

**ОАО SIBUR Holding**

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

**As of and for the three and six months ended 30 June 2012**



## ***Report on review of combined interim condensed financial information***

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

### **Introduction**

1. We have reviewed the accompanying combined interim condensed statement of financial position of the feedstock and energy and petrochemical segments of OAO SIBUR Holding as described in note 1 and 2 (the "Group") as of 30 June 2012 and the related combined interim condensed statements of comprehensive income, cash flows and changes in equity for the three and six months then ended. Management is responsible for the preparation and presentation of this combined interim condensed financial information as set out on pages 2 to 26 in accordance with International Accounting Standard No.34, *Interim Financial Reporting*, and the basis of preparation set out in note 2 to the combined interim condensed financial information. Our responsibility is to express a conclusion on this combined interim condensed financial information based on our review.

### **Scope of review**

2. We conducted our review in accordance with International Standard on Review Engagements No.2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of combined interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying combined interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standards No.34, *Interim Financial Reporting*.

*ZAO PricewaterhouseCoopers Audit*

Moscow, Russian Federation

14 September 2012

**OA O SIBUR HOLDING**  
**IFRS COMBINED INTERIM CONDENSED STATEMENT OF FINANCIAL**  
**POSITION (UNAUDITED)**

(In millions of Russian rubles, unless otherwise stated)



| Notes |  | 30 June 2012   | 31 December 2011 |
|-------|--|----------------|------------------|
|       | <b>Assets</b>  |                |                  |
|       | <b>Non-current assets</b>  |                |                  |
| 5     | Property, plant and equipment  | 171,738        | 150,502          |
| 3     | Goodwill   | 9,480          | 6,697            |
| 6     | Investments in joint ventures  | 16,694         | 18,118           |
|       | Deferred income tax assets   | 11,409         | 10,380           |
| 7     | Advances and prepayments for capital construction                          | 43,920         | 32,858           |
| 8     | Loans receivable   | 692            | 638              |
| 9     | Trade and other receivables  | 27             | 335              |
| 10    | Other non-current assets   | 4,877          | 3,432            |
|       | <b>Total non-current assets</b>  | <b>258,837</b> | <b>222,960</b>   |
|       | <b>Current assets</b>  |                |                  |
| 11    | Inventories  | 22,756         | 22,187           |
| 9     | Trade and other receivables  | 14,546         | 20,965           |
| 9     | Receivables for disposed businesses  | 600            | 11,368           |
|       | Prepaid current income tax   | 1,332          | 3,025            |
| 12    | Prepayments and other current assets                                       | 20,060         | 20,749           |
| 8     | Loans receivable   | 773            | 911              |
| 13    | Cash and cash equivalents  | 3,955          | 14,971           |
| 13    | Restricted cash  | 1,567          | -                |
| 4     | Assets classified as held for sale   | 2,851          | 5,993            |
|       | <b>Total current assets</b>  | <b>68,440</b>  | <b>100,169</b>   |
|       | <b>Total assets</b>  | <b>327,277</b> | <b>323,129</b>   |
|       | <b>Liabilities and Equity</b>  |                |                  |
|       | <b>Non-current liabilities</b>   |                |                  |
| 14    | Long-term debt   | 53,944         | 51,716           |
| 16    | Grants and subsidies   | 18,639         | 19,549           |
|       | Deferred income tax liabilities  | 9,259          | 8,110            |
| 17    | Non-current trade and other payables                                       | 4,883          | 6,512            |
|       | <b>Total non-current liabilities</b>                                       | <b>86,725</b>  | <b>85,887</b>    |
|       | <b>Current liabilities</b>   |                |                  |
| 15    | Short-term debt and current portion of long-term debt                      | 29,430         | 31,194           |
| 18    | Current trade and other payables   | 29,755         | 29,973           |
|       | Income tax payable   | 1,584          | 5,286            |
| 19    | Taxes other than income tax payable  | 6,573          | 4,788            |
| 4     | Liabilities associated with non-current assets classified as held for sale | -              | 667              |
|       | <b>Total current liabilities</b>   | <b>67,342</b>  | <b>71,908</b>    |
|       | <b>Total liabilities</b>   | <b>154,067</b> | <b>157,795</b>   |
|       | <b>Equity</b>  |                |                  |
|       | Shareholders of the Parent – net investment                                | 171,726        | 163,911          |
|       | Non-controlling interest   | 1,484          | 1,423            |
|       | <b>Total equity</b>  | <b>173,210</b> | <b>165,334</b>   |
|       | <b>Total liabilities and equity</b>  | <b>327,277</b> | <b>323,129</b>   |

V. V. Razumov  
Acting Chief Executive Officer  
14 September 2012

A. N. Filippovskiy  
Chief Financial Officer  
14 September 2012

The accompanying notes on pages 6 to 26 are an integral part of this combined interim condensed financial information.

**ОАО СИБУР HOLDING**  
**IFRS COMBINED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

(In millions of Russian rubles, unless otherwise stated)



| Notes | Three months ended 30 June:                                  |               | Six months ended 30 June: |               |               |
|-------|--|---------------|---------------------------|---------------|---------------|
|       | 2012   | 2011          | 2012                      | 2011          |               |
|       | <b>Continuing operations</b>                                 |               |                           |               |               |
| 21    | Revenue  | 65,330        | 62,108                    | 136,926       | 121,586       |
| 22    | Operating expenses   | (48,302)      | (40,483)                  | (99,081)      | (80,122)      |
|       | <b>Operating profit</b>                                      | <b>17,028</b> | <b>21,625</b>             | <b>37,845</b> | <b>41,464</b> |
| 23    | Finance income   | 103           | 847                       | 1,570         | 1,829         |
| 23    | Finance expenses   | (6,184)       | (1,769)                   | (3,156)       | (2,238)       |
| 3     | Gain on acquisition of a subsidiary                          | -             | -                         | 430           | -             |
|       | Share of net (loss)/income of joint ventures                 | (13)          | 122                       | (79)          | 255           |
|       | Loss on disposal of investments                              | -             | (246)                     | -             | (246)         |
|       | <b>Profit before income tax</b>                              | <b>10,934</b> | <b>20,579</b>             | <b>36,610</b> | <b>41,064</b> |
| 24    | Income tax expense   | (2,468)       | (4,821)                   | (6,633)       | (8,565)       |
|       | <b>Profit from continuing operations</b>                     | <b>8,466</b>  | <b>15,758</b>             | <b>29,977</b> | <b>32,499</b> |
|       | <b>Total comprehensive income from continuing operations</b> | <b>8,466</b>  | <b>15,758</b>             | <b>29,977</b> | <b>32,499</b> |
|       | <b>Discontinued operations</b>                               |               |                           |               |               |
| 4     | Loss from discontinued operations                            | -             | -                         | (315)         | -             |
| 4     | <b>Total comprehensive loss from discontinued operations</b> | <b>-</b>      | <b>-</b>                  | <b>(315)</b>  | <b>-</b>      |
|       | <b>Total comprehensive income for the reporting period</b>   | <b>8,466</b>  | <b>15,758</b>             | <b>29,662</b> | <b>32,499</b> |
|       | <b>Profit for the reporting period</b>                       | <b>8,466</b>  | <b>15,758</b>             | <b>29,662</b> | <b>32,499</b> |
|       | <b>Profit/(loss) attributable to:</b>                        |               |                           |               |               |
|       | Non-controlling interest                                     | (3)           | (9)                       | 61            | (44)          |
|       | Shareholders of the Parent                                   | 8,469         | 15,767                    | 29,601        | 32,543        |

The accompanying notes on pages 6 to 26 are an integral part of this combined interim condensed financial information.

