OAO SIBUR Holding

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

31 December 2012

Independent auditor's report

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

We have audited the accompanying combined financial information of the feedstock and energy and petrochemical segments of the Group as described in notes 1 and 2, which comprise the combined statement of financial position as at 31 December 2012 and the combined statements of income, comprehensive income, cash flows and changes in equity for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined financial information

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial information presents fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

27 March 2013
Moscow, Russian Federation

(In millions of Russian roubles, unless otherwise stated)

Notes		31 December 2012	31 December 2011
	Assets		
	Non-current assets		
6	Property, plant and equipment	207,655	151,176
7	Goodwill	9,480	6,697
8	Investments in joint ventures and associates	17,690	18,118
27	Deferred income tax assets	11,105	10,380
9	Advances and prepayments for capital construction	45,692	32,858
10	Loans receivable	743	638
11	Trade and other receivables	94	335
12	Other non-current assets	2,695	2,758
	Total non-current assets	**295,154**	**222,960**
	Current assets		
13	Inventories	24,750	22,187
11	Trade and other receivables	15,983	20,965
11	Receivables for disposed businesses	-	11,368
	Prepaid current income tax	4,222	3,025
14	Prepayments and other current assets	21,464	20,749
10	Loans receivable	1,222	911
15	Cash and cash equivalents	13,570	14,971
15	Restricted cash	890	-
5	Assets classified as held for sale	1,044	5,993
	Total current assets	**83,145**	**100,169**
	Total assets	**378,299**	**323,129**
	Liabilities and equity		
	Non-current liabilities		
16	Long-term debt	41,058	51,716
17	Grants and subsidies	30,502	19,549
27	Deferred income tax liabilities	10,171	8,110
18	Other non-current liabilities	5,171	6,512
	Total non-current liabilities	**86,902**	**85,887**
	Current liabilities		
20	Short-term debt and current portion of long-term debt	54,936	31,194
19	Trade and other payables	36,569	29,973
	Income tax payable	1,560	5,286
21	Taxes other than income tax payable	2,576	4,788
	Liabilities associated with non-current assets classified as held for sale	-	667
	Total current liabilities	**95,641**	**71,908**
	Total liabilities	**182,543**	**157,795**
22	**Equity**		
	Shareholders of the parent company net investment	194,765	163,911
23	Non-controlling interest	991	1,423
	Total equity	**195,756**	**165,334**
	Total liabilities and equity	**378,299**	**323,129**

D.V. Konov
Chief Executive Officer
27 March 2013

A.N. Philippovskiy
Chief Financial Officer
27 March 2013

The accompanying notes on pages 7 to 53 are an integral part of this combined financial information.

(In millions of Russian roubles, unless otherwise stated)

Notes		Year ended 31 December	
		2012	**2011**
	Continuing operations		
24	Revenue	271,330	248,660
25	Operating expenses	(199,618)	(170,207)
	Operating profit	**71,712**	**78,453**
26	Finance income	4,601	2,910
26	Finance expenses	(1,561)	(7,325)
4	Gain on acquisition of subsidiaries	430	4,957
8	Share of net income of joint ventures and associates	751	236
11	Impairment of other receivables	-	(1,731)
	Gain/(loss) on disposal of investments	283	(380)
	Profit before income tax	**76,216**	**77,120**
27	Income tax expense	(15,816)	(15,561)
	Profit from continuing operations	**60,400**	**61,559**
	Discontinued operations		
5	(Loss)/gain from disposal of Amtel Group assets	(315)	1,240
	Profit for the year, including attributable to:	**60,085**	**62,799**
23	Non-controlling interest	(41)	(30)
	Shareholders of the parent company	60,126	62,829

(In millions of Russian roubles, unless otherwise stated)

	Year ended 31 December	
	2012	**2011**
Profit for the year from continuing operations	**60,400**	**61,559**
Profit for the year	**60,085**	**62,799**
Other comprehensive loss after tax:		
Actuarial loss on post-employment benefit obligations	(204)	(94)
Total comprehensive income for the year from continuing operations	**60,196**	**61,465**
Total comprehensive income for the year, including attributable to:	**59,881**	**62,705**
Non-controlling interest	(43)	(30)
Shareholders of the parent company	59,924	62,735

The accompanying notes on pages 7 to 53 are an integral part of this combined financial information.

(In millions of Russian roubles, unless otherwise stated)

Notes		Year ended 31 December 2012	2011
	Operating activities		
28	Cash from operating activities of continuing operations before income tax payment	80,994	72,558
	Income tax paid from continuing operations	(18,333)	(18,377)
5, 28	**Net cash from operating activities of continuing operations**	**62,661**	**54,181**
	Investing activities		
	Purchase of property, plant and equipment	(74,274)	(55,553)
10, 32	Loans issued	(2,041)	(41,968)
8	Acquisition of interest in joint ventures and associates	(169)	(12,650)
	Purchase of listed equity securities held for trading at fair value through profit and loss	-	(2,050)
	Acquisition of interest in subsidiaries, net of cash acquired	(1,811)	(3,433)
	Proceeds from sale of financial instruments	2,273	-
	Proceeds from disposal of subsidiaries, net of cash disposed	307	1,110
	Repayment of loans and notes receivable	536	17,008
	Settlement of receivables from Amtel Group	3,629	3,081
	Proceeds from sale of property, plant and equipment	5,074	5,946
	Dividends received	1,365	6,921
22	Proceeds from disposal of the Mineral Fertilizers and Tyres businesses, net of related income tax of RR 900 and RR 4,295 for the years ended 31 December 2012 and 2011, respectively	7,751	33,023
15	Transfers to restricted cash for investment activities	(890)	-
	Repayment of equity instruments of the Tyres business	-	4,981
	Decrease in other non-current assets, net	674	137
	Cash used in investing activities of continuing operations	**(57,576)**	**(43,447)**
5	**Cash from investing activities of discontinued operations, net of related income tax**	**6,584**	**2,157**
	Net cash used in investing activities	**(50,992)**	**(41,290)**
	Financing activities		
	Proceeds from long-term debt	10,900	43,298
	Repayment of long-term debt	(14,794)	(63,137)
	Proceeds from short-term debt	63,207	84,135
	Repayment of short-term debt	(51,870)	(81,798)
17	Grants and subsidies received	12,761	13,632
22	Sale of treasury shares	-	6,984
	Interest received	600	757
	Payment of bank fees	(728)	(37)
	Repayment of promissory notes and loans	-	(13,129)
	Interest paid	(3,496)	(3,509)
22	Dividends paid to the Company's shareholders	(29,192)	-
	Other	(117)	278
5	**Cash used in financing activities of continuing operations**	**(12,729)**	**(12,526)**
	Effect of exchange rate changes on cash and cash equivalents	(341)	(810)
	Net decrease in cash and cash equivalents	**(1,401)**	**(445)**
	Cash and cash equivalents, at the beginning of the reporting year	14,971	15,416
	Cash and cash equivalents, at the end of the reporting year	**13,570**	**14,971**

The accompanying notes on pages 7 to 53 are an integral part of this combined financial information.

(In millions of Russian roubles, unless otherwise stated)

Notes		Shareholders of the parent company net investment	Non-controlling interest	Total equity
	Balance as of 31 December 2010	**113,692**	**672**	**114,364**
	Profit for the year	62,829	(30)	62,799
	Actuarial loss on post-employment benefit obligations	(94)	-	(94)
	Comprehensive income for the year	**62,735**	**(30)**	**62,705**
	Acquisition of subsidiaries	-	781	781
22	Disposal of treasury shares	6,984	-	6,984
22, 32	Acquisition of treasury shares	(72,374)	-	(72,374)
22	Net contributions from shareholders of the Mineral Fertilizers and Tyres businesses	52,874	-	52,874
	Balance as of 31 December 2011	**163,911**	**1,423**	**165,334**
	Profit for the year	60,126	(41)	60,085
	Actuarial loss on post-employment benefit obligations	(202)	(2)	(204)
	Comprehensive income for the year	**59,924**	**(43)**	**59,881**
	Acquisition of non-controlling interest in subsidiaries	122	(389)	(267)
22	Dividends paid	(29,192)	-	(29,192)
	Balance as of 31 December 2012	**194,765**	**991**	**195,756**

1 NATURE OF OPERATIONS

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

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

From June 2008 until September 2011 Non-State Pension Fund Gazfund through OAO Gazprombank ("Gazprombank") was the Group's ultimate parent.

