IMPORTANT NOTICE

IMPORTANT: **You must read the following before continuing**. The following applies to the Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE ATTACHED PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS THAT ARE NOT "U.S. PERSONS" AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT OF 1933 (THE ***SECURITIES ACT***) OR WITHIN THE UNITED STATES TO QIBs (AS DEFINED BELOW). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THE ATTACHED PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THE ATTACHED PROSPECTUS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE US SECURITIES ACT (***RULE 144A***) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A (A ***QIB***) OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Confirmation of your representation: In order to be eligible to view the attached Prospectus or make an investment decision with respect to any securities, investors must be (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) or (ii) "non-U.S. persons" (as defined in Regulation S under the Securities Act) outside the United States who are not acting for the account or benefit of U.S. Persons. By accessing these materials, you shall be deemed to have represented to us that you (i) are a qualified institutional buyer or (ii) are outside the United States and are not a U.S. Person and are not acting for the account or benefit of a U.S. Person.

Under no circumstances shall the attached Prospectus constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities being offered, in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached Prospectus who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the attached Prospectus.

The Notes are not eligible for placement and circulation in the Russian Federation, unless, and to the extent, otherwise permitted by Russian law. The information provided in the attached Prospectus is not an offer, or an invitation to make offers, sell, exchange or otherwise transfer the Notes in the Russian Federation or to or for the benefit of any Russian person or entity.

The attached Prospectus and information contained herein does not constitute an advertisement or an offer of any securities in the Russian Federation. It is not intended to be, and must not be, distributed or circulated in the Russian Federation unless and to the extent otherwise permitted under Russian law.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession the attached Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of SIBUR Securities Limited (the ***Issuer***) in such jurisdiction.

The attached Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither OAO SIBUR Holding (the ***Company***), the Issuer, Citigroup Global Markets Limited, J.P. Morgan Securities plc, The Royal Bank of Scotland plc, Credit Suisse Securities (Europe) Limited, GPB-Financial Services Ltd, SIB (Cyprus) Limited (the ***Joint Bookrunners***) nor any person who controls them nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Company, the Issuer and the Joint Bookrunners.

SIBUR SECURITIES LIMITED

(a private limited company incorporated under the laws of Ireland)

US$ 1,000,000,000 3.914% Guaranteed Notes due 2018
unconditionally and irrevocably guaranteed by
OAO SIBUR Holding
Issue Price: 100%

SIBUR Securities Limited, a company incorporated under the laws of Ireland (the "**Issuer**"), is offering (the "**Offering**") an aggregate principal amount of US$ 1,000,000,000 3.914% Guaranteed Notes due 2018 (the "**Notes**"). OAO SIBUR Holding (the "**Guarantor**", the "**Company**" or "**SIBUR**") will unconditionally and irrevocably guarantee the due and prompt payment of all amounts at any time becoming due and payable in respect of each of the Notes under the deed of guarantee (the "**Guarantee**"). The Notes will be constituted under a trust deed to be entered into between Citibank, N.A., London Branch (the "**Trustee**") and the Issuer on or about 31 January 2013 (the "**Trust Deed**"). The Notes will be subject to, and have the benefit of, the Trust Deed.

The Issuer will pay interest on the Notes at an annual rate equal to 3.914% of their outstanding principal amount. Interest on the Notes is payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. Payments on the Notes (including payments by the Guarantor under the Guarantee or otherwise under the Trust Deed) will be made without withholding or deduction for or on account of taxes, unless such withholding or deduction is required by law. In the event of any withholding or deduction for or on account of taxes of Ireland, or the Russian Federation, the Issuer or (as the case may be) the Guarantor will, subject to certain exceptions and limitations, pay additional amounts to the holder of any Note to the extent described in the terms and conditions of the Notes (the "**Terms and Conditions**") under "Terms and Conditions of the Notes". The Issuer may redeem the Notes in whole but not in part at 100% of the principal amount thereof, plus accrued and unpaid interest, in the event of certain taxation changes and otherwise as described under "Terms and Conditions of the Notes — Redemption and Purchase — Redemption for tax reasons".

The Notes will be senior unsecured obligations of the Issuer and will rank equally in right of payment with the Issuer's other existing and future unsecured and unsubordinated indebtedness. The Guarantee will be a senior unsecured obligation of the Guarantor and will rank equally in right of payment with all existing and future senior unsecured and unsubordinated obligations of the Guarantor.

This document (the "**Prospectus**") has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. This Prospectus comprises a Prospectus for the purposes of Article 5 of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**"). Application has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for the Notes to be admitted to the Official List (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. No assurance can be given that the application will be granted. Furthermore, admission of the Notes to the Official List and trading on its Main Securities Market is not an indication of the merits of the Issuer, the Guarantor, the Notes or the Guarantee. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Main Securities Market of the Irish Stock Exchange. There can be no assurance that a trading market in the Notes will develop or be maintained.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE THE SECTION OF THIS PROSPECTUS ENTITLED "RISK FACTORS" BEGINNING ON PAGE 17 OF THIS PROSPECTUS.

The Notes and the Guarantee (the "**Securities**") have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or under any securities laws of any other jurisdiction. Subject to certain exemptions, or transactions not subject to, the Securities Act, the Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). The Securities will be offered and sold outside the United States to non-U.S. persons in offshore transactions as defined in and in reliance on Regulation S and in the United States only to qualified institutional buyers ("**QIBs**") (within the meaning of Rule 144A under the Securities Act), in reliance on an exemption from registration pursuant to Rule 144A under the Securities Act ("**Rule 144A**"). Prospective purchasers of the Securities are hereby notified that the seller of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Issuer has not been and will not be registered under the Investment Company Act of 1940 (the "**Investment Company Act**"). Neither the United States Securities and Exchange Commission ("**SEC**") nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offence. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. For a description of these and certain further restrictions on the transfer of the Notes, see "Transfer Restrictions, Clearing and Settlement".

The Notes will be offered and sold in minimum denominations of US$ 200,000 and integral multiples of US$ 1,000 in excess thereof. The Notes that are being offered and sold in accordance with Regulation S (the "**Regulation S Notes**") will initially be represented by beneficial interests in a Regulation S global note (the "**Regulation S Global Note**") in registered form, without interest coupons attached, which will be registered in the name of a nominee for and will be deposited with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, societe anonyme ("**Clearstream, Luxembourg**") on or about 31 January (the "**Closing Date**"). Notes which are offered and sold in reliance on Rule 144A will initially be represented by beneficial interests in a global note (the "**Rule 144A Global Note**" and, together with the Regulation S Global Notes, the "**Global Notes**") in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"). Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg, and their account holders. Definitive notes in respect of beneficial interests in the Regulation S Global Note and Rule 144A Global Note ("**Regulation S Definitive Notes**" and "**Rule 144A Definitive Notes**", respectively, and together, the "**Definitive Notes**") will not be issued except as described under "Summary of Provisions of the Notes while in Global Form-Exchange of Interests in Global Notes for Definitive Notes".

The Notes are expected to be rated "BB+" by Fitch Ratings Limited ("**Fitch**") and "Ba1" by Moody's Investors Service Limited ("**Moody's**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Each of Fitch and Moody's (which each provide ratings in relation to the Company and its subsidiaries (the "**Group**") and the Notes) are established in the European Union and registered in accordance with Regulation (EU) No 1060/2009 (the "**CRA Regulation**").

Joint Coordinators

CITIGROUP **J.P. MORGAN** **THE ROYAL BANK OF SCOTLAND**

Joint Bookrunners

CITIGROUP **CREDIT SUISSE** **GAZPROMBANK** **J.P. MORGAN** **THE ROYAL BANK OF SCOTLAND** **SBERBANK CIB**

The date of this Prospectus is 29 January 2013.

IMPORTANT INFORMATION ABOUT THE OFFERING

For information about the Issuer, the Company, the Group and the Guarantor, the Offering and the terms and conditions of the Notes and the Guarantee, you should rely only on the information contained in this Prospectus. Citigroup Global Markets Limited, J.P. Morgan Securities plc and The Royal Bank of Scotland plc (the "Joint Coordinators" and each a "Joint Coordinator") and Credit Suisse Securities (Europe) Limited, GPB-Financial Services Ltd and SIB (Cyprus) Limited (together, with the Joint Coordinators, the "Joint Bookrunners" and each a "Joint Bookrunner"), the Issuer, the Guarantor and Citibank, N.A., London Branch (the "Trustee") have not authorised any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that, unless otherwise indicated, the information appearing in this Prospectus is accurate as of the date of this Prospectus only. The Issuer's and the Guarantor's business, financial condition, results of operations and the information set forth in this Prospectus may have changed since that date.

THE NOTES ARE OF A SPECIALIST NATURE AND SHOULD ONLY BE BOUGHT AND TRADED BY INVESTORS WHO ARE PARTICULARLY KNOWLEDGEABLE IN INVESTMENT MATTERS. AN INVESTMENT IN THE NOTES IS SPECULATIVE, INVOLVES A HIGH DEGREE OF RISK AND MAY RESULT IN THE LOSS OF ALL OR PART OF THE INVESTMENT.

The Issuer and the Company each accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of each of the Issuer and the Company (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Notwithstanding the preceding paragraph, the Issuer and the Guarantor obtained the market data used in this Prospectus from internal surveys, industry sources, government sources and publicly available information. Although the Issuer and the Company believe that their sources are reliable, information and data from industry and government sources has not been independently verified by the Issuer, the Guarantor, the Joint Coordinators, the Joint Bookrunners or the Trustee or any of their respective affiliates or agents. None of the Issuer, the Guarantor, the Joint Coordinators, the Joint Bookrunners or the Trustee nor any of their respective affiliates or agents make any representation or warranty relating thereto other than the representation made by the Issuer and the Guarantor in "Information Extracted from Third Parties".

Each Noteholder participating in the Offering will be deemed to have made certain acknowledgments, representations and agreements as set forth under the section of this Prospectus entitled "Transfer Restrictions, Clearing and Settlement". The Notes and the Guarantee have not been registered under the Securities Act or any state securities laws or the laws of any other jurisdiction, are subject to restrictions on transferability and resales, and unless so registered, may not be transferred or resold except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws.

Neither any of the Joint Coordinators, the Joint Bookrunners nor the Trustee makes any representation or warranty, express or implied, as to the accuracy or completeness of any of the information in this Prospectus or any other information supplied in connection with the Notes and the Guarantee. Each person receiving this Prospectus acknowledges that such person has not relied on any of the Joint Coordinators, Joint Bookrunners or the Trustee in connection with its investigation of the accuracy of such information or its investment decision. Each person contemplating accepting the Offering and making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and the Guarantor and its own determination of the suitability of such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. No person has been authorised in connection with the Offering to make or provide any representation or information regarding the Issuer, the Guarantor, the Notes or the Guarantee other than as contained in this Prospectus. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Coordinators, the Joint Bookrunners or the Trustee.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note in the Offering shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Prospectus. Unless otherwise indicated, all information in this Prospectus is given as of the date hereof. Neither the Issuer, nor the Guarantor nor any other *person assumes any obligation (and expressly declares that it has no such obligation) to update or change any information contained in this Prospectus once there is no longer a requirement under the Prospectus Directive for the Prospectus to be updated.*

This Prospectus does not constitute an offer of, or the solicitation of an offer to buy or an invitation to subscribe for or purchase, by or on behalf of the Issuer, the Guarantor, the Joint Coordinators, the Joint Bookrunners or other person, the Notes in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Prospectus and the offering, sale and delivery of the Notes in the Offering in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Joint Coordinators, the Joint Bookrunners, the Issuer, the Guarantor and the Trustee to inform themselves about and to observe any such restrictions. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. For a description of certain further restrictions on offers, sales, deliveries and transfers of the Notes and distribution of this information, see the section of this Prospectus entitled "Subscription and Sale" and "Transfer Restrictions, Clearing and Settlement".

None of the Issuer, the Guarantor, the Joint Coordinators, the Joint Bookrunners, the Trustee or any of their respective affiliates or agents makes any representation about the legality of the acceptance of the Offering or the purchase of, or exchange for, the Notes by an investor under applicable investment or similar laws. Each prospective investor is advised to consult its own counsel and business adviser as to legal, business and related matters concerning the acceptance of the Offering and the Notes. The contents of this Prospectus are not to be construed as legal, business or tax advice. Prospective purchasers should be aware that they might be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required of it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Guarantor, the Joint Coordinators, the Joint Bookrunners, or the Trustee or any of their respective affiliates or agents shall have any responsibility therefor.

The Issuer may withdraw the Offering at any time and the Issuer, the Joint Coordinators and the Joint Bookrunners reserve the right to reject any offer to purchase the Notes in whole or in part and to sell to any prospective investor less than the full amount of Notes sought by such investor. In connection with the Offering, the Joint Coordinators and the Joint Bookrunners and any of their affiliates, acting as investors for their own accounts, may purchase Notes and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Notes and other securities of the Issuer or the Guarantor or related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Notes being issued, offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or acquisition, placing or dealing by, the Joint Coordinators and the Joint Bookrunners and any of their affiliates acting as investors for their own accounts. The Joint Coordinators and the Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Notes have not been recommended by or approved by the SEC or any other federal or state securities commission or regulatory authority, nor has any commission or regulatory authority passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

This Prospectus has been filed with and approved by the Central Bank of Ireland as required by the Prospectus Regulations. This Prospectus, as approved by the Central Bank of Ireland, will be filed with the Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

Any investment in Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not and will not be regulated by the Central Bank of Ireland as a result of issuing the Notes.

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE ROYAL BANK OF SCOTLAND PLC (THE "STABILISING MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

AVAILABLE INFORMATION

The Issuer and the Guarantor have agreed that, so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Issuer and the Guarantor will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting thereunder pursuant to Rule 12g3-2(b) under the Exchange Act, provide to any holder or beneficial owner of any such "restricted security", or to any prospective purchaser of such restricted security designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the Securities Act upon the request of such holder or beneficial owner.

NOTICE TO INVESTORS IN THE U.S.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE SECURITIES OR THE ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, AND SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES. THE SECURITIES ARE BEING OFFERED AND SOLD TO NON U.S. PERSONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S AND BY THE JOINT COORDINATORS AND THE JOINT BOOKRUNNERS THROUGH THEIR RESPECTIVE REGISTERED BROKER-DEALER AFFILIATES INSIDE THE UNITED STATES SOLELY TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A OF THE SECURITIES ACT, IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A (SEE "SUBSCRIPTION AND SALE"). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF ANY RULE 144A NOTE MAY BE RELYING UPON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, ("RSA") AS AMENDED, WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE NEW HAMPSHIRE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, THE GROUP HEREBY INFORMS YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICE TO INVESTORS IN THE UK

This Prospectus is only directed at persons who (i) are outside the United Kingdom or (ii) are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**") or (iii) are persons falling within Article 49(2)(a) to (e) of the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). This Prospectus must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this communication.

NOTICE TO RUSSIAN INVESTORS

The Prospectus is not an offer, or an invitation to make offers, to sell, exchange or otherwise transfer securities in the Russian Federation to or for the benefit of any Russian person or entity and does not constitute an advertisement or offering of securities in the Russian Federation within the meaning of Russian securities laws. Information contained in the Prospectus is not intended for any persons in the Russian Federation who are not "qualified investors" within the meaning of Article 51.2 of the Federal Law No. 39-FZ "On the Securities Market" dated 22 April 1996, as amended (the "**Russian QIs**") and must not be distributed or circulated into Russia or made available in Russia to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law. The Notes have not been and will not be registered in Russia and are not intended for "placement" or "circulation" in Russia (each as defined in Russian securities laws) unless and to the extent otherwise permitted under Russian law.

LIMITATION ON ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer's and the Guarantor's presence outside the United Kingdom and the United States may limit your legal recourse against the Issuer and the Guarantor. The Issuer is a private limited company incorporated under the laws of Ireland and the Guarantor is incorporated under the laws of the Russian Federation. The Issuer's and the Guarantor's directors and executive officers named in this Prospectus reside outside the United Kingdom and the United States. All or a substantial portion of the Guarantor's assets and the assets of the Guarantor's officers and directors are also located principally in Russia. As a result, it may not be possible for the Trustee, acting on behalf of Noteholders or, in certain circumstances, a Noteholder, to:

- effect service of process within the United Kingdom or the United States on the Issuer or the Guarantor or on the Issuer's or the Guarantor's officers and directors named in this Prospectus; or
- obtain or enforce English or U.S. court judgments against the Issuer, the Guarantor, the Issuer's or Guarantor's officers and directors on any basis, including actions under the civil liability provisions of English law or U.S. securities laws.

Under the terms of the Trust Deed and the Guarantee, the Issuer and the Guarantor will appoint an agent for service of process in London, England, for claims under the Trust Deed and the Guarantee. It is possible that a Russian court will not recognise this appointment. The Issuer and the Guarantor will not appoint an agent for service of process in the United States. It may be difficult for the Trustee, acting on behalf of Noteholders, to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom or United States, liabilities predicated upon English law or U.S. securities laws. In addition, judgments rendered by a court in any jurisdiction outside the Russian Federation will be recognised by courts in Russia only if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered and/or a federal law of the Russian Federation providing for the mutual recognition and enforcement of foreign court judgments is in effect. No such treaty exists between the United States and the Russian Federation, or between the United Kingdom and the Russian Federation, for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters. However, according to recent trends in Russian court practice, a foreign judgment can be recognised and enforced in the Russian Federation based on the principles of reciprocity and international comity, provided, however, that there is a bilateral or multilateral treaty to which the Russian Federation and the relevant foreign country are parties. Currently, there exist at least two cases in which Russian courts recognised and enforced the foreign court judgments based on such principals (an English court judgment in one instance and a Dutch court judgment in another instance). However, in the absence of established court practices, it is difficult to predict whether a Russian court will be inclined in any particular case to recognise and enforce an English court judgment on these grounds. These limitations may deprive the Trustee of effective legal recourse for claims related to your investment in the Notes.

The Notes, the Guarantee and the Trust Deed are governed by the laws of England and the Issuer has agreed in the Trust Deed and the Guarantor has agreed in the Guarantee that disputes arising thereunder and under the Notes are subject to arbitration in accordance with the Rules of Arbitration of the LCIA, formerly known as the London Court of International Arbitration, with the seat of any such arbitration in London, England. See "Terms and Conditions of the Notes — Governing Law and Arbitration". Ireland and the Russian Federation are parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**"). Consequently, an arbitral award from an arbitral tribunal in the United Kingdom, or the United States would generally be recognised and enforced in the Russian Federation on the basis of the rules of the New York Convention and enforcement in Ireland of an arbitral award rendered in the United Kingdom or the United States will be subject to the provisions of the New York Convention. However, it may be difficult to enforce arbitral awards in the Russian Federation due to:

- the limited experience of Russian courts in international commercial transactions;
- official and unofficial political resistance to the enforcement of awards against Russian companies in favour of foreign investors; and
- the inability of Russian courts to enforce such orders and corruption.

See "Risks Relating to Russia — Risks Related to the Russian Legal System and Russian Legislation — The difficulty of enforcing court decisions and the discretion of state authorities in enforcing claims could prevent the Group or you, as an investor in the Notes, from obtaining effective redress in court proceedings".

Russian courts generally only recognise foreign court judgments or arbitral awards pursuant to bilateral or multilateral treaty arrangements. The possible need to re-litigate on the merits in the Russian Federation a court judgment obtained elsewhere may significantly delay the enforcement of such judgment. Under current Russian law, certain amounts may be payable upon the initiation of any action or proceeding related to the Notes, the Guarantee or the Trust Deed in any Russian court. These amounts in many instances depend on the amount of the relevant claim.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains "forward-looking statements". Forward-looking statements are not historical facts and can often be identified by the use of terms like "estimates", "projects", "anticipates", "expects", "intends", "believes", "will", "may", "should", "plans", "target, "aim" or the negative of these terms, and similar statements of a future or forward-looking nature. All forward-looking statements, including discussions of strategy, plans, objectives, goals and future events or performance, involve risks and uncertainties.

While these statements are based on sources believed to be reliable and on Group's management's current knowledge and best belief, they are merely estimates or predictions and cannot be relied upon. The Group cannot assure you that the indicated, expressed or implied future results will be achieved. The following factors and features are exposed to risks and uncertainties which may cause the Group's actual results to differ materially from the results indicated, expressed or implied in the forward-looking statements used in this Prospectus:

- demand in the Russian and global gas processing and petrochemicals markets;
- the Group's ability to successfully implement any of its business strategies;
- the Group's expectations about demand for its products;
- competition in the marketplace;
- the Group's ability to service its existing indebtedness;
- the Group's ability to fund its growth;
- oil and natural gas prices;
- changes in political, social, legal or economic conditions in Russia and the other markets which affect the Group's operations;
- the Group's ability to respond to legal and regulatory developments and restrictions in relation to the industries in which the Group operates;
- adverse changes in the Group's liquidity, capital resources or capital expenditures;
- inflation and fluctuations in currency exchange rates and interest rates;
- the Group's success in identifying other risks to its business and managing the risks of the aforementioned factors; and
- those described in the part of this Prospectus entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this Prospectus.

These factors and the other risk factors described in this Prospectus (in the section entitled "Risk Factors") are not necessarily all of the important factors that could cause the Group's actual results to differ materially from those expressed in any of the Group's forward-looking statements. Other unknown or unpredictable factors also could harm the future results of the Group. Under no circumstances should the inclusion of such forward-looking statements in this Prospectus be regarded as a representation or warranty by the Group, the Joint Coordinators, the Joint Bookrunners, or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. The forward-looking statements included in this Prospectus are made only as of the date of this Prospectus and the Group cannot assure you that projected results or events will be achieved. Except to the extent required by law, the Group disclaims any obligation to update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

This Prospectus includes the following financial information: (i) the Group's audited combined financial information for the years ended 31 December 2011, 2010 and 2009 ("**Annual Combined Financial Information**") prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by International Accounting Standards Board and (ii) the Group's unaudited combined interim condensed financial information as of and for the three and nine months ended 30 September 2012 ("**Interim Combined Financial Information**") prepared in accordance with IAS 34 "Interim Financial Reporting". The Annual Combined Financial Information, together with the Interim Combined Financial Information, is referred to as the "**Combined Financial Information**".

The Combined Financial Information comprises the financial information of the Company and its subsidiaries relating to the activities of the feedstock and energy and petrochemicals businesses (the "continuing operations"), which together with the Company referred to herein as the Group. The Combined Financial Information is different than the Consolidated Financial Statements (as defined below) as the Combined Financial Information does not give effect to the mineral fertilizers and tyres businesses that were disposed of by the Group in December 2011. Those businesses were treated as discontinued operations in the Consolidated Financial Statements for the year ended 31 December 2011. The Group believes that the Combined Financial Information provides a proper basis for analysis of the underlying performance of the Group based on fully comparable data for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009.

Consolidated Financial Statements of the Company and its subsidiaries for the nine months ended 30 September 2012 and 2011 and for the years ended 31 December 2011, 2010 and 2009 were also prepared in accordance with IFRS ("**Consolidated Financial Statements**"). These are separately available upon request. For further details see Note 2 of the Annual Combined Financial Information.

For the year ended 31 December 2012, the Company will prepare both Combined Financial Information in accordance with the Terms and Conditions and Consolidated Financial Statements. For the reporting periods beginning on or after 1 January 2013, the Company will prepare only Consolidated Financial Statements as there will be no effect of the disposed mineral fertilizers and tyres businesses on the Company's Consolidated Financial Statements.

This Prospectus does not include any financial information of the Issuer. The Issuer, SIBUR Securities Limited was incorporated in Ireland on 8 November 2012, with registered number 519781 as a private company with limited liability under the Companies Acts 1963—2012 of Ireland (the "**Companies Acts**"). The registered office of the Issuer is 31 Fitzwilliam Square, Dublin 2, Ireland and its telephone number is + 353 1 905 8020. The Issuer is a wholly-owned subsidiary of SIBUR. The Issuer is organised as a special purpose company and was established to raise capital by the issue of debt securities and to use amounts equal to the proceeds of each such issuance to advance loans to Group companies. Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a private company under the Companies Acts and those related to the issue of the Notes.

Non-IFRS Financial Information

In this Prospectus, certain non-IFRS measures, such as EBITDA, EBITDA margin and net debt, are reported. The Group's management believes that these non-IFRS measures provide valuable information to readers because they enable the reader to focus more directly on the underlying day-to-day performance of the Group's business and are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the gas processing and petrochemical industry.

The Group defines EBITDA as the Group's profit/loss for the reporting period adjusted for income tax expense, finance income and expenses, share of net income/loss of joint ventures, depreciation and amortisation, impairment of property, plant and equipment, gain/loss on disposal of investments and exceptional items. EBITDA margin represents EBITDA as a percentage of revenue.

EBITDA and EBITDA margin are measures of the Group's operating performance that are not required by, or prepared in accordance with, IFRS. These supplemental measures of the Group's operating performance have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, analysis of the Group's operating results, liquidity or discretionary cash or as alternatives to revenue, profit, cash flows from operating activities or any other measures of performance as reported under IFRS. For example, EBITDA and EBITDA margin:

- do not reflect the impact of income taxes on the Group's operating performance;
- do not reflect the impact of finance income and expenses on the Group's operating performance;
- do not reflect the impact of the share of net income/loss of joint ventures;
- do not reflect the impact of depreciation and amortisation on the Group's performance. The assets of the Group's businesses, which are being depreciated or amortised will need to be replaced in the future and such depreciation and amortisation expense may not approximate the cost of replacing these assets in the future;
- do not reflect the impact of impairment/reversal of impairment of property, plant and equipment and of notes and other receivables;
- do not reflect gain on acquisition of subsidiaries, loss/gain on disposal of investments and loss/gain from discontinued operations; and
- do not reflect exceptional items, which can be significant.

Other companies in the Group's industry may define and calculate these measures differently from the way in which the Group does, limiting its usefulness as comparative measures.

Net debt represents total debt less cash and cash equivalents. The total debt represents long-term debt plus short-term debt and current portion of long-term debt.

For a reconciliation of EBITDA to the Group's profit for the reporting period and for a reconciliation of net debt to the Group's total debt as at the period end, see "Overview — Summary Combined Financial and Other Information".

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Presentation of Currencies

In this Prospectus:

- "**Rouble**", "**Roubles**", "**Russian rouble**", "**Russian roubles**", or "**RR**" refers to the lawful currency of the Russian Federation;
- "**US dollar**", "**US dollars**" or "**US$**" refers to the lawful currency of the United States of America; and
- "**Euro**", "**EUR**", "**euro**" or "**€**" refers to the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as in effect as of the date of this Prospectus.

Exchange Rate Information

The table below sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the Rouble and the US dollar and the Euro. This information is based on the exchange rates quoted by the Central Bank of the Russian Federation (the "**CBR**"), which uses a composite pricing source. Fluctuations in the exchange rates between the Rouble and the US dollar and the Euro in the past will not necessarily be indicative of fluctuations that may occur in the future. The above rates may differ from the actual rates used in the preparation and presentation of the Combined Financial Information and other financial information appearing in this Prospectus.

	RR per US$ 1.00			
	High	Low	Period average(1)	Period end
Year ended 31 December				
2009	36.43	28.67	31.72	30.24
2010	31.78	28.93	30.37	30.48
2011	32.68	27.26	29.39	32.20
2012	34.04	28.95	31.07	30.37

Source: CBR

(1) The period average in respect of a year is calculated as the average of the exchange rates on each calendar day for the relevant annual period.

	RR per EUR 1.00			
	High	Low	Period average(1)	Period end
Year ended 31 December				
2009	46.84	41.13	44.13	43.39
2010	43.46	37.42	40.30	40.33
2011	43.64	39.28	40.88	41.67
2012	42.25	38.41	39.91	40.23

Source: CBR

(1) The period average in respect of a year is calculated as the average of the exchange rates on each calendar day for the relevant annual period.

No representation is made that the Rouble, US dollar or Euro amounts referred to herein could have been or could be converted into Roubles, Euros or US dollars, as the case may be, at any particular rate or at all.

Information Extracted From Third Parties

Some of the statistical and market information presented in the Prospectus, including information about the Russian gas processing and petrochemicals industry, the Russian economy in general and related subjects, has been obtained from the following third-party sources:

- the CBR;
- Federal Service for State Statistics of the Russian Federation and its predecessors ("**Rosstat**");
- Ministry of Economic Development of the Russian Federation and its predecessors;
- the Central Dispatch Administration of the Fuel and Energy Complex (the "**CDU-TEK**");
- Publicly available industry researches published by industry consulting firms (including IHS CERA and IHS Chemical (formerly CMAI), both part of IHS); and
- a report entitled "Sibur Market Study" dated July 2012 (the "**Nexant Report**") prepared by Nexant Ltd ("**Nexant**").

Nexant Ltd (referred to in this Prospectus as Nexant) is registered under the laws of England with registered address at Lacon House, Theobalds Road, London WC1X 8RW, England (1 King's Arms Yard, London, EC2R 7AF, England). Nexant has no material interest with any other person or company involved in the interests which are subject of the information attributable to Nexant in this

Prospectus. Nexant has given and not withdrawn its respective consent to the inclusion of the statements from the Nexant Industry Report in the Prospectus in the form and context in which they appear.

Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Prospective investors should note that certain estimates made by the Group may be based on such third-party information.

The Company has derived substantially all of the information contained in this Prospectus concerning the Group's competitors from publicly available information, such as publicly available economic and industry research reports, and have accurately reproduced such information and, as far as the Company is aware and is able to ascertain from such information, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Company relied on the accuracy of this information without independent verification.

In addition, some of the third party information contained in this Prospectus has come from official data released by Russian government agencies and the CBR. The official data published by Russian federal, regional and local government agencies may be substantially less complete or researched than similar data from more developed countries. Official statistics, including those released by the CBR, may also be produced on different bases than those used in more developed countries. Any discussion of matters relating to the Russian Federation in the Prospectus must, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

The third party information used has been accurately reproduced and where it appears in this Prospectus, the source of such third party information is named. As far as the Issuer or the Company is aware and is able to ascertain from information published by the cited third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this information with caution. Neither the Group, the Joint Coordinators, nor the Joint Bookrunners have independently verified the figures, market data or other information on which third parties have based their studies.

Certain Defined Terms

In this Prospectus:

- "**CEO**" means the chief executive officer;
- "**CIS**" means the following countries which are members or associate members of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan;
- "**DAF**", or "**Delivered at Frontier**", refers to goods delivered whereby risk passes to the buyer, including responsibility for import clearance, when delivered to a named border point by the seller who is responsible for export clearance and transportation costs, to the delivery point;
- "**EU**" means the European Union and its member states as of the date of this Prospectus;
- "**FOB**", or "**Free on Board**", refers to goods delivered free on board whereby risk passes to the buyer, including payment of all transportation and insurance cost, once the goods are delivered on board the ship by the seller;
- "**GDP**" means gross domestic product;
- "**Incoterms**" refers to the Incoterms rules or International Commercial terms being a series of pre-defined commercial terms published by the International Chamber of Commers;
- "**Management Company**" means OOO Sibur;
- "**OAO**" means an open joint stock company incorporated under the laws of Russia;
- "**OOO**" means a limited liability company incorporated under the laws of Russia;
- "**RAS**" means the Russian Accounting Standards;
- "**Russia**" means the Russian Federation;
- "**Russian Tax Code**" means the Tax Code of the Russian Federation, as amended (Part 1, dated July 31, 1998, No. 146-FZ; Part 2, dated August 5, 2000, No. 117-FZ);

- "**UK**" means the United Kingdom;
- "**US**" means the United States of America;
- "**VAT**" means value-added tax; and
- "**ZAO**" means a closed joint stock company incorporated under the laws of Russia.

References to any Russian "**region**" are to respective political unit types of the Russian Federation and specifically, as the case may be, republic (respublika), territory (krai), district (oblast), federal importance city (gorod federalnogo znacheniya), autonomous district (avtonotnnaya oblast) or autonomous county (avtonomniy okrug).

For explanations of additional terminology, see "Glossary of Technical Terms".

Production Capacity

Production capacity presented in this Prospectus is presented based on nameplate capacity of the Group's production sites. The nameplate capacity is the capacity registered with the supervisory body, Rostekhnadzor. It is defined as the volume of product that could be produced by a plant or a unit if it operates a certain number of hours, usually less than the number of hours in a calendar year. As such, the nameplate capacity implicitly assumes scheduled shutdowns of a plant. The nameplate capacity does not take into account quality, grade or vintage characteristics of the products produced. With respect to presentation of petrochemicals production capacity, this Prospectus does not provide aggregate capacity of the Group's petrochemicals production to avoid double counting as certain of the Group's petrochemical products are used as a feedstock for production of the Group's other products and therefore may be included in total production of such other products. For this reason, in this Prospectus the Group presents petrochemicals production capacity by groups of petrochemical products – basic polymers, synthetic rubbers, plastics and organic synthesis products, as well as by individual products.

TABLE OF CONTENTS

OVERVIEW

This section of the Prospectus contains basic information about the Group and its industry. You should read the entire Prospectus carefully, including the "Risk Factors" and the Combined Financial Information included elsewhere in this Prospectus.

Business Overview

The Group is a uniquely positioned gas processing and petrochemicals company with a business model focused on the integrated operation of its two core segments. The Group owns and operates Russia's largest gas processing business in terms of associated petroleum gas processing volumes, according to IHS CERA and is a leader in the Russian petrochemicals industry. The Group has two operating and reportable segments: (1) feedstock and energy and (2) petrochemicals. The Group's feedstock and energy segment comprises (i) gathering and processing of associated petroleum gas (APG) that the Group purchases from major Russian oil companies, (ii) transportation, fractionation and other processing of natural gas liquids (NGLs) that the Group produces internally or purchases from major Russian oil and gas companies, and (iii) 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. The Group sells these energy products on the Russian and international markets and uses some of them as feedstock for its petrochemicals segment, which processes them into various petrochemicals, including basic polymers, synthetic rubbers, plastics and products of organic synthesis, as well as intermediates and other chemicals. As of 30 September 2012, the Group operated 27 production sites, had over 1,500 large customers operating in the energy, automotive, construction, fast moving consumer goods (FMCG), chemical and other industries in approximately 60 countries and employed over 30,000 personnel.

The Group benefits from owning and operating Russia's largest and most extensive integrated infrastructure for processing and transportation of APG and NGLs, located primarily in Western Siberia, which is the largest oil and gas producing region in Russia and where the Group sources most of its feedstock. This infrastructure includes seven out of the nine existing gas processing plants (GPPs) in Western Siberia, five compressor stations, and three gas fractionation units (GFUs). As of 31 December 2011, the Group had APG processing capacity of 22 billion[1] cubic metres per annum and raw NGL fractionation capacity of 5.2 million tons per annum. The Group's transportation infrastructure comprises 1,168 kilometres of raw NGL pipelines and 352 kilometres of natural gas pipelines as well as substantial railway transportation facilities, including six railway loading racks and rolling stock of over 17,500 rail cars and tank wagons under management. The Group's GPPs also have direct links to the production facilities of major oil companies operating in Western Siberia through a network of APG transportation pipelines, a large part of which is owned by the oil companies, while SIBUR owns 913 kilometres of these pipelines. The Group's infrastructure for processing and transportation of APG and NGLs provides it with advantageous access to feedstock.

In its petrochemicals business, the Group operates three steam cracker facilities, one basic polymers production plant, manufacturing low density polyethylene (LDPE) and polypropylene (PP), three synthetic rubbers production plants, manufacturing commodity and specialty rubbers as well as thermoplastic elastomers, and 14 production plants manufacturing a wide range of intermediate chemicals, plastics and organic synthesis products, including polyethylene terephthalate, glycols, alcohols, BOPP-films, expandable polystyrene, acrylates and plastic compounds. As of 31 December 2011, the Group's basic polymers production capacity was 460,000 tons per annum[2], synthetic rubbers production capacity was 601,900 tons per annum and plastics and products of organic synthesis production capacity was 816,900 tons per annum[3].

The Group has a leading share in the production of a number of energy and petrochemical products in Russia. In 2011, the Group processed 58% of all APG processed in Russia according to IHS CERA, and produced 34% of all LPG produced in the country based on the data from the CDU-TEK. In 2011, the Group was also the third largest producer of natural gas in Russia (including TNK-BP's share in production volumes of OOO Yugragazpererabotka), based on the data from the CDU-TEK[4]. Based on data published by IHS Chemical, in 2011, the Group accounted for a 45% share of the Russian production capacity of mono-ethylene glycol (a product within the

1 Including 100% of processing capacity of GPPs which are controlled by OOO Yugragazpererabotka, the Group's joint venture with TNK-BP.

2 Including 100% of processing capacity of NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group.

3 Excluding production capacity of the intermediates and other chemicals product group to avoid double counting.

4 Excluding flaring, losses, internal consumption and production under product-sharing schemes.

Group's plastics and organic synthesis products group), a 34% share of the Russian production capacity of LDPE and a 37% share of the Russian production capacity of PP, including the capacity of OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group. In 2011, the Group accounted for a 45% share of the Russian butadiene production capacity (a product within the Group's intermediates and other chemicals product group) according to IHS Chemical. In addition, in 2011, the Group accounted for a 33% share of the Russian synthetic rubbers production capacity, according to IISRP.

In the nine months ended 30 September 2012 and 2011, the Group's revenue was RR 198,957 million and RR 181,471 million, the Group's EBITDA was RR 60,240 million and RR 62,669 million, the Group's EBITDA margin was 30.3% and 34.5%, respectively. In the years ended 31 December 2011, 2010 and 2009, the Group's revenue was RR 248,660 million, RR 188,563 million and RR 127,800 million, the Group's EBITDA was RR 86,669 million, RR 58,178 million and RR 25,967 million, and the Group's EBITDA margin was 34.9%, 30.9% and 20.3%, respectively.

Competitive Strengths

The Group attributes its leading position and strategic advantages principally to the following competitive strengths:

- Advantageous access to feedstock;
- Extensive installed asset base presenting significant barrier to entry;
- Established presence and leading market positions in petrochemicals on the growing Russian market;
- Vertically integrated and diversified business model supporting the sustainability of earnings;
- Unique growth opportunities and execution capabilities; and
- Highly experienced management team with strong shareholder support.

Strategy

- Cement long-term access to feedstock through expanding existing APG and NGLs processing and transportation infrastructure and long-term arrangements with oil and gas companies;
- Monetize stranded feedstock through construction of large-scale petrochemicals production facilities;
- Capture domestic growth opportunities; and
- Pursue operational excellence.

Recent Developments

On 15 October 2012, SIBUR's shareholders approved a decision to distribute dividends for the first six months of 2012 in the amount of RR 7,407 million (RR 3.4 per ordinary share).

On 26 November 2012, SIBUR entered into a term facility agreement arranged by The Royal Bank of Scotland plc and J.P. Morgan Limited for an amount of up to US$ 300 million for general corporate purposes. The agreement matures within 365 days from the date of its execution. However, SIBUR is required to repay the facility within 5 business days from the receipt of the proceeds of the Offering using the proceeds from Offering. US$ 300 million was drawn down under this facility agreement in November 2012.

See also "Capitalisation".

Risk Factors

An investment in the Notes involves a high degree of risk, including, but not limited to, risks associated with the following matters:

- Negative economic developments and conditions in Russia and other markets where the Group operates can materially adversely affect the Group's results of operations;
- A decrease in oil and oil derivatives prices may affect the Group's results of operations;
- An increase in feedstock prices may result in increased operating expenses;

- Disruption in railway transportation or increases in costs related to railway transportation could adversely impact the Group's results of operations;
- The Group's manufacturing processes are complex and hazardous and subject to industrial and operating risks;
- Cyclicality in petrochemicals industry impacts the Group's results of operations;
- Competition from third parties in the feedstock and energy and petrochemicals segment may adversely affect the Group's results of operations;
- Due to the integrated nature of the Group's production facilities, problems in one part of the Group's facilities may cause disruption to other parts of its facilities;
- The Group is dependent upon long-term relationships with a limited number of third-party feedstock suppliers;
- The Group's selling prices for natural gas are significantly impacted by changes in regulated natural gas prices and may be affected by increases in natural gas supply in the future;
- Imposition of governmental regulation of APG prices could negatively affect the Group's financial results;
- Any disruptions in natural gas transportation or increase in natural gas transportation tariffs could materially adversely affect the Group;
- The Group may incur losses as a result of fluctuations in the foreign currency exchange rates;
- Increase in export duties on LPG and naphtha or adverse change in the Russian export and import regime may adversely affect the prices the Group charges for these products;
- Failure to implement large investment projects as planned may prevent the Group from realising the expected benefits of these projects;
- The Group may be unable to finance its significant capital expenditures needed to expand its operations;
- Covenants in the Group's financing agreements may limit its flexibility, and breach of such covenants may negatively affect the Group's financial position;
- Increase in electricity and heat prices could adversely impact the Group's financial results;
- Disruptions in pipeline transportation could materially affect the Group's operations;
- Disruptions in port services or increase in port servicing costs may adversely affect the Group's operations;
- The Group conducts several of its operations through joint ventures and strategic partnerships;
- Environmental and health and safety compliance and clean-up costs could have a material adverse effect on the Group's business, financial condition and results of operations;
- The Group could fail to obtain or renew necessary licenses or fail to comply with the terms of its licenses;
- If the FAS were to conclude that the Group conducted its business in contravention of antimonopoly legislation, it could impose sanctions on the Group;
- The Group's business and operations depend on the expertise of its key managers, as well as on its ability to attract, retain and motivate qualified personnel;
- A breakdown in the Group's relations with employees and/or restrictive labour laws could have a material adverse impact on the Group;
- The interests of the Group's largest shareholders may conflict with those of the Noteholders;
- The Group is subject to interest rate risk;
- In the event that the title to any company acquired by the Group through privatization, bankruptcy sale or by other means is successfully challenged, the Group may lose its ownership interest in that company or its assets;

- The Group's existing and future insurance coverage may not be sufficient and may not adequately protect it against certain operating hazards;
- The Group's products may become subject to anti-dumping or countervailing duties, import quotas or tariffs in various countries, which may have a material adverse effect on the Group's export sales;
- The Group has engaged, and its management expects it to continue to engage, in related party transactions;
- Risks associated with the Group's accounting and reporting systems and the internal controls relating to the preparation of IFRS financial information;
- The Group is subject to credit risk;
- The Group is required to consider and ensure the sustainable development of, and provide benefits to, the communities in which it operates;
- The Group's business could be adversely affected by product risks related to the implementation of the European regulation concerning the Registration, Evaluation and Authorisation of Chemicals;
- Failures of the Group's IT systems could negatively affect the results of operations;
- The Group may fail to successfully integrate any assets that it may obtain through acquisitions;
- The Group may not be able to protect adequately or enforce its intellectual property rights;
- Forced liquidation of some of the Group's subsidiaries due to insufficient or negative net assets could have an adverse effect on its operations;
- Risks Relating to Russia, including political, economic, social, legal and taxation risks; and
- Risks relating to the Notes and the Trading Market.

