

SIBUR

**ANNUAL
REVIEW
2015**

Value. Integration. Sustainability.

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SIBUR '15

SIBUR is a uniquely positioned, vertically integrated gas processing and petrochemicals company. Our two business segments – feedstock & energy and petrochemicals – are highly integrated, with raw materials for petrochemicals facilities supplied primarily by our feedstock & energy segment. We are building a strong, internationally competitive and resilient business with unique advantages and opportunities for profitable growth.

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How we sustain value



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Our value creation drivers

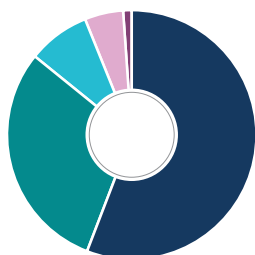


\$6.2bln

Revenue

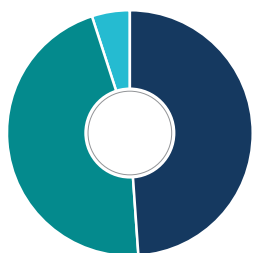


Revenue by market



- 56% Russia
- 30% Europe
- 8% Asia
- 5% CIS
- 1% Other

Revenue by product



- 49% Energy products
- 46% Petrochemicals
- 5% Other revenue

30-63

How we create value

\$2.2bln

EBITDA

36%

EBITDA margin

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SIBUR WEBSITE



For further information visit our website
<http://www.sibur.ru/en/>





CHAIRMAN OF THE BOARD OF DIRECTORS



Our strategy to build a world-class vertically integrated gas processing and petrochemicals leader proved its mettle this year.



We weathered the storms of global energy price volatility and economic recession at home, as stellar performance in our petrochemicals business more than compensated for lower feedstock & energy results. The benefits of integration have never been clearer.

Our investments in strategic projects made this year's performance possible. Production of several of our key energy and petrochemical products has grown tremendously since these assets were launched. We have created a formidable value chain for accessing and monetising attractively priced Western Siberian feedstock, our most enduring competitive advantage.

We also made a good first year of progress on the construction and financing of our next multi-year investment, ZapSibNeftekhim. The fundamentals for creating long-term value are compelling. Building on our competitive advantages, we expect this project to drive our leadership in petrochemicals and produce margins well above the global industry average.

Our success would not be possible without strong strategic partners. Our close cooperation with the major Russian oil and gas companies and joint venture partners was supplemented this year by our partnership with China Petroleum & Chemical Corporation, or Sinopec.

Sinopec acquired a 10 percent stake in SIBUR. I am confident this relationship with China's vertically integrated energy and chemicals producer will strengthen the growth opportunities for both our companies.

Finally, our results would not have been possible without our culture of performance excellence. The systems we have implemented to motivate talent, continuous improvement, accountability and risk reduction increase our value and sustainability as a business.

I would like to thank our 27 thousand employees and SIBUR's management team for delivering strong progress in 2015, and driving success on our strategic and financial objectives for the future.

Leonid Mikhelson

Chairman of the Board of Directors



CHAIRMAN OF THE MANAGEMENT BOARD



SIBUR's strong financial results this year underscore the benefits of our vertically integrated business model for creating value and sustainable growth.



Our unique access to abundant feedstock, our investments in state-of-the-art production and logistics infrastructure, and our strategy to build a balanced and integrated feedstock & energy and petrochemicals business stand out more than ever as material competitive advantages.

It is hard to overstate the challenges posed by global oil shocks. With crude oil prices down nearly 50% on average in 2015, prices for many of SIBUR's energy products including LPG and naphtha fell by similar amounts. Prices for polymers, synthetic rubbers and many other petrochemicals products tumbled approximately 20% to 30% or more in US dollar terms. The rouble lost 37% of its value compared to the US dollar and 25% against the euro. Russia's economy slipped into recession, with GDP declining 3.7%.

Despite these headwinds, SIBUR delivered powerful operational results with substantial increases in production volumes and sales across our major product groups. Financially, 2015 was a very strong year as well: revenues grew 19%⁽¹⁾ to RR 380 billion, and EBITDA grew 32% to RR 136 billion, raising our EBITDA margin from 32.2%⁽¹⁾ in 2014 to 35.7% in 2015.

Declines in oil prices generally have a net negative effect on SIBUR's financial results. However, we managed to maintain healthy performance in the energy part of

our business and demonstrate strong growth in our petrochemicals arm. On one hand, we were able to pass the decline in oil and oil derivative prices through to our suppliers due to the structure of our feedstock supply contracts, which effectively lock in SIBUR's margins. In addition, the magnitude of the oil price decline was larger than the drop in prices for petrochemicals, helping us to widen our spreads for most of the products in our petrochemicals portfolio.

Since we earn revenues mostly in dollar-priced assets and a substantial portion of our operating expenses are in roubles, currency depreciation also protected our margins and boosted cash flow. These factors tell a compelling story about the power of SIBUR's vertical integration and our natural hedge in action that drove our performance this year.

Our strategic investments paid off and delivered profitable production growth:

The completion of a number of strategic projects in 2014 has created an integrated value chain for monetising our feedstock advantage. This drove significant increases in production in 2015, partly offsetting lower prices. This is not just volume growth for growth's sake. By accessing a significant new source of advantageously priced NGL feedstock from northern parts

of Western Siberia through newly opened pipelines, coupled with the ramp-up of new production capacity at our flagship integrated complex in Tobolsk, we delivered high quality and profitable growth in output of energy and petrochemical products. Most notably, we increased raw NGL fractionation by 23% (compared to a 3% increase for processing more mature sources of APG feedstock), while LPG production increased 27% and polypropylene output grew 31%.

Our petrochemicals segment has become a major growth driver:

The strategy we have been pursuing consistently for several years has been to build an integrated gas processing and petrochemicals business. Since the launch of our polypropylene production in Tobolsk at the end of 2013, our petrochemicals business segment has been an increasingly large scale and visible contributor to our growth. Average capacity utilisation increased to 76% in 2015 as a whole and 96% in the fourth quarter. Overall the growth in petrochemicals production following recent capacity additions accounted for a 15% increase in sales volumes to 2.6 million tonnes. And profit growth for our petrochemicals business segment was nothing short of spectacular: petrochemicals EBITDA tripled from RR 20 billion in 2014 to RR 59 billion in 2015, while EBITDA margin almost doubled from 14.6% to 31.4%.

⁽¹⁾ Adjusted for the estimated value of naphtha trading operations via Ust-Luga, ceased in 2015.



Chairman of the Management Board - continued

It is worth noting that petrochemicals was one of the few industrial sectors that continued to show positive growth in Russia this year – and I could not be more positive about our long-term prospects for this segment.

We have created a stronger, more resilient, vertically integrated business:

In a world of hundred dollar oil, SIBUR benefited from the size and scale of its feedstock and energy business. We used our cash flow generation and balance sheet to fund our multi-year investment programme to modernise and expand our petrochemicals segment and build a balanced, vertically integrated business that is better equipped to create long-term value and ride out commodities market volatility.

Now the external environment is much less favourable and we are living in a world of lower energy prices. But our results for 2015 – led by a 32% increase in EBITDA – demonstrate the value of SIBUR's vertical integration strategy. Not surprisingly, our feedstock and energy segment EBITDA declined somewhat from RR 88 billion to RR 79 billion (a still high EBITDA margin of 37.1% thanks to the pricing structure of our long-term supply contracts). As I mentioned earlier, our petrochemicals segment benefitted strongly from declining energy prices, with margins doubling on the back of lower feedstock costs. The performance of our two business segments thus lifted SIBUR's group margin to 35.7%. That dynamic goes a long way towards explaining our

resilience this year – and our ability to generate sustainable growth and value in the years to come.

Currencies also played in our favour. SIBUR's revenues are mainly derived from the sale of products that are directly or indirectly priced in dollars and sometimes in euros, while a significant portion of our operating costs including salaries, utilities and certain transportation costs are priced in roubles. The depreciation of the rouble thus created a natural hedge that helped us compensate for lower oil prices and protect margins to some extent. In addition, it helped us generate more operating cash flow that could be used to cover our investing activities, including an 18% increase in capital expenditures to fund our next leg of growth.

That brings me to SIBUR's future. As this year demonstrated, while we are not immune from global price volatility, our vertical integration and risk management practices enabled us to protect margins and grow our business. In the near-term we are focused on generating more value from our unique asset base while delivering growth through capacity and efficiency enhancements.

For the longer term, we have moved forward with our multi-year investment in ZapSibNeftekhim. This is a greenfield construction project for an ethylene cracker and polyolefin production in Tobolsk next to our existing gas fractionation and polypropylene plants. It is designed to produce 2 million tonnes of polyolefins, primarily polyethylene. Construction of ZapSibNeftekhim started in early 2015 and the overall progress at 31 March 2016 was nearly 20%.

Capital expenditure in 2015 was RR 43 billion or approximately USD 705 million and residual CapEx for next five years through 2020 is estimated at USD 7.2⁽¹⁾ billion. We plan to cover half of this amount from our operational cash flow and have secured external funding with an average tenor of more than 10 years for the remainder.

The investment case for petrochemicals is compelling. We are uniquely positioned for profitable growth based on three factors: near-term import-substitution, medium-term domestic demand growth and long-term global cost leadership.

Import substitution:

As SIBUR has been ramping up production, we have been taking market share in Russia at the expense of higher priced imports. This cost advantage has enabled Russian producers to grow sales profitably in the domestic market, even for products with flat or declining demand in 2015.

Demand growth in Russia:

The petrochemicals sector continues to grow despite Russia's contracting economy. While the decline in GDP impacted consumption of some products, demand for basic polymers was stable or increased in 2015. Russia lags many developing markets including China when it comes to petrochemicals consumption per capita, and based on industry research we expect the market to grow in single-digits on average over the next five to ten years as manufacturers increase their use of these materials.

⁽¹⁾ Calculated at the RR/USD and euro/USD exchange rates as of 31 December 2015.



Global cost leadership and economies of scale:

We are a low-cost operator. Together with our investments in efficient new technologies and logistics, our ability to access vast flows of attractively priced feedstock place us in the least expensive quartile of the global cost curve for production of polymers and other petrochemicals, according to independent industry analysis. As we expand our capacity to process more of our feedstock, we are creating new economies of scale for SIBUR as a global petrochemicals leader with margins well above the industry average.

The economic rationale for ZapSibNeftekhim looks even stronger today than when SIBUR's Board of Directors greenlighted the project at the end of 2014. Based on the latest market analysis, we believe fundamentally that consumption of polyolefins is set for further growth – which should support prices – while lower feedstock costs mean higher spreads and profitability for our petrochemicals segment. For example, the spread on basic polymers exported to China is well above what SIBUR earns on exports of LPG to Europe. It makes economic sense for us to use more of our feedstock as raw materials for petrochemicals and sell domestically or export to China and other geographies at highly competitive prices.

We have the right strategy to position us for these opportunities – but we also have a fantastic organisation and culture. Even as we have invested our capital in strategic assets, we have been equally focused on systems for developing SIBUR's human capital.

That means providing outstanding training and career development opportunities to create a world class workforce. It includes investing in best in class health and safety programmes for our employees and the surrounding communities and creating a safety culture and track record of preventing accidents.

We reinforce our culture of performance excellence through our own company-wide management tools, the Performance Management System and Production System. Everyone at SIBUR knows what is expected of them and how they will be evaluated. And not just on traditional performance metrics, because a culture of excellence and performance management does not stop at financial results. SIBUR's systems drive our employees to seek continuous improvements in quality, productivity, innovation and safety in everything we do.

Excellence at SIBUR does not stop at our doors. Our investments over a multi-year horizon have transformed Tobolsk into the petrochemicals capital of Russia. We engage as active members of our communities and promote regional economic and supply chain development. For example, the launch of one project in Tobolsk created approximately 460 new employees, 90% of them situated in the region. Our positive impact extends more broadly: industry experts estimate that one new job in petrochemicals supports 4.5 jobs on average in related industries.

We believe economic development and environmental sustainability go hand in hand. The most visible demonstration is SIBUR's continued

partnership with oil & gas companies to process associated petroleum gas as feedstock instead of flaring it on oil fields. This prevents the release of 7 million tonnes of harmful emissions annually. In addition, we advance SIBUR's performance culture by integrating environmental sustainability into our operations and processes and holding ourselves accountable for creating a more efficient and environmentally friendly business.

Without attempting to minimise the external challenges, our resilient performance this year gives me confidence we have the right strategy for creating long-term value. I could not be prouder of the strides we have made to build a world class, high performance Company and am excited about our opportunities for driving profitable growth and leadership in the coming years.

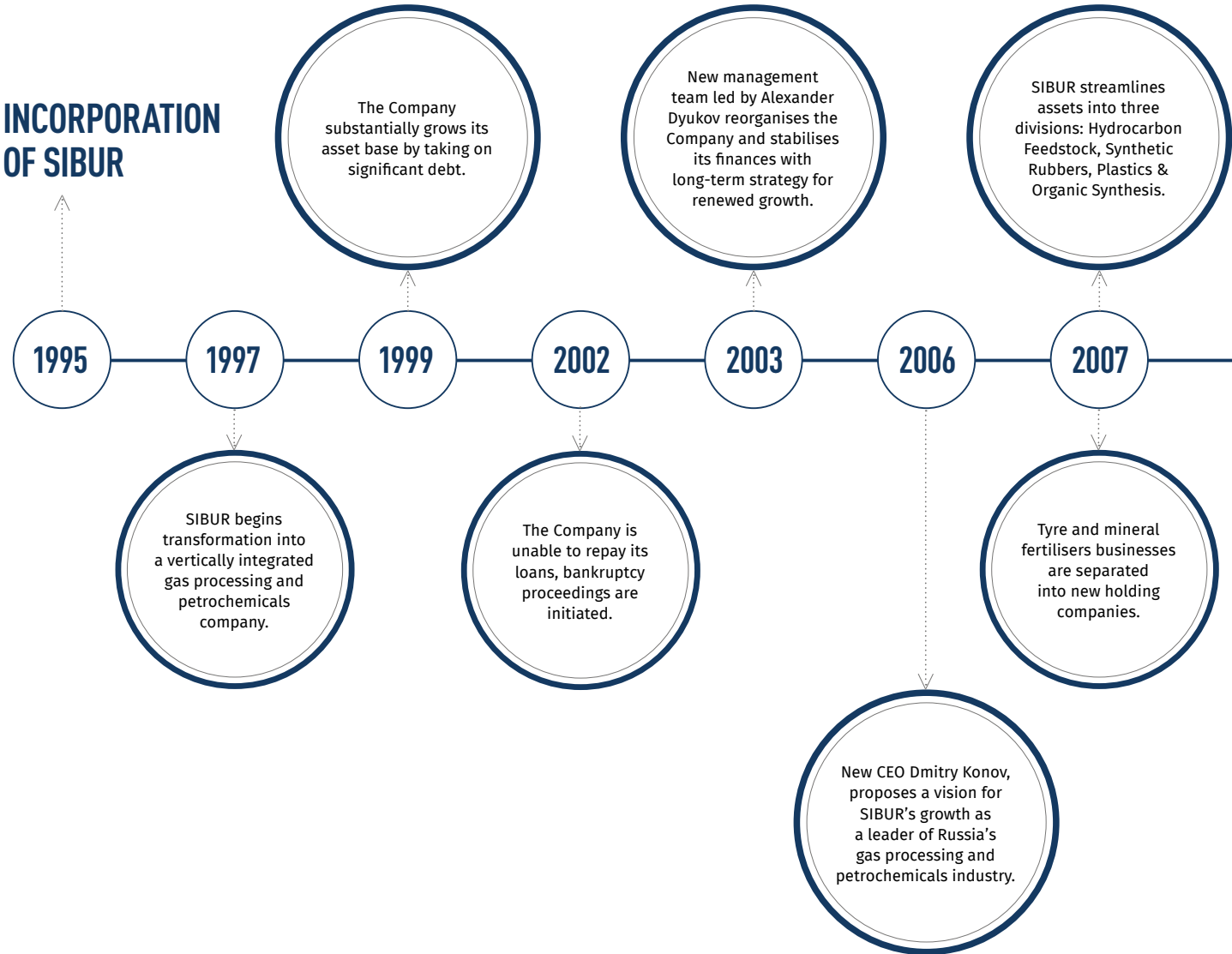
Dmitry Konov

Chairman of the Management Board

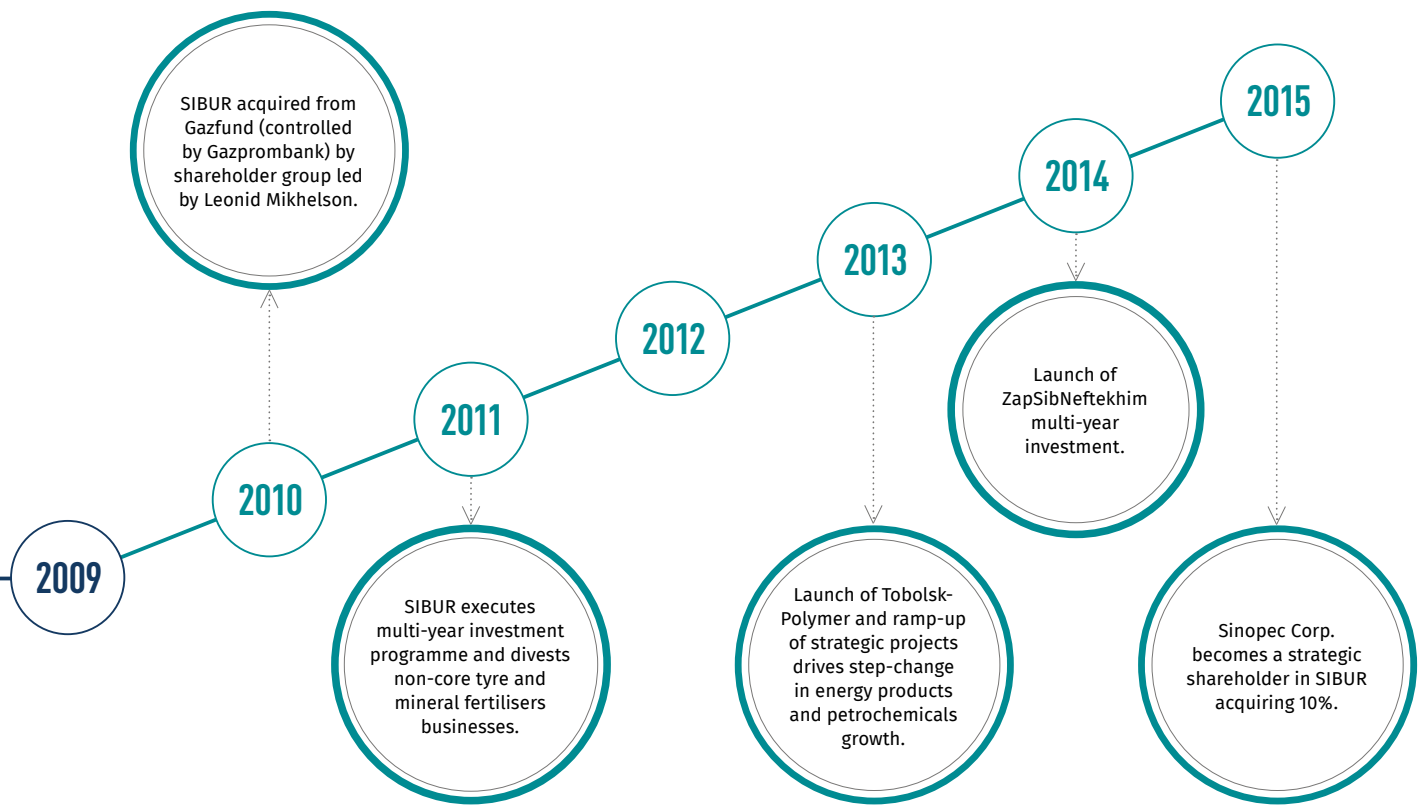


SIBUR 20th ANNIVERSARY

SIBUR DEVELOPMENT AND RESTRUCTURING UNDER PREVIOUS OWNERSHIP



NEW SHAREHOLDER GROUP EXECUTES MULTI-YEAR STRATEGY



<p>21 bcmpa gas processing capacity</p> <p>450 ktpa basic polymers capacity⁽¹⁾</p> <p>578 ktpa plastics & organic synthesis capacity</p> <p>596 ktpa synthetic rubbers capacity⁽¹⁾</p>	<p>>30 key investment projects completed</p> <p>Multi-year investment programme to create vertically integrated gas processing & petrochemicals leader</p>	<p>24 bcmpa gas processing capacity</p> <p>1 mtpa basic polymers capacity⁽¹⁾</p> <p>1 mtpa plastics & organic synthesis capacity</p> <p>562 ktpa synthetic rubbers capacity⁽¹⁾</p>
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⁽¹⁾ Including JVs.

VALUE CREATION DRIVERS

14	Competitive advantages
20	Growth strategy
24	Key relationships
26	Operating environment



**COMPETITIVE
ADVANTAGES**

**OPERATING
ENVIRONMENT**

**GROWTH
STRATEGY**

**KEY
RELATIONSHIPS**



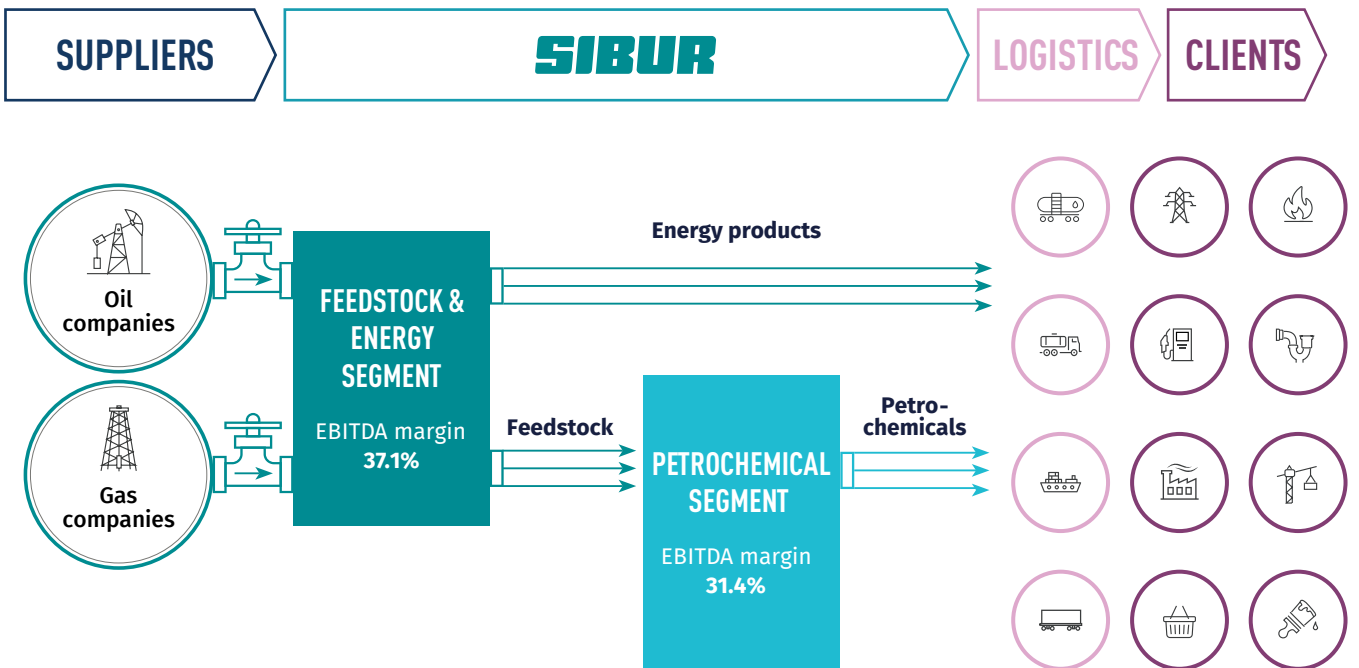
COMPETITIVE ADVANTAGES (OUR VALUE CREATION DRIVERS)

Integration as a unique competitive advantage

SIBUR has been pursuing a long-term strategy to monetise access to abundant supplies of low-cost feedstock. Our patience has paid off with the completion of our multi-year investment programme and the creation of an integrated business with margins well above the global petrochemicals industry average.

SIBUR's integrated value chain starts in Western Siberia's oil and gas fields. Our pipelines carry hydrocarbon feedstock to our flagship complex in Tobolsk to be processed into energy and petrochemical products. These and other volumes from our production facilities are then transported via our expansive logistics network and sold to end customers in domestic and international markets.

Our journey of long-term value creation continues. Even as we reached full-scale utilisation at Tobolsk this year, we began greenfield construction to launch SIBUR's next leg of growth. The ZapSibNeftekhim investment project will expand petrochemicals production in Tobolsk to make the most of our integrated value chain advantages and grow SIBUR's leadership as a globally cost-competitive producer.





◆◆ In 2015, we continued to focus on making the most of SIBUR's competitive advantages:

Abundant feedstock access

SIBUR has access to attractively priced feedstock as raw materials for our business. These hydrocarbon by-products of the oil and gas extraction process are difficult for energy companies to use commercially and are thus effectively stranded in remote areas of Western Siberia. SIBUR has built the infrastructure needed to provide an effective solution to this problem, and we have secured our access to feedstock supplies through long-term contracts with oil and gas partners with average maturity exceeding 15 years.

Our access to relatively mature flows of associated petroleum gas (APG) has now been supplemented by newly available flows of natural gas liquids (NGLs) from Russia's northern regions. The opening of new pipelines and processing capacity in 2014 completed the construction of SIBUR's vertically integrated value chain for monetising these new sources of raw NGL feedstock. This drove a very significant increase in production growth in 2014, which ramped up fully over the course of 2015.

2015 Key Facts⁽¹⁾:

◆ APG

◆ **8**

GPPs⁽²⁾

◆ **21.5 bcm**

Processed volumes⁽³⁾

◆ **15.7 years**

Weighted-average maturity of our multi-year APG supply contracts

◆ **91%**

of our planned APG supplies for 2016 guaranteed under multi-year supply contracts

◆ **Key suppliers:**

Rosneft, RussNeft, Gazprom Neft, Lukoil

◆ NGLs

◆ **7.8 mt**

Raw NGL fractionated volumes⁽⁴⁾

◆ **17.3 years**

Weighted-average maturity of our multi-year NGLs supply contracts

◆ **94%**

of our planned NGLs supplies for 2016 guaranteed under multi-year supply contracts

◆ **Key suppliers:**

NOVATEK, Gazprom

⁽¹⁾ As of 31 December 2015.

⁽²⁾ Including Yuzhno-Priobskiy GPP operated under JV.

⁽³⁾ Including Gazprom Neft's share in the processing volumes of Yuzhno-Priobskiy GPP starting December 2015.

⁽⁴⁾ Including fractionation volumes under processing arrangements.



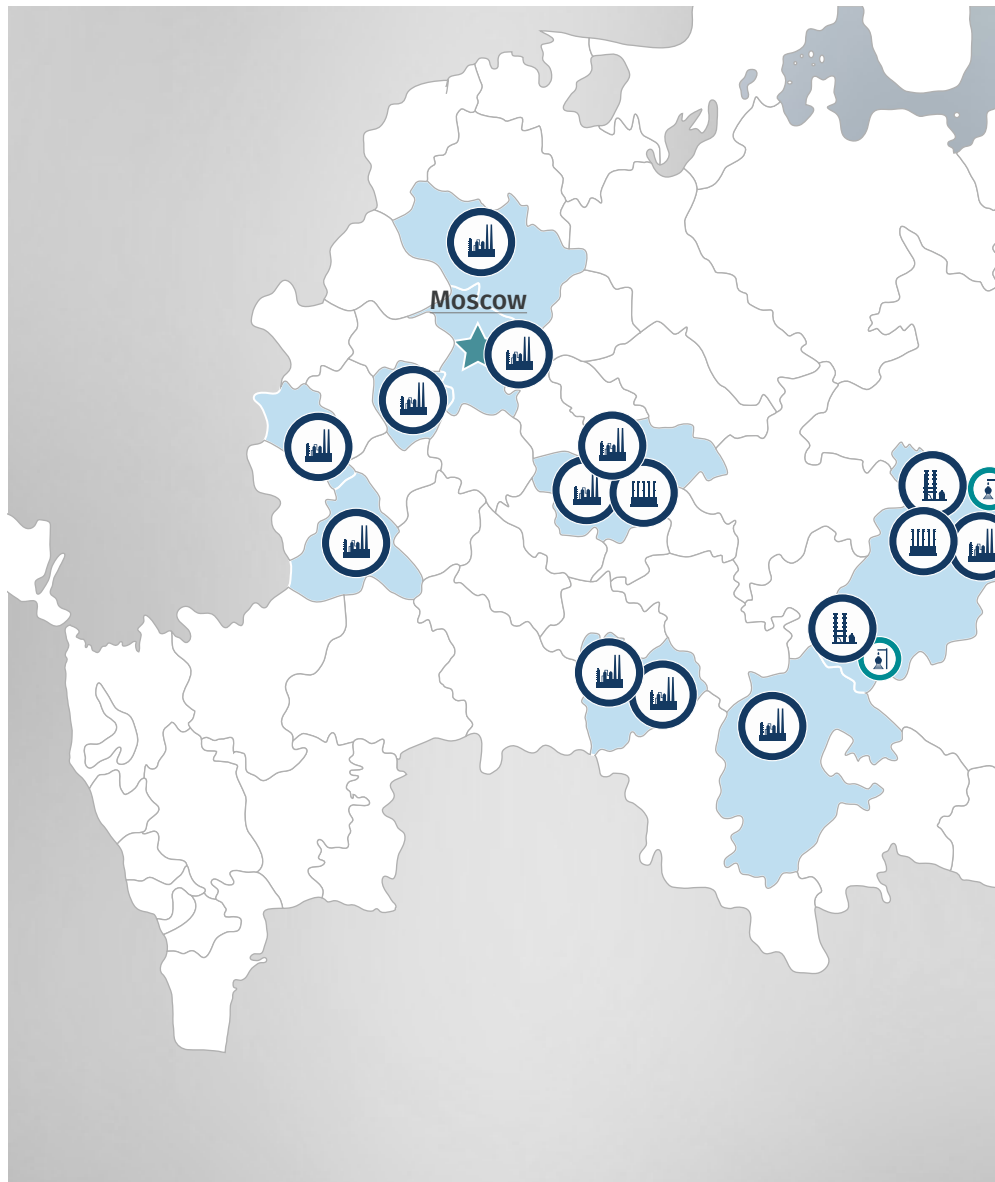
Competitive advantages - continued

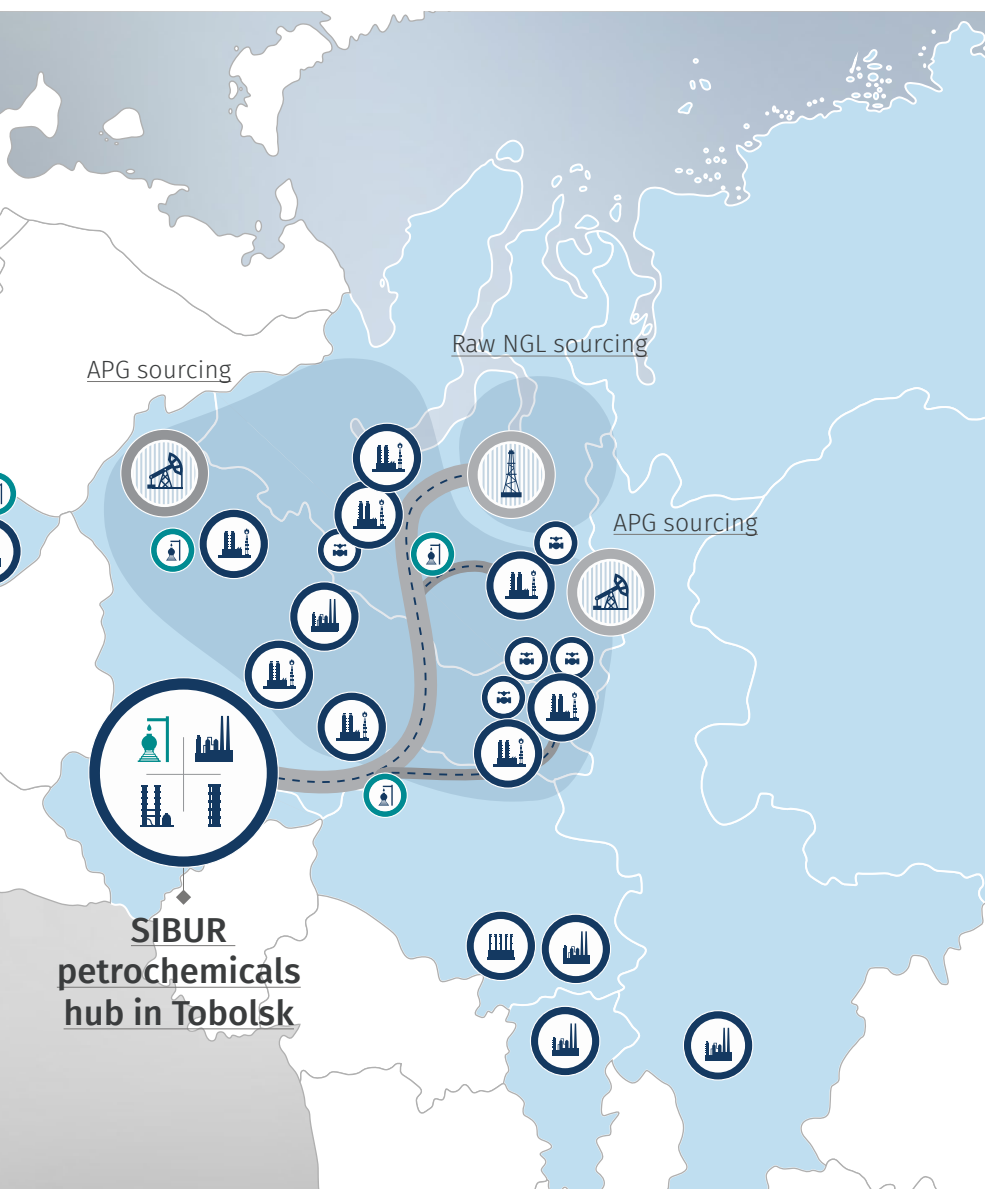
World-class production facilities

SIBUR's flagship integrated Tobolsk complex has the most modern production facilities in Russia and Eastern Europe. The benefits of running an integrated gas processing and petrochemicals business are increasingly visible. Following the ramp-up of the polypropylene production, the complex is fully up and running and we are reaping the rewards: raw NGL fractionation rose 23%, LPG production rose 27% and polypropylene production rose 31% in 2015.

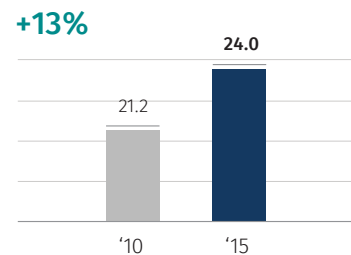
SIBUR's growth is also being driven by growing utilisation of other new strategic assets including BOPP-films production in Tomsk and Novokuybyshevsk, SBS thermoplastic elastomers production in Voronezh, and the RusVinyl PVC joint venture and ethylene cracking capacity in Kstovo; we also commissioned new gas processing capacity.

Taken together, these assets gave SIBUR unprecedented economies of scale, which helped to drive a nearly threefold increase in petrochemicals segment EBITDA in 2015, with EBITDA margins doubling year-on-year despite the negative external pricing environment.

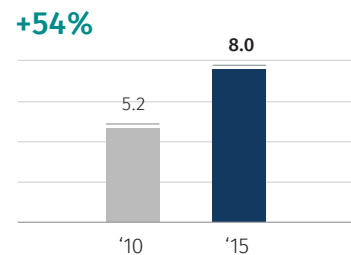




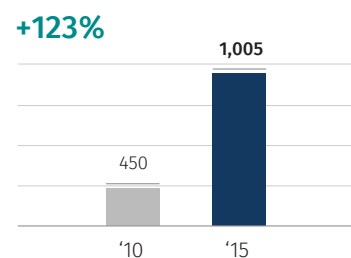
APG processing capacity⁽¹⁾, bcmpa



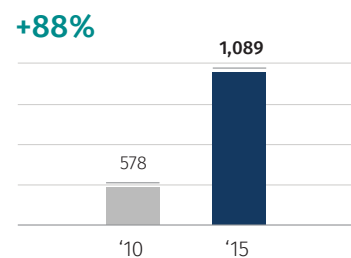
Fractionation capacity, mtpa



Basic polymers production capacity⁽¹⁾, ktpa



Plastics and organic synthesis production capacity, ktpa



-  PDH
-  petrochemicals production
-  railway loading rack

⁽¹⁾ Polyethylene (PE) and polypropylene (PP) production capacity, including JV with Gazprom Neft Group.



Competitive advantages - continued

◆ **2,697 km**
pipeline network

◆ **23,488**
rail cars and tank wagons
under management

Unmatched transportation infrastructure

SIBUR has the largest and most extensive logistics network for carrying hydrocarbon feedstock to our facilities in Western Siberia and then delivering processed energy and petrochemical products to domestic customers in Russia and for export to Europe, China and other geographies. Given the geographic distances involved in our operating environment, this infrastructure represents a significant barrier to entry and provides economies of scale that enhance our cost advantage.

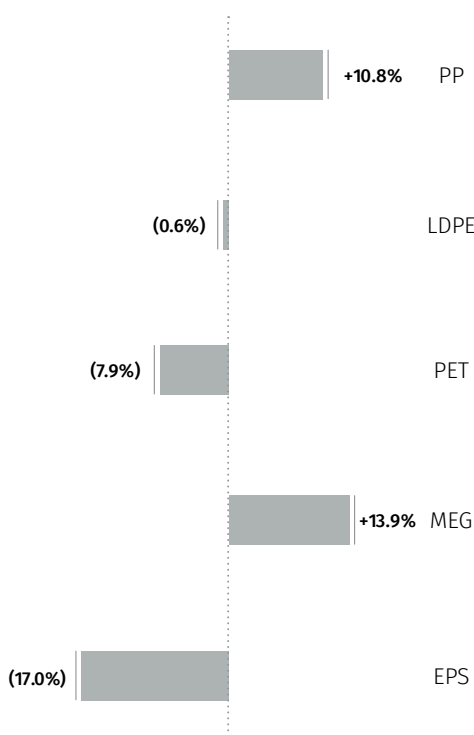
Pipelines and other logistics capacity expansions have allowed us to fully ramp up production at our new facilities and increase export sales in the past year. In 2015 we also increased the capital efficiency of our infrastructure by selling our new Ust-Luga export terminal to an investment consortium and securing continued transshipment access through a long-term contract.

Growth opportunities in domestic market

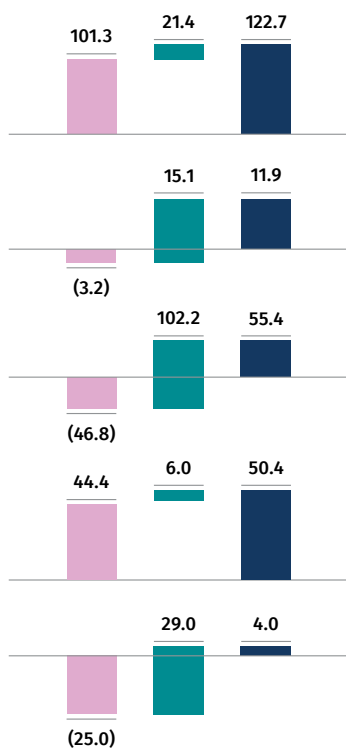
SIBUR benefits from a large domestic market with growth potential for petrochemicals. Despite Russia's economic challenges, domestic consumption of petrochemicals such as polypropylene grew by 11% in 2015 as use of these materials by local manufacturers continued to increase. SIBUR's decisive low-cost domestic producer advantage was demonstrated in 2015 as our new production volumes displaced higher-priced imports and took local market share. This import substitution effect was visible across many products and helped offset the market decline in domestic consumption in certain categories such as PET.

Russian petrochemicals in 2015: growth supported by import substitution

Change in domestic consumption, %



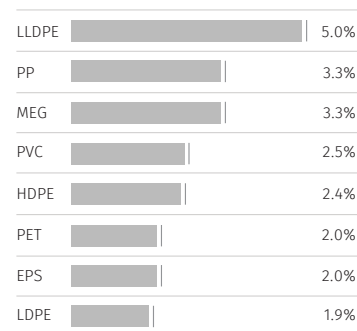
Import substitution, kt



Over the medium term, SIBUR is strongly positioned to benefit from continued demand growth in Russia. According to industry estimates, consumption of basic polymers and other plastics is expected to grow in low single digit percentages on average over the next several years.

Russia consumption growth outlook

CAGR, 2016-2022



Source: IHS.

Source: Market Report, Kortess, Alliance analytics, customs statistics.

- Imports replaced
- Δ domestic consumption
- Additional room for local supply



GROWTH STRATEGY (OUR VALUE CREATION DRIVERS)

We take a long-term view of opportunities to monetise our feedstock advantage and drive integration and economies of scale across our business. At the end of 2014 SIBUR's Board of Directors approved the ZapSibNeftekhim multi-year investment project to expand petrochemicals production at our world-class integrated complex in Tobolsk.

In 2015 we began greenfield construction of ZapSibNeftekhim, which will consist of an ethylene cracking unit with 1.5 million tonnes annual capacity and a polyolefin production complex able to produce 1.5 million tonnes of polyethylene and 0.5 million tonnes of polypropylene annually. Financing has already been secured to cover the residual budget of USD 7.2 billion⁽¹⁾ with completion expected in 2020. The budget is denominated in several currencies with an approximate breakdown as follows: 35% in Russian roubles, 35% in US dollars and 30% in euro.

ZapSibNeftekhim offers an additional way for us to monetise hydrocarbon feedstock supplies. SIBUR's existing petrochemicals capacity is sufficient for processing approximately 30% of raw materials we have available in the region. The remaining 70% is sold primarily on export markets. ZapSibNeftekhim will expand our existing polyolefin production capacity by more than 3 times.

◆ Our investment in ZapSibNeftekhim will deliver a number of long-term strategic benefits as part of our vision for SIBUR:

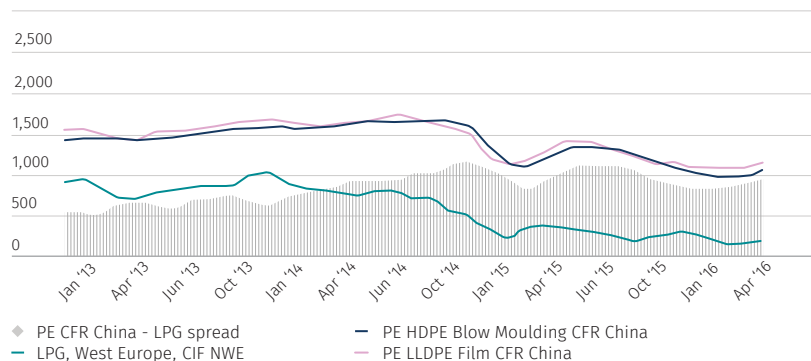
A better balanced business

Longer-term development of our integrated gas processing and petrochemicals business will enable us to maximise the Company's growth potential and deliver margins above the global industry average, resulting in a more stable and valuable business with a lower cost of capital.

The story for SIBUR in 2014 and 2015 has been the emergence of our petrochemicals segment as a growth

driver for our overall business. In addition, polyolefin spreads benefit from lower feedstock prices, creating a natural hedge between our feedstock and petrochemicals businesses. This was visible in our 2015 results, as falling oil prices translated into significant margin growth in petrochemicals. This helped to support overall group profitability and mitigate the volatility of global oil shocks that impacted our feedstock & energy segment.

HDPE and LLDPE spreads to feedstock, USD per tonne



Source: Argus, ICIS.

⁽¹⁾ Data as of 31 December 2015. Numbers and respective percentages calculated based on exchange rates as of 31 December 2015: RR/USD at 72.9, RR/EUR at 79.7.

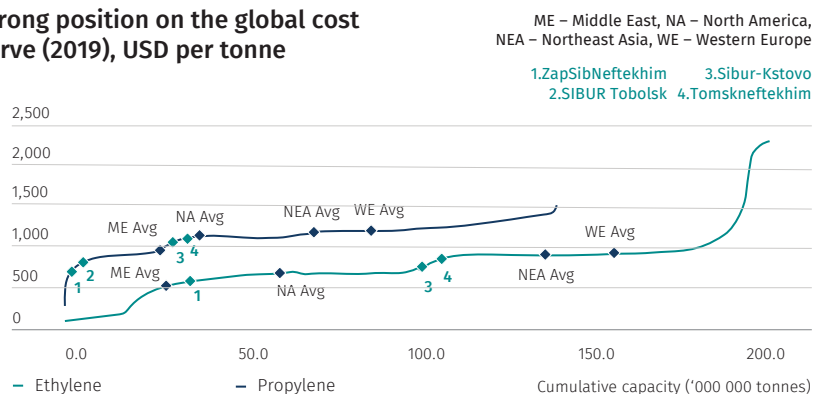


Globally cost-competitive leadership

ZapSibNeftekhim will build upon SIBUR’s existing competitive advantages and economies of scale to grow our leadership as a low-cost petrochemicals producer. We already have one of the strongest positions on the global polyolefin cost curve and our lead will only increase.

We enjoy a formidable and unique advantage in feedstock access and ZapSibNeftekhim will increase our capacity to monetise it. We will gain operational efficiencies from increased vertical integration and scale benefits, and reduced transportation costs due to the lower cost of shipping petrochemicals products compared to hydrocarbon liquids. And finally, we will build on the technological advantages of our world-class Tobolsk complex with state-of-the-art equipment sourced from around the world to deliver superior performance.

Strong position on the global cost curve (2019), USD per tonne



Source: IHS 2015, SIBUR estimates.

Profitable growth in target markets

Petrochemicals is often considered a mature market, but demand is steadily growing in SIBUR’s end markets in Russia and internationally.

ZapSibNeftekhim will enable SIBUR to address projected growth in demand in Russia as consumption of polyethylene and polypropylene

rises towards international averages in other developing and mature economies and domestic production continues to displace higher priced imports. We also see significant opportunities for growth in our target addressable export markets including China, Turkey and European countries, where additional 20 million tonnes of polyolefin volumes will be needed annually by 2020 according to research estimates.

Deficit of target basic polymers to exceed 20 mt by 2020 in target export markets

million tonnes	China	Turkey	EU	Total
High density polyethylene (HDPE)	6.0	0.9	0.9	8.2
Linear low density polyethylene (LLDPE)	5.0	0.4	0.8	6.5
Polypropylene (PP)	3.1	2.2	0.6	5.9

Source: IHS, Alliance Analytics.



Growth strategy - continued

ZAPSIBNEFTEKHIM: STARTING ON OUR NEXT LEG OF GROWTH

◆◆ The ZapSibNeftekhim project provides a major opportunity for SIBUR to further monetise hydrocarbon feedstock supplies.

As of today our petrochemicals facilities can only process approximately 30% of the raw materials we have available, while the remaining 70% are sold primarily for export. Processing additional volumes enables us to increase sales of polyolefins - polypropylene and polyethylene granules - to end customers and grow our leadership in petrochemicals while supporting higher margins.



Project overview



Greenfield construction of ethylene cracking unit (1.5 mtpa) and polyolefin production complex (1.5 mtpa of PE and 0.5 mtpa of PP) within SIBUR's Tobolsk petrochemicals hub.



Unit

Licensor

EP contractor

Cracking



PE production



PP production



Team

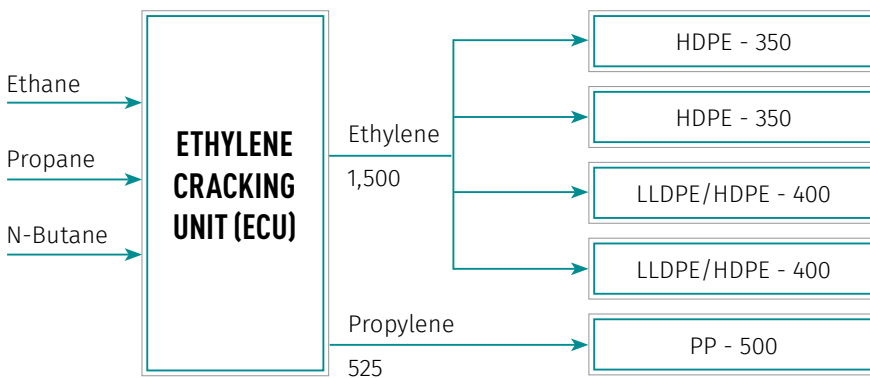


1,000+ project experts in the region, involved in efficient and timely execution of similar projects (incl. 0.5 mtpa PP production facility in Tobolsk)



Production scheme

'000 tonnes



Progress update (%)

Overall progress: 25%

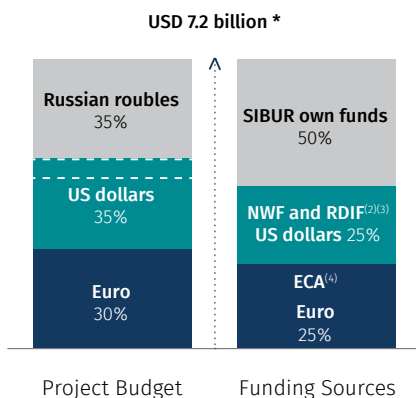
FEED	<div style="width: 100%;"></div>	100
Detail engineering	<div style="width: 47%;"></div>	47
Procurement	<div style="width: 26%;"></div>	26
Construction	<div style="width: 7%;"></div>	7

As of 1 March 2016.



Budget and financing

Project residual budget breakdown by currency and funding source for 2016-2020⁽¹⁾



Project external financing

- ◆ USD 1.75 bln with a tenor of 15 years from the NWF⁽⁵⁾
- ◆ EUR 412 mln Coface and EUR 1.676 mln Hermes ECA-backed loans with tenors of 15 years

Potential to be signed in RR

* - estimate as of 31 December 2015

⁽¹⁾ Data as of 31 December 2015. Numbers and respective percentages calculated based on exchange rates as of 31 December 2015: RR/USD at 72.9, RR/EUR at 79.7.

⁽²⁾ Cash balances as of 31 December 2015.

⁽³⁾ Russian Direct Investment Fund.

⁽⁴⁾ Undrawn amount.

⁽⁵⁾ National Wealth Fund.



KEY RELATIONSHIPS (OUR VALUE CREATION DRIVERS)

Our success would not be possible without cooperation with our diverse universe of stakeholders. We operate and develop our business in constant and open dialogue to address their interests accordingly. In turn, our stakeholders contribute to our development and help to create value for our business.

Our long-term cooperation with the major Russian oil and gas companies is only the most visible example of these win-win partnerships. We provide these energy producers with an efficient, profitable and environmentally friendly solution

for processing the by-products of the oil and gas extraction process on the basis of long-term contracts. Our joint ventures including RusVinyl, NPP Neftekhimia and Yuzhno-Priobskiy GPP are other examples of our collaborative growth model.



SIBUR has continued to develop this collaborative approach by cementing its partnership with China's Sinopec Group. Sinopec acquired a 10 percent stake in SIBUR in December 2015 and Chang Zhenyong, Sinopec Vice President and Head of Chemical Division, joined our Board of Directors.

This growing relationship will strengthen both companies' growth opportunities driven by our complementary businesses and geographic markets.







Interaction with our stakeholders is guided by the Code of Corporate Ethics approved by the PJSC SIBUR Holding Board of Directors on 16 December 2014 (Revision No. 3).



Visit the Company's website to view the document at <http://www.sibur.ru/en/about/corporate/documents/>.

Stakeholder groups	Their contribution to our success	Key interaction principles	Interaction tools
Shareholders 	Provide financial capital	Value creation at levels of international benchmarks; equal treatment; transparent disclosure	Shareholder meetings; Board of Directors' meetings, operational and financial reporting; internal restrictions on the use of insider information
Employees 	Run business efficiently and provide creative solutions to business challenges	Equal opportunities; safe work environment; professional development	Collective labour agreements; internal communications; social benefits; training and career development programmes; internal restrictions on the use of insider information



Customers 	We run business for our customers and value their feedback	Gain and maintain consumer loyalty by offering high quality and competitive pricing; compliance with competition and antitrust law	Information distribution via industry media; participation in trade shows; customer surveys
Suppliers 	Solid and reliable foundation of our business	Mutually beneficial cooperation; solution for processing the by-products of the oil and gas extraction	Long-term contracts; tender procedures
Business partners (joint venture partners and contractors)	Sharing expertise; provision of high quality services at competitive pricing	Mutual benefit and respect	Joint ventures; long-term contracts; tender procedures
 Capital markets and lenders	Provide investment and financing	Value creation at levels of international benchmarks; equal treatment; transparent disclosure	Operational and financial reporting; press releases; investor meetings
 Communities and NGOs	Provide feedback on all environmental and social aspects of our business	Fair and open conduct of business; high level of social responsibility; environmental awareness	Media; public hearings; round tables; social projects; volunteering
 Authorities	Maintaining and improving regulatory framework of our operations	Compliance with applicable law; responsible taxpayer; zero tolerance for corruption	Agreements on social and economic development; joint working groups
			



OPERATING ENVIRONMENT (OUR VALUE CREATION DRIVERS)

We operate two business segments that complement each other and react in differing ways to oil price movements. This protects our downside and delivers more stable overall profitability, which is core to the sustainability of our business model and the resilience of our results this year.

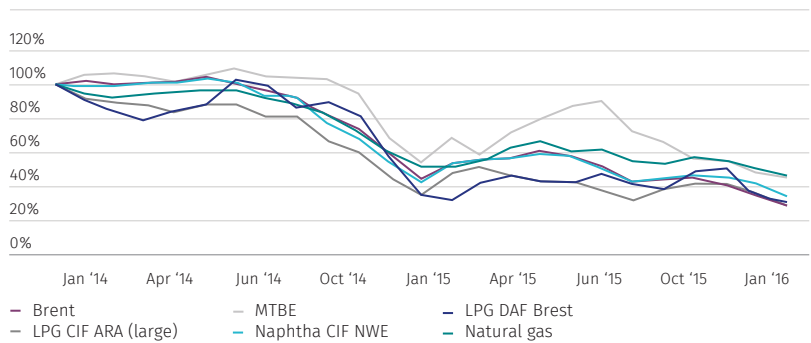
SIBUR faced headwinds due to global oil shocks and Russian economic weakness

Prices

It is hard to overstate the challenges posed by the external operating environment. 2015 was the second consecutive year of the falling oil prices. Brent crude prices fell nearly 50% on average, impacting prices for SIBUR's products such as LPG and naphtha, which nearly halved year-on-year.

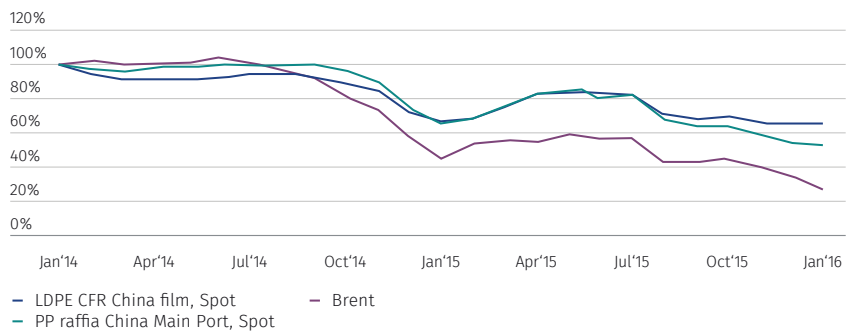
The downward oil trend also triggered a double-digit price correction in petrochemicals markets across most product groups. However the magnitude of the drop for petrochemicals was substantially smaller than for hydrocarbon prices, resulting in wider spreads for most of the products in our petrochemicals portfolio. For example, synthetic rubbers have been impacted by substantial downward pricing pressure for several years but in 2015 the economics of this business improved on the back of cheaper feedstock. Basic polymer prices were also helped by unscheduled shutdowns by producers in Europe.

Energy products Rebased to 100



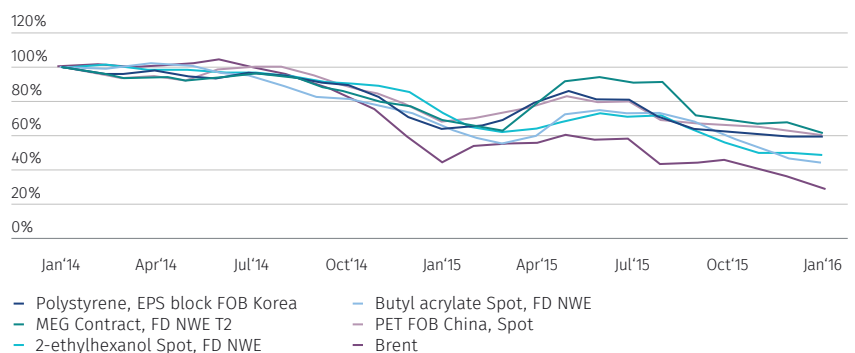
Source: Argus, Platts, Bloomberg, Federal Antimonopoly Service of Russian Federation.

Basic polymers Rebased to 100



Source: ICIS, Bloomberg.

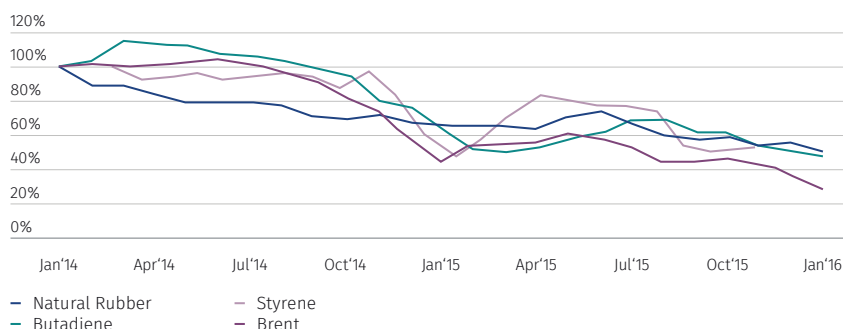
Plastics & organic synthesis products Rebased to 100



Source: Bloomberg, ICIS.

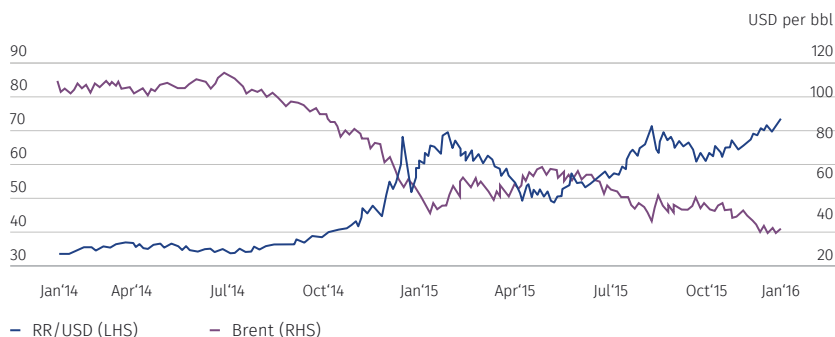
Synthetic rubbers

Rebased to 100



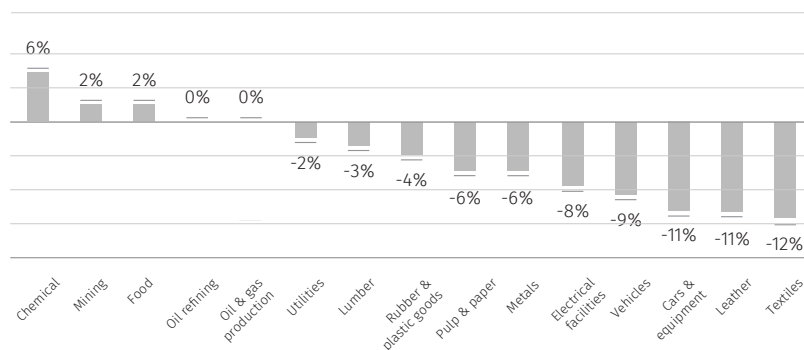
Source: Bloomberg, ICIS, Malaysian Rubber Board, Chemease.