**OAo SIBUR HOLDING**  
**IFRS COMBINED INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**



(In millions of Russian rubles, millions, unless otherwise stated)

| Notes  | <b>Six months ended 30 June:</b>  |                 |                 |
|--------|---|-----------------|-----------------|
|        | <b>2012</b>   | <b>2011</b>     |                 |
|        | Cash from operating activities of continuing operations before                                  |                 |                 |
| 25     | income tax payment  | <b>46,595</b>   | <b>34,372</b>   |
| 24, 25 | Income tax paid from continuing operations  | (7,748)         | (6,926)         |
| 25     | <b>Net cash from operating activities of continuing operations</b>                              | <b>38,847</b>   | <b>27,446</b>   |
|        | <b>Net cash from operating activities</b>   | <b>38,847</b>   | <b>27,446</b>   |
|        | Purchase of property, plant and equipment   | (32,226)        | (15,599)        |
|        | Loans issued  | (1,415)         | (10,379)        |
| 2      | Proceeds from disposal of the Mineral Fertilizers business, net of related income tax of RR 900 | 7,689           | -               |
|        | Settlement of receivables   | 2,631           | -               |
|        | Proceeds from sale of financial instruments   | 2,273           | -               |
| 13     | Restricted cash for capital construction  | (1,567)         | -               |
| 6,9    | Dividends received  | 1,314           | -               |
|        | Repayment of loans and notes receivable   | 410             | 780             |
|        | Proceeds from sale of property, plant and equipment   | 654             | 1,120           |
|        | Proceeds from disposal of subsidiaries, net of cash disposed                                    | -               | 736             |
| 3      | Acquisition of subsidiaries, net of cash acquired   | (1,138)         | (137)           |
|        | (Increase)/decrease in other non-current assets, net  | (430)           | 355             |
|        | <b>Cash used in investing activities of continuing operations</b>                               | <b>(21,805)</b> | <b>(23,124)</b> |
| 4      | <b>Cash from investing activities of discontinued operations net of related income tax</b>      | <b>5,984</b>    | -               |
|        | <b>Net cash used in investing activities</b>  | <b>(15,821)</b> | <b>(23,124)</b> |
|        | Proceeds from long-term debt  | 8,624           | 13,463          |
|        | Repayment of long-term debt   | (9,094)         | (19,732)        |
|        | Proceeds from short-term debt   | 13,523          | 8,452           |
|        | Repayment of short-term debt  | (23,644)        | (21,558)        |
| 20     | Dividends paid  | (21,786)        | -               |
| 20     | Sale of OAO SIBUR Holding shares  | -               | 6,984           |
|        | Interest received   | 413             | 276             |
|        | Interest paid   | (1,743)         | (1,108)         |
|        | Payment of bank fees  | (172)           | (214)           |
|        | Other   | (9)             | 184             |
|        | <b>Cash used in financing activities of continuing operations</b>                               | <b>(33,888)</b> | <b>(13,253)</b> |
|        | <b>Net cash used in financing activities</b>  | <b>(33,888)</b> | <b>(13,253)</b> |
|        | Effect of exchange rate changes on cash and cash equivalents                                    | (154)           | (161)           |
|        | <b>Net decrease in cash and cash equivalents</b>  | <b>(11,016)</b> | <b>(9,092)</b>  |
|        | Cash and cash equivalents, at the beginning of the reporting period                             | 14,971          | 15,416          |
|        | <b>Cash and cash equivalents, at the end of the reporting period</b>                            | <b>3,955</b>    | <b>6,324</b>    |

The accompanying notes on pages 6 to 26 are an integral part of this combined interim condensed financial information.

**OAo SIBUR HOLDING**  
**IFRS COMBINED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**(UNAUDITED)**

(In millions of Russian rubles, millions, unless otherwise stated)



| Notes | Shareholders of<br>the Parent – net<br>investment  | Non-<br>controlling<br>interest | Total<br>equity |
|-------|--|---------------------------------|-----------------|
|       | <b>113,692</b>   | <b>672</b>                      | <b>114,364</b>  |
|       | Profit for the reporting period  | (44)                            | 32,499          |
|       | <b>32,543</b>  | <b>(44)</b>                     | <b>32,499</b>   |
|       | <b>6,984</b>   | <b>-</b>                        | <b>6,984</b>    |
| 20    | Sale of OAO SIBUR Holding shares   | -                               | 6,984           |
|       | Net contributions/distributions from/to<br>shareholders of Mineral Fertilizers and Tires<br>businesses | -                               | (918)           |
| 20    | (918)  | -                               | (918)           |
|       | <b>152,301</b>   | <b>628</b>                      | <b>152,929</b>  |
|       | <b>163,911</b>   | <b>1,423</b>                    | <b>165,334</b>  |
|       | Profit for the reporting period  | 61                              | 29,662          |
|       | <b>29,601</b>  | <b>61</b>                       | <b>29,662</b>   |
|       | Comprehensive income for the reporting<br>period   | 61                              | 29,662          |
|       | Dividends paid   | -                               | (21,786)        |
|       | <b>(21,786)</b>  | <b>-</b>                        | <b>(21,786)</b> |
|       | <b>171,726</b>   | <b>1,484</b>                    | <b>173,210</b>  |

The accompanying notes on pages 6 to 26 are an integral part of this combined interim condensed financial information.



## **1 NATURE OF OPERATIONS**

OAO SIBUR Holding (the “Company”) and its subsidiaries (together referred to as the “SIBUR Group”) form a vertically integrated feedstock and petrochemicals business. This combined interim condensed financial information of the Company and its subsidiaries excludes those engaged in the activities of the Mineral Fertilizers and Tires 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 overall sales have no material exposure to seasonal factors. 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) had been 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 (owning 100% of the share capital).

## **2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

***Basis of preparation.*** This combined interim condensed financial information has been prepared in accordance with International Accounting Standard No. 34 *Interim Financial Reporting* (“IAS 34”) except as described below. It should be read in conjunction with the Group’s combined financial information for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRIC interpretations except in those instances detailed below.

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

The combined interim condensed 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 Feedstock & Energy and Petrochemicals reportable segments of the SIBUR Group. The principal entities included within this combined interim condensed financial information are shown in Note 27.

During the first quarter 2011, the SIBUR Group announced its intention to sell its Mineral Fertilizers and Tires businesses. These businesses were disposed of by the SIBUR Group in December 2011. This combined interim condensed financial information excludes those businesses.

The principal accounting policies applied by the Group are consistent with those disclosed in the Group’s combined financial information for the year ended 31 December 2011, except for income tax expense recognized based on the Group management’s best estimate of the weighted average annual income tax rate expected for the full financial year.