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. This combined financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Most of the Group's companies maintain their accounting records in Russian roubles (RR) and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation (RAR). This combined financial information is based on the statutory records of Group companies, with adjustments and reclassifications recorded to ensure fair presentation in accordance with IFRS.

The combined financial information comprises an aggregate of the amounts included in the financial statements of OAO SIBUR Holding and its subsidiaries relating to the activities of the SIBUR Group's Feedstock & Energy and Petrochemicals reportable segments by applying the principals of IAS 27 *Consolidated and Separate Financial Statements* and IAS 27R underlying the consolidation procedures. The principal entities included within the combined financial information are shown in Note 31.

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

	Type of activity
Tyres business:	
OAO SIBUR-Russian Tyres	Holding company, tyre sales
OAO Yaroslavsky Tyre Plant	Tyre production
OAO Sibur-Volzhskiy	Tyre cord production
OOO Uralsk Tyre Plant	Tyre production
OAO Voltair-Prom	Tyre production
OAO Omskshina	Tyre production
OAO Volzhsky Nitric Oxygen Plant	Chemical products
Mineral Fertilizers business:	
OAO SIBUR-Mineral Fertilizers	Holding company, mineral fertilizer sales
OAO AZOT, Kemerovo	Mineral fertilizer and caprolactam production
OAO Mineralnye Udobreniya, Perm	Mineral fertilizer production

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The combined financial information is different than the consolidated financial statements, as the combined financial information does reflect the inclusion of the Mineral Fertilizers and Tyres businesses, which were treated as discontinued operations in the consolidated financial statements for the year ended 31 December 2011. This difference has a significant impact only on the comparative information presented in the combined financial information. The following section summarises the accounting and other principles applied in preparing this comparative information:

- Any funding of, investments in, or dividends received from the excluded entities have been recorded within movements in equity.
- Proceeds/payments and associated current and deferred income tax related to the disposal of the Mineral Fertilizers and Tyres businesses received or accrued during the period of the combined financial information have been recorded within movements in equity.
- The combined financial information excludes the balances, operational results, cash flows and related disclosures of entities and operations included in the Mineral Fertilizers and Tyres businesses as described above. However, the transactions and balances with these entities that the Group did not consolidate, including sales of products to Mineral Fertilizers and Tyres businesses either purchased externally or produced by the Group, have been classified as related-party transactions at the historical intercompany sales prices established by the Company; the details of such transactions and balances are included in Note 32.
- The combined financial information is presented under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- Historically, the Company has not recharged the corporate costs of the Group's management company to any of the underlying businesses. No adjustment has been made to the combined financial information to reflect any amount which might be viewed as being attributable to the excluded entities.
- The tax charges in this combined financial information have been determined based on the tax charges recorded by Group companies in their local statutory accounts.

The results of the Group presented for the comparative period might have been different had the entities excluded from the combined financial information operated without control by the Company throughout the period, and thus the comparative period results are not necessarily indicative of those of future periods.

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

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

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

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, and liabilities and contingent liabilities assumed in a business combination, are measured at their fair values at the acquisition date, regardless of the extent of any non-controlling interest.

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

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

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred or assumed, including the fair 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 to 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; unrealised losses are also eliminated unless the relevant cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

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

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

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

Property, plant and equipment. Property, plant and equipment 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, where required.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Depreciation. Depreciation on 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 taking into consideration 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.

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

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

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

Intangible assets

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Investments in joint ventures. Joint ventures are entities over which the Group exercises joint control. Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. 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; 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 the 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 the net assets of associates are recognised in profit or loss within the share of the results of associates.

However, when the Group's share of the losses of an associate equals or exceeds its interest in the 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; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Inventories. Inventories are recorded at the lower of cost and net realisable value. 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 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.

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

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the 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 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 which 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 attached conditions. Grants and subsidies relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the profit or loss: a) on a straight-line basis over the expected lives of the related assets, or b) in full 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 income over the period of the debt using the effective interest method.

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

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

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that require considerable time to be prepared for their intended use or sale (qualifying assets) are capitalised as part of the costs of such assets if the commencement date for capitalisation occurred on or after 1 January 2008.

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Current and deferred income tax. Income taxes have been provided for in the combined financial information in accordance with Russian law as 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. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax assets and liabilities are netted only within 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 comprise trade and other receivables, loans and notes receivable, and cash and cash equivalents in the statement of financial position.

c) Available-for-sale financial assets

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair values of quoted financial assets are based on current bid prices. Regarding financial assets the market for which is inactive as well as unlisted securities, the Group uses valuation techniques to establish fair value. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

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

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

(In millions of Russian roubles, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Foreign currency transactions. The functional currency of each of the Group's entities included in the combined financial information is the currency of the primary economic environment in which the given entity operates. The functional currency of the Company and 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 2012 and 2011, and denominated in foreign currencies, are translated into RR at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised as exchange gains or losses in the profit or loss.

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

	euro	**US dollar**
As at 31.12.2011	41.6714	32.1961
2011 weighted average	40.8848	29.3874
As at 31.12.2012	40.2286	30.3727
2012 weighted average	39.9083	31.0742

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-makers. Segments with revenues, results or assets that represent 10 percent or more of all segments are reported separately.

Changes in presentation and accounting policies. Starting with the combined financial information for the year ended 31 December 2012, the Group has changed its presentation of the combined statement of comprehensive income by separating it into two statements: the statement of income and the statement of comprehensive income.

Starting from the combined financial information for the year ended 31 December 2012, the Group has amended its accounting policy regarding catalysers with useful lives of more than one year.

Catalysers with useful lives of more than one year were considered as a significant component of a complex asset and included in the statement of financial position as a part of other property plant and equipment.

Depreciation on these assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of two to five years.

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 values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

Previously, such assets had been included in other non-current assets and were written off as raw material expenses in the statement of income based on the straight-line depreciation method.

(In millions of Russian roubles, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consequently, the Company reclassified RR 674 and RR 492 to the respective amounts of the statement of financial position as of 31 December 2011 and 31 December 2010.

	As originally presented	Reclassification	As reclassified
As of 31 December 2011			
Non-current assets	**222,960**	**-**	**222,960**
Property, plant and equipment	150,502	674	151,176
Other non-current assets	3,432	(674)	2,758
As of 31 December 2010			
Non-current assets	**153,913**	-	**153,913**
Property, plant and equipment	101,662	492	102,154
Other non-current assets	2,653	(492)	2,161

Changes in accounting policy did not have a material impact on the combined statement of income and combined statement of comprehensive income and the presentation of operating expenses.

In management's opinion, the omission of the opening combined statement of financial position at 1 January 2011 would not influence the economic decisions of the financial information's users and is not material.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

Deferred income tax asset recognition. The deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits available to certain Group entities, 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.

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. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, residual value, physical wear and tear, and the environment in which the asset is operated. Differences between such estimates and actual results may result in losses in future periods, and changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

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

(In millions of Russian roubles, unless otherwise stated)

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

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 amount of CGU.

4 ACQUISITION OF SUBSIDIARIES

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 of the assets and liabilities acquired are as follows:

	Fair values
Property, plant and equipment	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 1,817 in revenue and RR 333 in profit to the Group for the period from the acquisition date to 31 December 2012. If the acquisition had occurred on 1 January 2012, the Group's revenue and profit from continuing operations for the year ended 31 December 2012 would have been RR 273,584 and RR 60,632, respectively.

As of the acquisition date, the Group remeasured its previously held interest in OOO Biaxplen at fair value (Note 8). As a result, a RR 430 gain was recognised in the combined statement of income.