RR/USD – oil price negative correlation



Source: Bloomberg, CBR.

Change in industrial output in 2015, % y-o-y




Source: Russian Federal State Statistics Service.

Exchange rate

Our currency, the Russian rouble, lost 37% of its value compared to the US dollar and 25% against the euro in 2015. Because we earn most of our revenues on products priced in dollars, rouble depreciation partially offset lower oil prices and was a supportive factor for SIBUR's overall profit margins.

Russian economy

Russia's economy reacted to these shocks with a 3.7% decline in GDP as the country slipped into recession. In stark contrast, the chemical industry proved to be the healthiest sector domestically, posting a growth rate of 6.3%. Lower feedstock costs and increased production made domestically produced petrochemicals products even cheaper compared to imports, accelerating the trend of import substitution. In addition, the domestic food industry grew 2% as import restrictions imposed by the Russian government stimulated local food production, which helped petrochemicals producers sourcing raw materials for locally manufactured food packaging.

 **For more information see Growth opportunities in domestic market on p. 18.**



Operating environment - continued

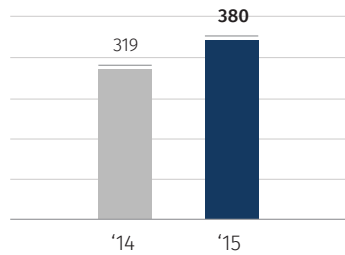
Despite these headwinds, SIBUR delivered powerful results

Our topline increased by 19% in roubles on adjusted basis, as the increase in international benchmark prices was offset by higher production and sales volumes and by rouble depreciation.

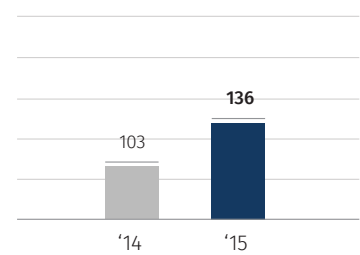
Our resilience is even more visible in terms of profitability and cash generation. Group EBITDA increased by 32% in 2015 compared to the prior year, boosted by an almost threefold increase in EBITDA in our petrochemicals segment thanks to widening spreads between the oil and petrochemical prices. Another strong growth factor was our vertical integration in feedstock and the performance of our new polypropylene production facility in Tobolsk and enhancements to our logistics infrastructure, which we believe provides SIBUR with a material technological and efficiency advantage.

Net of the support from the weaker rouble, our EBITDA in dollar terms decreased by 17% to USD 2.2 billion. The downward trend in energy prices, however, resulted in higher overall EBITDA margin for SIBUR, increasing to 35.7% in 2015 from a 32.2% EBITDA margin a year ago.

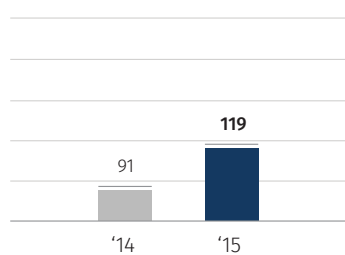
Revenue⁽¹⁾, RR bln



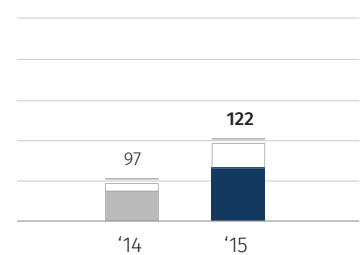
EBITDA, RR bln



Operating cash flow, RR bln



Investing cash flow⁽²⁾, RR bln



Operating cash flow increased by 31% to RR 119 billion, and we continued to invest almost all cash earned during the year. This includes a payment of nearly RR 60 billion for the Yugragazpererabotka acquisition, while RR 85 billion was used for capital expenditure, with a large portion allocated to our ZapSibNeftekhim multi-year investment project.

At the year-end our net leverage stood at 2.10x in Russian rouble terms or 1.76x in USD terms, as we raised financing for the Yugragazpererabotka acquisition and began to utilise long-term funding facilities secured for ZapSibNeftekhim.

⁽¹⁾ Adjusted for the estimated value of naphtha trading operations, ceased in 2015.

⁽²⁾ Includes CapEx and M&A.

2015 performance demonstrated the value of vertical integration

Even with global headwinds and a decline in feedstock and energy segment EBITDA from RR 88 billion in 2014 to RR 79 billion in 2015, this business delivered a still high EBITDA margin of 37.1%. Margins were helped by the pricing structure of our long-term feedstock supply contracts, which passed the

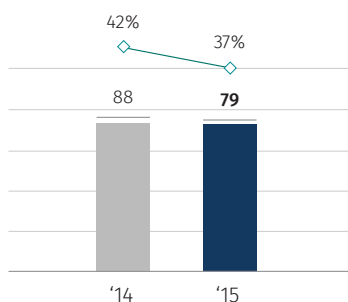
decline in hydrocarbon prices on to our suppliers. Additionally, our petrochemicals segment margin more than doubled to 31.4% in 2015 as compared to 14.6% a year ago, as petrochemicals EBITDA nearly tripled from RR 21 billion in 2014 to RR 59 billion in 2015, benefiting strongly from lower energy prices and raw material costs.



DMITRY KONOV

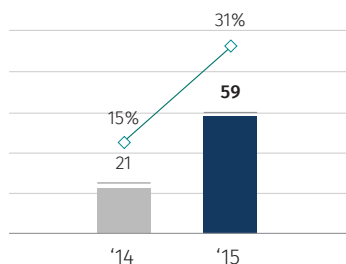
Chairman of the Management Board

Feedstock and energy



■ EBITDA, RR bln
◇ EBITDA margin⁽¹⁾

Petrochemicals



■ EBITDA, RR bln
◇ EBITDA margin



“The performance of our two business segments lifted SIBUR’s group margin. That dynamic goes a long way towards explaining our resilience this year – and our ability to build sustainable growth and value in the years to come.”

⁽¹⁾ Adjusted for the estimated value of naphtha trading operations, ceased in 2015.

HOW WE CREATE VALUE

32	Integrated value chain
34	Our business
36	◇ Products and markets
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56	◇ Transportation and logistics
58	◇ Production flows
60	SIBUR Performance Management System
62	Production System of SIBUR



INTEGRATION

INTEGRATION

INTEGRATION

INTEGRATION



INTEGRATED VALUE CHAIN

SUPPLIERS

PROCESSING & PRODUCTION



Oil companies



Gas companies

APG

Stranded APG purchased from oil companies processed by SIBUR's GPPs to produce natural gas and raw NGL

Raw NGL

Raw NGL produced internally or purchased from oil & gas companies fractionated at SIBUR GFUs into LPG and naphtha

LPG

Naphtha

LPG and naphtha produced internally or purchased from oil & gas companies as petrochemical feedstock

Methanol & other

MTBE produced from reaction of methanol with isobutylene as an additive to gasoline

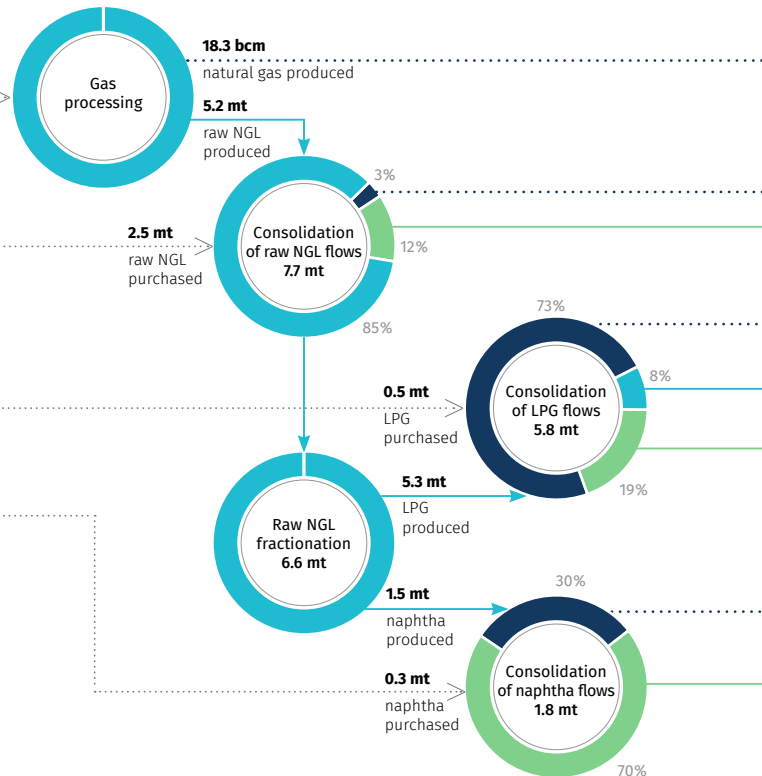
Intermediates

Intermediates polymerised or otherwise processed into higher value-added petrochemical products

Trading

Depending on local market balances and logistical constraints we purchase certain volumes of petrochemical products for further resale

21.2 bcm



LPG, naphtha and raw NGL processed at SIBUR's crackers / PDH facility into a wide range of intermediate petrochemical products

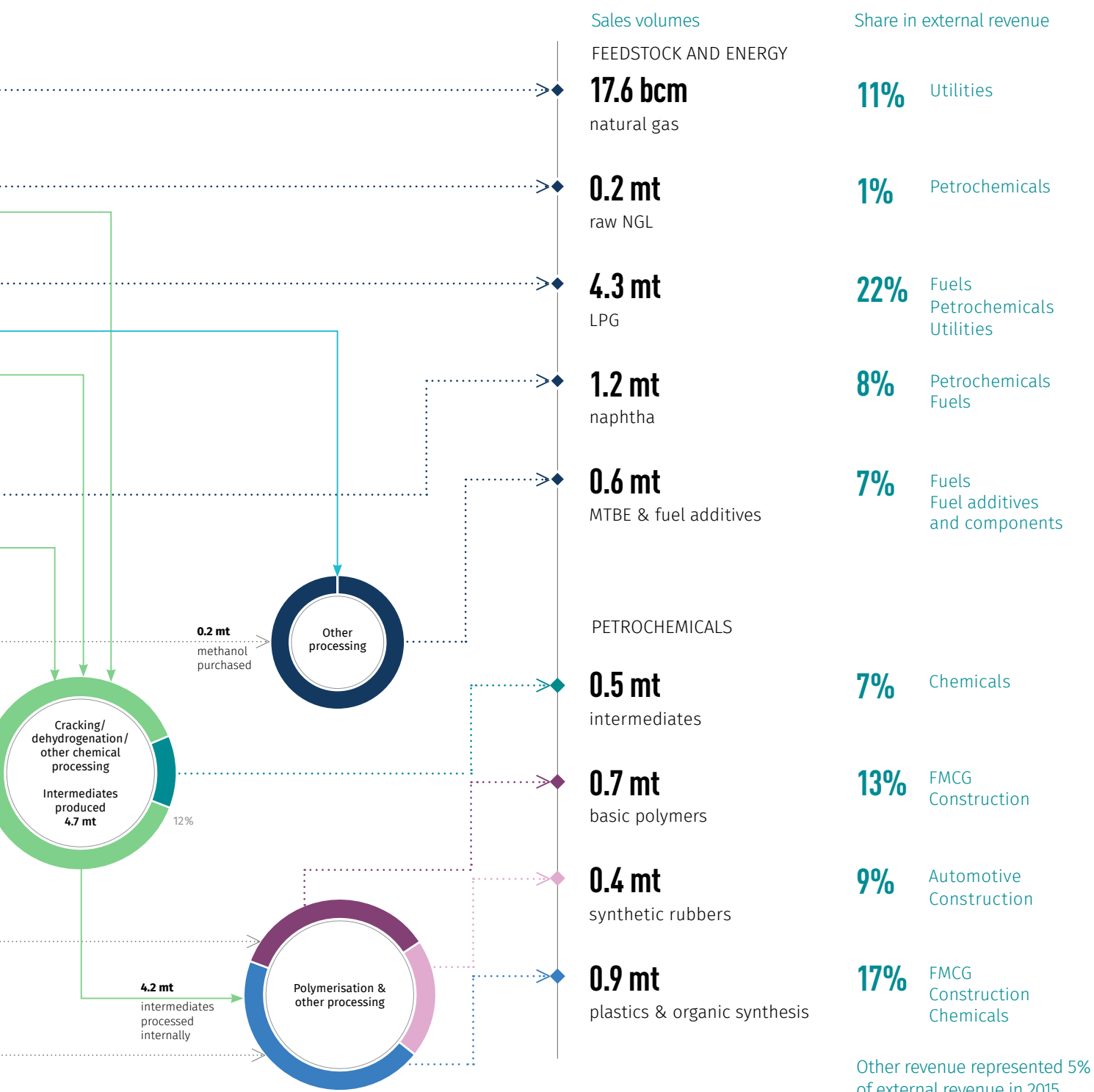


▶ Used to produce energy products.
▶ Used to produce petrochemicals.

◆ Energy products sold externally.
◆ Petrochemicals sold externally.

ILLUSTRATIVE

CUSTOMERS





OUR BUSINESS

SIBUR is a uniquely positioned vertically integrated gas processing and petrochemicals company. We own and operate Russia's largest APG processing and raw NGL fractionation business and generally are a leader in the Russian petrochemicals industry.

We purchase by-products of the oil and gas extraction activities under long-term contracts from Russian energy companies, and process them into energy and petrochemical products.

SIBUR operates two business segments: feedstock & energy and petrochemicals. These business segments vary in their end-user markets, supply and demand trends, value drivers, and consequently profitability. However, they are highly integrated, with most of feedstock for our petrochemicals segment supplied by our feedstock & energy segment.

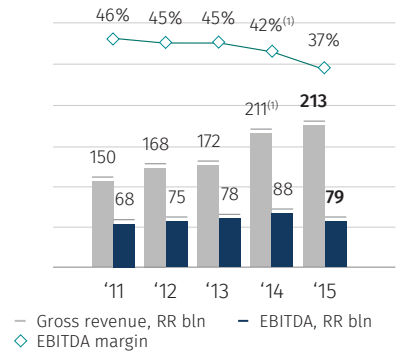
Feedstock & energy segment

SIBUR owns and operates Russia's largest infrastructure for processing and transportation of hydrocarbon feedstock.

SIBUR feedstock & energy segment comprises:

- gathering APG from oil companies and processing it into natural gas and raw NGL at our GPPs;
- transportation, fractionation and other processing of NGLs, that we produce internally or purchase externally;
- production, marketing and sales of energy products.

Financial performance



Feedstock & energy segment supplies approximately 30% of NGLs available for sale as a feedstock for our petrochemicals segment.

Assets and infrastructure



8

GPPs⁽²⁾



3

GFUs



5

Compressor stations



6

Railway loading racks

⁽¹⁾ Revenue for 2014 adjusted for naphtha trading operations via Ust-Luga, ceased in 2015.

⁽²⁾ Including Yuzhno-Priobskiy GPP, JV between SIBUR and Gazprom Neft.



Petrochemicals segment

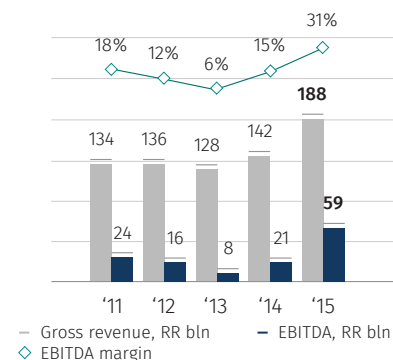
SIBUR operates an extensive petrochemicals production base and invests in capacity modernisation and expansion.

SIBUR produces and sells a wide range of petrochemical products:

- basic polymers;
- plastics and organic synthesis products;
- synthetic rubbers;
- intermediates and other chemicals.

Our feedstock & energy segment provides a reliable source of attractively priced raw materials for our petrochemicals segment.

Financial performance



Assets and infrastructure



3
Steam crackers



2
Basic polymer production plants



13
Plastic & organic synthesis production plants



1
PDH facility



3
Synthetic rubber production plants



PRODUCTS AND MARKETS

ENERGY PRODUCTS

SIBUR's energy products, including LPG, naphtha and natural gas are sold primarily to customers in the utilities, fuels and petrochemicals industries both in Russia and internationally. The majority of available raw NGL is used internally as petrochemical feedstock and raw material for LPG and naphtha. We also produce fuel additives, including MTBE, which we sell primarily to major oil refineries on the domestic market.

In 2015, our revenue from sales of energy products amounted to RR 186,497 million, a decrease of 14.1% year-on-year, representing 49.1% of total Group revenue for 2015.

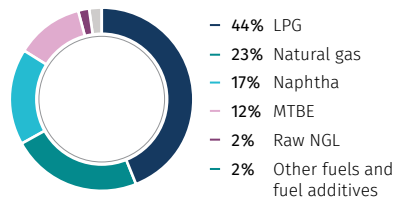
Domestic sales accounted for 45.5% of total revenue from energy product sales, while 54.5% was attributable to exports.

In 2015 SIBUR discontinued naphtha trading operations following the sale of our Ust-Luga transshipment facility. Adjusted for trading operations in 2014 revenue from sales of energy products increased 6.2% year-on-year in 2015.

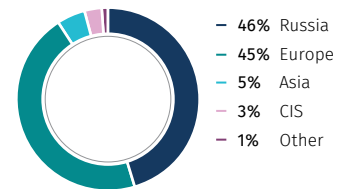
Energy products, such as LPG, naphtha and raw NGL are used as feedstock for internal processing into petrochemical products and sold externally.

Energy products revenue split (2015)

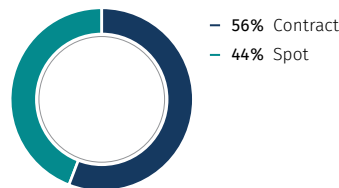
By product



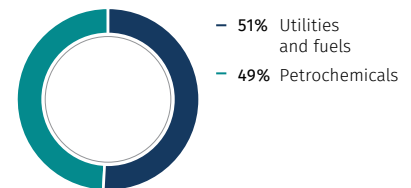
By region



By contract/spot



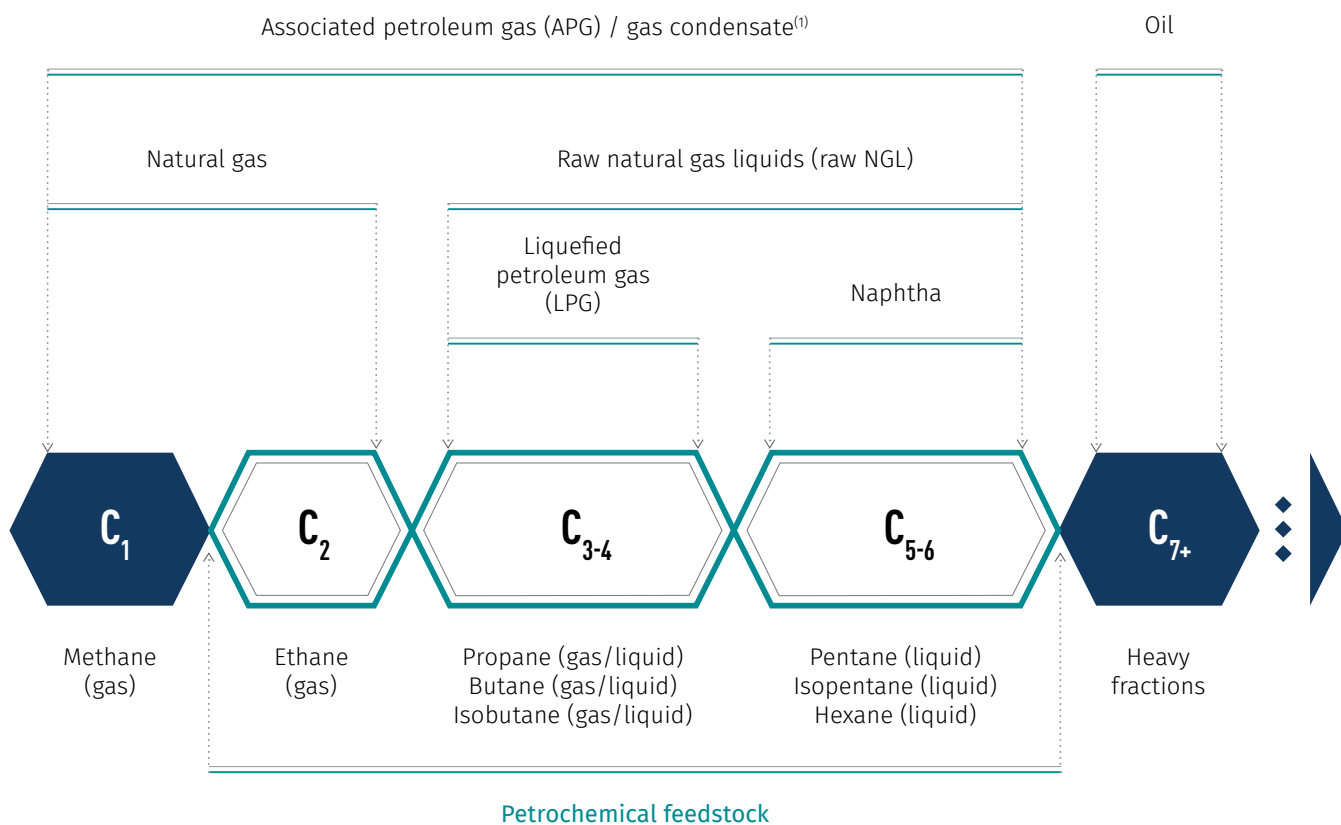
By key end-customer industry



32%
NGLs supplied as feedstock to petrochemicals out of volumes available for sale



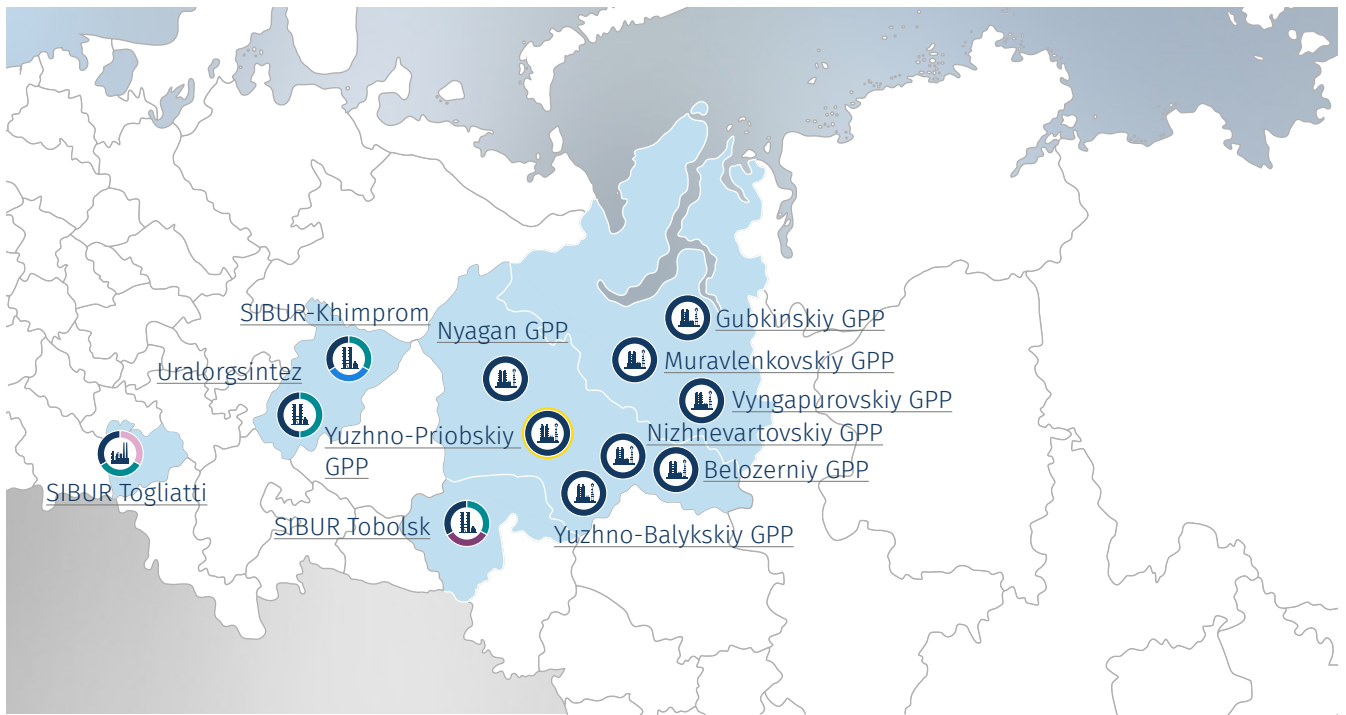
Hydrocarbon chain



⁽¹⁾ APG and gas condensate are composed of same fractions but in different proportions.



Energy products - continued



Energy products

- ◆ gas processing & fractionation, MTBE & other fuel additives

Petrochemicals

- ◆ basic polymers
- ◆ plastics & organic synthesis

Joint ventures

- ◆ facilities operated under JVs



Production site	Location	Products	Nameplate capacity as of 31 December		Average capacity utilisation, %	
			2015	2014	2015	2014
Gas processing plants (GPPs)			Processing capacity, billion cubic metres of APG			
Nizhnevartovskiy GPP	Khanty-Mansi Autonomous Area	Natural gas, raw NGL, naphtha, LPG	6.2	6.2	95%	95%
Belozerniy GPP	Khanty-Mansi Autonomous Area	Natural gas, raw NGL, naphtha	4.6	4.6	104%	99%
Yuzhno-Balykskiy GPP	Khanty-Mansi Autonomous Area	Natural gas, raw NGL	2.9	2.9	110%	107%
Vyngapurovskiy GPP	Yamal-Nenets Autonomous Areas	Natural gas, raw NGL	2.8	2.8	89%	90%
Nyagan GPP	Khanty-Mansi Autonomous Area	Natural gas, naphtha, LPG	2.6	2.6	68%	72%
Gubkinskiy GPP	Yamal-Nenets Autonomous Areas	Natural gas, raw NGL	2.6	2.6	71%	57%
Muravlentovskiy GPP	Yamal-Nenets Autonomous Areas	Natural gas, raw NGL	1.3	1.3	85%	95%
Yuzhno-Priobskiy GPP	Khanty-Mansi Autonomous Area	Natural gas, raw NGL	0.9	-	91%	-
Gas fractionation units (GFUs)			Processing capacity, million tonnes of raw NGL			
SIBUR Tobolsk	Tobolsk	LPG, naphtha	6.6	6.6	100%	100%
Uralorgsintez	Perm region	LPG, naphtha	0.8	0.8	104%	102%
SIBUR-Khimprom	Perm	LPG, naphtha	0.55	0.55	60%	49%
MTBE production units			Production capacity, tonnes			
Uralorgsintez	Perm region	MTBE	220,000	220,000	85%	84%
SIBUR Tobolsk	Tobolsk	MTBE	155,000	155,000	101%	103%
SIBUR Togliatti	Togliatti	MTBE	100,000	75,000	88%	97%
SIBUR-Khimprom	Perm	MTBE	50,000	50,000	68%	75%

Please refer to Additional Information for the methodology of capacity utilisation calculation.



Energy products - continued

LIQUEFIED PETROLEUM GASES (LPG)



Product description

LPG refers primarily to propane (C₃), butane and isobutane (C₄) or propane-butane mixtures and produced by fractionating raw NGL at our GFUs.

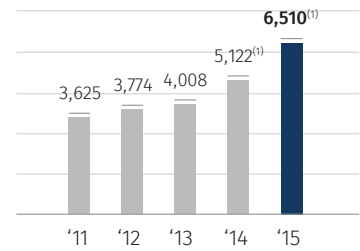
Sales

We sell LPG externally and also supply it as feedstock to our petrochemicals production facilities.

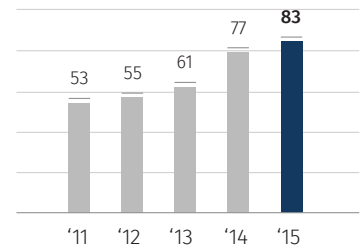
Key applications

Motor fuel, feedstock for petrochemicals, utilities.

Production volumes, '000 tonnes

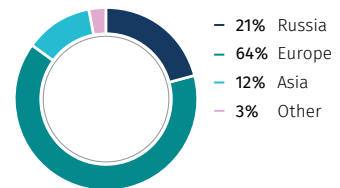


Revenue from sales, RR bln



- ◆ **21.8%**
of total Group revenue
- ◆ **44.5%**
of energy products revenue
- ◆ **20.7%**
of volumes available for sale are used internally as feedstock for petrochemicals production

Revenue split by market



⁽¹⁾ Including production volumes under processing arrangements.



NATURAL GAS



Product description

Natural gas comprises methane (C₁) and ethane (C₂). SIBUR produces natural gas at its GPPs through processing of APG purchased from oil companies, which we separate into natural gas and raw NGL.

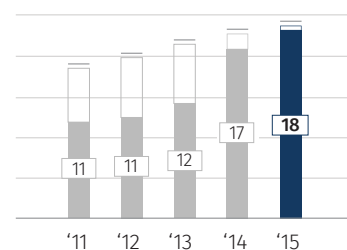
Sales

We sell natural gas to Russian oil and gas companies and, to a limited extent, to Russian regional and municipal power companies. Natural gas is not used as feedstock to our petrochemicals business, only as a fuel at the GPPs and for our own heat and power generation.

Key applications

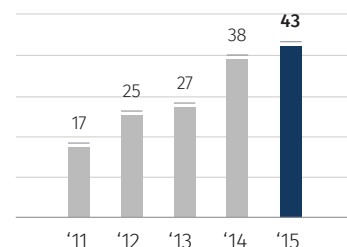
Utilities.

Production volumes, bln cubic metres

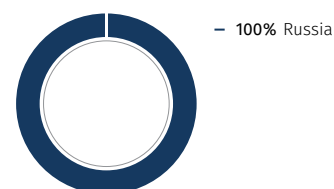


□ Including Gazprom Neft's share in production volumes of Yuzhno-Priobskiy GPP starting September 2015. Including Rosneft's share in production volumes of Yuragazpererabotka until the first quarter of 2014.

Revenue from sales, RR bln



Revenue split by market



◆ **11.3%**
of total Group revenue

◆ **23.1%**
of energy products revenue



Energy products - continued

NAPHTHA



Product description

Naphtha (C₅+) refers primarily to pentane, isopentane, hexane, heavier fraction hydrocarbons and produced by fractionating raw NGL at our GFUs.

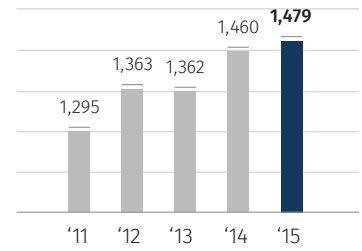
Sales

We sell naphtha externally and supply it as feedstock to our petrochemicals production facilities.

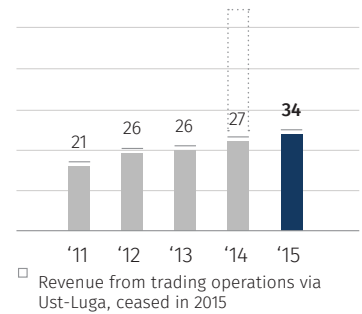
Key applications

Feedstock for energy and petrochemicals industries.

Production volumes, '000 tonnes

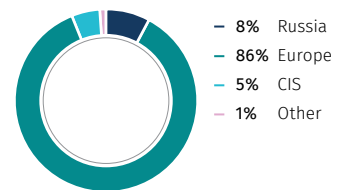


Revenue from sales, RR bln



- ◆ **8.3%**
of total Group revenue
- ◆ **16.9%**
of energy products revenue
- ◆ **33.9%**
of volumes available for sale are used internally as feedstock for petrochemicals production

Revenue split by market





METHYL TERTIARY BUTYL ETHER (MTBE)



Product description

MTBE is a fuel additive that is used to increase the octane level in gasoline and produced from the reaction of methanol with isobutylene fraction.

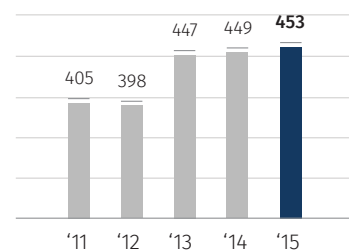
Sales

We sell 100% of MTBE externally to oil refineries in Russia and abroad.

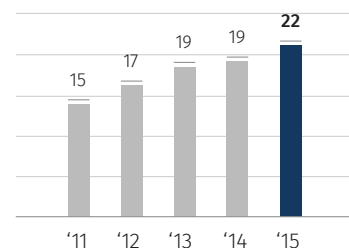
Key applications

Motor fuel.

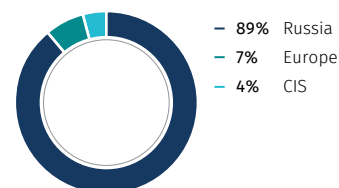
Production volumes, '000 tonnes



Revenue from sales, RR bln



Revenue split by market



◆ **5.7%**
of total Group revenue

◆ **11.6%**
of energy products revenue



Energy products - continued

RAW NATURAL GAS LIQUIDS (RAW NGL)



Product description

Raw NGL represents a wide mixture of hydrocarbon fractions, ranging from C₃ to C₆ (propane, butane, isobutane, pentane, isopentane, and hexane) and produced at GPPs through processing of APG by separating it into natural gas and raw NGL.

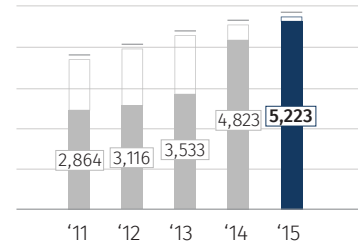
Sales

We use raw NGL primarily for internal fractionation into energy products and as feedstock at our own petrochemicals facilities without prior fractionation.

Key applications

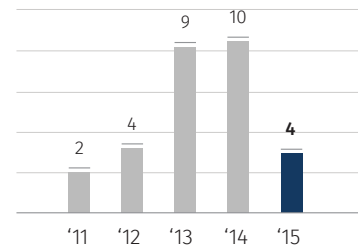
Petrochemicals.

Production volumes, '000 tonnes

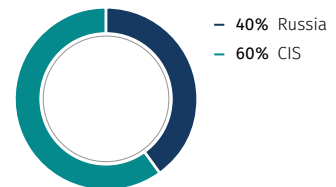


□ Including Gazprom Neft's share in production volumes of Yuzhno-Priobskiy GPP starting September 2015. Including Rosneft's share in production volumes of Yugragazpererabotka until the first quarter of 2014.

Revenue from sales, RR bln



Revenue split by market



- ◆ **1.0%**
of total Group revenue
- ◆ **2.0%**
of energy products revenue
- ◆ **80.0%**
of volumes available for sale used internally as feedstock for petrochemicals production
- ◆ **85.4%**
fractionated into energy products out of produced and purchased volumes



PETROCHEMICALS

SIBUR’s petrochemical products comprise basic polymers, synthetic rubbers, plastics & organic synthesis products as well as intermediates & other chemicals. Each of these product groups has particular characteristics and distinct market fundamentals, however, all are sold to industrial customers in key end-markets, such as fast moving consumer goods (FMCG), construction, chemicals, automotive and other sectors.

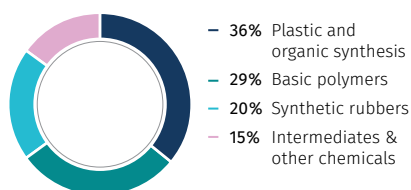
In 2015, our revenue from sales of petrochemical products totaled RR 175,802 million, a 32.7% increase year-on-year, and accounted for 46.3% of the total Group revenue for 2015. Domestic sales accounted for 63.9% of total revenue from petrochemicals sales, while 36.1% was attributable to exports.

We use a large portion of intermediates & other chemicals internally for processing into higher value added petrochemical products.

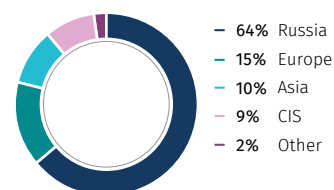
SIBUR’s integrated business model enables us to change the composition of our feedstock and product mix to optimise purchasing, production, sales and logistics in order to maximise our blended margins.

Petrochemical products revenue split

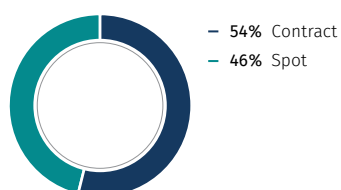
By product



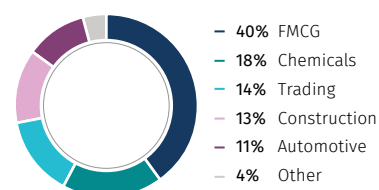
By region



By contract/spot



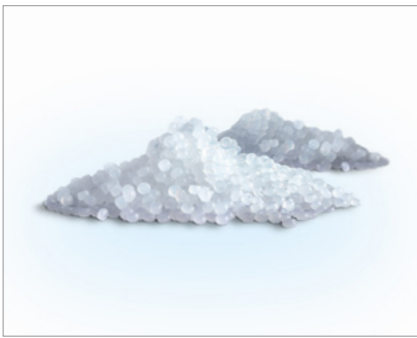
By key end-customer industry





Petrochemicals - continued

BASIC POLYMERS



Product description

SIBUR's basic polymers products include polypropylene (PP) and polyethylene (LDPE), which are granulated thermoplastic polymers. PP and LDPE are derived from polymerisation of propylene and ethylene, respectively, that are produced internally.

Key PP applications

General-purpose consumer goods, packaging, BOPP-films, hygiene products, pipes, fibres and automotive components.

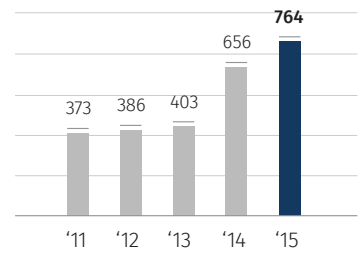
Key LDPE applications

General-purpose consumer goods, coating materials for electrotechnical and energy industry, film for agricultural industry, various packaging.

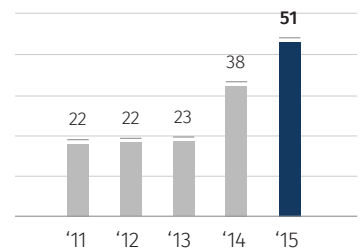
Sales

We sell LDPE and PP to external clients in Russia and abroad and also use certain volumes internally in BOPP-films production.

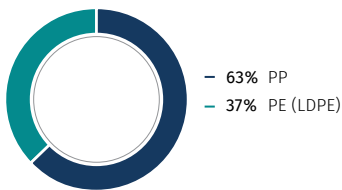
Production volumes, '000 tonnes



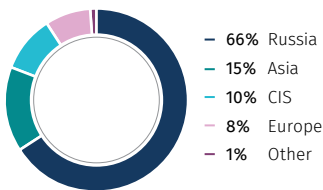
Revenue from sales, RR bln



Revenue split by product



Revenue split by market





- ◆ **13.4%**
of total Group revenue
- ◆ **28.9%**
of petrochemicals revenue
- ◆ **19.1%**
of produced and purchased volumes are used internally for BOPP-films production


Energy products

- ◆ fractionation, MTBE & other fuel additives

Petrochemicals

- ◆ basic polymers
- ◆ intermediates

Joint ventures

- ◆ facilities operated under JVs

Products	Production site	Location	Nameplate capacity (tonnes) as of 31 December		Capacity utilisation, %	
			2015	2014	2015	2014
PP	SIBUR Tobolsk	Tobolsk	500,000	500,000	76%	53%
PP	Tomskneftekhim	Tomsk	140,000	130,000	104%	99%
PP	Poliom (non-consolidated JV ⁽¹⁾)	Omsk	210,000	210,000	91%	82%
PP	NPP Neftekhimia (non-consolidated JV ⁽²⁾)	Moscow	120,000	120,000	101%	85%
PE (LDPE)	Tomskneftekhim	Tomsk	245,000	245,000	101%	106%
PVC	RusVinyl (non-consolidated JV ⁽³⁾)	Nizhniy Novgorod region	330,000	330,000	72%	75%
Caustic soda	RusVinyl (non-consolidated JV ⁽³⁾)	Nizhniy Novgorod region	225,000	225,000	69%	70%

Please refer to Additional Information for the methodology of capacity utilisation calculation.

⁽¹⁾ SIBUR's non-consolidated JV with Gazprom Neft Group and Titan Group.

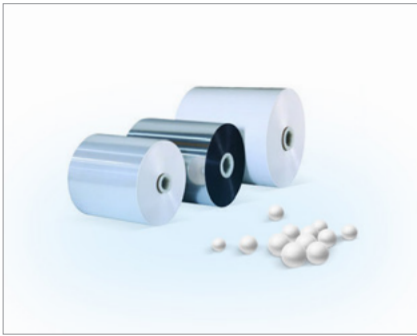
⁽²⁾ NPP Neftekhimia is the Group's joint venture with Gazprom Neft Group. SIBUR does not consolidate production volumes of NPP Neftekhimia, however it purchases almost all PP produced by the joint venture.

⁽³⁾ SIBUR's non-consolidated JV with SolVin Holding Nederland B.V.



Petrochemicals - continued

PLASTICS & ORGANIC SYNTHESIS PRODUCTS



SIBUR produces plastics and organic synthesis products primarily from ethylene and propylene derivatives, as well as a wide range of intermediates, which we also produce as part of our value chain.

PET is a thermoplastic polymer resin of the polyester family.

Key applications

PET packaging for beverages and food, other containers.

BOPP-films include coextruded, coated, non-heat sealable or homopolymer films in a variety of finishes.

Key applications

Used by the retail industry for packaging and production of labels and adhesive tapes.

Glycols include mono-ethylene glycol, diethylene glycol and triethylene glycol.

Key applications

PET, polyester fiber, de-icing liquids, cooling and antifreezing liquids, extragent for aromatic hydrocarbons and reagent for natural gas drying.

EPS is a granulated polymer, produced from styrene monomer.

Key applications

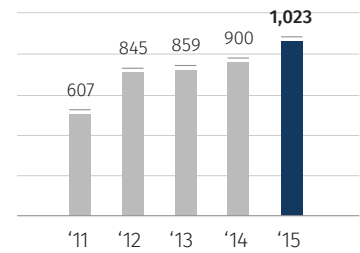
Production of thermoinsulation blocks, packaging materials as well as for decorative elements.

Alcohols include 2-ethylhexanol, butyl alcohol and isobutyl alcohol.

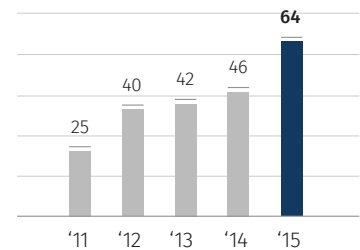
Key applications

Production of plasticisers, acetates, acrylates, oil additives, as solvents for plastics and varnish, as anti-foaming agent, as well as a component for perfume compounds.

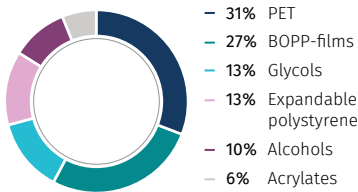
Production volumes, '000 tonnes



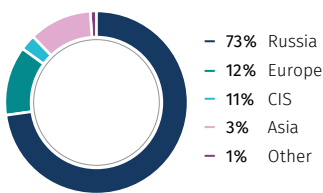
Revenue from sales, RR bln



Revenue split by product



Revenue split by market



Acrylates include ethers of acrylic acid, butyl, methyl and ethyl.

Key applications

Production of acrylic emulsions, superabsorbents, building mixes and adhesives used in the construction and textile industries.

Sales

We sell these products to external customers in a variety of industries in Russia and abroad with a strong focus on domestic market for the majority of the products and also use certain volumes internally, primarily in the production of higher value-added products.



- ◆ **16.8%**
of total Group revenue
- ◆ **36.3%**
of petrochemicals revenue internally
- 12.4%**
used in higher value-added products internally


Energy products

- ◆ fractionation, MTBE & other fuel additives

Petrochemicals

- ◆ plastics & organic synthesis
- ◆ intermediates

Products	Production site	Location	Nameplate capacity (tonnes) as of 31 December		Capacity utilisation, %	
			2015	2014	2015	2014
PET	Polief	Blagoveshchensk (Bashkortostan)	210,000	210,000	104%	104%
PET	SIBUR-PETF	Tver	75,250	75,250	106%	103%
BOPP-films	BIAXPEN group of companies	Samara region, Moscow region, Kursk, Nizhniy Novgorod region	184,600	182,450	83%	71%
Expandable polystyrene (EPS)	SIBUR-Khimprom	Perm	100,000	100,000	99%	97%
Alcohols	SIBUR-Khimprom	Perm	164,700	164,700	98%	97%
Glycols	SIBUR-Neftekhim	Nizhniy Novgorod region	297,700	255,750	94%	77%
Acrylates	SIBUR-Neftekhim	Nizhniy Novgorod region	57,100	57,145	79%	78%

Please refer to Additional Information for the methodology of capacity utilisation calculation.



Petrochemicals - continued

SYNTHETIC RUBBERS



Commodity rubbers comprise polyisoprene (IR), polybutadiene (BR) and styrene-butadiene (SBR) rubbers. These are butadiene or isoprene polymers as well as co-polymers of butadiene and styrene, which have elastic and other properties that are partly similar to natural rubbers.

Key applications

Tyres, mechanical rubber goods for automotive and machine building industries, asbestos technical (frictional) goods and adhesives, footwear.

Specialty rubbers comprise co-polymers such as nitrile-butadiene rubber (NBR), which is a complex mixture of unsaturated co-polymers of acrylonitrile and butadiene, and butyl rubber (IIR), which is a co-polymer of isobutylene and a small amount of isoprene. In addition to basic rubber properties, such as elasticity, NBR is characterised by oil and petrol resistance, while IIR is characterised by gas impermeability.

Key applications

Tyre inner tubes and vulcanising diaphragms, mechanical rubber goods for asbestos technical (frictional) goods and adhesives, footwear.

Thermoplastic elastomers (SBS)

represent a mix of polymers (usually plastic and rubber), which consists of materials with both thermoplastic and elastomeric properties.

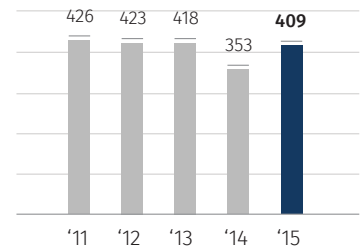
Key applications

Construction, healthcare, automotive and electronics.

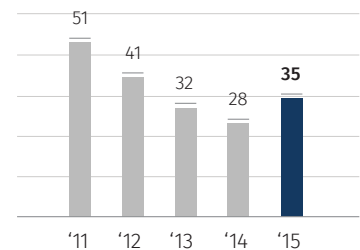
Sales

We sell 100% of rubbers to external customers both in Russia and abroad.

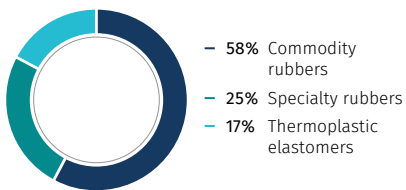
Production volumes, '000 tonnes



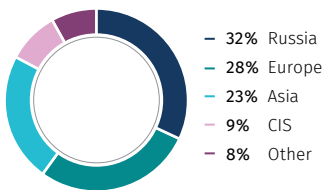
Revenue from sales, RR bln



Revenue split by product



Revenue split by market





◆ **9.2%**
of total Group revenue

◆ **20.0%**
of petrochemicals revenue



Energy products

◆ MTBE & other fuel additives

Petrochemicals

◆ synthetic rubbers

◆ intermediates

Products	Production site	Location	Nameplate capacity (tonnes) as of 31 December		Capacity utilisation, %	
			2015	2014	2015	2014
Commodity rubbers						
BR	Voronezhskiy sintezkauchuk	Voronezh	91,000	91,000	99%	75%
IR	SIBUR Togliatti	Togliatti	82,000	82,000	71%	72%
ESBR	Voronezhskiy sintezkauchuk	Voronezh	80,000	80,000	58%	59%
ESBR	SIBUR Togliatti	Togliatti	60,000	60,000	70%	53%
PBR-Nd	Voronezhskiy sintezkauchuk	Voronezh	30,000	30,000	31%	41%
SSBR	Voronezhskiy sintezkauchuk	Voronezh	26,800	23,000	42%	50%
Specialty rubbers						
IIR	SIBUR Togliatti	Togliatti	65,000	60,000	91%	92%
NBR	Krasnoyarskiy ZSK	Krasnoyarsk	42,500	42,500	90%	76%
Latexes	Voronezhskiy sintezkauchuk	Voronezh	-	19,500	-	7%
Thermoplastic elastomers						
SBS	Voronezhskiy sintezkauchuk	Voronezh	85,000	85,000	68%	44%

Please refer to Additional Information for the methodology of capacity utilisation calculation.



Petrochemicals - continued

INTERMEDIATES AND OTHER CHEMICALS



Product description

Intermediates and other chemicals primarily comprise benzene, styrene, terephthalic acid, propylene, ethylene oxide, butadiene, isoprene, isobutylene, ethylene and others and are produced primarily from raw NGL, LPG and naphtha.

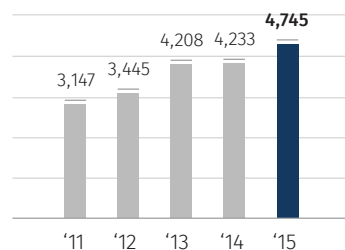
Key applications

These chemicals are primarily used internally for processing into higher value added petrochemical products.

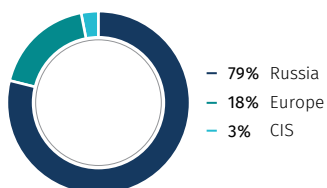
Sales

We also sell these products externally, primarily to other petrochemicals companies.

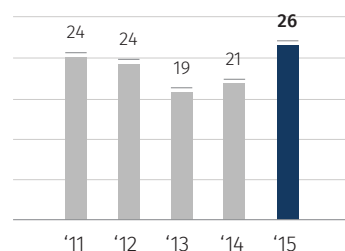
Production volumes, '000 tonnes



Revenue split by market

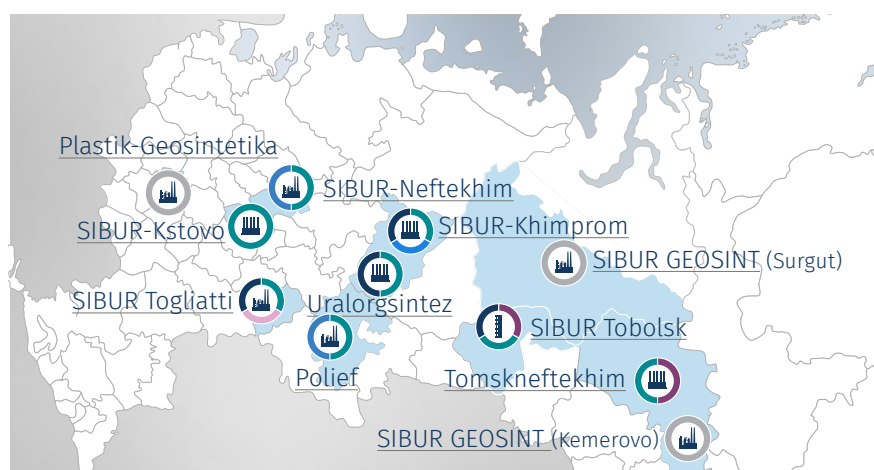


Revenue from sales, RR bln





- ◆ **6.9%**
of total Group revenue
- ◆ **14.8%**
of petrochemicals revenue
- 88.6%**
used in higher value-added products internally


Energy products

- ◆ fractionation, MTBE & other fuel additives

Petrochemicals

- ◆ basic polymers
- ◆ plastics & organic synthesis
- ◆ synthetic rubbers
- ◆ intermediates
- ◆ other chemicals

Products	Production site	Location	Nameplate capacity (tonnes) as of 31 December		Capacity utilisation, %	
			2015	2014	2015	2014
Propylene	SIBUR Tobolsk	Tobolsk	925,500	925,500	79%	61%
	Tomskneftekhim	Tomsk				
	SIBUR-Kstovo	Nizhniy Novgorod region				
	SIBUR-Khimprom	Perm				
Ethylene	Tomskneftekhim	Tomsk	720,000	720,000	88%	76%
	SIBUR-Khimprom	Perm				
	SIBUR-Kstovo	Nizhniy Novgorod region				
Butadiene	SIBUR Tobolsk	Tobolsk	287,000	287,000	81%	66%
	SIBUR Togliatti	Togliatti				
Isoprene	SIBUR Togliatti	Togliatti	90,000	90,000	74%	78%
Benzene	Uralorgsintez	Perm region	176,000	176,000	87%	71%
	SIBUR-Kstovo	Nizhniy Novgorod region				
Styrene	SIBUR-Khimprom	Perm	195,000	195,000	90%	88%
	Plastic ⁽¹⁾	Tula region				
Ethylene oxide	SIBUR-Neftekhim	Nizhniy Novgorod region	300,000	300,000	89%	72%
Terephthalic acid	Polief	Blagoveshchensk (Bashkortostan)	272,640	269,220	98%	94%

Please refer to Additional Information for the methodology of capacity utilisation calculation.

⁽¹⁾ Plastic divested in December 2013 produces styrene for SIBUR under processing arrangement.

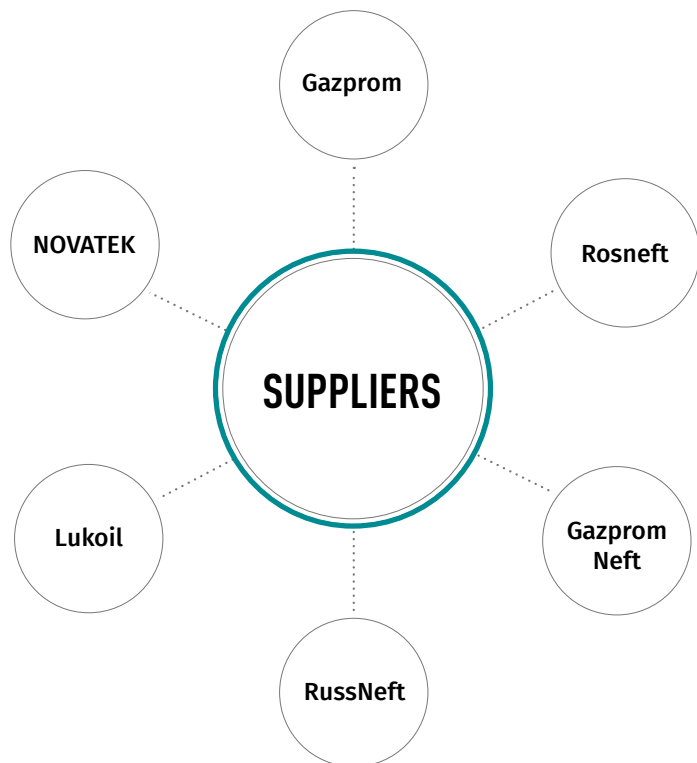


FEEDSTOCK SOURCING

◆◆ We use two major types of hydrocarbon feedstock: APG and NGLs, including raw NGL, LPG and naphtha. By processing APG we produce natural gas and raw NGL. We also purchase NGLs from third parties. Our long-term suppliers of feedstock are major Russian oil and gas companies.

- ◆ **APG**
- ◆ **16 YEARS**
weighted average maturity of our multi-year APG contracts⁽¹⁾
- ◆ **91%**
of our planned APG supplies for 2016 guaranteed under multi-year supply contracts
- ◆ **NGLs**
- ◆ **17 YEARS**
weighted average maturity of our multi-year NGLs contracts⁽¹⁾
- ◆ **94%**
of our planned NGL supplies for 2016 guaranteed under multi-year supply contracts

Our long-term suppliers of feedstock



⁽¹⁾ As of 31 December 2015.



Feedstock pricing

APG

APG prices are negotiated by agreement between parties. There is no regulated or market price due to the limited options for oil producers to use APG. The base price for APG depends on target liquid fractions content, distance of an APG source from our GPPs, availability of collection and transportation infrastructure and costs to construct and maintain it.

We have two types of APG purchase contracts:

- APG price once agreed upon in absolute terms is indexed to reflect changes in FTS regulated prices for natural gas.
- For our contract with Rosneft, the APG price is indexed with changes in APG derivatives such as natural gas and NGLs.

NGLs

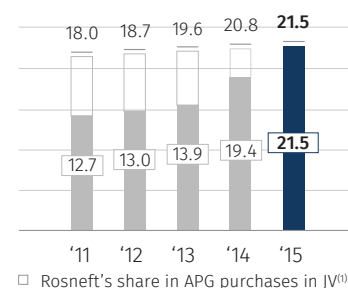
NGLs are typically priced with reference to prices for LPG and naphtha. As the supply of NGLs exceeds demand in Russia, prices for NGLs are determined on an export netback basis, which reflects transportation costs and export duties. Pricing in NGLs supply contracts is determined by the respective netbacks and reflect the fraction content of NGLs, cost of fractionation, capital expenditures required to construct and maintain infrastructure, and alternative selling channels available for NGLs supplier.

Feedstock trends in Western Siberia

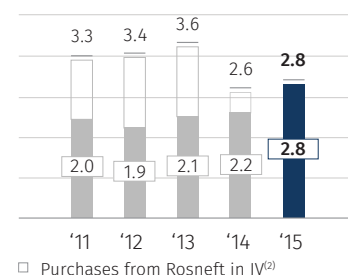
Given the maturity profile of oil fields APG volumes will increase only moderately, while concentration of liquid fractions in the APG may decline. We expect this trend to be partially offset by higher liquids recovery ratio and by launching our raw NGL transportation infrastructure to access growing production at gas fields.

SIBUR's sourced volumes

APG, bln cubic metres



NGLs, mln tonnes



⁽¹⁾ 49% of APG supplied by Rosneft to the GPPs of its JV with SIBUR. In March 2014, SIBUR gained full control over the JV via acquisition of a 49% stake from Rosneft. For details please refer to Appendix II of the Management's Discussion and Analysis.

⁽²⁾ 49% of raw NGL produced at the GPPs of the JV between SIBUR and Rosneft. These volumes were obtained by Rosneft and sold to SIBUR. In March 2014, SIBUR gained full control over the JV via acquisition of a 49% stake from Rosneft. For details please refer to Appendix II of the Management's Discussion and Analysis.