### 3 ACQUISITION OF OOO BIAXPLEN

*Acquisition of OOO Biaxplen.* On 29 March 2012 the Group finalized 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 our positions on a growing 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:

|  | <b>Provisional fair values</b> |
|--|--------------------------------|
| Cash and cash equivalents                    | 62                             |
| Intangible assets                            | 680                            |
| Property, plant and equipment                | 5,183                          |
| Deferred tax assets                          | 447                            |
| Other non-current assets                     | 6                              |
| Inventory                                    | 857                            |
| Trade and other receivables                  | 1,294                          |
| Loans issued                                 | 71                             |
| Other current assets                         | 29                             |
| Loans and borrowings                         | (7,047)                        |
| Trade and other payables                     | (1,279)                        |
| Deferred tax liabilities                     | (656)                          |
| Other current liabilities                    | (30)                           |
| <b>Net assets of the acquired subsidiary</b> | <b>(383)</b>                   |
| Less:  |                                |
| Fair value of interest previously held       | 1,200                          |
| Total purchase consideration                 | 1,200                          |
| <b>Goodwill arising on acquisition</b>       | <b>2,783</b>                   |

The acquired subsidiary contributed RR 2,042 revenue and RR 58 profit to the Group for the period from the acquisition date to 30 June 2012. If the acquisition had occurred on 1 January 2012, the Group revenue and profit from continuing operations for the six months of 2012 would have been RR 138,646 and RR 29,787, respectively.

As of the acquisition date, the Group remeasured its previously held interest in OOO Biaxplen at fair value (Note 6). As a result, a RR 430 gain was recognized in the combined interim condensed statement of comprehensive income.

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

|  |              |
|--|--------------|
| <b>Total purchase consideration</b>                        | <b>1,200</b> |
| Less:  |              |
| Cash and cash equivalents of the acquired subsidiary       | (62)         |
| <b>Outflow of cash and cash equivalents on acquisition</b> | <b>1,138</b> |

The acquired entity did not prepare financial statements in accordance with IFRS. Therefore, the IFRS carrying amounts of the assets and liabilities acquired are not disclosed.





#### **4 DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE**

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

Cash from investing activities in the combined interim condensed statement of cash flows include RR 5,984 for OAO Kirov Tire Plant and ZAO Voronezh Tire Plant from OOO E-Volution Tire as sale consideration.

The post-tax loss recognized on the disposal of ZAO Voronezh Tire Plant included as loss from discontinued operations in the combined interim condensed statement of comprehensive income was calculated as follows:

|   |              |
|---|--------------|
| <b>Total consideration</b>                                  | <b>3,641</b> |
| Less: net assets disposed                                   | 3,956        |
| <b>Post-tax loss on disposal of ZAO Voronezh Tire Plant</b> | <b>(315)</b> |

*Other assets classified as held for sale.* As of 30 June 2012 and 31 December 2011, assets classified as held for sale included a number of construction projects of RR 2,851 and RR 1,370, respectively, administrated by ZAO Severnye Gazoprovody and OOO Yugozapadnye Gazoprovody. The Group plans to sell this property, plant and equipment in 2012.

## 5 PROPERTY, PLANT AND EQUIPMENT

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

|   | Buildings     | Facilities    | Machinery and equipment | Transport    | Assets under construction | Other        | Total          |
|---|---------------|---------------|-------------------------|--------------|---------------------------|--------------|----------------|
| <b>Net book value as of 31 December 2010</b>      | <b>11,717</b> | <b>18,427</b> | <b>18,840</b>           | <b>6,942</b> | <b>44,762</b>             | <b>974</b>   | <b>101,662</b> |
| Depreciation charge                               | (225)         | (977)         | (1,853)                 | (298)        | -                         | (88)         | (3,441)        |
| Additions   | 6             | 27            | 28                      | 134          | 15,820                    | 2            | 16,017         |
| Reclassifications                                 | (17)          | -             | -                       | -            | -                         | 17           | -              |
| Transfers   | 821           | 3,646         | 3,076                   | 953          | (9,042)                   | 546          | -              |
| Disposals of subsidiaries                         | (7)           | (59)          | (151)                   | (19)         | (39)                      | (12)         | (287)          |
| Disposals   | (3)           | (21)          | (20)                    | (8)          | (970)                     | (113)        | (1,135)        |
| <b>Net book value as of 30 June 2011</b>          | <b>12,292</b> | <b>21,043</b> | <b>19,920</b>           | <b>7,704</b> | <b>50,531</b>             | <b>1,326</b> | <b>112,816</b> |
| Historical cost as of 30 June 2011                | 18,361        | 31,511        | 38,600                  | 10,464       | 50,531                    | 2,034        | 151,501        |
| Accumulated depreciation                          | (6,069)       | (10,468)      | (18,680)                | (2,760)      | -                         | (708)        | (38,685)       |
| <b>Net book value as of 31 December 2011</b>      | <b>18,334</b> | <b>28,138</b> | <b>31,224</b>           | <b>7,497</b> | <b>63,598</b>             | <b>1,711</b> | <b>150,502</b> |
| Depreciation charge                               | (354)         | (1,378)       | (2,237)                 | (376)        | -                         | (112)        | (4,457)        |
| Additions   | 25            | 11            | 21                      | -            | 24,702                    | 2            | 24,761         |
| Acquisition of subsidiaries (Note 3)              | 2,364         | 268           | 2,452                   | 14           | 16                        | 69           | 5,183          |
| Reclassifications                                 | -             | 949           | (316)                   | (20)         | -                         | (613)        | -              |
| Transfers   | 460           | 4,347         | 2,199                   | 35           | (7,146)                   | 105          | -              |
| Disposals   | (154)         | (227)         | (2)                     | (23)         | (730)                     | (2)          | (1,138)        |
| Impairment  | (115)         | (47)          | (26)                    | (2)          | -                         | (72)         | (262)          |
| Reclassification to assets held for sale (Note 4) | -             | (2,851)       | -                       | -            | -                         | -            | (2,851)        |
| <b>Net book value as of 30 June 2012</b>          | <b>20,560</b> | <b>29,210</b> | <b>33,315</b>           | <b>7,125</b> | <b>80,440</b>             | <b>1,088</b> | <b>171,738</b> |
| Historical cost as of 30 June 2012                | 27,054        | 42,076        | 55,499                  | 10,387       | 80,440                    | 1,865        | 217,321        |
| Accumulated depreciation                          | (6,494)       | (12,866)      | (22,184)                | (3,262)      | -                         | (777)        | (45,583)       |

For the six months ended 30 June 2012 and 2011, the Group capitalized interest expense of RR 1,370 and RR 573, respectively. The capitalization rate was 4.81 percent and 4.73 percent, respectively.

The Group recognized RR 262 impairment loss for chlorine and caustic soda production assets in Dzerzhinsk (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.



## 6 INVESTMENTS IN JOINT VENTURES

|                     | 30 June 2012  | 31 December 2011 |
|---------------------|---------------|------------------|
| OOO RusVinyl        | 13,152        | 13,371           |
| OOO NPP Neftekhimia | 3,350         | 3,523            |
| OOO Biaxplen        | -             | 960              |
| OOO ITSK            | 182           | 256              |
| Other               | 10            | 8                |
|                     | <b>16,694</b> | <b>18,118</b>    |

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

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

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

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

|                          | Country of incorporation | Nature of operations                | Interest, percent, held as of |                  |
|--------------------------|--------------------------|-------------------------------------|-------------------------------|------------------|
|                          |                          |                                     | 30 June 2012                  | 31 December 2011 |
| OOO RusVinyl             | Russia                   | Polyvinyl chloride production       | 50                            | 50               |
| OOO NPP Neftekhimia      | Russia                   | Polypropylene production            | 50                            | 50               |
| OOO Yuzhno-Priobskiy GPZ | Russia                   | Associated petroleum gas processing | 50                            | 50               |
| OOO Biaxplen             | Russia                   | BOPP-film production                | 100                           | 50               |
| OOO ITSK                 | Russia                   | IT Services                         | 50                            | 50               |

During the six months ended 30 June 2012, the Group received dividends from OOO NPP Neftekhimia and OOO ITSK in a total amount of RR 575.