Summary Combined Financial and Other Information

The following summary combined financial information presents selected historical combined financial information as of 30 September 2012 and for the nine months ended 30 September 2012 and 2011 and as of and for the years ended 31 December 2011, 2010 and 2009. The selected statement of comprehensive income data, selected statement of financial position data and selected statement of cash flows data as of and for the years ended 31 December 2011, 2010 and 2009 set forth below has been extracted without material adjustment from, and should be read in conjunction with, the Annual Combined Financial Information, which is included elsewhere in this Prospectus. The selected statement of comprehensive income data, selected statement of financial position data and selected statement of cash flows data as of 30 September 2012 and for the nine months ended 30 September 2012 and 2011 set forth below has been extracted without material adjustment from, and should be read in conjunction with, the Interim Combined Financial Information, which is included elsewhere in this Prospectus. Investors should not rely on interim results as being indicative results the Group may expect for the full year.

Prospective investors should read the following summary combined financial information in conjunction with the information contained in "Presentation of Financial and Other Information", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business" and the Combined Financial Information appearing elsewhere in this Prospectus.

Selected Statement of Comprehensive Income Data

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			RR millions		
Continuing operations					
Revenue	198,957	181,471	248,660	188,563	127,800
Operating expenses	(146,093)	(124,075)	(170,207)	(136,751)	(106,256)
Operating profit	**52,864**	**57,396**	**78,453**	**51,812**	**21,544**
Finance income	3,145	3,032	2,910	5,622	8,045
Finance expenses	(1,020)	(5,848)	(7,325)	(4,570)	(9,638)
Gain on acquisition of subsidiaries	430	—	4,957	—	—
Share of net income/(loss) of joint ventures	115	493	236	108	(88)
Impairment of notes and other receivables	—	—	(1,731)	—	(3,262)
Gain/(loss) on disposal of investments	283	(185)	(380)	16	3,514
Profit before income tax	**55,817**	**54,888**	**77,120**	**52,988**	**20,115**
Income tax expense	(10,326)	(10,768)	(15,561)	(12,251)	(3,964)
Profit from continuing operations	**45,491**	**44,120**	**61,559**	**40,737**	**16,151**
(Loss)/gain from disposal of Amtel Group assets	**(315)**	**—**	**1,240**	**—**	**—**
Profit for the period	**45,176**	**44,120**	**62,799**	**40,737**	**16,151**
Profit attributable to:					
Non-controlling interest	70	(19)	(30)	(46)	(53)
Shareholders of the parent company	45,106	44,139	62,829	40,783	16,204
Other comprehensive loss after tax:					
Actuarial loss on post-employment benefit obligations	—	—	(94)	(311)	(207)
Other comprehensive loss for the period	**—**	**—**	**(94)**	**(311)**	**(207)**
Total comprehensive income for the period from continuing operations	**45,491**	**44,120**	**61,465**	**40,426**	**15,944**
Total comprehensive income for the period	**45,176**	**44,120**	**62,705**	**40,426**	**15,944**

Selected Statement of Financial Position Data

	As of 30 September	As of 31 December		
	2012	2011	2010	2009
		RR millions		
Non-current assets				
Property, plant and equipment	183,355	150,502	101,662	75,881
Goodwill	9,480	6,697	6,697	6,272
Investments in joint ventures	16,908	18,118	5,810	3,086
Deferred income tax assets	12,301	10,380	1,409	135
Advances and prepayments for capital construction	45,219	32,858	26,511	14,472
Loans receivable	762	638	4,947	5,674
Trade and other receivables	95	335	4,224	2,313
Other non-current assets	5,852	3,432	2,653	2,304
Total non-current assets	**273,972**	**222,960**	**153,913**	**110,137**
Current assets				
Inventories	22,166	22,187	12,651	11,472
Trade and other receivables	15,243	20,965	21,024	15,166
Receivables for disposed businesses	—	11,368	—	—
Prepaid current income tax	859	3,025	1,007	474
Prepayments and other current assets	16,731	20,749	13,439	10,355
Loans receivable	1,126	911	10,299	9,804
Cash and cash equivalents	9,176	14,971	15,416	14,846
Restricted cash	1,106	—	—	—
Assets classified as held for sale	3,884	5,993	2,802	—
Total current assets	**70,291**	**100,169**	**76,638**	**62,117**
Total assets	**344,263**	**323,129**	**230,551**	**172,254**
Non-current liabilities				
Long-term debt	44,149	51,716	28,532	30,447
Grants and subsidies	21,467	19,549	7,286	947
Deferred income tax liabilities	9,485	8,110	3,993	2,931
Other non-current liabilities	4,815	6,512	6,716	2,335
Total non-current liabilities	**79,916**	**85,887**	**46,527**	**36,660**
Current liabilities				
Short-term debt and current portion of long-term debt	36,701	31,194	30,166	25,217
Current trade and other payables	32,735	29,973	31,357	20,557
Income tax payable	2,985	5,286	2,696	2,188
Taxes other than income tax payable	3,201	4,788	5,441	2,250
Liabilities associated with non-current assets classified as held for sale	—	667	—	—
Total current liabilities	**75,622**	**71,908**	**69,660**	**50,212**
Total liabilities	**155,538**	**157,795**	**116,187**	**86,872**
Total equity	**188,725**	**165,334**	**114,364**	**85,382**
Total liabilities and equity	**344,263**	**323,129**	**230,551**	**172,254**

Selected Statement of Cash Flows Data

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	RR millions				
Net cash from operating activities	54,896	51,061	54,181	51,431	20,103
Net cash used in investing activities	(29,707)	(82,160)	(41,290)	(50,809)	(8,398)
Net cash (used in)/from financing activities	(30,586)	19,382	(12,526)	(204)	(5,772)
Net (decrease)/increase in cash and cash equivalents	(5,795)	(11,861)	(445)	570	6,066
Cash and cash equivalents at the end of the period	9,176	3,555	14,971	15,416	14,846

Non-IFRS Financial Measures

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	RR millions, except as stated				
EBITDA(1)	60,240	62,669	86,669	58,178	25,967
EBITDA margin(2)	30.3%	34.5%	34.9%	30.9%	20.3%

	As of 30 September	As of 31 December		
	2012	2011	2010	2009
	RR millions, except as stated			
Net debt(3)	71,674	67,939	43,282	40,818
Net debt/EBITDA(4)	0.85x	0.78x	0.74x	1.57x

(1) EBITDA means the Group's profit/loss for the reporting period adjusted for income tax expense, finance income and expenses, share of net income/loss of joint ventures, depreciation and amortisation, impairment of property, plant and equipment, loss/gain on disposal of investments and exceptional items.

(2) EBITDA margin means EBITDA divided by revenue, expressed as a percentage.

(3) Net debt means total debt less cash and cash equivalents. Total debt means long-term debt plus short-term debt and current portion of long-term debt.

(4) As of 31 December 2011, 2010 and 2009, net debt to EBITDA means net debt, as calculated in note 3 above, divided by EBITDA, as defined in note 1 above. As of 30 September 2012, net debt to EBITDA means net debt, as calculated in note 3 above, divided by EBITDA for the twelve months ended 30 September 2012, as defined in note 1 above and calculated by adding EBITDA for the nine months ended 30 September 2012 to EBITDA for the three months ended 31 December 2011 (which is EBITDA for the year ended 31 December 2011 less EBITDA for the nine months ended 30 September 2011).

A reconciliation of the EBITDA to the Group's profit for the reporting period is as follows for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			RR millions		
Profit for the reporting period	**45,176**	**44,120**	**62,799**	**40,737**	**16,151**
Loss/(gain) from disposal of Amtel Group assets	315	—	(1,240)	—	—
Income tax expense	10,326	10,768	15,561	12,251	3,964
(Gain)/loss on disposal of investments	(283)	185	380	(16)	(3,514)
Impairment of notes and other receivables	—	—	1,731	—	3,262
Share of net (income)/loss of joint ventures	(115)	(493)	(236)	(108)	88
Gain on acquisition of subsidiaries	(430)	—	(4,957)	—	—
Net finance (income)/expenses	(2,125)	2,816	4,415	(1,052)	1,593
Impairment of property, plant and equipment	262	—	—	426	—
Depreciation and amortisation	7,114	5,273	8,216	5,940	4,423
EBITDA	**60,240**	**62,669**	**86,669**	**58,178**	**25,967**

A reconciliation of net debt to the Group's total debt is as follows as of the dates indicated:

	As of 30 September	As of 31 December		
	2012	**2011**	**2010**	**2009**
		RR millions		
Long-term debt	44,149	51,716	28,532	30,447
Short-term debt and current portion of long-term debt	36,701	31,194	30,166	25,217
Total debt	**80,850**	**82,910**	**58,698**	**55,664**
Cash and cash equivalents	(9,176)	(14,971)	(15,416)	(14,846)
Net debt	**71,674**	**67,939**	**43,282**	**40,818**

Operational Measures

The following table presents the Group's key operational measures for the periods indicated.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
Processing and production					
APG processing[1] (thousand cubic metres)	13,680,113	13,400,537	18,032,320	17,453,926	16,796,551
APG processing, Group's share[2] (thousand cubic metres)	9,456,036	9,435,944	12,697,565	12,963,731	12,413,822
Natural gas production[1] (thousand cubic metres)	11,985,166	11,750,139	15,806,351	15,325,007	14,822,034
Natural gas production, Group's share[2] (thousand cubic metres)	8,008,717	8,088,647	10,864,052	11,154,101	10,824,692
Raw NGL production[1] (metric tons)	3,066,524	3,088,782	4,175,843	3,954,516	3,565,155
Raw NGL production, Group's share[2] (metric tons)	2,065,874	2,118,297	2,864,371	2,627,054	2,252,584
LPG production (metric tons)	2,759,027	2,684,970	3,624,868	3,397,866	3,341,730
Naphtha production (metric tons)	1,006,925	954,846	1,294,536	1,262,026	1,216,300
MTBE and other fuel additives production (metric tons)	509,400	548,186	742,529	630,589	673,670
Basic polymers production (metric tons)	283,401	268,225	372,967	418,153	438,835
Synthetic rubbers production (metric tons)	302,030	310,979	426,200	431,640	338,490
Plastics and organic synthesis production (metric tons)	603,512	428,946	607,293	524,071	466,697
Intermediates and other chemicals production (metric tons)	2,519,283	2,278,847	3,147,238	2,797,824	2,669,795
Sales volumes					
Energy products					
Natural gas (thousand cubic metres)	7,664,686	6,773,097	9,144,938	9,734,209	11,139,497
LPG (metric tons)	1,967,999	2,154,704	2,844,091	2,310,236	1,971,492
Naphtha (metric tons)	791,746	752,062	979,445	942,586	761,531
Raw NGL (metric tons)	154,753	145,508	163,274	45,859	51,047
MTBE, other fuels and fuel additives (metric tons)	441,705	464,086	627,776	565,415	604,606
Petrochemical products					
Basic polymers (metric tons)	342,903	322,399	446,090	435,979	455,566
Synthetic rubbers (metric tons)	319,302	353,359	484,876	495,352	379,733
Plastics and other synthesis products (metric tons)	572,226	352,981	525,671	463,220	419,708
Intermediates and other chemicals (metric tons)	454,040	516,685	707,750	734,806	659,624

(1) Includes TNK-BP's share in processing/production volumes of OOO Yugragazpererabotka (see "Business — Raw Materials Sourcing" and "Business — Operating Joint Ventures with Russian Oil Companies").

(2) Excludes TNK-BP's share in processing/production volumes of OOO Yugragazpererabotka (see "Business — Raw Materials Sourcing" and "Business — Operating Joint Ventures with Russian Oil Companies").

RISK FACTORS

An investment in the Notes involves a high degree of risk. You should carefully consider the following information about these risks, together with the information contained elsewhere in this Prospectus, before you decide to buy the Notes. Each of these risks could have a material adverse effect on the Group's business, financial condition, results of operations, prospects, or on the trading price of the Notes and you could lose all or part of your investment.

The Group has described the risks and uncertainties that its management believes are material, but these risks and uncertainties may not be the only ones the Group faces. Additional risks and uncertainties, including those that the Group currently is not aware of or deems immaterial, could have the effects set forth above.

RISKS RELATING TO THE GROUP'S BUSINESS

Negative economic developments and conditions in Russia and other markets where the Group operates can materially adversely affect the Group's results of operations.

The economic conditions and cycles in Russia and globally significantly impact the Group's operations. Demand for the Group's products is driven by the strength of the economies in which its customers and end-consumer industries, including energy, automotive, construction and fast-moving consumer goods (FMCG), operate. These consumers and industries are affected by the state of the global as well as local economies. A downturn in any of these economies could have an adverse effect on those industries reducing demand for the Group's products and resulting in decreased sales volumes and prices, which in turn could have a material adverse effect on the Group's operations.

Supply and demand balances, general economic and market conditions in Russia and globally and other factors that may affect industry operating rates and margins in the future are difficult to predict. The Russian economy was significantly affected by the weak global economic conditions and the turmoil in global financial markets during the 2008-2009 financial crisis and the Group experienced a decline in its operating margins in 2009. Despite the various measures undertaken by the governments around the world to overcome the consequences of the financial crisis, including the Russian Government, the global economy continues to be vulnerable, with the sovereign debt crisis in the Eurozone and decelerating growth in China and Asia currently creating uncertainties over its long-term outlook, including mounting government deficits, discontinuation of certain stimulus programmes, potential inflation or deflation and continuing high levels of unemployment, any of which could have an adverse effect on the Group's end-customer industries, and demand for the Group's products may be adversely affected. While the Group's operating results improved significantly in 2010 and 2011, the continuing uncertainty as to the growth rate of international trade and the general global economic climate may continue to have an adverse impact on the Group's business, financial condition and results of operations.

A decrease in oil and oil derivatives prices may affect the Group's results of operations.

Prices for a large portion of the Group's feedstock and processed goods are directly or indirectly linked to oil or oil derivatives prices. Oil and oil derivatives prices have historically been volatile and dependent on a variety of factors such as changes in market supply and demand balances, geopolitical developments affecting producing countries, actions by the Organisation of the Petroleum Exporting Countries, force majeure events and other factors.

The Group produces energy products, including LPG and naphtha, and sells a large portion of produced volumes of these products to external customers at prices that are largely dependent on oil and oil derivatives. Therefore, any decrease in prices for oil and oil derivatives may negatively affect the Group's revenues from such sales. In addition, prices for many of the Group's petrochemical products tend to track price movements for oil and oil derivatives, particularly naphtha, the primary feedstock for most petrochemicals. Thus, a decrease in oil prices has a similar impact on the Group's revenue from sales of petrochemical products. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Crude Oil, Raw NGL, LPG and Naphtha Prices". Accordingly, a significant decrease in oil prices would decrease the Group's revenue from sales which could have a material adverse effect on the Group's business, financial condition and results of operations.

An increase in feedstock prices may result in increased operating expenses.

The Group requires substantial amounts of feedstock, primarily APG and NGLs, for the production of its products. As a result, purchases of feedstock represent the largest portion of the Group's operating expenses. During the nine months ended 30 September 2012 and the years ended 31 December 2011, 2010 and 2009, the Group's purchases of APG and NGLs accounted for 14.9%, 16.6%, 13.8% and 9.7% of the Group's total operating costs, respectively.

The Group purchases APG from major oil companies located in Western Siberia at negotiated prices, which are dependent on a number of factors, including the quality and composition of APG in terms of target liquid fractions content, distance of an APG source from the Group's GPPs, availability of collection and transportation infrastructure and changes in the regulated domestic gas prices set by the FTS. The prices are also influenced by the cost and effectiveness of the alternatives to selling APG to the Group available to oil companies in Western Siberia, such as the potential capital expenditures they would need to incur to construct their own gas processing capacity, the volumes of APG they can use for in-field injection or power generation and the penalties imposed on flaring. As a result, the Group typically purchases APG at a substantial discount to the FTS regulated domestic natural gas prices. If, among other factors, alternatives to selling to the Group become more viable or less costly, the oil companies were to invest in the development of APG processing capacity or infrastructure or their costs of production were to increase, the prices at which the Group is able to purchase APG could increase. In addition, while in the recent past the Russian Government has consistently introduced regulation to limit gas flaring, any changes to such regulation that could result in a less stringent regime, could increase the price for APG the Group purchases from oil companies.

NGL feedstock is priced with reference to international prices for LPG and naphtha. Because of the abundant supply of NGLs in Western Siberia where the Group's processing facilities are located and a substantial lack of NGL processing infrastructure in the area, prices for NGLs in Russia are determined on an export netback basis, which reflects transportation costs and export duties. As a result, the prices at which the Group has been able to purchase NGLs in Western Siberia are substantially lower than those available to the majority of the Group's international petrochemical peers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Feedstock Sourcing and Mix"). If transportation costs and/or export duties decline, or the demand for NGLs feedstock increases due to oil and gas companies developing more NGL processing infrastructure, the pricing advantage the Group enjoys as a result of the lower prices of NGLs in Western Siberia may be eroded.

If the Group is not able to pass feedstock price increase on to its customers or do so quickly enough to avoid adversely impacting its results of operations, the Group's business, financial condition, and results of operations could be materially adversely affected.

Disruption in railway transportation or increases in costs related to railway transportation could adversely impact the Group's results of operations.

The Group uses rail for transportation of its refined products, intermediates and feedstock, including 100% of the Group's sales of LPG, naphtha and MTBE, significant volumes of NGLs as feedstock (between the Group's GPPs and GFUs) and a majority of the Group's petrochemical products. As a result, the Group's operations depend upon the Russian railway system and rely predominantly on the rail freight network operated by OAO Russian Railways ("**Russian Railways**"). Russian Railways is a state-owned group, which owns the main rail network in Russia and handles a substantial majority of all railway freight in Russia.

The physical infrastructure and other assets owned and operated by Russian Railways, particularly its rail network, largely date back to Soviet times, and as a result, the Russian railway system is subject to risks of disruption. Any disruption in railway transportation (including as a result of technical breakdowns, accidents, improper maintenance, shortages of locomotives, industrial action caused by trade unions at Russian Railways or the blockage or destruction of key rail routes connecting the Group's production facilities to Russian Railways network) could significantly affect the Group's ability to deliver feedstock to its production facilities, bring products to market, delay delivery times and increase its costs, which could have a material adverse effect on the Group's business, financial condition, and results of operations.

The Russian Government sets rail tariffs for railway transportation through the FTS and reviews them annually (see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations —

Transportation Tariffs"). The Group expects that the railway transportation tariffs set by the FTS will continue to increase going forward. Historically, the Group has been able to obtain discounts from the FTS on the railway tariffs charged on export deliveries of LPG from the Group's Tobolsk GFU, which is the Group's largest LPG production facility, on an annual basis. This discount was recently reduced. If the discount for transportation of LPG is further reduced or if the discount tariff rate is entirely abolished and substituted with a regular tariff, the Group's transportation costs will most likely increase.

In addition, both privatization of Russian Railways and its cost of upgrading its railway network could further contribute to an increase in railway tariffs. If railway transportation prices continue to increase and the Group is unable to make commensurate increases in its prices, the Group's operating margins would decrease, which could have a material adverse effect on its business, financial condition, and results of operations.

The Group's operating expenses are also affected by the cost of rolling stock. The Group owns and operates ZAO Sibur-Trans, a licensed railway operator, which is responsible for handling the Group's rail logistics, which includes leasing a significant number of rail cars from third parties under lease agreements and transportation contracts. As of 30 September 2012, the Group managed the rolling stock of 17,551 rail cars and tank wagons, out of which only 6,222 were owned. Increase in the cost of rolling stock could have a material adverse effect on its business, financial condition, and results of operations.

The Group's manufacturing processes are complex and hazardous and subject to industrial and operating risks.

The operation of the Group's production facilities involves the use of complex manufacturing processes and equipment that encompass the handling, production and transportation of highly hazardous, flammable, explosive and toxic materials. As a result, the Group's operations are exposed to a number of industrial accident risks, including fires, explosions, release of toxic fumes and other unexpected or hazardous conditions, including as a result of improper maintenance of the equipment, that could cause property damage, environmental damage, business interruptions, be detrimental to health or cause personal injuries or death, as well as result in administrative fines and potential legal liabilities. The Group's employees, as well as employees of the Group's service providers, suppliers and customers, and residents living in close proximity to the Group's production facilities, may be exposed to these hazards. Any of these hazards or accidents could result in unexpected production delays, increased production costs and increased expenses to repair or replace the equipment or property, as well as claims from individuals affected by such hazards or accidents and environmental and other authorities for any alleged breaches of applicable laws or regulation. In addition, the Group may be required to finance resettlement of local residents who are affected by the Group's operations if such operations present environmental, health and safety risks to these residents due to, among other things, the hazards described above. See " — Environmental and health and safety compliance and clean-up costs could have a material adverse effect on the Group's business, financial condition and results of operations."

Furthermore, the Group's production facilities may be adversely affected by power shortages or outages. During periods of peak usage, supplies of energy may be curtailed. The occurrence of any of these factors may have a material adverse effect on the Group's business, financial condition or results of operations.

In addition, any new technologies that the Group may implement as part of the development of its facilities may not be successfully implemented or reveal deficiencies that could adversely affect the Group's production processes or lead to additional operating costs.

Any of the above factors or other factors that interrupt the Group's operations or which cause the Group to incur significant expenses could have a material adverse effect on the Group's business, financial condition and results of operations.

Cyclicality in petrochemicals industry impacts the Group's results of operations.

The Group's petrochemicals segment is impacted by cyclicality in petrochemicals industry. Prices of petrochemical products are subject to significant fluctuations as they are influenced by trends in global 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 commercialization of new feedstock sources such as shale gas in the United States. When significant new capacity or supply 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. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations". The Group expects that the prices for petrochemical products will continue to reflect this cyclicality, and thus its results of operations will also be affected by these cycles.

Competition from third parties in the feedstock and energy and petrochemicals segment may adversely affect the Group's results of operations.

In the Group's feedstock and energy segment the Group's principal competitors are Russian and international oil and gas companies involved in refining and processing APG and NGL. The Group's competitors in the petrochemicals segment include primarily other petrochemical companies based in Russia and other countries as well as oil and gas companies that have their own petrochemicals production. See "Industry". Most of the Group's products are commodity grade and competition for such products is principally based on price, which may be determined on the basis of a number of factors, including geographic proximity to the source of feedstock, costs of connection to upstream and downstream infrastructure, available capacity and access to markets. Competition for the Group's more specialized petrochemical products is based on certain additional factors, such as quality of products, performance, manufacturing flexibility, delivery times and customer service. The priority of taking these factors into account is based on the needs of particular customers and the characteristics of specific products.

Some of the Group's competitors may have or may develop (through alliances with other market players or otherwise) certain advantages over the Group, including greater financial, technical and logistical resources, greater economies of scale, broader name recognition and more established relationships in certain markets and as a result, may succeed in offering more attractive prices, greater product quality, improve delivery time or better customer services. Such developments could render the Group's facilities and products less competitive. Structural capacity, available production, decisions and announcements the Group's competitors make about plans to increase capacity and the entry of new players into the gas processing and petrochemicals businesses may also weaken the Group's competitive position. Competition can have a significant impact on the prices the Group realises for its products and on demand for its products, either of which may materially adversely affect the Group's business, results of operation or financial condition. The effect of such new competition on the cost of the feedstock the Group uses in its operations as well as prices for the Group's products could have a material adverse effect on the Group's business, financial condition and results of operations.

Recently, the global natural gas market has witnessed a number of new trends that have had the effect of lowering international gas prices. In particular, shale gas, a form of natural gas embedded in shale, is becoming an increasingly important source of natural gas for the United States and, to a lesser extent, certain European markets. The increase of shale gas production has contributed to a general decline in the price of natural gas in the United States and if this trend continues, may drive down natural gas prices globally. A decrease in natural gas prices globally may, in turn, result in lower prices for gas-based feedstock used for petrochemicals production. As a result, the global petrochemicals industry may experience periods of oversupply that could intensify competition among petrochemicals producers. Any significant increase in competition in the petrochemicals industry, coupled with any adverse changes to the Group's position in the global cost curves, could adversely affect the Group's operations.

Due to the integrated nature of the Group's production facilities, problems in one part of the Group's facilities may cause disruption to other parts of its facilities.

The Group operates an integrated business comprising feedstock and energy and petrochemicals segments. Significant volumes of products manufactured by the Group's feedstock and energy segment are used as a raw material by the Group's petrochemicals segment in production of petrochemical products. Because of this integration, any problems that develop in the Group's feedstock and energy segment may adversely affect the Group's petrochemicals segment. Production problems of this type could cause disruptions at downstream facilities and result in temporary shutdowns and reduced production rates. In addition, certain of the Group's production processes also rely on shared common utilities and infrastructure. Therefore, any technical failures or other adverse conditions affecting these shared utilities or infrastructure may adversely affect the Group's production at other production facilities, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent upon long-term relationships with a limited number of third-party feedstock suppliers.

The Group purchases APG and NGLs from a limited number of oil and gas companies primarily under multi-year supply contracts and joint venture arrangement. The Group may be unable to retain some or all of these suppliers and they may not maintain their current level of business with the Group. A reduction or cessation of supplies of feedstock from the Group's suppliers for whatever reason and the Group's inability to obtain, in substitution, feedstock supplies of a comparable size in a timely and cost-effective manner from alternative sources could result in production delays, increased costs and reductions in delivery of the Group's finished products to customers, any of which could have a material adverse effect of the Group's business, financial condition and results of operations.

The availability of feedstock sourced from the Group's suppliers may be also negatively affected by a number of factors largely beyond the Group's control, including interruptions in production by suppliers, supplier allocation to other purchasers, transportation costs, price fluctuations, higher labour costs and the effect of inflation on other operating costs. In addition, if the Group is unable to continue to secure multi-year agreements with its existing suppliers or any new suppliers of feedstock, it may impair predictability of feedstock pricing and volumes as well as planning of the Group's future operating expenses and investments. The occurrence of any of these factors may have a material adverse effect on the Group's business, financial condition or results of operations.

A significant portion of the Group's hydrocarbon feedstock is obtained through OOO Yugragazpererabotka, the Group's joint venture arrangement with TNK-BP located in the Khanty-Mansi Autonomous Area of Russia (see "Business — Operating Joint Ventures with Russian Oil Companies"). In the nine months ended 30 September 2012 and the year ended 31 December 2011, the APG supplies from TNK-BP under the joint venture arrangements represented 39.9% and 38.2% of the Group's total APG supplies in volume terms, and the raw NGL supplies from TNK-BP under the joint venture arrangements represented 46.6% and 44.3% of the Group's total NGLs supplies in volume terms. In addition to the factors that can impact the Group's feedstock supplies outlined above, the Group's ability to continue to source feedstock through this joint venture arrangement is also subject to risks inherent in operating joint ventures (see " — The Group conducts several of its operations through joint ventures and strategic partnerships").

The Group's selling prices for natural gas are significantly impacted by changes in regulated natural gas prices and may be affected by increases in natural gas supply in the future.

The prices at which the Group sells its natural gas are significantly impacted by changes in regulated gas prices at which Gazprom, the major Russian gas producer, sells natural gas on the domestic market. This price regulation is effected by the Russian Government, through the FTS, and in the past has been subject to various political and administrative factors. This price regulation does not apply to independent gas producers, however the regulated price significantly influences the domestic market conditions. Domestic natural gas prices have been rising over the last few years primarily as a result of the Russian Government's plan for the gradual liberalization of the domestic natural gas market. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Natural Gas Prices". There can be no assurance that natural gas prices in Russia will continue to increase, either as foreseen by the current liberalization plan or in response to an increase in energy prices elsewhere in the world, or that the domestic regulation of natural gas prices will be changed with the effect that the Group's prices are not affected by the prices used by Gazprom. Accordingly, the Group has and may continue to have limited pricing flexibility with respect to its sales of natural gas. In addition, the Group's prices for natural gas could also be adversely affected by any future liberalization of prices in the Russian natural gas industry, as there can be no assurance that free market prices would be higher than those set by state authorities. In particular, while the Group's APG purchase price is substantially lower than the regulated natural gas price due to economic reasons described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Natural Gas Prices", because the price at which the Group sells natural gas it produces from APG is largely driven by regulated natural gas prices, any tightening in the spread between the Group's average APG purchasing price and its average natural gas selling price will negatively impact its financial results (see " — An increase in feedstock prices may result in increased operating expenses").

In addition, if there is a significant increase in natural gas supplies in Russia and elsewhere, the Group may need to decrease its natural gas selling price significantly below the regulated natural gas price to effectively compete on the natural gas market. Recently, the global natural gas market has witnessed a number of supply trends that have had the effect of lowering international gas prices. In particular, the increase of shale gas production has contributed to a general decrease in the price of natural gas in the United States and, if this trend continues, may drive down natural gas prices globally, including in Russia. A significant decrease in natural gas prices in Russia could result in a decrease in the prices the Group charges for natural gas, which historically has been a significant source of external sales for the Group, and this could adversely affect the Group's profitability.

These limitations and developments could have a material adverse effect on the Group's business, financial condition and results of operations.

Imposition of governmental regulation of APG prices could negatively affect the Group's financial results.

The price for APG is currently not subject to government regulation in Russia. The Group is, therefore, able to independently negotiate the purchase price of APG with its suppliers without being subject to government regulation. Although the price of APG changes largely in line with changes in the regulated natural gas prices, the Group is able to negotiate its price at levels that are generally economically viable for the Group. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Natural Gas Prices". However, in the event the Russian Government introduces price regulation of APG by the FTS or another body, the Group will be required to comply with regulated prices. If APG price regulation results in additional costs for the Group that it is unable to pass on to its customers, the Group's business, financial condition and results of operations could be materially adversely affected.

Any disruptions in natural gas transportation or increase in natural gas transportation tariffs could materially adversely affect the Group.

The Group transports natural gas into the Unified Gas Supply System (UGSS), which is responsible for gathering, transporting, dispatching and delivering substantially all natural gas supplies in Russia. The UGSS is owned and operated by Gazprom. Under existing legislation, Gazprom must provide access to the UGSS to all independent suppliers on a non-discriminatory basis subject to the availability of capacity in the UGSS, the compliance of gas being transported within established quality and technical parameters and the availability of connecting and branch pipelines to consumers. In practice, however, Gazprom could exercise considerable discretion over access to the UGSS because it is the sole owner of information relating to the UGSS' capacity. There can be no assurance that this legislation will remain in place or that Gazprom will continue to provide access to the UGSS to the Group or that the terms of the Group's access will be commercially reasonable. A change in the existing legislation, or a failure by Gazprom to comply with the legislation, such that Gazprom no longer provides access to the UGSS on a non-discriminatory or commercially reasonable basis or other action by Gazprom to decrease the Group's access to transportation capacity would likely result in a decrease in production and sales.

In addition, the UGSS includes an extensive network of pipelines and compressor installations that have been developed over the past forty years. Most of the pipeline is over fifteen years old, and some portions of the pipeline are over thirty years old. As a result, the UGSS may experience outages or capacity constraints during required maintenance periods, and it is likely that maintenance work will increase in the future. During these maintenance periods, the Group may experience delays in or be prevented from supplying natural gas to its customers.

Restriction of access to gas transportation infrastructure or any disruptions in the Group's supplies of natural gas as a result of inadequate technical condition of the UGSS could have a material adverse effect on the Group's business, financial condition, and results of operations.

Furthermore, the FTS regulates tariffs for transportation of natural gas through UGSS for independent gas producers and revises them on an annual basis. Regulated natural gas transportation tariffs have risen in recent years and are expected to continue to rise at least until 2015 at a rate not exceeding the forecasted inflation rate, according to the Ministry of Economic Development of the Russian Federation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Transportation Tariffs". As approved by the FTS, an increase in the average regulated transportation tariff for independent gas producers using the UGSS by 7% came into effect on 1 July 2012. If natural gas transportation tariffs continue to rise, as expected, and the Group becomes unable to pass on these additional costs to its end-customers, it could have a material adverse effect on the Group's business, financial condition, and results of operations.

The Group may incur losses as a result of fluctuations in the foreign currency exchange rates.

Movements of the Russian rouble against the US dollar and euro can have a significant effect on the Group's financial performance. The functional currency of the Company and most of its subsidiaries, and the Group's presentation currency is the Russian rouble. However, the Group's sales to countries outside of Russia are primarily denominated in US dollars and, to a much lesser extent, in euro, while most of the Group's expenses are denominated in Russian roubles. As a result, appreciation of the Russian rouble relative to these currencies has a negative effect on the Group's operational results as sales denominated in foreign currency decrease in Rouble terms. In addition, a significant part of the Group's borrowings is denominated in foreign currencies, primarily in US dollars. As a result of depreciation of the Russian rouble relative to these foreign currencies, the Group's liabilities denominated in these foreign currencies increase in Russian rouble terms, as do interest costs on the Group's foreign currency-denominated borrowings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Macroeconomic and Other Economic Trends".

Increase in export duties on LPG and naphtha or adverse change in the Russian export and import regime may adversely affect the prices the Group charges for these products.

LPG (excluding butane and isobutane) and naphtha (excluding pentane and isopentane) the Group exports (except for exports to Belarus and Kazakhstan that are members of the Belarus, Russia and Kazakhstan Customs Union (the "**Customs Union**")) are subject to export duties, which are set monthly by the Russian Government. The export duty on LPG is based on a formula established by the Russian Government that is tied to the international benchmark price of LPG. The export duty on naphtha is calculated as a percentage of export duties on crude oil (Urals). As Russia's domestic prices for raw NGL, LPG and naphtha are based on export netback prices, higher export duties reduce the domestic price the Group may charge for these products, which could adversely affect the Group's energy products sales. See "Management's Discussion and Analysis of Financial Condition and Results of Operation — Significant Factors Affecting the Group's Results of Operations — Export Duties on LPG and Naphtha".

In addition, any adverse changes in the Russian export and import regime, including imposition of protective export duties on the Group's products or a decrease in import duties on energy or petrochemical products imported into Russia may have an adverse effect on the prices of the Group's products, and consequently, on the Group's sales.

Failure to implement large investment projects as planned may prevent the Group from realising the expected benefits of these projects.

Group is currently engaged in implementation of a number of large investment projects aimed at upgrading and expanding the Group's feedstock processing capacity, developing the Group's transportation infrastructure, and expanding the Group's petrochemicals production capacity. These projects are described in "Business — Investment Programme and Capital Expenditure". There is no assurance that these or any other projects that the Group will undertake will not be adversely affected, delayed, terminated or will be completed as planned as a consequence of a number of factors, including:

- the timing and cost of the construction of processing facilities;
- the availability and cost of skilled labour, transportation facilities, power, water and raw materials;
- restrictive covenants under the terms of the Group's indebtedness;
- the availability and cost of funds to finance these projects;

- the need to obtain necessary environmental and other governmental permits and the timing of those permits; and
- other technical difficulties.

Technical and technological decisions made as part of the integration of new technologies or developing or enhancing existing systems, or assumptions used, during each stage of the Group's projects on the basis of the information available to the Group may reveal themselves to be wrong and, as a result, lead to operating costs being higher than originally estimated. Procurement costs of these projects may also exceed the Group's planned investment budget. As a consequence of any delay in completing the Group's capital expenditure projects, cost overruns, changes in market circumstances or other factors, the intended economic benefits from these capital expenditure projects may not materialize or the Group may not be able to make these capital expenditures at the times and in the amounts planned, and the Group's business, results of operations or financial condition may be materially adversely affected.

The Group may be unable to finance its significant capital expenditures needed to expand its operations.

The Group intends to invest approximately RR 143 billion net of VAT from 2013 to 2016, out of which RR 74 billion were approved by the Board of Directors for 2013. These amounts comprise investment projects approved by the Group's Investment Committee to upgrade and expand the Group's feedstock processing capacity, develop the Group's transportation infrastructure, and expand the Group's petrochemicals production capacity, and also include capital expenditures to maintain the existing infrastructure as well as the capitalised portion of the Group's expenses related to R&D, organisational and IT projects. See "Business — Investment Programme and Capital Expenditure". In addition to the approved investment projects, the Group is considering various other investments, including the development of the "ZapSib-2" project involving construction of an integrated facility for production of basic polymers, which is currently in a FEED stage. These additional projects, if approved by SIBUR's management, will require the Group to make substantial additional investments.

The Group expects to fund its capital expenditures through internal sources and external financing. There can be no assurance, however, that the Group will be able to attract sufficient funds to meet such capital requirements in the future or do so at a reasonable cost. The Group depends on regular access to debt markets to meet significant portion of its financing requirements. The Group's ability to secure debt or equity financing in amounts sufficient to meet its financial needs could be materially adversely affected by many factors beyond its control, including, but not limited to, economic conditions in Russia and globally and the health of the banking sector and global capital markets. Additional financing through bank financing, issuances of equity or debt securities may not be available or may be available on terms that are not satisfactory to the Group. If the Group is unable to obtain the required financing, it may be unable to implement its investment projects within the allocated budget or on time, which could adversely affect the Group's operations, competitiveness and prospects. See also " — Failure to implement large investment projects as planned may prevent the Group from realising the expected benefits of these projects."

Covenants in the Group's financing agreements may limit its flexibility, and breach of such covenants may negatively affect the Group's financial position.

The Group's financing agreements and the Notes contain restrictive covenants that require it to abstain from certain actions. In addition, some of these financing agreements and the Notes require that the Group complies with various financial covenants, maintains various financial ratios or refrains from incurring additional indebtedness over certain threshold levels. Many of the Group's financing agreements and the Notes contain restrictive or negative covenants and other restrictions which may affect its ability or the ability of its subsidiaries to obtain loans, pay dividends, dispose of or acquire assets, execute contracts out of the ordinary course of business, or create security. Some of these financing agreements and the Notes contain restrictive conditions imposing limitations on change of control, ownership, corporate structure, reorganisations and mergers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Debt Obligations" and "Terms and Conditions of the Notes". Such covenants may limit the Group's operational flexibility, and a breach thereof may result in a default on the instruments regulating the respective debt, which may, in turn, trigger cross-default provisions under other financial arrangements of the Group. These covenants, or a default on them, and inability to cure the default or refinance the debt could have a material adverse effect on the Group's business, financial condition and results of operations.

Increase in electricity and heat prices could adversely impact the Group's financial results.

The Group's business is energy-intensive. Electricity and heat account for the largest portion of the Group's energy costs. Operating costs at the Group's production facilities are sensitive to changes in the price of energy sources. In particular, prices for electricity can fluctuate widely due to availability and demand of other consumers as well as regulatory action.

The Russian electricity market has been liberalized gradually over recent years. However, maximum levels of electricity prices remain under the supervision of the Federal Antimonopoly Service of Russia (the "**FAS**") and regional regulatory authorities. One of the most important factors that influences electricity prices is fuel cost (primarily natural gas and coal), and increases in natural gas prices tend to result in higher electricity prices. The Group expects that electricity prices will continue to rise which may result in increased costs for the Group and could have a material adverse effect on the Group's business, financial condition, and results of operations.

The Group sources 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 domestic natural gas. If the domestic price for natural gas continues to rise, the Group's production costs may increase. In addition, due to the technological aspects of heat transmission, the supply of heat by Russian heat generation companies is restricted to customers located near the heat generation facilities (unlike the supply of electricity which is based on transmission through federal and regional trunk transmission grids). As a result, the Group depends on the operation of heat generation companies located near its production sites and any disruptions in the operation of these companies resulting in their inability to supply heat energy to the Group may adversely affect the Group's operations in these regions. Any or all of these factors could have a material adverse effect on the Group's business, financial condition, and results of operations.

Disruptions in pipeline transportation could materially affect the Group's operations.

APG that the Group purchases from oil and gas companies is transported to the Group's GPPs via point-to-point gas pipelines that are directly linked to the Group's GPPs. Most of these pipelines are owned by oil companies. A large portion of NGLs purchased from oil and gas companies and produced by the Group from APG are transported to the Group's GFUs by specialised raw NGL pipelines, owned by the Group. The Group's GPPs are also directly connected to Gazprom's UGSS through own natural gas pipelines. See "Business — Transportation and Logistics".