TRANSPORTATION & LOGISTICS

◆◆ We use pipelines, railway, trucks, port facilities and multimodal transportation services for delivery of feedstock and finished products. SIBUR’s own infrastructure (pipelines and on-site railway facilities) meets a part of our transportation needs.

- ◆ **819 km**
APG pipelines⁽¹⁾
- ◆ **238 km**
Natural gas pipelines⁽¹⁾
- ◆ **1,639 km**
Raw NGL pipelines⁽¹⁾



Pipelines

APG pipelines

APG purchased from oil companies is transported via pipelines, which link oil fields and oil clusters to our GPPs.

Most pipelines are owned by the oil companies, but some are owned by SIBUR.

Natural gas pipelines

SIBUR transports the gas it produces through its own pipelines into the

Unified Gas Supply System (the UGSS), owned by Gazprom, and to regional power companies.

Raw NGL pipelines

We transport a part of raw NGL to our GFUs via specialised raw NGL pipelines. The group has developed

its own pipeline network, that helps to secure long-term access to abundant raw NGL resources in Western Siberia.



Truck transportation

We use truck services to transport petrochemicals, primarily within Russia.

We do not operate our own truck fleet. We use third-party services trucks to transport petrochemical products.



Multimodal transportation services

We use the services of largest multimodal transportation operators to deliver petrochemical

products such as basic polymers and synthetic rubbers to export markets.

⁽¹⁾ As of 31 December 2015.



23,488
 Rail cars and tank wagons under management⁽²⁾



Warehouses and distribution centres

We purchase warehouse services to store our petrochemical products closely to our production sites

and facilities of key customers. SIBUR has its own sales desks in Russia and abroad.



Rail transportation

SIBUR's subsidiary AO Sibur-Trans, a licensed railway operator, is responsible for handling rail logistics within Russia and for export deliveries, including purchasing of transportation services from Russian Railways. We own six railway loading racks used for loading and unloading NGLs into rail tank wagons and

operate an extensive rail car fleet. Rail transportation is subject to tariffs for access to Russia's main railway network and usage of locomotives, which is regulated by the Federal Antimonopoly Service of Russia (FAS), as well as costs associated with exploitation of rolling stock.



Port facilities

We deliver LPG, naphtha and certain other products to export markets through ports.

The largest of them are shown at the map below.

Export logistics through third-party facilities⁽¹⁾

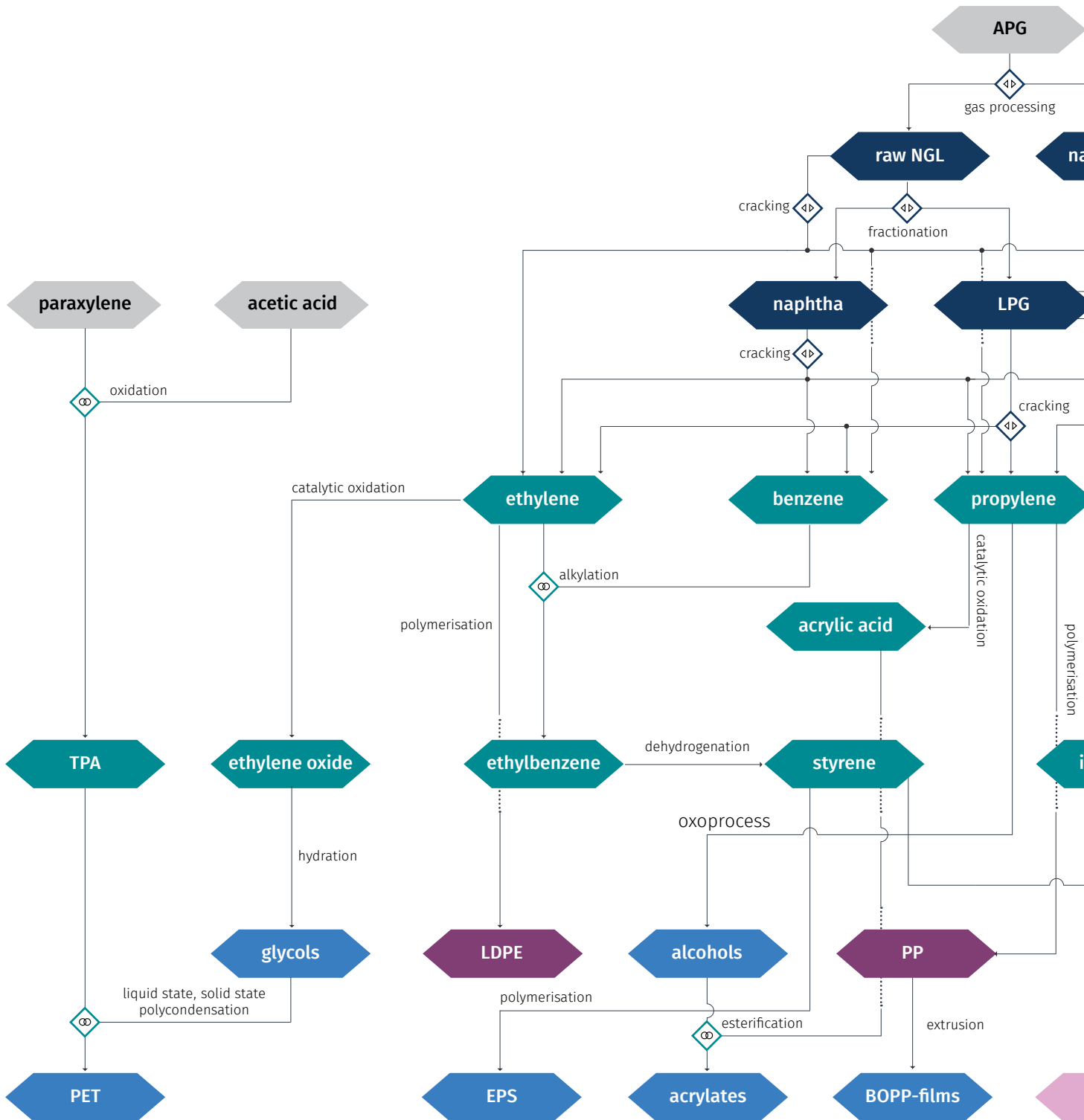


⁽¹⁾ In November 2015, SIBUR sold a terminal in the commercial port of Ust-Luga on the Baltic Sea. According to the agreement, SIBUR has long-term rights to utilise 100% of the LPG transshipment capacity on the pre-agreed terms.

⁽²⁾ As of 31 December 2015.

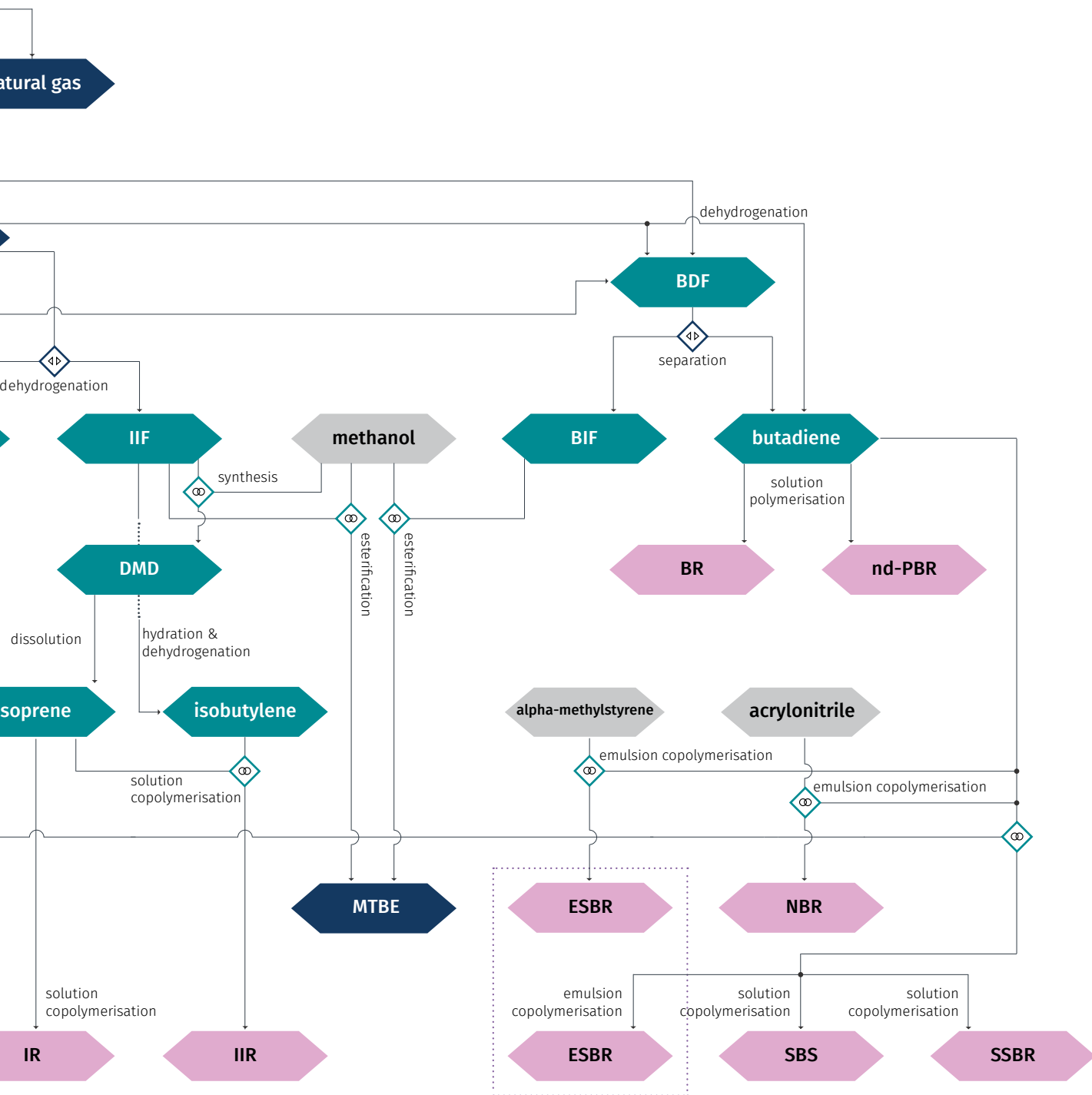


PRODUCTION FLOWS





- Separation
- Compounding
- Energy products
- Basic polymers
- Plastics and organic synthesis products
- Synthetic rubbers
- Intermediates
- Feedstock sourced by SIBUR externally





SIBUR PERFORMANCE MANAGEMENT SYSTEM - (MOTIVATING OUR PEOPLE TO CREATE VALUE)

◆◆ The overarching principle of the SIBUR Performance Management System is to align our people and project teams with our strategic goals for the current year and over the medium term.

The system is designed to motivate talent and ensure continuous improvement, accountability and risk reduction to increase our value and sustainability as a business. It is a company-wide tool that lets everyone know what is expected of them, and how they will be evaluated. KPIs defined in the system must be simple, clear and easy to measure. They are benchmarked against relevant market comparisons and internal measures to ground them in reality.

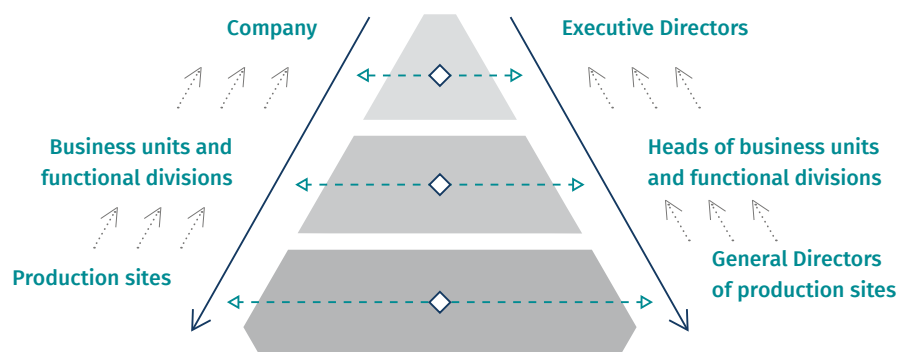
KPI goal setting system

SIBUR's system is based on a cascading principle at each management level, from administrative and functional lines to individual goals of employees. KPIs for each employee must be

aligned with the goals of their respective managers and must be approved by them. This provides transparency and uniformity in setting goals and expectations to promote accountability for achieving the Company's targets.

Hierarchy of Performance Contracts

Hierarchy of individual KPIs



← Arrows indicate cascading and mapping of KPIs and performance contracts

↔ - - - - -

← - - - - -



Performance Contract as a scorecard for evaluating performance

The Company's KPIs are annually approved by the Board of Directors based on the business plan for the next year and are set in the Performance Contract. We monitor the achievement of KPIs on a monthly and semi-annual basis. The report on the achievement of KPIs for the year is reviewed by the Human Resources and Remuneration Committee and is approved by the Board of Directors.

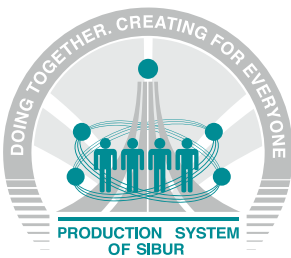
This year's KPIs included:

- ◆ Operational performance indicators (liquids production at SIBUR's GPPs; total production volumes)
- ◆ Financial performance indicators (EBITDA; administrative expenses; operating expenses; working capital turnover)
- ◆ Health and safety indicators (LTIFR)
- ◆ Strategic execution indicators (Executing the plan for commissioning key assets)

These KPIs provide essential signals and motivation to employees and management to make operational improvements and contributions to our business as well as our financial results. They are, of course, are basis for monetary and non-monetary incentives, including career development opportunities and promotions.



PRODUCTION SYSTEM OF SIBUR – (DRIVING A CULTURE OF PERFORMANCE EXCELLENCE)



◆ In line with our goal to be competitive with world leading producers, SIBUR has continued to develop its Production System (PSS).

PSS helps instill our corporate culture, values and expectations into the conduct of every employee, to develop their potential, make the best use of resources and take personal responsibility for risk reduction, loss prevention, and safeguarding health and safety standards. It gives every team and employee tools to identify issues and develop solutions, and share lessons learned, innovations and best practices across the Company.

PSS was implemented in cooperation with Du Pont, a global chemical industry leader in innovation and production efficiency.

By the end of 2015, SIBUR successfully implemented PSS at its 22 production sites and with more than 85% of employees. The active stage of implementation will be completed in 2016.

We strive to align our employees with the principles and modules of PSS, supported by management training programmes and new business processes and ways of working together. PSS focuses on improvements to the workplace environment, cross-functional collaboration, relations between management and employees and organisational efficiency. We have seen substantial improvements in teamwork and creative problem solving, identification of risks and opportunities to beat benchmarks for safety and operational efficiency at our production sites, and development of long-term programmes for achieving targeted goals.

PSS values idea generation as a way to solve problems and achieve targets. Our people have submitted more than 115 thousand ideas of “small steps improvements” for improving safety and health conditions, operational efficiency and loss minimisation. And ideas lead to impact: we have applied 69 thousand of those ideas at SIBUR's production sites.

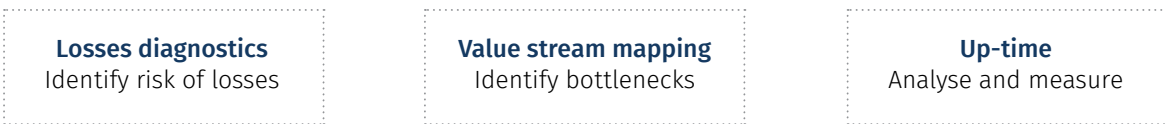
Six Sigma is another widely used management tool at SIBUR. These initiatives saved hundreds of millions of roubles in 2015 alone, at minimal cost of implementation.

The next step for developing PSS is teaching our organisation to make smarter and faster decisions. We are implementing approaches to optimise business management and decision-making processes, delegate responsibility to appropriate levels, and use our IT systems and technologies to their full potential.

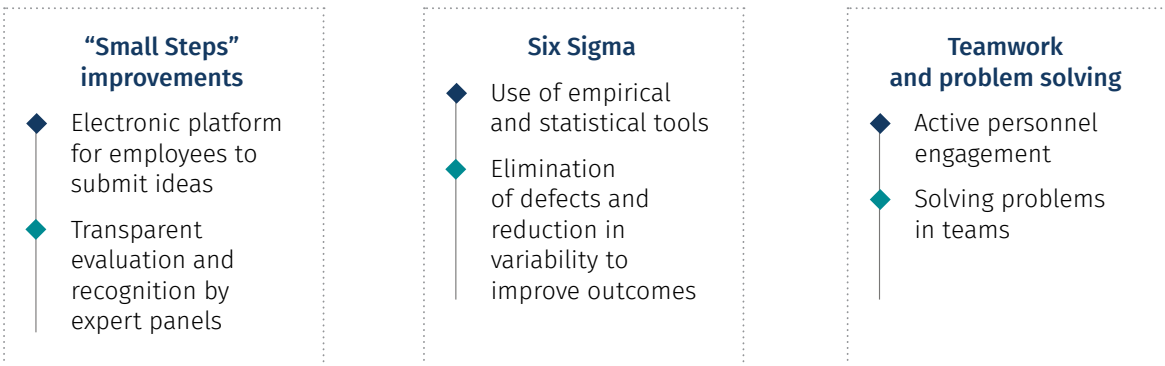


TOOLS FOR LOSS REDUCTION AND SHARING OF BEST PRACTICES

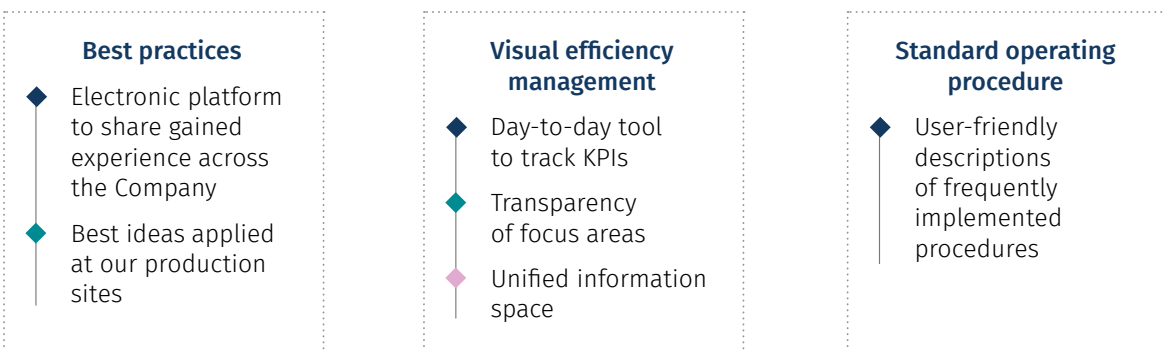
ISSUE DETECTION



SOLUTION

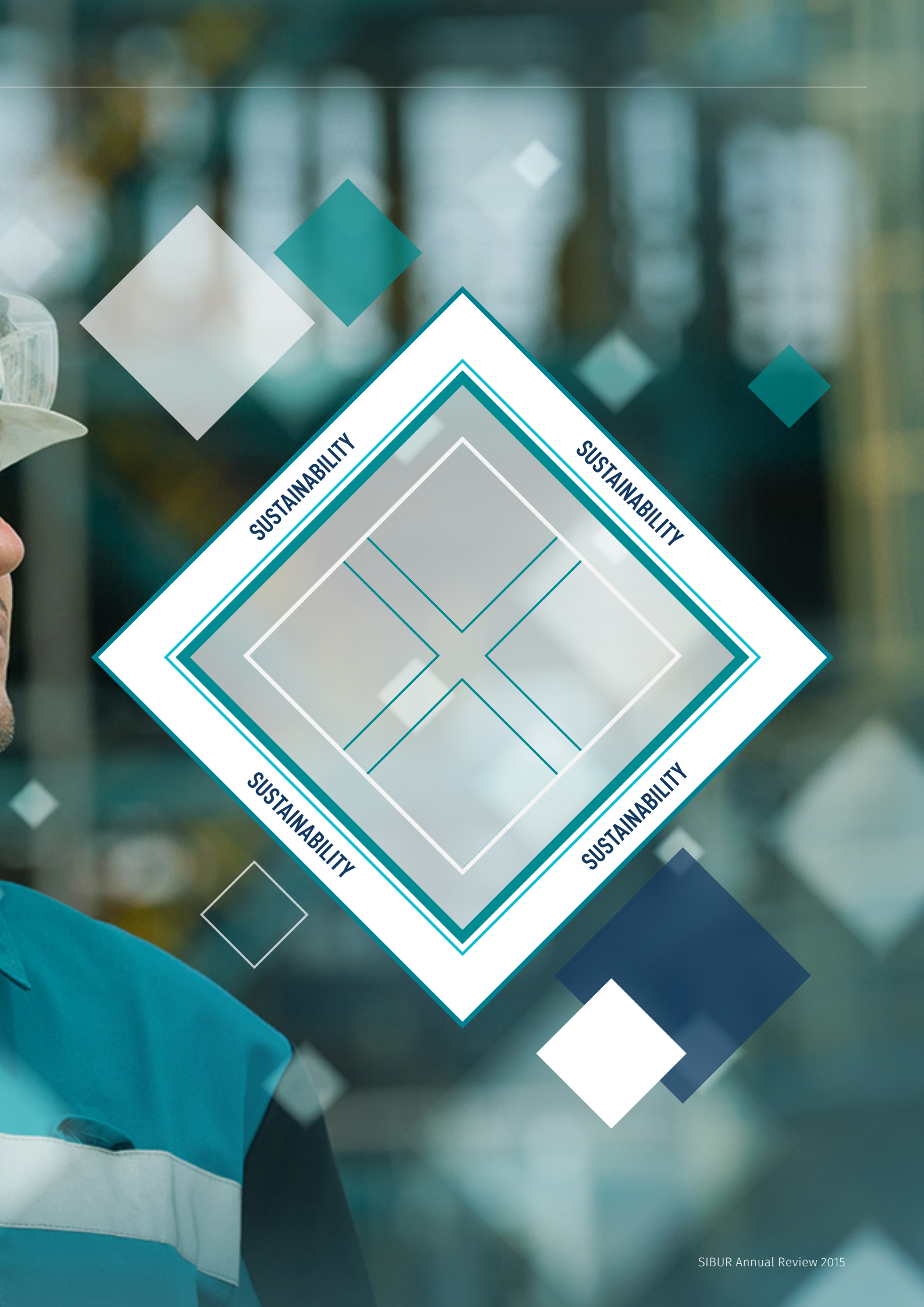


EXPERTISE ROLLOUT



HOW WE SUSTAIN VALUE

66	Sustainability
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SUSTAINABILITY

SUSTAINABILITY

SUSTAINABILITY

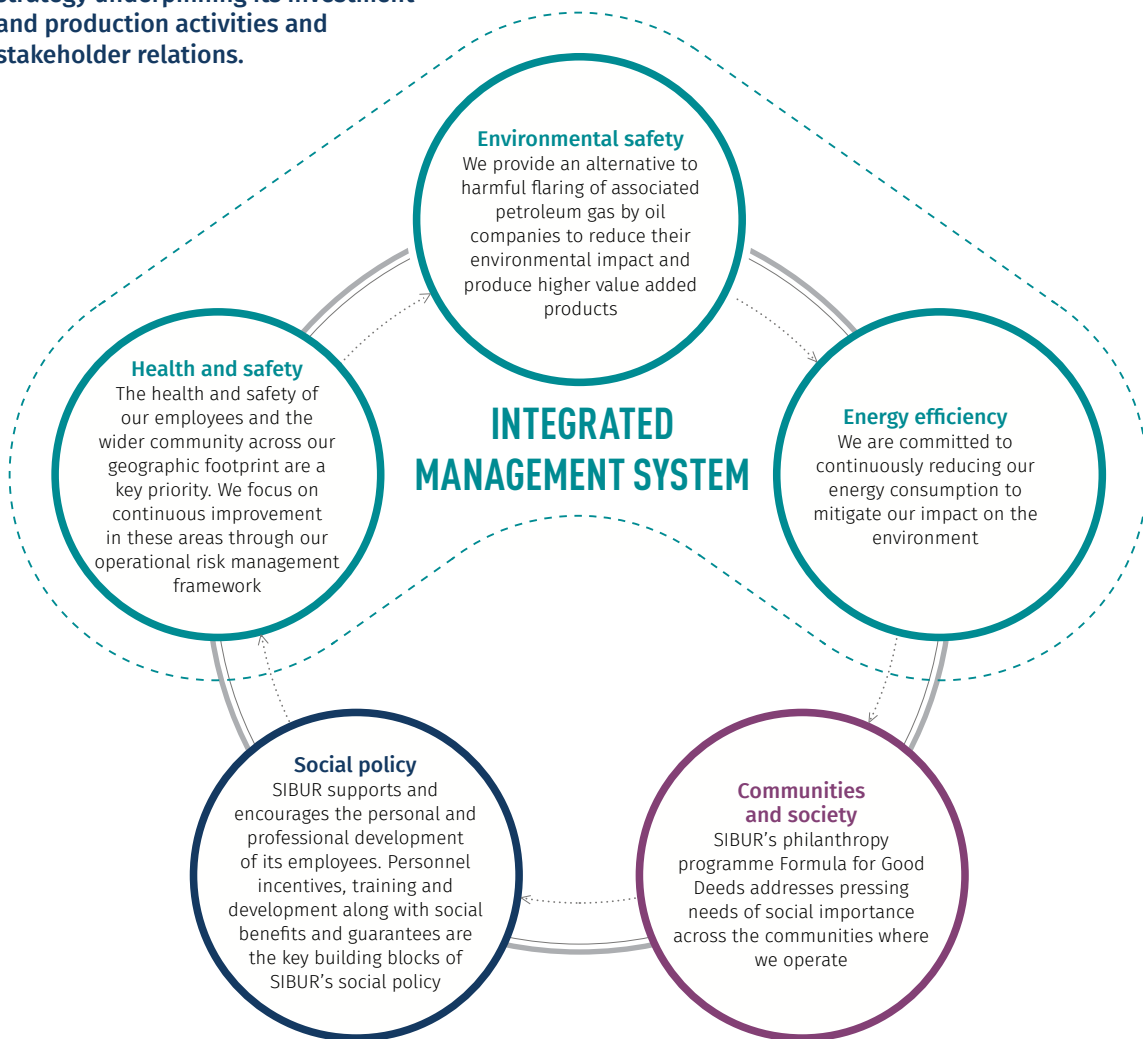
SUSTAINABILITY



SUSTAINABILITY

◆◆ As the largest integrated gas processing and petrochemicals company in Russia, SIBUR is fully aware of its responsibility to wider society. We treat health, safety and environmental matters as a priority and are committed to having a positive impact on local communities in the regions where we operate.

Sustainable development is an integral part of the Company's strategy underpinning its investment and production activities and stakeholder relations.





INTEGRATED MANAGEMENT SYSTEM

We continuously evolve our management systems to meet the ever increasing requirements for Health, Safety and Environmental (HSE) performance, energy efficiency and market demand for higher product quality and customer experience.

To maintain growth momentum and ensure sustainable development in a competitive and volatile market environment, we are introducing a unified integrated management system (IMS) based on best international practices

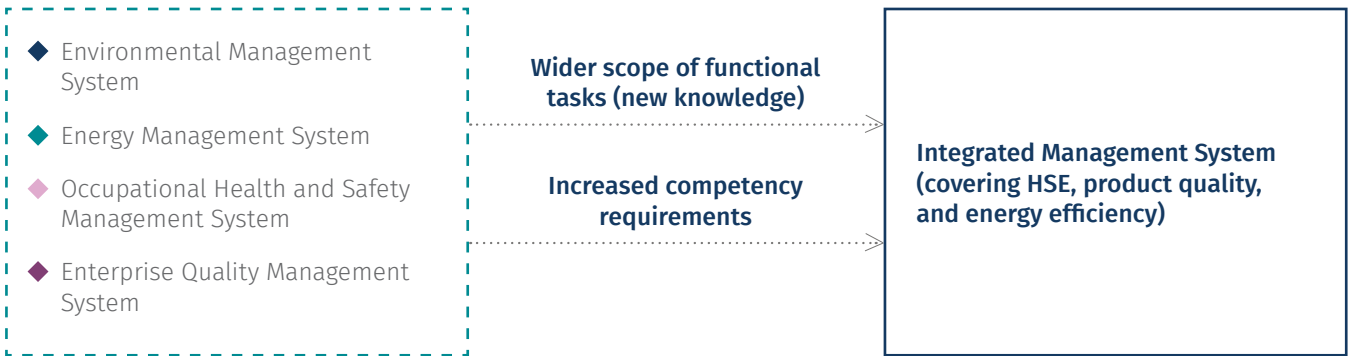
that integrates SIBUR’s former isolated management systems and is compliant with four international standards, including ISO 9001, OHSAS 18001, ISO 14001 and ISO 50001.





Integrated Management System - continued

Transition to the Integrated Management System



The IMS is designed to:

- establish and maintain a safe working environment, protecting the health of workers;
- mitigate the risk of accidents;
- ensure and maintain high quality of products and services, and sustainable production of competitive, quality products that meet customer requirements;
- reduce environmental impact, prevent pollution along with balancing socio-economic and environmental needs, and ensure the rational use of natural resources;

- improve the energy efficiency of production processes, eliminate the wasteful use of energy, reduce the cost of energy procurement and generation;
- ensure compliance of the Company's operations with statutory and other requirements, including local regulations;
- mitigate the risks identified as part of the IMS;
- increase the satisfaction of customers and all other stakeholders;
- improve the Company's margins;
- enhance the Company's investment appeal;

- ensure business continuity and success;
- raise employee awareness of corporate social responsibility.

SIBUR has developed an Integrated Management System Policy document that codifies our principles and guidelines on HSE, product quality and energy efficiency to ensure consistency and drive improvements across the Company.



Visit the Company's website to see the document at <http://www.sibur.ru/en/sustainability/ims/>



HEALTH AND SAFETY

Some of our production sites fall into the category of hazardous industrial facilities, where safety must be paramount.

To improve safety across production sites, in 2015, SIBUR continued implementing its dedicated programmes to minimise incident rates among the Company's and contractors' employees, such as:

- ◆ cascading HSE KPIs throughout the business, and individual HSE contracts for the heads of SIBUR's subsidiaries;
- ◆ developing a safety culture by identifying and addressing safety priorities.

Since 2012, SIBUR has implemented an upgrade programme to improve safety at its hazardous industrial facilities. As of the end of 2015, the number of hazardous industrial facilities has been reduced by 23% as compared to 2011. Each of these facilities has also been assigned a hazard class in the state register of industrial hazardous facilities.

Key health and safety measures implemented in 2015:

- ◆ A health and safety hotline was set up to enable employees to report any health and safety issues directly to the management;
- ◆ A RACI Matrix (Responsible, Accountable, Consulted, Informed) was introduced for rapid response on production equipment shutdown in the event of an emergency at the Company's hazardous production facilities;

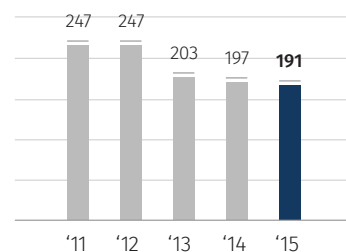
- ◆ Regulations on Occupational Health and Safety Management System and Regulations on Production Control at SIBUR's Enterprises were updated;
- ◆ Best health and safety practices were appropriately reviewed and implemented;
- ◆ All reported accidents were investigated internally with the subsequent corrective follow-up actions taken;
- ◆ Behavioural safety audits were conducted with the post-audit data on the hazard levels at the Company's production operations visualised.

SIBUR's lost time injury frequency rate (LTIFR) has improved steadily from year to year. Yet, despite all of our health and safety measures, in 2015 one of our employees was fatally injured in an accident that occurred at one of SIBUR's facilities. Based on the internal accident investigation, corrective actions were rolled out across all of the Company's facilities to prevent a similar tragedy in the future.

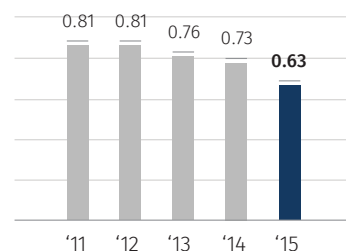
Employee involvement in health and safety management is the most effective tool to increase safety across the Company. Since 2011, SIBUR has held a competition for the best maintenance of industrial areas and buildings among its facilities. In 2015, we carried out quarterly competitions among the operating and maintenance crews. The Company has also implemented the Leaders and Champions programme, honouring employees for their personal contributions to the health and safety at SIBUR, with 2,319 recognised as Champions and 143 employees as Leaders.



Hazardous facilities



Lost time injury frequency rate (LTIFR)





Integrated Management System - continued

ENVIRONMENTAL PROTECTION

SIBUR considers environmental safety and environmental and health protection an integral component of its operations and a strategic priority. We are committed to ongoing comprehensive efforts aimed at reducing our environmental footprint. We cooperate with major global chemical companies, public organisations and authorities in relation to environmental management.

As a company involved in the primary processing of associated petroleum gas (APG), which is a by-product of oil production, SIBUR helps to improve the environment in the oil producing regions and contributes to the development of the feedstock base for the subsequent deep processing of hydrocarbons into fuels and petrochemical products. Basic polymers, synthetic rubbers and plastics are an environmentally friendly alternative to the industrial use of natural materials.

According to experts, flaring of 1 mcm of APG emits 300 tonnes of air pollutants, including nitrogen oxide, soot, carbon monoxide and other toxic substances. In 2015, APG processing at SIBUR enterprises totalled 21.5 billion cubic metres, an equivalent of 7 million tonnes of prevented harmful emissions into the atmosphere.

Corporate Environmental Management System

As part of the Company's Integrated Management System, SIBUR runs the ISO 14001:2004 compliant Corporate Environmental Management System (CEMS).

In 2014, Bureau Veritas Certification Rus performed the second recertification audit of the CEMS at several SIBUR's enterprises, after which the CEMS was recertified as ISO 14001:2004 compliant and recommended for the certificate prolongation for the next three years.

The CEMS enables effective management of environmental matters related to SIBUR's operations at all stages, from project design to production and auxiliary operations at facilities, and ensures environmental safety under both normal and emergency conditions.

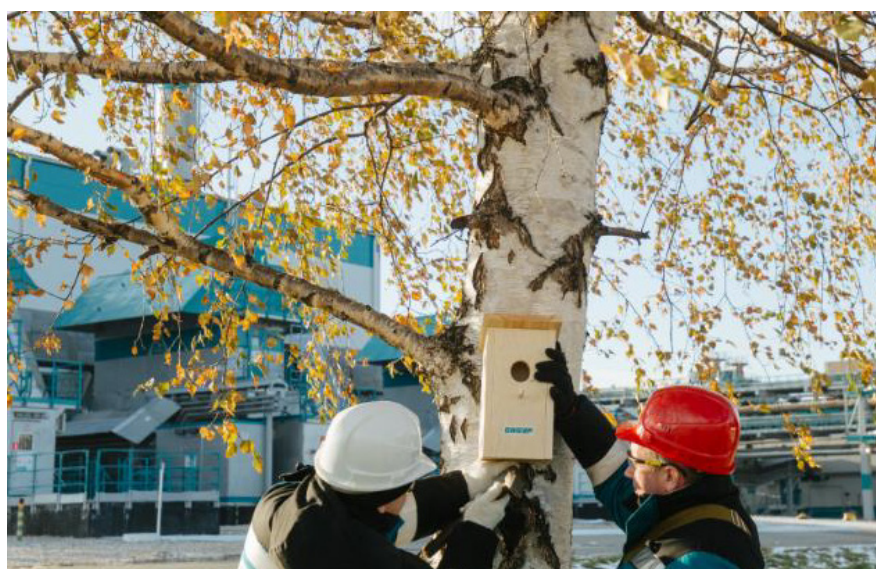
Based on priority areas for environmental safety improvement, SIBUR annually reviews its corporate environmental objectives and KPIs. These are supported by specific tasks and programmes across our production sites.



SIBUR's environmental protection programmes

We develop annual and long-term environmental programmes aimed at reducing SIBUR's impact on the environment and implement them at our production facilities.

Over the past two years, the Company significantly expanded production capacity, while at the same time maintaining its environmental footprint in 2015 nearly unchanged compared to last year and below prior periods.



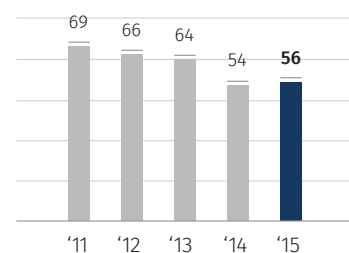
Water resources conservation

Key measures implemented to reduce pollutants in wastewater discharge volumes:

- constructing new in-house local wastewater treatment facilities and upgrading existing ones at SIBUR's eight enterprises;
- streamlining the process cycles and reducing water supply for technical works at Nyagan GPP;
- eliminating wastewater discharges to the environment thanks to a closed-loop water system at SIBUR Tobolsk;

- installing wastewater discharge metering units at the production site of BIAXPEN in the Nizhniy Novgorod region;
- upgrading the water supply system and mothballing the well at SIBUR GEOSINT;
- commissioning an integrated wastewater treatment facility at Nyagan GPP;
- removing the deacidification unit from the process cycle and transferring the sulphuric acid to Uralorgsintez for disposal;
- commissioning the reverse osmosis unit at SIBUR-Kstovo.

Wastewater discharge, mln cubic metres





Integrated Management System - continued



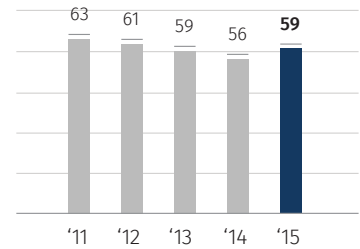
Air protection

Key measures implemented to reduce emissions of air pollutants:

- upgrading and revamping the process of liquefied gas discharge from railway cars at the LPG product and feedstock storage facility of SIBUR-Kstovo, to help to reduce the hydrocarbons flaring and reintroduce them to the production cycle;

- reducing the volume of gas released into the flare system and to the boiler house at the Muravlenkovskiy GPP;
- acquiring a mobile environmental control station for Polief;
- upgrading the flaring systems at SIBUR-Khimprom and SIBUR-Kstovo.

Air pollution, '000 tonnes



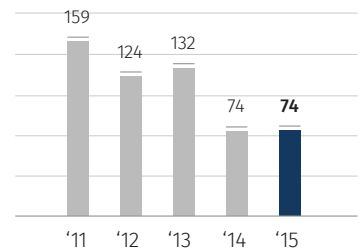
Waste treatment

Key measures to improve the production and consumption waste management and prevent soil pollution:

- groundwater monitoring at the catalyst landfill, replacing the catalyst with a more efficient one and decreasing the catalyst consumption rates at SIBUR Tobolsk;
- converting part of polyethylene terephthalate (PET) and terephthalic acid production wastes into by-products and reducing the waste from laboratory tests at SIBUR-PETF;

- converting the sodium hydroxide waste into a by-product and reducing the amount of construction waste at SIBUR-Kstovo;
- eliminating the need for zeolite replacement at the Vyngapurovsky GPP;
- reducing the amounts of ferrous scrap, construction waste and sludge coming from wastewater treatment at Voronezhskintezkachuk;
- upgrading the equipment at waste management facilities: cleaning the sludge tank at Sibur-Khimprom, constructing the storage reservoir for outdated catalysts and an additional screen for the sludge reservoir at Uralorgsintez.

Sanitary waste generation, '000 tonnes





Responsible Care®

In addition to ensuring compliance with Russian statutory requirements, SIBUR also strives to comply with international environmental protection standards. In January 2014, the Company joined the Responsible Care® programme, a global voluntary initiative committed to continuous improvement in health, safety and environmental practices.

In 2015, it signed up to the Responsible Care Global Charter. This demonstrates our commitment to the Responsible Care initiative and to the HSE principles listed below:

- we consider environmental protection, health and safety of employees and communities to be an essential and an integral part of our business;
- we educate, train, and motivate our employees to take a responsible approach to HSE activities;
- we keep the authorities, local communities and other stakeholders informed of our activities and their potential impact on the environment, health and safety of employees and the wider community, and we respond to their feedback and concerns;

- we advise our customers on the safe use and disposal of our products.

As a member of the Responsible Care programme, in 2015, SIBUR issued a regular report on its HSE performance to the national industry association (the Russian Chemists Union).

REACH Regulation

SIBUR complies with the European Union's REACH Regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals) on safety of chemical

products produced in and imported to the EU. All substances contained in the Company's products exported to the EU have been registered with the European Chemicals Agency (ECHA). SIBUR has developed and

keeps updating safety data sheets for its products once the substances they contain are registered by the ECHA, and fulfils other (delivery) obligations to the end users.



Integrated Management System - continued

ENERGY EFFICIENCY

SIBUR has been making considerable efforts to reduce energy costs through the safe and effective management of energy consumption, energy conservation and improved energy efficiency at our enterprises.

All our production sites develop and implement short and long-term energy efficiency programmes. Best practices are subsequently rolled out across all SIBUR's facilities. In 2015, we implemented 69 energy saving initiatives based on 31 best practices.

As part of the Company's Integrated Management System, SIBUR has been implementing an ISO 50001 compliant energy management system integrating best practices while also ensuring their ongoing development and refinement. The system is to be fully embedded at all SIBUR's production sites over the next three years. In 2015, the Company's enterprises SIBUR Togliatti, SIBUR Tobolsk, Tobolsk-Polymer, Tomskneftekhim and Uralorgsintez were audited and certified by external experts.

Since 2012, SIBUR has been running the Energy Management and Control System to monitor progress on its energy saving programmes, keep track and ensure implementation



of best energy efficiency practices, as well as review and forecast the Company's energy performance in real time.

SIBUR holds an annual Best Energy Efficient Enterprise competition. The judging criteria include performance against energy efficiency programme targets, innovative technical solutions, applied use of automated tools by production personnel, and staff involvement in energy efficiency processes. In 2015, SIBUR Tobolsk was named the Best Energy Efficient Enterprise.

In November 2015, Voronezhsintezkauchuk won the bronze award at the 4th ENES International Energy Efficiency and Energy Savings Forum under the auspices of the Ministry of Energy of Russia and the Government of Moscow, in the category Leader in Implementing Best Energy Efficient Technologies and Improving Energy Efficiency of an Industrial Enterprise.

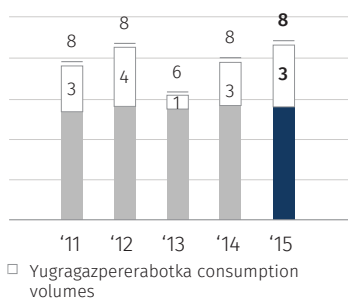


Electricity consumption volumes increased 5% year-on-year primarily due to full consolidation of Yugragazpererabotka during 2015 following the acquisition in March 2014. Net of this effect, implementation of energy-saving initiatives enabled SIBUR to maintain energy consumption at 2014 levels despite higher capacity utilisation rates and certain expansions. A 10% increase in heat consumption was mainly attributable to higher utilisation of fractionation capacity in Tobolsk and expansion of our cracking facility in Kstovo, which requires heat-intensive production processes.

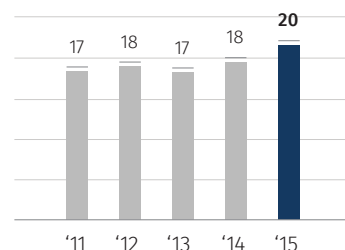


In February 2016, SIBUR acquired 100% of the Tobolsk Heating and Power Plant (HPP). Today, the Tobolsk HPP is the only supplier of steam for SIBUR's Tobolsk production site, and also a supplier in the wholesale electricity market and the main source of thermal power for the city of Tobolsk. The plant's installed capacity is 665 MW of power and 2,585 MW of heat. The integration of the Tobolsk HPP will secure the thermal power supply to the Tobolsk production site set for further expansion.

Electricity consumption⁽¹⁾, bln kW·h



Heat consumption, mln Gcal



⁽¹⁾ Yugragazpererabotka was deconsolidated from March 2013 until March 2014.



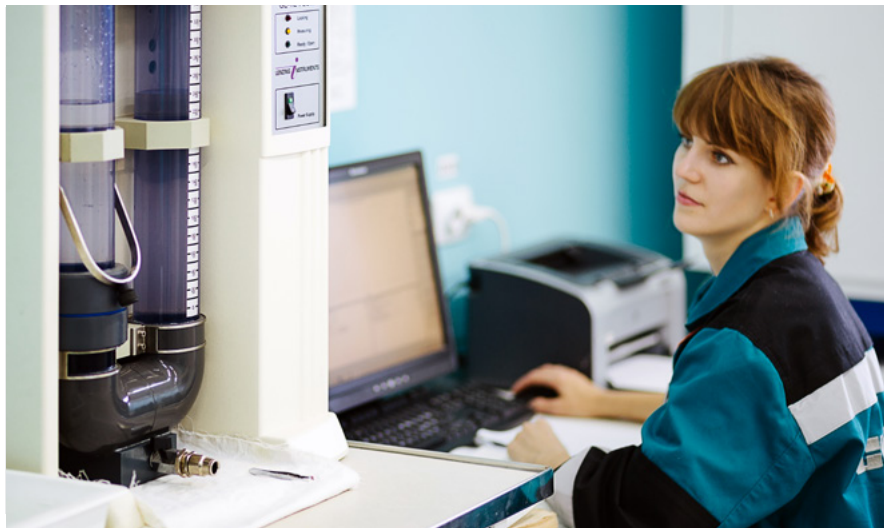
EMPLOYEES

SIBUR is in the Top 10 Russian Employers annual ranking and is a three-time winner of the annual Randstad Award as the most attractive employer in the chemical industry.

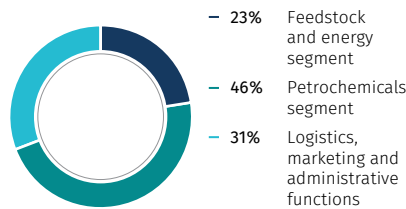
As of 31 December 2015, SIBUR had 27,509 employees with 22.7% employed in the feedstock and energy segment, 46.6% – in the petrochemicals segment, and 30.7% – in logistics, marketing and administrative functions.

Our workforce gender profile is in line with industry averages in the petrochemicals and gas processing industries: men outnumber women 62% to 38%, mostly in technical and engineering occupations.

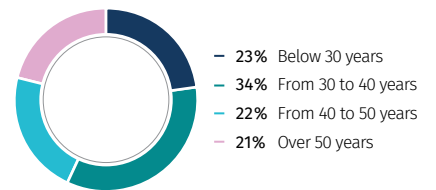
We recognise that attracting talented young employees and retaining experienced, qualified professionals is essential to building a strong and effective team. SIBUR's average headcount in 2015 amounted to 27,135 employees.



Employees by segment



Employees by age group






EMPLOYEE COMPENSATION

Employee compensation

A transparent, performance-linked remuneration system is a key competitive advantage attracting and retaining professional talent. SIBUR utilises a company-wide grade system at all Group enterprises to ensure a well-managed remuneration framework.

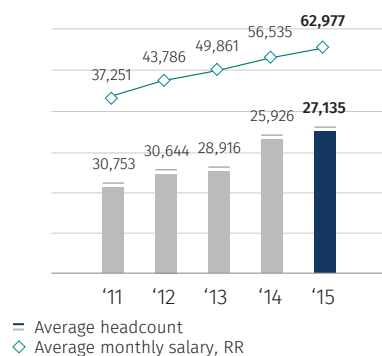
Compensation includes a base salary and performance bonuses that depend on the employee's grade, their performance against KPI targets, compliance with the corporate culture standards, and SIBUR's overall results.

 **For more information see SIBUR Performance Management System on p. 60.**

SIBUR's compensation and bonus strategy uses the market median salary as a benchmark for the base pay calculation, with the total compensation exceeding the benchmark.

Base pay is revised annually, taking into account the economic situation, the labour market environment and the employee's individual performance. In 2015, the average salary at SIBUR increased by 11.4% y-o-y, and reached RR 62,977 per month. All changes in the remuneration and incentive framework promote the corporate culture principles and seek to boost engagement in the working process, and therefore, improve staff performance and SIBUR's competitive strength in the market.

Headcount and salary





Employees - continued

HEALTH AND WELLNESS PROGRAMMES

We believe it is important not only to ensure a favourable working environment for our employees, but also to provide an appropriate level of social benefits.

SIBUR's employees receive extended healthcare services beyond the compulsory health insurance programme. Since 2011, all of our subsidiaries have been covered by the Voluntary Health Insurance programme, and all of SIBUR's full-time employees have been insured accordingly. We also provide employees with free access to various sport facilities and healthy lifestyle promotion activities.

As a responsible employer, SIBUR organises and pays for all kinds of mandatory medical examinations for its staff. In 2015, 100% of our employees and new recruits exposed to hazardous or harmful working conditions went through the pre-employment medical examination and routine annual check-ups.

We have been actively developing corporate sports as a means of disease prevention and as a tool to promote corporate culture. The Company's subsidiaries host football, volleyball, hockey, ski, karate and other classes.



SIBUR regularly holds company-wide sports events such as the SIBUR Spartakiada Games, the Volga Autumn competition, the SIBUR Ski Track, New Year's open chess tournament, a hockey tournament, and an international football tournament.

Our best sportsmen take part in the energy sector's joint tournaments and competitions.

SIBUR-Yug, the Company's corporate resort in Anapa on the Black Sea coast, offers medical treatment and summer holidays to our employees and their families at Company-sponsored rates. In 2015, 1,196 employees and 437 family members visited the SIBUR-Yug resort, 637 children took medical treatment under the Mother and Child programme, and 1,252 schoolchildren went to Anapa during their summer holidays.

PERSONNEL TRAINING AND CAREER DEVELOPMENT

SIBUR believes that investing in the professional growth of our employees is among the key drivers behind the Company's sustainable growth. SIBUR's Corporate University is a major training and professional development tool for our staff to make the most of their talents. In 2015, the corporate training programmes totalled over 11,000 man-classes, and mandatory programmes amounted to 12,255 man-classes. Overall, 835 corporate training events were held.



2015 highlights:

◆ Developing managerial competences:

- ◇ a programme for senior executives held at SIBUR's campus jointly with the IMD Business School;
- ◇ coaching and mentoring skills taught at the Company's facilities.
- ◆ A new format of targeted corporate programmes introduced – project activities based on results of training events;

◆ Developing engineering and process expertise:

- ◇ requirements for the expertise in all of the Company's production processes set out;
- ◇ progress made in designing core educational programmes jointly with universities and professional colleges.
- ◆ Developed a comprehensive programme for the OHS culture promotion among staff;

◆ Automated training and professional development processes based on the corporate assessment, recruitment, training and development portal;

- ◆ Designed a training system with the engagement of the Company's experts: expanded the internal OHS expert pool and held the 1st Internal Expert Conference.



Employees - continued

RECRUITMENT AND DEVELOPMENT OF YOUNG TALENT

We try to recruit and retain the brightest, active and most promising young people, and it is a crucial element of SIBUR's growth strategy. Each year, the Company welcomes more than 300 young professionals.

Our two-year induction programme for young employees ensures comprehensive adaptation and development of new recruits and facilitates their "embedding" into the working process, understanding of the corporate culture and, most importantly, helps them to learn the new professional environment and boost their career growth. In 2015, 122 young professionals joined the programme, with a total 400 participants enrolled by the year-end.



We also offer final year full-time bachelor students and first year master students paid internships of three to six months, which take place in spring and autumn.

The competition reaches more than 20 applicants per internship position, and the selection process includes

various tests, interviews, business case exercises and appraisal at our assessment centre. In 2015, 56 students from Moscow universities completed internships at SIBUR and the 22 best interns were invited to join the Company as full-time employees.



PARTNERSHIP WITH HIGHER EDUCATION

Chemical education and science development is an important area of social responsibility for SIBUR. That is why we attach great importance to cooperation with educational institutions as a means to promote petrochemicals research and train young professionals. SIBUR partners with universities and colleges all across its geographies.

The Company supports specialised departments within higher educational institutions and on-site internships and refresher courses for university professors at its facilities. We also take an active part in student life. The Company's employees attend career days, SIBUR's Days, and professional holiday events, and also arrange on-site tours for students and take part in thesis defences. In 2015, more than 150 events were held, and 1,284 students had their apprenticeships at SIBUR's facilities.



We have continued to implement the Doors Open Weeks annual initiative where production sites invite schoolchildren, students, journalists and representatives of local authorities to visit our facilities. More than 900 guests attended six of the Company's production sites.

In 2015, we continued supporting the SIBUR Grant programme aimed at encouraging schoolchildren

to master the subjects relevant to the Company, identifying the most promising talent and promoting their focus on petrochemicals professions, as well as recruiting the best graduates for SIBUR's subsidiaries. The programme is an additional stimulus for teachers to better train schoolchildren. In 2015, the Company awarded 380 grants to schoolchildren and 33 grants to teachers.



Employees - continued

The SIBUR Master's Degree programme run since 2011 provides for a master's degree training course taught at a number of leading universities, including D. Mendeleev University of Chemical Technology of Russia, the Novosibirsk State University, and the Moscow State University. The programme includes financial incentives in the form of additional scholarships paid to the students by SIBUR and provides them with access to the Company's R&D centres to prepare their theses. In 2015, two graduates of the programme were invited to work at SIBUR's corporate R&D Centre NIOST, 27 students had their skills tested for the programme, and six winners turned into first-year students.

SIBUR actively collaborates with secondary schools, with specialised chemistry classes opened in Togliatti, Perm, Voronezh, Tobolsk, Nizhnevartovsk, Noyabrsk, Gubkinsky and Pyt-Yakh. The Company's employees teach lessons at these schools, hold professional holiday events, contests and master classes, and arrange production site visits for schoolchildren.

On top of that, we supported the I Love Chemistry programme promoting chemistry among schoolchildren and providing methodological support to chemistry teachers.



The initiative is an attempt to advertise chemistry education among schoolchildren and their parents, enhance the prestige of chemistry in contemporary educational environment and show unconventional teaching solutions and innovative methods. The programme was rolled out in five of SIBUR's cities of operation, including Tobolsk, Perm, Nizhnevartovsk, Dzerzhinsk and Kstovo.

In 2015, SIBUR became a general partner of the Mendeleev Competition among chemistry students and its final stage – the Mendeleev Forum for young scholars.

The competition is set to support research among young scientific talents, gathering the brightest undergraduate and post-graduate students from Russia and the CIS.

I Love Chemistry and the Russian Mendeleev Competition of Chemistry Students are targeted inter-regional initiatives in the area of education and science under SIBUR's comprehensive charity programme "Formula for Good Deeds".



COMMUNITIES AND SOCIETY

At the end of 2015, we designed a corporate charitable programme called “Formula for Good Deeds”, bringing together all of the Company’s social initiatives. The core objective of the programme is to give impetus to quality changes across the Company’s footprint, and its passport to success comes

from close interaction with all stakeholders: local authorities, non-profit and public organisations, residents of cities and towns.

The programme runs in six work streams, covering the most socially relevant areas: urban development, education and science, sports and

healthy lifestyle, environmental protection, culture, and volunteering.

The regional introduction of the project contest enabling the Company to fund only the best initiatives in each city given its specifics was the key new development.



I Love Chemistry



Programme running since 2014 promotes chemistry among schoolchildren and provides methodological support for chemistry teachers. In 2015, we held more than 40 lectures and master classes delivered by professors from the Moscow State University in six cities of SIBUR’s operation.

They were attended by over 1,200 children and more than 300 regional school teachers and education professionals. We also published over 5,000 specialised books and articles aimed at promoting and advertising natural sciences among schoolchildren.



Mendeleev National Competition of Chemistry Students



In 2015, SIBUR became a general partner of the Mendeleev Competition among chemistry students and its final stage – the Mendeleev Forum for young scholars. The competition is set to support research among young scientific talents, gathering the brightest undergraduate and post-graduate students from Russia and the CIS.

The 2015 conference in Tomsk attracted 99 undergraduate and post-graduate students from 27 cities and towns across Russia, Ukraine and Kazakhstan. In 2016, the final tour of the competition gathered more than 100 students from 37 universities in Russia.



Communities and society - continued



SIBUR and the NBA basketball programme



The programme is set to develop youth and children's basketball in Russia and covers refurbishment of basketball courts in SIBUR's cities of operation and master classes by NBA legends. During the two years of the programme, seven sports facilities have been renovated across the Company's geographies.

More than 600 sports school students and basketball lovers took part in basketball clinics and autograph sessions held by NBA legends.



WinterFest – winter sports festival



The project's objective is to promote sports and healthy lifestyle among children and youth. During the festival, sports stars held hockey and figure skating master classes for sports school students, orphans, and children of the Company's employees.

In 2015, WinterFest was held in three of SIBUR's cities of operation. The events were attended by more than 1,000 children.



Joint programme with the State Theatre of Nations



In 2015, the theatre's artists gave guest performances in five cities of SIBUR's footprint.

In addition, six social development events for children and meet-the-artist sessions and training classes with students of art schools and colleges and young artists were held under the programme.



Ecoart environmental programme for children



In 2015, we launched the first part of the programme – Pure Art children competition, where objects of art are created from household waste. The competition was hosted in 19 regions and the number of participants exceeded 7,000.

The competition is supervised by Ptolemy Elrington, a British artist who creates his art from household and industrial waste.

In addition to the competition, under “Formula for Good Deeds” SIBUR kept implementing its own targeted projects and delivering on initiatives bringing about social infrastructure development and higher living standards across our geographies.

As an investor making substantial contributions to the local communities’ economic development, SIBUR signed a number of social partnership agreements with regional authorities to offer joint solutions to socially sensitive issues.

As part of the social partnership programme, in 2015, SIBUR provided funding for over 30 social infrastructure facilities in the Khanty-Mansi and Yamal-Nenets Autonomous Areas.

- ◆ Renovation and outfitting of sports halls and playgrounds, provision of financing for children and teenagers to take part in sports competitions;
- ◆ Redevelopment of Komsomolsky Boulevard in Nizhnevartovsk; Post-flood cleanup in Nizhnevartovsk;
- ◆ Repairs, area improvements and acquisition of laboratory equipment for educational institutions;
- ◆ Purchase of musical instruments and other equipment for cultural institutions;
- ◆ Financing for gifted children to participate in Russian and international contests and festivals.

Social investments are among our top priorities across regions of our operations. In 2015, SIBUR provided aid to more than 120 social organisations in the Tyumen, Voronezh, Samara, Nizhny Novgorod and Tomsk regions, the Krasnodar and Perm Territories, and the Republic of Bashkortostan.