## 7 ADVANCES AND PREPAYMENTS FOR CAPITAL CONSTRUCTION

As of 30 June 2012 and 31 December 2011 the most significant advances and prepayments for capital construction had been paid to the Group's contractors for the construction of a polypropylene plant in Tobolsk, and for the construction of gas infrastructure assets in the St. Petersburg area. The Group's most significant advances and prepayments related to capital construction projects were paid to the following contractors: LINDE-KCA-DRESDEN GmbH, Tecnimont S.p.A., OOO Tecnimont Russia, OOO Gazprom Mezhrefiongaz, OAO ChelPipe, TECHNIP BENELUX B.V. and OOO Baltiyskaya Expeditorskaya Kompaniya.



## 8 LOANS RECEIVABLE

|                           | <b>30 June 2012</b> | <b>31 December 2011</b> |
|---------------------------|---------------------|-------------------------|
| OAo SIBUR-Russian Tires   | -                   | 410                     |
| OOO Yuzhno-Priobskiy GPZ  | 1,205               | 638                     |
| OOO Biaxplen              | -                   | 501                     |
| Other                     | 260                 | -                       |
|                           | <b>1,465</b>        | <b>1,549</b>            |
| Less: non-current portion | (692)               | (638)                   |
|                           | <b>773</b>          | <b>911</b>              |

## 9 TRADE AND OTHER RECEIVABLES

|   | <b>30 June 2012</b> | <b>31 December 2011</b> |
|---|---------------------|-------------------------|
| Trade receivables (net of impairment provisions of RR 280 and RR 243 as of 30 June 2012 and 31 December 2011, respectively) | 12,625              | 14,816                  |
| Other receivables (net of impairment provisions of RR 0 and RR 1,771 as of 30 June 2012 and 31 December 2011, respectively) | 1,948               | 6,484                   |
|   | <b>14,573</b>       | <b>21,300</b>           |
| Less: non-current portion   |                     |                         |
| Other receivables   | (27)                | (335)                   |
|   | <b>14,546</b>       | <b>20,965</b>           |
| Receivables for disposed businesses   | 600                 | 11,368                  |

As of 30 June 2012 and 31 December 2011 other receivables included RR 900 and RR 3,500 (net of impairment provision of RR 1,731) from Amtel Group, respectively. The Group received RR 2,600 during the six months period ended 30 June 2012.

Also, as of 31 December 2011 other receivables included RR 739 of dividends receivable from OAo SIBUR-Russian Tires and PhosAgro which were received during the six months period ended 30 June 2012.

## 10 OTHER NON-CURRENT ASSETS

|  | <b>30 June 2012</b> | <b>31 December 2011</b> |
|--|---------------------|-------------------------|
| Intangible assets                                    | 1,892               | 1,209                   |
| Metal catalysts                                      | 1,369               | 674                     |
| Natural gas liquids in pipelines                     | 650                 | 633                     |
| Recoverable VAT related to assets under construction | 184                 | 364                     |
| Other  | 782                 | 552                     |
|  | <b>4,877</b>        | <b>3,432</b>            |

## 11 INVENTORIES

|  | <b>30 June 2012</b> | <b>31 December 2011</b> |
|--|---------------------|-------------------------|
| Refined products (net of impairment provisions of RR 65 and RR 85 as of 30 June 2012 and 31 December 2011, respectively)         | 13,318              | 14,251                  |
| Materials and supplies (net of impairment provisions of RR 118 and RR 130 as of 30 June 2012 and 31 December 2011, respectively) | 8,741               | 7,148                   |
| Goods for resale (net of impairment provisions of RR 0 and RR 19 as of 30 June 2012 and 31 December 2011, respectively)          | 697                 | 788                     |
|  | <b>22,756</b>       | <b>22,187</b>           |



## 12 PREPAYMENTS AND OTHER CURRENT ASSETS

|  | 30 June 2012  | 31 December 2011 |
|--|---------------|------------------|
| <b>Financial assets</b>                              |               |                  |
| Listed equity securities held for trading            | -             | 1,400            |
| Derivative financial instruments                     | -             | 548              |
| <b>Non-financial assets</b>                          |               |                  |
| Prepayments and advances to suppliers                | 3,748         | 5,142            |
| VAT receivable                                       | 5,965         | 4,567            |
| Recoverable VAT                                      | 3,141         | 3,384            |
| Recoverable excise                                   | 3,838         | 1,275            |
| Prepaid borrowing cost                               | 2,291         | 2,784            |
| Other prepaid taxes                                  | 1,076         | 1,367            |
| Other current assets                                 | 185           | 646              |
| <b>Total prepayments and other current assets</b>    | <b>20,244</b> | <b>21,113</b>    |
| Less: non-current portion                            |               |                  |
| Recoverable VAT related to assets under construction | (184)         | (364)            |
|  | <b>20,060</b> | <b>20,749</b>    |

During the three months ended 30 June 2012, the Group exercised the put option and, as a result, disposed of its investment in PhosAgro's shares. A gain on the disposal in the amount of RR 31 was recognized within other finance income (Note 23).

## 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included deposits held with banks, which are readily convertible to cash and have an original maturity of less than three months of RR 1,208 and RR 5,775 as of 30 June 2012 and 31 December 2011, respectively.

Restricted cash included OAO Vnesheconombank letters of credit worth RR 1,567 as of 30 June 2012. The letters of credit were opened to finance capital construction expenditures for the construction of a polypropylene plant in Tobolsk.



## 14 LONG-TERM DEBT

|   | Currency | Due       | 30 June 2012  | 31 December 2011 |
|---|----------|-----------|---------------|------------------|
| <b>Long-term debt payable to</b>        |          |           |               |                  |
| <u>Variable rate</u>                    |          |           |               |                  |
| OAO Vnesheconombank                     | USD      | 2013-2023 | 17,802        | 13,718           |
| OAO Nordea Bank                         | USD      | 2013-2016 | 11,463        | 11,246           |
| OAO Rosbank AKB                         | USD      | 2013      | 4,923         | 4,829            |
| HSBC Bank plc                           | USD      | 2013-2014 | 4,923         | -                |
| ING Bank Group                          | EUR, USD | 2008-2021 | 1,551         | 1,627            |
| UniCredit Bank AG                       | EUR      | 2013-2019 | 920           | 858              |
| <u>Fixed rate</u>                       |          |           |               |                  |
| OAO Sberbank of Russia                  | RR       | 2012-2014 | 15,429        | 18,000           |
| OAO TNK-BP                              | RR, USD  | 2013-2017 | 4,825         | 4,545            |
| OOO Mezhhregiongaz                      | RR       | 2011-2014 | 4,657         | 4,547            |
| NPP Neftekhimia                         | RR       | 2015      | 325           | -                |
| Russian ruble-denominated bonds         | RR       | 2012      | 31            | 31               |
| Other                                   | USD      | 2031      | 14            | 15               |
| <b>Total long-term debt</b>             |          |           | <b>66,863</b> | <b>59,416</b>    |
| Less: current portion of long-term debt |          |           | (12,919)      | (7,700)          |
|   |          |           | <b>53,944</b> | <b>51,716</b>    |

Long-term RR-denominated debt bears average interest rates of 7.3 percent and 7.2 percent as of 30 June 2012 and 31 December 2011, respectively. Long-term USD-denominated debt bears average interest rates of 3.7 percent and 3.5 percent as of 30 June 2012 and 31 December 2011, respectively. Long-term EUR-denominated debt bears average interest rates of 2.4 percent and 3.1 percent as of 30 June 2012 and 31 December 2011, respectively.

