712**
Finance income	-	-	4,601	4,601
Finance expenses	-	-	(1,561)	(1,561)
Gain on disposal of investments	-	-	283	283
Gain on acquisition of subsidiaries	-	-	430	430
Share of net income of joint ventures and associates	-	-	751	751
Total profit before income tax	**70,615**	**11,212**	**(5,611)**	**76,216**

32 SEGMENT INFORMATION (CONTINUED)

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	
	2013	**2012**
Russia	154,450	150,597
Europe	72,791	79,639
Asia	23,417	23,205
CIS	15,950	14,937
Other	3,206	2,952
Total revenue	**269,814**	**271,330**

Sales to Europe mainly cover the following countries: Switzerland, France, the United Kingdom, Austria, Poland, Finland, Greece, Hungary, Sweden, the Netherlands, Germany, Romania and the Czech Republic. Sales to Asia mainly cover the following countries: Turkey, China, Singapore, Korea, India, Hong Kong, and the United Arab Emirates. Sales to the CIS mainly cover the following countries: Belarus, Ukraine, Kazakhstan, and Tadjikistan.

33 PRINCIPAL SUBSIDIARIES

Principal wholly owned operating subsidiaries of the Group

OOO Biaxplen (from 29 March 2012)
OOO Biaxplen NK*
OOO Orton (formerly KOAO Orton)**
OAO Plastic***
OAO Siburenergomenedgment*****
OOO SIBUR GEOSINT
SIBUR International GmbH
ZAO Sibur-Khimprom
OAO Sibur-Neftekhim
OAO Sibur-PETF
OOO SIBUR-Portenergo****
ZAO SIBUR-Trans
OAO SiburTyumenGaz****
OOO Tobolsk-Neftekhim***
OOO Tobolsk-Polymer
OOO Togliattikauchuk
OOO Tomskneftekhim
OAO Uralorgsintez
OAO Voronezhsintezkauchuk

* OOO Biaxplen NK merged with OOO Biaxplen in January 2013
** OOO Orton merged with OOO SIBUR GEOSINT in March 2013
*** OAO Plastic was disposed in December 2013
**** Investments projects were finalized and production assets were put into operation during the year 2013 (see Note 6)
***** In December 2013 the Group acquired 52 percent stake and raised its share in subsidiary to 100 percent (see Note 23).

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

34 RELATED PARTIES

For the purposes of these consolidated financial statements, parties are generally considered to be related if one party is part of the Group's key management or Board of Directors, has the ability to control or jointly control the other party, they are under common control, or if one party can exercise significant influence over the other party in the financial and operational decision-making process. When considering each possible related-party relationship, attention is paid to the substance of the relationship, and not just 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 2013 and 2012, or had significant balances outstanding as of 31 December 2013 and 2012, are presented below.

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

During the years ended 31 December 2013 and 2012, the Group engaged in transactions with OAO NOVATEK and its subsidiaries (jointly the "NOVATEK Group"). The Group's transactions and balances with the NOVATEK Group during the relevant periods are set out below:

	31 December 2013	31 December 2012
Trade and other receivables	265	806
Advances and prepayments	16	23
Trade and other payables (including payables for the acquisition of subsidiaries)	117	1,641
Advances received	14	1,690

	Year ended 31 December 2013	Year ended 31 December 2012
Operating activities		
Purchases of natural gas	2,790	2,023
Purchases of liquefied petroleum gas	482	-
Natural gas sales	12,928	9,434
Liquid hydrocarbons sales	-	53
Sales of other work and services	159	-

During the years ended 31 December 2013 and 2012, the Group engaged in transactions with OOO Nova related to the construction of a natural gas liquids pipeline connecting the Purovsky Gas Condensate Plant, the Yuzhno-Balykskaya Main Pumping Station and the Tobolsk production site in the Tyumen Region. The Group's transactions and balances with OOO Nova as of the end and during the relevant periods are provided below:

	31 December 2013	31 December 2012
Advances and prepayments for capital construction	8	1,835
Trade and other payables	454	827

	Year ended 31 December 2013	Year ended 31 December 2012
Operating activities		
Purchases of other goods and services	4,111	1,831
Sales of other goods and services	36	-

As of 31 December 2013, the Group had contractual capital expenditure commitments with OOO Nova of RR 448.

34 RELATED PARTIES (CONTINUED)

During the year ended 31 December 2013, the Group deposited cash with OAO Pervobank.