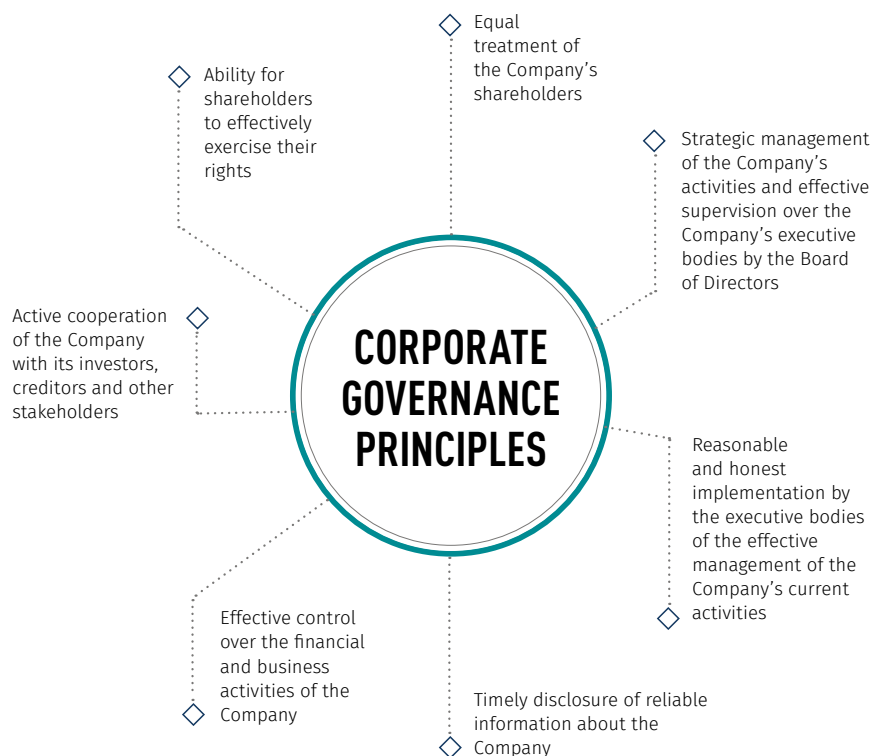
CORPORATE GOVERNANCE

◆◆ In a dynamic market environment SIBUR⁽¹⁾ strives to understand and adapt to opportunities and risks and build and protect value for shareholders through strong corporate governance, financial controls and transparency.

Adherence to the Code of Corporate Conduct at all levels of the Company makes SIBUR a more robust, efficient, high-performing business and a more attractive long-term investment.

The Company complies with the requirements of the Code of Corporate Conduct, approved by the PJSC SIBUR Holding Board of Directors on 16 December 2014 (Revision No. 5), as well as with the revised Code of Corporate Conduct, approved by the Central Bank of the Russian Federation on 21 March 2014.

Corporate governance principles

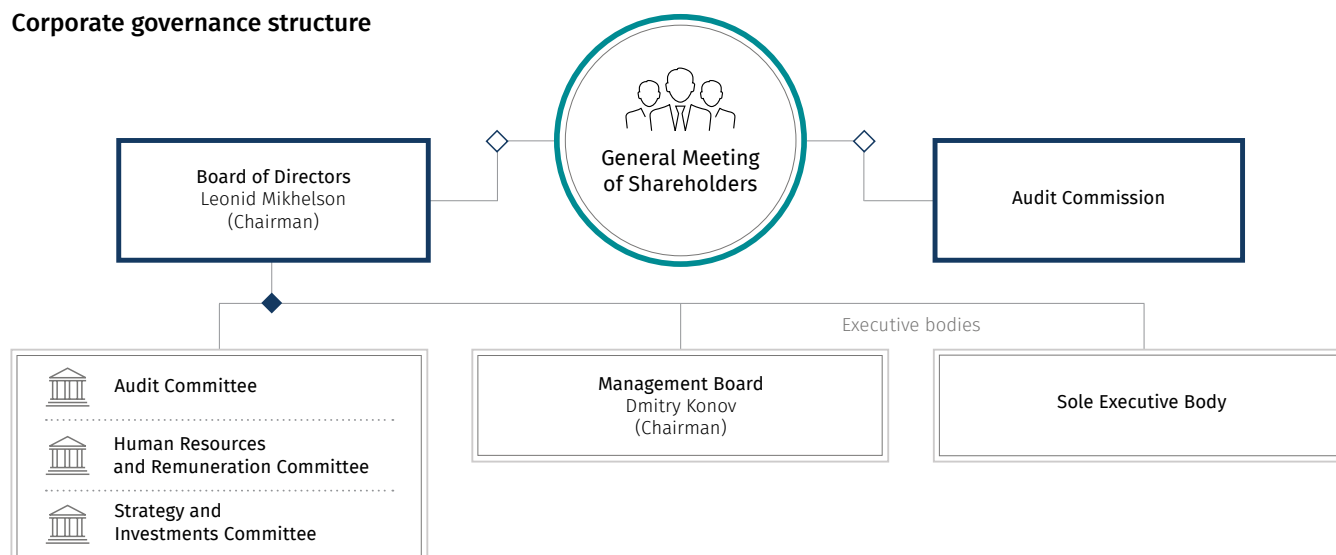


Source: Code of Corporate Conduct of PJSC SIBUR Holding (Revision No. 5), December 2014. Visit the Company's website to see the document at <http://www.sibur.ru/en/about/corporate/documents/>

⁽¹⁾ Hereinafter "we", "SIBUR", the "Company" or the "Group" jointly refer to PJSC SIBUR Holding.



Corporate governance structure



SIBUR's management structure consists of the General Meeting of Shareholders, the Group's Board of Directors, the Management Board, the Sole Executive Body, and the Audit Commission.

The General Meeting of Shareholders, which is the supreme governing body of SIBUR, is empowered to decide on the Group's most critical issues and activities, expressly set forth in the Russian Federation Law "On Joint Stock Companies" and SIBUR's Charter, including election of the Board of Directors.

The most recent Annual General Shareholders' Meeting took place on 26 April 2016.

The Board of Directors is the governing body of SIBUR responsible for the strategic management of the Group's activities, aimed at creating and enhancing shareholder value. The Board of Directors makes decisions on all general management issues except for those that are the exclusive prerogative of the General Shareholders' Meeting.

SIBUR's **Management Board** is the Group's collegial executive body, responsible for effective

management of the Group and implementing resolutions made by the General Shareholders' Meeting and the Group's Board of Directors.

SIBUR's **Sole Executive Body** is the Management Company OOO SIBUR as per a resolution of the General Shareholders' Meeting. The rights and responsibilities of the Management Company are governed by the Federal Law "On Joint Stock Companies", the Group's Charter, and the agreement between PJSC SIBUR Holding and the Management Company. The responsibilities of the Management Company include all day-to-day management issues except for those that are the exclusive prerogative of the General Shareholders' Meeting, the Board of Directors and the Management Board.

In accordance with Russian law, the General Shareholders' Meeting elects the Group's **Audit Commission** to review the preparation of accurate financial and accounting statements, other information about the Group's financial and operational activities, and the status of the Group's assets. The Audit Commission is also tasked with enhancing asset management effectiveness, mitigating SIBUR's financial and operational risks, and optimising internal controls.

An external independent auditor conducts an annual audit of the Group's financial statements in accordance with Russian Accounting Standards (RAS) and consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

The auditor is approved by the General Shareholders' Meeting based on the recommendation of the Board of Directors.

All issues concerning the formation, responsibilities and activities of the Group's governing and controlling bodies are stipulated in the Charter and relevant internal documents, including:

- by-laws of the General Shareholders' Meeting of PJSC SIBUR Holding;
- by-laws of the Board of Directors of PJSC SIBUR Holding;
- by-laws of the Management Board of PJSC SIBUR Holding;
- by-laws of the Audit Commission of PJSC SIBUR Holding.



Visit the Company's website to find more information on these documents at:

<http://www.sibur.ru/en/about/corporate/documents/>



BOARD OF DIRECTORS

- ◆◆ The work of SIBUR's Board of Directors is grounded in safeguarding shareholders' interests while overseeing corporate strategy.

Board role and responsibilities

The responsibilities of the Board of Directors include the strategic management of the Group's business activities in compliance with the Federal Law "On Joint Stock Companies" and SIBUR's Charter.

The Board of Directors determines SIBUR's strategic priorities, approves annual and long-term business plans and annual investment programmes, oversees the Group's financial activities and internal controls, and offers recommendations on dividends payments.

Board composition

The members of the Group's Board of Directors are elected by the Annual General Meeting of Shareholders. They serve until the next Annual General Meeting of Shareholders unless the Board in its entirety is terminated prior to the expiration of its term based upon a decision of the Group's shareholders.

The members of the Group's Board of Directors were elected by the Annual General Meeting of Shareholders held on 24 April 2015.

In December 2015, China Petrochemical Corporation ("Sinopec Group"), a major global energy and chemicals company, acquired a 10% stake in SIBUR. Upon completion of the transaction, Sinopec representative, Chang Zhenyong, Vice President and Head of Chemical Division, joined SIBUR Board of Directors. On 11 December 2015, the Board of Directors of the Company was re-elected in its new composition.

In accordance with the Charter, the minimum number of elected members of the Board of Directors is seven. The Group is committed to transparent election procedures for each member, which, among other provisions, entail the following:

- the Group's shareholders are entitled to nominate members of the Board of Directors;
- the Group discloses information on the composition of the current Board of Directors and on prospective candidates in a timely manner;
- cumulative voting is applied in the election of members of the Board of Directors.



Board of Directors' composition as of 31 December 2015

Name	Year of birth	Title	Year of appointment
Leonid Mikhelson	1955	Director, Chairman of the Board of Directors	2011
Alexander Dyukov	1967	Director, Deputy Chairman of the Board of Directors, Chairman of the Strategy and Investments Committee	2005
Dmitry Konov	1970	Director	2007
Denis Nikienko	1976	Director, Chairman of the Human Resources and Remuneration Committee, member of the Audit Committee and the Strategy and Investments Committee	2014
Vladimir Razumov	1944	Director, member of the Strategy and Investments Committee, member of the Human Resources and Remuneration Committee	2013
Kirill Shamalov	1982	Director, member of the Human Resources and Remuneration Committee, member of the Strategy and Investments Committee	2014
Ilya Tafintsev	1985	Director, member of the Audit Committee	2013
Gennady Timchenko	1952	Director, member of the Strategy and Investments Committee	2012
Ruben Vardanyan	1968	Independent Director ⁽¹⁾ , Chairman of the Audit Committee	2011
Chang Zhenyong *	1958	Director, member of the Strategy and Investments Committee	2015

«*» - Board of Directors' composition changes

Name	Year of birth	Title	Year of appointment
Newly elected as Directors			
Chang Zhenyong	1958	Director, member of the Strategy and Investments Committee	11 December 2015
Kirill Dmitriev	1975	Independent Director ⁽¹⁾ , member of the Strategy and Investments Committee	24 April 2015
Stepped down as Directors			
Kirill Dmitriev	1975	Independent Director ⁽¹⁾ , member of the Strategy and Investments Committee	11 December 2015
Seppo Remes	1955	Independent Director ⁽¹⁾ , Chairman of the Audit Committee, member of the Human Resources and Remuneration Committee	24 April 2015

⁽¹⁾ Independent director in accordance with director independence criteria established by Russian law.



Board of Directors - continued

Activities review

In 2015, the Board of Directors held 11 meetings, including 7 meetings held remotely.

Strategic planning and investment activities:

- review and approval of the report on 2014 annual investment programme execution;
- decisions made in respect of the execution of large-scale investment projects;
- review and approval of regular reports on the progress of major investment projects.

Approval of large divestitures, acquisitions and partnerships with international and domestic petrochemical companies.

Corporate governance:

- approval of revisions to SIBUR's internal by-laws, in particular, by-laws of the Human Resources and Remuneration Committee;
- convening of the General Shareholders' Meeting to review and approve a revised version of the Charter.

Approval of PricewaterhouseCoopers as an independent auditor for SIBUR's 2015 financial statements in accordance with RAS and IFRS.

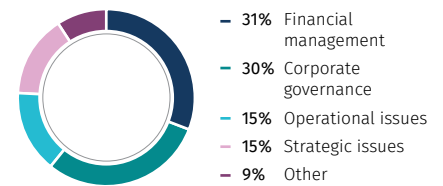
Budget planning and financing activities:

- review and preliminary approval of SIBUR's 2014 annual report and financial statements with a recommendation for final approval by the Annual General Meeting of Shareholders;
- review and approval of the report on 2014 annual business plan execution, including financial and operational performance;
- approval of the SIBUR Performance Contract⁽¹⁾ for 2016;
- approval of several financing transactions;
- approval of the terms of the agreement on transferring power of attorney between SIBUR and the Management Company for the period of 2016-2018.

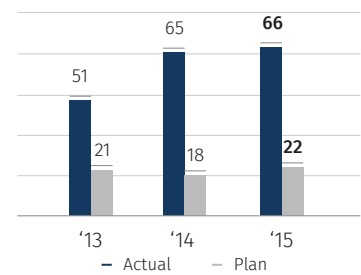
Board remuneration

As of 31 December 2015, the Group's Board of Directors comprised ten individuals. Members of the Board of Directors are entitled to annual compensation, as approved by the Annual General Shareholders' Meeting. For the years ended 31 December 2015 and 2014, the Group paid RR 86 million and RR 78 million net of social taxes as compensation to Board of Directors.

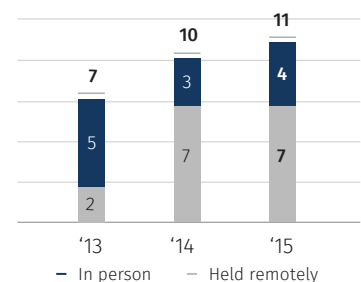
Issues considered by the Board of Directors meetings in 2015



Number of issues considered by the Board of Directors meetings



Number of Board meetings



⁽¹⁾ SIBUR Performance Contract is a set of indicators and targets against which the Company's performance is evaluated. For more information on feedstock sourcing refer to SIBUR Performance Contract (pp. 61).



Participation of Members of the Board of Directors in the work of the Board of Directors and the Committees in 2015

Members of the Board of Directors in the 2015 financial year	Independent director	Board of Directors (11 meetings)	Audit Committee (10 meetings)	Strategy and Investments Committee (5 meetings)	Human Resources and Remuneration Committee (4 meetings)
Leonid Mikhelson	◇	11/11	-	-	-
Kirill Dmitriev (since 24 April 2015 until 11 December 2015)	◆	7/8	-	1/3	-
Alexander Dyukov	◇	11/11	5/5	5/5	-
Dmitry Konov	◇	11/11	-	-	-
Denis Nikienko	◇	11/11	10/10	-	-
Vladimir Razumov	◇	11/11	-	5/5	2/2
Seppo Remes (until 24 April 2015)	◆	3/3	5/5	-	2/2
Kirill Shamalov	◇	11/11	-	5/5	4/4
Ilya Tafintsev	◇	11/11	5/5	2/2	2/2
Gennady Timchenko	◇	11/11	-	5/5	-
Ruben Vardanyan	◆	11/11	5/5	-	2/2
Chang Zhenyong (since 11 December 2015)	◇	0/0	-	-	-

⁽¹⁾ Independent director in accordance with director independence criteria established by Russian law.



Board of Directors - continued



LEONID MIKHELSON

Chairman of the Board of Directors
Non-Executive Director

Election:

Chairman of the Board of Directors since 2011

Year of birth: 1955

Education:

1977: Graduated from the Kuybyshev Institute of Civil Engineering with a degree in Industrial Civil Engineering. He was awarded the Order of the Badge of Honor of the Russian Federation, the Order of Merit for the Fatherland II degree and the title of honor "Honored man of the gas industry".

Professional Experience:

Active employment as for 31 December 2015:

Since 2002: Member of the Board of Directors and Chairman of the Management Board of OAO NOVATEK, Executive Director

Past employment:

Mr. Mikhelson began his career as a foreman of a construction and assembly company in Tyumen region, where he worked on the construction of the first section of Urengoi-Chelyabinsk gas pipeline.

Mr. Mikhelson served as Chief Engineer of Ryazantruboprovodstroy, General Director of Kuibishevtruboprovodstroy, Managing Director of SNP NOVA and General Director of Novafininvest, was a member and chairman of the Board of Directors of OAO Stroytransgaz and OAO Yamal LNG, a member of the Board of Directors of OOO Art Finance and also a member of the Supervisory Board of OAO Russian Regional Development Bank.



KIRILL DMITRIEV

Independent Director⁽¹⁾
Non-Executive Director

(left the Board of Directors
as of 11 December 2015)

Election:

Board Member from April
to December 2015

Member of the Strategy and
Investments Committee from
May to December 2015

Year of birth: 1975

Education:

1996: BA in Economics with Honors
and Distinction from Stanford
University

2000: Obtained MBA with High
Distinction (Baker Scholar) from
the Harvard Business School

Professional Experience:

Active employment
as for 31 December 2015:

Since 2011: CEO of Russian Direct
Investments Fund (RDIF)

Since 2012: Member of the Board
of Directors MD Medical Group
Investment pls

Since 2013: Member of the Board
of Directors of RCIF Asset
Management Limited

Since 2014: Member of the Board
of Directors of PSC Prominvestbank

Member of the Board of Directors
of OAO Rostelecom

Member of the Board of Directors
of JSC Bank GPB

Mr. Dmitriev is a Deputy Chairman
of the Investment Council under
the Chairman of the State Duma
of Russia, Vice President of the
Russian Union of Industrialists and
Entrepreneurs and was appointed by
the President of Russia as a member
of the BRICS and the APEC business
councils. He serves as a member
of the boards of trustees of the
Mariinsky Theatre and Moscow State
University.

Past employment:

Mr. Dmitriev was Head of Icon Private
Equity Representative Office in
Ukraine. Prior to becoming CEO
of RDIF in 2011, Kirill Dmitriev headed
a number of large private equity
funds and completed a series of
landmark transactions, including
the sale of Delta Bank to General
Electric, Delta Credit Bank to Société
Générale, STS Media to Fidelity
Investments, etc. At the beginning
of his career he worked at Goldman
Sachs and McKinsey & Company.

⁽¹⁾ In accordance with director independence criteria established by Russian law.



Board of Directors - continued



ALEXANDER DYUKOV

Deputy Chairman of the Board of Directors (since 2011)

Non-Executive Director

Election:

Board Member since 2005

Chairman of the Strategy and Investments Committee since 2011

Member of the Audit Committee since May to December 2015

Member of the Human Resources and Remuneration Committee since February 2016

Year of birth: 1967

Education:

1991: Graduated from the Leningrad Shipbuilding Institute with a degree in Engineering

2001: Received an MBA from the International Management Institute of St. Petersburg.

Professional Experience:

Career at SIBUR:

2003–2005: President of OAO AK SIBUR

2005–2006: President of OAO SIBUR Holding

2005–2009: Chairman of the Board of Directors of OAO SIBUR Russian Tyres

2006: CEO of the Management Company OOO SIBUR

2006–2011: Chairman of the Group’s Board of Directors

Active employment as for 31 December 2015

Since 2006: President of PJSC Gazprom Neft

President and chairman of the Board of Directors of ZAO Football Club Zenit

Since 2007: Member of the Board of Directors of ZAO Okhta Cultural and Business Center

Member of the Board of Directors of ZAO Hockey Club SKA

Since 2008: CEO, Chairman of the Management Board and a member of the Board of Directors of PJSC Gazprom Neft

Since 2009: Member of the Board of Directors of OOO National Oil Consortium
Chairman of the Board of Directors of ZAO Okhta Cultural and Business Center

Since 2012: Member of the Board of Directors of OOO LIGA-TV
Member of the Board of Directors of OOO Hockey City

Past employment:

Mr. Dyukov served as Financial Director and General Director of Joint Venture ZAO Petersburg Oil Terminal, Director of Economics and Acting General Director of St. Petersburg Sea Port, was chairman of the Board of Directors of the Petersburg Oil Terminal and OAO NGK Slavneft, a member of the Board of Directors of OAO Moscow Oil and Gas company and OOO Gazprom gazomotornoye toplivo.



DMITRY KONOV

Executive Director

Election:

Board Member since 2007

Chairman of the Management Board since 2007

Year of birth: 1970

Education:

1994: Graduated from the Moscow State Institute of International Relations (MGIMO) with a degree in International Economic Relations

2001: Received an IMD MBA degree

Professional Experience:

Career at SIBUR:

2004–2009: Various positions at OAO AK SIBUR, including Advisor to the President, Vice President for Corporate Policy and Strategy, Senior Vice President for Corporate Policy and Strategy, President, member of the Board of Directors

2005–2012: Chairman of the Board of Directors of OAO SIBUR Russian Tyres

2006–2011: President of the Management Company OOO SIBUR

2007–2010: Member of the Board of Directors of OAO Polief

Chairman of the Board of Directors of ZAO Sibur-Trans

Since 2007: Chairman of the Group's Management Board

2008–2011: Chairman of the Board of Directors of OAO Sibur-Fertilizers

Since 2009: Chairman of the Management Board of the Management Company OOO SIBUR

2010–2013: Member of the Board of Directors of OOO Tobolsk-Polymer

Since 2011: General Director of the Management Company OOO SIBUR

Active employment as for 31 December 2015:

Since 2008: Chairman of the Board of Directors of OOO SNHK

Since 2014: Chairman of the Board of Directors of OAO Stroytransgaz
Member of the Board of Directors of OOO STGM, ZAO STGM

Past employment:

Mr. Konov served in the Treasury Department of OAO NK YUKOS, held various positions at AKB Trust and Investment Bank, including Vice President – Head of the Investment Banking Department and Managing Director of Corporate Finance Department, was a member of the Board of Directors of OAO Gazprom neftekhim Salavat and OAO Gazprombank, AO SDS AZOT, OOO Tobolsk-Polymer, Chairman of the Board of Directors of OOO RusVinyl.



Board of Directors - continued



DENIS NIKIENKO

Non-Executive Director

Election:

Board Member since December 2014

Member of the Audit Committee since December 2014

Member of the Strategy and Investments Committee since February 2016

Chairman of the Human Resources and Remuneration Committee since February 2016

Year of birth: 1976

Education:

2000: Graduated from the Moscow State University with a degree in Civil Law

2009: Completed executive management courses at INSEAD (Fontainebleau, France), participated in Gazprom Neft Leading in Global Economy programme

2010-2011: Completed executive management courses at Skolkovo Moscow School of Management (Moscow, Russia)

Professional Experience:

Career at SIBUR:

2005-2009: Various positions at Legal department of the Management Company OOO SIBUR

2009-2014: Director of the Legal department, Director for legal support of the Management Company OOO SIBUR

Active employment as for 31 December 2015:

Since 2014: General Director of OOO Ladoga Management
Member of the Board of Directors of OOO KSP Capital Asset Management

Past employment:

Lawyer at Inkombank, general legal practice.



VLADIMIR RAZUMOV

Executive Director

Election:

Board Member in 2011 – April 2012 and since 2013

Member of the Strategy and Investments Committee since 2012

Member of the Human Resources and Remuneration Committee since May 2015

Year of birth: 1944

Education:

1967: Graduated with honors from the Voronezh Technological Institute with a degree in Engineering

1980: Graduated from the Plekhanov Russian Academy of Economics, with a degree in Procurement

1987–1989: Studied at the Academy of the National Economy under the USSR Council of Ministers, specialising in Economics and Management of the National Economy

Professional Experience:

Career at SIBUR:

1999–2002: Served as Vice President in charge of Production of Synthetic Rubber and Tyres and Senior Vice President in charge of Petrochemical Production of OAO AK SIBUR

2003–2005: Re-joined OAO AK SIBUR, served as Advisor to the President, Vice President in charge of Production, Senior Vice President in charge of Production and Marketing

2005–2006: Senior Executive Vice President at OAO SIBUR Holding

2005–2008: Member of the Board of Directors of OAO SIBUR-Russian Tyres

2006–2008: Member of the Board of Directors of OAO SIBUR-Neftekhim

2006–2009: Member of the Board of Directors of OAO Plastic

2006–2012: Member of the Board of Directors of ZAO Sibur-Trans

Senior Executive Vice President at the Management Company OOO SIBUR

Since 2007: Member of the Management Board of PJSC SIBUR Holding

Since 2009: Member of the Management Board of the Management Company OOO SIBUR

2010–2011: Member of the Board of Directors of OAO SIBUR-Fertilisers

Since 2010: Chairman of the Board of Directors of OOO Tobolsk-Polymer

Since 2012: Executive Director of the Management Company OOO SIBUR

Past employment:

Mr. Razumov worked at Voronezh Synthetic Rubber Plant as an engineer, section manager, mechanic, shop manager and Deputy Director for Procurement and Marketing, was Director of the Volga Synthetic Rubber Plant, Head of the Main Procurement Department of the USSR Ministry of the Oil Refining and Petrochemicals Industry, USSR Deputy Minister of the Oil Refining and Petrochemicals Industry, Vice President and First Vice President of ZAO Korporatsiya Rosshina, Vice President of ZAO Roskhimneft, COO of OAO Avtotor Holding and a member of the Board of Directors of OAO VNIPIneft.



Board of Directors - continued



SEPPO REMES

Independent Director⁽¹⁾

(left the Board of Directors as of 24 April 2015)

Election:

Board Member since 2007 to April 2015

Chairman of the Audit Committee since 2007 to April 2015

Member of the Human Resources and Remuneration Committee since 2007 to April 2015

Year of birth: 1955

Education:

1984: Graduated from the University of Oulu (Finland), where he majored in Economics

1994: Obtained a licentiate degree in Economics from the School of Economics and Business Administration in Turku (Finland)

Professional Experience:

Active employment

as for 31 December 2014:

Since 2003: Member of the Board of Directors of Investor Protection Association

Since 2004: Member of the Board of Directors and chairman of the Audit Committee of OAO SOLLERS

Since 2007: Chairman of the Board of Directors of EOS Russia

Since 2008: Member of the Board of Directors, chairman of the Audit Committee, member of the Strategy Committee and member of the Valuation Committee of OAO Russian Grids

Since 2012: Member of the Board of Directors and chairman of the Audit Committee of OAO Rosnano

Past employment:

Mr. Remes was a member of the Board of Directors and a chairman of the Audit Committee of OAO OMZ, a member of the Board of Directors of Ponsse Oyj (Finland) and OAO Institute Energosetproject, a member of Investment Policy Committee of OAO Rosnano, a member of the Board of Directors, a chairman of the Audit Committee and a member of the Strategy and Investments Committee of OAO IDGS of the North-West, a member of the Board of Directors, a member of the Audit Committee and a member of the Strategy and Investments Committee of OAO Lenenergo and OAO RAO Energy System of East, a member of the Board of Directors, a member of the Strategy Committee and a chairman of the Audit Committee of OAO IDGS of Volga, and also a member of the Board of Directors and a member of the Audit Committee of OAO IDGS of Ural.

Mr. Remes is Honourary Doctor of the Plekhanov Russian Academy of Economics and winner of the "Best Independent Director" category of the Director of the Year 2012 award.

⁽¹⁾ In accordance with director independence criteria established by Russian law.



KIRILL SHAMALOV

Non-Executive Director

Election:

Board Member since December 2014

Member of the Human Resources and Remuneration Committee since December 2014

Member of the Strategy and Investments Committee since December 2014

Year of birth: 1982

Education:

2004: Graduated from the St. Petersburg State University with a degree in Law

Professional Experience:

Career at SIBUR:

2008–2011: Vice-President for Business Administration of the Management Company OOO SIBUR

2008–2015: Member of the Management Board of PJSC SIBUR Holding

2009–2015: Member of the Management Board of the Management Company OOO SIBUR

2012–2015: Deputy Chairman of the Management Board of the Management Company OOO SIBUR

Since 2014: Member of the Board of Directors of PJSC SIBUR Holding

Active employment as for 31 December 2015:

Since 2014: Member of the Board of Directors of OOO Russian Cement Company

President of OOO Ladoga Management

Past employment:

Mr. Shamalov was Chief Legal Counsel for foreign economic activity at OAO Gazprom, Expert in the regional department FGUP Rosoboronexport, Chief Lead Counsel in the legal department ZAO AB Gazprombank, Expert consultant in the Economics and Finance Department for the Russian Government.



Board of Directors - continued



ILYA TAFINTSEV

Non-Executive Director

Election:

Board Member since 2013

Member of the Audit Committee in 2013 - May 2015 and since February 2016

Member of the Strategy and Investments Committee in 2013 - May 2015

Member of the Human Resources and Remuneration Committee since May to December 2015

Year of birth: 1985

Education:

2006: Obtained a BA in Economics from the Higher School of Economics in Moscow

2007: Graduated from University of London, where he majored in Investment and Finance

Professional Experience:

Active employment as for 31 December 2015:

Since 2013: Strategic Projects Director of OAO NOVATEK

Since 2014: Chairman of the Board of Directors of OAO Yamal LNG

Past employment:

Mr. Tafintsev also was Deputy Head of OAO NOVATEK's Representative Office in London, held a position of a Director of Themis Holdings Limited, was an Advisor for Finance and Investment at United Bureau of Consultants Limited, Finance Director of OOO LEVIT.



GENNADY TIMCHENKO

Non-Executive Director

Election:

Board Member since 2012

Member of the Strategy and Investments Committee since 2012

Year of birth: 1952

Education:

1976: Graduated from the Leningradsky Mechanical University with a degree in Electromechanical Engineering

Professional Experience:

Active employment

as for 31 December 2015:

Since 2009: Member of NOVATEK's Board of Directors

Since 2011: Chairman of the Economic Council of the Franco-Russian Chamber of Commerce

Since 2011: Chairman of the Board of Directors of the Ice Hockey Club SKA St. Petersburg

Since 2012: Chairman of the Board of Directors of the Continental Hockey League (KHL)

Since 2012: Member of the Board of Trustees of the All-Russian public organisation Russian Geographical Society

Since 2014: Chairman of the Russian Council of the NPO Russian Chinese Business Council

Chairman of the Board to promote OCD

Vice-President of the Olympic Committee of the Russian Federation

Past employment:

Mr. Timchenko began his career at Izhorsk plant in Leningrad, which specialised in engineering and production of equipment for the energy industry. Mr. Timchenko also was Senior Engineer at the Ministry of Foreign Trade, Vice President of Kirishineftekhimexport, worked for Urals Finland, was Managing Director of IPP OY Finland and IPP AB Sweden, Co-founder of Gunvor, a leading independent oil trading company, a member of the Board of Directors of OOO Transoil, Airfix Aviation OY, OOO BaltTransService and was also chairman of the Board of Directors of OOO Transoil. Mr. Timchenko has more than 20 years of experience in the Russian and international energy sectors. He has built interests in trading, logistics and transportation related companies.



Board of Directors - continued



RUBEN VARDANYAN

Independent Director⁽¹⁾

Election:

Board Member since 2011

Chairman of the Human Resources and Remuneration Committee in 2011 – May 2015

Chairman of the Audit Committee since May 2015

Year of birth: 1968

Education:

1992: Graduated with honors from the Moscow State University with a degree in Economics

1992: Interned at Banca CRT in Italy, attended courses on emerging markets organised by Merrill Lynch in New York

2000: Completed executive management courses at INSEAD (Fontainebleau, France)

2001, 2005: Completed courses at the Harvard Business School (USA)

2012, 2013: Completed special programmes at Yale University and Stanford University Graduate School of Business

Professional Experience:

Active employment as for 31 December 2015:

Since 2006: Founding Partner and member of Coordination Council of Moscow School of Management Skolkovo

Since 2007: Member of the Board of Directors of ZAO AmeriaBank

Since 2009: Member of the Board of Directors of OAO KAMAZ

Since 2010: Member of the Board of Directors of Joule Unlimited, Inc

Since 2012: Advisor to the Chairman of the Board and CEO of Sberbank of Russia

Since 2013: Vice-Chairman of the International Advisory Board of Moscow School of Management Skolkovo

Since 2014: Member of the Investment Council under the Chairman of the State Duma of Russia

Member of the Strategic Council for Investments in New Industries under the Ministry of Industry and Trade of Russia

Member of the Economic Advisory Board at the International Finance Corporation (World Bank Group)

Chairman of the Skolkovo Institute for Emerging Market Studies

Chairman of the Expert Council of Wealth Transformation Center Skolkovo

Partner and Founder of LLC Vardanyan, Broitman & Partners

Past employment:

Mr. Vardanyan was chairman of the Board of Directors of ZAO Sukhoi Civil Aircraft, ZAO Sberbank CIB, OAO Russian Venture Company, ZAO AMERIABANK, a member of the Board of Directors of OAO NOVATEK, OAO AK BARS Bank, OAO URSA bank, ZAO RusSpecSteel, OAO Insurance company ZHASO, IG SEISMIC SERVICES LIMITED, OAO Sheremetyevo International Airport, OAO United Automotive Technologies, OAO AvtoVAZ, Standard Bank Plc, OAO Rosgosstrakh, OAO United Grain Company, Managing Director of ZAO Sberbank CIB and also was President of the Moscow School of Management Skolkovo.

⁽¹⁾ In accordance with director independence criteria established by Russian law.



◆ CHANG ZHENYONG

Non-Executive Director

◆ Election:

Board Member since December 2015

Member of the Strategy and Investments Committee since December 2015

Year of birth: 1958

Education:

1982: Graduated from Tianjin University with a Bachelor's degree in Engineering for basic organic chemicals

1998: Obtained MBA from China Europe International Business School in China (CEIBS)

Professional Experience:

Active employment as for 31 December 2015:

Vice President of China Petroleum & Chemical Corp., Director General of Chemical Department, China Petroleum & Chemical Corporation;

President of Sinopec Chemical Commercial Holding Company Limited, Vice Chairman of Board of Directors of Sinopec Great Wall Energy & Chemical Co., Ltd.



BOARD COMMITTEES

◆◆ In order to ensure the efficient fulfilment of its functions, SIBUR’s Board of Directors has established three Board Committees. They undertake a more detailed review of the issues within their areas of responsibility and make recommendations to the Board as necessary.

The Chairman of the Audit Committee is an independent director of the Board, in accordance with the best practices. Committee members are elected by the Board during the first meeting of the newly composed Board of Directors for a term lasting until the next Board of Directors election by the shareholders.

2015 changes in the Committees’ composition are due to the election of the new Board members in April and December 2015. The current Committee members have been elected by the Board on 5 February 2016.

◆ **10**
Meetings of the Audit Committee in 2015

Audit Committee

Committee role:

Responsible for developing and making recommendations to the Board of Directors on:

- an annual independent external audit of the Group’s financial statements, including the IFRS financial statements;
- independent external auditor’s qualifications, the quality of the services rendered by the auditor, and whether the auditor meets independence requirements;
- improvements to the internal controls and risk management functions;
- assessment of the effectiveness of internal controls and risk management functions and recommendations for further improvement;
- dividend amounts and payout schedules.

Committee composition:

- Ruben Vardanyan (Chairman) (since 5 May 2015)
 - Denis Nikienko
 - Ilya Tafintsev (since 5 February 2016)
-
- since 5 May until 11 December 2015 Alexander Dyukov was a member of the Committee
 - until 24 April 2015 Seppo Remes was Chairman of the Committee, and Ilya Tafintsev was a member of the Committee.



Human Resources and Remuneration Committee

Committee role:

Responsible for developing and making recommendations to the Board of Directors on:

- the key Group's human resource policies;
- the Group's annual performance indicators and annual and semiannual results;
- the Group's long-term incentive programmes;
- criteria and policies for candidate selection to the management bodies;
- remuneration policy applicable to members of management bodies;
- implementation of personnel policy for subsidiaries and affiliates.

The Committee submits recommendations to the Group's Board of Directors on improvements in Group and Management Company HR policies, and qualification criteria for Independent Directors.

Committee composition:

- Denis Nikienko (Chairman) (since 5 February 2016)
- Alexander Dyukov (since 5 February 2016)
- Vladimir Razumov (since 5 May 2015)
- Kirill Shamalov

.....

- until 24 April 2015 года Ruben Vardanyan was a Chairman of the Committee, and Seppo Remes was a member of the Committee

- since 5 May until 11 December 2015 Ilya Tafintsev was a Chairman of the Committee

- evaluating the Group's investment programme and strategic planning process as well as the Group's policy on cooperation with investors and shareholders and proposing improvements;
- issues related to the Group's establishment of commercial organisations, as well as mergers, acquisitions, divestments or pledges of the Group's assets;
- issuance of bonds or other securities.

Committee composition:

- Alexander Dyukov (Chairman)
- Vladimir Razumov
- Denis Nikienko (since 5 February 2016)
- Gennady Timchenko
- Kirill Shamalov
- Chang Zhenyong (since 5 February 2016)

-
- until 24 April 2015 Ilya Tafintsev was a member of the Committee
 - since 5 May until 11 December 2015 Kirill Dmitriev was a member of the Committee

4

Meetings of the Human Resources and Remuneration Committee in 2015

5

Meetings of the Strategy and Investments Committee in 2015

Strategy and Investments Committee

Committee role:

Responsible for developing and making recommendations to the Board of Directors on:

- defining SIBUR's priority areas for development;
- defining the Group's long-term strategy (including financing strategy), objectives and tasks, as well as annual and long-term investment programmes;



CORPORATE SECRETARY

◆◆ The Corporate Secretary was established as a separate function at SIBUR in 2008. Marina Medvedeva, Member of the Management Board of the Management Company OOO SIBUR, serves as SIBUR's Director, Corporate Secretary & Administrative Services.

The Corporate Secretary's role includes:

- Interaction with shareholders and their representatives to support the effective work of the Group's governing bodies and ensure shareholders' rights and commitment to their interests;
- Facilitating cooperation between members of the Board of Directors and the management;
- Ensuring best practices in accordance with professional standards and bodies;
- Ensuring the efficient functioning of the collegial executive bodies of PJSC SIBUR Holding and the Management Company OOO SIBUR, including:
 - General Meeting of Shareholders of PJSC SIBUR Holding,
 - Board of Directors of PJSC SIBUR Holding,
 - Management Board of SIBUR Holding,
 - Board Committees of PJSC SIBUR Holding,
 - Investment committee of the Management Company OOO SIBUR,
 - Governing boards of investment projects,
 - Organisational Projects committee of the Management Company OOO SIBUR,
 - Management Board of the Management Company OOO SIBUR,
 - Ethics and Compliance committee of the Management Company OOO SIBUR,
 - Human Resources committee of the Management Company OOO SIBUR;
- Control over the implementation of decisions made by the governing bodies.



MARINA MEDVEDEVA

Corporate Secretary of PJSC SIBUR Holding

Winner of “Director of the year” in 2014 / 2012 “Corporate Governance Director / Corporate Secretary” award presented by the Association of Independent Directors and the Russian Union of Industrialists and Entrepreneurs

Education:

2000: Graduated with honors from the Moscow Academy of Economics and Law with a degree in Law.

2004: Winner of the Edmund S. Muskie Graduate Fellowship Program (U.S. Department of State)

2008: Completed MBA course “International Oil & Gas Business” at the Faculty of Additional Professional Education at the Moscow State Institute of International Relations (MGIMO)

2004-2009: Completed executive management courses at INSEAD

Professional Experience:

Career at SIBUR:

Since 2008: Served as Head of Governing and Executive bodies Administration, Administrative Services Director

Since 2016: Member of the Management Board of the Management Company OOO SIBUR, Director, Corporate Secretary & Administrative Services.

Head of the Corporate IT programme on automation of documentation workflow and storage.

Secretary to the Board of Directors of PJSC SIBUR Holding, Secretary to the Board Committees, Secretary to the Management Board of PJSC SIBUR Holding and the Management Company OOO SIBUR.

Past employment:

Ms. Medvedeva served as Head of Management Board and Committees Services Department, Corporate Secretary to the Management Board of OJSC “TNK-BP Management”.

Ms. Medvedeva does not own shares of PJSC SIBUR Holding or its subsidiaries and affiliates; is not related to other persons who are members of the governing bodies and/or bodies supervising financial and operational activities of PJSC SIBUR Holding.



MANAGEMENT BOARD

Management Board role and responsibilities

SIBUR's Management Board is the Group's Collegial Executive Body. The Management Board is responsible for the effective management of the Group. The Management Board also participates in the development and execution of the Group's strategy.

The primary objectives of the Management Board include managing SIBUR assets to maximise their value and returns, improving the efficiency of internal controls and risk management functions, and ensuring the protection of shareholder rights and interests.

Management Board composition

In accordance with the Group's Charter, the Management Board is formed by the Board of Directors from the Group's senior executives based on the recommendations of the Sole Executive Body. The Group's Management Board consisted of five members as of 31 December 2015.

Management Board composition as of 31 December 2015

Name	Year of birth	Title	Year of appointment
Dmitry Konov	1970	Chairman of the Management Board	2007
Mikhail Karisalov*	1973	Member of the Management Board	2007
Alexey Kozlov*	1982	Member of the Management Board	2015
Pavel Malyi*	1970	Member of the Management Board	2013
Vladimir Razumov	1944	Member of the Management Board	2007

«*» - Management Board composition changes

Name	Year of birth	Title	Year of appointment
Persons joined the Management Board			
Alexey Kozlov	1982	Member of the Management Board	23 March 2015
Sergey Lukichev	1964	Member of the Management Board	5 February 2016
Alexander Petrov	1981	Member of the Management Board	5 February 2016
Mikhail Karisalov	1973	Member of the Management Board	24 March 2016
Persons left the Management Board			
Kirill Shamalov	1982	Member of the Management Board	23 March 2015
Pavel Malyi	1970	Member of the Management Board	5 February 2016
Mikhail Karisalov	1973	Member of the Management Board	5 February 2016



DMITRY KONOV

Executive Director

Election:

Board Member since 2007

Chairman of the Management Board since 2007

See biography on page 95.



MIKHAIL KARISALOV

Member of the Management Board of PJSC SIBUR Holding

Member of the Management Board, Deputy Chairman of the Management Board, Executive Director of the Management Company OOO SIBUR

Year of birth: 1973

Education:

1998: Graduated from the Russian Civil Service Academy under the President of the Russian Federation, where he majored in State and Municipal Management

2009: Graduated from the West-Siberian Institute for the Humanities, where he majored in State and Municipal Management

2010: Completed professional retraining course in Chemical Technology of Natural Energy Sources and Carbon Materials at Tyumen State Oil and Gas University

Professional Experience:

Career at SIBUR:

2003–2005: Various positions at OAO AK SIBUR, including Advisor to the President, Director of Procurement, Head of Logistics and Capital Construction

2005–2006: Various positions at OAO SIBUR Holding, including Head of Logistics and Capital Construction and Head of Hydrocarbon Feedstock Department

2006–2008: General Director of OAO SiburTyumenGaz

2006–2011: Vice-President – Head of Hydrocarbon Feedstock Department at the Management Company OOO SIBUR

Since 2007: Member of the Management Board of PJSC SIBUR Holding

Since 2009: Member of the Board of Directors of OOO Tobolsk-Polymer

2009–2012: General Director of OOO Tobolsk-Polymer

2011–2012: Executive Director of the Management Company OOO SIBUR

Since 2012: Deputy Chairman of the Management Board of the Management Company OOO SIBUR

Active employment as for 31 December 2015:

Since 2007: Member of the Board of Directors of OOO Yuzhno-Priobskiy GPP

Since 2014: Chairman of the Board of Directors of OOO STGM

Past employment:

Mr. Karisalov was General Director of OOO Oblkonservprom.

⁽¹⁾ In accordance with director independence criteria established by Russian law.



Management Board - continued



ALEXEY KOZLOV

Member of the Management Board of PJSC SIBUR Holding since April 2015

Year of birth: 1982

Education:

2004: Graduated from the Moscow State Law University with a degree in Law

Professional Experience:

Career at SIBUR:

Since April 2015: Member of the Management Board of PJSC SIBUR Holding

Member of the Management Board and Managing Director of the Management Company OOO SIBUR

Past employment:

Mr. Kozlov held various positions in the Russian Ministry for Economic Development, including Deputy Head of State Property Management; Chief Counselor at the Department of Priority National Projects and an Assistant to Deputy Chairman in the Government of the Russian Federation; Head of the Department of Social Development of the Government of the Russian Federation.



PAVEL MALYI

Member of the Management Board of PJSC SIBUR Holding

Member of the Management Board, Deputy Chairman of the Management Board and Chief Financial Officer of the Management Company OOO SIBUR

(left the Management Board as of 5 February 2016)

Year of birth: 1970

Education:

1991: Graduated from the Moscow State Institute of International Relations (MGIMO) with a degree in International Law

1995: Graduated with a Master's degree from the University of Chicago Law School

Professional Experience:

Career at SIBUR:

2011–2013: Member of the Board of Directors of OAO SIBUR Holding

Since 2013: Member of the Management Board of PJSC SIBUR Holding

Since 2013: Deputy Chairman of the Management Board of the Management Company OOO SIBUR

Since 2013: Chief Financial Officer of the Management Company OOO SIBUR

Past employment:

Mr. Malyi held various positions at UBS Investment Bank, including Director, Executive Director, Managing Director and Head of UBS Investment Bank in the Russian Federation, Ukraine and Kazakhstan, was President of ZAO Miracle and Managing Director of OOO LEVIT.



VLADIMIR RAZUMOV

Member of the Management Board of PJSC SIBUR Holding

Member of the Management Board, Deputy Chairman of the Management Board, Executive Director of the Management Company OOO SIBUR

 See biography on page 97.



KIRILL SHAMALOV

Member of the Management Board of PJSC SIBUR Holding until April 2015

Deputy Chairman of the Management Board of the Management Company OOO SIBUR until April 2015

 See biography on page 99.




EQUITY-SETTLED SHARE-BASED PAYMENT PLANS

On 28 June 2013, a company beneficially owned by Mr. Mikhelson and Mr. Timchenko and not under the control of the Group granted equity-settled share-based payment plans to certain current and former Group directors and key management for current and past services. Consequently, the indirect interest beneficially owned by Mr. Mikhelson and Mr. Timchenko in SIBUR's share capital decreased from 94.5% to 82.5% and the total combined equity interest held by the current and former members of the Group's management increased from 5.5% to 17.5%.

The plan for one group of participants vests annually in tranches for services to the Group provided that the participant is continuously employed. In the first quarter of 2015 the plan was modified by the shareholders. As a result the shares granted were immediately vested and the remaining tranches were expensed in the amount of RR 12,976 million in accordance with IFRS rules.

The second plan for the other participants was immediately vested and there are no future charges under this plan.

 **For further information, please refer to the Appendix III in the Management's Discussion and Analysis (MD&A) for 2015.**

SHARE CAPITAL

The share capital of PJSC SIBUR Holding amounts to RR 21,784,791,000. As of 31 December 2015, the share capital consisted of 2,178,479,100

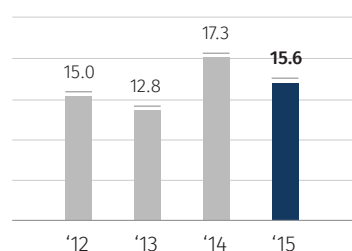
ordinary shares with a par value of RR 10 each. The state registration number is 1-02-65134-D, with a registration date of 31 May 2012.

The amount of authorised shares totals 9,653,045,500 ordinary shares and 2,500,000,000 preferred shares with a par value of RR 10 each. No preferred shares have been issued.



DIVIDENDS

Dividends accrued and paid, RR bln



Our dividend policy is aimed at increasing SIBUR's investment appeals and shareholder value. Our intention is to balance the Group's objectives and the interests of its shareholders, while respecting shareholders' rights and complying with Russian legislation and SIBUR charter documents.

The General Shareholders' Meeting makes decisions on dividend payouts and the amount, timing and the payment form, on the basis of the Board of Directors' recommendations.

The Board of Directors develops these recommendations based on SIBUR's payout target of 25% of the net profit for the period based on the IFRS consolidated financial statements and adjusted for exceptional non-cash items⁽¹⁾.



Visit the Company's website to find more information on SIBUR dividend policy at:

<http://www.sibur.ru/en/about/corporate/documents/>

25.0%

SIBUR dividend payout ratio according to the policy

RR 15.6 bln

Dividend payout on 2015 results

Dividends accrued and paid for 2005-2015

Dividend accrual period	Dividend per share, RR	Dividends accrued, RR
2005	4.59	184,460,000
2006	98.04	3,931,407,333
2007	138.81	5,566,285,720
9M 2008	230.67	9,249,874,843
2009	110.85	4,829,687,832
2010	-	-
2011	1000.00	21,784,791,000
H1 2012	3.40	7,406,828,940
H2 2012	3.50	7,624,676,850
H1 2013	2.93	6,382,943,763
H2 2013	2.93	6,382,943,763
H1 2014	3.53	7,690,031,223
H2 2014	4.42	9,628,877,622
H1 2015	3.90	8,496,068,490
H2 2015	3.24	7,058,272,284

⁽¹⁾ Adjustment made since 2014.



RISK MANAGEMENT

◆ SIBUR’s continuous development requires management to make decisions involving a variety of risks that should be thoroughly assessed to be properly mitigated. Risk management is an important element of SIBUR’s corporate strategy, and it involves a constant cycle of identification, assessment and mitigation of near- and long-term risks that could affect our performance, value and ability to conduct business.

Risk management cycle



1. Identification of risks that impact the Company’s operational performance;
2. Evaluation and prioritisation of each risk’s impact on the Company’s performance and business as a whole, including an analysis of the probability and possible loss;
3. Elaboration of mitigation actions for each risk;
4. Continuous monitoring of each risk in respect to timeliness and efficiency of mitigation actions.

Key goals

- Support for strategy implementation;
- Preservation of asset value and increase in operational efficiency.

Improvements implemented

- Classification of risks and risk factors at the time of risk identification;
- Completed integration of risk detection into the business planning and management actions aimed to minimise risks that are included in business plans;
- Conducted trainings on risk-oriented approach;
- Automated certain business processes for which risk maps and control procedures were developed.

Further developments

- Development of an internal control system for financial and operational processes, roll-out of risk matrices and control procedures to other processes within the Company;
- Active involvement of process owners into risk management process.



Risk management principles

Integrated approach	◇	We apply an integrated and unified approach to risk management. Implementation of the same policy across the entire risk universe provides holistic approach.
Integral part of goal setting	◇	Risks are identified simultaneously with goal setting. To manage risks effectively, we strive to properly integrate risks with the goal setting processes across all levels of the Company.
Open discussion	◇	Risk management requires open discussion both internally and with key stakeholders. SIBUR employees take part in our risk management process, assessing risk probabilities and possible losses, providing input targeted at risk prevention and loss minimisation, which are openly discussed with managers and directors.
Learning lessons	◇	By analysing past experience - the reasons for risk occurrences and lessons learned - and by sharing knowledge Group-wide, we aim to prevent the same issues from being repeated in other Group entities. Knowledge and experience sharing in respect to realised risks allows us to optimise risk management processes Group-wide.
Accountability	◇	SIBUR employees at every level are responsible for the risks related to their functional and control areas. They monitor and manage risks, applying risk matrices and appropriate oversight procedures.
Decision making subject to risks	◇	All management decisions are made taking into account information regarding risk probabilities and possible losses received from internal and external sources. All possible additional risks arising while mitigating initial ones are taken into account as well.
Flexibility and openness to changes	◇	Flexibility requires constant assessment and preventive risk management in all business areas. A preventive approach allows us to take advantage of new ideas and technologies and translate them into opportunities, while mitigating negative impacts.
Continuity	◇	Risk management involves a constant cycle of interconnections and changes. All elements of our risk management system are interconnected and influence each other, and they are directly correlated with the Company's business processes and updated to reflect major changes and business developments.

Structure of Risk management system













⁽¹⁾ Key risks are selected from the risks at corporate level.



Risk management - continued

List of key risks

Operating activity		
 Country risk	 Market risk	 Operational risk
 Macroeconomic risk	 Logistical risk	 Risk of feedstock undersupply
 Regulatory risk	 Industrial accident risk	 IT system risk
Investing activity		
 Risk of investment projects nonperformance		
Financing activity		
 Risk of the Company's long-run financial sustainability		

Key risks

The risk-oriented approach is applied at SIBUR in the decision-making process and management of operations. Risks are considered an integral part of the business, and risk management is built into each employee's responsibilities. Regular monitoring and evaluation is conducted in relation to the identified risks, while the Company plans and monitors the implementation of certain actions aimed at risk prevention and mitigation.

Key risks⁽¹⁾ and related response strategies are reviewed by the Management Board and are approved by the Board of Directors as a part of annual and long-term business plans and reports on their implementation. Regular updates to the list of key risks helps to guide Management and employee efforts to manage the most significant risks that could impact the Company's operations.

The latest list⁽²⁾ of key risks was revised in November 2015, building on a list created in 2014. Due to the economic and political volatility in Russia and worldwide,

the list was updated to prioritise key macroeconomic, country and regulatory risks. Operational and feedstock undersupply risks were also added to strengthen the Company's focus on business continuity and efficiency improvements at existing production sites. At present, heightened economic and political volatility could have a significant impact on the Company's ability to continue its long-term investing activities. For this reason, risks to the Company's long-term financial sustainability and nonperformance of investment projects remain a key focus area for management.

⁽¹⁾ According to the relevant Management Board resolution, key risks include events that could have a negative impact on achievement of the Group's strategic goals, and sufficiently and irreversibly damage or threaten SIBUR's business continuity.

⁽²⁾ The list of risks presented herein is not exhaustive and only reflects SIBUR's opinion and estimates. This section does not include any analysis of general economic and social risks, such as slowdowns in economic growth or decreases in consumer purchasing power, among others.



List of key risks

Operating activity



Country risk

◆ Description

The risk is related to political conditions in Russia and regions where SIBUR operates. The risk is associated with the political crisis in Ukraine and Turkey and the possibility of further sanctions imposed by the United States

and the European Union (i.e. a ban on supplies of equipment, technologies, goods and services could be an example of risk implementation).

◆ Risk mitigation actions

To reduce the risk, SIBUR diversifies its geographic mix of customers and suppliers, reduces operations in regions with uncertain economic environment, and develops alternative transportation routes.



Macroeconomic risk

The macroeconomic environment presents the risk of economic volatility in Russia and other regions where the Company operates. Risk factors include declining oil prices, currency volatility, interest rates fluctuations and inflation growth.

Inflation risk

◆ Description

Higher inflation may lead to financial losses, resulting from higher operating costs, a decrease in the value of the available funds

and the status of receivables when substantial delays in repayment take place.

◆ Risk mitigation actions

The Group continuously takes measures to optimise its receivables and cost structure through the development of cost management programmes and improvement in current assets turnover.

Currency risk

◆ Description

The Group's operational and financial results, liquidity, and sources of financing are dependent on changes in currency exchange rates. Movements of the Russian rouble against the US dollar and the euro result in a revaluation of our liabilities denominated in these currencies.

When the Russian rouble depreciates against the US dollar or euro, our liabilities denominated in these currencies increase in Russian rouble terms, as do interest costs on SIBUR's foreign currency-denominated borrowings.

◆ Risk mitigation actions

To minimise the effect of foreign exchange rate fluctuations on our foreign currency-denominated borrowings, SIBUR aims to match the currency split of its liabilities with the currency structure of the Group's revenues. SIBUR uses derivative instruments to hedge foreign exchange rate fluctuations impact on borrowings.



Risk management - continued

Interest rate risk

◆ Description

The Group's interest rate risk arises primarily from long-term borrowings with floating interest rates. Increase in interest rates results in higher interest costs on borrowings, while decreasing the Company's financial results.

◆ Risk mitigation actions

SIBUR analyses its interest rate exposure on a regular basis. Financing decisions are made after careful consideration of various scenarios and may include alternative financing at fixed interest rates.

Liquidity risk

◆ Description

Risk that the Group would not be able to meet its financial obligations in a timely manner due to the lack of sufficient cash balances.

◆ Risk mitigation actions

To minimise risk, SIBUR monitors rolling forecasts of the Group's liquidity on a weekly, monthly, quarterly and annual basis, monitors the investment programme implementation process and constantly checks the status of trade receivables.



Regulatory risk

◆ Description

Substantive changes to the legal or regulatory framework may have a negative effect on the Group's business and operations through higher antitrust regulation, foreign exchange, tax, customs or licensing controls. This is particularly with respect to energy or transportation tariffs, export duties on energy products, import duties on production equipment, tighter

foreign trade regulations imposed by other countries, as well as larger tax burdens or changes in court practice in relation to Company's disputes.

◆ Risk mitigation actions

SIBUR implements an information management system that monitors and analyses the Company's counterparties, the regulatory environment and government initiatives, which should enable the Group to react in a timely manner to relevant legislative changes. SIBUR also plays an active role in discussions and the development of draft legislation, and conducts trainings of personnel on legislative matters.



Market risk

◆ Description

SIBUR's business and operational results may be negatively affected by drops in demand or decreased prices for its products, changes in consumers' requirements, higher competition as well as market share losses in its key markets.

These factors may result in nonperformance of investment projects and negatively affect the Company's operational and financial results.

◆ Risk mitigation actions

To manage its market risks, SIBUR focuses on the following key areas:

- monitoring and analysis of existing markets;
- concluding long-term agreements with both suppliers and customers;
- meeting our customers' expectations through execution and fulfillment of specifications for product quality, transportation, packaging;
- developing sales channels for customers in end markets;
- conducting pre-marketing activities.



Logistical risk

◆ Description

SIBUR may face difficulties in delivering its products to customers due to the limitations of the available transportation infrastructure. Insufficient rail transportation capacity, delays in shipments and other logistical bottlenecks could negatively

affect SIBUR's ability to meet its contractual obligations related to delivery of intermediate or finished goods to customers and the Group's operational and financial performance.

◆ Risk mitigation actions

SIBUR develops alternative transportation routes, optimises the logistical flows of refined products and return of empty containers, and develops long-term logistical solutions in cooperation with the Russian Government and SIBUR's logistical partners, including Russian Railways (RZD).



Risk management - continued



Industrial accident risk

◆ Description

SIBUR's operational activity may be hampered by accidents at the Group's production sites. Loss of containment and other factors may lead to fires, explosions, emission of toxic fumes and other hazardous conditions that could cause personnel injuries or death,

property damage, environmental damage or interruption of operations, as well as costs for elimination of these damages.

◆ Risk mitigation actions

SIBUR takes active steps to minimise the potential impact of such risks. These include continuous monitoring of assets to prevent emergencies and accidents; promotion of an industrial safety culture among employees and continuous training of personnel; and ensuring appropriate insurance coverage is in place.



Operational risk

◆ Description

SIBUR's production may be negatively affected by unscheduled shutdowns and failures in equipment at SIBUR's production sites and those of its counterparties. Such factors as obsolescence of certain equipment, control systems failure, human error and other factors may result in a decrease in output

and losses from equipment downtime, as well as extra maintenance costs.

◆ Risk mitigation actions

To minimise risk, SIBUR conducts modernisation and reconstruction work on processing units, continuously monitoring their condition. SIBUR introduces advanced technologies and asset maintenance methods; provides trainings to improve technical skills of employees; and ensures appropriate insurance coverage is in place, both for property damage and potential disruptions of operations.



Risk of feedstock undersupply

◆ Description

The lack of sufficient feedstock volumes or certain raw materials may result in increased competition among producers for the feedstock base as well as a decline in quality and quantity of supplied feedstock.

◆ Risk mitigation actions

SIBUR manages risk through the number of key measures:

- SIBUR's production facilities are located in a close proximity to the feedstock base;
- SIBUR has long-term contracts with oil and gas companies for feedstock supplies;

- SIBUR invests in the feedstock processing and transportation infrastructure to consolidate feedstock flows and cement its access to the resource base;
- SIBUR strives to diversify its supplier base where it is possible.



IT system risk

◆ Description

SIBUR's business and operations may be negatively affected by failures of the Group's key IT systems and equipment, unauthorised access to confidential information, and distortion of information during data transfers that may cause disruptions in the Group's decision-making process.

In particular, the risk relates to potential negative consequences that could arise in the process of integrating IT-systems on production sites within the Group. These factors may result in a deterioration in the quality of SIBUR's operational and financial reporting and the overall manageability of the Group.

◆ Risk mitigation actions

To minimise IT-related risks, SIBUR has implemented and continues to develop back-up and information protection systems.