As of 30 June 2012 and 31 December 2011, the Group had the following committed long-term credit facilities:

|                                      | Credit limit | Undrawn amount |
|--------------------------------------|--------------|----------------|
| <b>As of 30 June 2012</b>            |              |                |
| EUR-denominated (in millions of EUR) | 37           | 2              |
| USD-denominated (in millions of USD) | 1,646        | 1,031          |
| RR-denominated (in millions of RR)   | 27,000       | 18,000         |
| <b>As of 31 December 2011</b>        |              |                |
| 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 30 June 2012 and 31 December 2011 the total ruble equivalent of the Group's undrawn committed long-term credit facilities was RR 51,939 and RR 52,514, respectively.

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

|                                   | 30 June 2012  | 31 December 2011 |
|-----------------------------------|---------------|------------------|
| <b>Short-term debt:</b>           |               |                  |
| RR-denominated debt               | 4,415         | 15,542           |
| USD-denominated debt              | 12,096        | 7,675            |
| EUR-denominated debt              | -             | 277              |
|                                   | <b>16,511</b> | <b>23,494</b>    |
| Current portion of long-term debt | 12,919        | 7,700            |
|                                   | <b>29,430</b> | <b>31,194</b>    |



## 15 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT (CONTINUED)

Short-term RR-denominated debt bears average interest rates of 7.6 percent and 7.8 percent as of 30 June 2012 and 31 December 2011, respectively. Short-term USD-denominated debt bears average interest rates of 2.2 and 2.2 percent as of 30 June 2012 and 31 December 2011, respectively. Short-term EUR-denominated debt bears an average interest rate of 2.0 percent as of 31 December 2011; there were no short-term EUR-denominated debt as of 30 June 2012.

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

## 16 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         |
|--------------------------------|---------------|--------------|
| <b>Balance as of 1 January</b> | <b>20,249</b> | <b>7,286</b> |
| Grants and subsidies received  | -             | 159          |
| Recognized in profit or loss   | (210)         | -            |
| <b>Balance as of 30 June</b>   | <b>20,039</b> | <b>7,445</b> |
| Less: current portion          | (1,400)       | -            |
|                                | <b>18,639</b> | <b>7,445</b> |

## 17 NON-CURRENT TRADE AND OTHER PAYABLES

|  | 30 June 2012 | 31 December 2011 |
|--|--------------|------------------|
| <b>Financial liabilities</b>             |              |                  |
| Payables for acquisition of subsidiaries | 1,375        | 3,090            |
| Interest payable                         | 1,542        | 1,353            |
| Promissory notes payable                 | 564          | 564              |
| Other liabilities                        | -            | 32               |
|  | <b>3,481</b> | <b>5,039</b>     |
| <b>Non-financial liabilities</b>         |              |                  |
| Post-employment obligations              | 1,296        | 1,296            |
| Other                                    | 106          | 177              |
|  | <b>1,402</b> | <b>1,473</b>     |
|  | <b>4,883</b> | <b>6,512</b>     |

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

As of 30 June 2012 and 31 December 2011, non-current other payables included payables for the acquisition of OAO Polief of RR 1,375 and RR 1,640, respectively.

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



## 18 CURRENT TRADE AND OTHER PAYABLES

|  | 30 June 2012  | 31 December 2011 |
|--|---------------|------------------|
| <b>Financial liabilities</b>   |               |                  |
| Accounts payable to contractors and suppliers of property, plant and equipment | 10,187        | 9,094            |
| Trade payables   | 7,328         | 6,673            |
| Payables for acquisition of subsidiaries                                       | 1,741         | -                |
| Short term promissory notes payable  | -             | 2,631            |
| Interest payable   | 502           | 510              |
| Other payables   | -             | 217              |
|  | <b>19,758</b> | <b>19,125</b>    |
| <b>Non-financial liabilities</b>   |               |                  |
| Payables to employees  | 4,510         | 4,059            |
| Advances from customers  | 2,998         | 3,769            |
| Other payables   | 1,089         | 2,320            |
| Current portion of grants and subsidies  | 1,400         | 700              |
|  | <b>9,997</b>  | <b>10,848</b>    |
|  | <b>29,755</b> | <b>29,973</b>    |

As of 30 June 2012 and 31 December 2011, payables to employees included provisions for bonuses of RR 2,982 and RR 2,540, respectively.

As of 30 June 2012, payables for acquisition of subsidiaries included payables for the acquisitions of OAO Polief of RR 238, OOO Biaxplen NK of RR 1,503.

## 19 TAXES OTHER THAN INCOME TAX PAYABLE

|              | 30 June 2012 | 31 December 2011 |
|--------------|--------------|------------------|
| Excise tax   | 3,413        | 1,061            |
| VAT          | 1,851        | 2,416            |
| Social taxes | 743          | 235              |
| Property tax | 287          | 227              |
| Other taxes  | 279          | 849              |
|              | <b>6,573</b> | <b>4,788</b>     |

## 20 EQUITY

Equity of the Group is comprised of net investment of shareholders of the parent company and non-controlling interest. In February 2011, OAO Gazprombank acquired 2,005,002 shares of OAO SIBUR Holding from the Group for a cash consideration of RR 6,984. During the six months ended 30 June 2012, dividends in the amount of RR 21,786 were paid.

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

|   | Six months 30 June ended: |            |
|---|---------------------------|------------|
|   | 2012                      | 2011       |
| Deferred income tax related to disposal of Mineral Fertilizers and Tires businesses | -                         | 718        |
| Other contributions from disposed businesses  | -                         | 200        |
|   | -                         | <b>918</b> |





(In millions of Russian rubles, unless otherwise stated)

## 21 REVENUE

|   | Three months ended 30 June: |               | Six months ended 30 June: |                |
|---|-----------------------------|---------------|---------------------------|----------------|
|   | 2012                        | 2011          | 2012                      | 2011           |
| <b>Sales of refined products (net of excise tax, customs duties and VAT):</b> |                             |               |                           |                |
| <b>Energy products:</b>   |                             |               |                           |                |
| Liquefied petroleum gas   | 13,224                      | 14,167        | 26,691                    | 26,754         |
| Naphtha   | 5,821                       | 5,130         | 12,774                    | 9,848          |
| Natural gas   | 5,381                       | 4,267         | 11,491                    | 8,896          |
| MTBE  | 4,812                       | 3,627         | 9,234                     | 6,769          |
| Other fuels and fuel additives  | 782                         | 924           | 1,643                     | 1,797          |
| Natural gas liquids   | 820                         | 462           | 1,608                     | 844            |
| <b>Petrochemical products:</b>  |                             |               |                           |                |
| Synthetic rubbers   | 9,739                       | 12,423        | 22,303                    | 25,008         |
| Plastics and organic synthesis products                                       | 10,577                      | 5,590         | 18,872                    | 11,471         |
| Basic polymers  | 5,466                       | 5,970         | 11,653                    | 11,113         |
| Intermediates and other chemicals   | 5,539                       | 6,007         | 11,598                    | 12,142         |
| <b>Total refined products</b>   | <b>62,161</b>               | <b>58,567</b> | <b>127,867</b>            | <b>114,642</b> |
| Sales of processing services  | 1,212                       | 1,320         | 2,410                     | 2,651          |
| Trading and other sales   | 1,957                       | 2,221         | 6,649                     | 4,293          |
| <b>Total revenue</b>  | <b>65,330</b>               | <b>62,108</b> | <b>136,926</b>            | <b>121,586</b> |