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**

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

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

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

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

In June 2011, the Group directly acquired an 18 percent stake in OAO Polief from OAO VTB Bank for RR 1,554, payable by 2019. This investment was recognised at the acquisition date at a fair value of RR 941, using an 8 percent market interest rate.

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

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

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

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

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

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

5 DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Amtel Group assets. During the period from August to November 2011, the Group acquired the 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 assets and was classified within assets held for sale as of 31 December 2011.

Cash from investing activities in the combined statement of cash flows for the twelve months 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 Rostechnologii, as sale consideration. There was no operating or financing cash flows from discontinued operations.

The post-tax loss recognised on the disposal of ZAO Voronezh Tyre Plant included as a loss from discontinued operations in the combined statement of income 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)**

Assets classified as held for sale. As of 31 December 2012 and 2011, assets classified as held for sale included a number of construction projects worth RR 1,044 and RR 1,370, respectively. Additions to assets classified as held for sale were RR 2,827 and RR 1,370 for the years ended 31 December 2012 and 2011, respectively. During 2012, the Group finalised part of these construction projects, sold assets held for sale for RR 3,136, and recognised a RR 1,876 gain on disposal. The Group plans to sell the remaining property, plant and equipment items classified as assets held for sale in 2013.

(In millions of Russian roubles, unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

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

	Buildings	Facilities	Machinery and equipment	Transport	Assets under construction	Other	Total
Net book value as of 31 December 2010	**11,717**	**18,427**	**18,840**	**6,942**	**44,762**	**1,466**	**102,154**
Depreciation charge	(508)	(2,063)	(3,936)	(648)	-	(202)	(7,357)
Additions	22	1,465	53	123	47,954	221	49,838
Acquisition of subsidiaries (Note 4)	4,253	1,536	8,187	42	444	74	14,536
Reclassifications	(17)	13	(16)	1	-	19	-
Transfers	3,186	11,772	8,577	1,232	(25,681)	914	-
Disposal of subsidiaries	(7)	(59)	(151)	(19)	(39)	(12)	(287)
Disposals	(312)	(1,583)	(330)	(176)	(3,842)	(95)	(6,338)
Reclassification to assets held for sale (Note 5)	-	(1,370)	-	-	-	-	(1,370)
Historical cost as of 31 December 2011	24,513	39,568	51,623	10,484	63,598	3,139	192,925
Accumulated depreciation	(6,179)	(11,430)	(20,399)	(2,987)	-	(754)	(41,749)
Net book value as of 31 December 2011	**18,334**	**28,138**	**31,224**	**7,497**	**63,598**	**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 (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 (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**

For 2012 and 2011, the Group capitalised interest expense of RR 3,039 and RR 1,796, respectively. The capitalisation rates were 4.26 percent and 5.45 percent, respectively.

During the year ended 31 December 2012, the Group recognised a RR 262 impairment loss for chlorine and caustic soda production assets in Dzerzhinsk, Nizhny Novgorod Region (Petrochemicals segment). The recoverable amount of the assets was determined based on its fair value less costs to sell. Fair value was determined based on market price.

No indication of impairment regarding other property, plant and equipment was noted within the reporting period. Accordingly, management did not perform any impairment test for the purposes of this combined financial information.

(In millions of Russian roubles, unless otherwise stated)

7 INTANGIBLE ASSETS

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

	Goodwill	Other	Total
Net book value as of 31 December 2010	**6,697**	**730**	**7,427**
Additions	-	1,321	1,321
Amortisation charge	-	(842)	(842)
Historical cost as of 31 December 2011	6,697	2,084	8,781
Accumulated amortisation	-	(875)	(875)
Net book value as of 31 December 2011	**6,697**	**1,209**	**7,906**
Additions	2,783	714	3,497
Amortisation charge	-	(408)	(408)
Historical cost as of 31 December 2012	9,480	1,961	11,441
Accumulated amortisation	-	(446)	(446)
Net book value as of 31 December 2012	**9,480**	**1,515**	**10,995**

Amortisation of intangible assets is recorded as operating expenses in the combined statement of income.

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

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 (Note 30).

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

	31 December 2012	31 December 2011
SIBUR International GmbH:		
Feedstock & Energy	4,020	4,020
Petrochemicals	2,677	2,677
OOO Biaxplen:		
Petrochemicals	2,783	-
Total goodwill	**9,480**	**6,697**

The recoverable amount of each CGU segment is the higher of its fair value less selling cost and its value-in-use calculations, and has been determined based on a value-in-use calculation. These calculations use pre-tax cash flow projections based on the management-approved 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 CGU operates. The following key assumptions are used in the value-in-use calculation: a discount rate of 12.5-15.5 percent, oil price of USD 95-113 per bbl and Consumer Price Index of 2.9-7.5 percent.

The discount rates used are pre-tax and reflect specific risks relating to the CGU operating activity.

(In millions of Russian roubles, unless otherwise stated)

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	31 December 2012	31 December 2011
OOO RusVinyl	13,712	13,371
OOO NPP Neftekhimia	3,504	3,523
OOO ITSK	296	256
Reliance Sibur Elastomers Private Limited	169	-
OOO Yuzhno-Priobskiy GPZ	7	6
OOO SNHK	2	2
OOO Biaxplen (Note 4)	-	960
Total investments in joint ventures and associates	**17,690**	**18,118**

OOO RusVinyl. In June 2007, the Group formed a joint venture 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 and contributed RR 1,400 to this joint venture.

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

OOO NPP Neftekhimia. The Group has a joint venture with OAO Gazpromneft MNPZ (formerly OAO Moskovsky NPZ). This joint venture has increased the Group's share on the Russian polypropylene market.

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

	Country of incorporation	Nature of operations	Interest held, percent, as of 31 December 2012	2011
OOO RusVinyl*	Russia	Polyvinyl chloride production	50	50
OOO NPP Neftekhimia	Russia	Polypropylene production	50	50
OOO ITSK	Russia	IT and metrology services	50	50
Reliance Sibur Elastomers Private Limited*	India	Butyl rubber production	25	-
OOO Yuzhno-Priobskiy GPZ*	Russia	Associated petroleum gas processing	50	50
OOO SNHK*	Russia	Production of plastics and synthetic resins	50	50
OOO Biaxplen	Russia	BOPP-film production	-	50

* investment projects

	31 December 2012	31 December 2011
Investments in joint ventures and associates as of the beginning of the year	**18,118**	**5,810**
Share of net income	751	236
Additions	169	12,657
Dividends	(575)	(585)
Disposals	(773)	-
Investments in joint ventures and associates as of the end of the year	**17,690**	**18,118**

During 2012, the Group received dividends from OOO NPP Neftekhimia and OOO ITSK in a total amount of RR 575.

(In millions of Russian roubles, unless otherwise stated)

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

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

As of and for the year ended 31 December 2012

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Reve-nues	Profit /(loss)
OOO RusVinyl	2,921	22,650	459	11,298	230	341
OOO NPP Neftekhimia	952	193	154	3	2,542	431
OOO ITSK	808	38	567	1	2,532	165
Reliance Sibur Elastomers Private Limited	136	29	1	142	-	-
OOO Yuzhno-Priobskiy GPZ	183	1,661	208	1,616	-	1
OOO SNHK	1	-	1	-	2	2
OOO Biaxplen	-	-	-	-	964	(189)

As of and for the year ended 31 December 2011

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

9 ADVANCES AND PREPAYMENTS FOR CAPITAL CONSTRUCTION

As of 31 December 2012 and 2011, the most significant advances and prepayments for capital construction were paid to the Group's contractors for the construction of: a polypropylene plant in Tobolsk, Tyumen Region; gas infrastructure assets in the St Petersburg area; and 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 most significant advances and prepayments related to capital construction projects were paid to the following contractors: 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.

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.