These pipelines may experience outages resulting from aging infrastructure, poor handling, technological difficulties, accidents, natural disasters, and other circumstances, which may result in delays in or prevent the Group from transporting feedstock. If the Group is forced to find alternative means of transportation of feedstock, it may result in additional costs, interruptions to delivery continuity or have other adverse effects on its business. The Group may also be unable to find alternative transportation services on a timely basis at acceptable cost or at all. As a result of any of the above, the Group's business, financial condition and results of operations could be materially adversely affected.

Disruptions in port services or increase in port servicing costs may adversely affect the Group's operations.

The Group delivers LPG, naphtha, MTBE and certain other products to export markets through ports in a number of locations in Russia and abroad. Any limitations on, or disruption of, the port services that the Group uses, whether as a result of their capacity, strikes, lock-outs or other forms of labour unrest, as well as other events beyond the Group's control, could impair the Group's ability to supply products to its export customers and thus adversely affect the Group's results of operations. In addition, any increase in the costs associated with the use of port services or the assignment of loading or transhipment priority to other companies may adversely affect the Group's ability to meet obligations under the supply contracts. If the Group is forced to find a replacement of transportation through ports, it may result in additional costs, interruptions to delivery continuity or have other adverse effects on its business. Furthermore, severe weather conditions may force any of the ports that the Group relies on to suspend operations, thereby adversely affecting the Group's ability to deliver products to its customers in a timely manner or substantially increasing its transportation costs, all of which could materially adversely affect the Group's business, financial condition, and results of operations.

The Group conducts several of its operations through joint ventures and strategic partnerships.

The Group participates in several strategic partnerships and joint venture arrangements and may enter into further joint ventures in the future. Some of the Group's strategic partnerships and joint ventures include:

- a 51% interest in OOO Yugragazpererabotka, a gas processing company, with the remaining 49% held by OAO TNK-BP Holding;
- a 50% interest in OOO NPP Neftekhimia, a PP production facility in the City of Moscow, with the remaining 50% owned by Gazprom Neft Group;
- a 50% interest in OOO RusVinyl joint venture arrangement established for the development of PVC and caustic soda production facility in Kstovo, the Nizhniy Novgorod region, with the remaining 50% owned by SolVin Holding Nederland B.V.; and
- 25.1% interest in Reliance Sibur Elastomers Private Limited, a joint venture established for the development of butyl rubber production facility in India, with the remaining 74.9% owned by Reliance Industries Limited.

See also "Business — Operating Joint Ventures with Russian Oil Companies" and "Business — Partnership with Leading World Producers".

Although the Group has, in relation to its existing and potential strategic partnerships and joint ventures, sought to protect its interests, strategic partnerships and joint ventures necessarily involve special risks. Whether or not the Group holds majority interests or maintains operational joint control, the Group's partners may have inconsistent or opposing economic or business interests or goals, exercise veto rights so as to block actions that the Group believes to be in its or the partnership's or joint venture's best interests, take action contrary to the Group's policies or objectives with respect to its investments, or as a result of financial or other difficulties, be unable or unwilling to fulfill their obligations under the joint venture or other agreements, such as contributing capital to development, expansion, production or maintenance projects.

Where projects and operations are controlled and managed by the Group's partners, the Group may provide expertise and advice, but have limited control with respect to compliance with its standards and objectives. This lack of control may constrain the Group's ability to cause its partners to take an action that would be in the Group's best interests or refrain from taking an action that would be adverse to its interests. While to date, the Group has not had any significant disagreements with its partners, any potential conflict or dispute which may arise between the partners to this or other Group's undertakings could lead to significant delays or interruptions in operations or dissolution of these strategic partnerships and joint ventures causing increased costs to the Group for obtaining products produced by strategic partnerships and joint ventures through other sources and reducing profitability of the Group's operations, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, changes in the ownership or management structure of existing or future strategic partnerships and joint ventures and the effect of any such change or failure to conduct business as planned could have a material adverse effect on the Group or investments in its existing or future partnerships and joint ventures. Moreover, improper management or ineffective policies, procedures or controls could adversely affect the value of the related non-managed projects and operations and, by association, damage the Group's reputation and thereby harm other operations and access to new assets.

Environmental and health and safety compliance and clean-up costs could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business involves the transportation, handling, production and use of substances and compounds that may be considered toxic or hazardous within the meaning of environmental laws. Furthermore, the Group's manufacturing operations generate gaseous chemical wastes (including "greenhouse" gases), liquid wastes, wastewater and other industrial wastes at various stages of the manufacturing process. As a result, the Group is subject to stringent environmental, health and safety laws and regulations addressing air pollutant emissions and discharge of treated wastewater and establishing standards for the treatment, storage and disposal of solid and hazardous wastes. Some of these laws and regulations require the Group's facilities to operate under permits and licences that are subject to renewal or modifications.

Russian environmental legislation consists of numerous federal and regional regulations that occasionally conflict with each other and are subject to differing interpretations. In addition, introduction of new laws and regulations (including those relating to the implementation of the Kyoto Protocol or successor agreements), stricter enforcement of, or changes to, existing laws and regulations, or the imposition of new clean-up requirements could require the Group to incur additional costs, these costs may include expenditures to install new pollution-control equipment, pay fees and fines or make other payments for discharges or other breaches of environmental standards relating to the Group's operations. The Group's operations could also expose it to civil claims by third parties for alleged liability resulting from contamination of the environment or personal injuries caused by environmental damage.

The Group is also subject to regular and, occasionally, unscheduled inspections by Russian supervisory authorities with respect to its compliance with relevant environmental, health and safety laws and regulations, including by Federal Service for Environmental, Technological and Nuclear Supervision ("**Rostekhnadzor**"). From time to time, these inspections reveal minor non-compliances with such laws and regulations. In the past the Group has managed to cure most of such non-compliances within the timeframe required by the state authorities and it has not been subject to any material liability resulting from such non-compliances. However, there can be no assurance that the supervisory authorities will not impose more significant penalties on the Group for any similar non-compliances in the future or that the Group will be able to cure any revealed non-compliances within the timeframes required by these authorities. Any actions taken or threatened to be taken by the Russian supervisory authorities in respect of the Group's operations for breach of environmental, health and safety laws and regulations could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group incurs and expects to continue to incur capital and operating costs to comply with environmental and health and safety laws and regulations. These include costs to reduce certain types of air emissions and discharges to the waterways, to remediate contamination at various owned facilities or to resettle residents of areas impacted by the emissions and discharges from the Group's production facilities. Pollution risks and related remediation costs are often impossible to assess unless environmental audits have been performed and the extent of liability under environmental laws is clearly determinable. Under Russian law, production enterprises are required to establish a sanitary protection area surrounding their production site to ensure protection of nearby territory from negative environmental impact that such production site may have. If a sanitary protection area extends to residential areas, the relevant production enterprise may be required to resettle of inhabitants of such areas. Sanitary protection areas surrounding some of the Group's production sites currently extend to residential areas. The Group has undertaken measures to decrease the environmental impact its production sites may have on nearby residential territories, including through financing of resettlement of residents living in the premises located in these sanitary protection areas. If such measures prove to be insufficient or if the Group is required to take additional measures to decrease the environmental impact of its sanitary protection areas, the Group may incur additional costs, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group could fail to obtain or renew necessary licenses or fail to comply with the terms of its licenses.

In accordance with Russian law, many of the Group's operations are subject to regulatory regimes, including licensing, which requires the Group to obtain a number of licenses, permits and authorisations (collectively, "licenses"), including various environmental, health and safety licenses, authorisations to use land and other real property and certain ancillary authorisations. Regulatory authorities exercise considerable discretion in the timing of license issuance and renewal and in monitoring of licensees' compliance with license terms. Requirements imposed by these authorities may be costly and time-consuming and may result in delays in the commencement or continuation of production operations.

As part of its obligations under licensing regulations and the terms of their licenses, the Group is also required to comply with numerous industrial standards. In most cases, a license may be suspended or terminated if the licensee does not comply with the "significant" or "material" terms of the license. Court decisions on the meaning of these terms have been inconsistent and, under Russia's civil law system, do not have significant value as precedents for future judicial proceedings. These deficiencies result in the regulatory authorities, prosecutors and courts having significant discretion over enforcement and interpretation of the law, which may be used arbitrarily to challenge the rights of licenses. As a result, while the Group seeks to comply with the terms of its licenses and

Management believes that the Group is currently in material compliance with the terms of such licenses, there can be no assurance that its licenses will not be suspended or terminated. In the event that the licensing authorities in Russia discover a material violation by a subsidiary of the Group, that subsidiary may be required to suspend its operations or to incur substantial costs in eliminating or remedying the violation, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Any failure to comply with existing license terms or sanctions imposed as a result of such failure, including the potential suspension or loss of any licenses, or any difficulties the Group may face in obtaining required licenses may have a material adverse effect on the Group's business, financial condition and results of operations.

If the FAS were to conclude that the Group conducted its business in contravention of antimonopoly legislation, it could impose sanctions on the Group.

Since a number of the Group's subsidiaries were included by the FAS into relevant regional Registers of entities having a market share in excess of 35% on a particular market or which are declared to hold a dominant position on particular market, the Group's operations are subject to thorough FAS review. In addition, as the Group seeks greater penetration of local markets, including through the launch of the Tobolsk–Polymer Plant, as described in "Business — Investment Programme and Capital Expenditure", the Group may be subject to further FAS inquiries in connection with its market share. As a result, the Group may be required to comply with certain obligations imposed on it to ensure that it does not restrict competition in this market. This may include obligations to obtain the prior consent of the FAS for certain actions and to ensure that the Group's prices are at certain prescribed levels. For example, in the past, the FAS imposed certain obligations on the Group requiring it to act in a manner to ensure that it does not restrict competition in the relevant product market. If the Group is not in compliance with any obligations imposed on it by the FAS, the FAS may, through its regulation of the Group's business, significantly affect contractual terms and the prices the Group charges for its products, all of which could have a material adverse effect on its business, financial conditions and results of operations.

As a result of the Group's significant position on the market, the Group regularly receives inquiries and requests from the FAS in connection with its operations. Such inquiries and requests may lead to investigations of the Group's operations which could result in the FAS determining that certain actions of the Group violate applicable Russian antimonopoly legislation. For example, the Group is currently involved in legal proceedings with the FAS where the Group is challenging the FAS' determinations that the Group violated Russian antimonopoly laws by entering into agreements containing provisions on price fixing on the Russian chloride and caustic soda markets (see "Business — Litigation"). Given that Russian antimonopoly laws are subject to differing interpretations, the Group may be unable to successfully challenge these or any other determinations made by the FAS in relation to the Group, which could result in sanctions for the Group, including administrative fines imposed on the Group as well as criminal liability for the Group's managers. As a result the Group's business, financial conditions and results of operations may be materially adversely affected.

The Group's business and operations depend on the expertise of its key managers, as well as on its ability to attract, retain and motivate qualified personnel.

The Group's growth and future success depend significantly upon its continued ability to attract, retain and motivate a number of key senior management and highly qualified and suitably skilled personnel at the Group's headquarters and at each production facility (see "Directors and Senior Management"). Should any of them decide to leave the Group it may be difficult to replace them promptly with other managers with sufficient expertise and experience. Under Russian law, employees can terminate their employment on two weeks' notice, with the exception of the CEO who is required to give one month prior notice. The Group is not insured against damage that may be incurred in case of loss or dismissal of the Group's key senior managers. The loss of, and failure to replace, any one or more of these individuals could adversely affect the Group's business, financial condition, prospects or results of operations.

In addition, in its production operations, the Group requires technically skilled workers with specialized training who can perform physically demanding or otherwise difficult work. Competition to attract and retain qualified workers is intense in Russia and if the Group is unable to attract and retain such workers, its business would be adversely affected. Furthermore, if staff costs increase due to competition, wage inflation or otherwise, the Group's profit margins, financial condition and results of operations may be adversely affected.

A breakdown in the Group's relations with employees and/or restrictive labour laws could have a material adverse impact on the Group.

Although the Group believes its labour relations with its employees are good, there can be no assurance that a work slowdown or a work stoppage will not occur at any of the Group's production facilities. At most of the Group's business units, there are collective bargaining agreements in place. Any future work stoppages, disputes with employee unions, including renegotiation of collective bargaining agreements, could result in a decrease in the Group's production levels and adverse publicity, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The interests of the Group's largest shareholders may conflict with those of the Noteholders.

The Group is controlled by Mr. Mikhelson, who beneficially owns 57.2% in the Group, and Mr. Timchenko, who beneficially owns 37.3% in the Group (together, the "**Principal Shareholders**"). See also "Shareholders". As a result, the Principal Shareholders have the ability to control and significantly influence the Group's business and certain actions requiring shareholders' approval, including, but not limited to, increasing or decreasing the authorised share capital of the Company, the election of directors, declaration of dividends, amendments to the Company's charter, the appointment of management and other policy decisions. Further, the interests of the Principal Shareholders may, in certain circumstances, conflict with the interests of the Noteholders, which could have a material adverse effect on a prospective investor's investment in the Group's securities. Any such conflicts could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to interest rate risk.

The Group's financial results are sensitive to changes in interest rates on the floating portion of the Group's borrowings. As of 30 September 2012, the Group had RR 80,850 million of debt outstanding, of which 67.2% was subject to variable interest rates. Should interest rates increase significantly, the amount of cash required to service the Group's debt would increase, which could have a material adverse effect on the Group's business, financial condition and results of operations. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Macroeconomic and Other Economic Trends".

In the event that the title to any company acquired by the Group through privatization, bankruptcy sale or by other means is successfully challenged, the Group may lose its ownership interest in that company or its assets.

The Group has been established through privatization and bankruptcy proceedings. In addition, the Group may seek to acquire additional companies that have been privatized or that have undergone bankruptcy proceedings. Privatization legislation in Russia is vague, internally inconsistent and in conflict with other elements of Russian legislation, Russian bankruptcy legislation is subject to differing interpretations. Although the statute of limitations for challenging transactions entered into in the course of privatizations is currently three years, privatizations may still be vulnerable to challenge, including through selective action by governmental authorities motivated by political or other extra-legal considerations. If any of the Group's acquisitions is challenged as having been improperly conducted and the Group is unable successfully to defend itself, the Group may lose its ownership interests, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's existing and future insurance coverage may not be sufficient and may not adequately protect it against certain operating hazards.

The Group seeks to insure risks inherent in its operations generally to the full replacement value of the insured property. However, the Group's insurance policies contain exclusions and limitations on coverage and may not continue to be available at economically acceptable terms. In addition, the Group's insurance policies do not cover environmental damage and reputational risks. As a result, in the future the Group's insurance coverage may not cover the extent of claims against the Group for environmental and industrial accidents, pollution or certain other claims relating to the Group's operations. To the extent that the Group suffers losses or damages that are not recoverable by insurance or exceed its insurance coverage, or if the costs associated with replacement or reconstruction of the damaged property covered by insurance exceed insurance coverage, Group's business, financial condition and results of operations may be materially adversely affected.

The Group's products may become subject to anti-dumping or countervailing duties, import quotas or tariffs in various countries, which may have a material adverse effect on the Group's export sales.

The Group exports a substantial portion of its products. For the nine months ended 30 September 2012 and years ended 31 December 2011, 2010, 2009, the Group's export sales accounted for 44.6%, 42.9%, 43.3% and 44.0% of its total revenues, respectively. The Group's products may be subject to anti-dumping proceedings against Russian producers of energy products and petrochemicals, including the Group. In addition, as Russia has only recently acceded to the World Trade Organisation (the "**WTO**"), it is unclear what impact being a member of the WTO will have on the Group's export sales. The imposition of anti-dumping or countervailing duties, import quotas or tariffs, whether adopted by individual governments or addressed by regional trade blocs, may impact the competitive position of the products produced by the Group or prevent it from being able to sell its products in certain countries, which could have a material adverse effect on the Group's business, prospects, results of operations or financial condition.

The Group has engaged, and its management expects it to continue to engage, in related party transactions.

The Group has engaged, and Management expects it to continue to engage, in transactions with its Principal Shareholders and companies controlled by them or in which they own an interest. The entities comprising the NOVATEK Group, in which Mr. Leonid Mikhelson, the Group's majority shareholder, holds the positions of chairman of the management board and member of the board of directors have been key related parties since the end of 2011. The Group has engaged in transactions with NOVATEK Group companies, including sales and purchases of natural gas. Another significant related party of the Group since 2011 is the Gunvor Group, which is jointly controlled by Mr. Gennady Timchenko, one of the Group's principal shareholders. The Group's transactions with the Gunvor Group includes sales of energy products produced by the Group. The Group also enters into other transactions with related parties. See "Transactions with Related Parties". The practice of related party transactions may result in transactions conducted on terms less favourable to the Group than would otherwise have been negotiated with third parties and could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks associated with the Group's accounting and reporting systems and the internal controls relating to the preparation of IFRS financial information.

As the Group develops its financial reporting system, it seeks to identify and mitigate any risks promptly. Lack of fully developed financial reporting processes may nevertheless adversely affect reported data related to the Group's business, results of operations and financial condition. The Group has been preparing its IFRS financial information since 2005. The Group's first consolidated financial statements in accordance with IFRS were for the years ended 31 December 2005, 2004 and 2003. The Group's continuing automation of its data processing procedures and data verification procedures and other internal controls have historically allowed it to prepare accurate IFRS financial data in a timely manner in accordance with its needs. Thus, historically the Group has not experienced material delays in the preparation of its IFRS financial information.

Notwithstanding the above, the Group does not have a fully integrated or automated information system for the preparation of IFRS financial data or a fully developed system of internal controls over IFRS financial reporting. The lack of integrated and established accounting and reporting systems and related controls that have been in operation for an extended period of time may adversely impact the timely production of accurate IFRS financial information.

Each of the Group's subsidiaries prepares separate financial information under respective local accounting standards for statutory purposes. IFRS financial information is prepared on the basis of that information through accounting adjustments. This process is complicated and time-consuming, requires significant attention from senior accounting personnel, and may increase the likelihood of errors in IFRS financial information. The Group has recently implemented data verification procedures to help ensure the accuracy of the IFRS financial data produced, including as part of the transition of the accounting function for a majority of subsidiaries into OOO SIBUR—Business Service Center. In light of the Group's past and planned growth, it continues to automate processes where possible. In some cases, however, the Group may lack formal procedures for monitoring transactions, collecting and analysing financial and related information required for the preparation of accurate IFRS financial data, or any such procedures that have been established may be underdeveloped.

Going forward, the Group believes that it has implemented sufficient controls and automation of its processes to enable it to produce financial statements in accordance with IFRS.

The Group is subject to credit risk.

The Group has developed a comprehensive credit policy to evaluate its prospective counterparties' creditworthiness, quality of their reporting and accounting and their exposure to legal, regulatory and other risks. Most of the Group's counterparties are leading businesses in their respective industries. However, there can be no assurance that the Group's clients will not experience financial difficulties which could lead to failures or delays in the repayment of obligations, or that the Group's counterparties will be able to perform their obligations in case of insolvency.

The Group is required to consider and ensure the sustainable development of, and provide benefits to, the communities in which it operates.

As a consequence of the Group's leading market position and the perception that its activities have a high impact on the social and physical environment where the Group operates, it faces public scrutiny of its activities. In particular, the Group is under pressure to demonstrate that, as it seeks to generate satisfactory returns on investment to its shareholders, other "stakeholders" – including employees, communities surrounding operations and the country in which the Group operates – benefit and will continue to benefit from the Group's commercial activities. The Group has tried to address such pressures, to maintain positive relationships with local authorities and communities and to support the development of the social infrastructure, in particular, by entering into social partnership agreements with the authorities of the regions and cities where the Group operates. Under these agreements, the Group organises and finances a variety of community developments, humanitarian and environmental projects, infrastructure developments and provides support to hospitals, schools and kindergartens and leisure centers. However, the potential consequences of such pressures, especially if not effectively managed, include damage to the Group's reputation and social obligations which could have a material adverse effect on the Group's business, prospects, results of operations or financial condition.

The Group's business could be adversely affected by product risks related to the implementation of the European regulation concerning the Registration, Evaluation and Authorisation of Chemicals.

The EC Regulation 1907/2006 on Registration, Evaluation and Authorisation of Chemicals ("**REACH Regulation**") came into force in the European Union on 1 June 2007. It establishes an EU regulatory framework for the registration, evaluation and authorisation of chemical products and is intended to make persons who place chemicals on the EU market responsible for understanding and managing the risks associated with their use. The REACH Regulation applies to certain products produced by members of the Group to the extent they are imported into the EU, and 'only representatives' have been appointed to relieve importers into the EU of obligations that they would otherwise have under the REACH Regulation in relation to such products. See "Regulation of Gas Processing and Petrochemicals Business in Russia — EU REACH". It remains possible that the ongoing and future costs associated with compliance, or non-compliance, with the REACH Regulation may have a material adverse effect on the Group's business, financial condition and results of operations.

Failures of the Group's IT systems could negatively affect the results of operations.

The Group'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. These factors may result in a lack of information or potential information inaccuracies that could cause disruptions in the Group's decision making process, as well as deterioration in the quality of the Group's operational and financial reporting and the overall manageability of the Group. In addition, the Group is in the process of introducing new IT systems to support its business processes. Implementation of major new systems and enhancements to existing systems could cause disruptions in the Group's operations. If implementation of new IT systems is delayed or the systems fail to perform as anticipated, the Group could experience difficulties in conducting its operations or generating necessary financial and accounting information or incur additional support or service costs. Although the Group believes it has alternative IT systems and personnel capabilities to handle its operations, there can be no assurance that such alternative IT systems and personnel capabilities will prove to be sufficient or adequate on a long-term basis. Any of these factors could materially adversely affect the Group's business, financial condition and results of operations.

The Group may fail to successfully integrate any assets that it may obtain through acquisitions.

The Group has in the past expanded, and in the future may continue to expand, its business through selective acquisitions. Acquisitions involve a number of risks, such as difficulties in developing the operations, technologies and procedures of the acquired assets. In addition, additional assets that the Group may acquire may not be integrated successfully into the Group's operations. They may also disrupt the Group's continuing business and divert resources and management's attention from other business concerns. If the Group is unable to carry out its acquisitions successfully, its business, prospects, results of operations or financial condition may be materially adversely affected.

The Group may not be able to protect adequately or enforce its intellectual property rights.

The Group relies primarily on a combination of patents, registered trademarks, licensing agreements and restrictions on disclosure to protect the Group's intellectual property (see ''Business — Research and Development" and "Business — Intellectual Property"). Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Group's developed techniques, products, processes, brand names or other intellectual property without authorisation. In addition, certain inventories and trademarks of the Group have not yet been registered with the relevant Russian authorities and are therefore currently not protected from infringements. There may also be technologies licensed to and relied on by the Group that are subject to infringement or other corresponding allegations or claims by third parties which may damage the Group's ability to rely on such technologies. Russia generally offers less intellectual property protection than some more developed market economies such as the European Union or the United States. If the Group is unable to protect its proprietary rights against infringement or misappropriation, it could materially harm its future financial results and the ability to develop the Group's business. In addition, the Group may need to engage in litigation in order to enforce the Group's intellectual property rights in the future or to determine the validity and scope of the rights of others. Any litigation could result in substantial costs and diversion of management and other resources, either of which could have a material adverse effect on the Group's business, financial condition or results of operations.

Forced liquidation of some of the Group's subsidiaries due to insufficient or negative net assets could have an adverse effect on its operations.

Under Russian law and practice, if, calculated on the basis of the RAS, a company has negative net assets as at the end of the second or any subsequent financial year of the company, state authorities may take court action to liquidate the company, if its shareholders themselves fail to take a decision to liquidate the company within six months after the financial year. If a company's net assets exceed the minimum statutory charter capital, but are less than the company's charter capital ("**insufficient net assets**") as of the end of certain financial years and the company does not timely resolve to decrease its charter capital to match the net assets, state authorities could force it into liquidation, too. In addition, with respect to Russian companies incorporated as joint-stock companies, if the company fails to take a decision on its voluntary liquidation or decrease of its charter capital, as described above, within the period set by law, its creditors have the right to accelerate the company's obligations. There have been Russian court cases in which non-compliance with the statutory requirements regarding net assets have resulted in liquidation of a legal entity. In practice, many Russian companies from time to time have negative or insufficient net assets, for example, due to low historical asset values reflected on their RAS balance sheets or due to substantial capital expenditures combined with a lack of cash-flow generating operations. However, negative or insufficient net assets do not necessarily mean that this company is unable to pay debts and taxes as they come due.

Although in the past some of the Group's subsidiaries, including OOO SIBUR-Finance, OOO Tobolsk-Polymer and the Management Company, had negative and/or insufficient net assets, the Group has taken measures to rectify the situation and believes that such subsidiaries should not currently be subject to liquidation on such grounds and that none of the violations were of a material nature. However, weaknesses in the Russian legal system create an uncertain legal environment, which makes the decisions of a Russian court or a state authority difficult, if not impossible, to predict. If involuntary liquidation were to occur, the Group or its respective subsidiaries may be forced to reorganise the operations currently conducted through the affected entity. Any such liquidation could lead to additional costs, which could materially adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO RUSSIA

SIBUR is a Russian company, and most of the Group's fixed assets are located in, and a significant portion of the Group's revenues is derived from, Russia. There are certain risks associated with an investment in Russian businesses.

Political, Economic and Social Risks

Emerging markets such as Russia are subject to greater risks than more developed markets.

Investors in emerging markets such as Russia should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic, political and social risks. Moreover, financial turmoil in any emerging market country tends to adversely affect the condition of all emerging market countries, as investors move their money to more stable developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. During such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Russian economy remains relatively stable, financial turmoil in any emerging market country could have an adverse effect on the Group's business, financial condition and results of operations or prospects or on the value of the Notes.

Investors should also note that emerging economies such as the economy of the Russian Federation are subject to rapid change, and that the information set out herein may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment in the Notes is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who are familiar with and fully appreciate the significance of the risks involved in investing in such markets, and prospective investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Political and governmental instability could have a material adverse effect on the value of investments in Russia, including the Notes, as well as the Group's business, financial condition and results of operations.

Although the political situation in Russia has stabilized since the 1990s, any future political instability could result in a worsening overall economic situation, including capital flight and a slowdown of investment and business activity. Future changes in the Government, the State Duma or the presidency, the reform of authorities regulating the gas processing and petrochemicals industry, major policy or regulatory shifts or a lack of consensus between the president, the Government, Russia's parliament and powerful economic and social groups could lead to political instability and disrupt or reverse political, economic or regulatory reforms, which could have a material adverse effect on the value of investments relating to Russia and the Notes in particular, as well as on the Group's business, financial condition and results of operations.

Domestic and international political conflicts could create an uncertain operating environment hindering the Group's long-term planning ability and could have a material adverse effect on the value of investments in Russia, including the value of the Notes.

The Russian Federation is a federation of sub-federal political units, consisting of republics, territories, regions, cities of federal importance and autonomous regions and districts, some of which have the right to manage their internal affairs pursuant to agreements with the federal government and in accordance with applicable laws. The delineation of authority and jurisdiction among the constituent units of the Russian Federation and the federal government remains, in many instances, uncertain and contested. In practice, the uncertainty concerning the division of authority could hinder the Group's long-term planning efforts and may lead to uncertainties in the Group's operating environment, which may prevent the Group from effectively and efficiently carrying out its business strategy.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflicts. In the future, such divisions, military conflict or terrorist activities could have significant political and economic consequences.

Russia has been involved in military and political conflicts and tensions. For example, a military conflict in August 2008 between Russia and Georgia involving South Ossetia and Abkhazia resulted in a significant overall price decline for listed Russian securities. The emergence or escalation of any tensions or hostilities in Russia, including terrorist attacks, or with foreign countries could negatively affect the Russian economy. These uncertainties, tensions and conflicts may lead to reduced liquidity, deterioration in the investment climate, trading volatility, and significant reduction in the prices of listed Russian securities, with a resulting negative effect on the liquidity, ability for Russian companies to raise financing on commercially acceptable terms and trading price of the Notes and the Group's business, financial condition and results of operations or prospects or on the value of the Notes.

Economic or social instability could have a material adverse effect on the Group's business.

Over the last two decades, the Russian economy has experienced at various times:

- significant declines in its GDP;
- high levels of inflation;
- an unstable local currency;
- a relatively unstable banking system providing limited liquidity to Russian enterprises;
- the continued operation of loss-making enterprises due to the lack of effective bankruptcy proceedings;
- the use of fraudulent bankruptcy actions in order to take unlawful possession of property;
- widespread tax evasion;
- pervasive capital flight;
- high levels of corruption and the penetration of organised crime in the economy;
- increases in, or high, interest rates and unstable credit conditions;
- a weakly diversified economy, which depends significantly on global prices for raw materials;
- significant increases in unemployment and underemployment;
- low personal income levels of a significant part of the Russian population; and
- a major deterioration of the physical infrastructure.

The recent global financial turmoil has also adversely affected the Russian economy. In the past few years, the Russian economy has been characterized by volatility in the debt and equity markets, which experienced significant declines in the second half of 2008 and the second half of 2011, continuing in 2012. In 2008, the high degree of volatility caused market regulators to temporarily suspend trading multiple times on the principal Russian securities exchanges, the Moscow Interbank Currency Exchange and Russian Trading System (which have since combined their operations as OAO Moscow Exchange MICEX-RTS ("**Moscow Exchange**")). The Russian economy has also been characterized by periodic significant reductions in foreign investment and sharp decreases in GDP. For example, in 2009, Russian GDP declined 7.9%.

As Russia produces and exports large quantities of crude oil, natural gas and other commodities, the Russian economy is also particularly vulnerable to fluctuations in the prices of crude oil, natural gas and other commodities on the world markets. Russian banks, and the Russian economy generally, have also been adversely affected by the global financial crisis, from which the Russian economy has not fully recovered. There can be no assurance that any measures adopted by the Government since 2008 to mitigate the effect of the financial and economic crisis will result in a sustainable recovery of the Russian economy. Current macroeconomic challenges, low or negative economic growth in the United States, Japan and Europe and market volatility may prolong the economic crisis. In recent months, global markets have shown increased volatility due to continued macroeconomic challenges. The Russian economy remains vulnerable to further external shocks. Events occurring in one geographic or financial market sometimes result in an entire region or class of investments being disfavored by international investors – so-called "contagion effects". Russia has been adversely affected by contagion effects in the past, and it is possible that the market for Russian investment, including the Notes, will be similarly affected in the future by negative economic or financial developments in other countries. There can be no assurance that recent economic volatility, or a future economic crisis, will not negatively affect investors' confidence in the Russian markets or economy or in the ability of Russian companies to raise capital in the international debt markets, any of which, in turn, could have a material adverse effect on the Russian economy and the Group's business, financial condition and results of operations or prospects or on the value of the Notes. In addition, any declines in the price of crude oil, natural gas or other commodities could further disrupt the Russian economy.

The past failures of the Government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living led to labor and social unrest, and this could recur. Any of these consequences could adversely impact the Group's operations and lead to the loss of revenue, materially adversely affecting the Group's business, financial condition and results of operations or prospects or on the value of the Notes.

The Russian banking system is not as strong as the banking systems of certain developed markets, and another banking crisis in Russia could place severe liquidity constraints on the Group's business, materially adversely affecting the Group's business, financial condition and results of operations.

Russia's banking and other financial systems are not as strong as the banking systems in more developed markets, and Russian legislation relating to banks and bank accounts is subject to varying interpretations. Although a number of major Russian banks have an investment-grade credit rating, there are still many Russian banks that do not meet international banking standards, and the transparency of some parts of the Russian banking sector may still not meet internationally accepted norms.

The deficiencies in the Russian banking sector, combined with the reported deterioration in the credit portfolios of Russian banks, may result in the banking sector being more susceptible to the current worldwide credit market downturn and economic slowdown. In the autumn of 2008, the credit crisis that began in the U.S. resulted in decreased liquidity in the Russian credit market and weakened the Russian financial system. Starting from the second half of 2008, the majority of Russian banks experienced difficulties with funding on domestic and international markets, and interest rates increased significantly. Some of the banks were unable to service their obligations and were sold to larger banks. Credit ratings of multiple banks have been lowered. An extended or serious banking crisis or the bankruptcy of a number of Russian banks could have a material adverse effect on the Group's business and its ability to complete banking transactions in Russia.

The condition of Russia's physical infrastructure could disrupt or impair the Group's normal business activity, and efforts by the Government to improve the country's infrastructure may result in increased costs for the Group.

Russia's physical infrastructure largely dates back to the Soviet period and in certain respects has not been adequately maintained and developed due to insufficient funding. In some areas road networks, power generation and transmission systems, communication systems and manufacturing facilities are particularly affected. For example, in August 2009, an accident at the Sayano-Shushenskaya hydroelectric power plant resulted in a full loss of energy supply to the local power grid, which led to widespread power failure in the region and forced all major users such as aluminum smelters to switch to generators. Other parts of the country could face similar problems. Road conditions in many regions of Russia are also poor, with many roads not meeting minimum requirements for usability and safety. Further deterioration of Russia's physical infrastructure could harm the national economy, disrupt the transportation of goods and services, add costs to doing business in Russia and interrupt business operations.

The Government is actively considering plans to strengthen and enhance the nation's rail, electricity and other infrastructure facilities. Any such effort, while supporting and enhancing the Group's commercial operations, would also likely result in increased charges and tariffs and may not result in the anticipated capital investment that is needed to repair, maintain and improve these facilities. In addition, any effort to improve the country's infrastructure may be halted or delayed in the event of a prolonged economic downturn, which would likely lead to a deterioration in Russia's infrastructure network. The occurrence of any these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks Related to the Russian Legal System and Russian Legislation

The Russian legal system and Russian legislation is in a developmental stage and this may create an uncertain environment for investment and business activity.

The Russian legal framework applicable to a market economy is still under development. Since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime established by the 1993 Constitution of the Russian Federation, the Civil Code, other federal laws and decrees, orders and regulations issued by the Russian President, the Government and state authorities, which are, in turn, complemented by regional and local rules and regulations. These legal norms, at times, overlap with or contradict one another, or have substantial gaps. The recent nature of much Russian legislation and the rapid evolution of the Russian legal system may cast doubt on the enforceability and underlying constitutionality of certain laws and result in ambiguities, inconsistencies and anomalies. Russia is a civil law jurisdiction, and, as a rule, judicial precedents have no binding effect on subsequent decisions. The powers of various state authorities are not always clearly delineated, which may lead to administrative and/or legal conflicts. The Group can give no assurance that the development or implementation or application of legislation or regulations will not adversely affect foreign investors or private investors generally.

Among the risks of the current Russian legal system are:

- conflicting local, regional and federal rules and regulations;
- the limited availability of judicial and administrative guidance on interpreting Russian legislation;
- substantial gaps in the regulatory structure due to delay or absence of implementing legislation;
- the relative lack of independence of the judiciary;
- limited court personnel, especially in lower courts, with the ability to interpret developing Russian legislation, particularly business and corporate law;
- a high degree of discretion on the part of state authorities, which could result in arbitrary actions, and potentially corruption;
- bankruptcy procedures that are not well developed and potentially subject to abuse; and
- the difficulty in enforcing domestic and foreign court judgments, as well foreign arbitral awards in practice.

As a result of these factors, even the best efforts to comply with Russian law may not always result in full compliance. See " — Risks Relating to the Group's Business — The Group could fail to obtain or renew necessary licenses or fail to comply with the terms of its licenses". In addition, all of the above weaknesses could affect the Group's ability to enforce its rights under contracts and licenses or to defend itself against claims by others and could affect the ability of investors to have their rights upheld in a Russian court.

Selective or arbitrary government action could materially adversely affect the Group's business.

The Group operates in an uncertain regulatory environment. State authorities in Russia have a high degree of discretion and may at times exercise their discretion arbitrarily, without hearing or prior notice, or in a manner that could be unduly influenced by political or commercial considerations. Selective or arbitrary governmental actions have included unscheduled inspections by regulators, suspension or withdrawal of licenses and permits, unexpected tax audits, criminal prosecutions and civil actions. In addition, state authorities have also tried, in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Furthermore, federal and local authorities have used common defects in matters surrounding the documentation of business activities as pretexts for court claims and other demands to invalidate such activities or to void transactions, sometimes to further interests different from the formal substance of the claims. In addition, there is no assurance that new regulations that impose restrictions in relation to the use by end-customer industries of the products the Group manufactures will not be adopted by government authorities in furtherance of various political or commercial interests. The occurrence of such selective or arbitrary action against the Group could have a material adverse effect on the Group's business, financial condition and results of operations or on the value of the Notes.

The difficulty of enforcing court decisions and the discretion of state authorities in enforcing claims could prevent the Group or you, as an investor in the Notes, from obtaining effective redress in court proceedings.

The independence of the judicial system from economic and political influences in Russia is developing. The court system is reported to be understaffed. Under Russian legislation, judicial precedents generally have no binding effect on subsequent decisions and are not recognized as a source of law. However, in practice, courts usually consider prior judicial decisions, particularly those of high-level courts, in their decisions. Enforcement of court judgments can in practice be very difficult in Russia. Additionally, court claims are sometimes reported to be used in furtherance of political and commercial aims. All of these factors make judicial decisions in Russia difficult to predict and make effective redress uncertain in some instances.

These uncertainties also extend to property rights. During Russia's transformation from a centrally planned economy to a market economy, legislation was enacted to protect private property against expropriation and nationalization. However, due to a relative lack of experience in enforcing this legislation and potential political changes, the Group may not be able to obtain proper redress in the courts and may not receive adequate compensation if, in the future, the Government decides to nationalize or expropriate some or all of the Group's assets. The expropriation or nationalization of any of the Group's or its subsidiaries' assets without fair compensation may have a material adverse effect on the Group's business, financial condition and results of operations or on the value of the Notes.

Any incidents of the judiciary's corruption and occasional abuse of discretion could lead to unjustified and abusive court decisions. It is not uncommon for excessive injunctive remedies or damages to be sought by a claimant (which may be a small shareholder of a public company) and granted by courts in commercial disputes.

Russia is not a party to treaties for the mutual enforcement of court judgments with most Western countries. Consequently, if a judgment is obtained from a court in any such jurisdiction, it is highly unlikely to be given direct effect in Russian courts. However, Russia (as a successor to the Soviet Union) is a party to the New York Convention. A foreign arbitral award obtained in a state which is a party to the New York Convention should be recognized and enforced by a Russian court (subject to the qualifications provided for in the New York Convention and in compliance with Russian civil procedure and other procedures and requirements established by Russian legislation). The Arbitration Procedural Code of the Russian Federation is in conformity with the New York Convention and thus has not introduced any substantial changes relating to the grounds for refusing to recognize and enforce foreign arbitral awards and court judgments. Nonetheless, in practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of Russian courts or other officials, thereby introducing substantial delay, difficulty and uncertainty into the process of enforcing any foreign judgment or any foreign arbitral award in Russia. Such issues could prevent the Group or investors from obtaining effective redress in court proceedings in Russia. See "Limitation on Enforceability of Civil Liabilities".

Difficulty in ascertaining the validity and enforceability of title to land or other real property in Russia and its encumbrances may have a material adverse effect on the Group's business, financial condition and results of operations.

The legal framework relating to the ownership and use of land and other real property in Russia is not yet sufficiently developed to support private ownership of land and other real property to the same extent as is common in countries with more developed market economies. Because of Russia's vast territory and difficulties of being in a transitional phase, the process of surveying and title registration may last for many years. Thus, it is often difficult to ascertain the validity and enforceability of title to land or other real property in Russia and the extent to which it is encumbered. These uncertainties may have a material adverse effect on the Group's business, financial condition and results of operations.

Lack of developed corporate and securities laws and regulations in Russia may limit the Group's ability to attract future investment.

The regulation and supervision of the securities market, financial intermediaries and issuers are relatively less developed in Russia than in the United States and certain members of the EU. While some important areas are subject to virtually no oversight, the regulatory requirements imposed on Russian issuers in other areas result in delays in conducting securities offerings and in accessing the capital markets. It is often unclear whether or how regulations, decisions and letters issued by the various regulatory authorities apply to the Group. As a result, the Group may be subject to fines or other enforcement measures despite its best efforts at compliance with the domestic securities laws and regulations.

Shareholder liability under Russian legislation could cause the Group to become liable for the obligations of its subsidiaries and associates.

Russian legislation generally provides that shareholders in a Russian joint stock company or members in a Russian limited liability company are not liable for the obligations of the joint stock company or limited liability company and bear only the risk of loss of their investment. This may not be the case, however, when one person (the "**effective parent**") is capable of determining decisions made by another entity (the "**effective subsidiary**") on the basis of an agreement between the two or in accordance with the charter of the subsidiary. Under certain circumstances, the effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary prior to its insolvency in carrying out such decisions. The Civil Code and Federal Law No. 127-FZ "On Insolvency (Bankruptcy)" of 26 October 2002 (as amended) provide for certain other circumstances where a parent company may be deemed secondarily liable for the debts of its insolvent subsidiary. Accordingly, the Group could be liable in some cases for the debts of its subsidiaries. This liability could have a material adverse effect on the Group's business, financial condition and results of operations.

Shareholder rights provisions under Russian law may impose additional costs on the Group.

Russian law provides that shareholders that vote against or abstain from voting on certain matters have the right to require the company to purchase their shares at market value. The decisions that trigger this right include:

- decisions with respect to a reorganisation;
- the approval by shareholders of a "major transaction", which, in general terms, is a transaction involving property worth more than 50% of the gross book value of the relevant company's assets calculated according to RAS, regardless of whether the transaction is actually consummated; and
- the amendment of the relevant company's charter in a manner that limits shareholder rights.