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

	31 December 2013	31 December 2012
Cash and cash equivalents	2,516	1,647

	Year ended 31 December 2013	Year ended 31 December 2012
Finance income		
Interest income on cash and cash equivalents	122	-

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

The Gunvor Group, jointly controlled by Mr. Gennady N. Timchenko, is a related party of the Group. The Group primary transactions with the Gunvor Group are sales of energy products.

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

	31 December 2013	31 December 2012
Trade and other receivables	6	5

	Year ended 31 December 2013	Year ended 31 December 2012
Operating activities		
Sales of energy products	2,112	5,248

During the years ended 31 December 2013 and 2012, the Group entered into transactions with OAO Stroytransgaz and its subsidiary, OOO Stroytransgaz-M (together, the "Stroytransgaz Group"). The transactions primarily included purchases by the Group of construction, repair and maintenance services from the Stroytransgaz Group. The Group's transactions and balances with the Stroytransgaz Group as of the end and during the relevant periods are provided below:

	31 December 2013	31 December 2012
Advances and prepayments for capital construction	210	1,053
Trade and other payables	224	121

	Year ended 31 December 2013	Year ended 31 December 2012
Operating and investing activities		
Purchases of construction and repair and maintenance services	3,260	1,015
Sales of other goods and services	29	-

As of 31 December 2013, the Group had contractual capital expenditure commitments with Stroytransgaz Group of RR 1,621.

34 RELATED PARTIES (CONTINUED)

c) Remuneration of directors and key management

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

In 2013 and 2012, the Company accrued RR 80 and RR 94 net of social taxes, respectively, to Board of Directors members as compensation for the years ended 31 December 2013 and 2012, respectively.

Key management comprised 15 individuals during 2013 (16 from 15 January 2013 until 30 December 2013) and 15 individuals during the third and fourth quarters of 2012 (16 during the first and second quarters of 2012). Key management personnel are entitled to salaries, bonuses, voluntary medical insurance and other employee benefits. Remuneration for key management personnel is determined by the terms set out in the relevant annual employment contracts. Remuneration of key management personnel amounted to RR 886 and RR 943 net of social taxes for the years ended 31 December 2013 and 2012, respectively.

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

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

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

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

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

For the year ended 31 December 2013, the Group recognised RR 7,554 (USD 232 million) as expenses under the First Plan and a corresponding increase in other equity reserves.

The Second Plan. The plan for the other Participants (hereinafter, the "Second Plan") is immediately vested. Second Plan Participants partially paid for the shares granted with the remainder to be paid for at a later date with interest. For the year ended 31 December 2013, the Group recognised RR 340 (USD 10.4 million) as past service costs under the Second Plan and a corresponding increase in other equity reserves.

34 RELATED PARTIES (CONTINUED)

e) Joint ventures and associates

As of 31 December 2013 and 2012, the Group had the following balances with its associated companies:

	31 December 2013	31 December 2012
Loans receivable	1,703	1,661
Short-term debt	1,697	625
Trade and other receivables	279	68
Trade and other payables	2,585	423

	Year ended 31 December	
	2013	2012
Operating and investing activities		
Purchases of materials, goods and services	7,442	6,349
Purchases of processing services	4,900	-
Sales of materials, goods and services	1,327	1,889
Interest income	214	675

Balances outstanding as of 31 December 2013 and transactions for the year ended 31 December 2013 included OOO Yugragazpererabotka, a former subsidiary that was deconsolidated and disclosed as a joint venture in March 2013 (see Note 4) as follows:

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

	Nine month ended 31 December 2013
Operating and investing activities	
Purchases of materials, goods and services	83
Purchases of processing services	4,900
Sales of materials, goods and services	928
Interest income	79

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

35 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

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

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

35 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

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

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

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

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

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

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

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

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

35 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

Environmental matters. The enforcement of environmental regulations in the Russian Federation is evolving, and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. Obligations are recognised as soon as they are determined. Potential liabilities that could arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated, but could be material. Management believes that there are no likely liabilities for environmental damage, 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, recreational facilities and other social needs. Such funding is expensed as incurred.

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

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

36 EVENTS AFTER THE REPORTING DATE

In 6 March 2014 the Group acquired the remaining 49 percent in OOOYugragazpererabotka from Rosneft Group for a cash consideration of RR 56,532 (an equivalent of USD 1.6 billion). As a result the Group acquired control over OOO Yugragazpererabotka and its production subsidiaries. According to the terms of share purchase agreement the Group has paid RR 20,548 (an equivalent of USD 567 million) in March 2014. The remaining amount is payable in one year after the acquisition date.