(In millions of Russian roubles, unless otherwise stated)

10 LOANS RECEIVABLE

	31 December 2012	31 December 2011
OOO Yuzhno-Priobskiy GPZ	1,661	638
ZAO Edas Pak	180	-
OOO Biaxplen	-	501
OAO Cordiant (formerly OAO SIBUR-Russian Tyres)	-	410
Other	124	-
Total loans receivable	**1,965**	**1,549**
Less: non-current portion	(743)	(638)
	1,222	**911**

11 TRADE AND OTHER RECEIVABLES

	31 December 2012	31 December 2011
Trade receivables (net of impairment provisions of RR 327 and RR 243 as of 31 December 2012 and 2011, respectively)	14,614	14,816
Other receivables (net of impairment provisions of RR 18 and RR 1,771 as of 31 December 2012 and 2011, respectively)	1,463	6,484
Total trade and other receivables	**16,077**	**21,300**
Less non-current portion: other receivables	(94)	(335)
	15,983	**20,965**
Receivables for disposed businesses	-	11,368

As of 31 December 2012 and 2011, respectively, RR 1,339 and RR 383 of trade receivables were secured by collateral, mainly bank guarantees.

As of 31 December 2012 and 2011, other receivables included RR nil and RR 3,500 (net of an impairment provision of RR 1,731) from the Amtel Group, respectively. The Group recognised the impairment provision during the Amtel Group's bankruptcy and included it in impairment of other receivables in the combined statement of income. The Group received RR 3,629 during the year ended 31 December 2012.

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

As of 31 December 2011, receivables for disposed businesses included RR 2,779 from OOO E-Volution Tyre for OAO Kirov Tyre Plant. This receivable was fully paid in March 2012. In February, the Group also sold ZAO Voronezh Tyre Plant, which owned Amtel Group assets in Voronezh and was classified within assets held for sale as of 31 December 2011. The transactions were classified as discontinued operations in this combined financial information.

Also, as of 31 December 2011, other receivables included RR 700 of dividends receivable from OAO Cordiant (formerly OAO SIBUR-Russian Tyres), which were received during the year ended 31 December 2012.

(In millions of Russian roubles, unless otherwise stated)

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Trade receivables	Other receivables	Total
As of 31 December 2012			
Up to 3 months	86	464	550
3 to 6 months	80	1	81
Total	**166**	**465**	**631**
As of 31 December 2011			
Up to 3 months	225	5	230
3 to 6 months	204	-	204
Total	**429**	**5**	**434**

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

	Trade receivables	Other receivables	Total
As of 31 December 2010	**293**	**31**	**324**
Written off during the year as uncollectible	(35)	(14)	(49)
Unused amounts reversed	(52)	(6)	(58)
Impairment for receivables	37	1,760	1,797
As of 31 December 2011	**243**	**1,771**	**2,014**
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**

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

The amount of write-offs or impairment of trade receivables experienced by the Group for the last five years was not significant.

12 OTHER NON-CURRENT ASSETS

	31 December 2012	31 December 2011
Intangible assets	1,515	1,209
Raw natural gas liquids in pipelines	494	633
Recoverable VAT related to assets under construction	137	364
Other	549	552
Total other non-current assets	**2,695**	**2,758**

13 INVENTORIES

	31 December 2012	31 December 2011
Refined products and work in progress (net of impairment provisions of RR 93 and RR 85 as of 31 December 2012 and 2011, respectively)	14,728	13,227
Materials and supplies (net of impairment provisions of RR 259 and RR 130 as of 31 December 2012 and 2011, respectively)	9,467	8,172
Goods for resale (net of impairment provisions of RR 11 and RR 19 as of 31 December 2012 and 2011, respectively)	555	788
Total inventories	**24,750**	**22,187**

(In millions of Russian roubles, unless otherwise stated)

14 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2012	31 December 2011
Financial assets		
Listed equity securities held for trading	-	1,400
Derivative financial instruments	-	548
Non-financial assets		
VAT receivable	8,201	4,567
Recoverable VAT	4,460	3,384
Prepayments and advances to suppliers	4,323	5,142
Prepaid borrowing cost	2,371	2,784
Other prepaid taxes	1,755	1,367
Recoverable excise	300	1,275
Other current assets	191	646
Total prepayments and other current assets	**21,601**	**21,113**
Less:		
Non-current portion of recoverable VAT related to assets under construction	(137)	(364)
	21,464	**20,749**

During the year ended 31 December 2012, the Group disposed of its investment in PhosAgro shares. A gain on the disposal in the amount of RR 31 was recognised within other finance income (Note 26). During the year ended 31 December 2012, the Group received RR 90 in dividends from PhosAgro.

15 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents include deposits held with banks, which are readily convertible to cash and have an original maturity of less than three months, of RR 5,127 and RR 5,775 as of 31 December 2012 and 2011, respectively.

Restricted cash included OAO Vnesheconombank letters of credit worth RR 890 as of 31 December 2012 (nil as of 31 December 2011). The letters of credit were opened to finance capital construction expenditures for the construction of a polypropylene plant in Tobolsk.

16 LONG -TERM DEBT

Long-term debt payable to	Currency	Due	31 December 2012	31 December 2011
Variable rate				
OAO Vnesheconombank	USD	2013-2023	17,844	13,718
OAO Nordea Bank	USD	2013-2016	10,609	11,246
OAO Rosbank AKB	USD	2013	4,556	4,829
HSBC Bank plc	USD	2013-2014	4,556	-
ING Bank Group	EUR, USD	2008-2021	1,404	1,627
UniCredit Bank	EUR	2013-2019	909	858
Fixed rate				
OAO Sberbank of Russia	RR	2012-2014	12,857	18,000
TNK-BP Group	RR, USD	2013-2017	4,485	4,545
OOO Gazprom Mezhregiongaz	RR	2011-2014	2,085	4,547
OOO NPP Neftekhimia	RR	2015	625	-
Russian rouble-denominated bonds	RR	2012	-	31
Other	USD	2012-2013	13	15
Total long-term debt			**59,943**	**59,416**
Less: current portion			(18,885)	(7,700)
			41,058	**51,716**

(In millions of Russian roubles, unless otherwise stated)

16 LONG -TERM DEBT (CONTINUED)

Long-term RR-denominated debt bore average interest rates of 7.4 percent and 7.2 percent as of 31 December 2012 and 2011, respectively. Long-term USD-denominated debt bore average interest rates of 3.6 percent and 3.5 percent as of 31 December 2012 and 2011, respectively. Long-term EUR-denominated debt bore average interest rates of 1.8 percent and 3.1 percent as of 31 December 2012 and 2011, respectively.

OAO Vnesheconombank. In July 2010, the Group signed an agreement with OAO Vnesheconombank for project financing for the construction of new polypropylene production facilities in the Tobolsk area. As of 31 December 2012, the Group had received RR 17,844 out of a RR 37,142 (USD 1,220,000,000) tranche covered by export credit agencies. The financing is primarily secured by OOO Tobolsk-Polymer shares and property, plant and equipment valued at RR 15,523.

OOO Gazprom Mezhregiongaz. The Group has entered into a number of agreements with OOO Gazprom Mezhregiongaz (formerly OOO Mezhregiongaz), a subsidiary of Gazprom and a related party of the Group until October 2011. Under these agreements, OOO Gazprom Mezhregiongaz provided loans to OAO SIBUR Holding in the period 2007-2012 to finance the construction of gas transport infrastructure in the regions (Note 17).

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

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

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

During the period 2007-2012, OOO Yugragazpererabotka received long-term loans from TNK-BP Group of RR 1,248 to finance capital investments in the gas processing assets of OOO Nizhnevartovskiy GPK and OOO Belozerniy GPK. The loans have an interest rate of 8 percent and mature in December 2013.

The scheduled maturities of long-term debt as of 31 December 2012 and 2011 are presented below:

	31 December 2012	31 December 2011
Due for repayment:		
Between one and two years	15,175	16,364
Between two and five years	12,679	22,636
After five years	13,204	12,716
Total long-term debt	**41,058**	**51,716**

Long-term debt includes fixed-rate loans with carrying values of RR 20,342 and RR 24,730, and fair values of RR 20,065 and RR 24,370 as of 31 December 2012 and 2011, 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.