The obligation of certain of the Group's subsidiaries that are not wholly owned by SIBUR to purchase shares in these circumstances, which is limited to 10% of the respective subsidiary's net assets calculated in accordance with RAS at the time the matter at issue is voted upon, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's interested party transactions require the approval of disinterested directors or disinterested shareholders.

Russian law requires a joint stock company that enters into transactions with certain related persons that are referred to as "interested party transactions" to comply with special approval procedures. Under Russian law, an "interested party" of a company includes: (i) members of the board of directors, (ii) the executive body of the company, including the managing organisation or hired manager, (iii) a member of a collegial executive body, (iv) a shareholder who, together with its affiliates, owns at least 20% of the company's voting shares or (v) a person who has the right to give mandatory instructions to the company. The above persons are deemed interested in a transaction if they, a close relative or an affiliate of such person, is:

- a party to, representative in, intermediary in or a beneficiary of the transaction;
- the owner, whether individually or collectively, of at least 20% of the shares in a company that is a party to a transaction with the company, whether directly or as a representative or intermediary, or a beneficiary of the transaction;
- a member of a governing body of a company that is a party to, or a beneficiary of, a transaction with the company, whether directly or as a representative or intermediary, or an officer of the managing organisation of such company; or
- in other cases provided for by the company's charter.

Under applicable Russian law, interested party transactions require approval by a majority of the disinterested (or, if the company has more than 1,000 shareholders, also independent) directors or disinterested shareholders of the company. A majority vote of the disinterested shareholders of the company is required if (i) the number of disinterested directors is less than the required quorum for board of directors (supervisory council) meetings (or, if a company with more than 1,000 shareholders, there are no disinterested independent directors), (ii) the value of the transaction (or of a number of interrelated transactions) is equal to or exceeds 2% of the balance sheet value of the company's assets (determined under RAS according to its latest balance sheet) or (iii) the transaction (or a series of interrelated transactions) involves the issuance or sale by the company of ordinary shares or securities convertible into such shares, in a quantity exceeding 2% of the company's issued ordinary shares. A failure to obtain the appropriate approval for a transaction may result in it being declared invalid upon a claim by the company or its shareholders made within three months from the day when the decision in question was known or should have been known and the reasons for which it may be declared invalid.

Taxation Risks Related to Russia

The Russian taxation system is relatively underdeveloped.

The Russian Government is constantly reforming the tax system by redrafting parts of the Russian Tax Code. These changes have resulted in some improvement in the tax climate. As of 1 January 2009, the corporate income tax rate was reduced to 20 per cent. The current personal income tax rate is 13 per cent. for individuals who are tax residents in Russia. The general rate of VAT is 18 per cent. Since 1 January 2010, the Unified Social Tax was replaced by social security charges to the Russian pension, social security and medical insurance funds. The total rate of the respective social security charges equals to 30 per cent. on the taxable base at RR 568,000 of an employees' annual remuneration and 10 per cent. on the amount exceeding RR 568,000 for 2013. In addition, the new Russian transfer pricing legislation has been in force since 1 January 2012.

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement. In accordance with the Constitution of the Russian Federation, laws that introduce new taxes or worsen a taxpayer's position cannot be applied retroactively. Nonetheless, there have been several instances when such laws have been introduced and applied retroactively.

Despite the Russian Government's taking steps to reduce the overall tax burden in recent years in line with its objectives, there is a possibility that the Russian Federation would impose arbitrary or onerous taxes and penalties in the future, which could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition to the usual tax burden imposed on Russian taxpayers, these conditions complicate tax planning and related business decisions. These uncertainties could possibly expose the Group to significant fines and penalties and potentially severe enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden, and could have a material adverse effect on the Company's business, results of operations and financial condition or prospects.

Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit has been taken. In certain circumstances repeated tax audits (i.e. audits with respect to same taxes and the same periods) are possible. Generally, the statute of limitations for the commission of a tax offence is also limited to three years from the date on which it was committed or from the date following the end of the tax period during which the tax offence was committed (depending on the nature of the tax offence). Nevertheless, according to the Russian Tax Code and based on current judicial interpretation, there may be cases where the tax offence statute of limitations may be extended beyond three years.

Tax audits or inspections may result in additional costs to the Company, in particular if the relevant tax authorities conclude that the Company did not satisfy its tax obligations in any given year. Such audits or inspections may also impose additional burdens on the Company by diverting the attention of management resources. The outcome of these audits or inspections could have a material adverse effect on the Group's business, results of operations, financial condition or the trading price of the Notes.

In October 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued a ruling concerning judicial practice with respect to unjustified tax benefits. In this context, a tax benefit means a reduction in the amount of a tax liability resulting, in particular, from a reduction of the tax base, the receipt of a tax deduction or tax concession or the application of a lower tax rate, and the receipt of a right to a refund (offset) or reimbursement of tax. The ruling provides that where the true economic intent of operations is inconsistent with the manner in which they have been taken into account for tax purposes a tax benefit may be deemed to be unjustified. The same conclusion may apply when an operation lacks a reasonable economic or business rationale. As a result, a tax benefit cannot be regarded as a business objective in its own right. On the other hand, the fact that the same economic result might have been obtained with a lesser tax benefit accruing to the taxpayer does not constitute grounds for declaring a tax benefit to be unjustified. Moreover, there are no rules and little practice for distinguishing between lawful tax optimisation and tax avoidance or evasion. The tax authorities have actively sought to apply this concept when challenging tax positions taken by taxpayers in court, and are anticipated to expand this trend in the future. Although the intention of this ruling was to combat tax law abuses, in practice there can be no assurance that the tax authorities will not seek to apply this concept in a broader sense than may have been intended by the Supreme Arbitration Court.

The above conditions create tax risks in the Russian Federation that are more significant than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional burdens and costs on the Group's operations, including management resources. Furthermore, these risks and uncertainties complicate the Company's tax planning and related business decisions, potentially exposing the Company to significant fines, penalties and enforcement measures, and could materially adversely affect the Company's business, results of operations, financial condition.

Furthermore, the Russian tax legislation is consistently becoming more sophisticated. It is possible that new revenue raising measures could be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect the Group's overall tax efficiency and may result in significant additional taxes becoming payable. The Group cannot offer prospective investors any assurance that additional tax exposures will not arise. Additional tax exposures could have a material adverse effect on the Group's business, results of operations, financial condition.

See also Note 29 to the Interim Combined Financial Information and Note 34 to the Annual Combined Financial Information.

New Russian transfer pricing rules may subject the Group's transfer prices to be challenged by the Russian tax authorities.

Since 1 January 2012 new transfer pricing legislation has been introduced to the Russian tax law.

In summary, this transfer pricing legislation results in new transfer pricing rules, in particular, the methods for monitoring the prices of controlled transactions have been expanded and the list of controlled transactions currently includes:

- cross-border transactions with certain types of commodities where the amount of income attributable to one counterparty exceeds RR 60 million;
- Russian domestic transactions between related entities if the total annual turnover of such transactions exceeds RR 1 billion (RR 3 billion for 2012 and RR 2 billion for 2013);
- transactions with residents of offshore jurisdictions included in the list established by the Russian Ministry of Finance where the amount of income attributable to one counterparty exceeds RR 60 million; and
- transactions between Russian legal entities and related foreign legal entities.

The new transfer pricing law requires taxpayers to notify the Russian tax authorities as to all controlled transactions (for 2012 and 2013 the notification should be made in case the income attributable to one counterparty exceeds RR 100 million and RR 80 million, respectively). Taxpayers must also be required to present to the Russian tax authorities transfer pricing documentation upon their request. The Russian transfer pricing law could have a material adverse effect on the Group's business, results of operations and financial condition.

RISKS RELATING TO THE NOTES AND THE TRADING MARKET

The Group will have the ability to incur substantially more debt.

The Group will be able to incur substantially more debt in the future. The limitations on incurrence of indebtedness in the Conditions permit the Issuer, the Guarantor and other members of the Group to borrow additional amounts as specified in "Terms and Conditions of the Notes". In addition, debt permitted to be incurred by the Group's subsidiaries, other than the Issuer, may be structurally senior to the Notes and may be secured. If new debt, in particular secured or structurally senior debt, is added to the Group's current debt levels, the magnitude of the risks related to the Group's indebtedness described above could increase, and the foregoing factors could have an adverse effect on the Issuer's and the Guarantor's ability to pay amounts due in respect of the Notes.

The Issuer's ability to fulfill its obligations under the Notes is dependent on the Group.

The Issuer is a direct wholly-owned subsidiary of the Guarantor and will use the net proceeds from the issuance of the Notes for the Group's general corporate purposes and repayment of short-term debt. The Issuer has insufficient net assets, other than amounts due to it from other members of the Group in respect of any inter-Group loans, to meet its obligations to pay interest and other amounts payable in respect of the Notes. The Issuer would, therefore, in the absence of other funding sources, have to rely on other members of the Group providing sufficient funds to meet such obligations.

In addition, the other members of the Group are separate and distinct legal entities and have no obligation, other than the Guarantor in relation to the Guarantee, contingent or otherwise, to pay any amounts due pursuant to the Notes or to make any funds available for these purposes, whether by dividends, loans, distributions or other payments, and do not – apart from the Guarantor – guarantee the payment of interest on, or principal of, the Notes.

Payments under the Guarantee may be subject to Russian withholding tax.

Payments following enforcement of the Guarantee in the part relating to interest on the Notes are likely to be characterised as Russian source income. Accordingly, such payments should be subject to withholding tax at a rate of 20 per cent. in the event that a payment under the Guarantee is made to a non-resident Noteholder that is a legal entity or organisation which in each case is not organised under Russian law and which holds the Notes otherwise than through a permanent establishment in Russia, subject to any available double tax treaty relief. In the event a payment under the Guarantee is made to a non-resident individual, such payment should be subject to withholding tax at a rate of 30 per cent., subject to any available double tax treaty relief.

The Group cannot offer any assurance that such withholding tax would not be imposed upon the full payment under the Guarantee, including with respect to the principal amount of the Notes. The imposition or possibility of imposition of this withholding tax could adversely affect the value of the Notes. See "Tax Considerations — Russian Taxation".

Noteholders may be subject to withholding tax in EU Member States that have opted for a withholding system under the EU Savings Directive.

Under Council Directive 2003/481/EC on the taxation of savings income (the "**EU Savings Directive**"), each EU Member State is required to provide to the tax authorities of another EU Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other EU Member State. However, for a transitional period, Austria and Luxembourg will (unless during such period they elect otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, the recipient of the interest payment must be allowed, upon meeting certain conditions, to elect that certain provision of information procedures should be applied instead of withholding. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries and certain dependent or associated territories of certain EU Member States have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to an individual beneficial owner resident in, or certain limited types of entity established in, an EU Member State. In addition, the EU Member States have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a person in an EU Member State to an individual beneficial owner resident in, or certain limited types of entity established in, one of those countries or territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the rules described above. Investors who are in any doubt as to their position should consult their professional advisers.

If an amount of, or in respect of, tax were to be withheld from a payment under a Note pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meetings of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts under the terms of such Note as a result of the imposition of such withholding tax. See Condition 8 in "Terms and Conditions of the Notes". The Issuer is, however, required to maintain a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing the EU Savings Directive or any other such Directive. See Condition 7.6 in "Terms and Conditions of the Notes".

An investment in the Notes carries a high degree of risk and many factors could have a material adverse effect on the value of the Notes.

An investment in the Notes is speculative and carries a high degree of risk. Potential investors must be prepared to bear the risk of a total loss of their investment. A material adverse effect on the value of the Notes could arise from many factors, such as a change in the liquidity in the market for the Notes, changes in securities analysts' financial estimates and projections, the operating and price performance of the Group's competitors and other comparable companies, announcements by the Group's competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, regulatory actions that affect the Group's business, general conditions in the transportation industry and economic conditions in Russia. The market value of a Note may also vary considerably from its underlying net asset value, and could decline below the offer price per Note, which will be determined based on the results of the bookbuilding exercise conducted by the Joint Bookrunners.

The Group cannot assure the Noteholders that an active trading market will develop for the Notes.

The Notes have not been registered under the Securities Act or any U.S. state securities laws and may not be offered or sold except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. Although the Group has applied to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market, it cannot assure the Noteholders that its application will be granted or an active trading market for the Notes will develop. The Group does not know the extent to which investor interest will lead to the development of an active trading market or how liquid that market might be, nor can it make any assurances regarding the ability of Noteholders to sell their Notes or the price at which the Notes might be sold. In the event an active trading market for the Notes fails to develop, the market price of the Notes could be adversely affected.

The Notes may be redeemed prior to maturity.

The Terms and Conditions of the Notes provide that the Notes are redeemable at the Issuer's option in certain circumstances as defined in Condition 6.2 of the Terms and Conditions of the Notes, and, accordingly, the Issuer may choose to redeem the outstanding Notes at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes. Even if the Issuer does not exercise its option to redeem the Notes, its ability to do so may adversely affect the value of the Notes.

The Notes may only be transferred in accordance with the procedures of the depositaries in which the Notes are deposited.

Except in limited circumstances, the Notes will be issued only in global form with interests therein held through the facilities of Euroclear, Clearstream, Luxembourg and DTC. Ownership of beneficial interests in the Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and DTC or their nominees and the records of their participants. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. These laws may impair the ability to transfer beneficial interests in the Notes. Because Euroclear, Clearstream, Luxembourg and DTC can only act on behalf of their participants, which in turn act on behalf of owners of beneficial interests held through such participants and certain banks, the ability of a person having a beneficial interest in a Note to pledge or transfer such interest to persons or entities that do not participate in the Euroclear, Clearstream, Luxembourg or DTC systems may be impaired.

The Notes are subject to restrictions on transfer.

The Notes are being offered and sold in the United States solely in reliance on Rule 144A (the "**Rule 144A Offering**") to purchasers who are QIBs. The Notes also may be offered and sold outside the United States (the "**Regulation S Offering**") in reliance on Regulation S. Each purchaser of Notes pursuant to the Rule 144A Offering will be deemed to have represented to the Issuer that it is a QIB. Each purchaser of the Notes pursuant to the Regulation S Offering will be deemed to have represented to the Issuer that it is not a U.S. person within the meaning of Regulation S and is not acquiring Notes for the account or benefit of any U.S. person. See "Transfer Restrictions, Clearing and Settlement".

The Issuer is subject to risks related to the location of its centre of main interest, the appointment of examiners and the claims of preferred creditors under Irish Law.

COMI

The Issuer has its registered office in Ireland. As a result, there is a rebuttable presumption that its centre of main interests ("**COMI**") is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the decision by the European Court of Justice (the "**ECJ**") in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of May 29, 2000 on Insolvency Proceedings that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if "factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect." As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it is asked to make that decision.

Preferred Creditors

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular, under Irish law, the claims of unsecured creditors of the Issuer rank behind other creditors (including fees, costs and expenses of any examiner appointed, certain capital gains tax liabilities and claims of the Irish Revenue Commissioners for certain unpaid taxes).

Examinership

Examinership is a court procedure available under the Companies (Amendment) Act 1990, as amended to facilitate the survival of Irish companies in financial difficulties. The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, a negative pledge given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the High Court of Ireland (the "**High Court**") when a minimum of one class of creditors, whose interests are impaired under the proposals, has (i) voted in favour of the proposals and (ii) the High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and (iii) whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

If an examiner were appointed while any amounts due by the Issuer under the Notes were unpaid, the primary risks to the holders of Notes would be as follows:

1. the Trustee, acting on behalf of Noteholders, would not be able to enforce rights against the Issuer during the period of examinership;

2. a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views;

3. the examiner may set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period;

4. in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, both the examiner's and liquidator's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to the Noteholders under the Notes or the transaction documents in connection therewith;
5. while a company is under the protection of the Court, no action can be taken to enforce guarantees against persons who have guaranteed the debts of the company. Whether this prohibition under Irish law would be effective in the pursuit of a foreign guarantee is a matter of the governing law of the guarantee and/or the guarantor's residence; and
6. where a creditor receives notice of a meeting of creditors convened by the examiner to consider and vote on his proposals for a scheme of arrangement and that creditor's debt is guaranteed by a third party, then the creditor must, within very tight deadlines, offer the guarantor the opportunity to attend and vote at the meeting in place of the creditor. If this offer is not made in writing within the statutory time period, the creditor loses its right to pursue the guarantor pursuant to the guarantee.

THE OFFERING

The following is an overview of the terms of the Notes. This overview is extracted from, and should be read in conjunction with, the full text of the Terms and Conditions of the Notes, the Guarantee and the Trust Deed constituting the Notes, which prevail to the extent of any inconsistency with the terms set out in this overview. Capitalised terms used herein and not otherwise defined have the respective meanings given to such terms in the Terms and Conditions of the Notes.

Issuer	SIBUR Securities Limited, incorporated under the laws of Ireland, on 8 November 2012, having its registered address at 31 Fitzwilliam Square, Dublin 2, Ireland.
Guarantor	OAO SIBUR Holding, incorporated under the laws of the Russian Federation, having its registered address at 5A, Galernaya street, St. Petersburg, 190000, Russian Federation.
Issue Amount	US$ 1,000,000,000 aggregate principal amount of the Notes.
Joint Coordinators	Citigroup Global Markets Limited, J.P. Morgan Securities plc and The Royal Bank of Scotland plc.
Joint Bookrunners	Citigroup Global Markets Limited, J.P. Morgan Securities plc, The Royal Bank of Scotland plc, Credit Suisse Securities (Europe) Limited, GPB-Financial Services Ltd and SIB (Cyprus) Limited.
Issue Price	100% of the principal amount of the Notes.
Closing Date	31 January 2013.
Maturity Date	31 January 2018.
Trustee	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland, AG.
Transfer Agent and Principal Paying Agent	Citibank, N.A., London Branch.
Interest	The Notes will accrue interest from the date of their issuance at a rate equal to 3.914% per annum, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013.
Form	The Notes will be issued in registered form. The Notes will be in denominations in aggregate principal amount of US$ 200,000 each and integral multiples of US$ 1,000 thereafter and will be represented by global note certificates. The global note certificates will be exchangeable for Notes in individual form in the limited circumstances specified in the global note certificates.
Status of the Notes	The Notes will constitute direct, unsubordinated and (subject to Condition 4.1 of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and shall at all times rank *pari passu* and rateably without any preference among themselves.
Guarantee	The Guarantor has, pursuant to the Guarantee, unconditionally and irrevocably, guaranteed the payment when due of all sums expressed to be payable by, and all other obligations of, the Issuer under the Trust Deed and the Notes. The Guarantee constitutes direct, unsubordinated and (subject to Condition 4.1 of the Terms and Conditions of the Notes) unsecured obligations of the Guarantor.
Use of Proceeds	The fees and expenses associated with the Offering are estimated to be approximately US$ 6.1 million. The Group expects the aggregate net proceeds of the issuance of the Notes to be approximately US$ 993.9 million. The Group will use the aggregate net proceeds from the issuance of the Notes for general corporate purposes and refinancing of short-term debt, including

for the repayment in full of SIBUR's US$ 300 million term facility arranged by The Royal Bank of Scotland plc and J.P. Morgan Limited (as described in "Overview — Recent Developments").

Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, at 100% of the principal amount thereof together with interest accrued to the date fixed for redemption including any additional amounts due under Condition 6.2 of the Terms and Conditions of the Notes as a result of any change in, or amendment to, the laws or regulations of Ireland or the Russian Federation occurring on or after the Issue Date. See "Terms and Conditions of the Notes — Redemption and Purchase — Redemption for tax reasons".

Covenants

The Terms and Conditions of the Notes contain restrictions on certain activities of the Issuer, the Guarantor and certain subsidiaries of the Group (the "**Subsidiaries,"** as defined in the Terms and Conditions of the Notes), including, without limitation:

(i) limitation on the incurrence of liens;

(ii) limitation on the incurrence of indebtedness;

(iii) limitation on certain mergers and consolidations;

(iv) limitation on disposals;

(v) requirement for the provision of certain financial information;

(vi) requirements for the payment of taxes and other claims;

(vii) requirements for the maintenance of authorisations;

(viii) requirements for the maintenance of property;

(ix) requirements for the maintenance of property insurance;

(x) limitation on change of business; and

(xi) requirement for maintenance of parri pasu ranking.

There are significant exceptions to the requirements contained in these covenants. See "Terms and Conditions of the Notes — Covenants" for a further description of the restrictions set forth above.

The Terms and Conditions of the Notes provide that the covenants referred to in paragraphs (ii), (iv), (vi), (vii), (viii), (ix) and (x) above shall be suspended during any period (if any) during which the Notes have Investment Grade Status and no Potential Event of Default or Event of Default has occurred and is continuing. If the Notes cease to have an Investment Grade Rating, such Suspended Covenants shall again apply to the Notes. See "Terms and Conditions of the Notes — Covenants — Covenant Suspension".

Events of Default

In the case of an Event of Default as defined in the "Terms and Conditions of the Notes" section of this Prospectus, the Trustee may, subject as provided in the Trust Deed, give notice to the Issuer and the Guarantor that the Notes are immediately due and repayable. Events of Default include, among others:

(i) failure by the Issuer or, as the case may be, the Guarantor to pay any amounts due under the Notes;

(ii) breach of other obligations by the Issuer or the Guarantor under the Notes, the Trust Deed or the Guarantee;

(iii) cross-default (for a payment default) or cross-acceleration (for all other defaults) of the Issuer, the Guarantor or any Material Subsidiary;

(iv) non-compliance by the Issuer, the Guarantor or any Material Subsidiary with an order or judgment of a judicial or administrative authority;

(v) inability of the Issuer, the Guarantor or any Material Subsidiary to pay debts as they fall due;

(vi) certain events relating to liquidation, examinership, insolvency, winding up or dissolution (as applicable) of the Issuer, the Guarantor or any Material Subsidiary;

(vii) expropriation, attachment, sequestration, execution or distress in respect of the Issuer, the Guarantor or any Material Subsidiary;

(viii) unenforceability or illegality; or

(ix) nationalisation or seizure of the assets of the Issuer, the Guarantor or any Material Subsidiary,

in certain cases, subject to certain conditions and exceptions as set out in "Terms and Conditions of the Notes — Events of Default".

Rating

The Notes are expected to be rated "BB+" by Fitch and "Ba1" by Moody's. The Guarantor has been rated "Ba1" by Moody's and "BB+" by Fitch. Credit ratings assigned to the Notes do not necessarily mean they are a suitable investment for you. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of Notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes, the Issuer or the Guarantor could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. If the other rating organisation rated the securities, the Group cannot assure you that the rating that such other rating organisation would assign to the securities would not be lower than the ratings assigned by Fitch and Moody's. Ratings of the Notes by Fitch and Moody's are not necessarily indicative of the ratings that may in the future be issued in respect of the Notes by other rating agencies, if requested by the Issuer. The Group recommends that you analyse the significance of each rating independently from any other rating. Each of Fitch and Moody's are established in the European Union and registered in accordance with the CRA Regulation.

Withholding Tax

All payments on the Notes or under the Guarantee by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatsoever nature, unless such withholding or deduction is required by applicable laws or regulations. If any such withholding or deduction for or on account of taxes of any Relevant Jurisdiction is so required, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them in respect of such Notes or Guarantee if no such withholding or deduction had been made or required to be made. See "Terms and Conditions of the Notes — Taxation".

Listing	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and for the Notes to be admitted to trading on the Main Securities Market. No assurance can be given that the application will be granted.
Transfer Restrictions	The Notes and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, the Notes may not be offered or sold within the United States. The Notes may be sold in other jurisdictions only in compliance with applicable laws. See the sections of this Prospectus entitled "Transfer Restrictions, Clearing and Settlement" and "Subscription and Sale".
Governing Law	The Notes, the Trust Deed, the Guarantee and the Agency Agreement and any non-contractual obligations arising therewith will be governed by English law.
Security Codes	Regulation S Notes: ISIN: XS0878855773 Common Code 087885577 Rule 144A Notes: ISIN: US825798AA95 Common Code 088108868 CUSIP: 825798AA9
Clearing	Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Notes) and DTC (in the case of the Rule 144A Notes).
Yield	The annual yield of the Notes when issued is 3.914%. The annual yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

USE OF PROCEEDS

The fees and expenses associated with the Offering are estimated to be approximately US$ 6.1 million. The Group expects the aggregate net proceeds of the issuance of the Notes to be approximately US$ 993.9 million. The Group will use the aggregate net proceeds from the issuance of the Notes for general corporate purposes and refinancing of short-term debt, including for the repayment in full of SIBUR's US$ 300 million term facility arranged by The Royal Bank of Scotland plc and J.P. Morgan Limited (as described in "Overview — Recent Developments").

CAPITALISATION

The following table sets forth the Group's combined capitalisation on an actual basis as of 30 September 2012. This table should be read in conjunction with "Selected Combined Financial and Other information" and the Combined Financial Information included elsewhere in this Prospectus.

	As of 30 September 2012
	RR millions
Short-term debt and current portion of long-term debt	36,701
Long-term debt	44,149
Total debt	**80,850**
Equity	
Shareholders of the parent company net investment	187,232
Non-controlling interest	1,493
Total equity	**188,725**
Total capitalisation(1)	**269,575**

(1) Calculated as the sum of total debt and total equity.

On 15 October 2012, SIBUR's shareholders approved a decision to distribute dividends for the first six months of 2012 in the amount of RR 7,407 million (RR 3.4 per ordinary share).

In October 2012, the Group drew down US$ 250 million under a new unsecured revolving facility entered into with Citibank Europe PLC on 12 October 2012. The Group may select a tenor of up to 90 days for the disbursement under this facility with the possibility of a rollover. The facility matures in twelve months from the date of its execution.

On 26 November 2012, SIBUR entered into a term facility agreement arranged by The Royal Bank of Scotland plc and J.P. Morgan Limited for an amount of up to US$ 300 million for general corporate purposes. The agreement matures within 365 days from the date of its execution. However, SIBUR is required to repay the facility within 5 business days from the receipt of the proceeds of the Offering using the proceeds from the Offering. US$ 300 million was drawn down under this facility agreement in November 2012.

In the fourth quarter 2012, the Group made several disbursements in the net amount of US$ 200 million under a new unsecured revolving facility entered into with Sberbank on 6 November 2012. The maximum tenor of loans drawn down under this facility is 90 days.

In December 2012, the Group drew down US$ 60 million under a new unsecured term facility entered into with KfW IPEX-Bank GmbH on 10 December 2012. The facility matures in December 2013.

In the fourth quarter of 2012 the Group repaid an aggregate amount of approximately RR 11,000 million under its short-term and long-term facilities.

Other than as described above, there have been no material changes to the capitalisation of the Group since 30 September 2012.

SELECTED COMBINED FINANCIAL AND OTHER INFORMATION

The following summary combined financial information presents selected historical combined financial information as of 30 September 2012 and for the nine months ended 30 September 2012 and 2011 and as of and for the years ended 31 December 2011, 2010 and 2009. The selected statement of comprehensive income data, selected statement of financial position data and selected statement of cash flows data as of and for the years ended 31 December 2011, 2010 and 2009 set forth below has been extracted without material adjustment from, and should be read in conjunction with, the Annual Combined Financial Information, which is included elsewhere in this Prospectus. The selected statement of comprehensive income data, selected statement of financial position data and selected statement of cash flows data as of 30 September 2012 and for the nine months ended 30 September 2012 and 2011 set forth below has been extracted without material adjustment from, and should be read in conjunction with, the Interim Combined Financial Information, which is included elsewhere in this Prospectus. Investors should not rely on interim results as being indicative results the Group may expect for the full year.

Prospective investors should read the following summary combined financial information in conjunction with the information contained in "Presentation of Financial and Other Information", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business" and the Combined Financial Information appearing elsewhere in this Prospectus.

Selected Statement of Comprehensive Income Data

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			RR millions		
Continuing operations					
Revenue	198,957	181,471	248,660	188,563	127,800
Operating expenses	(146,093)	(124,075)	(170,207)	(136,751)	(106,256)
Operating profit	**52,864**	**57,396**	**78,453**	**51,812**	**21,544**
Finance income	3,145	3,032	2,910	5,622	8,045
Finance expenses	(1,020)	(5,848)	(7,325)	(4,570)	(9,638)
Gain on acquisition of subsidiaries	430	—	4,957	—	—
Share of net income/(loss) of joint ventures	115	493	236	108	(88)
Impairment of notes and other receivables	—	—	(1,731)	—	(3,262)
Gain/(loss) on disposal of investments	283	(185)	(380)	16	3,514
Profit before income tax	**55,817**	**54,888**	**77,120**	**52,988**	**20,115**
Income tax expense	(10,326)	(10,768)	(15,561)	(12,251)	(3,964)
Profit from continuing operations	**45,491**	**44,120**	**61,559**	**40,737**	**16,151**
(Loss)/gain from disposal of Amtel Group assets	**(315)**	**—**	**1,240**	**—**	**—**
Profit for the period	**45,176**	**44,120**	**62,799**	**40,737**	**16,151**
Profit attributable to:					
Non-controlling interest	70	(19)	(30)	(46)	(53)
Shareholders of the parent company	45,106	44,139	62,829	40,783	16,204
Other comprehensive loss after tax:					
Actuarial loss on post-employment benefit obligations	—	—	(94)	(311)	(207)
Other comprehensive loss for the period	**—**	**—**	**(94)**	**(311)**	**(207)**
Total comprehensive income for the period from continuing operations	**45,491**	**44,120**	**61,465**	**40,426**	**15,944**
Total comprehensive income for the period	**45,176**	**44,120**	**62,705**	**40,426**	**15,944**

Selected Statement of Financial Position Data

	As of 30 September	As of 31 December		
	2012	2011	2010	2009
		RR millions		
Non-current assets				
Property, plant and equipment	183,355	150,502	101,662	75,881
Goodwill	9,480	6,697	6,697	6,272
Investments in joint ventures	16,908	18,118	5,810	3,086
Deferred income tax assets	12,301	10,380	1,409	135
Advances and prepayments for capital construction	45,219	32,858	26,511	14,472
Loans receivable	762	638	4,947	5,674
Trade and other receivables	95	335	4,224	2,313
Other non-current assets	5,852	3,432	2,653	2,304
Total non-current assets	**273,972**	**222,960**	**153,913**	**110,137**
Current assets				
Inventories	22,166	22,187	12,651	11,472
Trade and other receivables	15,243	20,965	21,024	15,166
Receivables for disposed businesses	—	11,368	—	—
Prepaid current income tax	859	3,025	1,007	474
Prepayments and other current assets	16,731	20,749	13,439	10,355
Loans receivable	1,126	911	10,299	9,804
Cash and cash equivalents	9,176	14,971	15,416	14,846
Restricted cash	1,106	—	—	—
Assets classified as held for sale	3,884	5,993	2,802	—
Total current assets	**70,291**	**100,169**	**76,638**	**62,117**
Total assets	**344,263**	**323,129**	**230,551**	**172,254**
Non-current liabilities				
Long-term debt	44,149	51,716	28,532	30,447
Grants and subsidies	21,467	19,549	7,286	947
Deferred income tax liabilities	9,485	8,110	3,993	2,931
Other non-current liabilities	4,815	6,512	6,716	2,335
Total non-current liabilities	**79,916**	**85,887**	**46,527**	**36,660**
Current liabilities				
Short-term debt and current portion of long-term debt	36,701	31,194	30,166	25,217
Current trade and other payables	32,735	29,973	31,357	20,557
Income tax payable	2,985	5,286	2,696	2,188
Taxes other than income tax payable	3,201	4,788	5,441	2,250
Liabilities associated with non-current assets classified as held for sale	—	667	—	—
Total current liabilities	**75,622**	**71,908**	**69,660**	**50,212**
Total liabilities	**155,538**	**157,795**	**116,187**	**86,872**
Total equity	**188,725**	**165,334**	**114,364**	**85,382**
Total liabilities and equity	**344,263**	**323,129**	**230,551**	**172,254**

Selected Statement of Cash Flows Data

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	RR millions				
Net cash from operating activities	54,896	51,061	54,181	51,431	20,103
Net cash used in investing activities	(29,707)	(82,160)	(41,290)	(50,809)	(8,398)
Net cash (used in)/from financing activities	(30,586)	19,382	(12,526)	(204)	(5,772)
Net (decrease)/increase in cash and cash equivalents	(5,795)	(11,861)	(445)	570	6,066
Cash and cash equivalents at the end of the period	9,176	3,555	14,971	15,416	14,846

Non-IFRS Financial Measures

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	RR millions, except as stated				
EBITDA(1)	60,240	62,669	86,669	58,178	25,967
EBITDA margin(2)	30.3%	34.5%	34.9%	30.9%	20.3%

	As of 30 September	As of 31 December		
	2012	2011	2010	2009
	RR millions, except as stated			
Net debt(3)	71,674	67,939	43,282	40,818
Net debt/EBITDA(4)	0.85x	0.78x	0.74x	1.57x

(1) EBITDA means the Group's profit/loss for the reporting period adjusted for income tax expense, finance income and expenses, share of net income/loss of joint ventures, depreciation and amortisation, impairment of property, plant and equipment, loss/gain on disposal of investments and exceptional items.

(2) EBITDA margin means EBITDA divided by revenue, expressed as a percentage.

(3) Net debt means total debt less cash and cash equivalents. Total debt means long-term debt plus short-term debt and current portion of long-term debt.

(4) As of 31 December 2011, 2010 and 2009, net debt to EBITDA means net debt, as calculated in note 3 above, divided by EBITDA, as defined in note 1 above. As of 30 September 2012, net debt to EBITDA means net debt, as calculated in note 3 above, divided by EBITDA for the twelve months ended 30 September 2012, as defined in note 1 above and calculated by adding EBITDA for the nine months ended 30 September 2012 to EBITDA for the three months ended 31 December 2011 (which is EBITDA for the year ended 31 December 2011 less EBITDA for the nine months ended 30 September 2011).

A reconciliation of the EBITDA to the Group's profit for the reporting period is as follows for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			RR millions		
Profit for the reporting period	**45,176**	**44,120**	**62,799**	**40,737**	**16,151**
Loss/(gain) from disposal of Amtel Group assets	315	—	(1,240)	—	—
Income tax expense	10,326	10,768	15,561	12,251	3,964
(Gain)/loss on disposal of investments	(283)	185	380	(16)	(3,514)
Impairment of notes and other receivables	—	—	1,731	—	3,262
Share of net (income)/loss of joint ventures	(115)	(493)	(236)	(108)	88
Gain on acquisition of subsidiaries	(430)	—	(4,957)	—	—
Net finance (income)/expenses	(2,125)	2,816	4,415	(1,052)	1,593
Impairment of property, plant and equipment	262	—	—	426	—
Depreciation and amortisation	7,114	5,273	8,216	5,940	4,423
EBITDA	**60,240**	**62,669**	**86,669**	**58,178**	**25,967**

A reconciliation of net debt to the Group's total debt is as follows as of the dates indicated:

	As of 30 September	As of 31 December		
	2012	**2011**	**2010**	**2009**
		RR millions		
Long-term debt	44,149	51,716	28,532	30,447
Short-term debt and current portion of long-term debt	36,701	31,194	30,166	25,217
Total debt	**80,850**	**82,910**	**58,698**	**55,664**
Cash and cash equivalents	(9,176)	(14,971)	(15,416)	(14,846)
Net debt	**71,674**	**67,939**	**43,282**	**40,818**

Operational Measures

The following table presents the Group's key operational measures for the periods indicated.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
Processing and production					
APG processing[1] (thousand cubic metres)	13,680,113	13,400,537	18,032,320	17,453,926	16,796,551
APG processing, Group's share[2] (thousand cubic metres)	9,456,036	9,435,944	12,697,565	12,963,731	12,413,822
Natural gas production[1] (thousand cubic metres)	11,985,166	11,750,139	15,806,351	15,325,007	14,822,034
Natural gas production, Group's share[2] (thousand cubic metres)	8,008,717	8,088,647	10,864,052	11,154,101	10,824,692
Raw NGL production[1] (metric tons)	3,066,524	3,088,782	4,175,843	3,954,516	3,565,155
Raw NGL production, Group's share[2] (metric tons)	2,065,874	2,118,297	2,864,371	2,627,054	2,252,584
LPG production (metric tons)	2,759,027	2,684,970	3,624,868	3,397,866	3,341,730
Naphtha production (metric tons)	1,006,925	954,846	1,294,536	1,262,026	1,216,300
MTBE and other fuel additives production (metric tons)	509,400	548,186	742,529	630,589	673,670
Basic polymers production (metric tons)	283,401	268,225	372,967	418,153	438,835
Synthetic rubbers production (metric tons)	302,030	310,979	426,200	431,640	338,490
Plastics and organic synthesis production (metric tons)	603,512	428,946	607,293	524,071	466,697
Intermediates and other chemicals production (metric tons)	2,519,283	2,278,847	3,147,238	2,797,824	2,669,795
Sales volumes					
Energy products					
Natural gas (thousand cubic metres)	7,664,686	6,773,097	9,144,938	9,734,209	11,139,497
LPG (metric tons)	1,967,999	2,154,704	2,844,091	2,310,236	1,971,492
Naphtha (metric tons)	791,746	752,062	979,445	942,586	761,531
Raw NGL (metric tons)	154,753	145,508	163,274	45,859	51,047
MTBE, other fuels and fuel additives (metric tons)	441,705	464,086	627,776	565,415	604,606
Petrochemical products					
Basic polymers (metric tons)	342,903	322,399	446,090	435,979	455,566
Synthetic rubbers (metric tons)	319,302	353,359	484,876	495,352	379,733
Plastics and other synthesis products (metric tons)	572,226	352,981	525,671	463,220	419,708
Intermediates and other chemicals (metric tons)	454,040	516,685	707,750	734,806	659,624

(1) Includes TNK-BP's share in processing/production volumes of OOO Yugragazpererabotka (see "Business — Raw Materials Sourcing" and "Business — Operating Joint Ventures with Russian Oil Companies").

(2) Excludes TNK-BP's share in processing/production volumes of OOO Yugragazpererabotka (see "Business — Raw Materials Sourcing" and "Business — Operating Joint Ventures with Russian Oil Companies").

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

You should read the following discussion of the Group financial condition and results of operations together with the Combined Financial Information included elsewhere in this Prospectus and the sections of this Prospectus entitled "Presentation of Financial and Other Information" and "Selected Combined Financial and Other Information".

The information contained in the discussion set forth below and elsewhere in this Prospectus includes forward-looking statements that involve risk and uncertainties. See "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in this Prospectus.

Overview

The Group is a uniquely positioned gas processing and petrochemicals company with a business model focused on the integrated operation of its two core segments. The Group owns and operates Russia's largest gas processing business in terms of associated petroleum gas processing volumes, according to IHS CERA and is a leader in the Russian petrochemicals industry. The Group has two operating and reportable segments: (1) feedstock and energy and (2) petrochemicals. The Group's feedstock and energy segment comprises (i) gathering and processing of associated petroleum gas (APG) that the Group purchases from major Russian oil companies, (ii) transportation, fractionation and other processing of natural gas liquids (NGLs) that the Group produces internally or purchases from major Russian oil and gas companies, and (iii) 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. The Group sells these energy products on the Russian and international markets and uses some of them as feedstock for its petrochemicals segment, which processes them into various petrochemicals, including basic polymers, synthetic rubbers, plastics and products of organic synthesis, as well as intermediates and other chemicals. As of 30 September 2012, the Group operated 27 production sites, had over 1,500 large customers operating in the energy, automotive, construction, fast moving consumer goods (FMCG), chemical and other industries in approximately 60 countries and employed over 30,000 personnel.

The Group benefits from owning and operating Russia's largest and most extensive integrated infrastructure for processing and transportation of APG and NGLs, located primarily in Western Siberia, which is the largest oil and gas producing region in Russia and where the Group sources most of its feedstock. This infrastructure includes seven out of the nine existing gas processing plants (GPPs) in Western Siberia, five compressor stations, and three gas fractionation units (GFUs). As of 31 December 2011, the Group had APG processing capacity of 22 billion[1] cubic metres per annum and raw NGL fractionation capacity of 5.2 million tons per annum. The Group's transportation infrastructure comprises 1,168 kilometres of raw NGL pipelines and 352 kilometres of natural gas pipelines as well as substantial railway transportation facilities, including six railway loading racks and rolling stock of over 17,500 rail cars and tank wagons under management. The Group's GPPs also have direct links to the production facilities of major oil companies operating in Western Siberia through a network of APG transportation pipelines, a large part of which is owned by the oil companies, while SIBUR owns 913 kilometres of these pipelines. The Group's infrastructure for processing and transportation of APG and NGLs provides it with advantageous access to feedstock.

In its petrochemicals business, the Group operates three steam cracker facilities, one basic polymers production plant, manufacturing low density polyethylene (LDPE) and polypropylene (PP), three synthetic rubbers production plants, manufacturing commodity and specialty rubbers as well as thermoplastic elastomers, and 14 production plants manufacturing a wide range of intermediate chemicals, plastics and organic synthesis products, including polyethylene terephthalate, glycols, alcohols, BOPP-films, expandable polystyrene, acrylates and plastic compounds. As of 31 December 2011, the Group's basic polymers production capacity was 460,000 tons per annum[2], synthetic rubbers production capacity was 601,900 tons per annum and plastics and products of organic synthesis production capacity was 816,900 tons per annum[3].

1 Including 100% of processing capacity of GPPs which are controlled by OOO Yugragazpererabotka, the Group's joint venture with TNK-BP.