Investing activity



Risk of investment projects nonperformance

◆ Description

The risk represents the probability of negative factors that can have an impact on timing, quality and costs related to any projects. SIBUR's strategic objectives include implementation of large-scale investment projects and modernisation of the Group's production facilities and infrastructure.

Nonconforming procurements and shortage of skilled workers could result in delays to the completion of these projects and cause actual costs to exceed planned levels, negatively affecting our future operational performance.

◆ Risk mitigation actions

SIBUR is actively developing mechanisms to make the contractor selection process more efficient, and the Group is also strengthening its in-house technical supervision capabilities to ensure adequate design and construction quality, while implementing efficient instruments to address its counterparties and contractors.

Financing activity



Risk of the Company's long-run financial sustainability

◆ Description

High economic and political volatility in the external macro environment could result in a failure to comply with financial covenants and Company financial policy metrics.

It could also potentially lead to poor investment decisions, which may result in insufficient cash balances and a decrease in the Company's profitability over the long run.

◆ Risk mitigation actions

The Company's Management constantly monitors the risk through evaluation of various scenarios during business planning process.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations as of 31 December 2015 and for the year then ended (hereinafter referred to as "MD&A") in conjunction with our audited consolidated financial statements as of and for the years ended 31 December 2015 and 2014 (hereinafter referred to as the "consolidated financial statements"). The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial and operational information contained in this MD&A comprises information on PAO SIBUR Holding and its consolidated subsidiaries (hereinafter jointly referred to as "we", "SIBUR", "Company" or the "Group").

SELECTED DATA⁽¹⁾

Operating Results

The following table presents the Group's key operational measures for the years ended 31 December 2015 and 2014:

<i>Tonnes, except as stated</i>	Year ended 31 December		Change
	2015	2014	%
Processing and production volumes			
APG processing ⁽²⁾ (thousand cubic metres)	21,466,977	20,834,647	3.0%
APG processing, SIBUR's share ⁽³⁾ (thousand cubic metres)	21,227,997	19,397,321	9.4%
Natural gas production ⁽²⁾ (thousand cubic metres)	18,470,903	18,034,813	2.4%
Natural gas production, SIBUR's share ⁽³⁾ (thousand cubic metres)	18,342,824	16,657,211	10.1%
Raw NGL fractionation ⁽⁴⁾	7,772,976	6,315,299	23.1%
Raw NGL fractionation, SIBUR's share	6,572,976	5,788,169	13.6%
Sales volumes			
Natural gas sales volumes (thousand cubic metres)	17,624,726	16,004,874	10.1%
LPG sales volumes	4,267,750	3,468,260	23.1%
MTBE, other fuels & fuel additives sales volumes	603,018	603,830	(0.1)%
Petrochemical products sales volumes	2,587,445	2,246,660	15.2%
Plastics and organic synthesis products	921,621	787,920	17.0%
Basic polymers	704,965	649,640	8.5%
Synthetic rubbers	411,108	360,038	14.2%
Intermediates and other chemicals	549,751	449,062	22.4%

⁽¹⁾ In this and other tables of this MD&A, immaterial deviations in the calculation of percentage changes, subtotals and totals are explained by rounding.

⁽²⁾ Including Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015. Including Rosneft's share in the processing / production volumes of Yugragazpererabotka in the first quarter of 2014.

⁽³⁾ Excluding Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015. Excluding Rosneft's share in the processing / production volumes of Yugragazpererabotka in the first quarter of 2014.

⁽⁴⁾ Including fractionation volumes under processing arrangements.

Financial Results

The following table presents the Group's key financial measures for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December		Change %
	2015	2014	
<u>Income statement highlights</u>			
Revenue (net of VAT and export duties)	379,852	361,000	5.2%
<i>Revenue adjusted for naphtha trading⁽¹⁾</i>	379,852	319,420	18.9%
EBITDA	135,635	102,767	32.0%
<i>EBITDA margin, %</i>	35.7%	28.5%	
<i>EBITDA margin adjusted for naphtha trading, %</i>	35.7%	32.2%	
Profit for the reporting period	6,505	25,071	(74.1%)
Adjusted profit for the reporting period ⁽²⁾	62,437	69,311	(9.9%)
<u>Cash flow highlights</u>			
Net cash from operating activities, <i>including</i>	119,078	91,052	30.8%
<i>Operating cash flows before working capital changes</i>	128,892	105,540	22.1%
Net cash used in investing activities, <i>including</i>	(121,741)	(97,370)	25.0%
<i>Capital expenditures⁽³⁾</i>	(84,391)	(71,550)	17.9%
<i>Acquisition of interest in subsidiaries, net of cash acquired</i>	(61,726)	(20,666)	198.7%
<i>Proceeds from disposal of subsidiary, net of cash disposed</i>	21,278	138	n/m
Net cash from financing activities, <i>including</i>	144,802	24,093	501.0%
<i>Dividends paid to SIBUR shareholders</i>	(18,125)	(14,073)	28.8%
	As of	As of	
	31 December 2015	31 December 2014	
<u>Key ratios</u>			
Net debt ⁽⁴⁾ / EBITDA	2.10x	1.74x	
EBITDA / Interest ⁽⁵⁾	9x	16x	

In 2015, SIBUR recorded a 32.0% increase in EBITDA, which was driven by an almost threefold growth in the EBITDA of our petrochemicals segment, albeit counterbalanced by a 10.4% decrease in the contribution of our feedstock & energy segment. We recorded the highest EBITDA margin of 35.7% for the Group and our petrochemicals segment demonstrated 31.4% EBITDA margin. The results of 2015 were largely attributable to the contribution of new capacities launched in previous years. During 2014, our polypropylene production facility in Tobolsk gradually ramped up operations, which enabled us to increase production and sales volumes of polypropylene. At the end of 2014, we launched an expanded integrated transportation and feedstock processing system. The extended pipeline provides SIBUR with access to additional volumes of raw NGL in the northern part of Western Siberia, which are processed at our recently expanded fractionation capacity in Tobolsk, thus enabling SIBUR to increase its overall production volumes of energy products. We also benefited from the Russian rouble depreciation, as our sales are primarily linked to international commodity benchmark prices quoted in US dollars or euros, which supported our revenues as prices turned downward, while our operating expenses are largely denominated in Russian roubles.

The acquisition from Rosneft of a 49% stake in our JV OOO Yugragazpererabotka in March 2014 had a neutral effect on the processing and production volumes at our GPPs. At the same time, consolidation of this JV and the new cooperation terms with Rosneft resulted in higher revenue from natural gas sales and lower expenses related to raw NGL purchases, which were largely offset by higher expenses related to APG purchases.

In 2015, our revenue increased by 5.2% to RR 379,852 million compared to RR 361,000 million in 2014. Adjusted for naphtha trading ceased in 2015, the revenue increased by 18.9%. The major driver of this growth was a 32.7% increase in our petrochemicals revenue, while the growth in revenue from energy product sales adjusted for naphtha trading totaled 6.2%.

⁽¹⁾ Adjusted for the estimated value of naphtha trading operations via Ust-Luga, ceased in 2015.

⁽²⁾ Profit for the reporting period net of the realised foreign exchange loss in 2015 and foreign exchange loss in 2014, the equity-settled share-based payment plans, and the non-cash gains on acquisition of OOO Yugragazpererabotka in March 2014.

⁽³⁾ Includes purchase of property, plant and equipment, intangible assets and other non-current assets.

⁽⁴⁾ Net debt represents total debt less cash and cash equivalents.

⁽⁵⁾ Interest represents accrued interest, i.e. includes interest expense and capitalised interest.

The 39.3% growth in revenues from sales of plastics & organic synthesis products was mainly attributable to capacity expansions in PET and BOPP-films, as well as increase in glycols production. We saw the growth of 32.6% in our basic polymers revenues, which was attributable to higher polypropylene production due to a year-on-year increase in the average capacity utilisation rate of our polypropylene production facility in Tobolsk. This increase was partially offset by higher polypropylene internal use for BOPP-films production, thus contributing to the growth in revenues from this product sales. The revenue from sales of synthetic rubbers increased by 26.0% on higher capacity load due to improved economics on the Russian rouble depreciation and lower feedstock prices. The 27.3% increase in our revenues from sales of intermediates and other chemicals was attributable to higher sales of ethylene to RusVinyl and higher production following the steam cracker expansion in Kstovo.

Our energy product group results were challenged by the collapsed international benchmark prices, but still delivered a solid performance. The decline in the energy product revenues of 14.1% was attributable to the termination of the low-marginal naphtha trading operations via the Ust-Luga transshipment facility, as well as the increase in LPG and raw NGL internal use. Adjusted for naphtha trading, our revenues from energy product sales increased by 6.2% primarily on (i) substantial Russian rouble depreciation, which to a large extent offset the decline in international benchmark prices, (ii) higher LPG production following the launch of our expanded transportation and fractionation capacities, and (iii) higher sales of natural gas following the acquisition from Rosneft of a 49% stake in the JV OOO Yugragazpererabotka.

Our EBITDA for the period amounted to RR 135,635 million, a growth of 32.0% from RR 102,767 million in 2014. Our EBITDA margin totaled 35.7% compared to 28.5% reported a year earlier. Our estimated EBITDA margin, adjusted for low-marginal naphtha trading activities via the Ust-Luga transshipment facility⁽¹⁾ increased from 32.2% in 2014.

The solid growth in the Group's EBITDA was driven by the strong performance of our petrochemicals segment despite lower EBITDA of the feedstock & energy segment. Our petrochemicals segment recorded an almost threefold growth in EBITDA reaching RR 58,937 million in 2015 from RR 20,806 million in 2014. The segment also demonstrated strong improvement in EBITDA margin to 31.4% in 2015 from 14.6% in 2014. The increase in EBITDA and the respective margin was mainly driven by lower feedstock costs for petrochemical production on the back of the dramatically declined prices for energy products, as well as the ramp-up of the polypropylene production facility in Tobolsk. At the same time, the downward pricing trend impacted our feedstock & energy segment EBITDA, which was down by 10.4% year-on-year. The segment's EBITDA margin decreased to 37.1% in 2015 as compared to 41.8%⁽²⁾ a year ago.

Our profit in 2015 decreased by 74.1% to RR 6,505 million from RR 25,071 million a year earlier. The decrease was mainly attributable to the RR 52,773 million non-cash gain on acquisition of a 49% stake in OOO Yugragazpererabotka recorded in 2014, compensated by higher operating profit and lower foreign exchange loss. Adjusted for the realised foreign exchange loss in 2015 and foreign exchange loss in 2014, the equity-settled share-based payment plans, and the non-cash gain on acquisition of OOO Yugragazpererabotka in March 2014, our profit for the period decreased by 9.9% to RR 62,437 million in 2015 from RR 69,311 million a year earlier.

Our net cash from operating activities increased by 30.8% to RR 119,078 million from RR 91,052 million in 2015 and 2014, respectively. This was primarily attributable to a 32.0% year-on-year growth in EBITDA.

For a detailed discussion on SIBUR's operational and financial performance see "Results of Operations" and "Liquidity and Capital Resources".

⁽¹⁾ Trading operations via the Ust-Luga transshipment facility were ceased starting 2015.

⁽²⁾ Adjusted for the estimated value of naphtha trading operations via Ust-Luga, ceased in 2015.

The following table provides a reconciliation of EBITDA to profit for the years ended 31 December 2015 and 2014:

<i>RR millions</i>	Year ended 31 December	
	2015	2014
Profit for the reporting period	6,505	25,071
Income tax expense / (benefit)	6,814	(2,054)
Share of net loss of joint ventures and associates	1,264	3,827
Loss on disposal of assets held for sale	188	-
Gain on disposal of subsidiary	(1,012)	(18)
Gain on acquisition of subsidiary	-	(52,773)
Net finance expenses	76,923	89,765
Equity-settled share-based payment plans	12,976	11,580
Impairment of PPE, assets held for sale and write-off of advances for capital construction	479	1,048
Depreciation and amortisation	31,498	26,321
EBITDA	135,635	102,767

OVERVIEW

SIBUR is a uniquely positioned vertically integrated gas processing and petrochemicals company. We own and operate Russia's largest gas processing business in terms of associated petroleum gas processing volumes and are a leader in the Russian petrochemicals industry.

We have two operating and reportable segments: feedstock & energy and petrochemicals. SIBUR's feedstock & energy segment comprises (i) gathering and processing of associated petroleum gas (APG) that we purchase from major Russian oil companies, (ii) transportation, fractionation and other processing of natural gas liquids (NGLs) that we produce internally or purchase from major Russian oil and gas companies, and (iii) production, marketing and sales of energy products, such as natural gas, liquefied petroleum gases (LPG), naphtha, methyl tertiary butyl ether (MTBE) and other fuels and fuel additives. We sell these energy products on the Russian and international markets and use some of them as feedstock for our petrochemicals segment. Our petrochemicals segment produces a wide range of petrochemical products, including plastics and products of organic synthesis, basic polymers, synthetic rubbers, as well as intermediates & other chemicals.

As of 31 December 2015, SIBUR operated 26 production sites across Russia and employed almost 28,000 personnel⁽¹⁾. We serve over 1,400 large customers operating in the energy, automotive, construction, fast moving consumer goods (FMCG), chemical and other industries in approximately 75 countries.

⁽¹⁾ Excluding the personnel of non-consolidated joint ventures.

RECENT DEVELOPMENTS

In March 2016, SIBUR completed APG processing capacity expansion and modernisation project at the Vyngapurovskiy Gas Processing Plant. The project included the increase in annual APG processing capacity at the Vyngapurovskiy GPP to 4.2 bcm from 2.8 bcm, the construction of the 114 km pipeline between the Varieganskaya compressor station and Vyngapurovskiy GPP, and the compressor station upgrade.

In March 2016, SIBUR placed rouble bonds in the amount of RR 10 billion. With a coupon period of 182 days, the bonds have a tenor of 10 years and a put option in 5 years. The par value of the bonds is RR 1,000 each. The offering price is 100% of the par value. The coupon rate was set at 10.5% per annum. The overall amount that can be placed with the registered issue totals RR 60 billion, decisions on further placements will be made depending on the market environment.

In March 2016, SIBUR was placed under review for possible downgrade by Moody's along with ratings of other private non-financial corporates rated "Ba2" and above, which reflects the decision to place Russia's government bond ratings on review for downgrade. Earlier in December 2015 Moody's updated the outlook on SIBUR from Negative to Stable, the rating was affirmed at "Ba1".

In March 2016, Fitch revised the outlook on SIBUR from Stable to Negative, the rating was affirmed at "BB+". Previously, the rating was affirmed in February 2015 with the Stable outlook.

In February 2016, SIBUR acquired 100% of the Tobolsk Heating and Power Plant (Tobolsk HPP) from Fortum. Launched as part of the infrastructure to support Tobolsk production site, Tobolsk HPP is currently the only supplier of vapour and also sells power in the wholesale market, acting as the key source of heat for the city of Tobolsk. The Tobolsk HPP has an installed capacity of 665 MW of electric power and 2,585 MW of heat.

In December 2015, SIBUR won the auction arranged by the Ministry of Land and Property Relations of Bashkortostan to acquire a 17.5% stake in AO POLIEF from the Government of the Republic of Bashkortostan. Following the acquisition, SIBUR consolidates 100% of POLIEF.

In December 2015, China Petrochemical Corporation ("Sinopec Group"), a major global energy and chemicals company, acquired a 10% stake in SIBUR. Following the deal closing, Sinopec representative, Chang Zhenyong, Vice President and Head of Chemical Division, joined SIBUR Board of Directors.

In December 2015, RDIF⁽¹⁾ and leading Middle Eastern sovereign wealth funds invested USD 210 million in ZapSibNeftekhim (ZapSib-2). ZapSibNeftekhim raised USD 1.75 billion with a tenor of 15 years from NWF⁽²⁾ within RDIF's quota in NWF.

In November 2015, SIBUR sold a terminal in the commercial port of Ust-Luga on the Baltic Sea to a consortium comprising RDIF and international investors.

In September 2015, SIBUR signed credit facility arrangements with a consortium of European banks, which is covered by a EUR 412 million guarantee from French credit agency Coface with the tenor of 15 years, to raise long-term financing for a portion of the capital expenditures related to the ZapSibNeftekhim (ZapSib-2). The Company is in process of fulfilling the precedent conditions required for the first disbursement under facility.

In September 2015, Gazprom Neft and SIBUR commissioned Yuzhno-Priobskiy Gas Processing Plant (Yuzhno-Priobskiy GPP). The construction of Yuzhno-Priobskiy GPP based on the Yuzhno-Priobskaya compressor station started in February 2014 and was carried out as part of a joint venture between Gazprom Neft and SIBUR. The GPP was designed by NIPIGAZ, SIBUR's subsidiary and a leading Russian centre for engineering and developing oil and gas processing and petrochemicals facilities. The

⁽¹⁾ Russian Direct Investment Fund.

⁽²⁾ National Wealth Fund.

annual capacity of the plant is 900 million cubic metres of APG, and the liquids recovery ratio is expected to exceed 95%.

In July 2015, SIBUR approved the expansion of the gas fractionation facility at the Tobolsk production site by means of equipment additions for internals, heat-exchange and pump equipment, construction of a cooling tower and expanded feedstock range. As a result, the site's capacity is expected to increase from 6.6 to 8 million tonnes per annum.

In April 2015, SIBUR paid the remaining amount due to Rosneft for a 49% stake in OOO Yugragazpererabotka acquired in March 2014. SIBUR does not have any payable outstanding for this transaction.

In March 2015, SIBUR Board of Directors approved the 2015 capital expenditures⁽¹⁾ plan of RR 64.7 billion (net of VAT).

In February 2015, SIBUR announced the official launch of ZapSibNeftekhim construction, as the first foundations have been laid at ZapSibNeftekhim, a facility for deep hydrocarbon to polyolefin processing in the Tyumen Region.

⁽¹⁾ Includes purchase of property, plant and equipment, intangible assets and other non-current assets.

CERTAIN FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Macroeconomic and Other Economic Trends

Overall economic conditions in Russia and globally have significantly impacted our operations as demand for our products is driven by consumers across a diverse range of industries, which are dependent on the state of the global economy and the economies of their respective countries.

Current Macroeconomic Situation

In 2014, the macroeconomic environment substantially deteriorated on the back of the sharp decline in oil prices and the material Russian rouble depreciation. Also, the political crisis in Ukraine and the respective negative reaction from United States of America, European Union and other aligned countries resulted in the imposition of sanctions against certain Russian individuals and legal entities, which has constrained access to liquidity from international capital markets and banks for some Russian banks and corporate borrowers. SIBUR currently is not subject to any of the above sanctions. SIBUR management believes that sanctions imposed on other Russian entities have had no material effect on SIBUR's operational and financial performance.

In 2015, the volatility of benchmark commodity prices and the Russian rouble exchange rates relative to the US dollar and the euro remained high. The management continues to closely monitor the situation and takes preventive measures to mitigate negative effects of the changes in macroeconomic parameters.

GDP Growth

One of the key factors that drive demand for our products or otherwise affect our results of operations is GDP growth globally. SIBUR is also subject to economic risks specific to the Russian Federation as all of our production assets are located in Russia.

The following table contains selected data on year-on-year GDP growth for the years ended 31 December 2015 and 2014:

	Year ended 31 December	
	2015	2014
European Union (EU-15)	1.8%	1.2%
United States	2.4%	2.4%
China	6.9%	7.3%
Russia	(3.7%) ⁽¹⁾	0.6%

Source: Eurostat, U.S. Bureau of Economic Analysis, National Bureau of Statistics of the People's Republic of China, Russian Federal State Statistics Service

Foreign Exchange Rate Fluctuations

The movements of the Russian rouble against the US dollar and the euro may have a significant impact on our financial performance.

The following table presents selected data on exchange rate movements for the years ended 31 December 2015 and 2014:

	Year ended 31 December	
	2015	2014
RR/USD rate at the end of the preceding period	56.2584	32.7292
RR/USD rate at the end of the reporting period	72.8827	56.2584
Average RR/USD rate	60.9579	38.4217
RR/EUR rate at the end of the preceding period	68.3427	44.9699
RR/EUR rate at the end of the reporting period	79.6972	68.3427
Average RR/EUR rate	67.7767	50.8150

Source: CBR

⁽¹⁾ Preliminary data.

SIBUR's functional and reporting currency is the Russian rouble. Our sales to countries outside of Russia (44.3% and 51.2% of total revenue in 2015 and 2014, respectively) are primarily denominated in US dollars and, to a lesser extent, in euros. In many cases our domestic sales are linked to international benchmark prices quoted in US dollars and euros, however in case of substantial shifts in the Russian rouble exchange rate the adjustment of domestic selling prices can take a certain amount of time. At the same time, our expenses are primarily denominated in Russian roubles. As a result, depreciation of the Russian rouble relative to the US dollar or the euro positively affects our operational results, while appreciation of the Russian rouble relative to these currencies tends to have a negative effect on our operational results.

A significant part of our borrowings is also denominated in foreign currencies, primarily in US dollars and, to a lesser extent, in euros. When the Russian rouble depreciates against the US dollar or euro, our liabilities denominated in these currencies increase in Russian rouble terms, as do interest costs on SIBUR's foreign currency-denominated borrowings. Correspondingly, our financial expenses tend to increase as a result of foreign exchange losses recorded by the Group. When the Russian rouble appreciates against the US dollar or euro, our liabilities denominated in these currencies decrease in Russian rouble terms, as do interest costs on SIBUR's foreign currency-denominated borrowings. Correspondingly, our financial income tends to increase as a result of foreign exchange gain recorded by the Group.

The Russian rouble on average depreciated by 58.7% relative to the US dollar and by 33.4% relative to the euro in 2015 compared to the average 2014 levels, which had a positive impact on our revenue. At the same time, the Russian rouble as of 31 December 2015 depreciated against the year-end level of 2014 by 29.5% relative to the US dollar, resulting in a substantial financial loss reported in SIBUR's consolidated financial statements for 2015, which was largely attributable to the revaluation of our foreign currency-denominated debt.

Inflation

Historically Russia has reported higher inflation rates compared to developed markets. Increases in inflation may significantly affect our financial results because of an increase in operating expenses, which are linked to the general price level in Russia, such as staff costs, rent and others.

In 2015, high inflation rates were largely driven by indexation of transportation tariffs (see "Transportation Tariffs").

The following table presents selected data on inflation rates for the years ended 31 December 2015 and 2014:

	Year ended 31 December	
	2015/2014	2014/2013
Consumer price index (CPI)	15.9%	11.4%
Producer price index (PPI)	10.6%	5.8%

Source: Russian Federal State Statistics Service

Crude Oil, Naphtha, Raw NGL and LPG Prices

Prices for a large portion of our feedstock and processed goods are directly or indirectly linked to oil or oil derivative prices. Growth in prices for oil or oil derivatives generally has a net positive effect on our financial results because our position as a net seller of energy products allows us to mitigate the negative effect that growth in oil and oil derivative prices has on our cost base. Decline in prices for oil or oil derivatives generally has a net negative effect on our financial results, which is partially offset by decrease in our cost base.

Crude oil prices typically influence prices for raw NGL, LPG and naphtha, which we purchase from third parties as feedstock. This correlation, however, is not perfect, as prices for LPG and naphtha are also influenced by supply and demand trends and other factors in their own markets, while prices for raw NGL, depending on its composition, largely correlate with prices for LPG and naphtha.

Oil prices have a significant impact on the Russian rouble exchange rate fluctuations. Historically, the Russian rouble has typically, though not consistently, appreciated in real terms against the US dollar and the euro when oil prices increased, and depreciated against these currencies when oil prices decreased. The negative effect of declining oil prices tends to reduce our revenue, while mitigated by the positive effect of the weakening Russian rouble on export sales or domestic sales linked to the US dollar or the euro (see “Foreign Exchange Rate Fluctuations” above).

Oil and oil derivative prices have historically been volatile and dependent on a variety of factors including, among others, market supply and demand balances, geopolitical developments affecting the principal producing nations and force majeure events.

The following table presents average benchmark international market prices for crude oil, naphtha and LPG for the years ended 31 December 2015 and 2014:

<i>USD per tonne except as stated</i>	Year ended 31 December		Change %
	2015	2014	
Brent crude oil (USD per bbl)	52.5	99.5	(47.2%)
Naphtha (CIF NWE)	461.9	836.6	(44.8%)
LPG DAF Brest	348.4	715.1	(51.3%)
LPG Sonatrach for Bethioua	352.3	728.8	(51.7%)
LPG Argus cif ara (large)	362.9	712.3	(49.1%)

Source:

(¹) Bloomberg

(²) Argus

Export Duties on LPG and naphtha

The LPG and naphtha (excluding pentane and isopentane) that we export are subject to export duties, which are set monthly by the Russian Government. Export sales to member states of the Customs Union (Republic of Belarus and Republic of Kazakhstan) are not subject to export duties.

The export duty on LPG (excluding butane and isobutane) is formula-based and depends on the international benchmark price of LPG (LPG DAF Brest). When the market price for LPG is below USD 490 per tonne, no export duty is levied. Effective 1 January 2015, the Russian Government imposed an export duty on butane and isobutane, which is calculated as the percentage of the export duty on LPG grades excluding butane and isobutane and is set at 10% of that level for 2015 with successive annual increases by 10% until 2022 inclusively.

The export duty on naphtha is calculated as a percentage of export duties on crude oil (Urals). On 1 July 2012, the export duty on naphtha was set at 90% of the crude oil export duty. Effective 1 January 2015, the Russian Government decreased the export duty on naphtha to 85% of the crude oil export duty and announced successive decreases in this rate to 71% for 2016 and 55% for 2017 and further. The decrease in export duty rates for naphtha is implemented as part of the “tax maneuver” in the Russian oil industry.

As Russia's domestic prices for raw NGL, LPG and naphtha are based on export netback prices, higher export duties reduce the domestic price for these products, while declining export duties support domestic prices. Increase in export duties negatively affect our export and domestic sales of LPG and naphtha, at the same time reducing our feedstock purchasing costs. Decrease in export duties as a result of declining prices for LPG and naphtha supports our external export and domestic sales of these products.

The following table presents export duties on LPG, naphtha and paraxylene for the periods and as of the dates indicated:

<i>Export duties, USD per tonne</i>	1 quarter		2 quarter		3 quarter		4 quarter		12 months		<i>Change, % 2015/2014</i>
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
LPG											
<i>excl. butane and isobutane</i>											
At the end of the period	0.0	169.1	0.0	86.0	0.0	221.0	0.0	124.8	0.0	124.8	(100.0%)
Average for the period	16.1	189.3	0.0	101.1	0.0	152.7	0.0	131.9	4.0	143.8	(97.2%)
<i>butane and isobutane</i>											
At the end of the period	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/m
Average for the period	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	n/m
Naphtha (excl. pentane and isopentane)											
At the end of the period	89.9	345.9	122.7	346.5	92.8	330.8	75.1	249.7	75.1	249.7	(69.9%)
Average for the period	110.1	351.5	110.9	344.4	109.2	342.3	78.4	281.6	102.2	330.0	(69.0%)

Source: Russian Government

Natural Gas Prices

The prices at which we purchase a large portion of feedstock and sell natural gas as well as our utility costs are significantly impacted by changes in regulated domestic gas prices at which Gazprom, the major Russian gas producer, sells natural gas on the domestic market. Until July 2015 price regulation was executed by the Russian Government, through the Federal Tariff Service (FTS). In July 2015, a Decree of the President of the Russian Federation became effective abolishing the FTS and transferring its functions to the Federal Anti-Monopoly Service. Although this price regulation does not apply to independent gas producers, the regulated price significantly influences domestic market conditions and our effective selling prices.

During 2014 and the first half of 2015, regulated natural gas prices for sales to all customer categories on the domestic market (excluding residential customers) did not change and were calculated using a price formula based on parameters set in December 2013.

Effective 1 July 2015, the Regulator adjusted the parameters used in the formula for wholesale natural gas prices calculation and, as a result, wholesale natural gas prices for sales to all customer categories (excluding residential customers) on the domestic market were increased by 7.5%.

In October 2015, the Ministry of Economic Development of the Russian Federation published the “Forecast of Socio-economic Development of the Russian Federation for 2016 and planned period 2017 and 2018” based on which wholesale natural gas prices for sales to all customer categories (excluding residential customers) in July 2016, 2017 and 2018 will be increased by an average of 2.0%, 3.0% and 3.0%, respectively. The Russian Federation government continues to discuss various concepts relating to the natural gas industry development, including natural gas prices and transportation tariffs growth rates on the domestic market.

The following table presents information on regulated natural gas price changes:

<i>Effective date of increase</i>	Regulated natural gas price changes
	%
1 January 2014	(1.9%)
1 July 2015	7.5%

Although we are not subject to the Russian Government's regulation of prices for natural gas that we produce from APG, our effective average selling prices for natural gas are close to the regulated gas prices and are typically also indexed in line with the regulated price changes. SIBUR is a net seller of natural gas and historically our financial results have been positively impacted by increases in domestic natural gas prices.

Prices for APG, one of our key feedstock, are not regulated by the Russian Government. There is also no benchmark market price for APG. Prices at which we purchase APG from oil companies are negotiated on a case-by-case basis and depend on a variety of factors (see “Feedstock Sourcing and Mix” below). We typically purchase APG at a price that substantially differs from the regulated domestic natural gas

prices because of the significant capital expenditures required to develop and maintain the processing and transportation infrastructure. At the same time, some of our supply contracts regularly index APG prices to reflect changes in the regulated domestic gas prices. Such indexations, however, are not always synchronised with the respective changes in the regulated domestic gas prices. Additionally, there are other factors that influence our APG purchase prices; hence there may be certain discrepancies between movements in our APG purchase prices and the regulated domestic gas prices (see “Feedstock Sourcing and Mix” below for further details).

Cyclicality of the Petrochemicals Industry

Prices for petrochemical products are subject to significant fluctuations as they are influenced by trends in global and domestic supply and demand, including differences in supply and demand between domestic and export markets. Demand is generally linked to economic activity, while supply is linked to long-term investments in capacity expansion and structural changes in feedstock supply, such as, for example, the discovery and commercialisation of new feedstock sources. When significant new capacity becomes available and is not matched by corresponding growth in demand, average industry operating margins typically fall. At the same time, capacity additions require substantial lead times and when growth in demand is not matched by respective capacity expansions, average industry operating margins typically rise. As a result, the petrochemicals industry experiences periods of tight supply, leading to high capacity utilisation rates and margins, followed by periods of oversupply, leading to reduced capacity utilisation rates and margins, and, accordingly, the profit margins of petrochemical producers historically have been cyclical.

As the Group is vertically integrated into the feedstock & energy business and is a net seller of energy products, which are not dependent on the cyclicality of the petrochemicals industry, this partially protects the Group against margin pressures in the periods of oversupply in the petrochemicals industry. Additionally, the Group's access to attractively priced feedstock, its diversified mix as well as a diversified product portfolio puts the Group in a more advantaged position compared to majority of other petrochemical companies during market downturns in the petrochemicals industry.

Feedstock Sourcing and Mix

Types of Hydrocarbon Feedstock

To operate our business successfully we must obtain sufficient quantities of feedstock in a timely manner and at acceptable prices. Therefore, our access to feedstock and its mix have a material impact on our financial results. We use two major types of hydrocarbon feedstock: associated petroleum gas (APG) and natural gas liquids (NGLs), primarily raw NGL, as well as LPG and naphtha.

APG is a by-product of oil production. We process APG at our gas processing plants (GPPs) to produce natural gas and raw NGL. APG accounted for 44.6% and 44.3% of our expenses related to third-party hydrocarbon feedstock purchases in 2015 and 2014, respectively. As a percentage of total feedstock and materials costs, APG accounted for 26.7% and 26.3% in 2015 and 2014, respectively.

NGLs are used as raw material for both the feedstock & energy business and for the petrochemicals business. Raw NGL is produced as a result of APG processing or through stabilisation of unstable gas condensate which is obtained from the processing of wet gas extracted from gas fields. LPG and naphtha are produced through fractionation of raw NGL. We also produce NGLs at our own GPPs and GFUs and also purchase them from third parties. NGLs accounted for 55.4% and 55.7% of our expenses related to third-party hydrocarbon feedstock purchases in 2015 and 2014, respectively. As a percentage of total feedstock and materials costs, NGLs accounted for 33.3% and 33.1% in 2015 and 2014, respectively.

Feedstock Sourcing

We purchase APG and NGLs from major oil and gas companies in Western Siberia, including Rosneft, Gazprom Neft, RussNeft, LUKOIL, NOVATEK and Gazprom, primarily under long-term contracts.

In 2014, SIBUR expanded its access to abundant raw NGL sources in Western Siberia through commissioning of a raw NGL pipeline connecting NOVATEK's Purovsky Gas Condensate Plant to our expanded gas fractionation capacities in Tobolsk, which enabled us to consolidate rising supplies of raw NGL. Our major external raw NGL suppliers are NOVATEK and Gazprom.

In March 2014, SIBUR acquired from Rosneft a 49% interest in OOO Yugragazpererabotka. The transaction had a neutral effect on the processing and production volumes at our GPPs, while the parties entered into new contracts with extended tenor through 2032 for (i) APG supplies from Rosneft's fields to OOO Yugragazpererabotka's GPPs with guaranteed supply volumes increased to approximately 10 billion cubic metres per annum, and (ii) dry gas sales from OOO Yugragazpererabotka's GPPs to Rosneft. Following the acquisition, SIBUR pays for 100% of APG supplied to the GPPs of OOO Yugragazpererabotka with Rosneft remaining the major supplier and retains 100% of raw NGL and natural gas produced at the GPPs. In 2015, Rosneft's share in our APG supplies increased to 71.1% from 68.6% of SIBUR's total APG supplies in volume terms in 2014. The raw NGL supplies from Rosneft in 2015 decreased to zero from 15.1% in SIBUR's total NGLs supplies in volume terms in 2014 (see Appendix II for further details).

In September 2015, Gazprom Neft and SIBUR commissioned the newly built Yuzhno-Priobskiy Gas Processing Plant (Yuzhno-Priobskiy GPP) with annual APG processing capacity of 900 million cubic metres. The GPP is operated by a joint venture of SIBUR and Gazprom Neft with both partners having economic interest of 50%. Gazprom Neft supplies APG to the plant for processing into raw NGL and natural gas. SIBUR pays for 50% of the total APG volumes supplied to the plant, while the remaining 50% is processed for Gazprom Neft. SIBUR obtains 50% of all raw NGL and dry gas volumes produced, while Gazprom Neft obtains the rest. Subsequently SIBUR purchases Gazprom Neft's share of raw NGL and sells its share of natural gas to Gazprom Neft.

As of 31 December 2015, approximately 91% of our planned APG supplies for 2016 were guaranteed under multi-year supply contracts. Overall, as of 31 December 2015, our multi-year APG supply contracts had a weighted average maturity of 15.7 years.

As of 31 December 2015, approximately 94% of our planned NGLs supplies for 2016 were guaranteed under multi-year supply contracts. Overall, as of 31 December 2015, our multi-year NGLs supply contracts had a weighted average maturity of 17.3 years.

We continuously work with all the largest oil and gas producers in Western Siberia with the view of extending tenors of the existing agreements and/or entering into new long-term supply contracts on both APG and NGLs supplies. Multi-year supply contracts and joint venture arrangements enhance predictability of feedstock pricing and volumes and allow better planning of the Group's future operating expenses and investments, which is particularly important given the capital-intensive nature of the Group's investment programme.

Pricing

Oil companies produce APG as a by-product of oil extraction and by law must evacuate it from the field or otherwise utilise it. Failure to do so can result in fines and potentially jeopardise an oil company's license to operate the field. Most oil companies in Western Siberia do not own gas processing facilities and have been reluctant to develop such facilities as this requires substantial capital investments, while oil companies prefer to invest in their core oil exploration and production business. Apart from being processed into hydrocarbon feedstock at a GPP, only limited volumes of APG can be used productively, mostly for power generation or for re-injection into the reservoir.

The Russian Government has consistently increased incentives for oil companies to utilise APG. Based on the Russian Government's resolution issued in November 2012, penalties for APG flaring exceeding permitted thresholds (currently set at 5% of APG production volumes) have been substantially increased and become material for oil companies: effective 1 January 2013, the penalty has been increased from 4.5x the standard emission charge in 2012 to 12x the standard emission charge in 2013 and 25x the standard emission charge starting from 2014. The standard emission charges depend on the type of pollutant and are regularly indexed. According to CDU TEK, the total volume of flared APG in Russia in

2014 was 12.2 billion cubic metres or 16% of total produced volumes, while APG utilisation level totaled 84% as a percentage of produced volumes. In 2015, the total volume of flared APG in Russia was 10.4 billion cubic metres or 13% of total produced volumes, while APG utilisation level totaled 87% as a percentage of produced volumes.

SIBUR provides oil companies with an attractive solution for APG utilisation, therefore, we are able to source APG at advantageous prices. Given the limited options for using APG and the lack of alternatives for evacuating it from oil fields, there is no market or benchmark price for APG. APG pricing is also not subject to government regulation. As a result, we purchase APG from oil companies at prices that are negotiated on a case-by-case basis and typically substantially differ from the FTS regulated natural gas prices. The magnitude of the difference and the absolute price for APG is dependent on the following key factors: the quality and composition of APG in terms of target liquid fractions content, distance of an APG source from our GPPs, availability of collection and transportation infrastructure and capital and operating expenditures needed to construct, expand and maintain that infrastructure. The price is also dependent on the potential capital expenditures that the oil company would need to incur to construct its own gas processing capacity as an alternative to selling APG to SIBUR.

Currently SIBUR has two types of APG purchase contracts:

- Under first contract type, APG purchase price once agreed upon in absolute terms, is typically regularly indexed to reflect changes in the FTS regulated prices for natural gas.
- Under the new arrangements with Rosneft for APG supplies to Nizhnevartovskiy, Belozerniy and Nyagan GPPs, the APG purchase price is indexed in line with changes in prices for APG derivatives: natural gas and raw NGL (see “Crude Oil, Naphtha, Raw NGL and LPG Prices” and “Natural Gas Prices” above).

Additional volumes of APG that we source from oil companies (new volumes under new agreements or volumes under existing agreements that exceed initially pre-agreed or guaranteed volumes) can be supplied at a higher price due to additional capital and operating expenses incurred by oil companies to produce and deliver such volumes. Also, modification of terms of the existing agreements, both at expiry or as a result of renegotiation, may cause material changes in our APG pricing levels.

Our NGLs feedstock is typically priced with reference to international prices for LPG and naphtha, while prices for raw NGL, depending on its composition, are largely correlated with prices for LPG and naphtha. As the supply of NGLs significantly exceeds demand in Russia and particularly in Western Siberia, prices for NGLs are determined on an export netback basis, which reflects transportation costs and export duties. Transportation of NGLs out of Western Siberia is costly, with transportation costs consistently rising, reducing the prices at which NGLs are available for purchase in Western Siberia. Therefore, the domestic prices for NGLs feedstock in Western Siberia are substantially lower than those available to the majority of SIBUR's international petrochemical peers. The Group's NGLs supply contracts typically contain a formula where prices are determined by the respective netbacks and reflect the fraction content of NGLs, need for and cost of fractionation, capital expenditures required to construct and maintain the respective infrastructure as well as the availability and quality of alternative selling channels that the oil or gas company supplying the NGLs has.

Feedstock Trends

APG volumes from oil fields located in Western Siberia are expected to increase only moderately given the maturity profile of the region's oil fields, while concentration of liquid fractions in the APG may decline. We expect this trend to be partially offset by lower APG flaring rates and our efforts to increase the liquids recovery ratio at our GPPs.

We expect that supplies of NGLs from gas fields in Western Siberia will grow substantially faster than supplies of APG or NGLs derived from APG, due to the steadily growing production of natural gas and the increasing share of wet gas in gas production, according to IHS CERA. We expect NGLs derived from wet gas to be a growing source for the future development of our petrochemicals business, particularly for projects located in Western Siberia.

Transportation Tariffs

We incur substantial transportation costs due to the geographic spread of our operations. For the transportation services we use railway, port facilities and trucks. While we operate our own gas and raw NGL pipelines and railway carrier fleet, we also use third-party transportation services. Third-party transportation services accounted for 20.9% and 15.3% of our net operating expenses in 2015 and 2014, respectively. Changes in transportation tariffs and prices for third-party services have a significant effect on our operating expenses.

Railway Transportation Tariffs

We use rail for transportation of refined products, intermediates and feedstock, including 100% of our LPG, naphtha and MTBE, certain volumes of raw NGL and a major part of our petrochemical products.

Our rail transportation costs comprise a transportation tariff charged for access to Russia's main railway and usage of locomotives (the "Railway Tariff"), which accounts for the majority of our total rail transportation costs. The Railway Tariff is charged by Russian Railways, Russia's state-owned monopoly, and is regulated by the FTS. The Railway Tariff is specific to types of products, types of carriers and their tonnage, transportation routes and the volume of a delivery. The FTS reviews the Railway Tariff on an annual basis. The average Railway Tariff remained unchanged in 2014 for the majority of products, while effective 9 August 2014, Russian Railways increased railroad transportation tariffs within the Russian Federation territory for LPG deliveries to the export markets by 13.4%. Effective 29 January 2015, Russian Railways expanded a 13.4% increase in tariffs for export deliveries for all types of products.

Effective 1 January 2015, the FTS increased railroad transportation tariffs by 10% in accordance with the Ministry of Economic Development Forecast published in September 2014. Effective 3 January 2016, the tariff was further increased by 9%.

Electricity and Heat Tariffs

Our business is energy-intensive. Electricity and heat account for the largest portion of our energy costs. As a result, changes in tariffs for electric power and heat have a significant effect on our operating expenses.

Electricity

We make electricity purchases on a centralised basis. In addition to purchases of electricity for internal needs, we also buy electricity for further resale to third parties, which, inter alia, include other companies located at our production sites. Revenue from sales of electricity to third parties is reported under "Other sales" in the consolidated financial statements.

The Russian electricity market has been liberalised gradually over the past few years. However, maximum levels of electricity prices remain under the supervision of the Federal Antimonopoly Service (FAS) and regional regulatory authorities. One of the most important factors that influence electricity prices is fuel cost (primarily natural gas and coal), and increases in natural gas prices tend to result in higher electricity prices. We also own and continue to expand our own electric power generating capacity in order to reduce our exposure to higher electricity prices from third-party suppliers. In 2014, SIBUR launched an 18 MW per hour power plant at the Perm production site. At the Group's level, internal electric power generation accounts for an insignificant share in total electricity consumption.

Heat Energy

We source heat energy in the form of steam and hot water from regional suppliers at regulated prices. Heat energy prices are also largely dependent on prices for natural gas. In order to minimise dependence on third-party providers, we generate a substantial portion of heat energy (approximately 53% of the total heat consumed in 2015) at our own production sites.

The following table presents volumes purchased and effective average prices for electricity and heat tariffs for the years ended 31 December 2015 and 2014:

	Year ended 31 December				Change	
	2015		2014		%	Average
	Volume	Average tariff	Volume	Average tariff	Volume	tariff
Electricity (millions of kw-hour or RR per kw-hour)	9,462	2.06	8,363	2.14	13.1%	(4.0%)
Heat (thousands of gigacalories or RR per gigacalorie) ⁽¹⁾	9,586	759	9,022	757	6.3%	0.2%

SIBUR's ability to sell natural gas enables it to balance its exposure to growth in electricity and heat costs, which to a large extent are influenced by increases in natural gas prices.

In February 2016, SIBUR acquired Tobolsk Heating and Power Plant, the only supplier of vapour for SIBUR's Tobolsk production site.

⁽¹⁾ 2014 data was restated.

RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

The following table presents selected data on our results of operations for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December				Change %
	2015	% of revenue	2014	% of revenue	
Revenue	379,852	100.0%	361,000	100.0%	5.2%
Energy products	186,497	49.1%	217,233	60.2%	(14.1%)
Petrochemical products	175,802	46.3%	132,513	36.7%	32.7%
Other	17,553	4.6%	11,254	3.1%	56.0%
Operating expenses before equity-settled share-based payment plans	(276,194)	(72.7%)	(285,602)	(79.1%)	(3.3%)
Equity-settled share-based payment plans	(12,976)	(3.4%)	(11,580)	(3.2%)	12.1%
Operating expenses	(289,170)	(76.1%)	(297,182)	(82.3%)	(2.7%)
Operating profit	90,682	23.9%	63,818	17.7%	42.1%
Net finance expenses	(76,923)	(20.3%)	(89,765)	(24.9%)	(14.3%)
Gain on acquisition of subsidiary	-	-	52,773	14.6%	(100.0%)
Gain on disposal of subsidiary	1,012	0.3%	18	-	n/m
Loss on disposal of assets held for sale	(188)	(0.0%)	-	0.0%	n/m
Share of net loss of joint ventures and associates	(1,264)	(0.3%)	(3,827)	(1.1%)	(67.0%)
Profit before income tax	13,319	3.5%	23,017	6.4%	(42.1%)
Income tax expense	(6,814)	(1.8%)	2,054	0.6%	n/m
Profit for the reporting period	6,505	1.7%	25,071	6.9%	(74.1%)
Profit for the reporting period, including attributable to:	6,505	1.7%	25,071	6.9%	(74.1%)
Non-controlling interest	254	0.1%	67	0.0%	279.1%
Shareholders of SIBUR	6,251	1.6%	25,004	6.9%	(75.0%)

Revenue

The following table presents a breakdown of our revenue by product group for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December				Change %
	2015	% of revenue	2014	% of revenue	
Energy products					
LPG	82,926	21.8%	77,165	21.4%	7.5%
Natural gas	43,000	11.3%	38,007	10.5%	13.1%
Naphtha	31,445	8.3%	68,877	19.1%	(54.3%)
MTBE	21,657	5.7%	19,364	5.4%	11.8%
Other fuels and fuel additives	3,800	1.0%	4,111	1.1%	(7.6%)
Raw NGL	3,669	1.0%	9,709	2.7%	(62.2%)
Total energy products sales	186,497	49.1%	217,233	60.2%	(14.1%)
Petrochemical products					
Plastics and organic synthesis products	63,748	16.8%	45,777	12.7%	39.3%
Basic polymers	50,892	13.4%	38,393	10.6%	32.6%
Synthetic rubbers	35,079	9.2%	27,847	7.7%	26.0%
Intermediates and other chemicals	26,083	6.9%	20,496	5.7%	27.3%
Total petrochemical products sales	175,802	46.3%	132,513	36.7%	32.7%
Sales of processing services	1,339	0.4%	979	0.3%	36.8%
Other sales	16,214	4.3%	10,275	2.8%	57.8%
Total revenue	379,852	100.0%	361,000	100.0%	5.2%

In 2015, our revenue increased by 5.2% year-on-year to RR 379,852 million from RR 361,000 million in 2014 primarily on higher sales of petrochemical products. Adjusted for naphtha trading operations via Ust-Luga ceased in 2015, our revenue increased by 18.9%.

Energy Products

In 2015, our revenue from sales of energy products decreased by 14.1% to RR 186,497 million from RR 217,233 million in 2014 due to lower naphtha sales volumes, as we ceased trading operations via the Ust-Luga transshipment facility. Adjusted for the trading activities, our revenue from sales of energy products increased by 6.2%. We also increased raw NGL fractionation volumes, which resulted in lower raw NGL sales. At the same time we organically increased LPG sales, while negative dynamics in energy prices was largely compensated by Russian rouble depreciation.

In 2015, 45.5% of total external energy product sales was derived from the domestic market compared to 36.5% in 2014, while export sales accounted for 54.5% versus 63.5% in 2015 and 2014, respectively. The share of domestic volumes increased as SIBUR ceased naphtha trading operations via the Ust-Luga terminal.

Liquefied Petroleum Gases (LPG)

In 2015, our revenue from LPG sales increased by 7.5% to RR 82,926 million from RR 77,165 million in 2014 on a 23.1% increase in sales volumes, partially offset by a 12.7% decrease in the effective average selling price.

Our external LPG sales volumes increased on a 15.8% production growth supported by higher trading volumes, which was partially offset by higher supplies to our petrochemicals business. The increase in our production volumes was a result of higher fractionation following the capacity expansion in Tobolsk in the first quarter of 2014 and expanded access to the additional volumes of raw NGL via the newly launched pipeline sections in the end of 2014. Moreover, the newly available raw NGL feedstock volumes from NOVATEK have a relatively higher LPG content, which also contributes to the production growth. We acquire some LPG that we produce for NOVATEK under processing arrangements, which contributes to the increase in LPG trading volumes. These factors were partially offset by higher volumes supplied to our petrochemicals business following (i) a year-on-year increase in average capacity utilisation rate at our polypropylene production site in Tobolsk that consumes propane as feedstock, (ii) higher butadiene production that consumes butane as feedstock, (iii) as well as shorter shutdowns at our steam cracker in Kstovo.

Our effective average selling price decreased by 12.7% in Russian rouble terms (a decrease of 45.0% in US dollar terms) reflecting the negative dynamics of international market prices. The negative dynamics in US dollar terms was partially mitigated by the Russian rouble depreciation and lower export duties that on average decreased by 97.2% year-on-year in US dollar terms, as well as expanded sales to the European markets.

In 2015, domestic sales accounted for 20.9% of total LPG revenue, while 79.1% was attributable to export sales.

Natural Gas

In 2015, our revenue from natural gas sales increased by 13.1% to RR 43,000 million from RR 38,007 million in 2014 on a 10.1% increase in sales volumes and a 2.7% increase in the effective average selling price. The growth in natural gas sales volumes was largely attributable to the OOO Yugragazpererabotka transaction in March 2014 and the subsequent consolidation of 100% of natural gas produced at the GPPs of the JV, while previously we were entitled to 51% of the JV's production volumes (see Appendix II for further details).

The effective average selling price increased by 2.7% reflecting an indexation of the regulated natural gas prices of 7.5% as of 1 July 2015, as well as new pricing arrangements with the existing customers.

We sell 100% of our natural gas in Russia.

Naphtha

In 2015, our revenue from naphtha sales decreased by 54.3% to RR 31,445 million from RR 68,877 million in 2014 on a 48.5% decrease in sales volumes and an 11.3% decrease in the effective average selling price.

Starting 2015, SIBUR changed the terms of cooperation with its naphtha trading suppliers and ceased purchases of the product for resale, instead providing transshipment services via the Ust-Luga transshipment facility to the partners, which resulted in the substantial sales volumes decrease.

Our effective average selling price decreased by 11.3% in Russian rouble terms (44.1% decline in US dollar terms) reflecting the negative international market prices dynamics and shorter delivery basis due to the termination of trading operations. The decrease was materially compensated by (i) the Russian rouble depreciation, (ii) lower export duties that on average decreased by 69.0% year-on-year in US dollar terms, and (iii) higher share of separate fractions in sales mix that are not subject to export duties and some are linked to higher-priced benchmarks.

In 2015, our share of export sales decreased to 91.7% of total naphtha revenue from 98.6% in 2014, while 8.3% and 1.4%, respectively, were derived from domestic sales. The change in the mix was primarily attributable to the termination of trading activities.

Methyl Tertiary Butyl Ether (MTBE)

In 2015, our revenue from MTBE sales increased by 11.8% to RR 21,657 million from RR 19,364 million in 2014 on a 10.3% increase in the effective average selling price and a 1.4% increase in sales volumes.

The effective average selling price increased by 10.3% in Russian rouble terms (a decrease of 30.5% in US dollar terms) reflecting the negative dynamics in international market prices fully mitigated by the Russian rouble depreciation. The increase in sales volumes on a 0.9% production growth was supported by moderate changes in stock, as in 2015 we saw inventory sales as compared to inventory accumulation in 2014.

In 2015, domestic sales accounted for 88.8% of total MTBE revenue and 11.2% was attributable to export sales, while in 2014 we sold 100% of our MTBE in Russia.

Other Fuels and Fuel Additives

In 2015, our revenue from other fuels and fuel additives sales decreased by 7.6% to RR 3,800 million from RR 4,111 million in 2014 on a 4.5% decrease in sales volumes and a 3.2% decrease in the effective average selling price. The decrease in sales volumes despite a 6.5% growth in production was largely attributable to higher internal use and inventory accumulation in 2015 as compared to inventory sales in 2014. Our effective average selling price decreased due to lower benchmark prices.

In 2015, domestic sales accounted for 32.0% of total fuel and fuel additives revenue, while 68.0% was attributable to export sales.

Raw NGL

In 2015, our revenue from raw NGL sales decreased by 62.2% to RR 3,669 million from RR 9,709 million in 2014 on a 63.1% decrease in sales volumes despite a 2.5% increase in the effective average selling price. In 2015, raw NGL production at our GPPs increased by 1.9%. At the same time we increased third-party purchases outside of OOO Yugragazpererabotka on additional raw NGL volumes available in Western Siberia, inter alia from NOVATEK following the expansion of Purovsky GCP. Additional available volumes of raw NGL were fully utilised internally with the growth attributable to (i) higher fractionation volumes following the capacity expansion in Tobolsk in the first quarter of 2014, and (ii) higher volumes utilised at our steam cracker in Kstovo that was closed for a

lengthy shutdown in 2014 and opened with an expanded capacity. As a result, our external raw NGL sales volumes decreased year-on-year.

Our effective average selling price increased on mixed dynamics of international market prices for LPG and naphtha net of export duties in Russian rouble terms.

New cooperation terms with Rosneft had a neutral impact on availability of raw NGL for external sales and internal usage. Following the transaction, we consolidate 100% of raw NGL production at the GPPs of OOO Yugragazpererabotka, and as a result we recorded higher production volumes. At the same time, we terminated raw NGL purchases from Rosneft, which resulted in a corresponding decrease in third-party purchases (see Appendix II for further details).

In 2015, domestic sales accounted for 40.0% of total raw NGL revenue, while 60.0% was attributable to export sales.

Petrochemical Products

In 2015, revenue from sales of petrochemical products increased by 32.7% year-on-year to RR 175,802 million from RR 132,513 million a year earlier on higher revenue across all petrochemical product groups. The growth in revenue from sales of plastics & organic synthesis products was a result of higher effective average selling prices and capacity expansions. The growth in revenue from sales of basic polymers was primarily attributable to higher PP production following a year-on-year increase in the average capacity utilisation rate at our polypropylene production site in Tobolsk. This increase was partially offset by higher polypropylene internal use for BOPP-films production, thus contributing to the growth in revenues from sales of plastics & organic synthesis products. Our revenue from sales of synthetic rubbers recovered on better economics on the back of the Russian rouble depreciation and lower feedstock prices, which allowed us to increase utilisation rates of our synthetic rubber capacities. Higher sales of intermediates were attributable to the initiation of ethylene supplies to RusVinyl in the end of 2014, as well as the expansion of the steam cracker in Kstovo in August 2014 and the respective increase in sales. Russian rouble depreciation strongly supported our petrochemical product sales.

Plastics and Organic Synthesis Products

In 2015, our revenue from sales of plastics and organic synthesis products increased by 39.3% to RR 63,748 million from RR 45,777 million in 2014. The increase was primarily attributable to higher sales volumes of PET and BOPP-films following capacity expansions, as well as higher glycols sales volumes due to the low base of 2014 inter alia as a result of lengthy shutdowns in Kstovo and Dzerzhinsk in 2014. We observed declining market prices for the vast majority of products, which was strongly compensated by material Russian rouble depreciation.

Polyethylene Terephthalate (PET)

In 2015, our revenue from PET sales increased by 42.9% to RR 19,472 million from RR 13,627 million on a 24.1% increase in the effective average selling price and a 15.2% increase in sales volumes. Our effective average selling price largely reflected negative dynamics in the international market prices in US dollar terms, which was strongly compensated by Russian rouble depreciation. The increase in sales volumes on a 6.7% growth in production volumes was largely attributable to substantial sales of inventories that we accumulated during 2014 in line with the production expansion. The increase in production was a result of PET capacity expansion at our production site in Blagoveshchensk (increase in annual nameplate production capacity to 210,000 tonnes from 140,700 tonnes) and low base of 2014 due to lengthy shutdowns related to the capacity expansion. In 2015, domestic sales accounted for 98.9% of total PET revenue, while 1.1% was attributable to export sales.

BOPP-films

In 2015, our revenue from BOPP-film sales increased by 58.7% to RR 17,066 million from RR 10,755 million in 2014 on a 27.2% growth in sales volumes and a 24.8% increase in the effective average selling

price. Higher sales volumes were largely attributable to a 27.5% increase in production following the capacity expansion at our production site in Novokuybyshevsk in May 2014 (increase in annual nameplate production capacity to 55,500 tonnes from 25,000 tonnes), as well as lower production capacity utilisation in 2014. The increase in the effective average selling price reflected the dynamics of international market prices supported by the Russian rouble depreciation, increased domestic consumption and higher share of certain high-priced grades in our export sales structure. In 2015, domestic sales accounted for 68.9% of total BOPP-film revenue, while 31.1% was attributable to export sales.

Glycols

In 2015, our revenue from sales of glycols increased by 75.0% to RR 8,389 million from RR 4,795 million a year earlier as a result of a 48.3% increase in sales volumes and a 18.0% increase in the effective average selling price. The increase in sales volumes was largely attributable to a 33.8% growth in production volumes due to the low base of 2014 as a result of lengthy shutdowns at our production sites in Kstovo and Dzerzhinsk. Additionally, we sold inventories, inter alia related to goods-in-transit balances to export markets. These factors were partially offset by (i) higher internal use on higher PET production that consumes glycols as raw material, and (ii) a decrease in third-party purchases performed in 2014 during the production sites shutdowns. Higher effective average selling price reflected mixed dynamics in the European market prices for different glycol grades mitigated by the Russian rouble depreciation. In 2015, our share of export sales increased to 54.9% of total glycols revenue from 25.3% in 2014, while 45.1% and 74.7%, respectively, were derived from domestic sales.

Expandable Polystyrene

In 2015, our revenue from sales of expandable polystyrene increased by 20.4% to RR 8,351 million from RR 6,938 million in 2014 on a 20.5% increase in the effective average selling price and largely flat sales volumes. The increase in the effective average selling price reflected lower international market prices mitigated by the Russian rouble depreciation. In 2015, domestic sales accounted for 75.5% of total expandable polystyrene revenue, while 24.5% were derived from export sales.

Alcohols

In 2015, our revenue from sales of alcohols increased by 7.2% to RR 6,524 million from RR 6,088 million in 2014 on a 6.7% increase in sales volumes and largely flat effective average selling price. The increase in alcohols sales volumes on a 2.2% growth in production was attributable to sales of goods-in-transit balances of alcohols export deliveries in 2015 versus moderate inventory accumulation in 2014. Higher production was as a result of a low base of 2014 attributable to propylene feedstock shortage as a result of lengthy maintenance shutdowns at our steam cracker in Kstovo in 2014. Our effective average selling price remained largely flat due to mixed dynamics on export and domestic markets. In 2015, domestic sales accounted for 51.2% of total alcohols revenue, while 48.8% were derived from export sales.

Acrylates

In 2015, our revenue from acrylates sales increased by 15.8% to RR 3,946 million from RR 3,409 million in 2014 on a 12.0% increase in the effective average selling price and a 3.4% increase in sales volumes. Higher effective average selling price reflected the decrease in the international market prices mitigated by the Russian rouble depreciation. The increase in our sales volumes was attributable to a 3.3% production growth due to certain technical upgrades at our production site in the Nizhniy Novgorod region and shorter maintenance shutdowns in 2015 as compared to a year earlier. In 2015, we increased the share of domestic sales of acrylates to 57.3% of total revenue from 48.7% in 2014, while 42.7% and 51.3% was attributable to export sales in 2015 and 2014, respectively. In 2015, we continued to keep focus on the more attractive domestic market, where prices are higher than on export markets.