16 LONG -TERM DEBT (CONTINUED)

As of 31 December 2012 and 2011 the Group had the following committed long-term credit facilities:

	Credit limit	Undrawn amount
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 2011		
EUR-denominated (in millions of EUR)	61	4
USD-denominated (in millions of USD)	1,646	1,160
RR-denominated (in millions of RR)	36,000	15,000

As of 31 December 2012 and 2011 the total rouble equivalent of the Group's undrawn committed long-term credit facilities was RR 41,224 and RR 52,514, respectively.

Committed credit facilities include RR 17,057 under the Tobolsk-Polymer project finance facility, which can be used solely for this construction project, as well as RR 93 of ECA-backed financing linked to specific import contracts. The remaining RR 24,075 is available for general corporate purposes.

17 GRANTS AND SUBSIDIES

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

	2012	2011
Balance as of 1 January	**20,249**	**7,286**
Less: current portion	(700)	-
Non-current portion of grants and subsidies as of 31 December	**19,549**	**7,286**
Grants and subsidies received	12,761	13,632
Recognised in profit or loss	(1,930)	(669)
Balance as of 31 December	**31,080**	**20,249**
Less: current portion	(578)	(700)
Non-current portion of grants and subsidies as of 31 December	**30,502**	**19,549**

(In millions of Russian roubles, unless otherwise stated)

18 OTHER NON-CURRENT LIABILITIES

	31 December 2012	31 December 2011
Financial liabilities		
Interest payable	1,665	1,353
Payables for acquisition of subsidiaries	1,375	3,090
Promissory notes payable	568	564
Restructured liabilities	-	32
Total financial non-current liabilities	**3,608**	**5,039**
Non-financial liabilities		
Post-employment obligations	1,562	1,296
Other liabilities	1	177
Total non-financial non-current liabilities	**1,563**	**1,473**
Total other non-current liabilities	**5,171**	**6,512**

As of 31 December 2012 and 31 December 2011, payables for acquisition of subsidiaries included payables for the acquisition of OAO Polief of RR 1,375 and RR 1,640, respectively.

As of 31 December 2011, payables for acquisition of subsidiaries included a payable to the NOVATEK Group for the acquisition of OOO Biaxplen NK of RR 1,450.

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

19 TRADE AND OTHER PAYABLES

	31 December 2012	31 December 2011
Financial liabilities		
Accounts payable to contractors and suppliers of property, plant and equipment	12,565	9,094
Trade payables	8,947	6,673
Payables for acquisition of subsidiaries	1,730	-
Interest payable	521	510
Promissory notes payable	2	2,631
Other payables	61	217
Total financial trade and other payables	**23,826**	**19,125**
Non-financial liabilities		
Advances from customers	6,270	3,769
Payables to employees	5,800	4,059
Other payables	95	2,320
Current portion of grants and subsidies	578	700
Total non-financial trade and other payables	**12,743**	**10,848**
Total trade and other payables	**36,569**	**29,973**

As of 31 December 2012 and 2011, payables to employees included provisions for annual bonuses of RR 3,970 and RR 2,540, respectively.

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.

(In millions of Russian roubles, unless otherwise stated)

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

	31 December 2012	31 December 2011
Short-term debt:		
RR-denominated debt	200	15,542
USD-denominated debt	35,851	7,675
EUR-denominated debt	-	277
Total short-term debt	**36,051**	**23,494**
Current portion of long-term debt	18,885	7,700
	54,936	**31,194**

Short-term RR-denominated debt bore average interest rates of 7.8 percent as of 31 December 2011. Short-term USD-denominated debt bore average interest rates of 2 percent and 2.2 percent as of 31 December 2012 and 2011, respectively. Short-term EUR-denominated debt bore an average interest rate of 2 percent as of 31 December 2011.

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

As of 31 December 2012 and 2011, the Group had no committed short-term credit facilities.

21 TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2012	31 December 2011
VAT	1,386	2,416
Property tax	723	227
Social taxes	284	235
Excise tax	-	1,061
Other taxes	183	849
Total taxes other than income tax payable	**2,576**	**4,788**

22 EQUITY

The Group's equity is comprised of the net investment of shareholders of the parent company and non-controlling interest.

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

In November 2011, as a result of the acquisition of ZAO Miracle, the Company recognised 21,784,788 treasury shares at a cost of RR 72,374 (Note 32e). 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. No dividends were accrued and paid during the year ended 31 December 2011. During the year ended 31 December 2012, dividends in the amount of RR 21,785 and RR 7,407 for the year ended 31 December 2011 and for the first six month of the year 2012, respectively, were paid out.

(In millions of Russian roubles, unless otherwise stated)

22 EQUITY (CONTINUED)

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

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

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

23 NON-CONTROLLING INTEREST

	Year ended 31 December	
	2012	2011
Non-controlling interest at the beginning of the reporting year	**1,423**	**672**
Non-controlling interest share of net income of subsidiaries	(41)	(30)
Non-controlling interest share of other comprehensive income	(2)	-
Effect of acquisition of non-controlling interest in subsidiaries	(389)	781
Non-controlling interest at the end of the reporting year	**991**	**1,423**

During the year ended 31 December 2012 the Group acquired non-controlling interest share in OAO NIPIgazpererabotka, OAO Voronezhsintezkauchuk, OAO Uralorgsintez, OAO Plastic and OOO Orton (formerly KOAO Orton) (Note 31). The difference between the purchase consideration of RR 266 and the carrying amount of non-controlling interest shares acquired has been recorded in equity.

24 REVENUE

	Year ended 31 December	
	2012	2011
Energy products:		
Liquefied petroleum gas	54,760	52,502
Naphtha	25,727	21,118
Natural gas	24,938	17,440
Methyl tertiary butyl ether (MTBE)	16,731	14,946
Raw natural gas liquids	3,911	2,113
Other fuels and fuel additives	3,342	4,218
Petrochemical products:		
Synthetic rubbers	41,134	50,971
Plastics and organic synthesis products	39,633	24,742
Intermediates and other chemicals	23,493	24,407
Basic polymers	22,179	21,782
Total energy and petrochemical products (net of excise tax, custom duties and VAT)	**255,848**	**234,239**
Sales of processing services	5,184	5,171
Other sales	10,298	9,250
Total revenue	**271,330**	**248,660**

(In millions of Russian roubles, unless otherwise stated)

25 OPERATING EXPENSES

	Year ended 31 December	
	2012	**2011**
Feedstock and materials	63,197	49,309
Transportation and logistics	37,525	30,909
Energy and utilities	29,793	28,950
Staff costs	26,116	22,091
Depreciation and amortisation	10,317	8,216
Goods for resale	9,775	15,516
Repairs and maintenance	7,602	5,001
Services provided by third parties	6,559	6,437
Rent	4,451	2,962
Taxes other than income tax	2,118	1,543
Charity and sponsorship	1,586	1,051
Marketing and advertising	871	783
Impairment of property, plant and equipment	262	-
Other	2,441	3,415
Gain on disposal of property, plant and equipment	(1,728)	(308)
Change in work-in-progress and refined products balances	(1,267)	(5,668)
Total operating expenses	**199,618**	**170,207**

26 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2012	**2011**
Foreign exchange gain from financing activities	2,556	-
Foreign exchange gain from non-financing activities	77	-
Interest income	870	2,142
Unwinding of discount on loans receivable and non-current accounts receivable	685	270
Fair value gain on listed equity securities held for trading	242	-
Fair value gain on derivative financial instruments	53	498
Discount on borrowings and non-current accounts payable	88	-
Other income	30	-
Total finance income	**4,601**	**2,910**
Foreign exchange loss from financing activities	-	(3,660)
Interest expenses	(696)	(2,524)
Unwinding of discount on borrowings and non-current accounts payable	(646)	(314)
Fair value loss on listed equity securities held for trading	-	(600)
Other expenses	(219)	(227)
Total finance expenses	**(1,561)**	**(7,325)**