## 22 OPERATING EXPENSES

|   | Three months ended 30 June: |               | Six months ended 30 June: |               |
|---|-----------------------------|---------------|---------------------------|---------------|
|   | 2012                        | 2011          | 2012                      | 2011          |
| Feedstock and materials                     | 14,472                      | 12,307        | 28,824                    | 24,037        |
| Transportation                              | 9,205                       | 8,136         | 18,304                    | 15,782        |
| Energy and utilities                        | 6,654                       | 7,018         | 14,238                    | 15,563        |
| Staff costs                                 | 7,752                       | 4,401         | 14,204                    | 8,463         |
| Goods for resale                            | 1,673                       | 4,192         | 6,700                     | 7,721         |
| Depreciation and amortization               | 2,212                       | 1,694         | 4,455                     | 3,372         |
| Repairs and maintenance                     | 2,098                       | 706           | 3,320                     | 1,464         |
| Services provided by third parties          | 1,122                       | 1,178         | 2,123                     | 1,998         |
| Rent expenses                               | 1,063                       | 743           | 2,014                     | 1,536         |
| Charity and sponsorship                     | 617                         | 201           | 827                       | 228           |
| Taxes other than income tax                 | 403                         | 239           | 811                       | 600           |
| Impairment of PPE                           | 262                         | -             | 262                       | -             |
| Marketing and advertising                   | 165                         | 92            | 247                       | 210           |
| Other                                       | 665                         | 1,525         | 1,706                     | 2,136         |
| Change in WIP and refined products balances | (61)                        | (1,949)       | 1,046                     | (2,988)       |
|   | <b>48,302</b>               | <b>40,483</b> | <b>99,081</b>             | <b>80,122</b> |



## 23 FINANCE INCOME AND EXPENSES

|   | Three months ended 30 June: |                | Six months ended 30 June: |                |
|---|-----------------------------|----------------|---------------------------|----------------|
|   | 2012                        | 2011           | 2012                      | 2011           |
| Unwinding of discount on loans receivable and non-current accounts receivable | -                           | -              | 685                       | -              |
| Interest income   | -                           | 725            | 463                       | 1,582          |
| Fair value gain on listed equity securities held for trading                  | -                           | -              | 242                       | -              |
| Fair value gain on derivative financial instruments                           | -                           | -              | 53                        | -              |
| Discount on loans and borrowings  | 72                          | 69             | 96                        | 141            |
| Other income  | 31                          | 53             | 31                        | 106            |
| <b>Finance income</b>   | <b>103</b>                  | <b>847</b>     | <b>1,570</b>              | <b>1,829</b>   |
| Foreign exchange loss   | (5,524)                     | (1,002)        | (2,265)                   | (604)          |
| Interest expense  | (325)                       | (547)          | (600)                     | (1,362)        |
| Unwind of discount on borrowings and non-current accounts payable             | (181)                       | (143)          | (189)                     | (183)          |
| Other expense   | (154)                       | (77)           | (102)                     | (89)           |
| <b>Finance expenses</b>   | <b>(6,184)</b>              | <b>(1,769)</b> | <b>(3,156)</b>            | <b>(2,238)</b> |

## 24 INCOME TAXES

The Group incurred current income tax of RR 6,641 and RR 1,238, RR 8,002 and RR 2,918 for the six and three months ended 30 June 2012 and 30 June 2011, respectively.

The Group paid current income tax of RR 8,648 and RR 6,926 for the six months ended 30 June 2012 and 30 June 2011, respectively.



## 25 CASH GENERATED FROM OPERATIONS

| Notes | <b>Six months ended 30 June:</b>   |               |
|-------|--|---------------|
|       | <b>2012</b>  | <b>2011</b>   |
|       | <b>36,610</b>  | <b>41,064</b> |
|       | <b>Profit before income tax from continuing operations</b>   |               |
|       | <b>Adjustments to profit before income tax and non-controlling interest of continuing operations</b> |               |
| 22    | 4,455  | 3,372         |
| 23    | 600  | 1,362         |
|       | -  | 246           |
|       | 262  | -             |
|       | 283  | 11            |
|       | 189  | 183           |
|       | 79   | (255)         |
| 17    | 2,519  | -             |
| 23    | (53)   | -             |
|       | (96)   | (141)         |
| 23    | (242)  | -             |
| 3     | (430)  | -             |
| 23    | (463)  | (1,582)       |
|       | (685)  | -             |
| 23    | 2,265  | 604           |
|       | 162  | 618           |
|       | <b>45,455</b>  | <b>45,482</b> |
|       | <b>Operating cash flows before working capital changes of continuing operations</b>                  |               |
|       | <b>Changes in working capital of continuing operations</b>   |               |
|       | 4,528  | (392)         |
|       | (1,067)  | 917           |
|       | (344)  | (5,519)       |
|       | (3,681)  | (5,414)       |
|       | 1,704  | (702)         |
|       | <b>46,595</b>  | <b>34,372</b> |
|       | <b>Cash generated from operations before income tax payment</b>                                      |               |
|       | (7,748)  | (6,926)       |
|       | <b>38,847</b>  | <b>27,446</b> |
|       | <b>Net cash from operating activities</b>  |               |

## 26 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 management has determined two operating and reportable segments:

- **Feedstock & Energy:** the processing of associated petroleum gas and other hydrocarbon feedstock to produce energy products, including natural gas, natural gas liquids, liquefied petroleum gas and naphtha which are marketed and sold externally and are also used as feedstock by the Petrochemicals segment. In addition, the Feedstock & Energy segment produces fuel additives, including methyl tertiary butyl ether (MTBE), 100 percent of which is sold externally; and



## 26 SEGMENT INFORMATION (CONTINUED)

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

The Group reports two segments in this combined interim condensed financial information.

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

|  | Continuing operations      |                        |                | Total          |
|--|----------------------------|------------------------|----------------|----------------|
|  | Feedstock & Energy segment | Petrochemicals segment | Unallocated    |                |
| <b>Three months ended 30 June 2012</b> |                            |                        |                |                |
| Total segment revenue                  | 40,831                     | 33,556                 | 4,745          | 79,132         |
| Inter-segment transfers                | (8,592)                    | (2,083)                | (3,127)        | (13,802)       |
| <b>External revenue</b>                | <b>32,239</b>              | <b>31,473</b>          | <b>1,618</b>   | <b>65,330</b>  |
| <b>EBITDA</b>                          | <b>16,640</b>              | <b>4,583</b>           | <b>(1,720)</b> | <b>19,503</b>  |
| <b>Six months ended 30 June 2012</b>   |                            |                        |                |                |
| Total segment revenue                  | 82,721                     | 68,712                 | 11,751         | 163,184        |
| Inter-segment transfers                | (17,050)                   | (4,187)                | (5,021)        | (26,258)       |
| <b>External revenue</b>                | <b>65,671</b>              | <b>64,525</b>          | <b>6,730</b>   | <b>136,926</b> |
| <b>EBITDA</b>                          | <b>36,879</b>              | <b>10,620</b>          | <b>(4,937)</b> | <b>42,562</b>  |
| <b>Three months ended 30 June 2011</b> |                            |                        |                |                |
| Total segment revenue                  | 37,791                     | 29,630                 | 5,696          | 73,117         |
| Inter-segment transfers                | (7,631)                    | (778)                  | (2,600)        | (11,009)       |
| <b>External revenue</b>                | <b>30,160</b>              | <b>28,852</b>          | <b>3,096</b>   | <b>62,108</b>  |
| <b>EBITDA</b>                          | <b>17,995</b>              | <b>6,348</b>           | <b>(1,023)</b> | <b>23,320</b>  |
| <b>Six months ended 30 June 2011</b>   |                            |                        |                |                |
| Total segment revenue                  | 73,790                     | 64,253                 | 10,879         | 148,922        |
| Inter-segment transfers                | (19,030)                   | (4,483)                | (3,823)        | (27,336)       |
| <b>External revenue</b>                | <b>54,760</b>              | <b>59,770</b>          | <b>7,056</b>   | <b>121,586</b> |
| <b>EBITDA</b>                          | <b>34,898</b>              | <b>12,177</b>          | <b>(2,239)</b> | <b>44,836</b>  |