In addition to the share purchase agreement the Group and Rosneft Group have agreed to increase guaranteed supplies of associated petroleum gas (APG) from Rosneft Group's oil fields to OOO Yugragazpererabotka's processing facilities to 10 bcm per annum for the period through 2032. Furthermore, it is agreed that the Group will sell to Rosneft Group all dry gas produced at Nizhnevartovskiy and Belozerniy gas processing plants from the APG received from Rosneft Group. Accordingly existing prior to 6 March 2014 gas processing arrangement between OOO Yugragazpererabotka and Rosneft Group was cancelled.

The Group's management is currently assessing the effect of this transaction on its consolidated financial statements, including the purchase price allocation.

37 NEW ACCOUNTING DEVELOPMENTS

The following new standards and interpretations became effective for the Group from 1 January 2013:

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 standard did not have any material impact on the Group's consolidated financial statements.

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 Venturers*. 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 standard did not have any material impact on the Group's consolidated financial statements.

IFRS 12, **Disclosure of Interests 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 previously 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 judgements 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 standard resulted in additional disclosures in these consolidated financial statements (see Note 8).

IFRS 13, **Fair Value Measurement** ***(issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)*** improved consistency and reduced complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard also resulted in additional disclosures in these consolidated financial statements (see Note 31).

IAS 27, **Separate Financial Statements** ***(revised in May 2011 and effective for annual periods beginning on or after 1 January 2013)*** was amended and now has the objective of prescribing 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 amended standard did not have any material impact on the Group's consolidated financial statements.

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 this 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 amended standard did not have any material impact on the Group's consolidated financial statements.

37 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

Amendments to IAS 1, **Presentation of Financial Statements** ***(issued in June 2011 and effective for annual periods beginning on or after 1 July 2012)*** changed 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 amended standard resulted in changes in the presentation of consolidated financial statements, but did not have any impact on the measurement of transactions and balances.

Amended IAS 19, **Employee Benefits** ***(issued in June 2011 and effective for periods beginning on or after 1 January 2013)*** makes significant changes in the recognition and measurement of defined benefit pension expense and termination benefits, and to 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 assessed the impact of such changes as insignificant to the financial statements.

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 amendments require disclosures that enable users of an entity's consolidated financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amended standard did not have any material impact on the Group's consolidated financial statements

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing costs,* retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The requirement to account for spare parts and servicing equipment as property, plant and equipment only if they were used in connection with an item of property, plant and equipment was removed because this requirement was too restrictive when compared with the definition of property, plant and equipment. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the statement of profit or loss as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 now requires disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision makers and there has been a material change in those measures since the last annual consolidated financial statements.

37 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10, *Consolidated Financial Statements.* Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, *Joint Arrangements*, and IFRS 12, *Disclosure of Interests in Other Entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods prior to when IFRS 12 was first applied. The amended standards did not have any material impact on the Group's consolidated financial statements other than application of the relief from disclosure of certain comparative information in the notes to the financial statements.

Other revised standards and interpretations: IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, considers when and how to account for the benefits arising from stripping activity in the mining industry. The interpretation did not have an impact on the Group's consolidated financial statements. Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards - Government Loans*, which were issued in March 2012 and are effective for annual periods beginning 1 January 2013, give first-time adopters of IFRSs relief from full retrospective application of accounting requirements for loans issued by a government at below market rates. The amendment is not relevant to the Group.

The amended standards did not have any material impact on the Group's consolidated financial statements.

38 NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2014 or later, and which the Group has not early adopted.

***IFRS 9,* Financial Instruments: Classification and Measurement.** Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be 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 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.

38 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- 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.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9, ***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 and its impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. Amendments resulted in additional disclosures in these consolidated financial statements. See Note 8.

IFRIC 21, **Levies** ***(issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).*** The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax.

An obligating event that gives rise to liability is one identified by law that triggers an obligation to pay a levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply to interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional.

Amendments

to IAS 36, **Recoverable amount disclosures for non-financial assets** ***(issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).*** The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or intangible assets with indefinite useful lives but there has been no impairment.

Amendments to IAS 39, **Novation of Derivatives and Continuation of Hedge Accounting** ***(issued in June 2013 and effective for annual periods beginning 1 January 2014).***The amendments will allow hedge accounting to continue in a situation where a derivative, that has been designated as a hedging instrument is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

38 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Amendments to IAS 19,* Defined Benefit Plans: Employee Contributions *(issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Group is currently assessing the impact of these new standards on the consolidated financial statements.

38 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IFRS 14,* Regulatory Deferral Accounts *(issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The amended standard did not have any material impact on the Group's consolidated financial statements.

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