2 Including 100% of processing capacity of NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group.

3 Excluding production capacity of the intermediates and other chemicals product group to avoid double counting.

The Group has a leading share in the production of a number of energy and petrochemical products in Russia. In 2011, the Group processed 58% of all APG processed in Russia according to IHS CERA, and produced 34% of all LPG produced in the country based on the data from the CDU-TEK. In 2011, the Group was also the third largest producer of natural gas in Russia (including TNK-BP's share in production volumes of OOO Yugragazpererabotka), based on the data from the CDU-TEK[4]. Based on data published by IHS Chemical, in 2011, the Group accounted for a 45% share of the Russian production capacity of mono-ethylene glycol (a product within the Group's plastics and organic synthesis products group), a 34% share of the Russian production capacity of LDPE and a 37% share of the Russian production capacity of PP, including the capacity of OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group. In 2011, the Group accounted for a 45% share of the Russian butadiene production capacity (a product within the Group's intermediates and other chemicals product group) according to IHS Chemical. In addition, in 2011, the Group accounted for a 33% share of the Russian synthetic rubbers production capacity, according to IISRP.

Basis of Presentation of Financial Information

The Combined Financial Information comprises the financial information of the Company and its subsidiaries relating to the activities of the feedstock and energy and petrochemicals businesses. The Combined Financial Information excludes mineral fertilizers and tyres businesses disposed of by the Group in December 2011. For further details see Note 2 of the Annual Combined Financial Information.

Key Measures of Financial and Operational Performance

The Group monitors its financial and operational performance on the basis of the following measures.

Financial Measures

The following table presents the Group's key financial measures for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	RR millions, except as stated				
Revenue	198,957	181,471	248,660	188,563	127,800
EBITDA(1)	60,240	62,669	86,669	58,178	25,967
EBITDA margin(2)	*30.3%*	*34.5%*	*34.9%*	*30.9%*	*20.3%*
Operating profit	52,864	57,396	78,453	51,812	21,544
Operating margin(3)	*26.6%*	*31.6%*	*31.6%*	*27.5%*	*16.9%*
Profit for the reporting period	45,176	44,120	62,799	40,737	16,151
Net cash from operating activities	54,896	51,061	54,181	51,431	20,103
Net cash used in investing activities	(29,707)	(82,160)	(41,290)	(50,809)	(8,398)
Net cash (used in)/from financing activities	(30,586)	19,382	(12,526)	(204)	(5,772)

(1) EBITDA, which is a non-IFRS measure, means the Group's profit/loss for the reporting period adjusted for income tax expense, finance income and expenses, share of net income/loss of joint ventures, depreciation and amortisation, impairment of property, plant and equipment, loss/gain on disposal of investments and exceptional items.

(2) EBITDA margin, which is a non-IFRS measure, means EBITDA divided by revenue, expressed as a percentage.

(3) Operating margin, which is a non-IFRS measure, means operating profit divided by revenue, expressed as a percentage.

4 Excluding flaring, losses, internal consumption and production under product-sharing schemes.

The following table presents the Group's key credit metrics as of 30 September 2012, 31 December 2011, 31 December 2010 and 31 December 2009:

	As of 30 September	As of 31 December		
	2012	2011	2010	2009
	RR millions, except as stated			
Net debt(4)	71,674	67,939	43,282	40,818
Net debt/EBITDA(5)	0.85x	0.78x	0.74x	1.57x

(4) Net debt, which is a non-IFRS measure, means total debt less cash and cash equivalents. Total debt means long-term debt plus short-term debt and current portion of long-term debt.

(5) As of 31 December 2011, 2010 and 2009, net debt to EBITDA, which is a non-IFRS measure, means net debt, as calculated in note 4 above, divided by EBITDA, as defined in note 1 above. As of 30 September 2012, net debt to EBITDA means net debt, as calculated in note 4 above, divided by EBITDA for the twelve months ended 30 September 2012, as defined in note 1 above and calculated by adding EBITDA for the nine months ended 30 September 2012 to EBITDA for the three months ended 31 December 2011 (which is EBITDA for the year ended 31 December 2011 less EBITDA for the nine months ended 30 September 2011).

Operational Measures

The following table presents the Group's key operational measures for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009.

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
Processing and production					
APG processing[1] (thousand cubic metres)	13,680,113	13,400,537	18,032,320	17,453,926	16,796,551
APG processing, Group's share[2] (thousand cubic metres)	9,456,036	9,435,944	12,697,565	12,963,731	12,413,822
Natural gas production[1] (thousand cubic metres)	11,985,166	11,750,139	15,806,351	15,325,007	14,822,034
Natural gas production, Group's share[2] (thousand cubic metres)	8,008,717	8,088,647	10,864,052	11,154,101	10,824,692
Raw NGL production[1] (metric tons)	3,066,524	3,088,782	4,175,843	3,954,516	3,565,155
Raw NGL production, Group's share[2] (metric tons)	2,065,874	2,118,297	2,864,371	2,627,054	2,252,584
LPG production (metric tons)	2,759,027	2,684,970	3,624,868	3,397,866	3,341,730
Naphtha production (metric tons)	1,006,925	954,846	1,294,536	1,262,026	1,216,300
MTBE and other fuel additives production (metric tons)	509,400	548,186	742,529	630,589	673,670
Basic polymers production (metric tons)	283,401	268,225	372,967	418,153	438,835
Synthetic rubbers production (metric tons)	302,030	310,979	426,200	431,640	338,490
Plastics and organic synthesis production (metric tons)	603,512	428,946	607,293	524,071	466,697
Intermediates and other chemicals production (metric tons)	2,519,283	2,278,847	3,147,238	2,797,824	2,669,795
Sales volumes					
Energy products					
Natural gas (thousand cubic metres)	7,664,686	6,773,097	9,144,938	9,734,209	11,139,497
LPG (metric tons)	1,967,999	2,154,704	2,844,091	2,310,236	1,971,492
Naphtha (metric tons)	791,746	752,062	979,445	942,586	761,531
Raw NGL (metric tons)	154,753	145,508	163,274	45,859	51,047
MTBE, other fuels and fuel additives (metric tons)	441,705	464,086	627,776	565,415	604,606
Petrochemical products					
Basic polymers (metric tons)	342,903	322,399	446,090	435,979	455,566
Synthetic rubbers (metric tons)	319,302	353,359	484,876	495,352	379,733
Plastics and other synthesis products (metric tons)	572,226	352,981	525,671	463,220	419,708
Intermediates and other chemicals (metric tons)	454,040	516,685	707,750	734,806	659,624

(1) Includes TNK-BP's share in processing/production volumes of OOO Yugragazpererabotka (see "Business — Raw Materials Sourcing" and "Business — Operating Joint Ventures with Russian Oil Companies").

(2) Excludes TNK-BP's share in processing/production volumes of OOO Yugragazpererabotka (see "Business — Raw Materials Sourcing" and "Business — Operating Joint Ventures with Russian Oil Companies").

See "Business — Operations — Products" for further information on the above operational measures.

Operating and Reportable Segments

The Group's business comprises two segments: (1) feedstock and energy; and (2) petrochemicals.

- *Feedstock and Energy.* The Group's feedstock and energy segment comprises (i) gathering and processing of associated petroleum gas (APG) that the Group purchases from major Russian oil companies (ii) transportation and processing of natural gas liquids (NGLs), including fractionation of raw NGL that the Group produces internally or purchases from major Russian oil and gas companies and (iii) marketing and sales of energy products, such as natural gas, liquefied petroleum gases (LPG), naphtha, raw NGL and other fuels and fuel additives, including methyl tertiary butyl ether (MTBE). The Group sells these energy products on the Russian and international markets and uses some of them as feedstock for its petrochemicals segment.
- *Petrochemicals.* The petrochemicals segment comprises production and sale of basic polymers, synthetic rubbers, plastics and organic synthesis products as well as intermediates and other chemicals. The products of the petrochemicals segment are both sold externally and consumed by the Group in further processing to produce other petrochemical products.

The Group defines its 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. The Group 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 the Group's subsidiaries, which provide primarily energy supply, transportation, processing, managerial and other services to the Group, are not allocated to operating and reportable segments.

Key Product Groups and Products

In addition to its operating and reportable segments, the Group monitors its operational performance on the basis of its product groups or products, which it organises into two categories: energy products and petrochemical products. Energy products include LPG, naphtha, natural gas, 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. For a description of these product groups and particular products, see "Business — Operations — Products" or "Industry". The deviations between revenue split by product group and by segment are explained primarily by the following:

- most of the Group's production facilities in both its feedstock and 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; and
- the Group's petrochemicals segment sells certain volumes of energy products, such as LPG and naphtha, to its established clients, which prefer "single window" service.

Significant Factors Affecting the Group's Results of Operations

Macroeconomic and Other Economic Trends

The overall economic conditions in Russia and globally significantly impact the Group's operations as demand for the Group's products is driven by consumers from around the world across a diverse range of industries, which are dependent on the state of the global economy and the economies of their respective countries. The key end-customer industries that have a significant impact on demand for the Group's products are energy, automotive, construction, fast-moving consumer goods (FMCG), chemical and other industries. See "Industry".

GDP growth: One of the key factors that drive demand for the Group's products or otherwise affect its results of operations is GDP growth globally. The Group experienced a decline in 2009 in its operating margins in line with the economic downturn, and the resulting downturn in GDP, experienced by Russia and the Group's principal export markets. As the overall economic condition in Russia and export markets began to improve starting at the end of 2009, the Group's operating margins improved significantly. The Group is also subject to economic risks specific to the Russian

Federation as all of its production assets are located in Russia (see "Risk Factors — Risks Relating to Russia — Political, Economic and Social Risks").

Foreign Exchange Rate Fluctuations: Movements of the Russian rouble against the US dollar and euro can have a significant effect on the Group's financial performance. The following table presents selected data on exchange rate movements for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
RR/US$ rate at the end of the period	30.92	31.88	32.20	30.48	30.24
Average RR/US$ rate	31.07	28.74	29.39	30.37	31.72
RR/EUR rate at the end of the period	39.98	43.40	41.67	40.33	43.39
Average RR/EUR rate	39.91	40.49	40.88	40.30	44.13

Source: CBR

The Group's functional and reporting currency is the Russian rouble. However, the Group's sales to countries outside of Russia (44.6% and 43.3% of total revenue in the nine months ended 30 September 2012 and 2011, and 42.9%, 43.3% and 44.0% in the years ended 31 December 2011, 2010 and 2009, respectively) are primarily denominated in US dollars and, to a lesser extent, in euro, while most of the Group's expenses are denominated in Russian roubles. As a result, depreciation of the Russian rouble relative to the US dollar or euro positively affects the Group's operational results, while appreciation of the Russian rouble relative to these currencies has a negative effect on the Group's operational results.

In addition, a significant part of the Group's borrowings is also denominated in foreign currencies, primarily in US dollars. When the Russian rouble depreciates against the US dollar, US dollar-denominated liabilities increase in Russian rouble terms, as do interest costs on the Group's foreign currency-denominated borrowings. As a result, the Group's financial expenses tend to increase as a result of foreign exchange losses recorded by the Group, while financial income tends to increase as a result of foreign exchange gains recorded by the Group.

In the nine months ended 30 September 2012, due to the appreciation of the Russian rouble relative to the US dollar and euro from the beginning of the year, the Group recorded RR 1,397 million in primarily unrealised foreign exchange gain resulting mainly from the revaluation of its foreign currency-denominated debt. The Group currently does not employ any financial instruments to hedge against currency fluctuations (see Note 29 to the Annual Combined Financial Information).

Inflation: Inflation in Russia has been steadily declining in recent years, but historically the country had higher inflation compared to developed markets. Increases in inflation may increase the Group's costs and expenses which are linked to the general price level in Russia, such as staff costs, rent and other operating expenses. The following table presents selected data on inflation rates for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
Consumer price index (CPI)	5.2%	4.7%	6.1%	8.8%	8.8%
Producer price index (PPI)	6.7%	10.7%	12.0%	16.7%	13.9%

Source: Rosstat

Interest rates: The Group borrows funds at both fixed and floating rates. As of 30 September 2012, 32.8% and 67.2% of the Group's total borrowings were at fixed and floating rates, respectively. As a result, the Group's financial results are sensitive to changes in interest rates on the floating portion of the Group's debt. See also Note 29 to the Annual Combined Financial Information. The Group currently does not use derivative instruments to hedge its interest rate risk.

Crude Oil, Raw NGL, LPG and Naphtha Prices

Prices for a large portion of the Group's 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 the Group's financial results because the Group's position as a net seller of energy products allows it to mitigate the negative effect that growth in oil and oil derivative prices have on the Group's cost base.

Crude oil prices typically influence the price of raw NGL, LPG and naphtha the Group purchases from third parties as feedstock. In addition to purchasing raw NGL, LPG and naphtha from third parties, however, the Group also produces these products at its GPPs and GFUs, and uses them as feedstock for processing into the Group's petrochemical products or sells them externally. The Group ultimately only uses a part of the overall volumes of these energy products that it produces and purchases from third parties as feedstock, and, as a result, the Group is a net seller of these products. Sales of raw NGL, LPG and naphtha accounted for 29.7% and 31.9% in the nine months ended 30 September 2012 and 2011, and 30.5%, 27.1% and 25.6% of total revenue in the years ended 31 December 2011, 2010 and 2009, respectively.

Oil prices have a significant impact on Russian rouble exchange rate fluctuations. Historically, the Russian rouble has typically, though not consistently, appreciated against US dollar and euro when oil prices increased and depreciated against these currencies when oil prices decreased. Because prices for a large portion of the Group's products are linked to oil prices, rising oil prices tend to increase the Group's revenue, mitigating the negative effect of the strengthening of the Russian rouble on export sales or domestic sales linked to US dollar or euro. See " — Macroeconomic and Other Economic Trends — Foreign Exchange Rate Fluctuations".

Oil 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 oil producing nations and force majeure events. See "Risk Factors — Risks Relating to the Group's Business — A decrease in oil and oil derivatives prices may affect the Group's results of operations". The following table presents average benchmark market prices for crude oil, naphtha and LPG for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	US$ per metric ton, except as stated				
Brent (US$ per barrel)(1)	112.1	111.9	111.3	79.5	61.5
Naphtha (average FOB Rotterdam/CIF NWE)(1)	932.3	948.0	929.2	710.9	531.2
LPG DAF Brest(2)	761.0	788.1	804.2	636.5	434.6
LPG (Sonatrach)(2)	864.4	890.4	869.9	698.8	478.1

Source:
(1) Platts
(2) Argus

Natural Gas Prices

The prices at which the Group purchases a large portion of its feedstock and sells its natural gas, and the Group's 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. This price regulation is effected by the Russian Government, through the FTS. Although this price regulation does not apply to independent gas producers, the regulated price significantly influences domestic market conditions.

In November 2006, the FTS approved and published an initial plan to liberalize the price of natural gas sold on the Russian domestic wholesale market by 2011. As part of the initial plan, the FTS approved four quarterly increases in the regulated domestic price for natural gas in 2009, raising it by 5% in the first quarter, 7% in the second quarter, 7% in the third quarter and 6.2% in the fourth quarter (resulting in an average total increase of 15.9% in 2009). In December 2009, the FTS increased the regulated domestic prices for natural gas by 15% effective from 1 January 2010 and subsequently in December 2010 by a further 15% effective from 1 January 2011. According to the

Domestic Gas Market Liberalization Plan, which was approved by the Government in 2011 and which introduced certain revisions to the plan approved by the FTS in 2006, the target start date for the full liberalization of the domestic natural gas market is 1 January 2015, but there are various governmental discussions indicating that this programme may be further extended. As part of the Domestic Gas Market Liberalization Plan, the FTS announced a 15% increase in domestic natural gas prices effective 1 July 2012. According to the revised Forecast of Socio-Economic Development of the Russian Federation for 2012, published by the Ministry of Economic Development in September 2011, the regulated domestic natural gas prices will be increased by 15% effective 1 July 2013 and by a further 15% effective 1 July 2014. The Group cannot predict the timing of price liberalization on the domestic gas market or the extent to which the market will be liberalized, as the FTS reserves the right to modify the percentage increases already published, as well as to prolong the timetable toward market price liberalization based on market conditions and other factors. The Group does not expect domestic gas prices to rise sharply in the near term.

Effective date of increase	**Regulated natural gas price increase**
1 January 2009	*5.0%*
1 April 2009	*7.0%*
1 July 2009	*7.0%*
1 October 2009	*6.2%*
1 January 2010	*15.0%*
1 January 2011	*15.0%*
1 July 2012	*15.0%*

APG, one of the Group's key raw materials, does not have a benchmark market price. Prices at which the Group purchases APG from oil companies are negotiated on a case-by-case basis and depend on a variety of factors (see " — Feedstock Sourcing and Mix"). The Group typically purchases APG at a substantial discount to the FTS regulated domestic gas prices because of the significant capital expenditures required to develop and maintain the processing and transportation infrastructure. Most of the Group's supply contracts, however, regularly index APG prices to reflect changes in the FTS regulated domestic gas prices. In addition, although the Group is not subject to the Russian Government's regulation of domestic natural gas prices, its effective selling prices for the natural gas it produces from APG are close to the regulated gas prices and typically also are indexed in line with the FTS price changes. Because of these factors, increases in domestic natural gas prices historically have had a net positive effect on the Group's financial results. However, any tightening in the spread between the Group's average APG purchasing price and its average natural gas selling price will negatively impact its financial results.

Cyclicality of the Petrochemicals Industry

Prices of 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 commercialization of new feedstock sources such as shale gas in the United States. 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 feedstock and energy business and is a net seller of energy products, which are not dependent on the cyclicality of the petrochemical 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

To operate its business successfully the Group must obtain sufficient quantities of feedstock in a timely manner and at acceptable prices. Therefore, the Group's access to feedstock and its mix have a material impact on its financial results. The Group primarily uses two major types of hydrocarbon feedstock: APG and NGLs, such as raw NGL, LPG and naphtha. See also "Industry" and "Business — Raw Materials Sourcing". APG and NGLs represent the largest portion of the Group's feedstock and materials operating expenses (see " — Results of Operations").

The Group purchases APG and NGLs from major oil and gas companies in Western Siberia, including TNK-BP, Rosneft, LUKOIL, Gazprom Neft, RussNeft, Gazprom, Surgutneftegas and Northgas, primarily through joint venture arrangements or under multi-year contracts. See "Business — Raw Materials Sourcing". The Group increasingly has sought to enter into multi-year relationships for the supply of APG and NGLs. 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 program.

The Group expects that over the medium-term APG will continue to be the most attractive feedstock for SIBUR because it is able to purchase APG at advantageous prices. The pricing is driven by an attractive solution for APG utilization that the Group can provide to oil companies that are required to utilize the APG they produce or evacuate it from the field. The Group believes that there is limited opportunity for oil companies in Western Siberia to utilize APG without selling it to the Group because of the limited number of alternative gas processing facilities available. While oil companies can utilise APG through in-field injection or for power generation, the volumes of APG that can be utilised in such manner are limited and flaring of APG in excess of 5% of the produced volume is subject to significant penalties. See "Industry". As APG does not have a relevant benchmark price, the Group purchases it from oil companies at prices that are negotiated on a case-by-case basis and are 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 the Group's 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 the Group. Once agreed upon in absolute terms, the Group's APG purchase price is typically regularly indexed to reflect changes in the regulated prices for natural gas (see " — Natural Gas Prices").

APG volumes from the 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. The Group expects this trend to be partially offset by lower APG flaring rates and the Group's efforts to increase the liquids recovery ratio at its GPPs. According to IHS CERA, the total volume of flared APG in Russia in 2011 was 16.8 billion cubic metres, with flaring in Western Siberia accounting for 24% of this amount. As the Russian Government is taking steps to reduce APG flaring, including through establishing stricter regime for flaring, the Group expects that higher volumes of APG will become available for processing. IHS CERA estimates that total flared APG volumes will be reduced to 10.4 billion cubic metres by 2015 and to 3.2 billion cubic metres by 2020. See "Industry".

Unlike APG, NGLs feedstock is priced with reference to international prices for LPG and naphtha on an export netback basis (see " — Crude Oil, Raw NGL, LPG and Naphtha Prices"). Given the abundant volumes of NGLs in Western Siberia as well as high and rising transportation tariffs and export duties, the Group's management believes that domestic prices in Western Siberia will continue to be substantially lower than those available to the majority of the Group's international petrochemical peers over the medium term. The Group expects that supplies of wet gas-based NGLs feedstock in Western Siberia will grow substantially faster than NGLs derived from APG, due to the steadily growing production of natural gas and increasing share of wet gas in gas production, according to IHS CERA. See "Industry". The Group expects wet gas-based NGLs to be a growing source for the future development of its petrochemicals business, particularly for projects located in Western Siberia.

Export Duties on LPG and Naphtha

LPG (excluding butane and isobutene) and naphtha (excluding pentane and isopentane) the Group exports are subject to export duties, which are set monthly by the Russian Government. Export sales to CIS countries that are members of the Customs Union (Republic of Belarus and Republic of Kazakhstan) are not subject to export duties.

The export duty on LPG is formula-based established by the Russian Government and depends on the international benchmark price of LPG (LPG DAF Brest). When the market price for LPG is below US$ 490 per metric ton, no export duty is levied. Export duty on naphtha is calculated as a percentage of export duties on crude oil (Urals). See "Regulation of Gas Processing and Petrochemicals Business in Russia". In 2009 and 2010, the export duty on naphtha was set at 67% of the crude oil export duty. As of 1 July 2011, it was raised to 90% of the crude oil export duty and currently remains at this level. The following table presents average export duties on LPG and naphtha for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			US$ per metric ton		
LPG	156.7	161.9	175.9	61.2	8.7
Naphtha	363.1	310.6	323.7	196.6	133.1

Source: Russian Government

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 LPG and naphtha. This has a mixed impact on the Group's performance: the Group's sales of raw NGL, LPG and naphtha are negatively affected, at the same time, the Group's feedstock purchasing costs are lower. Additionally, this increases the attractiveness of raw NGL, LPG and naphtha as feedstock for the petrochemicals business and creates rationale for processing these energy products into petrochemicals which are not subject to export duties.

Transportation Tariffs

The Group incurs substantial transportation costs due to the geographic spread of its operations. For its transportation services the Group uses railway and pipeline transportation as well as trucks and port facilities. While the Group operates its own gas and NGLs pipelines and railway carrier fleet, the Group also uses third-party transportation services. See "Business — Transportation and Logistics". Third-party transportation expenses accounted for 18.9% and 19.1% of the Group's operating expenses in the nine months ended 30 September 2012 and 2011, and 18.2%, 19.6% and 18.3% of the Group's operating expenses in the years ended 31 December 2011, 2010 and 2009, respectively. Changes in transportation tariffs and prices for these services have a significant effect on the Group's operating expenses.

Pipeline transportation tariffs

The Group transports natural gas through its own gas pipelines into the Unified Gas Supply System (UGSS), which is owned and operated by Gazprom. The FTS regulates tariffs for transportation of natural gas through the UGSS for independent gas producers and reviews them on an annual basis. The average increase in the UGSS transportation tariff was 12.3% in 2010 and 9.3% in 2011. As of 1 July 2012, the UGSS transportation tariff further increased by 7%. According to the revised Forecast of Socio-Economic Development of the Russian Federation for 2012 and 2013-2014, transportation tariffs for natural gas produced by independent producers will be increased in 2013 and 2014 simultaneously with the increase in regulated natural gas prices but will not exceed the forecasted inflation rate.

Railway transportation tariffs

The Group uses rail for transportation of its refined products, intermediates and feedstock, including 100% of the Group's LPG, naphtha and MTBE, significant volumes of NGLs (between the Group's GPPs and GFUs) and a major part of the Group's petrochemical products.

The Group's 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 the Group's 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 volume of a delivery. The FTS reviews the Railway Tariff on an annual basis. The average increase in the Railway Tariff was 9.4% in 2010, 8.0% in 2011 and 6.0% in 2012.

Historically, the Group has been able to obtain discounts from the FTS on the Railway Tariff charged on export deliveries of LPG from the Group's Tobolsk GFU, which is the Group's largest LPG production facility, on an annual basis. In 2009 and 2010, the amount of the discount obtained by the Group equaled 56% and 48% of the Railway Tariff established by the FTS, respectively. In 2011, following the change in the discount rate calculation, the amount of the discount was 32% of the Railway Tariff, while for 2012 the FTS approved a discount in the amount of 29% of the Railway Tariff. See "Risk Factors — Risks Relating to the Group's Business — Disruption in railway transportation or increases in costs related to railway transportation could adversely impact the Group's results of operations".

See also "Business — Transportation and Logistics".

Electricity and Heat Tariffs

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

Electricity

The Group makes electricity purchases on a centralized basis. In addition to purchases of electricity for internal needs, the Group also buys electricity for further resale to third parties, which primarily include other companies located at the Group's production sites. Revenue from sales of electricity to third parties is reported under "Other sales" in the Combined Financial Information.

The Russian electricity market has been liberalised gradually over the past few years. However, maximum levels of electricity prices remain under the supervision of FAS and regional regulatory authorities. One of the most important factors that influences electricity prices is fuel cost (primarily natural gas and coal), and increases in natural gas prices tend to result in higher electricity prices. The Group also owns and continues to expand its own electric power generating capacity in order to reduce its exposure to higher electricity prices from third party suppliers. In September 2012, the Group launched a 7.2 MW power plant at the Vyngapurovskiy GPP's site to ensure the GPP's independence from third-party suppliers. However at the Group's level, internal electric power generation accounts for an insignificant share in total electricity consumption (see "Business — Raw Materials Sourcing — Electricity").

Heat Energy

The Group sources 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 the Group's dependence on third-party providers, the Group generates a substantial portion of heat energy (approximately 50% of the total heat consumed for the nine months ended 30 September 2012) at its own production sites.

The following table presents volumes purchased and effective average prices for electricity and tariffs for heat for the periods indicated:

	Nine months ended 30 September				Year ended 31 December					
	2012		2011		2011		2010		2009	
	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff
Electricity (millions of kw/hour or RR per kw/hour), *including*	7,351	1.91	7,493	2.08	9,482	2.02	9,204	1.84	8,039	1.53
Internal use	5,982	1.98	6,057	2.07	8,123	2.03	7,758	1.80	7,323	1.53
Heat (thousands of gigacalories or RR per gigacalory)	6,994	677	6,878	652	9,537	653	9,395	592	8,562	520

Additionally, the Group'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. Going forward, however, the Group anticipates that natural gas sales will decline as a percentage of the Group's overall sales as a result of lower share of APG feedstock in the overall feedstock mix. As a result, the Group is likely to have greater exposure to increases in energy and utility costs in the future. See "Risk Factors — Risks Relating to the Group's Business — Increase in electricity and heat prices could adversely impact the Group's financial results".

Description of Selected Financial Items

Principal financial items of the combined statement of comprehensive income are described below.

Revenue

Here and elsewhere in this Prospectus, unless otherwise stated, revenue represents revenue from sales to third parties, which excludes any inter-segment transfers. The Group derives revenue primarily from sales of energy and petrochemical products, as well as from other activities, including trading and processing services. Revenue is shown net of VAT, excise taxes and export duties. Revenue includes transportation costs incurred by the Group in relation to the delivery of respective refined products to the customers.

Revenue from energy products. The Group derives revenue from sales of LPG, naphtha, natural gas, raw NGL and other fuels and fuel additives, including MTBE. For a description of these products and their respective production and sales volumes for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, see "Business — Operations — Products — Energy Products". Historically, the Group's largest energy products in terms of revenue had been LPG and natural gas; however, for the year ended 31 December 2011 and the nine months ended 30 September 2012 revenue from sales of naphtha exceeded those of natural gas as a result of higher share of NGLs feedstock purchased by the Group. The Group expects that going forward its largest energy products in terms of revenue will be LPG and naphtha.

Revenue from petrochemical products. The Group derives revenue from sales of basic polymers, synthetic rubbers, plastics and organic synthesis products, and intermediates and other chemicals. For a description of these products and their respective production and sales volumes for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009, see "Business — Operations — Products — Petrochemical Products". Historically, the Group's largest petrochemicals product group in terms of revenue has been synthetic rubber product group. Going forward, however, the Group expects that sales of basic polymers will grow at faster rates than sales of synthetic rubbers due to new large-scale capacity additions.

Other revenue. Other revenue includes revenue primarily from trading activities, sales of processing services and sales of electricity and heat energy to third parties.

Operating expenses

The Group's operating expenses include the following principal items:

Feedstock and materials. Feedstock and materials include purchases from third party suppliers of various types of feedstock and intermediates, and include APG, NGLs, such as raw NGL, LPG and naphtha, as well as other feedstock, including paraxylene, which is used in the production of terephthalic acid (PTA), methanol, which is used in the production of MTBE, and certain intermediate chemicals such as butadiene, benzene and others, which the Group buys in addition to its own production of intermediates for processing into higher value-added petrochemical products. Materials primarily include supplementary raw materials, spare parts, materials for auxiliary workshops and other operating supplies.

Transportation. Transportation costs comprise third-party expenses the Group incurs related to transportation of feedstock, refined products and materials.

Energy and utilities. Energy and utilities costs primarily comprise expenses associated with purchases of electric power and heat.

Staff costs. Staff costs comprise primarily salaries, bonuses and other incentives, severance payments, pension expenses and related social taxes.

Goods for resale. Goods for resale include purchases of products from third parties by the Group for further resale externally, including finished products and intermediates.

Depreciation and amortisation. Depreciation comprises depreciation of property, plant and equipment calculated on a straight-line basis to allocate the cost of property, plant and equipment to its respective residual values over its respective estimated useful lives. Amortisation comprises amortisation of intangible assets calculated using a straight-line method to allocate the cost of relevant intangible assets over their estimated useful lives. The Group expects depreciation and amortisation to increase in line with increases in property, plant and equipment expected as a result of capital expenditure program, including in connection with the launch of Tobolsk–Polymer plant.

Services provided by third parties. Services provided by third parties comprise services related to environmental and industrial safety, R&D, design and engineering, security expenses and third party processing services as well as legal, audit and consulting services.

Repairs and maintenance. Repairs and maintenance comprise services for repairs and maintenance of the Group's production facilities provided by third parties.

Rent expenses. Rent expenses primarily represent rental of rolling stock for transportation of raw NGL and LPG, as the Group rents rail cars and tank wagons. Rent expenses also include lease payments for land plots on which the Group's facilities are located.

Marketing and advertising. Marketing and advertising costs comprise costs that are associated with promotion of the Group's corporate brand and aimed at enhancing its profile among its customers, suppliers, partners and the general public.

Charity and sponsorship. Charity and sponsorship costs comprise costs that are associated with making various charity and sponsorship contributions.

Impairment of property, plant and equipment. Impairment of property, plant and equipment represent the difference between the carrying amount and the recoverable amount of cash-generating units.

Taxes other than income tax. Taxes other than income tax primarily include land tax and property tax.

Change in WIP and refined products balances. Change in WIP and refined product balances represents an adjustment to expenses associated with the production of refined products to reflect changes in inventory balances of such products. When inventory balances of refined products increase at the end of a reporting period compared to the beginning of the respective period, operating expenses are reduced by an amount, which represents the cost of production of such refined products incurred in the reporting period, while revenues from sale of these products will be recognized in the future. When inventory balances of refined products decrease at the end of a reporting period compared to the beginning of the respective period, operating expenses are increased by an amount, which represents cost of production of such refined products incurred in the preceding periods while revenues from sale of these products were recognized in the reporting period.

Operating profit

Operating profit represents revenue less operating expenses.

Finance income and expenses

Finance income includes primarily interest income on loans issued and bank deposits and foreign exchange gains. Finance expenses include primarily interest expense on debt, bank charges and foreign exchange losses.

Share of net income / (loss) of joint ventures

Share of net income/(loss) of joint ventures represents the Group's share of post-acquisition profit or loss of joint ventures as recognised under equity accounting method.

Income tax expense

The Group does not pay corporate income tax on a consolidated basis since for taxation purposes the members of the Group are assessed individually. The statutory corporate income tax rate in Russia was set at 20% for the periods under review. The difference between the Group's effective and statutory tax rates is typically attributable to certain non-deductible expenses and (or) non-taxable income as well as tax benefits that the Group may obtain in certain regions where it operates.

Recent Developments

On 15 October 2012, SIBUR's shareholders approved a decision to distribute dividends for the first six months of 2012 in the amount of RR 7,407 million (RR 3.4 per ordinary share).

On 26 November 2012, SIBUR entered into a term facility agreement arranged by The Royal Bank of Scotland plc and J.P. Morgan Limited for an amount of up to US$ 300 million for general corporate purposes. The agreement matures within 365 days from the date of its execution. However, SIBUR is required to repay the facility within 5 business days from the receipt of the proceeds of the Offering using the proceeds from Offering. US$ 300 million was drawn down under this facility agreement in November 2012.

See also "Capitalisation".

Results of Operations

Nine Months Ended 30 September 2012 Compared to Nine Months Ended 30 September 2011

The following table sets forth the principal items of the Group's combined statement of comprehensive income for the nine months ended 30 September 2012 and 2011.

	Nine months ended 30 September				
	2012	***% of revenue***	**2011**	***% of revenue***	***Change %***
	RR millions, except as stated				
Revenue	**198,957**	***100.0%***	**181,471**	***100.0%***	***9.6%***
Energy products	92,409	*46.4%*	84,339	*46.5%*	*9.6%*
Petrochemical products	94,565	*47.5%*	86,723	*47.8%*	*9.0%*
Other	11,983	*6.1%*	10,409	*5.7%*	*15.1%*
Operating expenses	(146,093)	*(73.4%)*	(124,075)	*(68.4%)*	*17.7%*
Operating profit	**52,864**	***26.6%***	**57,396**	***31.6%***	***(7.9%)***
Finance income/(expense), net	2,125	*1.1%*	(2,816)	*(1.6%)*	*n/m*[(1)]
Gain on acquisition of a subsidiary	430	*0.2%*	—	—	*n/m*
Share of net income of joint ventures	115	*0.1%*	493	*0.3%*	*(76.7%)*
Gain/(loss) on disposal of investments	283	*0.1%*	(185)	*(0.1%)*	*n/m*
Profit before income tax	**55,817**	***28.1%***	**54,888**	***30.2%***	***1.7%***
Income tax expense	(10,326)	*(5.2%)*	(10,768)	*(5.9%)*	*(4.1%)*
Profit from continuing operations	**45,491**	***22.9%***	**44,120**	***24.3%***	***3.1%***
Loss from disposal of the Amtel Group assets	(315)	*(0.2%)*	—	—	*n/m*
Profit for the reporting period, including:	**45,176**	***22.7%***	**44,120**	***24.3%***	***2.4%***
Profit/(loss) attributable to non-controlling interest	70	*0.0%*	(19)	*(0.0%)*	*n/m*
Profit attributable to shareholders of the Company	45,106	*22.7%*	44,139	*24.3%*	*2.2%*

(1) N/m here and elsewhere in this Prospectus means not meaningful to present the change as a percentage.

Revenue

Energy products revenue

The following table sets forth a breakdown of revenue from energy product sales for the nine months ended 30 September 2012 and 2011.

	Nine months ended 30 September				
	2012	***% of revenue***[(1)]	**2011**	***% of revenue***[(1)]	***Change %***
	RR millions, except as stated				
LPG	38,522	*19.4%*	39,873	*22.0%*	*(3.4%)*
Domestic	*8,540*	*22.2%*	*11,315*	*28.4%*	*(24.5%)*
Export	*29,982*	*77.8%*	*28,558*	*71.6%*	*5.0%*
Naphtha	18,333	*9.2%*	16,177	*8.9%*	*13.3%*
Domestic	*1,347*	*7.3%*	*3,886*	*24.0%*	*(65.3%)*
Export	*16,986*	*92.7%*	*12,291*	*76.0%*	*38.2%*
Natural gas, domestic sales	17,591	*8.8%*	12,847	*7.1%*	*36.9%*
MTBE	13,166	*6.6%*	10,700	*5.9%*	*23.0%*
Domestic	*10,201*	*77.5%*	*7,043*	*65.8%*	*44.8%*
Export	*2,965*	*22.5%*	*3,657*	*34.2%*	*(18.9%)*
Other fuels and fuel additives	2,468	*1.2%*	2,987	*1.6%*	*(17.4%)*
Domestic	*2,467*	*99.9%*	*2,975*	*99.6%*	*(17.1%)*
Export	*1*	*0.1%*	*12*	*0.4%*	*(91.7%)*
Raw NGL	2,329	*1.2%*	1,755	*1.0%*	*32.7%*
Domestic	*193*	*8.3%*	*1,108*	*63.1%*	*(82.6%)*
Export	*2,136*	*91.7%*	*647*	*36.9%*	*230.1%*
Total revenue from energy product sales	**92,409**	***46.4%***	**84,339**	***46.5%***	***9.6%***
Domestic	***40,339***	***43.7%***	***39,174***	***46.4%***	***3.0%***
Export	***52,070***	***56.3%***	***45,165***	***53.6%***	***15.3%***

(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 percentage of total revenue.

Revenue from sales of energy products increased by 9.6%, from RR 84,339 million in the nine months ended 30 September 2011 to RR 92,409 million in the corresponding period of 2012. This increase was primarily attributable to higher sales of natural gas, MTBE and naphtha. One of the key factors that suppressed growth in energy products revenue in the first nine months of 2012 was a decrease in international market prices for LPG and naphtha compared to the respective period of 2011, as a positive trend seen in the third quarter of 2012 did not fully offset the declines of the second quarter of the year. At the same time, SIBUR benefited from a weaker Russian rouble, which depreciated against the US dollar by 8.1%, with the average RR/US$ exchange rate for the nine months ended 30 September 2012 reaching 31.07 compared to the average RR/US$ exchange rate of 28.74 for the nine months ended 30 September 2011. This more than compensated for the negative effect from lower market prices in US dollar terms on the Group's reported revenue from sales of LPG and naphtha. Additionally, the Group's revenue from sales of energy products benefited from a 15% indexation of the regulated natural gas prices as of 1 July 2012 (see " — Significant Factors Affecting the Group's Results of Operations" for a discussion of the impact of foreign exchange rate fluctuations and natural gas prices on the Group's results of operations). In the nine months ended 30 September 2012, revenue from energy product sales to the Russian domestic market accounted for 43.7% and export sales accounted for 56.3% of energy product revenue, respectively, which was largely in line with prior year allocation of domestic and export sales.

LPG: Revenue from LPG sales decreased by 3.4%, from RR 39,873 million in the nine months ended 30 September 2011 to RR 38,522 million in the corresponding period of 2012. This decrease was due to lower LPG sales volume. The effective average selling price in Russian rouble terms increased by 5.8% while it decreased by 2.5% in US dollar terms as a result of a decrease in international market prices. A decrease in the effective average selling price in US dollar terms was more than offset by a weaker Russian rouble in the nine months ended 30 September 2012 compared to the respective period of 2011, as discussed above. LPG sales volumes decreased by 8.7% despite a 2.8% increase in production in the nine months ended 30 September 2012 as compared to the nine months ended 30 September 2011. The decrease was primarily due to lower purchases of LPG from third parties as a result of discontinuing a temporary trading arrangement used in 2011 and the first quarter of 2012 whereby the Group acted as an intermediary. In the nine months ended 30 September 2012, domestic sales and export sales (primarily to Europe and the CIS countries) accounted for 22.2% and 77.8% of total revenue from LPG sales, respectively. Sales to export markets increased as a percentage of total – from 71.6% in the nine months ended 30 September 2011 to 77.8% in the nine months ended 30 September 2012 as the Group managed to obtain better selling terms internationally through selling separate fractions, in particular butane, which is not subject to export duties.

Naphtha: Revenue from naphtha sales increased by 13.3%, from RR 16,177 million in the nine months ended 30 September 2011 to RR 18,333 million in the corresponding period of 2012. The increase in revenue from naphtha sales was attributable to higher naphtha sales volumes and higher average selling prices in Russian roubles despite lower US$-denominated market prices. Naphtha sales volumes increased by 5.3% due to a 5.5% increase in production of naphtha. The effective average selling price in Russian rouble terms increased by 7.6% while it decreased by 0.8% in US dollar terms as a result of a decrease in international market prices. A decrease in the effective selling price in US dollar terms was more than offset by the Russian rouble depreciation in the nine months ended 30 September 2012 compared to the respective period of 2011, as discussed above. In the nine months ended 30 September 2012, revenue from domestic sales of naphtha decreased by 65.3% while revenue from export sales of naphtha increased by 38.2%. As a result, in the nine months ended 30 September 2012, 7.3% of total revenue from naphtha sales was derived from the domestic market, while export accounted for 92.7% (primarily to Europe and the CIS) compared to 24.0% and 76.0% in the nine months ended 30 September 2011, respectively. The change in the sales mix was a result of an unscheduled shutdown at one of the Group's buyers' production site, which caused us to redirect certain volumes of naphtha to export markets.

Natural gas: Revenue from natural gas sales increased by 36.9%, from RR 12,847 million in the nine months ended 30 September 2011 to RR 17,591 million in the corresponding period of 2012. This increase was primarily due to a 21.0% increase in the effective average selling price following a 15% indexation of the natural gas prices in July 2012 by the FTS, as well as an increase in the average delivery distance resulting in a higher share of transportation costs in the Group's effective average selling price. If adjusted for transportation expenses the Group's effective average selling price for natural gas increased by 6.1%. Natural gas sales volumes increased by 13.2% while production volumes decreased by 1.0%. The sales volumes increased because part of the volumes, which were previously treated as intercompany, are reported as external sales since the beginning of 2012 after SIBUR entered into an agreement to supply gas to NOVATEK. At the same time the Group buys certain volumes of natural gas from NOVATEK for internal use at the Group's production sites. In addition, the increase in the natural gas sales volumes was due to inventory sales in the nine months ended 30 September 2012 as compared to accumulation of inventories in the nine months ended 30 September 2011.