27 INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes within one entity. The offset amounts are as follows:

	31 December 2012	**31 December 2011**
Deferred income tax assets to be recovered after more than 12 months	8,093	9,654
Deferred income tax assets to be recovered within 12 months	3,012	726
Total deferred income tax assets	**11,105**	**10,380**
Deferred income tax liabilities to be paid after more than 12 months	(8,743)	(6,514)
Deferred income tax liabilities to be paid within 12 months	(1,428)	(1,596)
Total deferred income tax liabilities	**(10,171)**	**(8,110)**

(In millions of Russian roubles, unless otherwise stated)

27 INCOME TAXES (CONTINUED)

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

	31 December 2012	Business combi-nations and acquisitions	Credited/ (charged) to profit or loss or equity	31 December 2011	Business combi-nations and acquisitions	Credited/ (charged) to profit or loss or equity	31 December 2010
Tax effects of taxable temporary differences							
Property, plant and equipment	(7,795)	(491)	(1,798)	(5,506)	(633)	(1,842)	(3,031)
Inventory	(906)	-	(573)	(333)	-	(333)	-
Investments in joint ventures and associates	(199)	-	(68)	(131)	-	(44)	(87)
Prepaid borrowing costs	(723)	-	191	(914)	-	(67)	(847)
Disposal of the Mineral Fertilizers and Tyres businesses	-	-	1,086	(1,086)	-	(1,086)	-
Others	(548)	-	(408)	(140)	-	(112)	(28)
Deferred tax liabilities	**(10,171)**	**(491)**	**(1,570)**	**(8,110)**	**(633)**	**(3,484)**	**(3,993)**
Tax effects of deductible temporary differences							
Tax loss carry-forwards	2,846	447	(914)	3,313	1,981	662	670
Inventory	779	-	779	-	-	(220)	220
Trade and other receivables	-	-	(134)	134	-	115	19
Payables to employees	1,106	-	598	508	-	8	500
Grants and subsidies	5,900	-	2,316	3,584	-	3,584	-
Disposal of the Mineral Fertilizers and Tyres businesses	-	-	(2,647)	2,647	-	2,647	-
Others	474		280	194	-	194	-
Deferred tax assets	**11,105**	**447**	**278**	**10,380**	**1,981**	**6,990**	**1,409**
Total net deferred tax assets/(liabilities)	**934**	**(44)**	**(1,292)**	**2,270**	**1,348**	**3,506**	**(2,584)**

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

(In millions of Russian roubles, unless otherwise stated)

27 INCOME TAXES (CONTINUED)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets of RR 27 (2011: RR 683) regarding losses amounting to RR 136 (2011: RR 3,414) that 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. The temporary differences associated with undistributed earnings of subsidiaries comprised RR nil and RR 1,395 as of 31 December 2012 and 2011, respectively. A deferred tax liability on these temporary differences was not recognised because management controls the timing of this temporary difference reversal, and believes that there will be no reversal in the foreseeable future.

	Year ended 31 December	
	2012	**2011**
Current income tax:		
Current income tax on profits for the year	14,359	17,749
Adjustments for prior years	165	(332)
Total current income tax	**14,524**	**17,417**
Deferred income tax:		
Accrual/(reversal) of temporary differences	1,292	(3,506)
Temporary differences related to disposal of the Mineral Fertilizers and Tyres businesses (Note 22)	-	1,650
Total deferred income tax	**1,292**	**(1,856)**
Total income tax expense	**15,816**	**15,561**

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	
	2012	**2011**
Profit before income tax and non-controlling interest	**76,216**	**77,120**
Theoretical income tax expense at statutory rate of 20 percent	(15,243)	(15,424)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible expenses	(2,514)	(2,683)
Non-taxable income	1,941	2,546
Total income tax expense	**(15,816)**	**(15,561)**

(In millions of Russian roubles, unless otherwise stated)

28 CASH GENERATED FROM OPERATIONS

		Year ended 31 December	
Notes		**2012**	**2011**
	Profit before income tax from continuing operations	**76,216**	**77,120**
	Adjustments to profit before income tax and non-controlling interest of continuing operations		
25	Depreciation and amortisation	10,317	8,216
26	Foreign exchange (gain)/loss, net	(2,633)	3,660
19	Accrual of annual bonuses	1,430	-
	Impairment of other receivables	-	1,731
	Accrual/(reversal) of provision for inventory obsolescence and valuation allowances	123	(84)
26	Interest expense	696	2,524
26	Discount on borrowings and non-current accounts payable	(88)	-
26	Unwinding of discount on loans receivable and non-current accounts receivable	(685)	(270)
26	Unwinding of discount on borrowings and non-current liabilities and other payables	646	314
26	Fair value (gain)/loss on listed equity securities held for trading	(242)	600
26	Fair value gain on derivative financial instruments	(53)	(498)
25	Gain on disposal of property, plant and equipment	(1,728)	(308)
8	Share of net income of joint ventures and associates	(751)	(236)
26	Interest income	(870)	(2,142)
4	Gain on acquisition of subsidiaries	(430)	(4,957)
	(Gain)/loss on disposal of investments	(283)	380
6,25	Impairment of property, plant and equipment	262	-
	Other adjustments	653	(1,566)
	Operating cash flows before working capital changes of continuing operations	**82,580**	**84,484**
	Changes in working capital of continuing operations		
	Decrease in trade and other receivables	1,720	322
	Increase in prepayments and other current assets	(3,176)	(5,092)
	Increase in inventories	(1,076)	(7,327)
	Increase/(decrease) in trade and other payables	2,477	(502)
	(Decrease)/increase in taxes payable	(1,531)	673
	Total changes in working capital of continuing operations	**(1,586)**	**(11,926)**
	Cash generated from operating activities of continuing operations before income tax payment	**80,994**	**72,558**
	Income tax paid from continuing operations	(18,333)	(18,377)
	Net cash from operating activities of continuing operations	**62,661**	**54,181**

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

	Loans and receivables	
	31 December 2012	**31 December 2011**
Non-current financial assets		
Trade and other receivables	94	335
Loans receivable	743	638
Total non-current financial assets	**837**	**973**
Current financial assets		
Cash and cash equivalents and restricted cash	14,460	14,971
Trade and other receivables	15,983	32,333
Loans receivable	1,222	911
Total current financial assets	**31,665**	**48,215**
Total current and non-current financial assets	**32,502**	**49,188**

	Financial instruments at fair value through profit and loss	
	31 December 2012	**31 December 2011**
Current financial assets		
Listed equity securities held for trading	-	1,400
Derivative financial instruments	-	548
Total current financial assets	**-**	**1,948**

	Financial instruments at amortised cost	
	31 December 2012	**31 December 2011**
Non-current financial liabilities		
Trade and other payables	3,040	4,475
Debt	41,058	51,716
Promissory notes payable	568	564
Total non-current financial liabilities	**44,666**	**56,755**
Current financial liabilities		
Trade and other payables	23,824	16,494
Debt	54,936	31,194
Promissory notes payable	2	2,631
Total current financial liabilities	**78,762**	**50,319**
Total current and non-current financial liabilities	**123,428**	**107,074**

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

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.

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

	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**
	Denominated in		
As of 31 December 2011	**USD**	**EUR**	**Other currency**
Cash and cash equivalents	88	571	35
Trade and other receivables	5,439	2,138	1
Total financial assets	**5,527**	**2,709**	**36**
Trade and other payables	1,436	213	3
Debt	40,370	2,630	-
Total financial liabilities	**41,806**	**2,843**	**3**

The sensitivity analysis given in the table below reflects the hypothetical gain/(loss) that would occur assuming the Russian rouble had weakened/strengthened by 10 percent against the US dollar and euro, and that there were no changes in the portfolio of instruments and other variables as of 31 December 2012 and 2011, respectively.

	Increase in exchange rate	31 December 2012	31 December 2011
Effect on pre-tax profit			
RR / USD	10%	(7,243)	(3,628)
RR / EUR	10%	(209)	(14)

	Decrease in exchange rate	31 December 2012	31 December 2011
Effect on pre-tax profit			
RR / USD	10%	7,243	3,628
RR / EUR	10%	209	14

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 2012 and 2011, the Group's debt at floating rates was denominated in Russian roubles, US dollars and euro (Notes 16 and 20). The Group's interest-bearing assets primarily included loans receivable and cash deposits as of 31 December 2012 and 2011.