Plastic Compounds (including ABS plastics and PVC cable compounds)

In 2015, we did not record revenue from sales of plastic compounds, while in 2014 it was RR 165 million, as a result of the divestment of PVC cable compounds division at our production site in Dzerzhinsk in April 2014. Following these divestment SIBUR does not consolidate plastic compounds in its product portfolio.

Basic Polymers

In 2015, our revenue from sales of basic polymers increased by 32.6% to RR 50,892 million from RR 38,393 million in 2014. The increase was largely attributable to higher PP sales volumes following a year-on-year increase in the average capacity utilisation rate at our polypropylene production site in Tobolsk. This increase was partially offset by higher polypropylene internal use for BOPP-films production, thus contributing to the growth in revenues from sales of plastics & organic synthesis products. The growth in basic polymers revenues was also driven by higher average selling prices for PP and LDPE due to the Russian rouble depreciation despite lower international benchmark prices. In 2015, domestic sales accounted for 66.6% of total basic polymers revenue, while 33.4% was attributable to export sales.

Polypropylene (PP)

In 2015, our revenue from sales of PP increased by 39.0% to RR 32,072 million from RR 23,066 million in 2014 on an 18.7% increase in the effective average selling price and a 17.1% increase in sales volumes. The increase in our effective selling prices for PP despite lower international market prices was attributable to the weak Russian rouble. Our PP sales volumes growth was primarily attributable to a 30.6% increase in PP production due to a year-on-year increase in the average capacity utilisation rate at our polypropylene production site in Tobolsk. This was partially offset by (i) higher internal use following the capacity expansion at BOPP-film production site in Novokuybyshevsk in May 2014 (increase in annual nameplate production capacity to 55,500 tonnes from 25,000 tonnes) and (ii) lower PP purchases for resale from Poliom, as the trading activities were replaced with an agent scheme starting the third quarter of 2014. In 2015, domestic sales accounted for 61.7% of total PP revenue, while 38.3% was attributable to export sales.

Low Density Polyethylene (LDPE)

In 2015, our revenue from sales of LDPE increased by 22.8% to RR 18,820 million from RR 15,327 million in 2014 on a 28.8% increase in the effective average selling price despite a 4.7% decrease in sales volumes. The increase in the effective average selling price for LDPE reflected lower international market prices supported by the Russian rouble depreciation. The decrease in LDPE sales volumes was largely attributable to a 4.8% decrease in production volumes due to a longer maintenance shutdown for the reconstruction at our production site in Tomsk. In 2015, domestic sales accounted for 75.0% of total LDPE revenue, while 25.0% was attributable to export sales.

Synthetic Rubbers

In 2015, our revenue from synthetic rubber sales increased by 26.0% year-on-year to RR 35,079 million from RR 27,847 million in 2014 largely attributable to the increase in revenue from commodity rubbers and thermoplastic elastomers. Our synthetic rubber results were largely attributable to higher production capacity load as compared to the low base of 2014, when we saw a weak market environment for commodity and specialty rubbers and continued thermoplastic elastomers homologation with key clients completed by the year end. In 2015, domestic sales accounted for 31.9% of total synthetic rubber revenue, while 68.1% was attributable to export sales.

Commodity Rubbers

In 2015, our revenue from sales of commodity rubbers increased by 22.2% year-on-year to RR 20,390 million from RR 16,679 million in 2014 on an 11.8% increase in sales volumes and a 9.3% increase in the effective average selling price.

The growth in our sales volumes of commodity rubbers was mainly attributable to a 12.0% increase in production due to higher capacity load on collapsed feedstock prices as compared to 2014 when we reduced production in a weak market environment. The increase was attributable to higher emulsion styrene-butadiene rubber (ESBR) and polybutadiene rubber (PBR-Nd) production volumes despite lower polyisoprene rubber (IR) production volumes. The dynamics of the effective average selling price for commodity rubbers was driven by the European and Asian market prices, which was largely compensated by the Russian rouble depreciation.

In 2015, domestic sales accounted for 35.3% of total commodity rubbers revenue, while 64.7% was attributable to export sales.

Specialty Rubbers

In 2015, our revenue from sales of specialty rubbers increased by 17.4% year-on-year to RR 8,822 million from RR 7,516 million in 2014 on a 13.0% increase in the effective average selling price and a 3.8% increase in sales volumes.

The increase in the effective average selling price for specialty rubbers was attributable to Russian rouble depreciation that fully offset the declining prices on Asian markets. The growth in specialty rubbers sales volumes was a result of higher nitrile-butadiene rubber (NBR) and butyl rubber (IIR) production volumes due to the increased capacity load on collapsed feedstock pricing. This was partially offset by inventory sales in 2014 on expectation of a weak market environment, compared to marginal inventory accumulation in 2015.

In 2015, domestic sales accounted for 12.3% of total specialty rubbers revenue, while 87.7% was attributable to export sales.

Thermoplastic Elastomers

In 2015, our revenue from sales of thermoplastic elastomers (SBS) increased by 60.7% to RR 5,868 million from RR 3,652 million in 2014 on a 49.6% increase in sales volumes and a 7.3% growth in the effective average selling price.

The increase in sales volumes was attributable to a 54.9% increase in production volume as compared to a low base of 2014 attributable to a lengthy product homologation with key clients completed by the year end. Our domestic selling price, which is linked to prices on Asian markets, increased by 12.6%, following the negative dynamics for butadiene and styrene prices in US dollar terms (butadiene and styrene are key feedstock for SBS), compensated by the Russian rouble depreciation. Our export selling price for thermoplastic elastomers increased by 2.9%, while we observed mixed dynamics of the international prices.

In 2015, domestic sales accounted for 49.3% of total thermoplastic elastomers revenue, while 50.7% was attributable to export sales.

Intermediates and Other Chemicals

In 2015, our revenue from sales of intermediates and other chemicals increased by 27.3% year-on-year to RR 26,083 million from RR 20,496 million in 2014. The increase was largely attributable to (i) higher revenue from sales of ethylene to our JV RusVinyl that was commissioned in September 2014, (ii) higher revenue from sales of propylene due to the increase in production inter alia following the expansion of the cracking capacity in Kstovo in August 2014 (increase in annual nameplate production capacity to 360,000 tonnes from 300,000 tonnes), and (iii) higher revenues from sales of ethylene oxide following the expansion of existing ethylene oxide capacity at the production site in Dzerzhinsk in June 2014 (increase in annual nameplate production capacity to 300,000 tonnes from 264,000 tonnes) as compared to a low base of 2014 attributable to lengthy shutdowns in Kstovo and Dzerzhinsk.

Out of 4.7 million tonnes of intermediates and other chemicals produced in 2015, approximately 88.6% were used internally for further intercompany processing compared to 89.2% in 2014.

Other Revenue

In 2015, other revenue increased by 56.0% year-on-year to RR 17,553 million from RR 11,254 million in 2014, which was primarily attributable to the revenue from NIPIGAZ services as a contractor within Gazprom's Amur GPP project, higher liquid hydrocarbon transportation services provided via Ust-Luga as the terminal operator, as well as revenue from electricity supplies to our JV RusVinyl.

Operating Expenses

The following table presents a breakdown of our operating expenses for the years ended 31 December 2015 and 2014:

RR millions, except as stated	Year ended 31 December				Change %
	2015	% of revenue	2014	% of revenue	
Feedstock and materials	83,931	22.1%	78,052	21.6%	7.5%
Transportation, logistics and rent	66,788	17.6%	52,010	14.4%	28.4%
<i>Transportation and logistics</i>	57,831	15.2%	43,789	12.1%	32.1%
<i>Rent expenses</i>	8,957	2.4%	8,221	2.3%	9.0%
Depreciation and amortisation	31,498	8.3%	26,321	7.3%	19.7%
Staff costs	30,658	8.1%	27,152	7.5%	12.9%
Energy and utilities	28,397	7.5%	31,218	8.6%	(9.0%)
Goods for resale, including	11,929	3.1%	48,051	13.3%	(75.2%)
<i>Naphtha trading via Ust-Luga</i>	-	-	41,580	11.5%	(100.0%)
Repairs and maintenance	8,620	2.3%	8,782	2.4%	(1.8%)
Services provided by third parties	6,946	1.8%	6,496	1.8%	6.9%
Taxes other than income tax	1,923	0.5%	1,783	0.5%	7.9%
Charity and sponsorship, marketing and advertising	1,269	0.3%	1,411	0.4%	(10.1%)
<i>Charity and sponsorship</i>	816	0.2%	987	0.3%	(17.3%)
<i>Marketing and advertising</i>	453	0.1%	424	0.1%	6.8%
Processing services of third parties	981	0.3%	1,917	0.5%	(48.8%)
Impairment of PPE, assets held for sale and write-off of advances for capital construction	479	0.1%	1,048	0.3%	(54.3%)
Loss on disposal of property, plant and equipment	244	0.1%	221	0.1%	10.4%
Other	3,940	1.0%	1,998	0.6%	97.2%
Change in work-in-progress and refined products balances	(1,409)	(0.4%)	(858)	(0.2%)	64.2%
Operating expenses before equity-settled share-based payment plans	276,194	72.7%	285,602	79.1%	(3.3%)
Equity-settled share-based payment plans	12,976	3.4%	11,580	3.2%	12.1%
Operating expenses	289,170	76.1%	297,182	82.3%	(2.7%)

In 2015, our operating expenses decreased by 2.7% year-on-year to RR 289,170 million as compared to RR 297,182 million in 2014. As a percentage of total revenue, our operating expenses decreased to 76.1% in 2015 from 82.3% in 2014. In 2015 and 2014, we recorded a non-cash charge related to equity-settled share-based payment plans for directors and key management, as the Group was recognising current and past service costs associated with the respective payment plans as operating expenses together

with a corresponding increase in the shareholders' equity starting from the third quarter of 2013 (see Appendix III for further details).

Our operating expenses before equity-settled share-based payment plans (the "Net operating expenses") decreased by 3.3% year-on-year to RR 276,194 million from RR 285,602 million in 2014. As a percentage of total revenue, our net operating expenses amounted to 72.7% in 2015 as compared to 79.1% in 2014. The decrease in net operating expenses was primarily attributable to the decrease in purchases of goods for resale following the termination of trading activities via the Ust-Luga transshipment facility in 2015, partially offset by (i) higher transportation, logistics and rent expenses due to the Russian rouble depreciation, the railway tariff indexation and higher transported volumes, (ii) higher feedstock and materials costs on weaker Russian rouble and higher purchasing volumes of hydrocarbon feedstock, and (iii) higher depreciation and amortisation costs due to the commissioning of new production facilities as well as the amortisation of intangible assets.

Acquisition of a 49% stake in OOO Yugragazpererabotka from Rosneft and the related new terms of cooperation between SIBUR and Rosneft have resulted in a net increase in our operating expenses, as higher APG purchase expenses are only partially compensated by lower raw NGL purchase expenses. Also, following the transaction SIBUR consolidates 100% of the JV operating expenses, while the related processing fee is treated as intercompany. The increase was however compensated by higher natural gas sales revenue.

Feedstock and Materials

In 2015, our feedstock and materials costs increased by 7.5% year-on-year to RR 83,931 million from RR 78,052 million in 2014. As a percentage of total revenue, feedstock and materials costs increased to 22.1% from 21.6% in 2014. The increase was driven by higher expenses related to purchases of hydrocarbon feedstock and other feedstock & materials, compensated by lower expenses related to polypropylene purchases.

In 2015, our expenses related to hydrocarbon feedstock purchases were affected by the acquisition of a 49% stake in JV OOO Yugragazpererabotka from Rosneft in March 2014 and the related changes in terms of cooperation between Rosneft and SIBUR. The parties entered into a new APG supply agreement and at the same time terminated the raw NGL supply agreement effective from 1 April 2014. Under the new arrangements SIBUR (i) pays for 100% of APG supplied to the GPPs of OOO Yugragazpererabotka, while previously SIBUR paid for 51%, and (ii) retains 100% of raw NGL volumes produced at these GPPs, while previously SIBUR purchased 49% of these volumes from Rosneft. The new APG price is formula-based and subject to indexation in line with changes in prices for APG derivatives: natural gas and raw NGL (see Appendix II for further details). As a result, in the first quarter of 2015, our APG purchasing volumes increased by 40.6% with a corresponding decrease in the NGLs purchasing volumes by 35.0% as compared to the first quarter of 2014. From the second quarter of 2014 there have been no structural changes in our hydrocarbon feedstock sourcing.

The following table presents information on our costs related to purchasing of feedstock and materials for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December				Change %
	2015	% of feedstock and materials expenses	2014	% of feedstock and materials expenses	
NGLs	27,908	33.3%	25,832	33.1%	8.0%
APG	22,426	26.7%	20,544	26.3%	9.2%
Paraxylene	6,478	7.7%	4,828	6.2%	34.2%
Methanol	3,767	4.5%	2,754	3.5%	36.8%
Polypropylene	1,766	2.0%	4,783	6.1%	(63.1%)
Other feedstock and materials	22,599	26.9%	20,065	25.7%	12.6%
Change of stock	(1,013)	(1.2%)	(756)	(1.0%)	34.0%
Feedstock and materials, total	83,931	100%	78,052	100%	7.5%

The following table presents selected data on our feedstock purchasing volumes for the years ended 31 December 2015 and 2014⁽¹⁾:

<i>Tonnes, except as stated</i>	Year ended 31 December		Change %
	2015	2014	
NGLs	2,844,814	2,553,000	11.4%
APG (thousand cubic metres)	21,227,997	19,397,321	9.4%
Paraxylene	180,947	163,729	10.5%
Methanol	221,681	233,831	(5.2%)
Polypropylene	27,273	89,263	(69.4%)

In 2015, our expenses related to purchases of NGLs increased by 8.0% year-on-year to RR 27,908 million from RR 25,832 million in 2014, increasing as a percentage of total feedstock and materials to 33.3% from 33.1%. The increase in expenses was attributable to an 11.4% year-on-year increase in purchasing volumes, which was partially offset by a 3.0% decrease in the effective average purchase price. The increase in purchasing volumes was largely attributable to the raw NGL purchases from NOVATEK and naphtha purchases for our production site in Kstovo, which was closed for the lengthy shutdown in 2014. This was partially offset by (i) lower raw NGL purchasing volumes based on the new cooperation terms with Rosneft, when SIBUR ceased raw NGL purchases as discussed above, and (ii) lower LPG purchasing volumes on higher production and internal use (see “Results of Operations”). The decrease in the effective average purchase prices was a result of the respective netbacks dynamics.

In 2015, our expenses related to APG purchases increased by 9.2% year-on-year to RR 22,426 million from RR 20,544 million in 2014, increasing as a percentage of total feedstock and materials expenses to 26.7% from 26.3%. The growth in expenses was attributable to a 9.4% increase in purchasing volumes despite largely flat effective average purchase price (a 0.3% decrease year-on-year). The increase in purchasing volumes was largely attributable to the redefinition of cooperation terms with Rosneft as discussed above. The flat effective average purchase price was a result of the dynamics in netbacks for liquids offset by the indexation of regulated natural gas prices of 7.5% as of 1 July 2015 (see “Natural Gas Prices” in “Certain Factors Affecting Our Results of Operations”).

In 2015, our expenses related to paraxylene purchases increased by 34.2% year-on-year to RR 6,478 million from RR 4,828 million in 2014, increasing as a percentage of total feedstock and materials expenses to 7.7% from 6.2%. The growth in expenses was attributable to a 21.4% increase in the effective average purchase price and a 10.5% increase in purchasing volumes. Higher purchase price was a result of higher netbacks for paraxylene due to lower export duties that were decreased as part of the “tax maneuver”. Our paraxylene purchasing volumes increased by 10.5% year-on-year due to higher production volumes of terephthalic acid as a result of shorter maintenance shutdowns at our production site in Blagoveshchensk in 2015 compared to 2014.

In 2015, our expenses related to methanol purchases increased by 36.8% year-on-year to RR 3,767 million from RR 2,754 million in 2014, increasing as a percentage of total feedstock and materials expenses to 4.5% from 3.5%. The growth in expenses was attributable to a 44.3% increase in the effective average price, despite a 5.2% decrease in purchasing volumes. Higher purchase price was attributable to the Russian rouble depreciation despite lower international benchmark prices and local shortage on the domestic market.

In 2015, our expenses related to polypropylene purchases decreased by 63.1% year-on-year to RR 1,766 million from RR 4,783 million in 2014, decreasing as a percentage of total feedstock and materials expenses to 2.1% from 6.1%. The decrease was attributable to a 69.4% decrease in purchasing volumes, as we partially substituted third-party purchases with polypropylene produced in-house at our production site in Tobolsk, and a 20.9% increase in the effective average purchase price on higher international benchmark prices in Russian rouble terms.

In 2015, other feedstock and materials expenses increased by 12.6% year-on-year to RR 22,599 million from RR 20,065 million in 2014, increasing as a percentage of total feedstock and materials expenses to 26.9% from 25.7%. The increase was related to the expanded production volumes and weaker rouble.

⁽¹⁾ Excluding volumes purchased for trading, which are reported as goods for resale.

Transportation, Logistics and Rent

In 2015, our combined expenses related to transportation, logistics and rent increased by 28.4% to RR 66,788 million from RR 52,010 million in 2014, increasing as a percentage of total revenue to 17.6% from 14.4%. The increase was mainly attributable to (i) Russian rouble depreciation, which affected our international transportation expenses, (ii) 13.4% increase in railroad transportation tariffs within the Russian Federation for the deliveries to the export markets by Russian Railways and 10% increase in railroad transportation tariffs by the FTS (see “Transportation Tariffs” in “Certain Factors Affecting Our Results of Operations”), (iii) higher transported volumes of LPG and polypropylene, which was also reflected in our revenue from sales of the respective products. Our rent expenses increased year-on-year on higher transported volumes following the launch of the second GFU in Tobolsk in June 2014 and our production site in Kstovo, which was closed for a lengthy shutdown in 2014. Our rolling stock under management decreased by 1.0% to 23,488 as of 31 December 2015 from 23,719 as of 31 December 2014.

Depreciation and Amortisation

In 2015, our depreciation and amortisation expenses increased by 19.7% to RR 31,498 million from RR 26,321 million in 2014, increasing as a percentage of total revenue to 8.3% from 7.3%. The growth in expenses was attributable to (i) the commissioning of new production facilities, including certain sections of the Purovsk – Pyt-Yakh – Tobolsk pipeline launched during 2014, the expansion of the cracking capacity in Kstovo, completed in August 2014, as well as the second GFU with certain elements of related infrastructure in Tobolsk launched in March 2014, and (ii) the amortisation of intangible assets related to the APG supply contracts between SIBUR and Rosneft (see Appendix II for further details).

Staff Costs

In 2015, our staff costs increased by 12.9% year-on-year to RR 30,658 million from RR 27,152 million in 2014, increasing as a percentage of total revenue to 8.1% from 7.5%. The growth in expenses was primarily attributable to changes in the perimeter due to consolidation of OOO Yugragazpererabotka and a service company that previously functioned on outsourcing basis, as well as increase in the headcount of NIPIGAZ, a contractor on design and construction within the Amur GPP project of Gazprom. Our average headcount totaled 27,135 employees in 2015.

Energy and Utilities

In 2015, our energy and utilities expenses decreased by 9.0% year-on-year to RR 28,397 million from RR 31,218 million in 2014, decreasing as a percentage of total revenue to 7.5% from 8.6%. The decrease was primarily attributable to the release of the provision in the amount of RR 4,617 million, which was previously accrued in relation to the litigation of OOO Yugragazpererabotka with OAO Tyumenenergo, as the respective lawsuit was closed in July 2015. Our effective average electricity tariffs decreased by 4.0% year-on-year, our effective average heat tariffs were largely flat (a 0.2% increase year-on-year). This was partially offset by the increase in electricity purchase volume by 13.1% on capacity expansions.

The following table presents data on our energy and utilities costs for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December				<i>Change %</i>
	2015	<i>% of total energy and utilities</i>	2014	<i>% of total energy and utilities</i>	
Electricity	15,081	53.1%	18,490	59.2%	(18.4%)
Heat	7,227	25.4%	6,757	21.6%	7.0%
Fuel	3,963	14.0%	4,180	13.4%	(5.2%)
Other	2,126	7.5%	1,791	5.7%	18.7%
Energy and utilities, total	28,397	100.0%	31,218	100.0%	(9.0%)

Goods for Resale

In 2015, our expenses related to purchases of goods for resale decreased by 75.2% year-on-year to RR 11,929 million from RR 48,051 million in 2014, decreasing as a percentage of total revenue to 3.1% from 13.3%. The decrease in expenses was driven by the termination of trading activities via the Ust-Luga transshipment facility in 2015.

Repairs and Maintenance

In 2015, our repairs and maintenance expenses decreased by 1.8% to RR 8,620 million from RR 8,782 million in 2014, decreasing as a percentage of total revenue to 2.3% from 2.4% in 2014. The decrease in expenses in absolute terms was primarily attributable to lower repair expenses due to the high base of 2014 resulted from the maintenance works during the shutdowns at our production sites in Kstovo and Dzerzhinsk in 2014, partially compensated by (i) higher maintenance costs of the Purovsk – Pyt-Yakh – Tobolsk pipeline launched in 2014, and (ii) higher expenses related to the repair works during the shutdown of our production site in Tobolsk in 2015.

Services Provided by Third Parties

In 2015, our expenses related to services provided by third parties increased by 6.9% to RR 6,946 million from RR 6,496 million in 2014, remaining a 1.8% of total revenue. The increase in expenses in absolute terms was primarily attributable to services provided by NIPIGAZ, serving as a subcontractor, as well as services related to SAP ERP implementation, largely compensated by the decreased expenses attributable to services of subcontractors in relation to Yuzhno-Priobskiy GPP construction, as the facility was launched in September 2015.

Taxes other than Income Tax

In 2015, our taxes other than income tax increased by 7.9% to RR 1,923 million from RR 1,783 million in 2014, remaining flat as a percentage of total revenue at 0.5%. The increase was mainly attributable to changes in the perimeter and launch of new production facilities.

Charity and Sponsorship, Marketing and Advertising

In 2015, our combined expenses related to charity and sponsorship, marketing and advertising decreased by 10.1% to RR 1,269 million from RR 1,411 million in 2014, decreasing as a percentage of total revenue to 0.3% from 0.4%. The decline in expenses was related to the changes in the respective activities.

Processing Services of Third Parties

In 2015, our expenses related to third-party processing services decreased by 48.8% to RR 981 million from RR 1,917 million in 2014, decreasing as a percentage of total revenue to 0.3% from 0.5%. The decline in expenses was primarily attributable to the consolidation of OOO Yugragazpererabotka from March 2014, when we started reporting our payments for APG processing as intercompany expenses, while before (March 2013 – February 2014) they were treated as external payments for APG processing to OOO Yugragazpererabotka (see Appendix II for further details).

Impairment of Property, Plant and Equipment, Assets Held for Sale and Write-off of Advances for Capital Construction

In 2015, we recognised an impairment charge of RR 479 million, attributable to revaluation of the asset available for sale. In 2014, we recognised an impairment charge of RR 1,048 million, attributable to a minor investment project termination.

Loss on Disposal of Property, Plant and Equipment

In 2015, we recorded a loss of RR 244 million on disposal of the non-core assets, compared to RR 221 million reported in 2014.

Change in Work-in-progress and Refined Products Balances

In 2015, we recorded a reversal to our operating expenses in the amount of RR 1,409 million as compared to a reversal in the amount of RR 858 million in 2014, which was mainly attributable to the growth in balances of refined products.

Equity-Settled Share-Based Payment Plans

In 2015, our charge related to equity-settled share-based payment plans increased by 12.1% to RR 12,976 million from RR 11,580 million in 2014 (see Appendix III for further details).

Operating Profit

In 2015, our operating profit increased by 42.1% year-on-year to RR 90,682 million from RR 63,818 million. Net of the non-cash charge related to the equity-settled share-based payment plans, our operating profit increased by 37.5% to RR 103,658 million in 2015 from RR 75,398 million in 2014. The increase in net operating profit was attributable to the launch of our strategic large-scale investment projects and positive impact of the foreign exchange rate fluctuations on our revenues. The corresponding operating margin totaled 27.3% and 20.9% in 2015 and 2014, respectively.

Net Finance Expense

In 2015, our net finance expense decreased by 14.3% year-on-year to RR 76,923 million from RR 89,765 million a year earlier. The net finance expense was largely attributable to the Russian rouble depreciation which resulted in the substantial foreign exchange loss and a more than threefold year-on-year increase in interest expense.

The following table presents data on our finance income and expenses for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December		<i>Change %</i>
	2015	2014	
Interest income	1,412	632	123.4%
Interest expense	(11,399)	(3,541)	221.9%
Foreign exchange loss	(63,135)	(85,433)	(26.1%)
Other finance expense	(3,801)	(1,423)	167.1%
Total finance expense	(76,923)	(89,765)	(14.3%)

In 2015, our interest expense increased more than three times to RR 11,399 million from RR 3,541 million in 2014. The increase was attributable to the depreciation of Russian rouble, which resulted in the growth in total debt and accrued interest in relation to the foreign currency denominated debt. Our weighted average interest rate on Russian rouble-denominated borrowings was 13.0% and 10.1% as of 31 December 2015 and 2014. Our weighted average interest rate on US dollar-denominated borrowings was 3.4% and 3.0% as of 31 December 2015 and 2014. Our weighted average interest rate on euro-denominated borrowings was 1.3% and 1.5% as of 31 December 2015 and 2014.

In 2015, our net foreign exchange loss decreased by 26.1% year-on-year to RR 63,135 million from RR 85,433 million in 2014. The substantial loss from financing activities was attributable to the revaluation of US dollar-denominated debt, as RR/USD rate increased by 29.5% to 72.8827 as of 31 December 2015 from 56.2584 as of 31 December 2014. The loss from non-financing activities was attributable to the revaluation of the USD 1 billion in payables related to the acquisition of OOO Yugragazpererabotka and fully paid in the first quarter of 2015 at the relatively higher RR/USD exchange rate than as of 31 December 2014.

Gain on Acquisition of Subsidiary

In 2014, we recorded a non-cash gain on acquisition of subsidiary in the amount of RR 52,773 million following the acquisition of a 49% stake in OOO Yugragazpererabotka from Rosneft in March 2014. The gain was attributable to the difference between the fair value of SIBUR's interest in the JV following the

transaction and SIBUR's share in the JV accounted for at historical cost before the transaction (see Appendix II for further details).

Gain on Disposal of Subsidiary

In 2015, we recognised a gain of RR 1,012 million on disposal of OOO SIBUR-Portenergo. In 2014, we recognised a gain of RR 18 million.

Loss on disposal of assets held for sale

In 2015, we recognised a loss of RR 188 million.

Share of Net Loss of Joint Ventures and Associates

In 2015, our share of net loss of joint ventures decreased by 67.0% to RR 1,264 million from RR 3,827 million a year earlier. The decrease was attributable to lower foreign exchange loss of OOO RusVinyl due to the Russian rouble depreciation.

Income Tax (Expense) / Benefit

In 2015, our income tax expense amounted to RR 6,814 million compared to an income tax benefit of RR 2,054 million a year earlier. The tax benefit in 2014 was attributable to the pre-tax loss, calculated as our pre-tax results for the year adjusted for the non-cash charge related to the equity-settled share-based payment plans and non-cash gain on acquisition of subsidiary. The pre-tax loss was recorded due to the foreign exchange loss.

Profit for the Reporting Period and Profit Attributable to Shareholders of SIBUR

In 2015, our profit decreased by 74.1% to RR 6,505 million from RR 25,071 million in 2014. The decrease was largely attributable to a non-cash gain on the acquisition of a 49% stake in OOO Yugragazpererabotka recorded in 2014, compensated by higher operating profit and lower foreign exchange loss. Our net margin totaled 1.7% and 6.9% in 2015 and 2014, respectively. In 2015, profit attributable to shareholders of SIBUR decreased by 75.0% to RR 6,251 million from RR 25,004 million in 2014.

Net of the non-cash charges related to the realised foreign exchange loss in 2015 and foreign exchange loss in 2014, the equity-settled share-based payment plans, and the non-cash gains on acquisition of OOO Yugragazpererabotka in March 2014, our profit decreased by 9.9% to RR 62,437 million in 2015 from RR 69,311 million in 2014. The corresponding net margin totaled 16.4% in 2015 and 19.2% in 2014. Our profit attributable to shareholders of SIBUR and adjusted for the realised foreign exchange loss in 2015 and foreign exchange loss in 2014, the equity-settled share-based payment plans and the non-cash gain on acquisition of OOO Yugragazpererabotka decreased by 10.2% in 2015 to RR 62,183 million from RR 69,244 million in 2014.

SEGMENT INFORMATION

In 2015, our feedstock and energy segment's gross revenue decreased by 15.7% to RR 213,046 million from RR 252,813 million in 2014. EBITDA contribution of the feedstock and energy segment decreased by 10.4% to RR 79,144 million in 2015 from RR 88,346 million in 2014. The decrease of the segment's contribution was attributable to the negative dynamics of the international energy products prices. It was partially compensated by the release of the provision in the amount of RR 4,617 million, which was previously accrued in relation to the litigation of OOO Yugragazpererabotka with OAO Tyumenenergo and released after the respective lawsuit was closed in July 2015. EBITDA margin of the segment increased to 37.1% in 2015 from 34.9% in 2014. EBITDA margin of the segment adjusted for low-marginal naphtha trading operations ceased in 2015 decreased from 41.8% in 2014.

In 2015, our petrochemicals segment's gross revenue increased by 31.9% to RR 187,733 million from RR 142,308 million in 2014. EBITDA contribution of the petrochemicals segment increased almost three

times to RR 58,937 million in 2015 from RR 20,806 million in 2014. EBITDA margin of the segment increased to 31.4% in 2015 from 14.6% in 2014. The increase in EBITDA and EBITDA margin of the petrochemicals segment was largely attributable to lower feedstock prices due to decreasing prices for energy products, as well as the gradual ramp up of our production site in Tobolsk during 2014.

The following table presents data on our segments' revenue and EBITDA contribution for the years ended 31 December 2015 and 2014:

RR millions, except as stated	Year ended 31 December							
	2015				2014			
	Feedstock & Energy	Petrochemicals	Unallocated	Total	Feedstock & Energy	Petrochemicals	Unallocated	Total
Total segment revenue	213,046	187,733	22,064	422,843	252,813	142,308	14,192	409,313
Inter-segment transfers	(24,315)	(10,188)	(8,488)	(42,991)	(29,686)	(10,408)	(8,219)	(48,313)
External revenue	188,731	177,545	13,576	379,852	223,127	131,900	5,973	361,000
EBITDA	79,144	58,937	(2,446)	135,635	88,346	20,806	(6,385)	102,767
<i>EBITDA margin</i>	<i>37.1%</i>	<i>31.4%</i>		<i>35.7%</i>	<i>34.9%</i>	<i>14.6%</i>		<i>28.5%</i>

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table presents selected data on our net cash flows for years ended 31 December 2015 and 2014:

RR millions, except as stated	Year ended 31 December		Change %
	2015	2014	
Net cash from operating activities	119,078	91,052	30.8%
<i>Operating cash flows before working capital changes</i>	<i>128,892</i>	<i>105,540⁽¹⁾</i>	<i>22.1%</i>
<i>Changes in working capital</i>	<i>(5,509)</i>	<i>1,789⁽¹⁾</i>	<i>n/m</i>
<i>Income tax paid</i>	<i>(4,305)</i>	<i>(16,277)</i>	<i>(73.6%)</i>
Net cash used in investing activities, including	(121,741)	(97,370)	25.0%
<i>Capital expenditures⁽²⁾</i>	<i>(84,391)</i>	<i>(71,550)</i>	<i>17.9%</i>
<i>Acquisition of interest in subsidiaries, net of cash acquired</i>	<i>(61,726)</i>	<i>(20,666)</i>	<i>198.7%</i>
<i>Proceeds from disposal of subsidiaries, net of cash disposed</i>	<i>21,278</i>	<i>138</i>	<i>n/m</i>
Net cash from financing activities, including	144,802	24,093	501.0%
<i>Net proceeds from debt</i>	<i>186,014</i>	<i>34,346</i>	<i>441.6%</i>
<i>Dividends paid to the Company's shareholders</i>	<i>(18,125)</i>	<i>(14,073)</i>	<i>28.8%</i>
<i>Interest paid</i>	<i>(14,867)</i>	<i>(5,710)</i>	<i>160.4%</i>
<i>Payment of bank fees</i>	<i>(9,994)</i>	<i>(697)</i>	<i>n/m</i>
Effect of exchange rate changes on cash and cash equivalents	2,277	1,944	17.1%
Net increase in cash and cash equivalents	144,416	19,719	632.4%

Net Cash from Operating Activities

In 2015, our net cash from operating activities increased by 30.8% to RR 119,078 million from RR 91,052 million in 2014. Operating cash flows before working capital changes increased by 22.1% year-on-year to RR 128,892 million from RR 105,540 million in 2014 on the back of higher EBITDA adjusted for the release of the provision in the amount of RR 4,617 million (see "Segment Information"). In 2015, changes in working capital had a negative impact on our net cash from operating activities in the amount of RR 5,509 million compared to a positive impact of RR 1,789 million in 2014. In 2015, negative impact of working capital changes was primarily attributable to the increase in trade and other receivables related to Yuzhno-Priobskiy GPP construction, where SIBUR acted as a general contractor, and increase in receivables attributable to higher recoverable and receivable excise. Income tax paid decreased by 73.6% and totaled RR 4,305 million as compared to RR 16,277 million a year earlier, which was related to a decrease in advance tax payments.

⁽¹⁾ Items reclassified.

⁽²⁾ Includes purchase of property, plant and equipment, intangible assets and other non-current assets.

The following table presents data on changes in working capital for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December	
	2015	2014
(Increase) / decrease in trade and other receivables	(3,128)	959
(Increase) / decrease in prepayments and other current assets	(1,362)	117
Increase in inventories	(1,167)	(1,369)
(Decrease) / increase in trade and other payables	(596)	1,537
Increase in taxes payable	744	545
Changes in working capital	(5,509)	1,789

SIBUR's management monitors its liquidity and operational efficiency on the basis of the adjusted working capital (see Appendix I for further details). Our adjusted working capital was positive at RR 49,297 million as of 31 December 2015 and RR 37,205 million as of 31 December 2014. Our working capital days increased to 47 in 2015 from 38 in 2014.

Our net working capital balance may fluctuate from period to period due to factors within or outside our control, such as market conditions, our tactical marketing initiatives in response to changes in market conditions, logistical constraints as well as completion of major investment projects, which could require substantial inventory accumulation.

Net Cash Used in Investing Activities

In 2015, our net cash used in investing activities increased by 25.0% year-on-year to RR 121,741 million from RR 97,370 million a year earlier, which was largely attributable to (i) the payment of the final tranche for the acquisition of Rosneft's 49% stake in OOO Yugragazpererabotka in the amount of RR 61,410 million versus RR 20,548 million paid in 2014, and (ii) a 17.9% increase in capital expenditures⁽¹⁾ to RR 84,391 million in 2015 compared to RR 71,550 million a year earlier, as we started financing ZapSibNeftekhim (ZapSib-2) in the end of 2014, while completed several large-scale investment projects in early 2014. This was partially compensated by proceeds from the divestment of LPG and naphtha transshipment terminal located in Ust-Luga region for cash consideration of RR 21,335 million.

Net Cash from Financing Activities

In 2015, our net cash received from financing activities amounted to RR 144,802 million compared to the net cash received from financing activities in the amount of RR 24,093 million in 2014. In 2015, our net cash flow from financing activities was primarily related to new borrowings (i) for ZapSib-2 financing (primarily raised from NWF) and (ii) funding the final tranche for the acquisition of a 49% stake in the OOO Yugragazpererabotka. This was partially offset by (i) RR 9,994 million paid in bank fees, primarily to the consortium of European banks for the arrangement of long-term credit facility related to ZapSib-2 investment project, (ii) higher interest paid due to increase in borrowings, and (iii) lower grants and subsidies received by SIBUR from various regional budgets. Dividends paid to the Group's shareholders in 2015 amounted to RR 18,125 million.

Capital Expenditures

In 2015, our capital expenditures⁽¹⁾ increased by 17.9% year-on-year to RR 84,391 million compared to RR 71,550 million in 2014 (net of VAT), as we started financing ZapSibNeftekhim (ZapSib-2) in the end of 2014, while completed several large-scale investment projects in early 2014.

⁽¹⁾ Includes purchase of property, plant and equipment, intangible assets and other non-current assets.

The following table presents data on our key ongoing investment projects for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>		Year ended		Completion
		31 December		
Location	Description	2015	2014	
Feedstock and Energy				
<u>Transportation infrastructure development</u>				
Tobolsk	Second GFU expansion	2,868	222	2016
<u>Gas fractionation capacity modernisation and expansion</u>				
Yamal-Nenets Autonomous Area	APG processing capacity expansion at Vyngapurovskiy GPP	6,577	6,102	Completed
Petrochemicals				
Tobolsk	ZapSibNeftekhim (ZapSib-2)	43,168	21,135	2020
Tomsk	Expansion of PP and LDPE production	4,125	2,292	2016

ZapSibNeftekhim (ZapSib-2) is designed to operate (i) a world-scale ethylene cracking unit with an annual capacity of 1.5 million tonnes, that will also produce 525,000 tonnes of propylene and 100,000 tonnes of crude C₄ (technology provided by Linde), and (ii) polyolefin units with an annual capacity of 1.5 million tonnes of polyethylene (technology provided by INEOS) and 500,000 tonnes of polypropylene (technology provided by LyondellBasell). This is a greenfield construction near our Tobolsk production site, and the facility will have direct access to the existing fractionation capacity. SIBUR believes that the investment will enable us to achieve economies of scale, further strengthen our vertically integrated business model and provide us with the first-mover advantage in establishing large-scale petrochemicals production capacities in Western Siberia.

SIBUR has completed most of site preparation works and has started civil works for processing units and utilities, infrastructure and offsites. We have signed contracts for detailed engineering and procurement of equipment and materials (EP contracts) with the three major contractors: (i) Linde AG (Germany) for the ethylene cracking facility, (ii) ThyssenKrupp Industrial Solutions (Germany) for the polypropylene production unit, and (iii) Technip (France) for the polyethylene production unit.

The residual capital expenditures for the project was estimated by the Company at USD 7.2⁽¹⁾ billion as of 31 December 2015 with the following currency structure: approximately 35% in Russian roubles, approximately 35% in US dollars and approximately 30% in euro.

The following funding sources are available for the project:

- (i) in December 2014, SIBUR signed an agreement with a consortium of European banks for ECA-backed long-term financing in the amount of EUR 1,575 million for the contracts with Linde AG and ThyssenKrupp Industrial Solutions, later the amount was revised upward to EUR 1,676 million;
- (ii) in September 2015, SIBUR signed credit facility arrangements with a consortium of European banks, which is covered by a EUR 412 million guarantee from French credit agency Coface, to raise long-term financing for a portion of the capital expenditures related to ZapSib-2; the Company is in process of fulfilling the precedent conditions required for the first disbursement under facility;
- (iii) in November 2015, RDIF⁽²⁾ and leading Middle Eastern sovereign wealth funds invested USD 210 million in ZapSibNeftekhim;
- (iv) in December 2015, ZapSibNeftekhim raised USD 1.75 billion with a tenor of 15 years from NWF⁽³⁾ within RDIF's quota in NWF.

⁽¹⁾ The respective residual expenditures are calculated at the respective foreign exchange rates as of 31 December 2015.

⁽²⁾ Russian Direct Investment Fund.

⁽³⁾ National Wealth Fund.

SIBUR's Board of Directors has approved the 2016 capital expenditures budget in the aggregate amount of RR 147.5 billion (net of VAT). This excludes investments under joint ventures, loans issued to joint ventures or acquisitions. The Board of Directors will review the budget later in the year and the number may be revised subject to macroeconomic and market environment.

We expect that we will finance the approved capital expenditures through a combination of cash and cash equivalents, cash flows from operations as well as new borrowings within the limits of our financial policy.

Borrowings

As of 31 December 2015, our total debt amounted to RR 457,149 million compared to RR 206,294 million as of 31 December 2014, a twofold increase year-on-year.

The increase was mainly attributable to (i) the funding for ZapSibNeftekhim (see “Capital Expenditures”), (ii) the new borrowings to fund the acquisition of a 49% stake in OOO Yugragazpererabotka, and (iii) a substantial Russian rouble depreciation against the US dollar and euro and the respective revaluation of loans denominated in these currencies.

Our net debt⁽⁴⁾ increased by 59.6% to RR 285,066 million as of 31 December 2015 from RR 178,627 million as of 31 December 2014. The increase was attributable to the growth in total debt related to funding the acquisition of a 49% stake in OOO Yugragazpererabotka. Borrowings raised from the National Wealth Fund by ZapSibNeftekhim had no material impact on our net debt as of 31 December 2015 due to respective increase in cash balances.

The following table presents data on our total debt, cash and cash equivalents and net debt position as of 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	As of 31 December 2015	As of 31 December 2014	Change, %
Total debt	457,149	206,294	121.6%
Cash and cash equivalents	172,083	27,667	522.0%
Net debt	285,066	178,627	59.6%
<i>Conventional net debt</i>	<i>247,131</i>	<i>172,869</i>	<i>43.0%</i>
<i>Net debt raised for ZapSibNeftekhim</i>	<i>37,935</i>	<i>5,758</i>	<i>558.9%</i>

As of 31 December 2015, all of our debt was unsecured.

⁽⁴⁾ Net debt is calculated as total debt less cash and cash equivalents.

The following table presents detailed information on our borrowings as of 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Currency	Due	As of 31 December 2015	As of 31 December 2014
Variable rate loans				
National Wealth Fund	USD	2030	127,545	-
Vnesheconombank	USD	2013-2023	31,620	26,822
Sberbank of Russia	RR, USD	2016-2021	29,818	-
Promsvyazbank	USD	2017	18,205	14,041
ING Bank Group	USD, EUR	2011-2021	14,151	5,065
Deutsche Bank (ECA financing)	EUR	2014-2029	13,492	2,120
Rosbank	USD	2017	10,907	-
RaiffeisenBank	USD	2015-2017	10,893	16,812
Nordea Bank	USD	2015-2016	5,831	11,252
Citibank	USD	2013-2023	2,840	2,449
UniCredit Bank Group	USD, EUR	2013-2019	1,029	17,900
Alfa-Bank	USD	2016	-	3,376
Fixed rate loans				
Eurobonds	USD	2018	72,809	56,150
Sberbank of Russia	RR	2014-2019	50,659	37,805
Gazprombank	RR	2020	32,000	-
UniCredit Bank Group	RR	2019	17,905	-
Russian Direct Investment Fund	USD	2018-2020	15,305	-
Alfa-Bank	USD	2015	-	11,252
NPP Neftekhimia	RR	2017	1,625	800
ZAO Sibgazpolimer	RR	2014	-	-
Mezhregiongaz	RR	2011-2017	482	425
Other	USD	2031	33	25
Total debt			457,149	206,294

SIBUR aims to maintain a diversified debt portfolio with a sound balance of fixed and floating interest rate instruments. Our share of fixed rate borrowings decreased to 41.7% as of 31 December 2015 from 51.6% as of 31 December 2014. Our share of variable rate borrowings amounted to 58.3% as of 31 December 2015 and 48.4% as of 31 December 2014.

The following table presents scheduled maturities of our outstanding debt as of 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	As of 31 December 2015	% of total borrowings	As of 31 December 2014	% of total borrowings	Change, %
Due for repayment:					
Within one year	47,745	10.4%	56,240	27.3%	(15.1%)
Between one and two years	48,794	10.7%	31,500	15.3%	54.9%
Between two and five years	212,286	46.4%	105,062	50.9%	102.1%
After five years	148,324	32.4%	13,492	6.5%	999.3%
Total debt	457,149	100.0%	206,294	100.0%	121.6%

As of 31 December 2015, the share of long-term debt increased to 89.6% from 72.7% as of 31 December 2014, while the portion of short-term debt decreased to 10.4% from 27.3% as of 31 December 2014.

The following table presents the currency split of our outstanding debt as of 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	As of 31 December 2015	% of total borrowings	As of 31 December 2014	% of total borrowings	Change, %
Denominated in:					
Russian rouble	131,096	28.7%	39,030	18.9%	235.9%
Euro	19,470	4.3%	8,112	3.9%	140.0%
US Dollar	306,583	67.1%	159,152	77.2%	92.6%
Total debt	457,149	100.0%	206,294	100.0%	121.6%

As of 31 December 2015, the Russian rouble-denominated debt as a percentage of total borrowings increased to 28.7% from 18.9% as of 31 December 2014. The growth in Russian rouble borrowings was mainly attributable to obtaining RR-denominated financing to fund the acquisition of OOO Yugragazpererabotka and replace short-term debt denominated in foreign currencies by RR-denominated debt with extended maturities.

The following table presents our key liquidity and credit ratios as of 31 December 2015 and 2014:

	As of 31 December 2015	As of 31 December 2014
Current ratio	2.67x	0.66x
Debt / EBITDA	3.37x	2.01x
Net debt ⁽¹⁾ / EBITDA, including	2.10x	1.74x
<i>Conventional net debt</i>	1.82x	1.68x
<i>Net debt raised for ZapSibNeftekhim</i>	0.28x	n/m
EBITDA / Interest ⁽²⁾	9x	16x

As of 31 December 2015, our net debt⁽¹⁾ to EBITDA ratio was 2.10x compared to 1.74x as of 31 December 2014. The EBITDA to interest⁽²⁾ ratio was at 9x as of 31 December 2015 and 16x as of 31 December 2014.

As of 31 December 2015, SIBUR had RR 287,735 million available under its existing credit facilities denominated in Russian roubles, US dollars and euros, both short- and long-term, of which an equivalent of RR 169,944 million was committed.

Management considers SIBUR to have a strong financial position, supported by robust internal cash generation and sustainable access to external financing. These resources enable us to finance capital expenditure needs, while meeting our debt and other obligations.

⁽¹⁾ Net debt is calculated as total debt less cash and cash equivalents.

⁽²⁾ Interest represents accrued interest, i.e. includes interest expense and capitalised interest.

OPERATIONAL DATA

Energy Products

The following table presents a breakdown of our revenue from energy product sales for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December				<i>Change %</i>
	2015	<i>% of revenue⁽¹⁾</i>	2014	<i>% of revenue⁽¹⁾</i>	
LPG	82,926	21.8%	77,165	21.4%	7.5%
<i>Domestic</i>	17,322	20.9%	14,824	19.2%	16.9%
<i>Export</i>	65,604	79.1%	62,341	80.8%	5.2%
Natural gas, domestic sales	43,000	11.3%	38,007	10.5%	13.1%
Naphtha	31,445	8.3%	68,877	19.1%	(54.3%)
<i>Domestic</i>	2,617	8.3%	991	1.4%	164.1%
<i>Export</i>	28,827	91.7%	67,886	98.6%	(57.5%)
MTBE	21,657	5.7%	19,364	5.4%	11.8%
<i>Domestic</i>	19,229	88.8%	19,364	100.0%	(0.7%)
<i>Export</i>	2,428	11.2%	-	-	n/m
Other fuels and fuel additives	3,800	1.0%	4,111	1.1%	(7.6%)
<i>Domestic</i>	1,215	32.0%	1,211	29.5%	0.3%
<i>Export</i>	2,584	68.0%	2,900	70.5%	(10.9%)
Raw NGL	3,669	1.0%	9,709	2.7%	(62.2%)
<i>Domestic</i>	1,468	40.0%	4,927	50.7%	(70.2%)
<i>Export</i>	2,201	60.0%	4,782	49.3%	(54.0%)
Energy products, total	186,497	49.1%	217,233	60.2%	(14.1%)
<i>Domestic</i>	84,852	45.5%	79,324	36.5%	7.0%
<i>Export</i>	101,645	54.5%	137,909	63.5%	(26.3%)

⁽¹⁾ Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table present data on production, purchases and sales volumes of our energy products for the years ended 31 December 2015 and 2014:

<i>Tonnes, except as stated</i>	Year ended 31 December		Change
	2015	2014	%
LPG			
Production ⁽¹⁾	6,510,329	5,121,538	27.1%
Production, SIBUR's share	5,328,329	4,602,315	15.8%
Purchases from third parties, including	513,570	242,282	112.0%
<i>Purchases for resale</i>	<i>476,964</i>	<i>163,801</i>	<i>191.2%</i>
Total production and purchases	5,841,900	4,844,597	20.6%
(Internal use) ⁽²⁾	(486,127)	(453,270)	7.2%
(Increase) / decrease in stock	23,964	(42,641)	n/m
Gross sales, including	5,379,737	4,348,685	23.7%
Intercompany sales to petrochemical business	1,111,987	880,426	26.3%
External sales	4,267,750	3,468,260	23.1%
Domestic	1,185,502	909,656	30.3%
Export	3,082,248	2,558,604	20.5%
Natural gas (thousands of cubic metres)			
Production ⁽³⁾	18,470,903	18,034,813	2.4%
Production, SIBUR's share⁽⁴⁾	18,342,824	16,657,211	10.1%
Purchases from third parties	819,668	937,375	(12.6%)
Total production and purchases	19,162,492	17,594,585	8.9%
(Internal use) ⁽⁵⁾	(1,537,767)	(1,587,111)	(3.1%)
(Increase) / decrease in stock	-	(2,601)	(100.0%)
External sales	17,624,726	16,004,874	10.1%
Domestic	17,624,726	16,004,874	10.1%
Export	-	-	n/m
Naphtha			
Production	1,478,908	1,460,179	1.3%
Purchases from third parties, including	335,637	1,602,261	(79.1%)
<i>Purchases for resale</i>	<i>2,975</i>	<i>1,323,708</i>	<i>(99.8%)</i>
Total production and purchases	1,814,545	3,062,440	(40.7%)
(Internal use) ⁽²⁾	(1,821)	(3,835)	(52.5%)
(Increase) / decrease in stock	46,987	20,272	131.8%
Gross sales, including	1,859,711	3,078,877	(39.6%)
Intercompany sales to petrochemical business	630,935	691,633	(8.8%)
External sales	1,228,776	2,387,245	(48.5%)
Domestic	118,559	36,611	223.8%
Export	1,110,216	2,350,634	(52.8%)
MTBE			
Production	452,846	448,981	0.9%
Purchases from third parties	-	-	n/m
Total production and purchases	452,846	448,981	0.9%
(Internal use) ⁽²⁾	(499)	(791)	(36.9%)
(Increase) / decrease in stock	1,355	(721)	n/m
External sales	453,701	447,469	1.4%
Domestic	400,079	447,469	(10.6%)
Export	53,622	-	n/m

⁽¹⁾ Including production volumes under processing arrangements.

⁽²⁾ Including internal use at the segment's production facilities and immaterial natural losses.

⁽³⁾ Including Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015. Including Rosneft's share in the processing / production volumes of Yugragazpererabotka in the first quarter of 2014.

⁽⁴⁾ Excluding Gazprom Neft's share in the processing / production volumes of Yuzhno-Priobskiy GPP starting September 2015. Excluding Rosneft's share in the processing / production volumes of Yugragazpererabotka in the first quarter of 2014.

⁽⁵⁾ Including internal use at our production facilities and immaterial natural losses.

<i>Tonnes, except as stated</i>	Year ended 31 December		<i>Change %</i>
	2015	2014	
Other fuels and fuel additives			
Production	220,910	207,439	6.5%
Purchases from third parties	2,450	2,772	(11.6%)
Total production and purchases	223,360	210,211	6.3%
(Internal use) ⁽¹⁾	(72,520)	(59,663)	21.5%
(Increase) / decrease in stock	(1,438)	5,813	n/m
External sales	149,317	156,362	(4.5%)
<i>Domestic</i>	<i>64,488</i>	<i>60,957</i>	<i>5.8%</i>
<i>Export</i>	<i>84,828</i>	<i>95,405</i>	<i>(11.1%)</i>
Raw NGL			
Production ^{(2) (3)}	5,265,436	5,165,247	1.9%
Production, SIBUR's share⁽⁴⁾	5,222,799	4,822,694	8.3%
Purchases from third parties, including	2,475,546	2,195,966	12.7%
<i>Purchases for resale</i>	-	-	n/m
Total production and purchases	7,698,345	7,018,660	9.7%
(Fractionation) ⁽³⁾⁽⁵⁾	(7,772,976)	(6,315,299)	23.1%
(Fractionation, SIBUR's share)	(6,572,976)	(5,788,169)	13.6%
(Increase) / decrease in stock	6,612	37,350	(82.3%)
Gross sales, including	1,131,980	1,267,841	(10.7%)
Intercompany sales to petrochemical business	905,387	653,477	38.5%
External sales	226,593	614,364	(63.1%)
<i>Domestic</i>	<i>107,164</i>	<i>350,590</i>	<i>(69.4%)</i>
<i>Export</i>	<i>119,429</i>	<i>263,774</i>	<i>(54.7%)</i>

⁽¹⁾ Including internal use at the segment's production facilities and immaterial natural losses.

⁽²⁾ Including Rosneft's share in production volumes of OOO Yugragazpererabotka for the first quarter of 2014 and Gazprom Neft's share in production volumes of Yuzhno-Priobskiy GPP.

⁽³⁾ Following the acquisition of control in OOO Yugragazpererabotka, we changed our approach to the treatment of raw NGL production and fractionation volumes at Nyagan GPP.

⁽⁴⁾ Excluding Rosneft's share in production volumes of OOO Yugragazpererabotka for the first quarter of 2014 and Gazprom Neft's share in production volumes of Yuzhno-Priobskiy GPP.

⁽⁵⁾ Including fractionation volumes under processing arrangements.

Plastics and Organic Synthesis Products

The following table presents a breakdown of revenue from sales of our plastics and organic synthesis products for the years ended 31 December 2015 and 2014:

RR millions, except as stated	Year ended 31 December				Change %
	2015	% of revenue ⁽¹⁾	2014	% of revenue ⁽¹⁾	
PET	19,472	5.1%	13,627	3.8%	42.9%
Domestic	19,249	98.9%	13,584	99.7%	41.7%
Export	222	1.1%	43	0.3%	n/m
BOPP-films	17,066	4.5%	10,755	3.0%	58.7%
Domestic	11,756	68.9%	8,057	74.9%	45.9%
Export	5,311	31.1%	2,698	25.1%	96.8%
Glycols	8,389	2.2%	4,795	1.3%	75.0%
Domestic	3,783	45.1%	3,580	74.7%	5.7%
Export	4,606	54.9%	1,215	25.3%	n/m
Expandable polystyrene	8,351	2.2%	6,938	1.9%	20.4%
Domestic	6,302	75.5%	4,856	70.0%	29.8%
Export	2,049	24.5%	2,082	30.0%	(1.6%)
Alcohols (including 2-ethylhexanol)	6,524	1.7%	6,088	1.7%	7.2%
Domestic	3,340	51.2%	3,559	58.5%	(6.2%)
Export	3,184	48.8%	2,529	41.5%	25.9%
Acrylates	3,946	1.0%	3,409	0.9%	15.8%
Domestic	2,263	57.3%	1,662	48.7%	36.2%
Export	1,683	42.7%	1,747	51.3%	(3.7%)
Plastic compounds	-	-	165	0.05%	(100.0%)
Domestic	-	n/m	161	97.6%	(100.0%)
Export	-	n/m	4	2.4%	(100.0%)
Plastics and organic synthesis products, total	63,748	16.8%	45,777	12.7%	39.3%
Domestic	46,694	73.2%	35,459	77.5%	31.7%
Export	17,054	26.8%	10,318	22.5%	65.3%

⁽¹⁾ Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table presents data on our production, purchases and sales volumes in plastics and organic synthesis products for the years ended 31 December 2015 and 2014:

<i>Tonnes, except as stated</i>	Year ended 31 December		<i>Change %</i>
	2015	2014	
Production	1,022,927	900,118	13.6%
PET	298,571	279,920	6.7%
BOPP-films	153,465	120,386	27.5%
Glycols	264,560	197,665	33.8%
Expandable polystyrene	99,214	97,377	1.9%
Alcohols (including 2-ethylhexanol)	161,801	158,260	2.2%
Acrylates	45,316	43,852	3.3%
Plastic compounds	-	2,658	(100.0%)
Purchases from third parties	5,586	11,201	(50.1%)
Total production and purchases	1,028,512	911,319	12.9%
(Internal use) ⁽¹⁾	(127,718)	(119,491)	6.9%
(Increase)/decrease in stock	20,827	(3,908)	n/m
External sales			
PET	309,446	268,690	15.2%
<i>Domestic</i>	306,059	267,874	14.3%
<i>Export</i>	3,387	816	n/m
BOPP-films	151,034	118,761	27.2%
<i>Domestic</i>	100,299	86,314	16.2%
<i>Export</i>	50,735	32,447	56.4%
Glycols	167,746	113,127	48.3%
<i>Domestic</i>	78,133	85,423	(8.5%)
<i>Export</i>	89,612	27,705	n/m
Expandable polystyrene	98,755	98,874	(0.1%)
<i>Domestic</i>	76,112	69,998	8.7%
<i>Export</i>	22,643	28,876	(21.6%)
Alcohols (including 2-ethylhexanol)	143,513	134,555	6.7%
<i>Domestic</i>	78,180	80,568	(3.0%)
<i>Export</i>	65,332	53,987	21.0%
Acrylates	51,127	49,450	3.4%
<i>Domestic</i>	26,814	22,575	18.8%
<i>Export</i>	24,314	26,875	(9.5%)
Plastic compounds	-	4,462	(100.0%)
<i>Domestic</i>	-	4,327	(100.0%)
<i>Export</i>	-	135	(100.0%)
External sales	921,621	787,920	17.0%
<i>Domestic</i>	665,597	617,079	7.9%
<i>Export</i>	256,024	170,840	49.9%

⁽¹⁾ Including internal use at the segment's production facilities and immaterial natural losses.

Basic Polymers

The following table presents data on our revenue from basic polymer sales for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December				<i>Change %</i>
	2015	<i>% of revenue⁽¹⁾</i>	2014	<i>% of revenue⁽¹⁾</i>	
PP	32,072	8.4%	23,066	6.4%	39.0%
<i>Domestic</i>	19,780	61.7%	14,018	60.8%	41.1%
<i>Export</i>	12,292	38.3%	9,048	39.2%	35.9%
PE (LDPE)	18,820	5.0%	15,327	4.2%	22.8%
<i>Domestic</i>	14,106	75.0%	10,348	67.5%	36.3%
<i>Export</i>	4,715	25.0%	4,979	32.5%	(5.3%)
Basic polymers, total	50,892	13.4%	38,393	10.6%	32.6%
<i>Domestic</i>	33,886	66.6%	24,366	63.5%	39.1%
<i>Export</i>	17,006	33.4%	14,027	36.5%	21.2%

The following table presents data on our basic polymer production, purchases and sales volumes for the years ended 31 December 2015 and 2014:

<i>Tonnes, except as stated</i>	Year ended 31 December		<i>Change %</i>
	2015	2014	
Production	764,090	655,590	16.5%
PP	516,337	395,309	30.6%
PE (LDPE)	247,754	260,281	(4.8%)
Purchases from third parties	124,533	148,541	(16.2%)
Total production and purchases	888,623	804,132	10.5%
(Internal use) ⁽²⁾	(169,604)	(145,230)	16.8%
(Increase) / decrease in stock	(14,055)	(9,262)	51.8%
External sales			
PP	461,042	393,719	17.1%
<i>Domestic</i>	278,275	239,498	16.2%
<i>Export</i>	182,767	154,221	18.5%
PE (LDPE)	243,923	255,921	(4.7%)
<i>Domestic</i>	179,911	171,830	4.7%
<i>Export</i>	64,012	84,091	(23.9%)
External sales	704,965	649,640	8.5%
<i>Domestic</i>	458,186	411,328	11.4%
<i>Export</i>	246,779	238,312	3.6%

⁽¹⁾ Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

⁽²⁾ Including internal use at the segment's production facilities and immaterial natural losses.