MTBE: Revenue from MTBE sales increased by 23.0%, from RR 10,700 million in the nine months ended 30 September 2011 to RR 13,166 million in the corresponding period of 2012 primarily as a result of higher MTBE effective average selling price despite lower sales volumes. The effective average selling price for MTBE increased by 27.7% due to higher demand for MTBE in Russia as a result of the change in Russian legislation which increased gasoline quality requirements to bring them in line with a European-based standard for gasoline and tax incentives introduced by the Russian government to improve fuel quality, which was supported by an increase in MTBE prices on the European markets. In the nine months ended 30 September 2012, 77.5% of total revenue from MTBE was derived from the domestic market, while exports sales accounted for 22.5% (primarily to Finland, the CIS countries and the Baltic states).

Petrochemical products revenue

Revenue from sales of petrochemical products increased by 9.0%, from RR 86,723 million in the nine months ended 30 September 2011 to RR 94,565 million in corresponding period of 2012, which was primarily attributable to higher sales volumes, while effective average selling prices moved non-uniformly for different product groups. In the nine months ended 30 September 2012, international market prices for most of the petrochemical products decreased as a result of weakened demand in many of the end-customer industries, which followed the slowdown in the economic growth in China and other Asian countries. At the same time, Russian economy was stable during the nine months ended 30 September 2012 and market prices for different petrochemical products on the Russian market, despite their correlation with the international market prices, reflected trends in the relevant end-customer industries domestically. Increased sales volumes were primarily due to the consolidation of results of Acrylate Group, producer of acrylates, from the third quarter of 2011, OAO Polief, producer of terephthalic acid and PET, from the fourth quarter of 2011, and the BIAXPLEN group of companies, producer of BOPP-films, from the second quarter of 2012, as well as the commercial launch of the first production line of expandable polysterene in December 2011 and of the second production line at the Group's production site in Perm in July 2012.

Basic polymers: Revenue from sales of basic polymers increased by 7.0%, from RR 16,005 million in the nine months ended 30 September 2011 to RR 17,127 million in the corresponding period of 2012 due to higher sales volumes of low density polyethylene (LDPE). The following table presents data on revenue from sales of basic polymers for the nine months ended 30 September 2012 and 2011:

	Nine months ended 30 September				
	2012	***% of revenue[(1)]***	**2011**	***% of revenue[(1)]***	***Change %***
	RR millions, except as stated				
PE (LDPE)	9,557	*4.8%*	7,951	*4.4%*	*20.2%*
Domestic	*5,368*	*56.2%*	*4,086*	*51.4%*	*31.4%*
Export	*4,189*	*43.8%*	*3,865*	*48.6%*	*8.4%*
PP	7,570	*3.8%*	8,054	*4.4%*	*(6.0%)*
Domestic	*6,669*	*88.1%*	*7,594*	*94.3%*	*(12.2%)*
Export	*901*	*11.9%*	*460*	*5.7%*	*95.9%*
Total revenue from basic polymers sales	**17,127**	***8.6%***	**16,005**	***8.8%***	***7.0%***
Domestic	***12,037***	***70.3%***	***11,680***	***73.0%***	***3.1%***
Export	***5,090***	***29.7%***	***4,325***	***27.0%***	***17.7%***

(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 percentage of total revenue.

Low density polyethylene (LDPE): Revenue from sales of LDPE increased by 20.2%, from RR 7,951 million in the nine months ended 30 September 2011 to RR 9,557 million in the corresponding period of 2012 as a result of higher sales volumes despite lower selling prices. The effective average selling price for LDPE decreased by 3.2% in the nine months ended 30 September 2012 following lower market prices in China and Europe, where the debt crisis induced a decline in demand for LDPE and feedstock prices. At the same time, the Group's effective average selling price on the Russian market increased by 1.9% as a result of a short-term deficit for LDPE following unscheduled shutdowns by some of the market players. The Group's LDPE sales volumes increased by 24.1% while production grew by 5.4%. This was primarily attributable to the sale of LDPE inventories accumulated in 2011. In the nine months ended 30 September 2012 LDPE sales from the domestic market accounted for 56.2% of total LDPE revenue, while the export market accounted for 43.8%.

Polypropylene (PP): Revenue from sales of PP decreased by 6.0%, from RR 8,054 million in the nine months ended 30 September 2011 to RR 7,570 million in the corresponding period of 2012 due to lower sales volumes despite an increase in effective average selling price. The effective average selling price for PP increased by 5.8% in the nine months ended 30 September 2012 as a result of higher international and domestic market prices. PP sales volumes decreased by 11.2% while PP production volumes increased by 6.2%. Lower sales volumes were attributable to the consolidation of the BIAXPLEN group of companies starting from the second quarter of 2012, when PP sales to BIAXPLEN were reclassified from external to intercompany sales. 88.1% of the PP revenue was from sales in the Russian market, as the Group capitalised on strong growth in the domestic demand and continued to pursue its import-substitution strategy. Export sales (mainly to Belarus and Kazakhstan) accounted for 11.9% of the total PP revenue for the nine months ended 30 September 2012.

Synthetic Rubbers: Revenue from synthetic rubber sales decreased by 15.7%, from RR 36,991 million in the nine months ended 30 September 2011 to RR 31,183 million in the corresponding period of 2012 primarily as a result of lower revenues from sales of commodity and specialty rubbers. This decrease was due to a stagnation in demand, which led to a price correction for synthetic rubbers in the nine months ended 30 September 2012 as compared to a high base of 2011. In addition, the Group's synthetic rubber production volumes decreased which was a one-off factor resulting from an industrial accident on a pipe rack at the Togliatti production site, which did not affect the main production equipment but forced an unscheduled shutdown for 13 days. The following table presents data on revenue from synthetic rubber sales for the nine months ended 30 September 2012 and 2011:

	Nine months ended 30 September				
	2012	***% of revenue(1)***	**2011**	***% of revenue(1)***	***Change %***
	RR millions, except as stated				
Commodity rubbers	22,512	*11.3%*	26,806	*14.8%*	*(16.0%)*
Domestic	*9,744*	*43.3%*	*12,928*	*48.2%*	*(24.6%)*
Export	*12,768*	*56.7%*	*13,878*	*51.8%*	*(8.0%)*
Specialty rubbers	6,269	*3.2%*	8,089	*4.5%*	*(22.5%)*
Domestic	*1,189*	*19.0%*	*1,682*	*20.8%*	*(29.3%)*
Export	*5,080*	*81.0%*	*6,407*	*79.2%*	*(20.7%)*
Thermoplastic elastomers	2,402	*1.2%*	2,096	*1.2%*	*14.6%*
Domestic	*1,965*	*81.8%*	*1,808*	*86.3%*	*8.7%*
Export	*437*	*18.2%*	*288*	*13.7%*	*51.7%*
Total revenue from synthetic rubbers sales	**31,183**	***15.7%***	**36,991**	***20.4%***	***(15.7%)***
Domestic	***12,898***	***41.4%***	***16,418***	***44.4%***	***(21.4%)***
Export	***18,285***	***58.6%***	***20,573***	***55.6%***	***(11.1%)***

(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 percentage of total revenue.

Commodity rubbers: Revenue from sales of commodity rubbers decreased by 16.0%, from RR 26,806 million in the nine months ended 30 September 2011 to RR 22,512 million in the corresponding period of 2012 as a result of lower sales volumes and selling prices. The effective average selling price decreased by 4.5% in the nine months ended 30 September 2012 following a decrease in prices for both natural rubber, a substitute for commodity synthetic rubbers, and butadiene, a key raw material for butadiene-based rubbers, as well as stagnant demand for commodity rubbers globally. In the nine months ended 30 September 2012, sales volumes of commodity rubbers decreased by 12.0% as a result of a 3.2% decrease in production, which was due to an unscheduled shutdown at the Group's Togliatti production site in April 2012 as discussed above. In addition, the Group increased inventories of commodity rubbers and decreased purchases of commodity rubbers from third parties primarily as a result of the sale in December 2011 of the tyres business, which utilized a substantial portion of the Group's commodity rubbers for tyre production. In the nine months ended 30 September 2012, 43.3% of commodity rubber revenue was derived from the domestic market, while export sales accounted for 56.7% of revenue.

Specialty rubbers: Revenue from specialty rubbers sales decreased by 22.5%, from RR 8,089 million in the nine months ended 30 September 2011 to RR 6,269 million in the corresponding period of 2012 as a result of lower sales volumes and selling prices. In the nine months ended 30 September 2012, the effective average selling price for specialty rubbers decreased by 17.8%, driven by a decrease in prices for butyl rubbers and nitrile-butadiene rubbers in the Group's key export markets (China and the rest of Asia). Russian market largely followed the international market trends. Sales volumes decreased by 5.7% due to a 3.1% decline in production and accumulation of inventories in line with the market trends. Decline in production volumes was due to the unscheduled shutdown at the Togliatti site. In the nine months ended 30 September 2012, 19.0% of specialty rubber revenue was derived from the domestic market, while export sales accounted for 81.0% of revenue.

Thermoplastic elastomers: Revenue from sales of thermoplastic elastomers increased by 14.6%, from RR 2,096 million in the nine months ended 30 September 2011 to RR 2,402 million in the corresponding period of 2012 as a result of higher sales volumes and selling prices. The effective average selling price for thermoplastic elastomers increased by 5.4% as a result of a strong market price growth for thermoplastic elastomers in the first half of 2012, which, however, declined in the third quarter of 2012. Sales volumes grew by 8.7% in the nine months ended 30 September 2012 as a result of an increase in production by 1.7% and higher inventory sales. Domestic market sales accounted for 81.8% of revenue in the nine months ended 30 September 2012, while 18.2% came from export sales.

Plastics and organic synthesis products: Revenue from sales of plastics and organic synthesis products increased by 72.1%, from RR 16,782 million in the nine months ended 30 September 2011 to RR 28,876 million in the corresponding period of 2012. The increase was primarily attributable to the consolidation of the results of Acrylate Group, OAO Polief and the BIAXPLEN group of companies as discussed above, as well as the commercial launch of the first expandable polystyrene production line in Perm in December 2011 and the second line in the end of July 2012. The following table presents data on revenue from sales of plastics and organic synthesis products for the nine months ended 30 September 2012 and 2011:

	Nine months ended 30 September				
	2012	***% of revenue***[(1)]	**2011**	***% of revenue***[(1)]	***Change %***
	RR millions, except as stated				
PET	8,730	*4.4%*	2,531	*1.4%*	*244.9%*
Domestic	*8,691*	*99.6%*	*2,462*	*97.3%*	*253.0%*
Export	*39*	*0.4%*	*69*	*2.7%*	*(43.5%)*
Glycols	4,440	*2.2%*	5,616	*3.1%*	*(20.9%)*
Domestic	*3,131*	*70.5%*	*4,496*	*80.1%*	*(30.4%)*
Export	*1,309*	*29.5%*	*1,120*	*19.9%*	*16.9%*
Alcohols (including 2-ethylhexanol)	4,395	*2.2%*	4,563	*2.5%*	*(3.7%)*
Domestic	*1,732*	*39.4%*	*1,761*	*38.6%*	*(1.6%)*
Export	*2,663*	*60.6%*	*2,802*	*61.4%*	*(5.0%)*
BOPP-films	4,224	*2.1%*	713	*0.4%*	*492.4%*
Domestic	*3,594*	*85.1%*	*699*	*98.0%*	*414.2%*
Export	*630*	*14.9%*	*14*	*2.0%*	*4,400.0%*
Expandable polystyrene	2,902	*1.5%*	1,003	*0.6%*	*189.3%*
Domestic	*2,001*	*69.0%*	*876*	*87.3%*	*128.4%*
Export	*901*	*31.0%*	*127*	*12.7%*	*609.4%*
Acrylates	2,297	*1.2%*	234	*0.1%*	*881.6%*
Domestic	*633*	*27.6%*	*228*	*97.4%*	*177.6%*
Export	*1,664*	*72.4%*	*6*	*2.6%*	*27,633.3%*
Plastic compounds[(2)]	1,888	*0.9%*	2,122	*1.2%*	*(11.0%)*
Domestic	*1,756*	*93.0%*	*1,974*	*93.0%*	*(11.0%)*
Export	*132*	*7.0%*	*148*	*7.0%*	*(10.8%)*
Total revenue from plastics and organic synthesis products sales	**28,876**	***14.5%***	**16,782**	***9.2%***	***72.1%***
Domestic	***21,538***	***74.6%***	***12,496***	***74.5%***	***72.4%***
Export	***7,338***	***25.4%***	***4,286***	***25.5%***	***71.2%***

(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 percentage of total revenue.

(2) Including ABS plastics and PVC cable compounds.

PET: Revenue from PET sales increased by 244.9%, from RR 2,531 million in the nine months ended 30 September 2011 to RR 8,730 million in the corresponding period of 2012 as a result of an increase in the sales volumes by 265.8%, while the effective average selling price decreased by 5.7%. Sales volumes increased due to the consolidation of the results of OAO Polief, PTA and PET producer, from the fourth quarter 2011. The decrease in the effective average selling price was due to the unfavourable pricing environment in the first half of 2012, which was not fully offset by improved market prices in the third quarter of 2012. In the nine months ended 30 September 2012, 99.6% of revenue from PET sales was derived from Russia, while export sales accounted for 0.4%.

Glycols: Revenue from sales of glycols decreased by 20.9%, from RR 5,616 million in the nine months ended 30 September 2011 to RR 4,440 million in the corresponding period of 2012 as a result of lower volumes and selling prices. The effective average selling price decreased by 6.7% as a result of a decline in the market prices globally. Sales volumes decreased by 15.3% due to the reclassification of a portion of sales from external to intercompany, following the consolidation of

OAO Polief, which uses glycols for PET production, from the fourth quarter of 2011. Another contributing factor was a decrease in production as a result of a longer scheduled maintenance shutdown in June 2012 as compared to the corresponding period of 2011 and an unscheduled short-term shutdown in September 2012. Domestic market sales accounted for 70.5% of revenue in the nine months ended 30 September 2012, while 29.5% came from export sales.

Alcohols: Revenue from sales of alcohols decreased by 3.7%, from RR 4,563 million in the nine months ended 30 September 2011 to RR 4,395 million in the corresponding period of 2012 as a result of a decrease in the effective average selling price by 10.8%, despite an increase in sales volumes by 8.1%. Effective average selling price declined due to lower feedstock prices and correction in market prices for alcohols on Asian markets. The increase in sales volumes was attributable to a shorter scheduled maintenance shutdown in June 2012 compared to the same period of 2011. In addition, in the nine months ended 30 September 2012, the Group decreased its inventories compared to inventory accumulation in the nine months ended 30 September 2011. These factors more than offset the reclassification of a portion of external sales to intercompany, following consolidation of Acrylate Group, which uses alcohols for acrylates production, from the third quarter of 2011. Domestic market sales accounted for 39.4% of revenue in the nine months ended 30 September 2012, while 60.6% came from export sales.

BOPP-films: Revenue from BOPP-film sales increased by 492.4%, from RR 713 million in the nine months ended 30 September 2011 to RR 4,224 million in the corresponding period of 2012 primarily as a result of higher sales volumes and selling prices. The effective average selling price increased by 14.6% due to a larger share of high-margin BOPP-film grades in the sales mix following the consolidation of the BIAXPLEN group of companies from the second quarter of 2012. Sales volumes also increased by 417.0% as a result of this consolidation. In the nine months ended 30 September 2012, 85.1% of revenue from BOPP-film sales was derived from Russia, while export sales accounted for 14.9%.

Expandable polystyrene: Revenue from sales of expandable polystyrene increased by 189.3%, from RR 1,003 million in the nine months ended 30 September 2011 to RR 2,902 million in the corresponding period of 2012 as a result of a 174.8% increase in sales volumes and a 5.3% increase in the effective average selling price. Sales volumes increased as a result of the commercial launch of the first production line of expandable polystyrene in December 2011 and of the second production line in July 2012 at the Group's production site in Perm (with each production line launched having a production capacity of 50 thousand tons per year). The effective average selling price increased as a result of favourable pricing environment in the third quarter of 2012. In the nine months ended 30 September 2012, 69.0% of revenue from expandable polystyrene sales was derived from Russia, while export sales accounted for 31.0% (primarily to Belarus and Ukraine).

Acrylates: Revenue from sales of acrylates increased by 881.6%, from RR 234 million in the nine months ended 30 September 2011 to RR 2,297 million in the corresponding period of 2012 as a result of an increase in sales volumes by 1,498.7% despite a decrease in selling prices by 38.6%. Sales volumes increased as a result of the consolidation of the results of Acrylate Group from the third quarter of 2011. The effective average selling price decreased following the decline in domestic and international market prices. Domestic market sales accounted for 27.6% of revenue in the nine months ended 30 September 2012, while 72.4% came from export sales.

Plastic compounds (including ABS plastics and PVC cable compounds): Revenue from sales of plastic compounds decreased by 11.0%, from RR 2,122 million in the nine months ended 30 September 2011 to RR 1,888 million in the corresponding period of 2012 as a result of lower sales volumes and selling prices. The decrease in effective average selling price by 4.1% was attributable to lower feedstock prices, particularly polyvinyl chloride (PVC) and dioctyl phthalate (DOP). Sales volumes declined by 7.2% due to a 7.1% decrease in production as the Group discontinued production of certain low-margin grades. In the nine months ended 30 September 2012, 93.0% of revenue from sales of plastic compounds was derived from Russia, while export sales accounted for 7.0%.

Intermediates and other chemicals: Revenue from sales of intermediates and other chemicals increased by 2.6%, from RR 16,945 million in the nine months ended 30 September 2011 to RR 17,379 million in the corresponding period of 2012 primarily as a result of an increase in the effective average selling price by 16.7% despite a decrease in sales volumes by 12.1%. Out of 2.5 million tons of intermediates and other chemicals produced in the nine months ended

30 September 2012, approximately 82.5% were used internally for further processing into other higher value-added petrochemical products.

The Group's integrated business model enables SIBUR to change the composition of its feedstock and product mix to optimize purchasing, production and sales in order to support blended Group margins. As a result, the share of external sales of intermediates and other chemicals may fluctuate significantly period to period depending on market trends, shifts in supply and demand fundamentals, capacity constraints and other factors.

The following table sets forth the Group's revenue from sales of intermediates and other chemicals for the nine months ended 30 September 2012 and 2011.

	Nine months ended 30 September				
	2012	***% of revenue*[1]**	**2011**	***% of revenue*[1]**	***Change %***
	RR millions, except as stated				
Intermediates, including					
Styrene	1,987	*1.0%*	1,635	*0.9%*	*21.5%*
Domestic	*1,074*	*54.1%*	*292*	*17.9%*	*267.8%*
Export	*913*	*45.9%*	*1,343*	*82.1%*	*(32.0%)*
Terephthalic acid	1,940	*1.0%*	—	—	*n/m*
Domestic	*1,940*	*100.0%*	—	—	*n/m*
Export	—	—	—	—	*n/m*
Ethylene oxide	1,359	*0.7%*	1,406	*0.8%*	*(3.3%)*
Domestic	*1,180*	*86.8%*	*1,161*	*82.6%*	*1.6%*
Export	*179*	*13.2%*	*245*	*17.4%*	*(26.9%)*
Isoprene	1,204	*0.6%*	813	*0.4%*	*48.1%*
Domestic	*12*	*1.0%*	*15*	*1.8%*	*(20.0%)*
Export	*1,192*	*99.0%*	*798*	*98.2%*	*49.4%*
Propylene	1,072	*0.5%*	2,004	*1.1%*	*(46.5%)*
Domestic	*841*	*78.5%*	*1,475*	*73.6%*	*(43.0%)*
Export	*231*	*21.5%*	*529*	*26.4%*	*(56.3%)*
Benzene	827	*0.4%*	1,621	*0.9%*	*(49.0%)*
Domestic	*827*	*100.0%*	*1,621*	*100.0%*	*(49.0%)*
Export	—	—	—	—	*n/m*
Isobutylene	657	*0.3%*	557	*0.3%*	*18.0%*
Domestic	*522*	*79.5%*	*466*	*83.7%*	*12.0%*
Export	*135*	*20.5%*	*91*	*16.3%*	*48.4%*
Butadiene	364	*0.2%*	678	*0.4%*	*(46.3%)*
Domestic	*364*	*100.0%*	*678*	*100.0%*	*(46.3%)*
Export	—	—	—	—	*n/m*
Ethylene	—	—	—	—	*n/m*
Other intermediates	2,114	*1.1%*	2,135	*1.2%*	*(1.0%)*
Domestic	*1,632*	*77.2%*	*1,831*	*85.8%*	*(10.9%)*
Export	*482*	*22.8%*	*304*	*14.2%*	*58.6%*
Total intermediates	11,524	*5.8%*	10,849	*6.0%*	*6.2%*
Domestic	*8,392*	*72.8%*	*7,539*	*69.5%*	*11.3%*
Export	*3,132*	*27.2%*	*3,310*	*30.5%*	*(5.4%)*
Other chemicals	5,855	*2.9%*	6,096	*3.4%*	*(4.0%)*
Domestic	*5,554*	*94.9%*	*5,367*	*88.0%*	*3.5%*
Export	*301*	*5.1%*	*729*	*12.0%*	*(58.7%)*
Total revenue from intermediates and other chemicals sales	**17,379**	***8.7%***	**16,945**	***9.3%***	***2.6%***
Domestic	***13,946***	***80.2%***	***12,906***	***76.2%***	***8.1%***
Export	***3,433***	***19.8%***	***4,039***	***23.8%***	***(15.0%)***

(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 percentage of total revenue.

Operating expenses

The following table sets forth the Group's operating expenses for the nine months ended 30 September 2012 and 2011:

	Nine months ended 30 September				
	2012	***% of total revenue***	**2011**	***% of total revenue***	***Change %***
	RR millions, except as stated				
Feedstock and materials	43,288	*21.8%*	38,359	*21.1%*	*12.8%*
Transportation	27,683	*13.9%*	23,726	*13.1%*	*16.7%*
Energy and utilities	21,788	*11.0%*	21,352	*11.8%*	*2.0%*
Staff costs	20,558	*10.3%*	13,557	*7.5%*	*51.6%*
Goods for resale	7,826	*3.9%*	11,052	*6.1%*	*(29.2%)*
Depreciation and amortisation	7,114	*3.6%*	5,273	*2.9%*	*34.9%*
Repairs and maintenance	5,319	*2.7%*	3,310	*1.8%*	*60.7%*
Services provided by third parties	4,361	*2.2%*	4,350	*2.4%*	*0.3%*
Rent expenses	3,198	*1.6%*	2,199	*1.2%*	*45.4%*
Taxes other than income tax	1,207	*0.6%*	946	*0.5%*	*27.6%*
Charity and sponsorship	970	*0.5%*	424	*0.2%*	*128.8%*
Marketing and advertising	545	*0.3%*	313	*0.2%*	*74.1%*
Impairment of property, plant and equipment	262	*0.1%*	—	—	*n/m*
Other	880	*0.4%*	3,321	*1.9%*	*(73.5%)*
Change in WIP and refined products balances	1,094	*0.5%*	(4,107)	*(2.3%)*	*n/m*
Total operating expenses	**146,093**	***73.4%***	**124,075**	***68.4%***	***17.7%***

The Group's operating expenses increased by 17.7%, from RR 124,075 million in the nine months ended 30 September 2011 to RR 146,093 million in the corresponding period of 2012. As a percentage of total revenue, operating expenses increased from 68.4% to 73.4% in the nine months ended 30 September 2011 and 2012, respectively. The growth in absolute and relative terms was primarily driven by higher staff costs, feedstock and materials and transportation costs, which was partially attributable to the consolidation of new businesses. The growth was partially compensated by lower goods for resale.

Feedstock and materials

In the nine months ended 30 September 2012, feedstock and materials increased by 12.8%, from RR 38,359 million in the nine months ended 30 September 2011 to RR 43,288 million in the corresponding period of 2012. As a percentage of total revenue, feedstock and materials expenses marginally increased from 21.1% to 21.8% in the nine months ended 30 September 2011 and 2012, respectively. The increase in absolute terms was primarily attributable to the consolidation of paraxylene purchases for OAO Polief starting from the fourth quarter 2011 as a result of its acquisition, as well as higher APG purchasing costs. The following table sets forth a breakdown of the Group's feedstock and materials expenses for the nine months ended 30 September 2012 and 2011:

	Nine months ended 30 September				
	2012	% of feedstock and materials expenses	2011	% of feedstock and materials expenses	*Change %*
	RR millions, except as stated				
APG					
Purchasing expenses	5,162	*11.9%*	3,931	*10.2%*	*31.3%*
Purchasing volumes (thousand cubic metres)	9,456,036		9,435,944		*0.2%*
NGLs					
Purchasing expenses	16,662	*38.5%*	16,682	*43.5%*	*(0.1%)*
Purchasing volumes (metric tons)	2,442,875		2,499,022		*(2.2%)*
Paraxylene					
Purchasing expenses	3,756	*8.7%*	—	—	*n/m*
Purchasing volumes (metric tons)	117,242		—		*n/m*
Other feedstock and materials					
Purchasing expenses	18,424	*42.6%*	20,455	*53.3%*	*(9.9%)*
Change of stock	(716)		(2,709)		*(73.6%)*
Total feedstock and materials	**43,288**	***100.0%***	**38,359**	***100.0%***	***12.8%***

In the nine months ended 30 September 2012, APG purchasing expenses increased by 31.3% from RR 3,931 million in the nine months ended 30 September 2011 to RR 5,162 million in the corresponding period of 2012, due to an increase in the effective average APG purchase price by 31.0%, while the purchasing volumes remained almost unchanged. The increase in the effective average APG purchase price was attributable to additional APG volumes from one of the counterparties, which were purchased at a higher price in accordance with the initial agreement as well as higher APG prices within the existing supply contracts. As a percentage of total feedstock and materials expenses, APG purchasing costs increased from 10.2% to 11.9% in the nine months ended 30 September 2011 and 2012, respectively.

In the nine months ended 30 September 2012, expenses related to purchasing of NGLs decreased by 0.1%, from RR 16,682 million to RR 16,662 million in the nine months ended 30 September 2011 and 2012, respectively, on a 2.2% decrease in purchasing volumes and a 2.2% increase in average purchase price. As a percentage of total feedstock and materials expenses, NGLs purchasing costs decreased from 43.5% to 38.5% in the nine months ended 30 September 2011 and 2012, respectively. During the nine months ended 30 September 2012 the Group reshuffled its NGL feedstock mix, increasing share of raw NGL and decreasing share of LPG and naphtha, which are more expensive compared to raw NGL. At the same time the average raw NGL purchasing price increased due to an expiry of a discount adjustment, which was previously applicable to its purchases within SIBUR's JV arrangements with TNK-BP. This was partially mitigated by lower naphtha average purchase prices as a result of a decrease in international naphtha market prices and higher naphtha export duties imposed in July 2011 (see " — Significant Factors Affecting Results of Operations — Crude Oil, Raw NGL, LPG and Naphtha Prices" and " — Significant Factors Affecting Results of Operations — Export Duties on LPG and Naphtha").

Following the consolidation of OAO Polief, PTA and PET producer, from the fourth quarter of 2011, SIBUR records additional expenses associated with paraxylene purchases, as paraxylene is used for PTA production. In the nine months ended 30 September 2012, expenses related to paraxylene purchases totalled RR 3,756 million, or 8.7% in total feedstock and materials costs. These expenses were nil in the respective period of 2011.

Other feedstock and materials expenses decreased by 9.9%, from RR 20,455 million in the nine months ended 30 September 2011 to RR 18,424 million in the corresponding period of 2012. As a percentage of total feedstock and materials expenses, these expenses decreased from 53.3% to 42.6% in the nine months ended 30 September 2011 and 2012, respectively. The decline was mainly attributable to the discontinuation of PTA purchases following OAO Polief consolidation. This factor partially compensated for the reclassification of polypropylene purchases to other feedstock and materials expenses from goods for resale as a result of consolidation of the BIAXPLEN group of companies, which use polypropylene as a feedstock for production of BOPP-films.

The Group recorded a reversal of RR 716 million and RR 2,709 million to its feedstock and materials costs in the nine months ended 30 September 2012 and 2011, respectively, which was primarily related to growth in balances of feedstock and materials in both periods.

Transportation

Transportation expenses increased by 16.7%, from RR 23,726 million in the nine months ended 30 September 2011 to RR 27,683 million in the corresponding period of 2012. As a percentage of total revenue, the Group's transportation expenses remained almost flat at 13.9% and 13.1% in the nine months ended 30 September 2012 and 2011, respectively. The increase in absolute terms was mainly attributable to longer delivery distances for natural gas, increase in regulated gas transportation tariffs effective 1 July 2012, as well as higher average Russian Railways tariffs in particular due to lower discounts on export deliveries of LPG (see " — Significant Factors Affecting Results of Operations — Crude Oil, Raw NGL, LPG and Naphtha Prices" and " — Significant Factors Affecting Results of Operations — Transportation Tariffs").

Energy and utilities

Energy and utilities expenses increased by 2.0%, from RR 21,352 million in the nine months ended 30 September 2011 to RR 21,788 million in the corresponding period of 2012. As a percentage of total revenue, the Group's energy and utilities expenses marginally decreased from 11.8% in the nine months ended 30 September 2011 to 11.0% in the respective period of 2012. The growth in absolute terms was primarily attributable to higher fuel costs due to the reclassification of certain natural gas volumes from intercompany to external purchases following the commencement of natural gas purchases from NOVATEK (see " — Results of Operations — Nine Months Ended 30 September 2012 Compared to Nine Months Ended 30 September 2011 — Natural Gas"). The increase was also attributable to higher heat consumption by the Group due to the consolidation of OAO Polief, a heat-intensive production, from the fourth quarter of 2011 and higher heat tariffs. These factors were compensated by the decrease in electricity expenses due to lower tariffs and consumption volumes.

Staff costs

Staff costs rose by 51.6%, from RR 13,557 million in the nine months ended 30 September 2011 to RR 20,558 million in the corresponding period of 2012. As a percentage of total revenue, staff costs increased from 7.5% in the nine months ended 30 September 2011 to 10.3% in the corresponding period of 2012. The growth in absolute terms and as a percentage of total revenue was attributable to a non-recurring non-cash change in treatment of bonus provisions, bonuses accrued and paid to employees of the production facilities, higher headcount due to the consolidation of new businesses, an increase in average salaries as well as higher social taxes due to regulatory changes and higher cost base.

In 2012, SIBUR changed its approach to bonus provision treatment. First, from the beginning of 2012, SIBUR started accruing bonus provisions on a quarterly basis, while in 2011 bonus provisions were accrued on an annual basis and recorded in the fourth quarter of each year. Second, since 2012 the Group accrues provisions for bonuses to employees of the production facilities due to the adoption of a new motivation system and introduction of production and functional contracts with the employees of the production facilities, which improved bonus predictability. In 2011, bonus provisions were created only with respect to bonuses to headquarter employees.

In the nine months ended 30 September 2012, SIBUR accrued and paid bonuses to the employees of the production facilities, which were not accounted for in the annual bonus provision created at the end of 2011 in line with the previous motivation system.

Net of the effect of the aforementioned factors relating to bonuses (excluding respective social taxes), SIBUR's staff costs totalled RR 15,800 million in the nine months ended 30 September 2012 compared to RR 12,870 million in the corresponding period of 2011, comprising an increase of 22.8%. The increase was attributable to the following key factors:

- higher social taxes due to changes in rates and grid for calculation of mandatory contributions to pension and other funds effective 1 January 2012 and generally higher staff cost base;
- a 2.4% increase in average headcount due to the consolidation of new businesses acquired in the second half of 2011 – the first half of 2012 (net of the consolidation effect, SIBUR's average headcount decreased by 3.3%);

- a 17% increase in average monthly salary due to regular wage indexation and changes in the headcount composition with shift towards more competent and higher-paid employees at the production facilities and a higher share of personnel engaged in project activities on the back of extensive project implementation, particularly with respect to the investment activity; and
- a non-cash expense accrued in relation to a launch of a new long-term incentive (LTI) program.

Goods for resale

Expenses related to purchases of goods for resale decreased by 29.2%, from RR 11,052 million in the nine months ended 30 September 2011 to RR 7,826 million in the respective period of 2012. As a percentage of total revenue, the Group's expenses related to purchases of goods for resale decreased from 6.1% to 3.9% in the nine months ended 30 September 2011 and 2012, respectively. The decline in absolute and relevant terms was mainly attributable to the following factors: first, in the second quarter of 2012, SIBUR discontinued trading activity with the tyres and mineral fertilizers businesses divested in December 2011; second, the Group stopped purchases of LPG for further resale from one of its counterparties in the second quarter of 2012; third, the Group reclassified polypropylene purchases to other feedstock and materials expenses from goods for resale as a result of consolidation of the BIAXPLEN group of companies, which use polypropylene as a feedstock for production of BOPP-films.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 34.9%, from RR 5,273 million in the nine months ended 30 September 2011 to RR 7,114 million in the respective period of 2012. As a percentage of total revenue, depreciation and amortisation increased from 2.9% to 3.6% in the first nine months of 2011 and 2012, respectively. The increase in absolute and relative terms was attributable to the launch of new production facilities and acquisitions completed in 2011 and 2012.

Repairs and maintenance

Repairs and maintenance expenses increased by 60.7%, from RR 3,310 million in the nine months ended 30 September 2011 to RR 5,319 million in the corresponding period 2012. As a percentage of total revenue, the Group's repairs and maintenance expenses increased from 1.8% to 2.7% in the nine months ended 30 September 2011 and 2012, respectively. The increase was primarily attributable to increased repairs and maintenance works aimed at further industrial and ecological safety improvements, industrial infrastructure development and enhancement of the existing equipment efficiency.

Rent expenses

Rent expenses increased by 45.4%, from RR 2,199 million in the nine months ended 30 September 2011 to RR 3,198 million in the corresponding period of 2012. As a percentage of total revenue, the Group's rent expenses increased from 1.2% in the first nine months of 2011 to 1.6% in the corresponding period of 2012. The growth was largely driven by a 41% expansion of leased rolling stock (from 5,851 rail cars and tankers as of 30 September 2011 to 8,223 units as of 30 September 2012), which was related to longer transportation routes and lower rolling stock turnover due to Russian Railways' infrastructural bottlenecks. In addition, SIBUR's rental rates increased in the range of 4.8% to 21.6% depending on a particular rail car or tanker type.

Impairment of property, plant and equipment

In the nine months ended 30 September 2012, the Group recognized an impairment charge of RR 262 million, which was attributable to a gradual decommissioning of Caprolactam, an outdated chlorine and caustic soda production facility located near the city of Dzerzhinsk, the Nizhny Novgorod region. The final shutdown of the facility is scheduled for April 2013, however, the decommissioning process started in the middle of 2012. The shutdown of Caprolactam is a part of SIBUR's project to wind down utilization of the White Sea sludge reservoir. This production will be replaced by a modern and ecologically-friendly PVC production complex, which SIBUR is constructing together with SolVin Holding Nederland B.V. under a JV arrangement (RusVinyl). This new complex, located in Kstovo, the Nizhny Novgorod region, is scheduled for commercial launch in 2014.

Change in WIP and refined products balances

In the nine months ended 30 September 2012, the Group recorded an additional charge of RR 1,094 million to the operating expenses as compared to a reversal of RR 4,107 million a year earlier. This dynamics is explained by destocking in line with market trends as opposed to inventory accumulation in the corresponding period of 2011.

Operating profit

As a result of the factors discussed above, the Group's operating profit decreased by 7.9%, from RR 57,396 million in the nine months ended 30 September 2011 to RR 52,864 million in the corresponding period of 2012. The Group's operating margin was 31.6% and 26.6% in the first nine months ended 30 September 2011 and 2012, respectively.

Finance income and expenses, net

In the nine months ended 30 September 2012, the Group had a net finance income of RR 2,125 million as compared to a net finance expense of RR 2,816 million in the respective period of 2011, primarily as a result of a foreign exchange gain recorded in the first nine months of 2012 as compared to a foreign exchange loss recorded in the corresponding period of 2011. The following table sets forth the Group's finance income/(expenses) data for the nine months ended 30 September 2012 and 2011.

	Nine months ended 30 September		
	2012	**2011**	***Change*** **%**
	RR millions, except as stated		
Interest income	648	2,660	*(75.6%)*
Interest expense	(559)	(1,284)	*(56.5%)*
Foreign exchange gain/(loss)	1,397	(4,028)	*n/m*
Other finance income/(expense)	639	(164)	*n/m*
Total finance income/(expense), net	**2,125**	**(2,816)**	***n/m***

Interest income decreased by 75.6%, from RR 2,660 million in the nine months ended 30 September 2011 to RR 648 million in the corresponding period of 2012, which was attributable to a decrease in outstanding loans issued to third parties. At the end of 2011, SIBUR changed its approach to the financing of RusVinyl's investment program and now reports its part of financing as an equity contribution as opposed to previous reporting as loans issued. Additionally in 2012, the Group stopped lending to the mineral fertilizers and tyres businesses it had divested in 2011. Also SIBUR's loans to OAO Polief were treated as intercompany following the consolidation from the fourth quarter of 2011. As a result, SIBUR's interest income is now related primarily to accrued interest on bank deposits.

Interest expense decreased by 56.5%, from RR 1,284 million in the nine months ended 30 September 2011 to RR 559 million in the respective period of 2012. The decrease was mainly attributable to the capitalisation of part of interest expense due to a higher share of borrowings associated with funding of investment program. The Group's weighted average interest rate on Russian rouble denominated borrowings was 6.9% as of 30 September 2011 and 7.3% as of 30 September 2012. The Group's weighted average interest rate on US$-denominated borrowings was 3.2% as of 30 September 2011 and 3.3% as of 30 September 2012. The Group's weighted average interest rate on EUR-denominated borrowings was 3.1% as of 30 September 2011 and 2.2% as of 30 September 2012.

In the nine months ended 30 September 2012, the Group recorded a primarily unrealised foreign exchange gain in the amount of RR 1,397 million compared to a foreign exchange loss of RR 4,028 million in the respective period of 2011, which is attributable to Russian rouble appreciation and the respective revaluation of the Group's US$-denominated debt.

In the nine months ended 30 September 2012, the Group recorded other finance income of RR 639 million compared to an expense of RR 164 million in the nine months ended 30 September 2011. This income was mainly attributable to a recovery of a discount on non-current receivables from the BIAXPLEN group of companies, which the Group consolidated at the end of March 2012 following the acquisition of control.

Gain on acquisition of a subsidiary

In the first quarter 2012, the Group recognized a gain on acquisition of a subsidiary in the amount of RR 430 million. This was mainly attributable to the revaluation of a previously acquired stake in the BIAXPLEN group of companies after the Group gained 100% control at the end of March 2012.

Share of net income of joint ventures

In the nine months ended 30 September 2012, share of net income of joint ventures totalled RR 115 million compared to RR 493 million recorded in the first nine months of 2011. The decrease was primarily attributable to a net loss reported by RusVinyl and associated with expenses related to the JV's debt servicing.

Income tax expense

The Group's income tax expense decreased by 4.1%, from RR 10,768 million in the nine months ended 30 September 2011 to RR 10,326 million in the corresponding period of 2012. The Group's effective income tax rate was 19.6% and 18.5% in the nine months ended 30 September 2011 and 2012, respectively. Effective tax rate is calculated as income tax expense divided by profit before income tax.

Profit for the period

The Group's profit increased by 2.4%, from RR 44,120 million in the nine months ended 30 September 2011 to RR 45,176 million in the corresponding period of 2012. The Group's profit margin (calculated by dividing profit for the reporting period by revenue, expressed as a percentage) was 24.3% and 22.7% in the first nine months of 2011 and 2012, respectively.

Year Ended 31 December 2011 Compared to Year Ended 31 December 2010

The following table sets forth the principal items of the Group's combined statement of comprehensive income for 2011 and 2010.

	Year ended 31 December				
	2011	***% of revenue***	**2010**	***% of revenue***	***Change %***
	RR millions, except as stated				
Revenue	**248,660**	***100.0%***	**188,563**	***100.0%***	***31.9%***
Energy products	112,337	*45.2%*	79,809	*42.3%*	*40.8%*
Petrochemical products	121,902	*49.0%*	99,422	*52.7%*	*22.6%*
Other	14,421	*5.8%*	9,332	*5.0%*	*54.5%*
Operating expenses	(170,207)	*(68.4%)*	(136,751)	*(72.5%)*	*24.5%*
Operating profit	**78,453**	***31.6%***	**51,812**	***27.5%***	***51.4%***
Finance (expense)/income, net	(4,415)	*(1.8%)*	1,052	*0.6%*	*n/m*
Gain on acquisition of subsidiaries	4,957	*2.0%*	—	—	*n/m*
Share of net income of joint ventures	236	*0.1%*	108	*0.1%*	*118.5%*
Impairment of notes and other receivables	(1,731)	*(0.7%)*	—	—	*n/m*
(Loss)/gain on disposal of investments	(380)	*(0.2%)*	16	*0.0%*	*n/m*
Profit before income tax	**77,120**	***31.0%***	**52,988**	***28.1%***	***45.5%***
Income tax expense	(15,561)	*(6.3%)*	(12,251)	*(6.5%)*	*27.0%*
Profit from continuing operations	**61,559**	***24.8%***	**40,737**	***21.6%***	***51.1%***
Gain from discontinued operations	1,240	*0.5%*	—	—	*n/m*
Profit for the year, including:	**62,799**	***25.3%***	**40,737**	***21.6%***	***54.2%***
Loss attributable to non-controlling interest	(30)	*(0.0%)*	(46)	*(0.0%)*	*(34.8%)*
Profit attributable to shareholders of the Company	62,829	*25.3%*	40,783	*21.6%*	*54.1%*

Revenue

The Group's revenue increased by 31.9% from RR 188,563 million in 2010 to RR 248,660 million in 2011. This increase was attributable to an increase in the production volumes, increase in demand for the Group's products, strong pricing environment for both energy and petrochemical products.