## 26 SEGMENT INFORMATION (CONTINUED)

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

|  | Continuing operations      |                        |                | Total         |
|--|----------------------------|------------------------|----------------|---------------|
|  | Feedstock & Energy segment | Petrochemicals segment | Unallocated    |               |
| <b>Three months ended 30 June 2012</b> |                            |                        |                |               |
| <b>EBITDA</b>                          | <b>16,640</b>              | <b>4,583</b>           | <b>(1,720)</b> | <b>19,503</b> |
| Depreciation and amortization          | (892)                      | (1,041)                | (280)          | (2,213)       |
| Impairment                             | -                          | (262)                  | -              | (262)         |
| <b>Operating profit</b>                | <b>15,748</b>              | <b>3,280</b>           | <b>(2,000)</b> | <b>17,028</b> |
| Finance income                         | -                          | -                      | 103            | 103           |
| Finance expenses                       | -                          | -                      | (6,184)        | (6,184)       |
| Share of net loss of joint ventures    | -                          | -                      | (13)           | (13)          |
| <b>Profit before income tax</b>        | <b>15,748</b>              | <b>3,280</b>           | <b>(8,094)</b> | <b>10,934</b> |
| <b>Six months ended 30 June 2012</b>   |                            |                        |                |               |
| <b>EBITDA</b>                          | <b>36,879</b>              | <b>10,620</b>          | <b>(4,937)</b> | <b>42,562</b> |
| Depreciation and amortization          | (1,815)                    | (2,080)                | (560)          | (4,455)       |
| Impairment                             | -                          | (262)                  | -              | (262)         |
| <b>Operating profit</b>                | <b>35,064</b>              | <b>8,278</b>           | <b>(5,497)</b> | <b>37,845</b> |
| Finance income                         | -                          | -                      | 1,570          | 1,570         |
| Finance expenses                       | -                          | -                      | (3,156)        | (3,156)       |
| Gain on acquisition of a subsidiary    | -                          | -                      | 430            | 430           |
| Share of net loss of joint ventures    | -                          | -                      | (79)           | (79)          |
| <b>Profit before income tax</b>        | <b>35,064</b>              | <b>8,278</b>           | <b>(6,732)</b> | <b>36,610</b> |
| <b>Three months ended 30 June 2011</b> |                            |                        |                |               |
| <b>EBITDA</b>                          | <b>17,995</b>              | <b>6,348</b>           | <b>(1,023)</b> | <b>23,320</b> |
| Depreciation and amortization          | (818)                      | (686)                  | (191)          | (1,695)       |
| <b>Operating profit</b>                | <b>17,177</b>              | <b>5,662</b>           | <b>(1,214)</b> | <b>21,625</b> |
| Finance income                         | -                          | -                      | 847            | 847           |
| Finance expenses                       | -                          | -                      | (1,769)        | (1,769)       |
| Share of net income of joint ventures  | -                          | -                      | 122            | 122           |
| Loss on disposal of investments        | -                          | -                      | (246)          | (246)         |
| <b>Profit before income tax</b>        | <b>17,177</b>              | <b>5,662</b>           | <b>(2,260)</b> | <b>20,579</b> |
| <b>Six months ended 30 June 2011</b>   |                            |                        |                |               |
| <b>EBITDA</b>                          | <b>34,898</b>              | <b>12,177</b>          | <b>(2,239)</b> | <b>44,836</b> |
| Depreciation and amortization          | (1,619)                    | (1,372)                | (381)          | (3,372)       |
| <b>Operating profit</b>                | <b>33,279</b>              | <b>10,805</b>          | <b>(2,620)</b> | <b>41,464</b> |
| Finance income                         | -                          | -                      | 1,829          | 1,829         |
| Finance expenses                       | -                          | -                      | (2,238)        | (2,238)       |
| Share of net income of joint ventures  | -                          | -                      | 255            | 255           |
| Loss on disposal of investments        | -                          | -                      | (246)          | (246)         |
| <b>Profit before income tax</b>        | <b>33,279</b>              | <b>10,805</b>          | <b>(3,020)</b> | <b>41,064</b> |



## 27 PRINCIPAL SUBSIDIARIES

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

|                          |                                   |
|--------------------------|-----------------------------------|
| OAo Gubkinskiy GPK       | OOO Tollyattikauchuk              |
| 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 | OOO Tomskneftekhim                |
| OAo SIBUR TyumenGaz      | OOO Biaxplen NK                   |
| OOO SIBUR-Geotekstil     | OOO Biaxplen (from 29 March 2012) |

\* OOO Noyabrskiy GPK is the holding company for Muravlenkovskiy GPK and Vyngapurovskiy GPK

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

|                                | Effective percent of share capital<br>held by the Group as of |                  |
|--------------------------------|---|------------------|
|                                | 30 June 2012  | 31 December 2011 |
| OAo Uralorgsintez              | 100   | 97               |
| OAo Voronezhskiy sintezkauchuk | 98  | 98               |
| KOAO Orton                     | 99  | 99               |
| OAo Plastic                    | 99  | 99               |
| OAo Polief                     | 83  | 83               |
| OOO Yugragazpererabotka *      | 51  | 51               |

\* OOO Yugragazpererabotka controls OOO Belozerniy GPK, OOO Nizhnevartovskiy GPK and OOO Nyagangazpererabotka

## 28 RELATED PARTIES

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

The nature of the related-party relationships for those related parties with whom the Group entered into significant transactions during the three and six months ended 30 June 2012 and 2011 or had significant balances outstanding as of 30 June 2012 and 31 December 2011 are presented below.

### a) **Gazprombank**

| Financing activities | Three months ended | Six months ended |
|----------------------|--------------------|------------------|
|                      | 30 June 2011       | 30 June 2011     |
| Interest expense     | 38                 | 181              |
| Interest income      | 51                 | 191              |

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



## 28 RELATED PARTIES (CONTINUED)

### b) Gazprom Group

Gazprom Group companies are principal creditors and suppliers of raw materials and services to the Group.

| <b>Operating activities</b>                                       | <b>Three months<br/>ended 30 June 2011</b> | <b>Six months ended<br/>30 June 2011</b> |
|---|--|--|
| Purchases of materials and supplies                               | 3,698                                      | 6,457                                    |
| Purchases of gas transportation and other transportation services | 639  | 1,263                                    |
| Purchases of other goods and services                             | 163  | 296                                      |
| <b>Total purchases</b>  | <b>4,500</b>                               | <b>8,016</b>                             |
| Dry gas sales   | 1,466                                      | 3,135                                    |
| Petrochemical products sales                                      | 375  | 398                                      |
| Sales of other goods and services                                 | 2  | 13                                       |
| <b>Total revenues</b>   | <b>1,843</b>                               | <b>3,546</b>                             |

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

### c) NOVATEK Group

As of 30 June 2012 and 31 December 2011, trade and other payables included RR 1,503 and RR 1,502, respectively, in payables to NOVATEK Group for the acquisition of OOO Novatek-Polymer. This amount is payable until 31 December 2013. OOO Novatek-Polymer was subsequently renamed OOO Biaxplen NK.