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

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

The Group's financial results are sensitive to changes in interest rates on the floating portion of 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 2012	31 December 2011
Effect on profit before income tax			
RR-denominated debt	10%	-	(87)
USD-denominated debt	10%	(191)	(122)
EUR-denominated debt	10%	(4)	(6)

	Decrease in floating rates by	31 December 2012	31 December 2011
Effect on profit before income tax			
RR-denominated debt	10%	-	87
USD-denominated debt	10%	191	122
EUR-denominated debt	10%	4	6

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 NOVATEK Group, Cordiant Group, LUKOIL Group, TNK-BP Group, OOO Pirelli Tyre Russia, 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, Total Group, SHV Gas Supply & Risk Management Group, Primagaz Central Europe GesmbH Group, Neste Oil Group, Continental Group, Trafigura Group, International Petroleum Products Group and Naftomar LTD INC, among others. Export sales are secured primarily by letters of credit or are prepaid. 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 16,077 and RR 32,668 as of 31 December 2012 and 2011, respectively.

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

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

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

In 2011, the Group issued a finance guarantee for 50 percent of a loan obtained by OOO RusVinyl. The maximum credit risk exposure for the guarantee issued by the Group was RR 10,917 and RR 3,089 as of 31 December 2012 and 31 December 2011, respectively and increased as a result of new tranches under existing credit facilities of OOO RusVinyl.

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 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 cash equivalents and restricted cash				**14,460**

As of and for the year ended 31 December 2011	Bank equity	Rating	Credit limit for one bank	Balance
Major banks	>= 25,000	B+/B2	5,000	12,517
Secondary banks	>= 5,000	B+/B2	2,500	1,700
Other banks	Not set	Not set	Individually set	754
Total cash and cash cash equivalents and restricted cash				**14,971**

No credit limits were exceeded during the reporting period, and management does not expect any losses resulting from these counterparties' non-performance. The maximum credit risk exposure for cash and cash equivalents is RR 14,460 and RR 14,971 as of 31 December 2012 and 2011, respectively.

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

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 2012	Less than one year	Between one and two years	Between two and five years	Over five years
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**
As of 31 December 2011				
Debt	34,455	18,897	26,725	15,268
Trade and other payables	19,125	5,039	-	-
Total	**53,580**	**23,936**	**26,725**	**15,268**

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

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

In 2012 and 2011, 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 expense ratio of no lower than 7. In addition, the policy requires the Group to maintain average forward-looking net debt/EBITDA for the three forthcoming years of not higher than 2. This policy is stricter than the contractual requirements. The net debt to EBITDA ratio was 1 and 0.78 as of 31 December 2012 and 2011, respectively. The EBITDA to interest expense ratio was 118 and 34 for the years ended 31 December 2012 and 2011, respectively.

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

30 SEGMENT INFORMATION

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

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

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

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

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

	Feedstock & Energy	**Petrochemicals**	**Unallocated**	**Total**
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**
Year ended 31 December 2011				
Total segment revenue	149,478	134,243	18,221	301,942
Inter-segment transfers	(36,329)	(9,525)	(7,428)	(53,282)
External revenue	**113,149**	**124,718**	**10,793**	**248,660**
EBITDA	**68,106**	**24,330**	**(5,767)**	**86,669**

(In millions of Russian roubles, unless otherwise stated)

30 SEGMENT INFORMATION (CONTINUED)

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

	Continuing operations			
	Feedstock & Energy	**Petrochemicals**	**Unallocated**	**Total**
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)
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 acquisition of subsidiaries	-	-	430	430
Share of net income of joint ventures and associates	-	-	751	751
Gain on disposal of investments	-	-	283	283
Total profit before income tax	**70,615**	**11,212**	**(5,611)**	**76,216**
Year ended 31 December 2011				
EBITDA	**68,106**	**24,330**	**(5,767)**	**86,669**
Depreciation and amortisation	(3,152)	(3,410)	(1,654)	(8,216)
Operating profit	**64,954**	**20,920**	**(7,421)**	**78,453**
Finance income			2,910	2,910
Finance expenses	-	-	(7,325)	(7,325)
Gain on acquisition of subsidiaries	-	-	4,957	4,957
Share of net income of joint ventures and associates	-	-	236	236
Loss on disposal of investments	-	-	(380)	(380)
Impairment of notes receivable	-	-	(1,731)	(1,731)
Total profit before income tax	**64,954**	**20,920**	**(8,754)**	**77,120**

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	
	2012	**2011**
Russia	150,597	141,999
Europe	79,639	66,330
Asia	23,205	23,680
CIS	14,937	13,077
Other	2,952	3,574
Total revenue	**271,330**	**248,660**

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

(In millions of Russian roubles, unless otherwise stated)

31 PRINCIPAL SUBSIDIARIES

Principal wholly owned operating subsidiaries of the Group

OAO Gubkinskiy GPK**	OOO Togliattikauchuk
OAO Yuzhno-Balykskiy GPK**	OOO Tobolsk-Neftekhim
OOO Noyabrskiy GPK*, **	OAO Krasnoyarskiy ZSK
OAO SIBUR-Neftekhim	ZAO SIBUR-Khimprom
OAO SIBUR-PETF	ZAO SIBUR-Trans
SIBUR International GmbH (formerly Citco Waren H m.b.H.)	OOO Tomskneftekhim
OAO SIBUR TyumenGaz	OOO Biaxplen NK
OOO SIBUR-Geotekstil***	OOO Biaxplen (from 29 March 2012)
OOO SIBUR GEOSINT	

*OOO Noyabrskiy GPK is a holding company for Muravlenkovskiy GPK and Vyngapurovskiy GPK.
** OAO Gubkinsky GPK, OAO Yuzhno-Balykskiy GPK and OOO Noyabrskiy GPK merged with OAO SIBUR-TyumenGaz in December 2012.
*** OOO SIBUR-Geotekstil merged with OOO SIBUR GEOSINT in July 2012.

Other principal operating subsidiaries of the Group

	Effective percent of share capital held by the Group as of	
	31 December 2012	**31 December 2011**
OAO Uralorgsintez	100	97
OAO Voronezhsintezkauchuk	100	98
OOO Orton (formerly KOAO Orton)	100	99
OAO Plastic	100	99
OAO NIPIgazpererabotka	90	76
OAO Polief	83	83
OOO Yugragazpererabotka (Note 16, 34)*	51	51

* OOO Yugragazpererabotka (TNK-BP Group is the second shareholder) controls OOO Belozerniy GPK, OOO Nizhnevartovskiy GPK and OOO Nyagangazpererabotka.

32 RELATED PARTIES

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

The nature of the related-party relationships for those related parties with whom the Group entered into significant transactions during the year ended 31 December 2012 and 2011, or had significant balances outstanding as of 31 December 2012 and 2011, are presented below.

a) Gazprombank Group

	Year ended 31 December 2011
Investing and financing activities	
Interest expense	133
Interest income	226

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

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

b) Gazprom Group

	Year ended 31 December 2011
Operating activities	
Purchases of materials and supplies	10,298
Purchases of gas transportation and other transportation services	1,738
Purchases of other goods and services	451
Total purchases	**12,487**
Dry gas sales	4,562
Petrochemical product sales	1,347
Sales of other goods and services	13
Total revenues	**5,922**

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

c) NOVATEK Group and OOO NOVA

During the years ended 31 December 2012 and 2011, the Group engaged in transactions with OAO NOVATEK and its subsidiaries (jointly the "NOVATEK Group"). OAO NOVATEK has been a related party of the Group since December 2010 as Mr. Mikhelson, the Group's controlling shareholder, is also the Chairman of the Board of Directors and a shareholder of OAO NOVATEK. The Group's transactions and balances with the NOVATEK Group during relevant periods are set out below:

	31 December 2012	31 December 2011
Trade and other receivables	806	-
Advances and prepayments	23	-
Trade and other payables (including payables for the acquisition of subsidiaries)	1,641	1,502
Advances received	1,690	-

	Year ended 31 December 2012	Year ended 31 December 2011
Operating activities		
Purchases of natural gas	2,023	-
Natural gas sales	9,434	-
Liquid hydrocarbons sales	53	-

As of 31 December 2012, trade and other payables included RR 1,611 in payables to the NOVATEK Group for the acquisition of OOO Novatek-Polymer (renamed OOO Biaxplen NK in December 2010). This amount is payable by 30 September 2013. As of 31 December 2011, RR 1,450 payable to the NOVATEK Group for the acquisition of OOO Novatek-Polymer was included in other non-current liabilities.