Energy products revenue

The following table sets forth a breakdown of revenue from energy product sales for 2011 and 2010.

	Year ended 31 December				
	2011	***% of revenue*[(1)]**	**2010**	***% of revenue*[(1)]**	***Change %***
			RR millions, except as stated		
LPG	52,502	*21.1%*	34,628	*18.4%*	*51.6%*
Domestic	14,887	*28.4%*	10,227	*29.5%*	*45.6%*
Export	37,615	*71.6%*	24,401	*70.5%*	*54.2%*
Naphtha	21,118	*8.5%*	15,700	*8.3%*	*34.5%*
Domestic	5,304	*25.1%*	3,673	*23.4%*	*44.4%*
Export	15,814	*74.9%*	12,027	*76.6%*	*31.5%*
Natural gas, domestic sales	17,440	*7.0%*	15,766	*8.4%*	*10.6%*
MTBE	14,946	*6.0%*	10,753	*5.7%*	*39.0%*
Domestic	10,589	*70.8%*	5,386	*50.1%*	*96.6%*
Export	4,357	*29.2%*	5,367	*49.9%*	*(18.8%)*
Other fuels and fuel additives	4,218	*1.7%*	2,230	*1.2%*	*89.1%*
Domestic	4,205	*99.7%*	2,194	*98.4%*	*91.7%*
Export	13	*0.3%*	36	*1.6%*	*(63.9%)*
Raw NGL	2,113	*0.8%*	732	*0.4%*	*188.7%*
Domestic	1,173	*55.5%*	—	—	*n/m*
Export	940	*44.5%*	732	*100.0%*	*28.4%*
Total revenue from energy product sales	**112,337**	***45.2%***	**79,809**	***42.3%***	***40.8%***
Domestic	**53,598**	***47.7%***	**37,246**	***46.7%***	***43.9%***
Export	**58,739**	***52.3%***	**42,563**	***53.3%***	***38.0%***

(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 percentage of total revenue.

Revenue from sales of energy products increased by 40.8% from RR 79,809 million in 2010 to RR 112,337 million in 2011. This increase was largely due to an increase in revenue from sales of LPG, naphtha, MTBE and natural gas primarily driven by higher production and sales volumes as well as growth in global oil and oil derivatives prices, higher natural gas prices in Russia and a relatively weak rouble. In 2011, revenue from energy product sales to the Russian domestic market accounted for 47.7% and revenue from energy products export sales accounted for 52.3% of energy product revenue, respectively, which was in line with prior year allocation of domestic and export sales.

LPG: Revenue from LPG sales increased by 51.6% from RR 34,628 million in 2010 to RR 52,502 million in 2011. In 2011, domestic sales and export sales (primarily to Europe and CIS countries) accounted for 28.4% and 71.6% of total revenue from LPG sales, respectively. The increase in revenue from LPG sales was primarily due to an increase in the effective average selling price and LPG sales volumes. The effective selling price increased by 23.2% as a result of stronger benchmark prices on international markets, driven by higher oil prices. LPG sales volumes increased by 23.1% due to an increase in production, purchases from third parties and a lower share of LPG in the feedstock mix supplied to the Group's petrochemicals business in 2011 as compared to 2010.

Naphtha: Revenue from naphtha sales increased by 34.5% from RR 15,700 million in 2010 to RR 21,118 million in 2011. In 2011, 25.1% of total revenue from naphtha sales were derived from the domestic market, while export accounted for 74.9% (primarily to Europe and the CIS countries). The increase in revenue from naphtha sales was attributable to an increase in prices and sales volumes. The effective average selling price for naphtha increased by 29.4% as a result of stronger benchmark prices on the international markets, driven by higher oil prices. Naphtha sales volumes increased by 3.9% due to an increase in production as well as purchases from third parties. These increases more than compensated for the higher share of naphtha in the feedstock mix supplied to the Group's petrochemicals business in 2011.

Natural gas: Revenue from natural gas sales increased by 10.6% from RR 15,766 million in 2010 to RR 17,440 million in 2011 primarily as a result of higher prices despite lower sales volumes. The Group's effective average selling price for natural gas increased by 17.7% primarily due to an increase in the regulated natural gas price set by the FTS. Natural gas sales volumes declined by 6.1% following the transfer at the end of 2010 of the Group's Nyagan GPP to the Group's joint venture with TNK-BP, which resulted in a decrease of production volumes attributable to the Group as compared to the production volumes attributable to the Group prior to the transfer. As a result of this transfer, volumes produced by this GPP were included in the TNK-BP's share of the Group's total production volumes, with the Group obtaining only 51% of the production volumes pursuant to the joint venture arrangement and subsequently being able to report only this share of production. Additionally, at the end of 2011, the Group accumulated additional inventories of natural gas (518.4 million cubic metres), with the goal of achieving better selling terms in 2012.

MTBE: Revenue from MTBE sales increased by 39% from RR 10,753 million in 2010 to RR 14,946 million in 2011 primarily as a result of an increase in prices despite lower sales volumes. In 2011, the Group increased the share of domestic sales from 50.1% in 2010 to 70.8% in 2011 to capitalise on favourable pricing trends and growth in demand for fuel additives in Russia following the introduction of stricter requirements for fuel quality and tax incentives provided by the Russian Government to improve fuel quality. Export sales accounted for 29.2% (primarily to Finland, the CIS countries and the Baltic states) in 2011. The effective average selling price for MTBE increased by 41.4% due to an increase in gasoline prices and demand growth. Sales volumes decreased slightly by 1.7% due to the deconsolidation of OAO Kauchuk's production volumes in the Group's financial results following the disposal of this company by the Group in June 2010.

Petrochemical products revenue

Revenue from sales of petrochemical products increased by 22.6% from RR 99,422 million in 2010 to RR 121,902 million in 2011 as a result of an increase in revenue from sales of synthetic rubbers, plastics and organic synthesis products and basic polymers. This increase was largely driven by increased prices and strong demand for the majority of petrochemical products.

Basic polymers: Revenue from sales of basic polymers increased by 16.1% from RR 18,760 million in 2010 to RR 21,782 million in 2011, primarily due to an increase in revenue from PP domestic sales. This increase was a result of increased demand for the products favourable pricing trends in Russia and globally driven by strong performance of end-customer industries. The following table presents data on revenue from sales of basic polymers for 2011 and 2010:

	Year ended 31 December				
	2011	***% of revenue*** [(1)]	**2010**	***% of revenue*** [(1)]	***Change %***
	RR millions, except as stated				
PE (LDPE)	10,978	*4.4%*	10,022	*5.3%*	*9.5%*
Domestic	*5,489*	*50.0%*	*5,485*	*54.7%*	*0.1%*
Export	*5,489*	*50.0%*	*4,537*	*45.3%*	*21.0%*
PP	10,804	*4.3%*	8,738	*4.6%*	*23.6%*
Domestic	*10,010*	*92.7%*	*8,242*	*94.3%*	*21.5%*
Export	*794*	*7.3%*	*496*	*5.7%*	*60.1%*
Total revenue from basic polymers sales	**21,782**	***8.8%***	**18,760**	***9.9%***	***16.1%***
Domestic	***15,499***	***71.2%***	***13,727***	***73.2%***	***12.9%***
Export	***6,283***	***28.8%***	***5,033***	***26.8%***	***24.8%***

(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 percentage of total revenue.

Low density polyethylene (LDPE): In 2011, revenue from sales of LDPE increased by 9.5% as a result of higher prices despite slightly lower volumes. 2011 LDPE sales were evenly split between the domestic and export markets. The effective average selling price for LDPE grew by 10.2% in 2011 driven by higher feedstock prices worldwide. In 2011, LDPE sales volumes decreased by 0.6% despite production growth of 2.4%. This was attributable to higher inventories and goods-in-transit balances as the Group changed its marketing and distribution strategy in basic polymers to eliminate intermediates and deal directly with its customers. This increased average transportation distances and required stocking up at the Group's regional warehouses. Additionally, at the end of the year, the Group had higher balances of goods-in-transit on the way to China.

Polypropylene (PP): In 2011, revenue from sales of PP increased by 23.6% as a result of higher prices and volumes. In 2011, the Group increased share of premium PP grades, which contributed to revenue growth. 92.7% of the PP revenue was from sales in the Russian market, as the Group capitalised on strong growth in domestic demand and continued to pursue its import-substitution strategy. Exports, mainly to Belarus and Kazakhstan, accounted for 7.3% of the total PP revenue. The effective average selling price for PP increased by 17.2%, driven by higher feedstock prices globally. PP sales volumes increased by 5.5% as a result of an 8.0% production growth at the Group's PP plant in Tomsk and purchases from OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group. This was partially offset by higher inventories and goods-in-transit balances at the end of 2011 due to changes in the Group's marketing and distribution strategy as described above.

Synthetic rubbers: Revenue from synthetic rubber sales increased by 33.0% from RR 38,336 million in 2010 to RR 50,971 million in 2011, primarily as a result of favourable pricing trends for both synthetic rubbers and feedstock and strong demand for rubbers in Russia and internationally. Higher rubber prices more than compensated for a slight reduction in the production and sales volumes of synthetic rubbers. The increase in synthetic rubber sales was largely driven by commodity rubbers sales. The following table presents data on revenue from synthetic rubber sales for 2011 and 2010:

	Year ended 31 December				
	2011	***% of revenue***[(1)]	**2010**	***% of revenue***[(1)]	***Change %***
	RR millions, except as stated				
Commodity rubbers	37,525	*15.1%*	26,143	*13.9%*	*43.5%*
Domestic	17,743	*47.3%*	11,595	*44.4%*	*53.0%*
Export	19,782	*52.7%*	14,548	*55.6%*	*36.0%*
Specialty rubbers	10,664	*4.3%*	9,662	*5.1%*	*10.4%*
Domestic	2,183	*20.5%*	1,303	*13.5%*	*67.5%*
Export	8,481	*79.5%*	8,359	*86.5%*	*1.5%*
Thermoplastic elastomers	2,782	*1.1%*	2,531	*1.3%*	*9.9%*
Domestic	2,406	*86.5%*	2,098	*82.9%*	*14.7%*
Export	376	*13.5%*	433	*17.1%*	*(13.2%)*
Total revenue from synthetic rubbers sales	**50,971**	***20.5%***	**38,336**	***20.3%***	***33.0%***
Domestic	**22,332**	***43.8%***	**14,996**	***39.1%***	***48.9%***
Export	**28,639**	***56.2%***	**23,340**	***60.9%***	***22.7%***

(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 percentage of total revenue.

Commodity rubbers: In 2011, revenue from sales of commodity rubbers increased by 43.5% as a result of an increase in prices despite slightly lower sales volumes. In 2011, the Group increased the share of sales to the Russian market to 47.3% from 44.4% in 2010 in response to strong demand from the Russian automotive sector. In 2011, the effective average selling price for commodity rubbers grew by 45.5% driven by higher international rubber prices. This increase in average selling prices was primarily a result of an increase in prices for natural rubber in February 2011, which fueled growth in polyisoprene rubber prices, which generally follow the prices for natural rubbers as their substitutes. In addition, this increase was attributable to butadiene shortages in the first half of 2011, which resulted in higher prices for butadiene-based rubbers. Prices corrected to some degree in the second half of the year, but the full-year effect was still strongly positive for the industry. In 2011, sales volumes of commodity rubbers decreased by 1.3% as a result of almost flat production and lower purchases from third parties.

Specialty rubbers: In 2011, revenue from specialty rubber sales increased by 10.4% as a result of an increase in prices and domestic sales volumes despite a slight decrease in overall sales volumes.

20.5% of specialty rubber revenue were derived from sales to the domestic market, while export sales accounted for 79.5% of revenue. In 2011, the effective average selling price for specialty rubbers increased by 11.7%, driven by a 48.0% increase in domestic prices and a 6.1% increase in export prices. Higher domestic prices were attributable to strong demand from end-customer industries, while international prices were negatively affected by additions to capacity in China for butyl rubber in China, one of the forms of specialty rubbers. The Group shifted some of its sales volumes from international markets to Russia in response to pricing trends. Sales volumes decreased by 1.2% due to a 3.3% decline in production, partially offset by higher volumes of purchases from third parties. Production decline was due to the Group's decision to shut down production of nitrile-butadiene rubbers at the Group's Voronezh site to concentrate nitrile-butadiene rubber production at the Group's Krasnoyarsk site as well as the optimization of the Group's portfolio to focus on premium rubber grades.

Thermoplastic elastomers: In 2011, revenue from sales of thermoplastic elastomers increased by 9.9%, primarily as a result of the increase in prices which was largely offset by lower sales volumes. Domestic market sales accounted for 86.5% of revenue, while 13.5% came from export sales. The effective average selling price for thermoplastic elastomers increased by 27.8% as a result of an increase in demand from end-customer industries. Sales volumes declined by 14.0% in 2011, resulting primarily from a decrease in production due to longer than expected maintenance shutdowns.

Plastics and organic synthesis products: Revenue from sales of plastics and organic synthesis products increased by 36.9% from RR 18,079 million in 2010 to RR 24,742 million in 2011. The increase was primarily driven by higher revenues from sales of glycols, PET and polystyrene. In addition, revenue from sales of plastics and organic synthesis products was positively affected by the consolidation of the results of OOO Biaxplen NK, BOPP-film producer, from the fourth quarter of 2010, and the results of Acrylate Group, acrylates producer, from the third quarter of 2011 and OAO Polief from the fourth quarter of 2011, as well as the launch of a new production capacity in expandable polystyrene in December 2010. The following table presents data on revenue from sales of plastics and organic synthesis products for 2011 and 2010:

	Year ended 31 December				
	2011	***% of revenue(1)***	**2010**	***% of revenue(1)***	***Change %***
	RR millions, except as stated				
PET	4,553	*1.8%*	3,326	*1.8%*	*36.9%*
Domestic	4,391	*96.4%*	3,018	*90.7%*	*45.5%*
Export	162	*3.6%*	308	*9.3%*	*(47.4%)*
Glycols	7,886	*3.2%*	6,121	*3.2%*	*28.8%*
Domestic	6,063	*76.9%*	4,631	*75.7%*	*30.9%*
Export	1,823	*23.1%*	1,490	*24.3%*	*22.3%*
Alcohols (including 2-ethylhexanol)	6,003	*2.4%*	5,045	*2.7%*	*19.0%*
Domestic	2,328	*38.8%*	1,901	*37.7%*	*22.5%*
Export	3,675	*61.2%*	3,144	*62.3%*	*16.9%*
BOPP-films	1,048	*0.4%*	434	*0.2%*	*141.5%*
Domestic	1,035	*98.8%*	389	*89.6%*	*166.1%*
Export	13	*1.2%*	45	*10.4%*	*(71.1%)*
Expandable polystyrene	1,624	*0.7%*	489	*0.3%*	*232.1%*
Domestic	1,397	*86.0%*	326	*66.7%*	*328.5%*
Export	227	*14.0%*	163	*33.3%*	*39.3%*
Acrylates	790	*0.3%*	—	—	*n/m*
Domestic	393	*49.7%*	—	—	*n/m*
Export	397	*50.3%*	—	—	*n/m*
Plastic compounds(2)	2,838	*1.1%*	2,664	*1.4%*	*6.5%*
Domestic	2,639	*93.0%*	2,461	*92.4%*	*7.2%*
Export	199	*7.0%*	203	*7.6%*	*(2.0%)*
Total revenue from plastics and organic synthesis products sales	**24,742**	***10.0%***	**18,079**	***9.6%***	***36.9%***
Domestic	**18,246**	***73.7%***	**12,726**	***70.4%***	***43.4%***
Export	**6,496**	***26.3%***	**5,353**	***29.6%***	***21.4%***

(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 percentage of total revenue.

(2) Including ABS plastics and PVC cable compounds.

PET: In 2011, revenue from PET sales increased by 36.9% as a result of a 24.2% increase in effective average sales price and a 10.2% increase in sales volumes, which was due to the acquisition of OAO Polief in October 2011. The Group accumulated additional inventory of PET (approximately 10 thousand metric tons) at the end of 2011, with the objective to sell it on better terms in 2012 based on expected improvement in market conditions.

Glycols: In 2011, revenue from sales of glycols increased by 28.8% as a result of a 2.8% increase in sales volumes and a 25.4% increase in effective average price due to higher feedstock prices globally. While the Group's glycols performance in 2011 was affected by intensified domestic competition, the overall demand increased due to additions of new polyethylene terephthalate capacity, which uses glycols as feedstock.

Alcohols: In 2011, revenue from sales of alcohols increased by 19.0% as a result of a 15.4% increase in effective average price and a 3.1% growth in sales volumes. Effective average price increased due to higher prices for propylene as well as a generally positive environment in the Asian markets, which set the global price for alcohols. Sales volumes increased due to increased production.

BOPP-films: In 2011, revenue from BOPP-film sales increased 141.5% primarily as a result of the consolidation of OOO Biaxplen NK from the fourth quarter of 2010, following acquisition of control over this company in September 2010.

Expandable polystyrene: In 2011, revenue from sales of expandable polystyrene increased by 232.1% primarily as a result of added volumes from the new production capacity of 50 thousand metric tons per annum in Perm in November 2010.

Acrylates: In July 2011, the Group acquired Acrylate Group and had revenue from acrylate sales for 2011 of RR 790 million.

Plastic compounds (including ABS plastics and PVC cable compounds): In 2011, revenue from sales of plastic compounds increased by 6.5% as a result of a 10.5% increase in effective average sales price despite a slight decline in volumes. The increase in price was attributable to higher feedstock prices, while the volume decline was due to product portfolio rebalancing to adapt to market changes and increase the share of high-margin products.

Intermediates and other chemicals: In 2011, revenue from sales of intermediates and other chemicals increased by 0.7%, from RR 24,247 million in 2010 to RR 24,407 million in 2011, primarily as a result of higher prices despite lower sales volumes. The Group uses a large portion of intermediates internally for further processing into higher value-added products within three petrochemical product groups discussed above. The Group's share of external sales of intermediates and other chemicals fluctuates significantly from period to period depending on market trends, shifts in supply and demand fundamentals, capacity constraints and other factors. The following table sets forth the Group's revenue from sales of intermediates and other chemicals for 2011 and 2010:

	Year ended 31 December				
	2011	*% of revenue*[(1)]	2010	*% of revenue*[(1)]	*Change %*
	RR millions, except as stated				
Intermediates, including					
Styrene	2,090	*0.8%*	2,107	*1.1%*	*(0.8%)*
Domestic	398	*19.0%*	617	*29.3%*	*(35.5%)*
Export	1,692	*81.0%*	1,490	*70.7%*	*13.6%*
Terephthalic acid	486	*0.2%*	—	—	*n/m*
Domestic	486	*100.0%*	—	—	*n/m*
Export	—	—	—	—	*n/m*
Ethylene oxide	1,907	*0.8%*	1,490	*0.8%*	*28.0%*
Domestic	1,583	*83.0%*	1,321	*88.7%*	*19.8%*
Export	324	*17.0%*	169	*11.3%*	*91.7%*
Isoprene	1,082	*0.4%*	955	*0.5%*	*13.3%*
Domestic	24	*2.2%*	14	*1.5%*	*71.4%*
Export	1,058	*97.8%*	941	*98.5%*	*12.4%*
Propylene	2,426	*1.0%*	3,973	*2.1%*	*(38.9%)*
Domestic	1,715	*70.7%*	3,184	*80.1%*	*(46.1%)*
Export	711	*29.3%*	789	*19.9%*	*(9.9%)*
Benzene	2,348	*0.9%*	1,919	*1.0%*	*22.4%*
Domestic	2,348	*100.0%*	1,919	*100.0%*	*22.4%*
Export	—	—	—	—	*n/m*
Isobutylene	742	*0.3%*	608	*0.3%*	*22.0%*
Domestic	651	*87.7%*	453	*74.5%*	*43.7%*
Export	91	*12.3%*	155	*25.5%*	*(41.3%)*
Butadiene	1,358	*0.5%*	623	*0.3%*	*118.0%*
Domestic	1,358	*100.0%*	623	*100.0%*	*118.0%*
Export	—	—	—	—	*n/m*
Ethylene	—	—	—	—	*n/m*
Other intermediates	2,849	*1.1%*	2,640	*1.4%*	*7.9%*
Domestic	2,514	*88.2%*	2,221	*84.1%*	*13.2%*
Export	335	*11.8%*	419	*15.9%*	*(20.0)%*
Total intermediates	15,288	*6.1%*	14,315	*7.6%*	*6.8%*
Domestic	11,077	*72.5%*	10,352	*72.3%*	*7.0%*
Export	4,211	*27.5%*	3,963	*27.7%*	*6.3%*
Other chemicals	9,119	*3.7%*	9,932	*5.3%*	*(8.2%)*
Domestic	7,136	*78.3%*	8,619	*86.8%*	*(17.2%)*
Export	1,983	*21.7%*	1,313	*13.2%*	*51.0%*
Total revenue from intermediates and other chemicals sales	**24,407**	***9.8%***	**24,247**	***12.9%***	***0.7%***
Domestic	**18,213**	***74.6%***	**18,971**	***78.2%***	***(4.0%)***
Export	**6,194**	***25.4%***	**5,276**	***21.8%***	***17.4%***

(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 percentage of total revenue.

Operating expenses

The following table sets forth the Group's operating expenses for 2011 and 2010:

	Year ended 31 December				
	2011	***% of total revenue***	**2010**	***% of total revenue***	***Change %***
	RR millions, except as stated				
Feedstock and materials	49,309	*19.8%*	34,191	*18.1%*	*44.2%*
Transportation	30,909	*12.4%*	26,803	*14.2%*	*15.3%*
Energy and utilities	28,950	*11.6%*	25,086	*13.3%*	*15.4%*
Staff costs, including	22,091	*8.9%*	22,798	*12.1%*	*(3.1%)*
Long-term incentive (LTI) and one-off compensations	—	—	*2,424*	*1.3%*	*(100.0%)*
Goods for resale	15,516	*6.2%*	7,141	*3.8%*	*117.3%*
Depreciation and amortisation	8,216	*3.3%*	5,940	*3.1%*	*38.3%*
Services provided by third parties	6,437	*2.6%*	5,980	*3.2%*	*7.6%*
Repairs and maintenance	5,001	*2.0%*	3,902	*2.1%*	*28.2%*
Rent expenses	2,962	*1.2%*	2,575	*1.4%*	*15.0%*
Taxes other than income tax	1,543	*0.6%*	758	*0.4%*	*103.6%*
Charity and sponsorship	1,051	*0.4%*	159	*0.1%*	*561.0%*
Marketing and advertising	783	*0.3%*	435	*0.2%*	*80.0%*
Impairment of property, plant and equipment	—	—	426	*0.2%*	*(100.0%)*
Other	3,107	*1.3%*	2,195	*1.2%*	*41.5%*
Change in WIP and refined products balances	(5,668)	*(2.2%)*	(1,638)	*(0.9%)*	*246.0%*
Total operating expenses	**170,207**	***68.4%***	**136,751**	***72.5%***	***24.5%***

The Group's operating expenses increased by 24.5% from RR 136,751 million in 2010 to RR 170,207 million in 2011. This increase was primarily attributable to an increase in feedstock and materials expenses, expenses related to purchases of goods for resale and transportation and energy expenses. As a percentage of total revenue the Group's operating expenses decreased from 72.5% in 2010 to 68.4% in 2011, primarily due to stronger growth in revenue resulting from higher volumes and a positive pricing environment, supported by strong oil prices and a relatively weak rouble.

Feedstock and materials

In 2011, feedstock and materials increased by 44.2% from RR 34,191 million in 2010 to RR 49,309 million in 2011. As a percentage of total revenue, feedstock and materials increased from 18.1% in 2010 to 19.8% in 2011. This increase was primarily attributable to an increase in purchasing volumes of feedstock and materials, higher prices and an increased share of NGLs in the Group's feedstock mix. The following table sets forth a breakdown of the Group's feedstock and materials expenses for 2011 and 2010:

	Year ended 31 December				
	2011	**% of feedstock and materials expenses**	**2010**	**% of feedstock and materials expenses**	***Change* %**
		RR millions, except as stated			
APG					
Purchasing expenses	5,268	*10.7%*	4,677	*13.7%*	*12.6%*
Purchasing volumes (thousand cubic metres)	12,697,565		12,963,731		*(2.1%)*
NGLs					
Purchasing expenses	22,903	*46.4%*	14,155	*41.4%*	*61.8%*
Purchasing volumes (metric tons)	3,349,138		2,753,873		*21.6%*
Paraxylene					
Purchasing expenses	1,090	*2.2%*	—	—	*n/m*
Purchasing volumes (metric tons)	30,014		—		*n/m*
Other feedstock and materials					
Purchasing expenses	20,048	*40.7%*	15,359	*44.9%*	*30.5%*
Total feedstock and materials	**49,309**	***100.0%***	**34,191**	***100.0%***	***44.2%***

In 2011, APG purchasing expenses increased by 12.6% as compared to 2010, primarily due to an increase in the effective average APG purchase price by 15.0% in 2011 in line with the regulated natural gas prices, while APG purchasing volumes decreased by 2.1% in 2011. The decrease in purchasing volumes was attributable to the transfer in January 2011 of Nyagan GPP to OOO Yugragazpererabotka, the Group's joint venture with TNK-BP, which increased the overall volumes of APG processed by the GPPs within OOO Yugragazpererabotka, but reduced volumes purchased by the Group under the agreement with TNK-BP. APG purchasing expenses as a percentage of total feedstock and materials expenses decreased from 13.7% in 2010 to 10.7% in 2011 primarily due to larger volumes of NGLs feedstock purchases.

In 2011, expenses related to purchasing of NGLs feedstock increased by 61.8% as compared to 2010. This increase was primarily attributable to an increase in purchasing volumes by 21.6% and an increase in the average purchase price by 33% in 2011, which reflects growth in market prices for oil and oil derivatives, partially offset by higher transportation costs and export duties for LPG and naphtha. The growth in average purchase price was also attributable to rebalancing of the Group's feedstock mix, resulting in a lower share of raw NGL and a higher share of LPG and naphtha in this mix, which are generally more expensive than raw NGL (see " — Significant Factors Affecting the Group's Results of Operations — Feedstock Sourcing and Mix"). Expenses related to purchasing of NGLs as a percentage of total feedstock and materials expenses, increased from 41.4% in 2010 to 46.4% in 2011 primarily due to higher purchasing volumes of NGLs as compared with APG.

In 2011, costs associated with purchasing of other feedstock and materials increased by 30.5% due to an increase in purchasing volumes of other feedstock and materials and an increase in the effective average purchase price. As a percentage of total feedstock and materials expenses, costs associated with purchasing other feedstock and materials decreased from 44.9% in 2010 to 40.7% in 2011, primarily due to faster growth in costs associated with NGLs feedstock purchasing.

Transportation

Transportation expenses increased by 15.3% from RR 26,803 million in 2010 to RR 30,909 million in 2011. The increase was mainly attributable to higher transported volumes of feedstock and refined products and to the growth in railway transportation tariffs set by the FTS. As a percentage of total revenue, transportation expenses decreased from 14.2% in 2010 to 12.4% in 2011, primarily due to increased share of raw NGL transported via the Group's pipelines.

Energy and utilities

Energy and utilities expenses increased by 15.4%, from RR 25,086 million in 2010 to RR 28,950 million in 2011. This increase was primarily attributable to increases in electricity and heat tariffs, while purchasing volumes increased slightly. As a percentage of total revenue, energy and utilities expenses decreased from 13.3% in 2010 to 11.6% in 2011, as an increase in tariffs was more than compensated by higher prices for finished products.

Staff costs

Staff costs decreased by 3.1% from RR 22,798 million in 2010 to RR 22,091 million in 2011. As a percentage of total revenue, staff costs decreased from 12.1% in 2010 to 8.9% in 2011. The decrease in absolute and relative terms was mainly attributable to long-term incentive programme (LTI) and one-off compensations in the total amount of RR 2,424 million reported in 2010, while in 2011 they were nil. Net of LTI and one-off compensation arrangements, staff costs increased by 8.4% in 2011 as compared to 2010 due to higher social taxes as a result of an increase in social tax rate to 34% in 2011 from 26% in 2010, and an average monthly salary increase by approximately 10.9%. Average headcount was 30,753 employees in 2011, a decrease of 3.8% from 2010, despite the overall business growth resulting from the Group's business structure optimization and centralization of management functions.

Goods for resale

Expenses related to purchases of goods for resale increased by 117.3% from RR 7,141 million in 2010 to RR 15,516 million. As a percentage of total revenue, goods for resale increased from 3.8% in 2010 to 6.2% in 2011. The increase in these expenses in absolute terms and as a percentage of total revenue was primarily attributable to higher volumes of the Group's trading activities in particular as a result of changing in 2011 the format of cooperation with OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group, from processing to direct purchasing of polypropylene for further resale.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 38.3% from RR 5,940 million in 2010 to RR 8,216 million in 2011. As a percentage of total revenue, depreciation and amortisation expenses remained almost unchanged totalling 3.1% in 2010 and 3.3% in 2011. The increase in absolute terms was attributable to launch of new production facilities as well as purchases of new IT and other licenses primarily related to the Group's supply chain management and IT upgrade programs.

Repairs and maintenance

Repairs and maintenance expenses increased by 28.2% from RR 3,902 million in 2010 to RR 5,001 million in 2011. As a percentage of total revenue, repairs and maintenance remained almost flat at 2.1% in 2010 and 2.0% in 2011. The increase in absolute terms was primarily due to undertaking repair works in 2011, which were suspended during the global economic crisis, higher share of repair services provided by third-party contractors and increases of maintenance works as a result of additions of new production capacities both organically and through acquisitions.

Rent expenses

Rent expenses increased by 15.0% from RR 2,575 million in 2010 to RR 2,962 million in 2011. As a percentage of total revenue, rent expenses decreased from 1.4% in 2010 to 1.2% in 2011. The increase in rent expenses in absolute terms was attributable to growth in leased rolling stock by 20.5% (to 6,652 tankers and rail cars as of 31 December 2011 from 5,521 tankers and rail cars as of 31 December 2010) and higher rental rates.

Taxes other than income tax

Taxes other than income tax increased by 103.6% from RR 758 million in 2010 to RR 1,543 million in 2011, primarily due to higher land taxes as the Group purchased several land plots occupied by its key production facilities and higher property tax as new taxable properties were put in operation in both 2011 and 2010.

Impairment of property, plant and equipment

In 2010, as a result of a regular impairment test, SIBUR reported an impairment charge of RR 426 million. RR 293 million of this impairment charge related to transportation facilities was associated with SIBUR's program to optimize its transportation infrastructure by selling or decommissioning certain unutilized or non-core gas pipelines. The remaining amount relates to a write-down provision on the outdated compressor equipment at one of synthetic rubber production sites.

Change in WIP and refined products balances

In 2011, the Group recorded a reversal of RR 5,668 million to its operating expenses compared to a reversal of RR 1,638 million in 2010, which is related primarily to growth in balances of refined products and higher cost of such refined products. In 2011, inventory balance of refined products increased primarily due to change of the Group's marketing and distribution strategy in basic polymers and synthetic rubbers, which implied elimination of intermediaries to get direct access to customers. This resulted in higher inventory and goods-in-transit balances at the end of 2011 as it increased average transportation distance and required accumulation of stock at the Group's regional warehouses to ensure that the Group has sufficient quantities to meet customer demands. In addition, the Group undertook deliberate accumulation of inventory balances in several products in line with market conditions with the view of achieving better selling terms in 2012. In particular, the Group intentionally increased inventory balance of natural gas and certain types of synthetic rubbers.

Operating profit

As a result of factors discussed above, the Group's operating profit increased by 51.4% from RR 51,812 million in 2010 to RR 78,453 million in 2011. Operating margin increased to 31.6% in 2011 from 27.5% in 2010.

Finance income and expenses, net

In 2011, the Group had a net finance expense in the amount of RR 4,415 million compared to a net finance income of RR 1,052 million in 2010, primarily due to a non-cash foreign exchange loss recorded in 2011 as opposed to a foreign-exchange gain in 2010. The following table sets forth the Group's finance income and expense information for 2011 and 2010:

	Year ended 31 December		
	2011	**2010**	***Change %***
	RR millions, except as stated		
Interest income	2,142	3,271	*(34.5%)*
Interest expense	(2,524)	(3,292)	*(23.3%)*
Foreign exchange (loss)/gain	(3,660)	352	*n/m*
Other finance (expense)/income	(373)	721	*n/m*
Total finance (expense)/income, net	**(4,415)**	**1,052**	*n/m*

Interest income decreased by 34.5% from RR 3,271 million in 2010 to RR 2,142 million in 2011, as a result of a decrease in outstanding amount of loans provided to the Group's joint ventures and partners in 2011 as well as a decrease of interest on bank deposits.

Interest expense decreased by 23.3% from RR 3,292 million in 2010 to RR 2,524 million in 2011, primarily due to lower interest rates on the Group's borrowings in 2011 driven by generally lower market interest rates, as well as a change in the Group's debt structure as the Group refinanced debt with cheaper borrowings where possible. The Group's weighted average interest rates increased to 7.5% on Russian rouble denominated loans in 2011 from 6.8% in 2010, on US$-denominated borrowings decreased to 3.2% in 2011 from 4.8% in 2010, and on EUR-denominated loans decreased to 3.0% from 5.9% in 2010. The decrease in interest rates more than offset a 41.2% increase in the outstanding debt in 2011.

In 2011, the Group recorded a net foreign exchange loss in the amount of RR 3,660 million compared to a net foreign exchange gain of RR 352 million in 2010, primarily due to the revaluation of the Group's US$-denominated debt resulting from the Russian rouble depreciation.

Other finance expenses amounted to RR 373 million in 2011 compared to other finance income of RR 721 million in 2010. Finance expenses in 2011 related primarily to revaluation of certain financial instruments in 2011.

Gain on acquisition of subsidiaries

In 2011, the Group recognised a gain on acquisition of subsidiaries in the amount of RR 4,957 million, which was mainly attributable to re-measurement of previously held interest in OAO Polief and OOO National Polymers and also re-measurement of loans and notes receivable from OAO Polief, which were impaired in 2009 (see " — Year Ended 31 December 2010 Compared to Year Ended 31 December 2009").

Share of net income of joint ventures

In 2011, the Group's share of net income in joint ventures increased by 118.5% to RR 236 million from RR 108 million in 2010. The increase was primarily associated with the results of OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group, which was set up in September 2010 in order to increase the Group's share on the Russian polypropylene market.

Impairment of notes and other receivables

In 2011, the Group recognised RR 1,731 million in impairment provision on notes and other receivables. This charge relates to receivables from Amtel Group recognised by the Group in the course of Amtel Group's bankruptcy.

(Loss)/gain on disposal of subsidiaries

In 2011, the Group recorded RR 380 million in loss on disposal of subsidiaries as compared to a gain of RR 16 million recorded in 2010. The loss in 2011 was associated with disposals of ZAO Novokuybyshevskaya Neftekhimicheskaya Kompaniya and OAO Saranskiy zavod RTI.

Income tax expense

In 2011, the Group's income tax expense increased by 27.0% from RR 12,251 million in 2010 to RR 15,561 million as a result of higher taxable profit in 2011. The Group's effective tax rate was 20.2% in 2011 and 23.1% in 2010.

Gain from discontinued operations

In 2011, the Group recorded RR 1,240 million in gain from discontinued operations, which primarily related to the disposal of OAO Kirov Tyre Plant.

Profit for the year

The Group's profit increased by 54.2%, from RR 40,737 million in 2010 to RR 62,799 million in 2011. The Group's profit margin was 25.3% in 2011 and 21.6% in 2010.

Year Ended 31 December 2010 Compared to Year Ended 31 December 2009

The following table sets for the principal items of the Group's combined statement of comprehensive income for 2010 and 2009.

	Year ended 31 December				
	2010	***% of revenue***	**2009**	***% of revenue***	***Change %***
	RR millions, except as stated				
Revenue	**188,563**	**100.0%**	**127,800**	**100.0%**	***47.5%***
Energy products	79,809	42.3%	58,736	46.0%	*35.9%*
Petrochemical products	99,422	52.7%	59,754	46.8%	*66.4%*
Other	9,332	5.0%	9,310	7.2%	*0.2%*
Operating expenses	(136,751)	(72.5%)	(106,256)	(83.1%)	*28.7%*
Operating profit	**51,812**	**27.5%**	**21,544**	**16.9%**	***140.5%***
Finance income/(expense), net	1,052	0.6%	(1,593)	(1.2%)	*n/m*
Share of net income/(loss) of joint ventures	108	0.1%	(88)	0.1%	*n/m*
Impairment of notes and other receivables	—	—	(3,262)	(2.6%)	*(100%)*
Gain on disposal of investments	16	0.0%	3,514	2.7%	*(99.5%)*
Profit before income tax	**52,988**	**28.1%**	**20,115**	**15.7%**	***163.4%***
Income tax expense	(12,251)	(6.5%)	(3,964)	(3.1%)	*209.1%*
Profit for the reporting period, including:	**40,737**	**21.6%**	**16,151**	**12.6%**	***152.2%***
Loss attributable to non-controlling interest	(46)	(0.0%)	(53)	(0.1%)	*13.2%*
Profit attributable to shareholders of the Company	40,783	21.6%	16,204	12.7%	*151.7%*

Revenue

The Group's revenue increased by 47.5%, from RR 127,800 million in 2009 to RR 188,563 million in 2010. This increase was attributable to an increase in demand for the Group's products, strong pricing environment for both energy and petrochemical products and higher production volumes. The following table sets forth a breakdown of the Group's revenues by key product groups for 2010 and 2009.

Energy products revenue

The following table sets forth a breakdown of revenues from energy product sales for 2010 and 2009.

	Year ended 31 December				
	2010	***% of revenue***(1)	**2009**	***% of revenue***(1)	***Change %***
	RR millions, except as stated				
LPG	34,628	*18.4%*	22,401	*17.5%*	*54.6%*
Domestic	10,227	*29.5%*	6,164	*27.5%*	*65.9%*
Export	24,401	*70.5%*	16,237	*72.5%*	*50.3%*
Naphtha	15,700	*8.3%*	9,822	*7.7%*	*59.8%*
Domestic	3,673	*23.4%*	774	*7.9%*	*374.5%*
Export	12,027	*76.6%*	9,048	*92.1%*	*32.9%*
Natural gas, domestic sales	15,766	*8.4%*	14,286	*11.2%*	*10.4%*
MTBE	10,753	*5.7%*	10,438	*8.2%*	*3.0%*
Domestic	5,386	*50.1%*	5,065	*48.5%*	*6.3%*
Export	5,367	*49.9%*	5,373	*51.5%*	*(0.1%)*
Other fuels and fuel additives	2,230	*1.2%*	1,312	*1.0%*	*70.0%*
Domestic	2,194	*98.4%*	1,248	*95.1%*	*75.8%*
Export	36	*1.6%*	64	*4.9%*	*(43.8%)*
Raw NGL	732	*0.4%*	477	*0.4%*	*53.5%*
Domestic	—	—	465	*97.5%*	*(100%)*
Export	732	*100.0%*	12	*2.5%*	*6,000.0%*
Total revenue from energy product sales	**79,809**	***42.3%***	**58,736**	***46.0%***	***35.9%***
Domestic	**37,246**	***46.7%***	**28,002**	***47.7%***	***33.0%***
Export	**42,563**	***53.3%***	**30,734**	***52.3%***	***38.5%***

(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 percentage of total revenue.

Revenue from sales of energy products increased by 35.9% from RR 58,736 million in 2009 to RR 79,809 million in 2010. This increase was largely due to an increase in revenue from sales of LPG, naphtha and natural gas, primarily driven by growth in global oil and oil derivatives prices, higher natural gas prices in Russia and LPG and naphtha sales volumes. In 2010, revenue from energy product sales to the Russian domestic market accounted for 46.7% and revenue from energy products export sales accounted for 53.3% of energy product revenue, respectively, which was largely in line with prior year allocation of domestic and export sales.

LPG: Revenue from LPG sales increased by 54.6% from RR 22,401 million in 2009 to RR 34,628 million in 2010. In 2010, domestic sales and export sales (primarily to Europe and CIS countries) accounted for 29.5% and 70.5% of total revenue from LPG sales respectively. This increase in revenue from LPG sales was primarily due to an increase in the effective average selling price and LPG sales volumes. The effective selling price increased by 31.9% as a result of stronger international prices for oil and oil derivatives. Despite an insignificant increase in production, LPG sales volumes increased by 17.2% due to lower internal use of LPG by the Group's petrochemicals business, where LPG was replaced by naphtha.

Naphtha: Revenues from naphtha sales increased by 59.8% from RR 9,822 million in 2009 to RR 15,700 million in 2010. In 2010, 23.4% of total revenues from naphtha sales were derived from the domestic market, while export accounted for 76.6% (primarily to Europe and Baltics countries). The increase in revenue from naphtha sales was attributable to an increase in sales volumes and prices. Naphtha sales volumes increased by 23.8%. This increase was primarily a result of additional third-party naphtha purchases in close proximity to the Group's cracker in the Nizhny Novgorod region aimed at optimizing logistics, which freed up internally produced volumes for external sales. The effective average selling price for naphtha increased by 29.1% as a result of a corresponding increase in market prices for naphtha.