As of 30 June 2012 and 31 December 2011, the Group had the following balances with NOVATEK Group:

|                             | <b>30 June 2012</b> | <b>31 December 2011</b> |
|-----------------------------|---------------------|-------------------------|
| Trade and other receivables | 507                 | -                       |
| Advances and prepayments    | 10                  | -                       |
| Trade and other payables    | 1,503               | 1,502                   |

| <b>Operating activities</b> | <b>Three months ended<br/>30 June 2012</b> | <b>Six months ended<br/>30 June 2012</b> |
|-----------------------------|--|--|
| Purchases of natural gas    | 404  | 959                                      |
| Natural gas sales           | 1,990                                      | 4,228                                    |

### d) Gunvor Group

In October 2011 a party which jointly controls Gunvor Group acquired a 37.5 percent stake in the Group. For the six and three month periods ended 30 June 2012, the Group's revenue from the sale of petrochemical products to Gunvor Group amounted to RR 2,833 and RR 1,423, respectively. As of 30 June 2012 and 31 December 2011, the Group's trade receivables included trade receivables from Gunvor Group of RR 179 and RR 497, respectively.



## 28 RELATED PARTIES (CONTINUED)

### e) 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. Key management comprises sixteen individuals. Key management personnel are entitled to salaries, bonuses, voluntary medical insurance and other short-term employee benefits. Remuneration for key management personnel is determined by the terms set out in the relevant annual employment contracts. Remuneration of directors and key management personnel amounted to RR 587 and RR 256, RR 74 and RR 51 for the six and three months ended 30 June 2012 and 2011, respectively. The growth seen in this amount is primarily attributable to accrual of the provision for bonuses made in the first half of 2012 due to the introduction of a new employee benefit program effective from 1 January 2012. In prior periods, bonuses were subject to the approval at year end and corresponding provisions were accrued on an annual basis.

### f) Joint ventures

As of 30 June 2012 and 31 December 2011, the Group had the following balances with its joint ventures:

|                             | <b>30 June 2012</b> | <b>31 December 2011</b> |
|-----------------------------|---------------------|-------------------------|
| Loans receivable            | 1,205               | 1,139                   |
| Borrowings                  | 325                 | 500                     |
| Trade and other receivables | 90                  | 1,314                   |
| Trade and other payables    | 309                 | 259                     |

|  | <b>Three months ended 30 June</b> |             | <b>Six months ended 30 June</b> |             |
|--|-----------------------------------|-------------|---------------------------------|-------------|
|  | <b>2012</b>                       | <b>2011</b> | <b>2012</b>                     | <b>2011</b> |
| <b>Operating activities</b>                |                                   |             |                                 |             |
| Purchases of materials, goods and services | 1,220                             | 2,180       | 2,433                           | 4,237       |
| Sales of materials                         | 123                               | 766         | 256                             | 1,543       |
| Interest income                            | 596                               | 215         | 614                             | 376         |

### g) Mineral Fertilizers

Subsidiaries belonging to the Mineral Fertilizers business of the SIBUR Group are considered related parties for the purpose of this combined interim condensed financial information up to the moment when it was disposed of by the SIBUR Group to third parties in December 2011. The Group performed the following operations with the subsidiaries included in the Mineral Fertilizers business.

|  | <b>Three months ended<br/>30 June 2011</b> | <b>Six months ended<br/>30 June 2011</b> |
|--|--|--|
| Sales of raw materials   | 915  | 1,772                                    |
| Sales of electric power  | 258  | 527                                      |
| Sales of other work and services   | 198  | 335                                      |
| Interest income  | 148  | 430                                      |
| Unwinding of discount on loans receivable<br>and non-current accounts receivable | 69   | 141                                      |





## 28 RELATED PARTIES (CONTINUED)

### h) Tires

Subsidiaries belonging to the Tires business of the SIBUR Group are considered related parties for the purpose of this combined interim condensed financial information up to the moment when it was disposed of by the SIBUR Group to third parties in December 2011. The Group performed the following operations with the subsidiaries included in the Tires business.

|  | <b>Three months ended</b> | <b>Six months ended</b> |
|--|---------------------------|-------------------------|
|  | <b>30 June 2011</b>       | <b>30 June 2011</b>     |
| Sales of raw materials and other inventories | 3,449                     | 7,630                   |
| Sales of electric power                      | 244                       | 544                     |
| Sales of other work and services             | 20                        | 38                      |

## 29 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 contributes to the challenges faced by companies operating in the country.

The international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. The Group management determined the 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 the recognition of impairment losses for receivables that arose from past events and prohibit the recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The Russian Federation’s future economic development is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. The Group management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment.

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

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

Recent events in the Russian Federation suggest that the Russian tax authorities may be taking a more assertive position in their interpretation of the law and assessments, and it is possible that transactions and activities that have not been challenged in the past may 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. Under certain circumstances, reviews may cover longer periods.



## **29 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)**

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 Organization 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 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 the entity's transfer prices cannot be reliably predicted; however, it may be significant to the financial condition and/or the overall operations of the entity.

The Group includes companies incorporated outside of Russia. The Group's tax liabilities are determined on the assumption that these companies are not subject to Russian income tax, because 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 the overall operations of the entity. The Group 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 management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in this IFRS combined interim condensed financial information.

The Group raises borrowings for financing of capital investment projects and incurs related borrowing costs. In accordance with the Presidium of the Supreme Arbitrazh Court of the Russian Federation newsletter No 147 dated 13 September 2011, bank commissions paid as a lump sum or periodically may be considered as void or fraudulent. Thus, such borrowing costs may be recognized by the tax authorities as economically unjustifiable expenses or reclassified as interest expense. At the moment there have been no clarifications by the tax authorities or court practice cases in this regard. The Group management believes that its interpretation of the relevant legislation is appropriate and the Group's tax position will be sustained.

**Environmental matters.** The enforcement of environmental regulation in the Russian Federation is evolving, and the stance adopted by government authorities on this is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. Obligations are recognized 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. The Group 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 local infrastructure, and the welfare of employees in those areas where its production operations are located, including contributions to the construction, development and upkeep of housing, hospitals, transportation services, recreation and other facilities to meet social needs. This funding is expensed as incurred.

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including an increase in the cost of borrowings. The Group management believes that the Group is in compliance with its covenants. The Group's financial policy is stricter than the relevant bank requirements.



## **29 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)**

*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 capital expenditure budgets for the years ended 31 December 2012 and 2011 in the amount of RR 58,033 and RR 58,458 net of VAT, respectively.

## **30 NEW ACCOUNTING DEVELOPMENTS**

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2012 or later, and which the Group has not adopted early.

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

The new standards and interpretations are not expected to have any significant impact on the Group's combined interim condensed financial information.

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