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

During the year ended 31 December 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. OOO Nova has been under the significant influence of Mr. Mikhelson, the Group's controlling shareholder and thus has been a related party of the Group since December 2010. The Group's transactions and balances with OOO Nova during the relevant periods are set out below:

	31 December 2012
Trade and other receivables	1,314
Advances and prepayments	521
Trade and other payables	827

	Year ended 31 December 2012
Operating activities	
Sales of other goods and services	1,829
Purchases of other goods and services	1,831

d) Gunvor Group and Stroytransgaz Group

In October 2011, the Gunvor Group, jointly controlled by Mr. Gennady N. Timchenko, became a related party of the Group after Mr. Timchenko acquired significant influence over the Group. The Group engaged in transactions with Gunvor Group companies both before and during the period that the Gunvor Group was a related party. These transactions included sales of energy products to the Gunvor Group.

For the years ended 31 December 2012 and 2011, the Group's revenue from the sale of energy products to Gunvor Group amounted to RR 5,248 and RR 1,846, respectively. As of 31 December 2012 and 31 December 2011, the Group's trade receivables included trade receivables from Gunvor Group of RR 5 and RR 497, respectively.

During twelve months ended 31 December 2012, the Group entered into transactions with OAO Stroytransgaz and its subsidiary, OOO Stroytransgaz-M (together, the "Stroytransgaz companies"), the ultimate beneficiary of which is Mr. Timchenko, one of the Group's principal shareholders. The transactions primarily included purchases by the Group from the Stroytransgaz companies of construction, repair and maintenance services. The Group's transactions and balances with the Stroytransgaz companies during the relevant periods are set forth below:

	31 December 2012	**31 December 2011**
Trade and other receivables	1,135	-
Trade and other payables	121	4

	Year ended 31 December 2012
Operating and investing activities	
Purchases of construction and repair and maintenance services	1,015

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

e) ZAO Miracle acquisition

In December 2010, ZAO Miracle, a company ultimately controlled by Mr. Mikhelson, acquired rights to a 50 percent stake in the Company from the previous owners.

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

In September and October 2011, the Company provided RR 34,250 in loans to ZAO Miracle at an average interest rate of 8.5 percent, which mature in September 2013. The loans were used for the partial refinancing of bank loans that ZAO Miracle received for the acquisition of Company shares (Note 22).

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

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

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

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

f) 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 2012 and 2011, the Company paid RR 94 and RR 218 net of social taxes, respectively, to Board of Directors members as compensation for the years ended 31 December 2012 and 2011, respectively.

Key management has comprised 15 individuals during the third and fourth quarter 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 943 and RR 1,028 net of social taxes for the years ended 31 December 2012 and 2011, respectively.

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

g) Joint ventures and associates

As of 31 December 2012 and 2011, the Group had the following balances with its associated companies:

	31 December 2012	31 December 2011
Loans receivable	1,661	1,139
Short-term debt	625	500
Trade and other receivables	68	1,314
Trade and other payables	423	259

	Year ended 31 December	
	2012	2011
Operating and investing activities		
Purchases of materials, goods and services	4,814	7,626
Sales of materials	1,889	2,530
Interest income	675	704

h) Mineral Fertilizers

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

	Year ended 31 December 2011
Operating and investing activities	
Sales of raw materials	4,346
Sales of electricity	1,025
Interest income	556
Unwinding of discount on loans receivable	270

i) Tyres

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

	Year ended 31 December 2011
Operating and financing activities	
Sales of raw materials and other inventories	13,365
Sales of electricity	965
Sales of other work and services	40
Interest expense	294

33 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

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

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

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

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

Taxation. Russian tax, currency and customs legislation is subject to varying interpretations and changes frequently. 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 be taking a more assertive position in their interpretation of the law and assessments, and it is possible that transactions and activities that have not been challenged in the past may now be challenged. The Supreme Arbitrazh Court has issued guidance to the lower courts on reviewing tax cases, providing a systematic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of the tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for the three calendar years preceding the year under review.

Russian transfer pricing legislation was amended from 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 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.

33 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

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. It is possible that, with the evolution of the interpretation of these rules and changes in the Russian tax authorities' approach, 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 this IFRS combined financial information.

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

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

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 2013 of RR 73,694 (2012: RR 68,479).

As of 31 December 2012, the Group had contractual capital expenditure commitments of RR 55,049.

34 EVENTS AFTER THE REPORTING DATE

On 31 January 2013, the Group issued notes worth USD 1,000,000,000 on the Irish Stock Exchange bearing 3.914 percent annual interest and maturing in 2018. The Group used the aggregate net proceeds from the notes issue for general corporate purposes and refinancing of short-term debt.

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, which was previously set to expire in 2016, has become indefinite and the call options that had entitled the Group to purchase TNK-BP's share in OOO Yugragazpererabotka have been terminated. Therefore, from 12 March 2013, the Group will start accounting for its investment in OOO Yugragazpererabotka in accordance with IFRS 11 *Joint Arrangements* in its financial statements as opposed to the previously used approach where OOO Yugragazpererabotka was consolidated as a wholly-owned subsidiary of the Group and TNK-BP's contribution was accounted for as interest-bearing long-term loans. The results of the de-consolidation of OOO Yugragazpererabotka will be recognised within statement of income for the first quarter of 2013.

On 25 March 2013, the Company's Board of Directors voted to distribute RR 7,625 as dividends to the Company's shareholders by paying out a dividend of 3.5 Russian roubles per ordinary share.

35 NEW ACCOUNTING DEVELOPMENTS

Beginning from 1 January 2012, the Group has adopted the following new standards and interpretations:

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 *Financial instruments: Disclosures* (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on an entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment did not have a material impact on this combined financial information.

IFRS 1 *First-Time Adoption of IFRS*, relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, did not have any impact on these consolidated financial statements. The amendment to IAS 12 *Income Taxes*, which introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, did not have a material impact on this combined financial information.

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2013 or later, and which the Group has not early adopted and which may impact on combined financial information in the future:

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

35 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

- IFRS 11 *Joint Arrangements*, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Ventures*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The previously existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group is currently assessing the impact of the new standard on its combined financial information.
- IFRS 12 *Disclosure of Interest in Other Entities*, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)**,** applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on the share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the new standard on its combined financial information.
- Amended IAS 19 *Employee Benefits* (issued in June 2011 and effective for periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group is currently assessing the impact of the amended standard on its combined financial information.

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2013 or later, and which the Group has not early adopted:

- IFRS 9 *Financial Instruments: Classification and Measurement*;
- IFRS 13 *Fair Value Measurement*, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- IAS 27 *Consolidated and Separate Financial Statements*, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- IAS 28 *Investments in Associates and Joint Ventures*, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 1 *Presentation of Financial Statements* (issued June 2011, effective for annual periods beginning on or after 1 July 2012);
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 *Financial Instruments: Disclosures* (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013);
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 *Financial instruments: Presentation* (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014);
- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013);

35 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);
- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards – Government Loans* (issued in March 2012 and effective for annual periods beginning 1 January 2013);
- 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);
- Other revised standards and interpretations: IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.

The Group is currently assessing the impact of these new standards on the combined financial information.

The Group's Head Office:

OAO SIBUR Holding

16/1 Krzhizhanovskogo St.

Moscow, GSP-7, 117997

Russia

Tel/fax: +7 (495) 777 5500

Website:

www.sibur.ru (Russian)

www.sibur.com (English)