Synthetic Rubbers

The following table presents a breakdown of revenue from our synthetic rubber sales for the years ended 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	Year ended 31 December				<i>Change %</i>
	2015	% of revenue ⁽¹⁾	2014	% of revenue ⁽¹⁾	
Commodity rubbers	20,390	5.4%	16,679	4.6%	22.2%
<i>Domestic</i>	7,200	35.3%	6,956	41.7%	3.5%
<i>Export</i>	13,191	64.7%	9,723	58.3%	35.7%
Specialty rubbers	8,822	2.3%	7,516	2.1%	17.4%
<i>Domestic</i>	1,085	12.3%	1,035	13.8%	4.8%
<i>Export</i>	7,737	87.7%	6,481	86.2%	19.4%
Thermoplastic elastomers	5,868	1.5%	3,652	1.0%	60.7%
<i>Domestic</i>	2,891	49.3%	2,162	59.2%	33.7%
<i>Export</i>	2,977	50.7%	1,491	40.8%	99.7%
Synthetic rubbers, total	35,079	9.2%	27,847	7.7%	26.0%
<i>Domestic</i>	11,175	31.9%	10,152	36.5%	10.1%
<i>Export</i>	23,905	68.1%	17,695	63.5%	35.1%

The following table presents data on our synthetic rubber production, purchases and sales volumes for the years ended 31 December 2015 and 2014:

<i>Tonnes, except as stated</i>	Year ended 31 December		<i>Change %</i>
	2015	2014	
Production	409,345	353,257	15.9%
Commodity rubbers	256,658	229,127	12.0%
Specialty rubbers	94,712	86,700	9.2%
Thermoplastic elastomers	57,975	37,430	54.9%
Purchases from third parties	2	3,310	(99.9%)
Total production and purchases	409,347	356,567	14.8%
(Internal use) ⁽²⁾	(492)	(1,283)	(61.7%)
(Increase) / decrease in stock	2,253	4,754	(52.6%)
External sales			
Commodity rubbers	254,699	227,758	11.8%
<i>Domestic</i>	91,550	97,376	(6.0%)
<i>Export</i>	163,149	130,382	25.1%
Specialty rubbers	94,194	90,705	3.8%
<i>Domestic</i>	10,246	11,759	(12.9%)
<i>Export</i>	83,948	78,946	6.3%
Thermoplastic elastomers	62,215	41,575	49.6%
<i>Domestic</i>	29,103	24,500	18.8%
<i>Export</i>	33,112	17,075	93.9%
External sales	411,108	360,038	14.2%
<i>Domestic</i>	130,899	133,635	(2.0%)
<i>Export</i>	280,209	226,403	23.8%

⁽¹⁾ Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

⁽²⁾ Including internal use at the segment's production facilities and immaterial natural losses.

Intermediates and Other Chemicals

The following table presents a breakdown of revenue from sales of our intermediates and other chemicals for the years ended 31 December 2015 and 2014:

RR millions, except as stated	Year ended 31 December				Change %
	2015	% of revenue ⁽¹⁾	2014	% of revenue ⁽¹⁾	
Ethylene	3,899	1.0%	579	0.2%	n/m
Domestic	3,899	100.0%	579	100.0%	n/m
Export	-	-	-	-	n/m
Ethylene oxide	3,787	1.0%	2,826	0.8%	34.0%
Domestic	3,023	79.8%	2,287	80.9%	32.2%
Export	764	20.2%	539	19.1%	41.7%
Propylene	3,339	0.9%	1,506	0.4%	n/m
Domestic	604	18.1%	756	50.2%	(20.1%)
Export	2,735	81.9%	750	49.8%	n/m
Styrene	3,163	0.8%	3,078	0.9%	2.8%
Domestic	2,752	87.0%	2,767	89.9%	(0.5%)
Export	410	13.0%	311	10.1%	31.8%
Benzene	2,302	0.6%	1,679	0.5%	37.1%
Domestic	2,302	100.0%	1,679	100.0%	37.1%
Export	-	-	-	-	n/m
Terephthalic acid	626	0.2%	1,366	0.4%	(54.2%)
Domestic	493	78.8%	724	53.0%	(31.9%)
Export	133	21.2%	642	47.0%	(79.3%)
Isobutylene	572	0.2%	437	0.1%	30.9%
Domestic	572	100.0%	437	100.0%	30.9%
Export	-	-	-	-	n/m
Isoprene	542	0.1%	891	0.2%	(39.2%)
Domestic	14	2.6%	10	1.2%	36.6%
Export	528	97.4%	881	98.8%	(40.1%)
Butadiene	116	0.0%	115	0.0%	0.9%
Domestic	116	100.0%	115	100.0%	0.9%
Export	-	-	-	-	n/m
Other intermediates	1,631	0.4%	2,472	0.7%	(34.0%)
Domestic	1,119	68.6%	1,844	74.6%	(39.3%)
Export	512	31.4%	628	25.4%	(18.5%)
Total intermediates	19,978	5.3%	14,949	4.1%	33.6%
Domestic	14,896	74.6%	11,198	74.9%	33.0%
Export	5,082	25.4%	3,751	25.1%	35.5%
Other chemicals	6,105	1.6%	5,547	1.5%	10.1%
Domestic	5,633	92.3%	5,319	95.9%	5.9%
Export	472	7.7%	228	4.1%	n/m
Intermediate and other chemicals, total	26,083	6.9%	20,496	5.7%	27.3%
Domestic	20,529	78.7%	16,517	80.6%	24.3%
Export	5,553	21.3%	3,979	19.4%	39.6%

⁽¹⁾ Percentages against export and import lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table presents data on our production, purchases and sales volumes in intermediates and other chemicals for the years ended 31 December 2015 and 2014:

<i>Tonnes, except as stated</i>	Year ended 31 December		Change %
	2015	2014	
Production ⁽¹⁾	4,744,748	4,232,671	12.1%
Intermediates, including	3,930,607	3,520,928	11.6%
Ethylene	635,041	516,724	22.9%
Ethylene oxide	268,141	204,665	31.0%
Propylene	729,893	608,589	19.9%
Styrene	174,803	171,525	1.9%
Benzene	153,145	125,164	22.4%
Terephthalic acid	265,983	252,391	5.4%
Isobutylene	146,006	161,665	(9.7%)
Isoprene	66,735	70,068	(4.8%)
Butadiene	232,654	189,428	22.8%
Other intermediates	1,258,205	1,220,709	3.1%
Other chemicals	814,141	711,743	14.4%
Purchases from third parties	5,027	11,362	(55.8%)
Total production and purchases	4,749,775	4,244,033	11.9%
(Internal use) ⁽¹⁾⁽²⁾	(4,206,728)	(3,787,482)	11.1%
(Increase) / decrease in stock	6,704	(7,489)	n/m
External sales			
Ethylene	112,514	20,581	446.7%
Domestic	112,514	20,581	446.7%
Export	-	-	n/m
Ethylene oxide	76,866	64,669	18.9%
Domestic	63,483	54,228	17.1%
Export	13,382	10,441	28.2%
Propylene	75,575	35,322	114.0%
Domestic	17,118	20,423	(16.2%)
Export	58,458	14,899	292.4%
Styrene	48,910	58,149	(15.9%)
Domestic	42,338	53,223	(20.5%)
Export	6,572	4,926	33.4%
Benzene	62,945	40,873	54.0%
Domestic	62,945	40,873	54.0%
Export	-	-	n/m
Terephthalic acid	14,822	39,475	(62.5%)
Domestic	11,630	21,999	(47.1%)
Export	3,192	17,476	(81.7%)
Isobutylene	7,533	6,460	16.6%
Domestic	7,533	6,460	16.6%
Export	-	-	n/m
Isoprene	5,313	10,695	(50.3%)
Domestic	160	118	36.1%
Export	5,153	10,577	(51.3%)
Butadiene	2,103	2,094	0.4%
Domestic	2,103	2,094	0.4%
Export	-	-	n/m
Other intermediates	73,692	87,014	(15.3%)
Domestic	53,151	60,229	(11.8%)
Export	20,540	26,785	(23.3%)
Total intermediates	480,273	365,332	31.5%
Domestic	372,976	280,228	33.1%
Export	107,298	85,104	26.1%
Other chemicals	69,478	83,730	(17.0%)
Domestic	59,126	80,047	(26.1%)
Export	10,352	3,683	181.1%
External sales	549,751	449,062	22.4%
Domestic	432,101	360,275	19.9%
Export	117,649	88,787	32.5%

⁽¹⁾ In 2014, we changed approach to the treatment of production and internal use volumes for intermediates and other chemicals and reflect gross production volumes and the respective increase in internal use.

⁽²⁾ Including internal use at the segment's production facilities and immaterial natural losses.

APPENDIX I: Net Working Capital

SIBUR's net working capital position takes into account trade receivables net of advances from customers; inventory balances of refined products, goods for resale, feedstock and materials; VAT balance; trade payables net of prepayments and advances to suppliers; payables to employees; and other assets and liabilities listed in the table below.

The following table presents detailed calculation of our net working capital position as of 31 December 2015 and 2014:

<i>RR millions, except as stated</i>	As of 31 December 2015	As of 31 December 2014
Current assets	262,912	105,667
Current liabilities	(98,114)	(159,180)
Working capital	164,798	(53,513)
Adjustments to assets, including:	(178,790)	(30,124)
Loans receivable	(4,101)	(1,245)
Cash and cash equivalents	(172,083)	(27,667)
Restricted cash	-	(910)
Prepaid borrowing cost	(2,610)	(310)
Recoverable VAT related to assets under construction ⁽¹⁾	4	8
Adjustments to liabilities, including:	63,289	120,842
Accounts payable to contractors and suppliers of property, plant and equipment	8,029	6,803
Payables for acquisition of subsidiaries	3,039	56,032
Interest payable	2,288	1,452
Derivative financial instruments	2,188	315
Short-term debt and current portion of long-term borrowings	47,745	56,240
Adjusted working capital	49,297	37,205

⁽¹⁾ Represents non-current portion.

APPENDIX II: OOO Yugragazpererabotka

Establishment of OOO Yugragazpererabotka in 2007

In 2007, SIBUR and TNK-BP Holding (renamed RN Holding as of 30 July 2013 following the acquisition by Rosneft) established a joint venture (JV) OOO Yugragazpererabotka. SIBUR owned a 51% stake in the JV, while RN Holding's share was 49%. OOO Yugragazpererabotka owned and operated three GPPs with total APG processing capacity of 13.4 billion cubic metres per annum (Nizhnevartovskiy GPP, Belozerniy GPP and Nyagan GPP), three compressor stations and APG pipelines from compressor stations to the GPPs. SIBUR and RN Holding operated within a contractual network, under which RN Holding supplied APG to OOO Yugragazpererabotka for processing into raw NGL and natural gas. In addition to volumes from RN Holding, dominant supplier of APG to the JV, OOO Yugragazpererabotka also processed APG supplied from other oil companies. SIBUR and RN Holding owned the feedstock and refined products, while paying a processing fee to OOO Yugragazpererabotka. SIBUR paid for 51% of the total APG volumes supplied for processing to OOO Yugragazpererabotka and obtained 51% of the total NGLs and dry gas volumes produced by the JV. RN Holding obtained the remaining volumes. Subsequently SIBUR purchased RN Holding's share of NGLs and sold to RN Holding its share of natural gas.

Deconsolidation of OOO Yugragazpererabotka in 2013

In March 2013, SIBUR's call options that had entitled the Group to purchase RN Holding's share in OOO Yugragazpererabotka were terminated, and the term of the JV was extended to indefinite. Following the termination of the call options, we started accounting for our investment in OOO Yugragazpererabotka as an investment in joint ventures, while previously OOO Yugragazpererabotka was consolidated as a wholly owned subsidiary and RN Holding's contribution was accounted for as interest-bearing long-term loans. As a result of the deconsolidation, we recognised a gain of RR 2,413 million (post-tax) in the first quarter of 2013, which was attributable to higher carrying amount of newly recognised balance sheet items of OOO Yugragazpererabotka compared to carrying amount of deconsolidated balance sheet items.

Acquisition of control in OOO Yugragazpererabotka and new supply and purchase contracts in 2014

On 6 March 2014 the Group acquired the remaining 49 percent stake in OOO Yugragazpererabotka from the Rosneft Group (formerly, the TNK-BP Group) for a cash consideration of rouble equivalent to USD 1,567 million. As a result, the Group has acquired control over OOO Yugragazpererabotka and its production subsidiaries. In March 2014 under the terms of the share purchase agreement, the Group paid RR 20,548 (equivalent to USD 567 million). The remaining amount RR 61,410 (equivalent to USD 1,000 million) was repaid during first half of 2015.

New contracts replaced a number of supply and purchase contracts for APG, raw NGL and dry gas supplied to and produced at the GPPs of OOO Yugragazpererabotka, under which the parties previously operated. The new contracts are effective from 1 April 2014. Tenor of the APG and natural gas contracts was extended from 2026 to 2032 (inclusive). Rosneft increased guaranteed volumes of APG to be supplied to the three GPPs to approximately 10 billion cubic metres per annum from 6.6 billion cubic metres per annum. Under new arrangements, SIBUR pays for 100% of APG supplied to the GPPs of OOO Yugragazpererabotka with Rosneft remaining the dominant supplier. The new APG price is formula-based and indexed in line with changes in prices for APG derivatives: natural gas and raw NGL. SIBUR retains 100% of natural gas produced at the GPPs and has an arrangement to sell all volumes produced at the GPPs at a price directly linked to the regulated domestic gas price. The supply contracts for raw NGL produced at the the GPPs of OOO Yugragazpererabotka were terminated and SIBUR retains 100% of raw NGL volumes produced at these GPPs.

SIBUR consolidates OOO Yugragazpererabotka as a wholly owned subsidiary from the acquisition date. The arrangements have the following impact on our operational and financial results:

- *increase in APG purchasing volumes and costs.* SIBUR purchases 100% of APG supplied to the GPPs of OOO Yugragazpererabotka, while previously we purchased 51% of the volumes.
- *increase in raw NGL production, decrease in raw NGL purchasing volumes and costs.* SIBUR consolidates 100% of raw NGL produced by the GPPs of OOO Yugragazpererabotka, while previously we retained 51% of these volumes and purchased the remaining 49% from Rosneft.
- *increase in production volumes, sales volumes and revenue from sales of natural gas.* SIBUR consolidates 100% of natural gas produced by the GPPs of OOO Yugragazpererabotka and has a right to sell 100% of these volumes to Rosneft. Previously Rosneft obtained 49% of natural gas produced at the the GPPs of OOO Yugragazpererabotka, while SIBUR sold the remaining 51% to Rosneft.
- *increase in operating expenses other than feedstock & materials.* SIBUR consolidates operating expenses of OOO Yugragazpererabotka, while the related processing fee is treated as intercompany. Following the deconsolidation in March 2013, we paid processing fee to the JV and did not consolidate its operating expenses. The change primarily affects energy & utilities, staff costs, depreciation & amortisation, repairs & maintenance, as well as processing services of third parties.
- *increase in the value of PP&E, goodwill and other non-current assets.* As a result of the transaction, the Group recognised intangible assets related to the supply contracts of RR 115,816 million and goodwill arising on the acquisition of RR 2,479 million as of 31 March 2014.

The following table presents the carrying amounts of assets and liabilities at the acquisition date:

	Fair values
Property, plant and equipment	23,934
Intangible assets	115,816
Deferred income tax liabilities	(26,096)
Short-term and long-term debt	(2,559)
Other	(2,414)
Net assets of the acquired subsidiary	108,681
Less:	
Fair value of interest previously held	55,427
Total purchase consideration	55,733
Goodwill arising on acquisition	2,479

- *decrease in the value of accounts payable.* The decrease relates to the fact that the payables for the acquisition of OOO Yugragazpererabotka in the amount of RR 55,913 million as of 31 December 2014 were fully paid as of 30 June 2015.
- *increase in the value of total debt.* The increase relates to the new borrowings for funding the transaction.
- *non-cash gain on equity interest recorded in our statement of profit or loss in the amount of RR 52,773 million.* It relates to the difference between fair value of SIBUR's interest in the JV and the amount of the deconsolidated net assets, which represent SIBUR's share in the JV accounted for at historical cost. For the purpose of dividends calculation SIBUR's net profit will be adjusted for this charge.
- *increase in capital expenditures.* Following the acquisition of control in OOO Yugragazpererabotka, SIBUR consolidates OOO Yugragazpererabotka's capital expenditures, while previously we paid 51% and reported them as loans issued or contributions to share capital of joint ventures.

APPENDIX III: Equity-Settled Share-Based Payment Plans

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

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

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

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

The Second Plan - The plan for the other participants (the "Second Plan") was immediately vested and there are no future charges under this plan.

In the first quarter 2015 the plan was modified by shareholders. As a result the shares granted were immediately vested and the remaining tranches were expensed in the amount of RR 12,976 million and recognised in the consolidated statement of profit or loss with a corresponding increase in shareholders' equity.

PAO SIBUR Holding

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

31 December 2015

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of PAO SIBUR Holding and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for 2015, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

AO PricewaterhouseCoopers Audit

4 April 2016

Moscow, Russian Federation



Independent Auditor's Report (Continued)



V.V. Konoplin, Director (licence no. K 028205), AO PricewaterhouseCoopers Audit

Audited entity: PAO SIBUR Holding

Certificate of inclusion in the Unified State Register of Legal Entities issued on 8 July 2005 under registration № 1057747421247

Address: Block 1, No. 6, bld. 30, Eastern Industrial Park, Tobolsk, Tyumen Region, Russian Federation, 626150.

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations

PAO SIBUR HOLDING
IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In millions of Russian roubles, unless otherwise stated)

Notes		31 December 2015	31 December 2014
	Assets		
	Non-current assets		
6	Property, plant and equipment	359,527	317,183
4, 7	Goodwill	11,959	11,959
7	Intangible assets excluding goodwill	115,414	118,111
8	Investments in joint ventures and associates	27,064	26,761
29	Deferred income tax assets	15,440	11,994
10	Advances and prepayments for capital construction	44,051	24,858
9	Prepaid borrowing costs	5,855	156
11	Loans receivable	-	1,835
12	Trade and other receivables	1,898	897
13	Other non-current assets	2,422	2,621
	Total non-current assets	583,630	516,375
	Current assets		
14	Inventories	27,652	26,120
29	Prepaid current income tax	16,392	17,218
11	Loans receivable	4,101	1,245
12	Trade and other receivables	23,629	16,831
15	Prepayments and other current assets	16,445	15,366
9	Prepaid borrowing costs	2,610	310
16	Restricted cash	-	910
16	Cash and cash equivalents	172,083	27,667
	Total current assets	262,912	105,667
4, 5	Assets classified as held for sale	609	25,888
	Total assets	847,151	647,930
	Liabilities and equity		
	Non-current liabilities		
17	Long-term debt	409,404	150,054
18	Grants and subsidies	42,096	42,747
29	Deferred income tax liabilities	32,324	29,232
19	Other non-current liabilities	5,791	7,403
	Total non-current liabilities	489,615	229,436
	Current liabilities		
20	Trade and other payables	45,451	99,871
29	Income tax payable	1,566	457
21	Short-term debt and current portion of long-term debt	47,745	56,240
22	Taxes other than income tax payable	3,352	2,612
	Total current liabilities	98,114	159,180
4, 5	Liabilities associated with assets classified as held for sale	369	1,333
	Total liabilities	588,098	389,949
	Equity		
23	Ordinary share capital	21,784	21,784
	Share premium	9,357	9,357
35	Equity-settled share-based payment plans	32,450	19,474
	Retained earnings	194,246	206,402
	Total equity attributable to the shareholders of the parent company	257,837	257,017
24	Non-controlling interest	1,216	964
	Total equity	259,053	257,981
	Total liabilities and equity	847,151	647,930

D. V. Konov
Chief Executive Officer
4 April 2016

A. A. Petrov
Chief Financial Officer
4 April 2016

The accompanying notes on pages 181 to 235 are an integral part of these consolidated financial statements

PAO SIBUR HOLDING
IFRS CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(In millions of Russian roubles, unless otherwise stated)

Notes		Year ended 31 December	
		2015	2014
26	Revenue	379,852	361,000
27	Operating expenses before equity-settled share-based payment plan	(276,194)	(285,602)
35	Equity-settled share-based payment plans	(12,976)	(11,580)
	Operating profit	90,682	63,818
28	Finance income	1,764	1,157
28	Finance expenses	(78,687)	(90,922)
4	Gain on acquisition of subsidiary	-	52,773
4	Gain on disposal of subsidiary	1,012	18
	Loss on disposal of assets held for sale	(188)	-
8	Share of net loss of joint ventures and associates	(1,264)	(3,827)
	Profit before income tax	13,319	23,017
29	Income tax (expense)/benefit	(6,814)	2,054
	Profit for the reporting period	6,505	25,071
	Profit for the year, including attributable to:	6,505	25,071
24	Non-controlling interest	254	67
	Shareholders of the parent company	6,251	25,004
	Basic and diluted earnings per share		
25	(in Russian roubles per share)	2.87	11.5
23, 25	Weighted average number of shares outstanding (in thousands)	2,178,479	2,178,479

The accompanying notes on pages 181 to 235 are an integral part of these consolidated financial statements

PAO SIBUR HOLDING
IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In millions of Russian roubles, unless otherwise stated)

	Year ended 31 December	
	2015	2014
Profit for the year	6,505	25,071
Other comprehensive (loss) / income:	(284)	249
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on post-employment benefit obligations	(349)	309
Deferred tax effect	65	(60)
Total comprehensive income for the year	6,221	25,320
Total comprehensive income for the year, including attributable to:	6,221	25,320
Non-controlling interest	252	70
Shareholders of the parent company	5,969	25,250

The accompanying notes on pages 181 to 235 are an integral part of these consolidated financial statements

PAO SIBUR HOLDING
IFRS CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions of Russian roubles, unless otherwise stated)

Notes	Year ended 31 December		
	2015	2014	
	Operating activities		
30	Cash from operating activities before income tax payment	123,383	107,329
29	Income tax paid	(4,305)	(16,277)
30	Net cash from operating activities	119,078	91,052
	Investing activities		
	Purchase of property, plant and equipment	(80,486)	(67,707)
11	Loans issued	(1,296)	(4,801)
16	Transfers from restricted cash for investing activities	910	538
	Repayment of loans and notes receivable	368	1,932
	Proceeds from sale of property, plant and equipment	354	1,374
4	Proceeds from disposal of subsidiary, net of cash disposed	21,278	138
4	Acquisition of interest in subsidiary, net of cash acquired	(61,726)	(20,666)
8	Additional contribution to the share capital of joint ventures	(1,852)	(5,875)
	Placement of deposits	(8,631)	-
	Return of deposits	10,293	-
	Interest received	1,282	571
8	Dividends received	1,670	969
	Purchase of intangible assets and other non-current assets	(3,905)	(3,843)
	Net cash used in investing activities	(121,741)	(97,370)
	Financing activities		
	Proceeds from debt	309,729	141,340
	Repayment of debt	(123,715)	(106,994)
	Interest paid	(14,867)	(5,710)
23	Dividends paid	(18,125)	(14,073)
	Payment of bank fees	(9,994)	(697)
18	Grants and subsidies received	1,774	10,227
	Net cash from financing activities	144,802	24,093
	Effect of exchange rate changes on cash and cash equivalents	2,277	1,944
	Net increase in cash and cash equivalents	144,416	19,719
	Cash and cash equivalents, at the beginning of the reporting year	27,667	7,948
	Cash and cash equivalents, at the end of the reporting year	172,083	27,667

The accompanying notes on pages 181 to 235 are an integral part of these consolidated financial statements

PAO SIBUR HOLDING
IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(In millions of Russian roubles, unless otherwise stated)

		<u>Attributable to the shareholders of the parent company</u>						
Notes		Share capital	Share premium	Equity- settled share-based payment plans	Retained earnings	Total	Non- control- ling interest	Total equity
Balance as of								
31 December 2013		21,784	9,357	7,894	195,269	234,304	850	235,154
Profit for the year		-	-	-	25,004	25,004	67	25,071
Actuarial gain on post-employment benefit obligations		-	-	-	246	246	3	249
Total comprehensive income for the reporting period		-	-	-	25,250	25,250	70	25,320
35	Equity-settled share- based payment plans	-	-	11,580	-	11,580	-	11,580
Redemption of treasury shares of subsidiaries		-	-	-	(44)	(44)	44	-
23	Dividends	-	-	-	(14,073)	(14,073)	-	(14,073)
Balance as of								
31 December 2014		21,784	9,357	19,474	206,402	257,017	964	257,981
Profit for the year		-	-	-	6,251	6,251	254	6,505
Actuarial loss on post-employment benefit obligations		-	-	-	(282)	(282)	(2)	(284)
Total comprehensive income for the reporting period		-	-	-	5,969	5,969	252	6,221
35	Equity-settled share- based payment plans	-	-	12,976	-	12,976	-	12,976
23	Dividends	-	-	-	(18,125)	(18,125)	-	(18,125)
Balance as of								
31 December 2015		21,784	9,357	32,450	194,246	257,837	1,216	259,053

The accompanying notes on pages 181 to 235 are an integral part of these consolidated financial statements

1 NATURE OF OPERATIONS

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

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

Between September 2011 and December 2015, Mr Leonid V. Mikhelson was the Group’s ultimate controlling shareholder. On 16 December 2015, China Petroleum & Chemical Corporation (“Sinopec”), a major global petrochemicals corporation, acquired a 10% stake in the Company’s share capital. This has resulted in changes in the composition of the Company’s Board of Directors and the procedures for approving certain transactions. As a result of these changes, Mr Mikhelson is no longer the Group’s ultimate controlling shareholder. Since 31 December 2015, the Group has not had an ultimate controlling shareholder.

As of 31 December 2014 PAO SIBUR Holding’s parent company was Sibur Limited. In the first half of 2015 Sibur Limited transferred its controlling stake in PAO SIBUR Holding to OOO OleFinInvest. As a result of this transaction, OOO OleFinInvest became the Group’s parent company.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of consolidated financial statements under IFRS requires certain critical accounting estimates. It also requires management to exercise judgement when applying the Group’s accounting policies. Those areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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

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

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

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

The consideration transferred for the acquiree is measured at the fair value of the assets released, equity instruments issued, and liabilities incurred or assumed, including the fair values of assets or liabilities from contingent consideration arrangements, but excludes acquisition-related costs such as fees for advisory, legal, valuation and similar professional services. Transaction costs related 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. In addition, unrealised losses are also eliminated unless the relevant cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies that are consistent with the Group's policies.

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

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

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

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

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Depreciation. Depreciation of 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 (except for depreciation of catalysers, which are depreciated using the unit-of-production method):

	Useful lives in years
Buildings	20-60
Facilities	10-50
Machinery and equipment	5-30
Transport vehicles and other	5-20

The useful lives are reviewed annually with due consideration of the nature of the assets, existing practices regarding their repair and maintenance, their intended use and technological evolution. A change in the useful life of a property, plant and equipment item is handled as a change in accounting estimate and is accounted for on a prospective basis.

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

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

Intangible assets

a) Goodwill represents the excess of the cost 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 is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill with respect to the entity sold.

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

b) Development costs directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Development costs are carried at cost less accumulated depreciation.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Research expenditure is recognized as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

d) Other intangible assets with finite useful lives are carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives. Gas supply contract is amortised during the contract maturity (Note 4). The useful lives are reviewed annually taking into consideration the nature of the intangible assets. 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.

Impairment of non-financial assets. Assets with an indefinite useful life, goodwill for example, are not subject to amortisation and are tested annually for impairment. Assets subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 have 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 recognized 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 recognized 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 recognize any further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. In addition, unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally resulting from a shareholding of between 20 and 50 percent of voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Dividends received from associates reduce the carrying value of investments in associates. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profit or loss of associates is recorded in profit or loss for the year as a share of the net income of associates. The Group's share of other post-acquisition comprehensive income of associates is recognized in the Group's other comprehensive income.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held on call with banks, and other short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period are included in other non-current assets. Foreign exchange gains and losses from deposits held on call with banks are classified as foreign exchange gains or losses from financing activities.

Trade and other payables. Trade payables are accrued when a single counterparty has performed its obligations under a relevant contract, and are recognized initially at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and so that a reliable estimate of the relevant amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized 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 recognized as a separate asset but only when reimbursement is virtually certain. Provisions are reassessed at each reporting date and changes in the provisions are reflected in the profit or loss.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Value added tax. Output value added tax (VAT) related to sales is payable to the relevant tax authorities upon the earlier of a) collection of receivables from customers or b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the relevant VAT invoice. The Russian tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases that have not been settled at the reporting date (VAT recoverable and payable) is recognized 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 recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all accompanying conditions. Grants and subsidies related 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. Grants and subsidies received as compensation for non-capital expense are credited to profit or loss reducing the corresponding expense.

Where grants are seen as a mechanism to finance acquisition of property, plant and equipment the cash inflows are shown as a financing activity.

Debt. Debt is recognized 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 recognized in the statement of profit or loss over the period of the debt using the effective interest method.

Fees paid for the establishment of loan facilities are recognized 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. The split-off between the short-term and long-term portion of prepaid borrowing cost is performed based on the expected schedule of the related financing withdrawal.

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

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that require considerable time to be prepared for their intended use or sale (qualifying assets) are capitalised as part of the costs for such assets if the commencement date for capitalisation occurred on or after 1 January 2009.

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Current and deferred income tax. Income taxes are covered in the consolidated financial statements 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 recognized in profit or loss, unless it is recognized in other comprehensive income or directly in equity because it relates to transactions that are recognized, 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 recognized using the balance sheet liability method for tax loss carry-forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Under the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

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

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

Taxes other than income tax, including 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)

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

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

Revenue recognition. Revenues from sales of goods are recognized 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 recognized 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 recognized 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 it was acquired principally for the purpose of selling in the short term. Derivatives are also categorised as financial assets at fair value through profit or loss. Assets in this category are classified as current assets as they are expected to be settled within 12 months from the reporting date. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the profit or loss within finance income and finance expenses in the period in which they arise.

b) Loans and receivables

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

c) Available-for-sale financial assets

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognized in profit or loss for the year as finance income. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognized in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognized in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognized in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through current period’s profit or loss.

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 recognized in profit or loss for the year (as finance income or finance expenses) in the period in which they arise. Other financial liabilities are carried at amortised cost. The Group’s other financial liabilities comprise of ‘trade and other payables’ and ‘long-term and short-term debt’ in the statement of financial position.

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of the investees' financial data are used to measure the fair value of certain financial instruments for which external market pricing information is unavailable. Fair value measurements are analysed according to their levels in the fair value hierarchy as follows: (i) level one are measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the given asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). No transfers between the levels of the fair value hierarchy are deemed to have occurred during the reporting period.

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

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

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

Derivative financial instruments, including interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting.

Impairment of financial assets carried at amortised cost. Impairment losses are recognized in profit or loss when incurred as a result of one or more events (hereinafter "loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the given asset in a group of financial assets with similar credit risk characteristics, and then 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:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 amortized 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 recognized 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 collateralized 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 recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss.

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

Foreign currency transactions. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the given entity operates. The functional currency of the Company and most of its subsidiaries (including SIBUR International GmbH, an export trading company of the Group) and the Group's presentation currency, is the national currency of the Russian Federation, the Russian rouble (RR).

Monetary assets and liabilities held by Group entities as of 31 December 2015 and 2014 and denominated in foreign currencies are translated into RR at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in a foreign currency are recognized as exchange gains or losses in profit or loss.

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

	USD/RR	EUR/RR
As at 31.12.2014	56.2584	68.3427
2014 weighted average	38.4217	50.8150
As at 31.12.2015	72.8827	79.6972
2015 weighted average	60.9579	67.7767

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group formulates estimates and assumptions that affect the reported amounts of assets and liabilities in future financial reporting periods. Estimates and judgements are continually evaluated and are based on management's experience and other factors, such as forecasts of future events that are considered to be reasonable under the given circumstances.

Management also makes certain judgements, in addition to those involving estimates, when it applies its accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities in future financial reporting periods are as follows:

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (see Note 36).

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

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

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

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

Equity-settled share-based payment plans for directors and key management. The Group's management applied estimates and judgments in its financial statements with respect to equity-settled share-based payment plans for the Group's directors and key management (see Note 35).

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

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

Grants and subsidies. As a major investor in infrastructure and social projects in the regions where it operates, the Group has signed cooperation agreements with several regional authorities, including investment and financial support agreements, under which the Group is entitled to a partial refund of capital expenditures incurred in the respective regions subject to certain conditions set for the period up to 2018 inclusive, including amounts of regional investments in business and social infrastructure, local income taxes paid, and number of jobs created and safeguarded. Such reimbursements are made after supporting documents have been submitted to the relevant authority either in the form of an income tax rebate or a direct grant of public funds. Quarterly, at each reporting date, management assesses whether there is a reasonable assurance that the Group is able to comply with the required conditions. The management believes that the Company will be able to comply with the conditions stipulated by the agreements.

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

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

4 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES

OOO Yugragazpererabotka

In 2007, SIBUR and the TNK-BP Group, which was subsequently acquired by the Rosneft Group, established a joint venture, OOO Yugragazpererabotka, in which SIBUR owned a 51 percent stake, while TNK-BP's share was 49 percent.

On 6 March 2014, the Group acquired the remaining 49 percent stake in OOO Yugragazpererabotka from the Rosneft Group (formerly, the TNK-BP Group) for a cash consideration of RR 55,733 representing the rouble equivalent of USD 1,567 million. As a result, the Group has acquired control over OOO Yugragazpererabotka and its production subsidiaries. In March 2014, under the terms of the share purchase agreement, the Group paid RR 20,548 (equivalent to USD 567 million). The remaining amount RR 61,410 (equivalent to USD 1,000 million) was paid during the first half of 2015.

In addition to the share purchase agreement the Group and the Rosneft Group have agreed to increase guaranteed supplies of associated petroleum gas from the Rosneft Group's oil fields to OOO Yugragazpererabotka's processing facilities to the level of 10 billion cubic metres per annum for the period through 2032. As a result, the Group recognized intangible assets related to the relevant associated petroleum gas supply contracts of RR 115,816 (see Note 7).

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

4 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

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

	Fair values
Intangible assets (see Note 7)	115,816
Property, plant and equipment (see Note 6)	23,934
Trade and other receivables	1,837
Prepayments and other current assets	769
Deferred income tax assets	577
Inventories	440
Other non-current assets	41
Cash and cash equivalents	1
Deferred income tax liabilities	(26,096)
Trade and other payables	(5,808)
Short-term and long-term debt	(2,559)
Other current liabilities	(271)
Net assets of the acquired subsidiary	108,681
Less:	
Total purchase consideration	55,733
Fair value of interest previously held	55,427
Goodwill arising on acquisition	2,479

As of the acquisition date, the Group remeasured its previously held interest in OOO Yugragazpererabotka of RR 2,654 at fair value. As a result, a RR 52,773 gain was recognized in the consolidated statement of profit or loss for the year ended 31 December 2014.

Between 2014 and July 2015, OOO Yugragazpererabotka's subsidiaries were involved in litigation with OAO Tyumenenergo, an electrical utility. As a result OOO Yugragazpererabotka's subsidiaries recognized RR 4,272 in liabilities as part of the purchase price allocation exercise as of the date of acquisition of the remaining 49 percent stake in OOO Yugragazpererabotka. As of 31 December 2014, the Group's liabilities related to this litigation increased by RR 345 to RR 4,617, as a result of additional penalties recognized in the Group's statement of profit or loss. In July 2015 the lawsuit against OAO Tyumenenergo was closed when AO Tyumenenergo waived its claims, which was then accepted by the court. The accrued provision of RR 4,617 was released in full and the related gain was recognized in the energy and utilities line of Operating Expenses before the equity-settled share-based payment plan line of the consolidated statement of profit or loss in the second half of 2015.

OOO Sibur-Portenergo

As of 31 December 2014, the Company classified assets and liabilities of its subsidiary, OOO Sibur-Portenergo, in the amount of RR 25,093 and RR 1,333, respectively, as assets held for sale and associated liabilities. OOO Sibur-Portenergo operates the liquefied petroleum gas and naphtha transshipment terminal located in Ust-Luga, Leningrad Region (the "Terminal").

In November 2015, the Company sold its 100% interest in OOO Sibur-Portenergo to Baltic Sea Transshipment PTE. Ltd (the Buyer), a company established by a consortium of Russian and international investors, including the Russian Direct Investment Fund. The Company's interest was sold for a cash consideration of RR 21,335, which was received at the disposal date, as well as deferred and contingent considerations. The deferred consideration, which amounted to USD 50 million (equivalent of RR 3,220) as of the disposal date, is payable within one year after the transaction date. The amount of the deferred consideration may be adjusted after confirmation of the Terminal's basic capacity in 2016. The contingent consideration amount of RR 1,156 (USD 18 million) is payable after seven years and was derived based on a specific formula linked to the pricing of OOO Sibur-Portenergo's long-term transshipment contracts in excess of a defined threshold.

4 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

After the disposal date, UK SIBUR Portenergo (the “Management Company”), a subsidiary of the Company, will manage Terminal operations for a service fee. The Buyer will be entitled to terminate the service contract with the Management Company at any time after two years have passed from the disposal date. The Buyer will make decisions regarding all relevant Terminal activities, as defined by IFRS 10 “Consolidated Financial Statements”, including approving its budgets, setting the terms of significant contracts, and financing and investing activities. The Management Company will operate under budgets approved by the Buyer. Should the Management Company disagree with the Buyer’s approved budget, it will formally relinquish responsibility for Terminal operations and will officially notify the Buyer accordingly.

In November 2015, the Company signed a long-term, take-or-pay transshipment contract with OOO Sibur-Portenergo, which is valid through December 2029 (the “Transshipment Contract”). Under the Transshipment Contract, the Company must transship its liquefied petroleum gas (LPG) and fully utilize the Terminal’s LPG transshipment capacity. As well, the Company must transship its naphtha and utilize a pre-determined percentage of the Terminal’s naphtha transshipment capacity if there are no other customers.

The Company’s management took the requirements of IFRS 10 “Consolidated Financial Statements” into consideration and made a significant judgement that, although the Group has retained some exposure or rights to variable returns from its involvement with the Terminal, it does not control the Terminal because it is the Buyer’s prerogative to make decisions on relevant Terminal operations, and the Terminal’s naphtha transshipment capacity may be utilized by third parties upon a decision of the Buyer.

The carrying amounts of OOO Sibur-Portenergo’s assets and liabilities are summarized below:

Assets	31 December 2014	As of the disposal date
Property, plant and equipment	24,930	25,515
Advances and prepayments for capital construction	55	-
Intangible assets	4	4
Inventories	80	81
Trade and other receivables	24	741
Prepayments and other current assets	-	49
Prepaid taxes	-	68
Cash and cash equivalents	-	57
Total assets	25,093	26,515
Liabilities		
Trade and other payables	694	827
Deferred income tax liabilities	593	1,438
Taxes other than income tax payable	46	9
Total liabilities	1,333	2,274

At the disposal date, the Company recognized the deferred consideration of RR 3,220 as a financial asset classified as other receivables on the consolidated statement of financial position. Additionally, at the disposal date the Company recognized the contingent consideration in the amount of RR 698 (RR 1,156 less a discount of RR 458) as a financial asset classified as available for sale within non-current trade and other receivables on the consolidated statement of financial position (see Note 12).

As of 31 December 2015, the deferred and contingent considerations were RR 3,680 and RR 800, respectively.

4 ACQUISITION AND DECONSOLIDATION OF SUBSIDIARIES (CONTINUED)

As a result, the Company recognized a gain from disposal of RR 1,012, which was classified as a gain on disposal of subsidiary in the consolidated statement of profit or loss.

OOO IT-Service

On 25 June 2015, the Group acquired a 100% stake in IT services provider OOO IT-Service from its joint venture OOO ITSK for a cash consideration of RR 197 (RR 232 purchase price less cash as of the acquisition date of RR 35), for the sole purpose of reselling the acquired company. As of 31 December 2015, the assets and liabilities of OOO IT-Service (amounting to RR 257, including RR 138 of goodwill arising upon acquisition, and RR 285, respectively) were classified as assets held for sale and liabilities associated with the assets held for sale on the respective lines in the consolidated statement of financial position.

5 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

OOO ITSK

As of 31 December 2014, assets classified as held for sale included an investment of RR 795 in OOO ITSK, a joint venture of the Group. In June 2015, the Group withdrew OOO ITSK and recognized a loss on disposal in the amount of RR 188.

OOO Siburgeosint

As of 31 December 2015, assets and liabilities classified as held for sale included the assets and liabilities of the Group's geosynthetics producer OOO Siburgeosint, which amounted to RR 352 in assets and RR 84 in liabilities. The Group plans to dispose of OOO Siburgeosint in 2016.

The Group recognized a pre-tax loss of RR 479 on the remeasurement of OOO Siburgeosint's net assets to the lower of carrying amount and fair value less selling costs. This loss was recognized within operating expenses before the equity-settled share-based payment plan in the consolidated statement of profit or loss.

OOO ITSK's financial results are reported in the Unallocated segment while OOO Siburgeosint's financial results are reported in the Petrochemicals segment (see Note 33).

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 2013	28,913	70,792	90,713	1,712	85,173	4,895	282,198
Depreciation charge	(1,672)	(7,859)	(12,362)	(605)	-	(494)	(22,992)
Additions	-	-	-	-	54,639	1,057	55,696
Acquisition of subsidiary (see Note 4)	4,693	16,438	2,192	3	482	126	23,934
Transfers	7,713	70,121	28,154	295	(106,499)	216	-
Disposals	(296)	(278)	(468)	(45)	(494)	(39)	(1,620)
Impairment	-	-	-	-	(120)	-	(120)
Reclassification to assets held for sale (see Note 5)	(2,282)	(12,461)	(10,055)	-	(127)	(5)	(24,930)
Reclassification from assets held for sale	-	-	-	5,715	-	-	5,715
Reclassifications to intangible assets	-	-	-	-	(698)	-	(698)
Historical cost as of 31 December 2014	44,860	159,667	134,913	10,766	32,356	7,453	390,015
Accumulated depreciation	(7,791)	(22,914)	(36,739)	(3,691)	-	(1,697)	(72,832)
Net book value as of 31 December 2014	37,069	136,753	98,174	7,075	32,356	5,756	317,183
Depreciation charge	(1,810)	(9,421)	(14,606)	(542)	-	(1,136)	(27,515)
Additions	-	-	-	-	67,841	5,122	72,963
Transfers	2,785	16,298	15,003	918	(35,586)	582	-
Disposals	(158)	(140)	(154)	(53)	(1,023)	(502)	(2,030)
Reclassification to assets held for sale (see Note 5)	(185)	(203)	(421)	(1)	(239)	(25)	(1,074)
Historical cost as of 31 December 2015	47,445	174,637	147,616	11,507	63,349	12,114	456,668
Accumulated depreciation	(9,744)	(31,350)	(49,620)	(4,110)	-	(2,317)	(97,141)
Net book value as of 31 December 2015	37,701	143,287	97,996	7,397	63,349	9,797	359,527

Transfers for the year ended 31 December 2015 include capacity increase of associated petroleum gas pipelines, construction of the dry gas pipeline connection between Nyagangazpererabotka and gas distribution pipeline, reconstruction of raw natural gas liquids production facility at Tobolsk-Neftehim, construction of the logistics platform in Tobolsk and capacity increase of basic polymers production at Tomskneftekhim.

For 2015 and 2014, the Group capitalized borrowing costs of RR 8,338 and RR 5,226, respectively. Borrowing costs included foreign exchange losses from financing activities in the amount of RR 4,408 and RR 2,224 for the year ended 31 December 2015 and 31 December 2014, respectively. The capitalization rates, excluding the effects of capitalized foreign exchange losses from financing activities, were 5.75 percent and 3.66 percent, respectively.

7 GOODWILL AND INTANGIBLE ASSETS EXCLUDING GOODWILL

The net book value of intangible assets was as follows:

	Goodwill	Customer relationships	Supply contract	Software and licences	Development costs	Total
Net book value as of 31 December 2013	9,480	556	-	3,997	-	14,033
Transfer from property, plant and equipment to intangible assets	-	-	-	-	698	698
Transfers	-	-	-	230	(230)	-
Acquisition of OOO Yugragazpererabotka (see Note 4)	2,479	-	115,816	-	-	118,295
Additions	-	-	-	2,389	348	2,737
Disposals	-	-	-	-	(127)	(127)
Amortisation charge	-	(71)	(5,120)	(376)	-	(5,567)
Historical cost as of 31 December 2014	11,959	680	115,816	7,215	690	136,360
Accumulated amortisation	-	(195)	(5,120)	(975)	-	(6 290)
Net book value as of 31 December 2014	11,959	485	110,697	6,239	690	130,070
Additions	-	-	-	4,682	628	5,310
Transfers	-	-	-	29	(29)	-
Disposals	-	-	-	(21)	(343)	(364)
Amortisation charge	-	(71)	(6,150)	(1,422)	-	(7,643)
Historical cost as of 31 December 2015	11,959	680	115,816	11,759	946	141,160
Accumulated amortisation	-	(266)	(11,269)	(2,252)	-	(13,787)
Net book value as of 31 December 2015	11,959	414	104,547	9,507	946	127,373

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

Impairment tests for goodwill

Goodwill related to the acquisitions of SIBUR International GmbH, OOO Biaxplen and OOO Yugragazpererabotka is allocated to the Group's cash-generating units (CGUs), which are the same as operating and reportable segments (see Note 33).

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

	31 December 2015	31 December 2014
<i>SIBUR International GmbH</i>		
Feedstock & Energy	4,020	4,020
Petrochemicals	2,677	2,677
<i>OOO Biaxplen</i>		
Petrochemicals	2,783	2,783
<i>OOO Yugragazpererabotka</i>		
Feedstock & Energy	2,479	2,479
Total goodwill	11,959	11,959

The recoverable amount for 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.

7 GOODWILL AND INTANGIBLE ASSETS EXCLUDING GOODWILL (CONTINUED)

These calculations use pre-tax cash flow projections based on the management's five-year financial forecast prepared as of the year end. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of three percent. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate. The following key assumptions are used in the value-in-use calculation: a discount rate of 17.87 percent, an exchange rate of RR 47-65 to USD 1, an oil price of USD 53-89 per bbl, and a Consumer Price Index of 4.3-10.4 percent. The discount rates used are pre-tax and reflect specific risks relating to the CGUs' operating activity. Considering the current uncertainty and volatility in the Russian economy, management performed value-in-use calculations based on several scenarios in addition to the base model with assumptions disclosed above. None of those, including the stress test with an exchange rate assumption of RR 75-84 to USD 1, an oil price of USD 40-42 per bbl, indicates the potential impairment of goodwill.

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	31 December 2015	31 December 2014
OOO RusVinyl	15,590	17,623
OOO Yuzhno-Priobsky GPZ	5,428	4,806
OOO NPP Neftekhimia	4,321	3,593
Reliance Sibur Elastomers Private Limited	1,159	181
AO Sibgazpolimer	565	557
OOO SNHK	1	1
Total investments in joint ventures and associates	27,064	26,761

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

	2015		2014	
	Associates	Joint Ventures	Associates	Joint Ventures
Investments in joint ventures and associates as of the beginning of the year	181	26,580	175	27,346
Share of profit/(loss) of associates and joint ventures	2	(1,266)	6	(3,833)
Additions	976	1,498	-	7,623
Transfer of joint ventures and associates to subsidiaries	-	-	-	(2,792)
Transfer to assets held for sale	-	-	-	(795)
Dividends received from associates and joint ventures	-	(907)	-	(969)
Investments in joint ventures and associates as of the end of the year	1,159	25,905	181	26,580

In 2015 and 2014, the Group received dividends from OOO NPP Neftekhimia of RR 907 and RR 969, respectively.

All individually material associates and joint ventures are private companies and, thus, there are no quoted prices for their shares. All of these entities have share capital consisting solely of ordinary shares, which are held directly by the shareholders.

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

OOO RusVinyl. In June 2007, the Group formed a joint venture, OOO RusVinyl, with SolVin Holding Nederland B.V. (which is ultimately controlled by Solvay SA) for the construction of a polyvinyl chloride production complex in the Nizhny Novgorod Region. In September 2014, OOO RusVinyl began its operation. During the years ended 31 December 2015 and 31 December 2014, the Group and

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

SolVin Holding Nederland B.V. each additionally contributed RR 875 and RR 4,750 to the share capital of OOO RusVinyl; the Group's ownership share remained unchanged.

The Group has issued a finance guarantee for 50 percent of a loan obtained by OOO RusVinyl and pledged its share in the joint venture as security for the financial obligations of OOO RusVinyl. As of 31 December 2015 and 31 December 2014, the maximum credit risk exposures due to financial guarantees issued for the OOO RusVinyl loan were RR 21,548 and RR 20,677, respectively.

The table below provides information on the statement of financial position and the results of OOO RusVinyl as of and for the years ended 31 December 2015 and 2014.

	31 December 2015	31 December 2014
Assets		
Non-current assets		
Property, plant and equipment	71,105	73,797
Other non-current assets	4,459	3,139
Total non-current assets	75,564	76,936
Current assets		
Cash and cash equivalents	1,170	498
Other current assets	3,631	3,368
Total current assets	4,801	3,866
Total assets	80,365	80,802
Liabilities		
Non-current liabilities		
Financial liabilities	38,247	38,504
Total non-current liabilities	38,247	38,504
Current liabilities		
Financial liabilities	8,690	5,032
Other current liabilities	2,248	2,021
Total current liabilities	10,938	7,053
Total liabilities	49,185	45,557
Net assets	31,180	35,245

Reconciliation to carrying amounts:

	Year ended 31 December	
	2015	2014
Opening net assets	35,245	33,981
Loss for the period	(5,815)	(8,236)
Additional contribution to the share capital	1,750	9,500
Closing net assets	31,180	35,245
<i>Group's share in percent</i>	50	50
Group's share	15,590	17,623
Carrying amount	15,590	17,623

	Year ended 31 December	
	2015	2014
Revenue	15,580	2,426
Depreciation and amortization	(3,359)	(690)
Interest income	62	137
Interest expense	(3,605)	(818)
Foreign exchange loss	(4,630)	(9,240)
Income tax benefit	1,342	2,273
Loss for the period	(5,815)	(8,236)

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The Group has reviewed its investment in OOO RusVinyl for impairment and has assessed recoverable amount of this investment as of 31 December 2015 and 31 December 2014 based on value-in-use calculations. No impairment has been recognized as a result of the review. The Group performed a sensitivity analysis of key assumptions used in the impairment model, which in certain scenarios indicated an insignificant impairment of the investment.

OOO Yuzhno-Priobsky GPZ. In 2007, the Group and the Gazprom Neft Group established a joint venture in the Khanty-Mansiysk Autonomous District to construct a gas processing plant based on Yuzhno-Priobskaya compressor station. On 3 September 2015, OOO Yuzhno-Priobsky GPZ began its operation.

In September 2014 and February 2015, the Gazprom Neft Group made additional contributions to the joint venture's share capital of RR 4,810 and RR 1,240, respectively. According to the shareholders' agreement, both shareholders are obliged to finance the joint venture on a parity basis. Thus, the contributions made by the Gazprom Neft Group require that the Group either provide equivalent funding to the joint venture or compensate the Gazprom Neft Group for 50 percent of the contribution made. As a result, as of 31 December 2015 and 31 December 2014 the Group recognized a liability for contributions to the share capital of OOO Yuzhno-Priobsky GPZ in the amount of RR 3,025 and RR 2,405, respectively (see Note 19, 20), with a corresponding increase in the investments in joint ventures and associates line.

The Group paid to the Gazprom Neft Group the amounts of RR 2,053 in September 2014 and RR 972 during the first half of 2015 in cash, which were recognized as loans receivable (see Note 11) as of 31 December 2014 and 31 December 2015.

Following the contributions made by the Gazprom Neft Group, the Group's nominal ownership in the joint venture has temporarily decreased to 26.3 percent.

Under the shareholders' agreement, a unanimous decision is required to approve key financial and operating policy decisions with respect to the joint venture's business activities. The Group's economic interest in the joint venture has remained unchanged and it continues to account for its investment in OOO Yuzhno-Priobsky GPZ as a joint venture under the equity method.

In April 2016 the Group met its obligation to make a share capital contribution to OOO Yuzhno-Priobsky GPZ. At the same time, the Gazprom Neft Group has settled the loan received from the Group. As a result the Group's stake in the joint venture has increased back to 50 percent upon the transfer of the related portion of shares previously owned by the Gazprom Neft Group.

The table below provides information on the statement of financial position and the results of OOO Yuzhno-Priobsky GPZ as of and for the years ended 31 December 2015 and 2014.

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

	31 December 2015	31 December 2014
Assets		
Non-current assets		
Property, plant and equipment	10,018	5,914
Other non-current assets	249	2,361
Total non-current assets	10,267	8,275
Current assets		
Cash and cash equivalents	641	1,261
Other current assets	595	763
Total current assets	1,236	2,024
Total assets	11,503	10,299
Liabilities		
Non-current liabilities		
Other non-current liabilities	283	346
Total non-current liabilities	283	346
Current liabilities		
Other current liabilities	364	341
Total current liabilities	364	341
Total liabilities	647	687
Net assets	10,856	9,612

Reconciliation to carrying amounts:

	Year ended 31 December	
	2015	2014
Opening net assets	9,612	3,910
Profit for the period	4	42
Additional contribution to the share capital	1,240	5,660
Closing net assets	10,856	9,612
<i>Reporting entity's share in percent</i>	<i>50</i>	<i>50</i>
Reporting entity's share	5,428	4,806
Carrying amount	5,428	4,806

	Year ended 31 December	
	2015	2014
Revenue	1,196	864
Depreciation and amortization	(646)	(599)
Interest income	6	63
Interest expense	-	(10)
Income tax expense	(13)	-
Profit for the period	4	42

OOO NPP Neftekhimia. In September 2010, the Group created a joint venture, OOO NPP Neftekhimia, with OAO Moskovskiy NPZ (later renamed as AO Gazpromneft-MNPZ), a member of Gazprom neft Group. The joint venture is a polypropylene producer located in Moscow, and the Group purchases substantially all of its production volumes.

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The table below provides information of the statement on financial position and the results of OOO NPP Neftekhimia as of and for the year ended 31 December 2015 and 2014.

	31 December 2015	31 December 2014
Assets		
Non-current assets		
Property, plant and equipment	1,763	1,804
Other non-current assets	61	66
Total non-current assets	1,824	1,870
Current assets		
Cash and cash equivalents	233	74
Other current assets	3,982	2,394
Total current assets	4,215	2,468
Total assets	6,039	4,338
Liabilities		
Non-current liabilities		
Other non-current liabilities	26	11
Total non-current liabilities	26	11
Current liabilities		
Other current liabilities	515	285
Total current liabilities	515	285
Total liabilities	541	296
Net assets	5,498	4,042

Reconciliation to carrying amounts:

	Year ended 31 December	
	2015	2014
Opening net assets	4,042	4,343
Profit for the period	3,269	1,637
Dividends paid	(1,813)	(1,938)
Closing net assets	5,498	4,042
<i>Group's share in percent</i>	<i>50</i>	<i>50</i>
Group's share	2,749	2,021
Goodwill	1,572	1,572
Carrying amount	4,321	3,593

	Year ended 31 December	
	2015	2014
Revenue	8,334	6,041
Depreciation and amortization	(160)	(211)
Interest income	332	174
Foreign exchange loss	-	(5)
Income tax expense	(842)	(469)
Profit for the period	3,269	1,637

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Summarised financial information of each individually immaterial joint venture and associate is provided below.

As of and for the year ended 31 December 2015

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Oper. profit/(loss)	Profit
Reliance Sibur Elastomers Private Limited	1,551	5,876	2,456	-	12	10	9
ZAO Sibgazpolimer	590	3,190	2,651	-	-	(1)	15

As of and for the year ended 31 December 2014

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Oper. profit	Profit/(loss)
Reliance Sibur Elastomers Private Limited	101	1,541	923	-	27	24	24
ZAO Sibgazpolimer	442	3,096	2,423	-	-	-	(1,756)

In May 2014 Sibgazpolimer acquired a 50% stake in OOO Poliom from Titan Group for a cash consideration of RR 2,297 and a contingent consideration of RR 2,131. Purchase price allocation resulted in recognition of goodwill in the amount of RR 5,960, which was included in carrying value of investment in OOO Poliom. The Group has reviewed the goodwill of ZAO Sibgazpolimer for impairment and has assessed its recoverable amount as of 31 December 2015 and 31 December 2014 based on value-in-use calculations. No impairment has been recognized as a result.

The Group has a number of long-term contracts with joint ventures, including contracts for procurement of processing services and purchase of finished goods. Balances outstanding as of 31 December 2015 and 31 December 2014 and transactions for the year ended 31 December 2015 and 31 December 2014 with joint ventures and associates are disclosed in Note 35.

The Group will finance investments in its joint ventures and associates should these entities be unable to attract third parties financing. The Group's commitments under these investment arrangements comprised RR 4,413 and RR 2,321 as of 31 December 2015 and 2014, respectively.

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

	Country of incorporation and principal place of business	Nature of operations	Interest held (percent) as of	
			31 December 2015	31 December 2014
<i>Joint ventures:</i>				
OOO RusVinyl	Russia	Polyvinyl chloride production	50	50
OOO NPP Neftekhimia	Russia	Polypropylene production	50	50
AO Sibgazpolimer*	Russia	Investments in Omsk polypropylene plant, OOO "Poliom" (50 percent share)	50	50
OOO SNHK	Russia	Production of plastics and synthetic resins	50	50
OOO Yuzhno-Priobsky GPZ	Russia	Associated petroleum gas processing	26	27
OOO ITSK**	Russia	IT and metrology services	-	50
<i>Associates:</i>				
Reliance Sibur Elastomers Private Limited	India	Butyl rubber production (investment project)	25	25

*Special purpose vehicle formed for investing in production entities.

**Disposed in June 2015

8 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The voting and ownership percentage in joint ventures and associates are the same, except for OOO Yuzhno-Priobsky GPZ (as described above).

9 PREPAID BORROWING COSTS

As of 31 December 2015, prepaid borrowing costs of RR 8,465 included export credit agency (ECA) premiums and fees paid to a consortium of European banks for arranging a long-term credit facility for the ZapSibNeftekhim (ZapSib-2) investment project. The current portion of prepaid borrowing costs of RR 2,610 will be accounted for under loans and borrowings within one year from the reporting date.

10 ADVANCES AND PREPAYMENTS FOR CAPITAL CONSTRUCTION

As of 31 December 2015 and 31 December 2014, advances and prepayments primarily were paid under ZapSib-2 investment project.

As of 31 December 2015, other significant advances and prepayments were paid for a construction of gas fractionation unit in Tobolsk and capacity increase of basic polymer production at Tomskneftekhim.

As of 31 December 2014, other significant advances and prepayments were paid for a construction of a natural gas liquids pipeline between Purovsky Gas Condensate Plant, Yuzhno-Balykskaya Main Pumping Station and the Tobolsk production site and a capacity increase of associated petroleum gas processing facilities.

As of 31 December 2015, the most significant advances and prepayments were paid to Linde AG Engineering Division, Technip France, Renaissance Heavy Industries, Yamata Endüstriyel Projeler İnşaat Taahhüt ve Ticaret, ThyssenKrupp Industrial Solutions AG and Polyplastic Group AO.

As of 31 December 2014, the most significant advances and prepayments were paid to Linde AG Engineering Division, Technip France, OOO Lennihimmash, and OOO NGSK (Moscow).

Management assessed the risks of unrecoverability and requested a collateral against advances and prepayments when considered the risk as moderate or higher. On a regular basis, management reviews and monitors the status of work performed under each construction and other services and supplies agreement. The Group's management assesses as insignificant the risk that some of the advances and prepayments would not be recovered.

11 LOANS RECEIVABLE

	31 December 2015	31 December 2014
Gazprom нефт Group (RR 3,025 less a discount of RR 112 as of 31.12.2015, RR 2,053 less a discount of RR 232 as of 31.12.2014 (see Note 8).)	2,913	1,821
AO Sibgazpolimer	1,179	1,179
Other	9	80
Total loans receivable	4,101	3,080
Less: non-current portion	(-)	(1,835)
	4,101	1,245

The fair value of loans receivable approximates its carrying value.

12 TRADE AND OTHER RECEIVABLES

	31 December 2015	31 December 2014
Trade receivables (net of impairment provisions of RR 232 and RR 280 as of 31 December 2015 and 31 December 2014, respectively)	18,055	15,776
Other receivables (net of impairment provisions of RR 177 and RR 534 as of 31 December 2015 and 31 December 2014, respectively)	3,792	1,952
Receivable from disposal of subsidiary (see Note 4)	3,680	-
Total trade and other receivables	25,527	17,728
Less non-current portion: other receivables	(1,898)	(897)
	23,629	16,831

The fair value of trade receivables approximates its carrying value. As of 31 December 2015 and 2014, respectively, RR 2,807 and RR 3,103 in trade receivables were secured by bank guarantees and other collaterals. All non-current receivables are due within ten years from reporting period date.

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

	Trade receivables	Other receivables	Total
As of 31 December 2015			
Up to three months	833	26	859
Three to twelve months	101	462	563
Total	934	488	1,422
As of 31 December 2014			
Up to three months	721	187	908
Three to twelve months	306	47	353
Total	1,027	234	1,261

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

	Trade receivables	Other receivables	Total
As of 31 December 2013	199	205	404
Written off during the year as uncollectible	(64)	(9)	(73)
Unused amounts reversed	(185)	(2)	(187)
Impairment for receivables	330	340	670
As of 31 December 2014	280	534	814
Written off during the year as uncollectible	(11)	(37)	(48)
Unused amounts reversed	(75)	(353)	(428)
Impairment for receivables	38	33	71
As of 31 December 2015	232	177	409

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

13 OTHER NON-CURRENT ASSETS

	31 December 2015	31 December 2014
Raw natural gas liquids in pipelines	2,017	2,182
Advances issued	230	228
Other	175	211
Total other non-current assets	2,422	2,621

14 INVENTORIES

	31 December 2015	31 December 2014
Refined products and work in progress	17,093	16,095
Materials and supplies	9,632	8,526
Goods for resale	927	1,499
Total inventories	27,652	26,120

As of 31 December 2015 and 31 December 2014 inventory write-downs amounted to RR 227 and RR 515, respectively. No significant reversals of previous inventory write-downs were made during the years ended 31 December 2015 and 31 December 2014.

15 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2015	31 December 2014
Non-financial assets		
Prepayments and advances to suppliers	5,995	5,989
VAT receivable	4,729	4,467
Recoverable VAT	2,595	3,365
Excise receivable	1,048	19
Other prepaid taxes and custom duties	953	892
Recoverable excise	933	383
Other current assets	157	220
Total non-financial assets	16,410	15,335
Financial assets		
Other financial assets	39	39
Total prepayments and other current assets	16,449	15,374
Less:		
Non-current portion of recoverable VAT related to assets under construction	(4)	(8)
	16,445	15,366

16 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents include deposits held with banks, which are readily convertible to cash and have an original maturity of less than three months, of RR 53,316 and RR 16,652 as of 31 December 2015 and 31 December 2014, respectively.

As of 31 December 2015, cash in the amount of RR 109,478, received by the Group's subsidiary OOO ZapSibNeftekhim from Russia's National Welfare Fund, was placed on a special account at PAO Sberbank of Russia (see Note 17). This cash can be used only for payments for equipment delivered and services provided to the ZapSib-2 investment project. The Group's management made a judgement that, while this cash is limited to the aforementioned use, it can be classified as cash and cash equivalents as OOO ZapSibNeftekhim has no other significant expenditures.

As of 31 December 2014, restricted cash included Vnesheconombank letters of credit amounting to RR 910. These letters of credit were used for the polypropylene plant construction project in Tobolsk, Tyumen Region. There was no restricted cash as of 31 December 2015.

17 LONG-TERM DEBT

Long-term debt payable to	Currency	Due	31 December 2015	31 December 2014
Variable rate				
National Wealth Fund financing	USD	2030	127,545	-
Vnesheconombank	USD	2013-2023	31,620	26,821
Promsvyazbank	USD	2017	18,205	14,041
Deutsche Bank (including Export credit agency financing)	EUR	2014-2029	13,492	2,120
PAO Sberbank of Russia	RR	2016-2021	12,501	-
Raiffeisen Bank	USD	2017	10,893	8,374
Rosbank	USD	2017	10,907	-
Nordea Bank	USD	2015-2016	5,831	11,252
ING Bank Group	EUR, USD	2008-2021	5,077	5,065
Citibank	USD	2013-2023	2,840	2,449
UniCredit Bank	EUR, USD	2013-2019	1,029	17,900
Alfa-Bank	USD	2016	-	3,375
Fixed rate				
Eurobonds	USD	2018	72,809	56,150
PAO Sberbank of Russia	RR	2015-2019	50,659	37,805
Gazprombank	RR	2020	32,000	-
UniCredit Bank	RR	2019	17,905	-
Russian Direct Investment Fund	USD	2018-2020	15,305	-
OOO NPP Neftekhimia	RR	2011-2017	1,625	800
Gazprom Mezhhregiongaz	RR	2011-2017	482	425
Other	USD	2031	33	24
Total long-term debt			430,758	186,601
Less: current portion			(21,354)	(36,547)
			409,404	150,054

National Wealth Fund. On 4 December 2015, the Group's subsidiary OOO ZapSibNeftekhim issued 15-year bonds worth USD 1,750 million to the Russian Federation Ministry of Finance. As a result, the Group received financing from Russia's National Welfare Fund as part of the Russian Direct Investment Fund's commitment to provide 10% of the financing for the ZapSib-2 investment project.

Vnesheconombank. In July 2010, the Group signed an agreement with Vnesheconombank for project financing for the construction of polypropylene production facilities in the Tobolsk area. The financing was primarily secured by OOO Tobolsk-Polymer shares and property, plant and equipment. In April 2014, Vnesheconombank and the Group signed an additional agreement. Under this additional agreement, OOO Tobolsk-Polymer's shares and property, plant and equipment items were released from the pledge in July and August 2014, respectively.

Export credit agency (ECA) financing. In December 2014, the Group signed an agreement with a consortium of European banks led by Deutsche Bank to raise a long-term ECA credit facility in the amount of EUR 1,575 million, which was increased in March 2016 by EUR 101 million for a total amount of EUR 1,676 million, to finance the ZapSib-2 investment project. As of 31 December 2015, the Company had drawn down EUR 115 million from this credit facility.

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

PAO Sberbank of Russia. On 28 November 2014, the Company entered into a five-year committed credit facility of RR 42,000 with PAO Sberbank of Russia, which is payable on 27 November 2019. As of 31 December 2015, the Company had drawn down this credit facility in full.

Russian Direct Investment Fund. A consortium of investors, consisting of the Russian Direct Investment Fund and leading Middle Eastern sovereign wealth funds, has provided a loan to the Group's subsidiary OOO ZapSibNeftekhim in the amount of USD 210 million to invest in the ZapSib-2 project.

17 LONG-TERM DEBT (CONTINUED)

Long-term RR-denominated debt bore average interest rates of 12.9 percent and 10.1 percent as of 31 December 2015 and 31 December 2014, respectively. Long-term USD-denominated debt bore average interest rates of 3.4 percent and 3.1 percent as of 31 December 2015 and 31 December 2014, respectively. Long-term EUR-denominated debt bore average interest rates of 1.2 percent and 1.5 percent as of 31 December 2015 and 31 December 2014, respectively.

The Group had no subordinated debt and no debts that may be converted into an equity interest in the Group.

The scheduled maturities of long-term debt as of 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Due for repayment:		
Between one and two years	48,794	31,500
Between two and five years	212,286	105,062
Between five and ten years	17,280	13,492
More than ten years	131,044	-
Total long-term debt	409,404	150,054

The carrying amounts of long-term fixed-rate borrowings approximate their fair value as of 31 December 2015 and 31 December 2014, except for a credit facility from PAO Sberbank of Russia with a fair value of RR 26,314 as of 31 December 2014. The carrying amounts of long-term debts with variable interest rates linked to LIBOR, EURIBOR or USA CPI approximate their fair value.

As of 31 December 2015 and 31 December 2014, the Group had the following committed long-term credit facilities:

	Credit limit	Undrawn amount
As of 31 December 2015		
EUR-denominated (in millions of EUR)	2,162	2,017
RR-denominated (in millions of RR)	9,300	9,156
As of 31 December 2014		
RR-denominated (in millions of RR)	64,000	53,000

As of 31 December 2015 and 31 December 2014, the total rouble equivalent of the Group's undrawn committed long-term credit facilities were RR 169,944 and RR 53,000, respectively.

18 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 these agreements, the Group is entitled to a partial refund of capital expenditures and finance expenses 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, either in the form of an income tax rebate or a direct grant of public funds, after the Group submits appropriate supporting documents to the relevant regional authority.

	2015	2014
Non-current portion of grants and subsidies as of 1 January	42,747	34,966
Grants and subsidies received	1,774	10,227
Recognized in profit or loss (depreciation)	(2,425)	(2,046)
Recognized in profit or loss (interest expense)	-	(400)
Non-current portion of grants and subsidies as of 31 December	42,096	42,747

19 OTHER NON-CURRENT LIABILITIES

	31 December 2015	31 December 2014
Financial liabilities		
Payables for acquisition of subsidiaries and joint ventures	1,663	3,767
Accounts payable to contractors and suppliers of production licences	533	361
Interest payable	27	25
Derivative financial instruments	-	229
Total financial non-current liabilities	2,223	4,382
Non-financial liabilities		
Post-employment obligations	2,260	1,722
Payables to employees	1,307	1,242
Other liabilities	1	57
Total non-financial non-current liabilities	3,568	3,021
Total other non-current liabilities	5,791	7,403

As of 31 December 2015, payables for the acquisition of subsidiaries and joint ventures include payables for the acquisition of AO Polief of RR 1,618. As of 31 December 2014, payables for the acquisition of subsidiaries included payables for the acquisition of AO Polief of RR 1,582 and OOO Yuzhno-Priobsky GPZ of RR 2,142 (RR 2,400 less a discount of RR 258).

The Group maintains a cash-settled long-term incentive (LTI) plan. Among other factors, remuneration under the LTI plan is contingent upon the contribution that management makes toward increases in the Group's business fair value, which is measured by changes in the Group's business fair value divided by the median change in the business fair values of certain other international corporations operating in the petrochemicals industry. The LTI plan requires that participants provide services to the Group within a specific time period. Remuneration granted is vested to each participant on an annual basis and in separate tranches. Each tranche equals 33.3 percent of the total remuneration granted, provided that the participant is continuously employed by the Group from the grant date until the applicable vesting date. Each tranche is accounted for as a separate arrangement and expensed, together with a corresponding increase in other non-current liabilities. The current portion of liabilities under the long-term incentive plan is classified within trade and other payables. For the years ended 31 December 2015 and 31 December 2014, the Group recognized RR 427 and RR 464, respectively, as expenses under the LTI plan.

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

20 TRADE AND OTHER PAYABLES

	31 December 2015	31 December 2014
Financial liabilities		
Trade payables	16,792	16,867
Accounts payable to contractors and suppliers of property, plant and equipment	8,029	6,803
Payables for acquisition of subsidiaries and joint ventures	3,038	56,032
Interest payable	2,288	1,452
Derivative financial instruments (Note 31)	2,188	315
Other payables	351	140
Total financial trade and other payables	32,686	81,609
Non-financial liabilities		
Payables to employees	6,148	6,353
Advances from customers	5,886	6,916
Other payables	731	4,993
Total non-financial trade and other payables	12,765	18,262
Total trade and other payables	45,451	99,871

20 TRADE AND OTHER PAYABLES

As of 31 December 2015, payables for acquisition of subsidiaries and joint ventures include payables for the acquisitions of AO Polief of RR 119 and OOO Yuzhno-Priobsky GPZ of RR 2,919. As of 31 December 2014, payables for the acquisition of subsidiaries and joint ventures included payables for the acquisitions of OOO Yugragazpererabotka of RR 55,913 and AO Polief of RR 119.

As of 31 December 2015 and 2014, payables to employees included provisions for annual bonuses, other bonuses and vacation reserves (including provisions for social taxes) of RR 6,052 and RR 6,353, respectively.

As of 31 December 2014, other non-financial payables included a provision related to the litigation involving OOO Yugragazpererabotka's subsidiaries, which were consolidated by the Group in March 2014, with electricity producer OAO Tyumenenergo (see Note 4).

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

	31 December 2015	31 December 2014
Short-term debt:		
RR-denominated debt	15,926	-
USD-denominated debt	10,424	19,693
EUR-denominated borrowings	41	-
Total short-term debt	26,391	19,693
Current portion of long-term debt	21,354	36,547
	47,745	56,240

Short-term RR-denominated debt bore average interest rates of 13.7 percent as of 31 December 2015. Short-term USD-denominated debt bore average interest rates of 4.0 percent and 2.0 percent as of 31 December 2015 and 31 December 2014, respectively. Short-term EUR-denominated debt bore average interest rates of 1.6 percent as of 31 December 2015. The carrying amount of short-term debt approximates its fair value.

As of 31 December 2015 and 31 December 2014, the Group had no committed short-term credit facilities.

22 TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2015	31 December 2014
VAT	2,283	1,850
Social taxes	396	289
Property tax	478	387
Excise tax	72	-
Other taxes	123	86
Total taxes other than income tax payable	3,352	2,612

23 SHAREHOLDERS' EQUITY

Share capital. The share capital of PAO SIBUR Holding (authorised, issued and paid-in) was RR 21,784 as of 31 December 2015 and 31 December 2014, and consisted of 2,178,479,100 ordinary shares, each with a par value of ten Russian roubles.

Dividends. During the year ended 31 December 2015, dividends in the total amount of RR 9,629 (4.42 Russian roubles per share) and RR 8,496 (3.9 Russian roubles per share) for the six months ended 31 December 2014 and for the nine months ended 30 September 2015, respectively, were paid out. In 2014 the Group made dividend pay outs for the six month periods ended 31 December 2013 and 30 June 2014 of RR 6,383 (2.93 Russian roubles per share) and RR 7,690 (3.53 Russian roubles per share), respectively.

23 SHAREHOLDERS' EQUITY (CONTINUED)

Equity-settled share-based payment plans for directors and key management. On 28 June 2013, a company beneficially owned by Mr Leonid V. Mikhelson and Mr Gennady N. Timchenko granted equity-settled share-based payment plan to certain current and former members of the Group's key management (see Note 35).

24 NON-CONTROLLING INTEREST

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

	Place of business	Proportion of non-controlling interest, percent	Proportion of non-controlling interest's voting rights held, percent	Total comprehensive income attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
Year ended 31 December 2015					
AO Polief	Russia	17,5	17,5	281	693
OOO NIPIgazpererabotka	Russia	11	-	(82)	252
OOO PlasticGeosintetika	Russia	33	33	(34)	94
OOO Krasnoyarskiy ZSK	Russia	25	25	87	177
				252	1,216
Year ended 31 December 2014					
AO Polief	Russia	17,5	17,5	50	412
OOO NIPIgazpererabotka	Russia	11	-	45	334
OOO PlasticGeosintetika	Russia	33	33	(34)	128
OOO Krasnoyarskiy ZSK	Russia	25	25	6	90
				67	964

The Group's subsidiaries with a non-controlling interest did not distribute dividends during the years ended 31 December 2015 and 2014.

25 EARNINGS PER SHARE

The basic and diluted earnings per share ratio has been calculated by dividing the profit for the reporting year attributable to equity holders by the weighted average number of shares outstanding during the year, excluding treasury shares. The weighted average number of ordinary shares outstanding for the year ended 31 December 2015 and 2014 was 2,178,479,100.

26 REVENUE

	Year ended 31 December	
	2015	2014
Energy products:		
Liquefied petroleum gas	82,926	77,165
Natural gas	43,000	38,007
Naphtha	31,445	68,877
MTBE	21,657	19,364
Other fuels and fuel additives	3,800	4,111
Raw natural gas liquids	3,669	9,709
Petrochemical products:		
Plastics and organic synthesis products	63,748	45,777
Basic polymers	50,892	38,393
Synthetic rubbers	35,079	27,847
Intermediates and other chemicals	26,083	20,496
Total energy and petrochemical products (net of excise tax, customs duties and VAT)	362,299	349,746
Sales of processing services	1,339	979
Trading and other sales	16,214	10,275
Total revenue	379,852	361,000

27 OPERATING EXPENSES BEFORE EQUITY-SETTLED SHARE BASED PAYMENT PLAN

	Year ended 31 December	
	2015	2014
Feedstock and materials	83,931	78,052
Transportation and logistics	57,831	43,789
Depreciation and amortisation	31,498	26,321
Staff costs	30,658	27,152
Energy and utilities	28,397	31,218
Goods for resale	11,929	48,051
Rent expenses	8,957	8,221
Repairs and maintenance	8,620	8,782
Services provided by third parties	6,946	6,496
Taxes other than income tax	1,923	1,783
Processing services of third parties	981	1,917
Charity and sponsorship	816	987
Impairment of assets held for sale	479	-
Marketing and advertising	453	424
Loss on disposal of property, plant and equipment	244	221
Change in WIP and refined products balances	(1,409)	(858)
Impairment of property, plant and equipment and write-off of advances for capital construction	-	1,048
Other	3,940	1,998
Total operating expenses before equity-settled share based payment plans	276,194	285,602

Staff costs for the years ended 31 December 2015 and 31 December 2014 include statutory pension and other social security contributions of RR 6,066 and RR 4,874, respectively.

28 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2015	2014
Interest income	1,412	632
Unwinding of discount on non-current accounts receivable	253	10
Discount on borrowings and non-current accounts payable	79	506
Other income	20	9
Total finance income	1,764	1,157
Foreign exchange loss from financing activities	(61,160)	(65,372)
Foreign exchange loss from non-financing activities	(1,975)	(20,061)
Interest expenses	(11,399)	(3,541)
Unwinding of discount on borrowings and non-current accounts payable	(1,722)	(1,035)
Fair value loss on derivative financial instruments	(1,644)	(543)
Discount on loans receivable and non-current accounts receivable	(273)	(230)
Interest expense on post-employment obligations	(219)	(140)
Bank fees	(146)	-
Other expenses	(149)	-
Total finance expenses	(78,687)	(90,922)

29 INCOME TAXES

Deferred income tax assets and liabilities are offsetted 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 2015	31 December 2014
Deferred income tax assets to be recovered after more than 12 months	21,360	15,324
Deferred income tax assets to be recovered within 12 months	8,398	12,044
Total deferred income tax assets	29,758	27,368
Deferred income tax liabilities to be paid after more than 12 months	(38,169)	(37,789)
Deferred income tax liabilities to be paid within 12 months	(8,473)	(6,817)
Total deferred income tax liabilities	(46,642)	(44,606)

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29 INCOME TAXES (CONTINUED)

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

	31 December 2015	Other	Decon- solidation and disposal of subsi- diaries	(Charged)/ credited to profit or loss/ equity	Deferred tax assets and liabilities classi- fied as held for sale as of 31 December 2014	31 December 2014	Reclas- sification of deferred tax assets and liabilities classified as held for sale	Business combi- nations and acquisitions	Credited/ (charged) to profit or loss/ equity	31 December 2013
Tax effects of taxable temporary differences										
Property, plant and equipment	(20,163)	-	1,438	(2,387)	(1,220)	(17,994)	1,220	(2,921)	(5,267)	(11,026)
Intangible assets	(20,988)	-	-	1,256	-	(22,244)	-	(23,163)	919	-
Inventory	(162)	-	-	49	-	(211)	-	-	548	(759)
Investments in joint ventures and associates	-	-	-	-	-	-	-	-	270	(270)
Trade and other receivables	(3,083)	-	-	239	-	(3,322)	-	-	(3,322)	-
Prepaid borrowing costs	(1,693)	-	-	(1,600)	-	(93)	-	-	(93)	-
Others	(553)	-	-	189	-	(742)	-	(12)	(405)	(325)
Deferred tax liabilities	(46,642)	-	1,438	(2,254)	(1,220)	(44,606)	1,220	(26,096)	(7,350)	(12,380)
Less: deferred tax assets offset	14,318	-	-	(1,683)	627	15,374	(627)	-	9,228	6,773
Total deferred tax liabilities	(32,324)	-	1,438	(3,937)	(593)	(29,232)	593	(26,096)	1,878	(5,606)
Tax effects of deductible temporary differences										
Tax loss carry-forwards	18,318	(52)	-	7,682	627	10,061	(627)	65	4,967	5,656
Inventory	945	-	-	(694)	-	1,639	-	-	1,091	548
Intangible assets	197	-	-	(50)	-	247	-	-	(49)	296
Grants and subsidies	7,885	-	-	(358)	-	8,243	-	-	1,401	6,842
Trade and other payables	-	-	-	(4,562)	-	4,562	-	471	4,091	-
Payables to employees	2,061	-	-	634	-	1,427	-	-	339	1,088
Others	352	(36)	-	(801)	-	1,189	-	41	850	298
Deferred tax assets	29,758	(88)	-	1,851	627	27,368	(627)	577	12,690	14,728
Less: deferred tax liabilities offset	(14,318)	-	-	1,683	(627)	(15,374)	627	-	(9,228)	(6,773)
Total deferred tax assets	15,440	(88)	-	3,534	-	11,994	-	577	3,462	7,956
Total net deferred tax assets/ (liabilities)	(16,884)	(88)	1,438	(403)	(593)	(17,238)	593	(25,519)	5,340	2,348

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

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefits through future taxable profits is probable. Under the Russian Tax Code, a tax loss can be carried forward for ten years from its origination date, after which it expires.

29 INCOME TAXES (CONTINUED)

	Year ended 31 December	
	2015	2014
Current income tax:		
Current income tax on profits for the year	6,076	3,618
Adjustments for prior years	270	(272)
Total current income tax	6,346	3,346
Deferred income tax:		
Accrual/(reversal) of temporary differences	468	(5,400)
Total deferred income tax	468	(5,400)
Total income tax expense/(benefit)	6,814	(2,054)

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	
	2015	2014
Profit before income tax and non-controlling interest	13,319	23,017
Theoretical income tax expense at statutory rate of 20 percent	(2,664)	(4,603)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible expenses	(4,605)	(5,013)
Non-taxable income from acquisition of subsidiary (see Note 4)	-	10,555
Other non-taxable income	455	1,115
Total income tax (expense)/benefit	(6,814)	2,054

As of 31 December 2015 and 2014 the Group prepaid income tax of RR 16,392 and RR 17,218, respectively. This prepayment may not be utilised by the Group within 12 months as it depends on the Group's profit earned within 12 months. The Group did not classify this portion of prepaid income tax as non-current asset as it expects to realise this asset in its normal operating cycle.

30 CASH GENERATED FROM OPERATIONS

Notes	Year ended 31 December	
	2015	2014
	13,319	23,017
	Profit before income tax	
	Adjustments to profit before income tax	
27	Depreciation and amortisation	31,498
35	Equity-settled share-based payment plan	12,976
11, 12	Impairment of receivables and loans issued	(409)
28	Interest expense	11,399
5, 27	Impairment of asset held for sale	479
	Advances for capital construction write-off	-
28	Discount on loans receivable and non-current accounts receivable	273
27	Loss on disposal of property, plant and equipment	244
8	Share of net loss of joint ventures and associates	1,264
4	Gain on acquisition of subsidiary	-
4	Gain on disposal of subsidiary	(1,012)
	Loss from sale of investments	188
19, 20	Accrual of bonuses	(236)
28	Interest income	(1,412)
28	Fair value loss on derivative financial instruments	1,644
	Unwinding of discount on borrowings and non-current accounts payable	1,722
28	Unwinding of discount on loans receivable and non-current accounts receivable	(253)
	Pension liabilities	183
	Provision for court decisions	(4,636)
28	Foreign exchange loss, net	61,144
	Other adjustments	517
	Operating cash flows before working capital changes	128,892
	Changes in working capital	
	(Increase)/decrease in trade and other receivables	(3,128)
	(Increase)/decrease in prepayments and other current assets	(1,362)
	Increase in inventories	(1,167)
	(Decrease)/increase in trade and other payables	(596)
	Increase in taxes payable	744
	Total changes in working capital	(5,509)
	Cash generated before income tax payment	123,383
29	Income tax paid	(4,305)
	Net cash from operating activities	119,078
		105,540

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

	Financial assets	
	31 December 2015	31 December 2014
Non-current financial assets		
Trade and other receivables	1,098	897
Non-current financial asset classified as available for sale	800	-
Other non-current financial assets	175	-
Loans receivable	-	1,835
Total non-current financial assets	2,073	2,732
Current financial assets		
Cash and cash equivalents and restricted cash	172,083	28,577
Trade and other receivables	23,629	16,831
Other current financial assets	39	39
Loans receivable	4,101	1,245
Total current financial assets	199,852	46,692
Total current and non-current financial assets	201,925	49,424

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

	Financial liabilities	
	31 December 2015	31 December 2014
Non-current financial liabilities		
Other non-current liabilities	2,223	4,127
Derivative financial instruments	-	229
Debt	409,404	150,054
Total non-current financial liabilities	411,627	154,410
Current financial liabilities		
Trade and other payables	30,498	81,320
Derivative financial instruments	2,188	315
Debt	47,745	56,240
Total current financial liabilities	80,431	137,875
Total current and non-current financial liabilities	492,058	292,285

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

Financial risk management is carried out by the central finance function. The Group's treasury manages credit risks related to transactions with financial institutions and liquidity risk. Relevant business units manage credit risks related to operating activities in accordance with the Group policies.

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.

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

As of 31 December 2015	Denominated in		
	USD	EUR	Other currency
Cash and cash equivalents	55,031	1,114	49
Trade and other receivables	8,750	1,731	273
Non-current financial asset classified as available for sale	800	-	-
Total financial assets	64,581	2,845	322
Trade and other payables	4,074	2,480	51
Debt	306,582	19,470	-
Total financial liabilities	310,656	21,950	51

As of 31 December 2014	Denominated in		
	USD	EUR	Other currency
Cash and cash equivalents	14,736	1,366	24
Trade and other receivables	6,033	1,422	293
Total financial assets	20,769	2,788	317
Trade and other payables	59,144	2,297	5
Debt	159,149	8,112	-
Total financial liabilities	218,293	10,409	5

The sensitivity analysis given in the table below reflects the hypothetical gain/(loss) that would occur assuming the Russian rouble had weakened/strengthened by 20 percent against the US dollar and euro and that there were no changes in the securities portfolio and other variables as of 31 December 2015 and 2014, respectively.

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

	Increase in exchange rate	31 December 2015	31 December 2014
Effect on profit before income tax			
RR / USD	20 percent	(49,215)	(40,326)
RR / EUR	20 percent	(3,821)	(1,524)

	Decrease in exchange rate	31 December 2015	31 December 2014
Effect on profit before income tax			
RR / USD	20 percent	49,215	40,326
RR / EUR	20 percent	3,821	1,524

Cash flow and fair value interest rate risk. The Group is exposed to interest rate risk primarily due to short- and long-term debt at variable rates. Debt issued at fixed rates exposes the Group to fair value interest rate risk. As of 31 December 2015 and 2014, the Group's debt at variable rates was denominated in Russian roubles, US dollars and euro (see Notes 17 and 21). As of 31 December 2015 and 2014, the Group's interest-bearing assets were primarily comprised by loans receivable and cash deposits.

The Group analyses its interest rate exposure on a regular basis. The Group's management makes financial decisions after careful consideration of various scenarios, which may include refinancing, renewing existing positions or alternative financing.

If variable interest rates were higher/lower, assuming all other variables remain constant, the Group's profit before income tax would change as follows:

	Increase in floating rates by	31 December 2015	31 December 2014
Effect on profit before income tax			
RUR-denominated debt	10 percent	(235)	-
USD-denominated debt	10 percent	(48)	(23)
EUR-denominated debt	10 percent	-	(2)

	Decrease in floating rates by	31 December 2015	31 December 2014
Effect on profit before income tax			
RUR-denominated debt	10 percent	235	-
USD-denominated debt	10 percent	48	23
EUR-denominated debt	10 percent	-	2

Credit risk. The Group is exposed to credit risk primarily due to cash and cash equivalents, loans issued and customers credit risks.

The Group deposits cash and cash equivalents only in banks that have minimal risk of default within set credit limits at the deposit date.

A large portion of the Group's receivables from domestic sales relates to large companies such as Rosneft and Gazprom Pererabotka, with low credit risks. The Group's export customers are also key market players such as BOREALIS AG, Totsa-Total Oil Trading SA, SHV Gas Supply & Risk Management, INEOS EUROPE AG, and Aygaz A.S. The Group sells its products on export sales based on prepayments or advances received or secures its export sales by letters of credit. The Group assesses the credit quality of its customers based on market segment, customer's financial position, its market share past experience and other relevant factors. Although economic factors affecting the Group's customers influence cash collection of the Group's accounts receivable, the Group's management assesses that there is no significant risk of loss other than bad debts provided as of 31 December 2015.

As of 31 December 2015 and 2014, the maximum credit risk exposure due to accounts receivable was RR 25,741 and RR 17,728 respectively.

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

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.

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

As of and for the year ended 31 December 2015

	Bank equity	Rating	Credit limit for one bank	Balance
Major banks	>= 25,000	BBB-	USD 200 mln	171,575
Secondary banks	>= 5,000	BB-	RR 5,000 mln	440
Other banks	Not set	Not set	Individually set	68
Total cash and cash equivalents and restricted cash				172,083

As of and for the year ended 31 December 2014

	Bank equity	Rating	Credit limit for one bank	Balance
Major banks	>= 25,000	B+/B2	USD 200 mln	23,679
Secondary banks	>= 5,000	B+/B2	RR 5,000 mln	4,842
Other banks	Not set	Not set	Individually set	56
Total cash and cash equivalents and restricted cash				28,577

The Group did not exceed its credit limits during the reporting period, and the Group's management does not expect any losses resulting from these counterparties' non-performance. As of 31 December 2015 and 2014, the maximum credit risk exposure due to cash and cash equivalents was RR 172,083 and RR 28,577, respectively.

Liquidity risk and capital risk management. Liquidity risk management includes maintaining sufficient cash balances, available funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's management maintains funding flexibility by ensuring funds availability under committed credit lines and expected cash flows from operating activities. Management monitors rolling forecasts of the Group's liquidity reserve, comprising the undrawn debt facilities (see Notes 17 and 21), 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 cash requirements while maintaining debt financing plans.

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

	Less than one year	Between one and two years	Between two and five years	Over five years
As of 31 December 2015				
Debt	74,030	72,874	256,998	176,606
Trade and other payables	28,209	670	2,031	-
Total	102,239	73,544	259,029	176,606
As of 31 December 2014				
Debt	64,765	37,708	116,781	15,845
Trade and other payables	81,320	2,246	1,881	-
Total	146,085	39,954	118,662	15,845

31 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

Guarantees issued by the Group as of 31 December 2015 and 31 December 2014 are disclosed in Note 8.

The following table represents the maturity profile of the Group's derivative based on undiscounted cash flows:

As of 31 December 2015	Less than one year	Between one and two years	Total
Cash inflows	8,007	-	8,007
Cash outflows*	(10,060)	-	(10,060)
Net cash flows	(2,053)	-	(2,053)
As of 31 December 2014			
Cash inflows	1,470	676	2,146
Cash outflows*	(1,640)	(804)	(2,444)
Net cash flows	(170)	(128)	(298)

*Cash flows presented in the table are calculated using exchange rate as at the end of the reporting period.

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

The Group monitors 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 and cash equivalents.

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 other exceptional items.

In accordance with the Group's financial policy the Group shall maintain a net debt to EBITDA ratio of no higher than 2.5 and an EBITDA to interest accrued ratio of no lower than 7. This policy is stricter than the relevant contractual requirements. The net debt to EBITDA ratio was 2.1 and 1.74 as of 31 December 2015 and 2014, respectively. The EBITDA to interest accrued ratio was 8.8 and 16 for the years ended 31 December 2015 and 2014, respectively.

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

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

Recurring fair value measurements are those that are required or permitted under the relevant accounting standards in the statement of financial position at the end of each reporting period.

a) Financial instruments carried at fair value

Swap agreements. In 2014-2015, the Group entered into several arrangements with PAO Sberbank of Russia, Nordea, and Promsvyazbank. In accordance with those arrangements, the Group swaps principal amounts and interest payable in US dollars to Russian roubles at a fixed rate. As of 31 December 2015 and 31 December 2014, the notional amounts under these swap arrangements were RR 7,900 and RR 2,000, respectively.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The Group recognized swap arrangements as derivatives at fair value through profit or loss determined based on Level 2 measurements. Fair value was calculated based on projected cash flows defined in accordance with the contractual terms, discounted at the risk-free rates denominated in the relevant currencies and converted at the prevailing spot currency exchange rate as at the reporting date.

As of 31 December 2014, the non-current portion of the derivatives, amounting to RR 229, was recognized within other non-current liabilities in the consolidated statement of financial position (see Note 19). As of 31 December 2015, the non-current portion of the derivatives was nil.

As of 31 December 2015 and 2014, the current portions of the derivatives, amounting to RR 2,188 and RR 315, respectively, were recognized within trade and other payables in the consolidated statement of financial position (see Note 20).

In 2015 and 2014, the Group recognized losses on the revaluation of derivatives at fair value of RR 1,644 and RR 543, respectively, as finance expenses (see Note 28).

Contingent consideration for OOO Sibur-Portenergo. In November 2015, the Group recognized the contingent consideration in the amount of RR 698 as a financial asset classified as available for sale within non-current trade and other receivables in the consolidated statement of financial position as the part of the consideration from disposal of its subsidiary OOO Sibur-Portenergo (see Note 4). Fair value of this financial instrument was determined using Level 3 measurements, as the sum of potential outcomes determined in the share purchase agreement weighted by the corresponding probability of each scenario. As of 31 December 2015, the fair value of this contingent consideration was assessed as RR 800, and the unwinding of the discount in the amount of RR 9 and a forex gain in the amount of RR 93 were recognized in the consolidated statement of profit or loss for the year as finance income.

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Liabilities carried at amortised cost. As of 31 December 2015 and 2014, the fair value of the Eurobonds described above under Long-Term Debt was RR 72,228 and RR 47,903, respectively. It was calculated based on Level 1 measurements such as quoted market prices. The fair values of other long-term and short-term debt carried at amortised cost were determined using valuation techniques. The estimated fair value of variable interest rate instruments linked to LIBOR, EURIBOR, USA CPI with stated maturity was estimated based on Level 2 measurements as expected cash flows discounted at current LIBOR, EURIBOR, USA CPI rates increased on the margin stipulated by the corresponding loan agreement. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on Level 3 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity and disclosed in Note 17. The carrying amounts of other long-term and short-term liabilities carried at amortised cost in the consolidated statement of financial position approximate their fair value.

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

33 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.

33 SEGMENT INFORMATION (CONTINUED)

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

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

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

	Feedstock & Energy	Petroche- micals	Total reportable segments	Unallocated	Total
Year ended 31 December 2015					
Total segment revenue	213,046	187,733	400,779	22,064	422,843
Inter-segment transfers	(24,315)	(10,188)	(34,503)	(8,488)	(42,991)
External revenue	188,731	177,545	366,276	13,576	379,852
EBITDA	79,144	58,937	138,081	(2,446)	135,635
Year ended 31 December 2014					
Total segment revenue	252,813	142,308	395,121	14,192	409,313
Inter-segment transfers	(29,686)	(10,408)	(40,094)	(8,219)	(48,313)
External revenue	223,127	131,900	355,027	5,973	361,000
EBITDA	88,346	20,806	109,152	(6,385)	102,767

33 SEGMENT INFORMATION (CONTINUED)

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

	Feedstock & Energy	Petroche- micals	Total reportable segments	Unallocated	Total
Year ended 31 December 2015					
EBITDA	79,144	58,937	138,081	(2,446)	135,635
Depreciation and amortisation	(16,979)	(13,219)	(30,198)	(1,300)	(31,498)
Equity-settled share-based payments plans for key management	-	-	-	(12,976)	(12,976)
Impairment of asset held for sale	-	(479)	(479)	-	(479)
Operating profit/(loss)	62,165	45,239	107,404	(16,722)	90,682
Finance income	-	-	-	1,764	1,764
Finance expenses	-	-	-	(78,687)	(78,687)
Gain on disposal of subsidiary	-	-	-	1,012	1,012
Share of net loss of joint ventures and associates	-	-	-	(1,264)	(1,264)
Loss on disposal of assets held for sale	-	-	-	(188)	(188)
Total profit/(loss) before income tax	62,165	45,239	107,404	(94,085)	13,319
Year ended 31 December 2014					
EBITDA	88,346	20,806	109,152	(6,385)	102,767
Depreciation and amortisation	(13,918)	(10,778)	(24,696)	(1,625)	(26,321)
Equity-settled share-based payment plans for key management	-	-	-	(11,580)	(11,580)
Impairment of property, plant and equipment	-	(1,048)	(1,048)	-	(1,048)
Operating profit/(loss)	74,428	8,980	83,408	(19,590)	63,818
Finance income	-	-	-	1,157	1,157
Finance expenses	-	-	-	(90,922)	(90,922)
Gain on acquisition of subsidiary	-	-	-	52,773	52,773
Share of net loss of joint ventures and associates	-	-	-	(3,827)	(3,827)
Gain on deconsolidation of subsidiary	-	-	-	18	18
Total profit/(loss) before income tax	74,428	8,980	83,408	(60,391)	23,017

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	
	2015	2014
Russia	211,512	176,050
Europe	113,224	131,784
Asia	29,058	28,086
CIS	21,208	21,493
Other	4,850	3,587
Total revenue	379,852	361,000

34 PRINCIPAL SUBSIDIARIES

Principal wholly owned operating subsidiaries of the Group

OOO Biaxplen	AO SiburTyumenGaz
OOO Biaxplen-T	OOO Tobolsk-Neftekhim
OOO SIBUR GEOSINT	OOO Tobolsk-Polymer
SIBUR International GmbH	OOO Togliattikauchuk
AO Sibur-Khimprom	OOO Tomskneftekhim
AO Sibur-Neftekhim	AO Uralorgsintez
AO Sibur-PETF	AO Voronezhskiy Syntheticheskii Kauchuk
OOO Plastikgeosintetika	AO Siburenergomenedgment
AO SIBUR-Trans	OOO Belozerny Gas Processing Complex
OOO SIBUR-Kstovo	OOO Nizhnevartovsky Gas Processing Complex
OOO Zapsibtransgaz	OOO Nyagangazpererabotka

Other principal operating subsidiaries of the Group:

	Effective percent of share capital held by the Group as of	
	31 December 2015	31 December 2014
OAD NIPGazpererabotka	89	89
AO Polief	82,5	82,5
OAD Krasnoyarskiy ZSK	75	75
OOO PlasticGeosintetika	67	67

As of 31 December 2015 and 31 December 2014 the voting and ownership percentage in the Group's subsidiaries with a non-controlling interest are the same, except for OAO NIPGazpererabotka in which the Group has 100% voting rights (see Note 24).

The Group's operating subsidiaries are registered and located in the Russian Federation, except for SIBUR International GmbH, an export trading company of the Group registered in Austria.

35 RELATED PARTIES

For the purposes of these consolidated financial statements, parties are generally considered to be related if the party is part of the Group's key management or Board of Director; the party has the ability to control or jointly control the other party; both parties are under common control; or 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, the

Group's management pays attention to the substance of the relationship, and not merely the entities' legal form.

Related parties may enter into transactions that unrelated parties may not enter into, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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 2015 and 2014, or had significant balances outstanding as of 31 December 2015 and 31 December 2014, are presented below.

a) Significant transactions with parties under the control, joint control or significant influence of Mr Leonid V. Mikhelson

In 2014, OAO NOVATEK and its subsidiaries (jointly, the "NOVATEK Group") were considered related parties of the Group because the Group's ultimate controlling shareholder, Mr Mikhelson, had significant influence over NOVATEK Group.

35 RELATED PARTIES (CONTINUED)

On 16 December 2015, Mr Mikhelson lost ultimate control over the Group. As such, NOVATEK Group is no longer considered a related party of the Group.

In 2014 and until 16 December 2015, the Group had the following transactions with NOVATEK Group.

	Year ended 31 December	
	2015	2014
Operating activities		
Purchases of natural gas	3,085	3,171
Purchases of liquefied petroleum gas	4,585	625
Purchases of raw natural gas liquids	9,483	5,954
Purchases of services	6	755
Natural gas sales	12,812	14,408
Liquid hydrocarbons sales	1,248	768
Sales of processing services	1,172	483
Sales of other work and services	2,385	1,542

As of 31 December 2014 the Group had the following balances with NOVATEK Group:

	31 December 2014
Trade and other receivables	209
Advances and prepayments	2
Trade and other payables	948
Advances received	184

In November 2015, Mr Leonid V. Mikhelson sold controlling stake in PAO Pervobank, as the result PAO Pervobank ceased to be a related party of the Group.

In 2014 and until the date of controlling stake sale, the Group had the following transactions with PAO Pervobank.

	Year ended 31 December	
	2015	2014
Finance income and expense		
Interest income on cash and cash equivalents	307	200
Other expense	4	104

As of 31 December 2014 the Group had the following balances with PAO Pervobank:

	31 December 2014
Cash and cash equivalents	4,842

b) Significant transactions with parties under control or joint control of Mr Gennady N. Timchenko

In October 2011, Gunvor Group, which was jointly controlled by Mr Gennady N. Timchenko, became a related party of the Group. The Group's primary transactions with Gunvor Group were sales of energy products. In March 2014, it was announced that Mr Gennady N. Timchenko had sold his share in Gunvor Group. As a result, Gunvor Group is no longer a related party of the Group.

35 RELATED PARTIES (CONTINUED)

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

	Year ended 31 December
	2014
Operating activities	
Sales of energy products	1,139

During the year ended 31 December 2015 and 2014, the Group entered into transactions with OAO Stroytransgaz and its subsidiaries (jointly, the "OAO Stroytransgaz Group"), controlled by Mr Gennady N. Timchenko.

In 2015 and 2014, as of 31 December 2015 and 2014, the Group had the following transactions and balances with OAO Stroytransgaz Group:

	Year ended 31 December	
	2015	2014
Operating and investing activities		
Purchases of construction and repair and maintenance services	2,606	1,911
Sales of other goods and services	6	10
	31 December 2015	31 December 2014
Advances and prepayments for capital construction	257	360
Trade and other payables	537	89

As of 31 December 2015 and 31 December 2014, the Group had contractual capital commitments with OAO Stroytransgaz Group of RR 767 and RR 1,989, respectively.

c) Remuneration of directors and key management

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

In 2015 and 2014, the Company accrued RR 86 and RR 78 net of social taxes, respectively, to Board of Directors members as part of their compensation for the years ended 31 December 2015 and 2014.

Key management personnel comprised 16 individuals during years ending 31 December 2015 and 31 December 2014. Key management personnel are entitled to salaries, bonuses, voluntary medical insurance and other employee benefits (see Notes 19 and 20). 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 826 and RR 1,324 net of social taxes for the years ended 31 December 2015 and 2014, respectively.

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

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

35 RELATED PARTIES (CONTINUED)

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

In July 2013, the Group's shareholders approved the final terms of the plan that covers certain Group directors and key management members (the "Participants"). The terms of the plan vary for different Participants.

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

In the first quarter of 2015 the Plan was modified by shareholders. As a result the shares granted were immediately vested and the remaining tranches were expensed in the amount of RR 12,976 and recognized in the consolidated statement of profit or loss with a corresponding increase in shareholders' equity.

e) Joint ventures

In 2015 and 2014, as of 31 December 2015 and 2014, the Group had the following transactions and balances with its joint ventures:

	Year ended 31 December	
	2015	2014
Operating and investing activities		
Purchases of materials, goods and services	8,709	9,345
Purchases of processing services	147	1,079
Sales of materials	5,586	3,099
Interest income	114	104
Interest expense	150	81
Other financial income (expense)	(37)	-
Other income (expense)	1	27
	31 December 2015	31 December 2014
Loans receivable	1,179	1,179
Long-term debt	1,625	800
Trade and other receivables	2,240	183
Trade and other payables	3,395	2,636

The Group provided and received loans to and from its joint ventures on the market terms.

The Group has several agency arrangements with its joint ventures under which the Group is providing marketing, selling, construction management and procurement services. The agent remuneration earned by the Group under the agent arrangements are included in sales of materials line. The balances outstanding under the agent arrangements are included into trade and other payables and receivables.

36 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

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

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

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

In the year 2014, the USA and EU imposed a number of sectorial and personal sanctions against some of Russian companies and Russian citizens. These sanctions restrict certain US and EU persons and companies from providing financing, goods and services to certain entities. The Group considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group's financial position and results of operations. As of 31 December 2015 the Group was not subject to economic sanctions and restrictions imposed by USA and EU.

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

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

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

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

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

36 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTUNUED)

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

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

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

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

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

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

Operating lease commitments. Where the Group is a lessee in a lease that does not substantially transfer all risks and rewards incidental to ownership from the lessor to the Company, the total lease payments (as specified in a lease contract) are charged to profit or loss for the year on a straight-line basis over the lease term. The Company has two types of lease contracts in place: fixed-term agreements and continuous contracts. The vast majority of fixed-term contracts are non-cancellable before the expiry date and only a few of them may be terminated by the lessee at its sole discretion. The continuous contracts may be terminated by either party by giving proper notice of termination. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

36 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTUNUED)

Lease payments include payments for non-lease elements in the arrangement such as scheduled maintenance expenses, insurance expenses, pollution charges and related taxes. Payments for the non-lease elements are not specifically predetermined in the contracts and may vary depending on the level of servicing required. Accordingly, it would not be practicable to disclose them separately.

The Group's operating lease commitments as of 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
No later than 1 year	9,387	6,846
Later than 1 year, but no later than 5 years	33,688	25,737
Later than 5 years	5,625	9,649
Total operating lease commitments	48,700	42,232

Capital commitments. In the normal course of business, the Group has entered into contracts for the purchase of property, plant and equipment. As of 31 December 2015, the Group had contractual capital expenditure commitments of RR 278,383, including RR 263,597 related to ZapSib-2 investment project (31 December 2014: RR 168,938, including RR 141,121 related to ZapSib-2), calculated as the contractual amount of construction contracts less cash paid under these contracts.

37 EVENTS AFTER THE REPORTING DATE

In February 2016, the Company acquired 100 percent of the Tobolsk Heating and Power Plant (Tobolsk HPP) from OAO Fortum. The plant is the only steam supplier to SIBUR's Tobolsk production site. Also, it sells power and electricity at the wholesale market and is a key heat supplier to Tobolsk city.

In December 2015, the Company acquired at auction a 17.5 percent minority interest in AO Polief from the Republic of Bashkortostan Government for RR 500. The Company received ownership over the 17.5 percent stake in January 2016. As a result, the Group, previously holding 82.5 percent stake in the entity, became the sole owner of AO Polief.

On 29 March 2016, the Group issued on Moscow stock exchange ten-years non-convertible Russian roubles denominated bonds in the amount of RR 10 billion with a coupon rate of 10.5 percent per annum, payable semi-annually with an option of early redemption in five years period. The Group is going to spend the aggregate net proceeds from the notes issue for refinancing of long-term debts.

In the first quarter 2016, the Group repaid ahead of schedule USD 400 million of long-term loans payable in 2017 using its operating cash flows.

Additionally after the reporting date the Group's debt decreased as a result of short-term credit facility repayment to ING Bank Group in the amount of USD 100 million and increased by USD 117 million as a result of ECA financing.

38 NEW ACCOUNTING DEVELOPMENTS

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2015 or later, which have not had a material impact on the Group's financial position or operations:

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

38 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a “vesting condition” and to define separately “performance condition” and “service condition”; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2015. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity’s assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

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

39 NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group has not early adopted.

IFRS 9 “Financial Instruments: Classification and Measurement” (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

39 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a “three stage” approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

39 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from “held for sale” to “held for distribution” or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of “information disclosed elsewhere in the interim financial report”.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognized and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity’s ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent’s financial statements.

Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealized losses on debt instruments. The entity will have to recognize deferred tax asset for unrealized losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

39 NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

IFRS 16 “Leases“ (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is currently assessing the impact of the amendments and new standards on its consolidated financial statements.

The Group’s head office:

PAO 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)

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ABBREVIATIONS AND UNITS

Abbreviations

APG	Associated petroleum gas
BDF	Butylene-divinyl fraction
BIF	Butylene-isobutylene fraction
BOPP-films	Biaxially oriented polypropylene films
BR	Polybutadiene rubber
CDU-TEK	Central Dispatching Department of Fuel Energy Complex
CEMS	Corporate Environmental Management System
CIS	Commonwealth of Independent States
DMD	Dimethyl dioxane
ECA	Export credit agency
ECHA	European Chemicals Agency
ECU	Ethylene cracking unit
EnMS	Energy Management System
EPS	Expandable polystyrene
ESBR	Emulsion styrene-butadiene rubber
ESG report	Environmental, social and governance report
FAS	Federal Antimonopoly Service
FEED	Front end engineering and design
FMCG	Fast moving consumer goods
FTS	Federal Tariff Service
GCP	Gas condensate plant
GDP	Gross domestic product
GFU	Gas fractionation unit
GPP	Gas processing plant
HDPE	High-density polyethylene
HPP	Heating and Power Plant
HSE	Health, Safety and Environment
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IHS	Independent industry and research consulting firm (information Handling Services)
IIF	Isobutane-isobutylene fraction
IIR	Butyl rubber
IMS	Integrated management system
IR	Polyisoprene rubber
IS	Industrial Safety
ISO	International Organisation for Standardisation
JV	Joint venture
LDPE	Low-density polyethylene
LLDPE	Linear low-density polyethylene



LPG	Liquefied petroleum gas
LTIFR	Lost Time Injury Frequency Rate
MTBE	Methyl tertiary butyl ether
NBR	Nitrile-butadiene rubber
nd-PBR	Polybutadiene rubber (Neodymium based)
NGLs	Natural gas liquids
NGO	Non-governmental organisation
NWF	National Wealth Fund
OHS	Occupational Health and Safety
PDH facility	Propane dehydrogenation facility
PE	Polyethylene
PET	Polyethylene terephthalate
PP	Polypropylene
PSS	Production System of SIBUR
PTA	Terephthalic acid
PVC	Polyvinyl chloride
RAS	Russian Accounting Standards
Raw NGL	Raw natural gas liquid
RDIF	Russian direct investment fund
REACH	Registration, Evaluation and Authorization of Chemicals
SBR	Styrene-butadiene rubber
SBS	Styrene-butadiene-styrene thermoplastic elastomers
SDS	Safety data sheets
SSBR	Solution styrene-butadiene rubber
TPA	Terephthalic acid
UGSS	Unified Gas Supply System
VAT	Value added tax
VHI	Voluntary Health Insurance

Units

barrel	One stock tank barrel, or 42 US gallons of liquid volume
bbbl	Barrel(s)
bcm	Billion cubic metres
EUR	Euro
Gcal	Gigacalories
km	Kilometres
kWh	Kilowatt-hour
mcm	Million cubic metres
MW	Megawatt
RR	Russian rouble
USD	United States dollar



NAMEPLATE CAPACITY AND PRODUCTION CAPACITY UTILISATION RATES

The nameplate capacity of our production sites is the capacity registered with the Federal Service for Environmental, Technological and Nuclear Supervision (“Rostekhnadzor”). It is defined as the volume of products that could be produced by a plant or a unit if it operates a certain number of hours per annum, usually less than the number of hours in a calendar year. As such, the nameplate capacity implicitly assumes scheduled shutdowns, but it does not take into account possible cyclicalities of scheduled shutdowns (for example, two year maintenance cycle adopted at some of SIBUR’s facilities). The nameplate capacity also does not take into account quality, grade and other characteristics of the products produced. For our petrochemical facilities we provide capacity for

each product group separately, since certain petrochemicals are used for production of other products.

Capacity utilisation is calculated as total production as a percentage of the weighted average capacity during the year. Weighted average capacity during the year may differ from nameplate capacity as of the year-end, if the capacity was expanded or the asset was consolidated during the respective period. We seek to operate our production facilities at optimal levels of capacity utilisation, taking into consideration prevailing general economic conditions, availability of feedstock, demand for our products and other factors. Capacity utilisation below 100% at GPPs is driven primarily by availability of feedstock at a particular location. Capacity

utilization below 100% at other production facilities is driven more by a combination of market demand for each particular product and our decision and ability to switch the production between different types of products. In addition, capacity utilisation levels below 100% may reflect lost days of production due to unscheduled shutdowns at our own facilities as well as at facilities of our suppliers or customers. Capacity utilisation exceeds 100% when we are able to run a facility more efficiently over time, upgrading the technology and implementing various debottlenecking measures. As the nameplate capacity includes scheduled shutdowns, the capacity utilisation at a particular facility may exceed 100% during those periods in which the frequency and duration of shutdowns is less than scheduled.

OPERATING AND REPORTABLE SEGMENTS

Our business comprises two segments: feedstock & energy and petrochemicals.

Feedstock & energy segment comprises:

- gathering and processing of associated petroleum gas (APG) that we purchase from major Russian oil companies

- transportation, fractionation
- other processing of natural gas liquids (NGLs) that we produce internally or purchase from major Russian oil and gas companies
- marketing and sales of energy products, such as natural gas, liquefied petroleum gases (LPG), naphtha, raw NGL, methyl tertiary butyl ether (MTBE) and other fuels and fuel additives.

We sell these energy products on the Russian and international markets and use some of them as feedstock for our petrochemicals segment.

Petrochemicals segment comprises production and sale of a wide range of petrochemical products, including basic polymers, synthetic rubbers, plastics and organic synthesis products as well as intermediates and other chemicals.



We define our operating and reportable segments on the basis of the principal production facilities operated by each of the segments and key customers that each segment supplies to. These operating and reportable segments vary significantly in their end-user

markets, supply and demand trends, value drivers and consequently current and long-term profitability. SIBUR management measures the performance of the operating and reportable segments based on the EBITDA contribution of each segment. The revenue and expenses

of some of our subsidiaries, which provide primarily energy supply, transportation, processing, managerial and other services to SIBUR, are not allocated to operating and reportable segments and are reported as unallocated.

KEY PRODUCT GROUPS AND PRODUCTS

In addition to our operating and reportable segments, we monitor our operational performance on the basis of our product groups or products, which we organise into two categories: energy products and petrochemical products. Energy products include LPG, natural gas, naphtha, raw NGL, MTBE, other fuels and fuel additives.

Petrochemical products include such product groups as basic polymers, synthetic rubbers, plastics and organic synthesis products, and intermediates and other chemicals. The deviations between revenue split by product group and by segment are explained primarily by the following:

- most of our production facilities in both feedstock & energy and in petrochemicals segments provide a range of services to third parties. Such services primarily represent processing

of feedstock and intermediates, rental services, energy supply, repairs and maintenance. Revenue from these services is not included in any product group revenue and is reported separately as sales of processing services and other sales;

- our petrochemicals segment sells certain volumes of energy products, such as LPG and naphtha, to its established clients, which prefer “single window” service.



DISCLAIMER

The information contained herein pertaining to SIBUR (the "Group") has been provided by the Company solely for information purposes. By reading this Annual Review, you agree to be bound by the limitations set out below.

The material contained in this Annual Review is presented solely for information purposes and is not to be construed as providing investment advice. As such, it has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It should not be regarded by recipients as a substitute for the exercise of their own judgment.

There may be material variances between estimated data set forth in this Annual Review and actual results, and between the data set forth in this Annual Review and

corresponding data previously published by or on behalf of the Company.

This Annual Review contains forward-looking statements, including (without limitation) statements, based on the current expectations and projections of the Company about future events and are subject to change without notice. All statements, other than statements of historical fact, contained herein are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, such that future events and actual results may differ materially from those set forth in, contemplated by or underlying such forward-looking statements. The Company may not actually achieve or realize its plans, intentions or expectations. There can be no

assurance that the Company's actual results will not differ materially from the expectations set forth in such forward-looking statements. Factors that could cause actual results to differ from such expectations include, but are not limited to, the state of the global economy, the ability of the petrochemical sector to maintain levels of growth and development, risks related to petrochemical prices and regional political and security concerns. The above is not an exhaustive list of the factors that could cause actual results to differ materially from the expectations set forth in such forward-looking statements. The Company and its Affiliates are under no obligation to update the information, opinions or forward-looking statements in this Annual Review.



CONTACT INFORMATION

LEGAL OFFICE

Building 30, No. 6, Quarter 1,
Vostochniy Industrial District,
Tobolsk, Tyumen Region, 626150
Tel./Fax: +7 (3456) 266 686

HEAD OFFICE

16/1 Krzhizhanovskogo St.
Moscow, GSP-7, 117997
Tel./Fax: +7 (495) 777 5500

MEDIA CENTER

Anna Lebed-Lastukhina
International Media Relations
Tel.: + 7 (495) 937 1726
E-mail: LebedAI@sibur.ru

INVESTOR RELATIONS

Olga Kostyurina
Head of IR
Tel.: +7 (495) 777 5500 (*34-99)
Daria Belova
IR manager
Tel.: +7 (495) 777 5500 (*67-48)
E-mail: SIBUR_IR@sibur.ru

WEBSITE

www.sibur.ru (Russian version)
<http://www.sibur.ru/en/>
(English version)