Natural gas: Revenues from natural gas sales increased by 10.4% from RR 14,286 million in 2009 to RR 15,766 million in 2010, primarily as a result of higher prices, while sales volumes decreased. The Group's effective average selling price for natural gas increased by 26.3% due to an increase in the regulated natural gas prices. Natural gas sales volumes declined by 12.6% despite a slight increase in production which was due to higher inventories compared to the reduction in inventories in 2009 and an increase in internal use of natural gas.

MTBE: Revenues from MTBE sales increased by 3% from RR 10,438 million in 2009 to RR 10,753 million in 2010 primarily as a result of an increase in prices despite a decrease in sales volumes. In 2010, the Group had almost equal distribution of MTBE sales between domestic and export sales which was a result of increasing sales on domestic market driven by favourable pricing environment and increasing demand for MTBE in Russia. The effective average selling price for MTBE increased by 13.8%, primarily due to an increase in MTBE market price following growth in gasoline prices. MTBE sales volumes decreased by 9.4% on a 17.7% production decrease following the disposal of OAO Kauchuk, a company primarily engaged in MTBE production, in the second quarter of 2010. This decrease was partially offset by the sale of MTBE stock accumulated in 2009.

Petrochemical products revenue

Revenue from sales of petrochemical products increased by 66.4%, from RR 59,754 million in 2009 to RR 99,422 million in 2010 as a result of strong sales growth across the product groups, primarily in synthetic rubbers, which was largely attributable to increased prices and demand for the majority of petrochemical products following the recovery of the economy after the 2008-2009 crisis.

Basic polymers: Revenues from sales of basic polymers increased by 29.7%, from RR 14,466 million in 2009 to RR 18,760 million in 2010 primarily due to an increase in revenues from domestic sales of both PP and PE driven by favourable pricing trends and increased demand. The following table presents data on revenues from sales of basic polymers for 2010 and 2009:

	Year ended 31 December				
	2010	***% of revenue[(1)]***	**2009**	***% of revenue[(1)]***	***Change %***
		RR millions, except as stated			
PE (LDPE)	10,022	*5.3%*	8,392	*6.6%*	*19.4%*
Domestic	5,485	*54.7%*	2,754	*32.8%*	*99.2%*
Export	4,537	*45.3%*	5,638	*67.2%*	*(19.5%)*
PP	8,738	*4.6%*	6,074	*4.8%*	*43.9%*
Domestic	8,242	*94.3%*	4,768	*78.5%*	*72.9%*
Export	496	*5.7%*	1,306	*21.5%*	*(62.0%)*
Total revenue from basic polymers sales	**18,760**	***9.9%***	**14,466**	***11.3%***	***29.7%***
Domestic	**13,727**	***73.2%***	**7,522**	***52.0%***	***82.5%***
Export	**5,033**	***26.8%***	**6,944**	***48.0%***	***(27.5%)***

(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 percentage of total revenue.

LDPE: In 2010, revenues from sales of LDPE increased by 19.4% as a result of higher prices despite a decrease in sales volumes. In 2010, the Group changed the Group's sales mix in favour of domestic sales, which increased from 32.8% of total LDPE sales in 2009 to 54.7% of total LDPE sales in 2010. The effective average selling price for LDPE grew by 42.6% in 2010, as a result of an increase in LDPE price globally which was a consequence of a continuing recovery of the global economy after the 2008-2009 financial crisis. In 2010, LDPE sales volumes decreased by 16.3% despite only a 3.5% decrease in production. This decrease was primarily attributable to higher inventories as the Group changed the Group's marketing and distribution strategy in basic polymers to eliminate intermediates and deal directly with the Group's customers, which resulted in average transportation distances increase and required stocking up at the Group's regional warehouses.

PP: In 2010, revenues from sales of PP increased by 43.9% as a result of an increase in prices and sales volumes. In 2010, the Group decreased the share of basic PP grades in favour of premium PP grades in the Group's PP sales mix, which contributed to PP revenue growth. The effective average selling price for PP increased by 27.0% as a result of an increase in feedstock prices globally and an increase in domestic revenue sales. Revenue from domestic sales increased by 72.9% and accounted for 94.3% of total revenue which was driven by a growing demand for PP in Russia in 2010. PP sales volumes increased by 13.2%, despite a 6.3% decrease in production. Production decrease was mainly due to the fact that in May 2009, the Group began consolidating PP volumes produced by OOO NPP Neftekhimia and in September 2010, the Group changed its format of cooperation with OOO NPP Neftekhimia from processing to purchasing, which resulted in deconsolidation of OOO NPP Neftekhimia's PP production volumes and subsequent decrease in production, while sales volumes nevertheless increased. In addition, the decrease in production was also attributable to longer maintenance shutdowns at OOO NPP Neftekhima in 2010 as compared with 2009.

Synthetic rubbers: Revenues from synthetic rubber sales increased by 91.7% from RR 19,995 million in 2009 to RR 38,336 million in 2010, primarily driven by the improvement of the global economy which resulted in increased demand and stable growth in prices for synthetic rubbers globally. The increase in synthetic rubber sales was largely driven by commodity rubbers sales. The following table presents data on revenues from synthetic rubber sales for 2010 and 2009:

	Year ended 31 December				
	2010	***% of revenue***(1)	**2009**	***% of revenue***(1)	***Change %***
	RR millions, except as stated				
Commodity rubbers	26,143	*13.9%*	12,999	*10.2%*	*101.1%*
Domestic	11,595	*44.4%*	6,536	*50.3%*	*77.4%*
Export	14,548	*55.6%*	6,463	*49.7%*	*125.1%*
Specialty rubbers	9,662	*5.1%*	5,488	*4.3%*	*76.1%*
Domestic	1,303	*13.5%*	750	*13.7%*	*73.7%*
Export	8,359	*86.5%*	4,738	*86.3%*	*76.4%*
Thermoplastic elastomers	2,531	*1.3%*	1,508	*1.2%*	*67.8%*
Domestic	2,098	*82.9%*	1,219	*80.8%*	*72.1%*
Export	433	*17.1%*	289	*19.2%*	*49.8%*
Total revenue from synthetic rubbers sales	**38,336**	***20.3%***	**19,995**	***15.6%***	***91.7%***
Domestic	**14,996**	***39.1%***	**8,505**	***42.5%***	***76.3%***
Export	**23,340**	***60.9%***	**11,490**	***57.5%***	***103.1%***

(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 percentage of total revenue.

Commodity rubbers: In 2010, revenues from sales of commodity rubbers increased by 101.1% as a result of an increase in both prices and sales volumes. In 2010, domestic sales of commodity rubbers accounted for 44.4% of total commodity rubber sales, and export sales accounted for the other 55.6%. In 2010, the effective average selling price for commodity rubbers grew by 49.8% driven primarily by an increase in natural rubbers and butadiene-based rubbers globally. This increase was attributable to a combination of two factors: shortage of natural rubbers due to unfavourable weather conditions and increase in butadiene market prices globally. In 2010, sales volumes of commodity rubbers increased by 34.3%, which was largely in line with an increase in production volumes, as well as due to an increase in purchases of commodity rubbers from third parties for resale.

Specialty rubbers: In 2010, revenues from specialty rubber sales increased by 76.1% as a result of an increase in prices and sales volumes. Domestic sales of specialty rubbers accounted for 13.5%, and export sales of specialty rubbers accounted for 86.5% of total specialty rubber revenue in 2010. In 2010, the effective average selling price for specialty rubbers increased by 46.2%, primarily as a result of a 50.7% increase in the Group's export prices, which was largely attributable to increased prices globally because of butyl rubber deficit in China. Sales volumes increased by 20.4%, which was largely in line with an increase in production following full capacity utilization of the Group's production sites.

Thermoplastic elastomers: In 2010, revenues from sales of thermoplastic elastomers increased by 67.8% as a result of an increase in prices and sales volumes. Domestic market sales and export sales accounted for 82.9% and 17.1% of total thermoplastic elastomers revenue, respectively. The Group's effective average selling price for thermoplastic elastomers increased by 39.8% as a result of an increase in prices for feedstock and finished product globally. Sales volumes increased by 20.1% which was largely in line with an increase in production following a high level of capacity utilization of the Group's production sites in response to the recovery of Russian construction industry after the 2008-2009 financial crisis and related increase in demand for thermoplastic elastomers.

Plastics and organic synthesis products: Revenues from sales of plastics and organic synthesis products increased by 60.4%, from RR 11,273 million in 2009 to RR 18,079 million in 2010. The increase was primarily driven by stronger sales of glycols, alcohols and plastic compounds (including ABS plastics and PVC cable compounds) in light of favourable market conditions. The following table presents data on revenues from sales of plastics and organic synthesis products for 2010 and 2009:

	Year ended 31 December				
	2010	***% of revenue*** [(1)]	**2009**	***% of revenue*** [(1)]	***Change %***
	RR millions, except as stated				
PET	3,326	*1.8%*	2,917	*2.3%*	*14.0%*
Domestic	3,018	*90.7%*	2,835	*97.2%*	*6.5%*
Export	308	*9.3%*	82	*2.8%*	*275.6%*
Glycols	6,121	*3.2%*	3,334	*2.6%*	*83.6%*
Domestic	4,631	*75.7%*	2,299	*69.0%*	*101.4%*
Export	1,490	*24.3%*	1,035	*31.0%*	*44.0%*
Alcohols (including 2-ethylhexanol)	5,045	*2.7%*	2,702	*2.1%*	*86.7%*
Domestic	1,901	*37.7%*	972	*36.0%*	*95.6%*
Export	3,144	*62.3%*	1,730	*64.0%*	*81.7%*
BOPP-films	434	*0.2%*	—	—	*n/m*
Domestic	389	*89.6%*	—	—	*n/m*
Export	45	*10.4%*	—	—	*n/m*
Expandable polystyrene	489	*0.3%*	532	*0.4%*	*(8.1%)*
Domestic	326	*66.7%*	532	*100.0%*	*(38.7%)*
Export	163	*33.3%*	—	—	*n/m*
Acrylates					
Domestic	—	—	—	—	*n/m*
Export	—	—	—	—	*n/m*
Plastic compounds[(2)]	2,664	*1.4%*	1,788	*1.4%*	*49.0%*
Domestic	2,461	*92.4%*	1,747	*97.7%*	*40.9%*
Export	203	*7.6%*	41	*2.3%*	*395.1%*
Total revenue from plastics and organic synthesis products sales	**18,079**	***9.6%***	**11,273**	***8.8%***	***60.4%***
Domestic	**12,726**	***70.4%***	**8,385**	***74.4%***	***51.8%***
Export	**5,353**	***29.6%***	**2,888**	***25.6%***	***85.4%***

(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 percentage of total revenue.

(2) Including ABS plastics and PVC cable compounds.

PET: In 2010, revenues from PET sales increased by 14%, primarily as a result of an 11.1% increase in effective average selling prices, primarily driven by increased prices for PET globally, as well as a 2.6% increase in sales volumes.

Glycols: In 2010, revenues from sales of glycols increased by 83.6% primarily as a result of an increase in the effective average selling price as well as an increase in sales volumes. The Group's effective average selling price increased by 55.4% in 2010 on the back of the economic recovery after the 2008-2009 financial crisis. Sales volumes increased by 18.1% as a result of an increase in production, also driven by growing demand for glycols globally in light of the economic recovery.

Alcohols: In 2010, revenues from sales of alcohols increased by 86.7%, primarily as a result of a 81.0% increase in effective average selling prices as well as a slight increase of sales volumes by 3.2%. The increase in the effective average selling prices was primarily attributable to higher feedstock prices, favourable pricing environment for alcohols on international markets, as well as an increase in sales of premium alcohol grades.

BOPP-films: In September 2010, the Group began consolidating financial results of OOO Biaxplen NK, BOPP-films producer, following its acquisition. Revenue from BOPP-films sales in 2010 were RR 434 million.

Expandable polystyrene: In 2010, revenues from sales of expandable polystyrene decreased by 8.1%, which was primarily attributable to a decrease in sales volume by 26.9% which more than offset an increase in the effective average selling price of 25.7%. The decrease in sales volumes was due to the discontinuation of purchases of expandable polystyrene in 2009 and an increase in inventories of expandable polystyrene in 2010. At the same time, expandable polystyrene production increased by 14.1% as a result of the launch of a new production line in 2010.

Plastic compounds: In 2010, revenues from sales of plastic compounds increased by 49.0% as a result of a 28.6% increase in effective average selling price and a 15.9% increase in sales volumes, despite a slight decline in volumes. The increase in price was attributable to recovery of the markets after the 2008-2009 financial crisis resulting in increased prices for plastic compounds globally. The increase in sales volumes was due to an increase in production which was offset by higher inventories in 2010 compared to a reduction in inventories in 2009.

Intermediates and other chemicals: Revenue from sales of intermediates and other chemicals increased by 72.9%, from RR 14,020 million in 2009 to RR 24,247 million in 2010, primarily as a result of an increase in average selling prices by 55.3% and an increase in sales volumes by 11.4%. The Group uses a large portion of intermediates internally for further processing into higher value-added products within three petrochemical product groups discussed above. The Group's share of external sales of intermediates and other chemicals fluctuates significantly from period to period depending on market trends, shifts in supply and demand fundamentals, capacity constraints and other factors. The following table sets forth the Group's revenues from sales of intermediates and other chemicals for 2010 and 2009:

	Year ended 31 December				
	2010	***% of revenue*[(1)]**	**2009**	***% of revenue*[(1)]**	***Change %***
	RR millions, except as stated				
Intermediates, including					
Styrene	2,107	*1.1%*	2,049	*1.6%*	*2.8%*
Domestic	617	*29.3%*	554	*27.0%*	*11.4%*
Export	1,490	*70.7%*	1,495	*73.0%*	*(0.3%)*
Terephthalic acid	—	—	—	—	*n/m*
Ethylene oxide	1,490	*0.8%*	754	*0.6%*	*97.6%*
Domestic	1,321	*88.7%*	659	*87.4%*	*100.5%*
Export	169	*11.3%*	95	*12.6%*	*77.9%*
Isoprene	955	*0.5%*	599	*0.5%*	*59.4%*
Domestic	14	*1.5%*	9	*1.5%*	*55.6%*
Export	941	*98.5%*	590	*98.5%*	*59.5%*
Propylene	3,973	*2.1%*	1,889	*1.5%*	*110.3%*
Domestic	3,184	*80.1%*	1,633	*86.4%*	*95.0%*
Export	789	*19.9%*	256	*13.6%*	*208.2%*
Benzene	1,919	*1.0%*	1,036	*0.8%*	*85.2%*
Domestic	*1,919*	*100.0%*	*1,036*	*100.0%*	*85.2%*
Export	—	—	—	—	*n/m*
Isobutylene	608	*0.3%*	722	*0.6%*	*(15.8%)*
Domestic	453	*74.5%*	277	*38.4%*	*63.5%*
Export	155	*25.5%*	445	*61.6%*	*(65.2%)*
Butadiene	623	*0.3%*	123	*0.1%*	*406.5%*
Domestic	623	*100.0%*	77	*62.6%*	*709.1%*

	Year ended 31 December				
	2010	*% of revenue*[(1)]	2009	*% of revenue*[(1)]	*Change %*
		RR millions, except as stated			
Export	—	—	46	*37.4%*	*(100.0%)*
Ethylene	—	—	—	—	*n/m*
Other intermediates	2,640	*1.4%*	1,663	*1.3%*	*58.7%*
Domestic	2,221	*84.1%*	1,528	*91.9%*	*45.4%*
Export	419	*15.9%*	135	*8.1%*	*210.4%*
Total intermediates	14,315	*7.6%*	8,835	*6.9%*	*62.0%*
Domestic	10,352	*72.3%*	5,773	*65.3%*	*79.3%*
Export	3,963	*27.7%*	3,062	*34.7%*	*29.4%*
Other chemicals	9,932	*5.3%*	5,185	*4.1%*	*91.6%*
Domestic	8,619	*86.8%*	4,595	*88.6%*	*87.6%*
Export	1,313	*13.2%*	590	*11.4%*	*122.5%*
Total revenue from intermediates and other chemicals sales	**24,247**	***12.9%***	**14,020**	***11.0%***	***72.9%***
Domestic	**18,971**	***78.2%***	**10,368**	***73.9%***	***83.0%***
Export	**5,276**	***21.8%***	**3,652**	***26.1%***	***44.5%***

(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 percentage of total revenue.

Operating Expenses

The following table sets forth the Group's operating expenses for 2010 and 2009.

	Year ended 31 December				
	2010	*% of total revenue*	2009	*% of total revenue*	*Change %*
		RR millions, except as stated			
Feedstock and materials	34,191	*18.1%*	20,454	*16.0%*	*67.2%*
Transportation	26,803	*14.2%*	19,456	*15.2%*	*37.8%*
Energy and utilities	25,086	*13.3%*	20,236	*15.8%*	*24.0%*
Staff costs, including	22,798	*12.1%*	18,649	*14.5%*	*22.2%*
Long-term incentive (LTI) and one-off compensations	2,424	*1.3%*	4,252	*3.3%*	*(43.0%)*
Goods for resale	7,141	*3.8%*	3,834	*3.0%*	*86.3%*
Services provided by third parties	5,980	*3.2%*	6,160	*4.8%*	*(2.9)%*
Depreciation and amortisation	5,940	*3.1%*	4,423	*3.5%*	*34.3%*
Repairs and maintenance	3,902	*2.1%*	2,151	*1.7%*	*81.4%*
Rent expenses	2,575	*1.4%*	2,248	*1.8%*	*14.5%*
Taxes other than income tax	758	*0.4%*	555	*0.4%*	*36.6%*
Marketing and advertising	435	*0.2%*	578	*0.4%*	*(24.7%)*
Impairment of property, plant and equipment	426	*0.2%*	—	—	*n/m*
Charity and sponsorship	159	*0.1%*	78	*0.1%*	*103.8%*
Other	2,195	*1.2%*	5,830	*4.6%*	*(62.3%)*
Change in WIP and refined products balances	(1,638)	*(0.9%)*	1,604	*1.3%*	*n/m*
Total operating expenses	**136,751**	***72.5%***	**106,256**	***83.1%***	***28.7%***

The Group's operating expenses increased by 28.7%, from RR 106,256 million in 2009 to RR 136,751 million in 2010, primarily due to higher feedstock and materials, transportation, energy and utilities and staff costs. As a percentage of total revenue, operating expenses decreased from 83.1% in 2009 to 72.5% in 2010, primarily due to stronger growth in revenue resulting from higher sales volumes and increased prices following the recovery of the Russian economy from the 2008-2009 financial crisis.

Feedstock and materials

In 2010, feedstock and materials increased by RR 13,737 million, or 67.2%, from RR 20,454 million to RR 34,191 million, primarily due to an increase in NGLs purchasing expenses. As a percentage of total revenues the Group's feedstock and materials expenses increased from 16.0% in 2009 to 18.1% in 2010. The following table sets forth a breakdown of the Group's feedstock and materials purchasing expenses and volumes for 2010 and 2009.

	Year ended 31 December				
	2010	***% of feedstock and materials purchases***	**2009**	***% of feedstock and materials purchases***	***Change %***
		RR millions, except as stated			
APG					
Purchasing expenses	4,677	*13.7%*	4,009	*19.6%*	*16.7%*
Purchasing volumes (thousand cubic metres)	12,963,731		12,413,822		*4.4%*
NGLs					
Purchasing expenses	14,155	*41.4%*	6,300	*30.8%*	*124.7%*
Purchasing volumes (metric tons)	2,753,873		2,448,963		*12.5%*
Other feedstock and materials					
Purchasing expenses	15,359	*44.9%*	10,145	*49.6%*	*51.4%*
Total feedstock and materials	**34,191**	***100.0%***	**20,454**	***100.0%***	***67.2%***

In 2010, APG purchasing expenses increased by 16.7% as compared to 2009, primarily due to an increase in the effective average APG purchase price by 11.7% following the natural gas price increase by the FTS, while the APG purchasing volumes increased by 4.4% in 2010 as compared to 2009.

In 2010, expenses related to purchasing NGLs feedstock increased by 124.7%, primarily as a result of an increase in naphtha purchasing volumes and higher purchase price for raw NGL. Naphtha purchasing volumes increased 20 times in 2010, as the Group began purchasing naphtha from third parties for its ethylene cracker in Kstovo, in the Nizhny Novgorod region (see "Business — Operations — Products — Naphtha"). The average raw NGL purchase price increased due to low base effect of 2009 on a marginal decrease in raw NGL purchasing volumes.

Other feedstock and materials expenses increased by 51.4% in 2010 due to higher market prices as a result of economic recovery from the 2008-2009 financial crisis.

Transportation

Transportation expenses increased by 37.8% from RR 19,456 million in 2009 to RR 26,803 million in 2010. This increase was mainly attributable to higher transported volumes of feedstock and refined products, increase in domestic railway transportation tariffs combined with a lower discount on export deliveries of LPG that the Group was subject to, as well as higher UGSS transportation tariffs. As a percentage of total revenues, the Group's transportation expenses decreased from 15.2% in 2009 to 14.2% in 2010 due to strong growth in prices, which more than compensated transportation tariff growth.

Energy and utilities

Energy and utilities expenses increased by 24.0% from RR 20,236 million in 2009 to RR 25,086 million in 2010. This increase was primarily attributable to higher electricity consumption by the Group due to increased production volumes and growth in electricity and heat tariffs. As a percentage of total revenues, the Group's energy and utilities expenses decreased from 15.8% in 2009 to 13.3% in 2010, primarily due to strong growth in prices, which more than compensated tariff growth.

Staff costs

Staff costs increased by 22.2% from RR 18,649 million in 2009 to RR 22,798 million in 2010. This change was attributable to LTI and one-off compensation arrangements, which decreased by 43.0% in 2010 as compared to 2009. Net of LTI and one-off compensation arrangements, staff costs increased by 41.5% in 2010 as compared to 2009 from RR 14,397 million in 2009 to RR 20,374 million in 2010. This increase was mainly attributable to an increase in bonuses in 2010 when the Group's management decided to pay higher bonuses to employees as an additional incentive to compensate for lower bonuses in 2009. Other factors that contributed to the increase included an increase in the average monthly salary by 5.0%, while the average headcount decreased by 9.5% as a result of the Group's headcount optimization program. As a percentage of total revenues the Group's staff costs decreased from 14.5% in 2009 to 12.1% in 2010, primarily due to a decrease in average headcount.

Goods for resale

Expenses related to purchases of goods for resale increased by 86.3% from RR 3,834 million in 2009 to RR 7,141 million in 2010 primarily as a result of increased purchases and average purchasing price of synthetic rubbers. In 2010, the Group increased third-party purchases of synthetic rubbers in order to meet growth in demand by its tyres business, divested by the Group in December 2011. In September 2010, the Group changed the format of its cooperation with OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group, from processing to direct purchasing of polypropylene for further resale, which also contributed to the growth in goods for resale expense. As a percentage of total revenues, the Group's expenses related to purchases of goods for resale increased from 3.0% in 2009 to 3.8% in 2010.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 34.3% from RR 4,423 million in 2009 to RR 5,940 million in 2010, primarily as a result of launch of the Group's new production facilities. As a percentage of total revenues, depreciation and amortisation decreased from 3.5% in 2009 to 3.1% in 2010.

Repairs and maintenance

Repairs and maintenance expenses increased by 81.4% from RR 2,151 million in 2009 to RR 3,902 million in 2010 as a result of increased repairs and maintenance works in 2010 which were suspended in 2009 as a result of the financial crisis. As a percentage of total revenues, the Group's repairs and maintenance expenses increased from 1.7% in 2009 to 2.1% in 2010 as a result of strong revenue growth.

Rent expenses

Rent expenses increased by 14.5% from RR 2,248 million in 2009 to RR 2,575 million in 2010, primarily as a result of a 29.6% increase in leased rolling stock (to 5,521 cars and tankers as of 31 December 2010 from 4,261 units as of 31 December 2009), which related to higher sales volumes. As a percentage of total revenues, the Group's rent expenses decreased from 1.8% in 2009 to 1.4% in 2010.

Impairment of property, plant and equipment

In 2010, as a result of a regular impairment test, SIBUR reported an impairment charge of RR 426 million. RR 293 million of this impairment charge related to transportation facilities was associated with SIBUR's program to optimize its transportation infrastructure by selling or decommissioning certain unutilized or non-core gas pipelines. The remaining amount relates to a write-down provision on the outdated compressor equipment at one of synthetic rubber production sites.

Change in WIP and refined products balances

In 2010, the Group recorded a reversal of RR 1,638 million to the operating expenses as compared to an increase of RR 1,604 million in 2009, primarily due to accumulation of inventories of natural gas, basic polymers and certain plastics and organic synthesis products in 2010 and sales of inventories of natural gas, LPG and basic polymers in 2009.

Operating profit

As a result of the factors discussed above, the Group's operating profit increased by 140.5%, from RR 21,544 million in 2009 to RR 51,812 million in 2010. The Group's operating margin increased from 16.9% in 2009 to 27.5% in 2010.

Finance income and expenses, net

In 2010, the Group had a net finance income of RR 1,052 million as compared to a net finance expense of RR 1,593 million in 2009, primarily as a result of an increase in interest income and decrease in interest expense. The following table sets forth the Group's finance income/(expenses) data for 2010 and 2009.

	Year ended 31 December		
	2010	**2009**	***Change %***
	RR millions, except as stated		
Interest income	3,271	2,547	*28.4%*
Interest expense	(3,292)	(5,883)	*(44.0%)*
Foreign exchange gain/(loss)	352	(720)	*n/m*
Other finance income	721	2,463	*(70.7%)*
Total finance income/(expense), net	**1,052**	**(1,593)**	***n/m***

Interest income increased by 28.4% from RR 2,547 million in 2009 to RR 3,271 million in 2010 due to an increase in loans provided to the Group's tyres and mineral fertilizers businesses at the end of 2009.

Interest expense decreased by 44%, from RR 5,883 million in 2009 to RR 3,292 million in 2010 due to lower interest rates on borrowings. The Group's weighted average interest rate on Russian rouble denominated borrowings was 6.8% as of 31 December 2010 and 10.6% as of 31 December 2009. The Group's weighted average interest rate on US$-denominated borrowings was 4.8% as of 31 December 2010 and 7.1% as of 31 December 2009. The Group's weighted average interest rate on EUR-denominated borrowings was 5.9% as of 31 December 2010 and 8.2% as of 31 December 2009.

In 2010, the Group recorded a foreign exchange gain in the amount of RR 352 million as compared to a foreign exchange loss in the amount of RR 720 million in 2009, primarily due to revaluation of its foreign currency denominated debt.

In 2010, other finance income decreased by 70.7% from RR 2,463 in 2009 to RR 721 million. Other finance income in 2009 was attributable to a gain on forward contracts and was partially offset by a discount on loans receivable.

Share of net loss/income of joint ventures

In 2010, the Group recorded a share of net income in joint ventures RR 108 million and in 2009, the Group had a share of net loss of joint ventures of RR 88 million. This change was primarily associated with the results of OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group, and OOO ITSK, a joint venture providing IT services, primarily software and hardware maintenance, as well as metrology services.

Income tax expense

The Group's income tax expense increased by 209.1% from RR 3,964 million in 2009 to RR 12,251 million in 2010 as a result of higher taxable profit in 2010. The Group's effective income tax rate was 23.1% in 2010 and 19.7% in 2009.

Impairment of notes and other receivables

In 2009, the Group recognised RR 3,262 million in impairment provision on notes and other receivables of OAO Polief.

Gain on disposal of investments

In 2010, the Group recorded a gain on disposal of investments of RR 16 million. In 2009, the Group recorded a gain on disposal of investments of RR 3,514 million relating to the disposal of interest in methanol producer OOO Sibmetakhim in the form of settlement of loan payable.

Profit for the year

The Group's profit increased by 152.2% from RR 16,151 million in 2009 to RR 40,737 million in 2010. The Group's profit margin was 21.6% in 2010 and 12.6% in 2009.

Segment Analysis

The following table presents data on the Group's segments' revenue and EBITDA contribution for the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			RR millions		
Revenue	**198,957**	**181,471**	**248,660**	**188,563**	**127,800**
of which					
Total feedstock and energy	**119,671**	**110,724**	**149,478**	**108,379**	**67,271**
Inter-segment transfers	(22,867)	(27,548)	(36,329)	(28,389)	(8,183)
External feedstock and energy	96,804	83,176	113,149	79,990	59,088
Total petrochemicals	**99,956**	**93,590**	**134,243**	**105,510**	**62,357**
Inter-segment transfers	(6,181)	(5,184)	(9,525)	(3,500)	(1,830)
External petrochemicals	93,775	88,406	124,718	102,010	60,527
Unallocated	**16,337**	**15,202**	**18,221**	**12,268**	**10,147**
Inter-segment transfers	(7,959)	(5,313)	(7,428)	(5,705)	(1,962)
External other revenue	8,378	9,889	10,793	6,563	8,185
EBITDA	**60,240**	**62,669**	**86,669**	**58,178**	**25,967**
of which					
Feedstock and energy	52,236	51,056	68,106	49,136	24,678
Petrochemicals	14,293	18,334	24,330	20,330	8,347
Unallocated	(6,289)	(6,721)	(5,767)	(11,288)	(7,058)

Revenue

Feedstock and energy segment

Total revenue of the feedstock and energy segment increased by 8.1%, from RR 110,724 million in the nine months ended 30 September 2011 to RR 119,671 million in the corresponding period of 2012. External revenue of the feedstock and energy segment increased by 16.4%, from RR 83,176 million in the nine months ended 30 September 2011 to RR 96,804 million in the corresponding period of 2012. The increase in external revenue was primarily attributable to higher sales of natural gas, which benefited from the indexation of the regulated natural gas prices, MTBE on the back of strong domestic demand and positive pricing environment and naphtha due to higher volumes and weak rouble, which more than compensated for declines in US$-denominated international market prices. Inter-segment transfers represented primarily by sales of energy products, such as raw NGL, LPG and naphtha, to the petrochemicals segment both as feedstock and for further sale to the clients of the petrochemicals segment decreased by 17.0%, from RR 27,548 million in the nine months ended 30 September 2011 to RR 22,867 million in the corresponding period of 2012. The share of the inter-segment transfers in total feedstock and energy segment revenue decreased from 24.9% in the nine months ended 30 September 2011 to 19.1% in the corresponding period 2012. The decrease both in absolute and relative terms was primarily attributable to lower volumes of naphtha supplied to the petrochemicals segment.

Total revenue of the feedstock and energy segment increased by 37.9%, from RR 108,379 million in 2010 to RR 149,478 million in 2011. External revenue of the feedstock and energy segment increased by 41.5%, from RR 79,990 million in 2010 to RR 113,149 million in 2011. The increase in external revenue was primarily attributable to higher sales of LPG, naphtha, MTBE and natural gas on higher volumes of LPG and naphtha, growth in oil and oil derivative prices combined with a relatively weak rouble and the indexation of the regulated natural gas prices. Inter-segment transfers represented primarily by sales of energy products, such as raw NGL, LPG and naphtha, to the petrochemicals segment both as feedstock and for further sale to the clients of the petrochemicals segment increased by 28.0%, from RR 28,389 million in 2010 to RR 36,329 million in 2011, while the share of the inter-segment transfers in total feedstock and energy segment revenue decreased from 26.2% in 2010 to 24.3% in 2011. The growth in inter-segment transfers in absolute terms was largely due to higher prices for oil and oil derivatives. The marginal decrease in relative terms was primarily attributable to lower volumes of LPG supplied to the petrochemicals segment.

Total revenue of the feedstock and energy segment increased by 61.1%, from RR 67,271 in 2009 to RR 108,379 million in 2010. External revenue of the feedstock and energy segment increased by

35.4%, from RR 59,088 million in 2009 to RR 79,990 million in 2010. The increase in external revenue was primarily attributable to higher sales of LPG, naphtha and natural gas on higher volumes of LPG and naphtha, growth in oil and oil derivative prices and the indexation of the regulated natural gas prices. Inter-segment transfers represented primarily by sales of energy products, such as raw NGL, LPG and naphtha, to the petrochemicals segment both as feedstock and for further sale to the clients of the petrochemicals segment increased by 246.9%, from RR 8,183 million in 2009 to RR 28,389 million in 2010, primarily as a result of a change in transfer pricing approach to bring it in line with the relevant market prices, combined with higher prices for oil and oil derivatives. The share of the inter-segment transfers in total feedstock and energy segment revenue increased from 12.2% in 2009 to 26.2% in 2010 due to the change in transfer pricing approach.

Petrochemicals segment

Total revenue of the petrochemicals segment increased by 6.8%, from RR 93,590 million in the nine months ended 30 September 2011 to RR 99,956 million in the corresponding period 2012. External revenue of the petrochemicals segment increased by 6.1%, from RR 88,406 million in the nine months ended 30 September 2011 to RR 93,775 million in the corresponding period 2012 which was primarily attributable to higher volumes resulting primarily from the consolidation of new businesses and launch of new production lines in the plastics and organic synthesis product groups as discussed earlier. Inter-segment transfers represent primarily energy products, such as LPG, naphtha and fuel additives, including MTBE, produced by the petrochemical facilities as by-products, and supplied to the feedstock and energy segment for further sale to the clients of the latter segment, as well as certain intermediates that are used by the feedstock and energy segment for production of fuel additives and for further sales to the segments' clients. Inter-segment transfers increased by 19.2%, from RR 5,184 million in the nine months ended 30 September 2011 to RR 6,181 million in the corresponding period of 2012. The share of the inter-segment transfers in total petrochemicals segment revenue increased from 5.5% in the nine months ended 30 September 2011 to 6.2% in the corresponding period of 2012. The increase in absolute and relative terms was primarily due to higher volumes of energy products, supplied to the feedstock and energy segment.

Total revenue of the petrochemicals segment increased by 27.2%, from RR 105,510 million in 2010 to RR 134,243 million in 2011. External revenue of the petrochemicals segment increased by 22.3%, from RR 102,010 million in 2010 to RR 124,718 million in 2011 driven by solid growth in sales across the product groups due to higher prices and strong demand from end-customer industries. Inter-segment transfers represent primarily energy products, such as LPG, naphtha and fuel additives, including MTBE, produced by the petrochemical facilities as by-products, and supplied to the feedstock and energy segment for further sale to the clients of the latter segment, as well as certain intermediates that are used by the feedstock and energy segment for production of fuel additives and for further sales to the segments' clients. Inter-segment transfers increased by 172.1%, from RR 3,500 million in 2010 to RR 9,525 million in 2011. The share of the inter-segment transfers in total petrochemicals segment revenue increased from 3.3% in 2010 to 7.1% in 2011. The increase in absolute and relative terms was primarily due to higher volumes of energy products supplied to the feedstock and energy segment.

Revenue from petrochemicals segment increased by 69.2%, from RR 62,357 million in 2009 to RR 105,510 million in 2010. External revenue from petrochemicals segment increased by 68.5%, from RR 60,527 million in 2009 to RR 102,010 million in 2010. The increase in external sales was primarily attributable to solid growth in sales across the product groups, led by synthetic rubbers, due to higher prices and strong demand from end-customer industries. Inter-segment transfers represent primarily energy products, such as LPG, naphtha and fuel additives, including MTBE, produced by the petrochemical facilities as by-products, and supplied to the feedstock and energy segment for further sale to the clients of the latter segment. Inter-segment transfers increased by 91.3% primarily as a result of a change in transfer pricing approach to bring it in line with the relevant market prices. The share of the inter-segment transfers in total petrochemicals segment revenue increased from 2.9% in 2009 to 3.3% in 2010.

EBITDA

Feedstock and energy segment

EBITDA contribution of the feedstock and energy segment increased from RR 51,056 million in the nine months ended 30 September 2011 to RR 52,236 million in the corresponding period of 2012, or by 2.3%, which was lower than the segment's revenue growth. This is explained primarily by higher operating expenses, which partially offset revenue growth. An increase in operating expenses is primarily attributable to a non-recurring change in bonus provisions to the production facilities employees, higher transportation and repairs and maintenance costs.

EBITDA contribution of the feedstock and energy segment increased by 38.6%, from RR 49,136 million in 2010 to RR 68,106 million in 2011, largely in line with the revenue growth.

EBITDA contribution of the feedstock and energy segment increased by 99.1%, from RR 24,678 million in 2009 to RR 49,136 million in 2010, primarily as a result of strong revenue growth, which was not matched by a respective increase in operating expenses.

Petrochemicals segment

EBITDA contribution of the petrochemicals segment decreased by 22.0%, from RR 18,334 million in the nine months ended 30 September 2011 to RR 14,293 million in the corresponding period of 2012, primarily as a result of tighter spreads between feedstock and petrochemicals prices as well as higher staff costs due to a non-recurring change in bonus provisions to the production employees, and increases in transportation and repairs and maintenance costs.

EBITDA contribution of the petrochemicals segment increased by 19.7%, from RR 20,330 million in 2010 to RR 24,330 million in 2011, primarily as a result of solid revenue growth and wider spreads between feedstock and petrochemicals prices due to strong demand from end-customers industries.

EBITDA contribution of the petrochemicals segment increased by 143.6%, from RR 8,347 million in 2009 to RR 20,330 million in 2010 largely due to strong revenue growth and wider spreads between feedstock and petrochemicals prices on the back of the economic recovery from the 2008-2009 crisis.

Liquidity and Capital Resources

The Group's principal source of liquidity is cash generated from its operations, cash and cash equivalents and credit extended by, and borrowings from, financial institutions. Following the Offering, the Group may, from time to time, also rely on additional debt and equity offerings to raise capital. The Group's ability to rely on these sources of funding could be affected by its results of operations and financial position and by the conditions in the Russian and international financial markets.

Working Capital

As of 30 September 2012, the Group had cash and cash equivalents of 9,176 million (including deposits with banks of RR 4,241 million, but excluding restricted deposits of RR 1,106 million) and total debt of RR 80,850 million. The Group's working capital, calculated as current assets minus current liabilities, was negative RR 5,331 million as of 30 September 2012. In addition, the Group's management monitors its liquidity and operational efficiency on the basis of its adjusted working capital. As of 30 September 2012, 31 December 2011, 2010 and 2009, the Group's adjusted working capital was positive RR 28,873 million, RR 35,446 million, RR 22,129 million and RR 20,864 million, respectively. In calculating adjusted working capital, the Group makes the following adjustments to current assets and current liabilities:

Adjusted working capital calculation	As of 30 September	As of 31 December		
	2012	2011	2010	2009
	RR millions, except as stated			
Current assets	70,291	100,169	76,638	62,117
Current liabilities	(75,622)	(71,908)	(69,660)	(50,212)
Working capital	**(5,331)**	**28,261**	**6,978**	**11,905**
Adjustments to current assets, including:	**(17,498)**	**(37,611)**	**(29,674)**	**(24,475)**
Receivables for disposed businesses	—	(11,368)	—	—
Loans receivable	(1,126)	(911)	(10,299)	(9,804)
Cash and cash equivalents	(9,176)	(14,971)	(15,416)	(14,846)
Restricted cash	(1,106)	—	—	—
Assets classified as held for sale	(3,884)	(5,993)	(2,802)	—
Listed equity securities held for trading	—	(1,400)	—	—
Derivative financial instruments	—	(548)	—	—
Prepaid borrowing cost	(2,354)	(2,784)	(1,389)	—
Recoverable VAT related to assets under construction(1)	148	364	232	175
Adjustments to current liabilities, including:	**51,702**	**44,796**	**44,825**	**33,434**
Accounts payable to contractors and suppliers of property, plant and equipment	11,128	9,094	8,365	1,374
Payables for acquisition of subsidiaries	1,697	—	—	—
Short-term promissory notes payable	—	2,631	6,060	6,276
Interest payable	276	510	234	567
Grants and subsidies	1,900	700	—	—
Short-term debt and current portion of long-term debt	36,701	31,194	30,166	25,217
Liabilities associated with non-current assets classified as held for sale	—	667	—	—
Adjusted working capital	**28,873**	**35,446**	**22,129**	**20,864**
Revenue (for the period then ended)	198,957	248,660	188,563	127,800
Working capital days(2)	39.8	52.0	42.8	59.6

(1) Represents non-current portion.

(2) Working capital days, defined as adjusted working capital at the end of the period multiplied by the number of days in the relevant period, the product of which is divided by total revenue for the relevant period, expressed in days.

Cash Flows

Set forth below is an overview of the Group's cash flow for the periods indicated.

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
	RR millions				
Net cash from operating activities	54,896	51,061	54,181	51,431	20,103
Net cash used in investing activities	(29,707)	(82,160)	(41,290)	(50,809)	(8,398)
Net cash (used in)/from financing activities	(30,586)	19,382	(12,526)	(204)	(5,772)
Effect of exchange rate changes on cash and cash equivalents	(398)	(144)	(810)	152	133
Net (decrease)/increase in cash and cash equivalents	**(5,795)**	**(11,861)**	**(445)**	**570**	**6,066**

Net cash from operating activities

In the nine months ended 30 September 2012, the Group's net cash from operating activities increased by 7.5%, from RR 51,061 million in the nine months ended 30 September 2011 to RR 54,896 million in the corresponding period of 2012. Operating cash flows before working capital changes marginally increased from RR 63,567 million in the nine months ended 30 September 2011 to RR 63,801 million in the corresponding period of 2012, despite lower EBITDA. Changes in working capital had a positive impact of RR 1,176 million in the nine months ended 30 September 2012 versus a negative impact of RR 1,094 million in the respective period of 2011.

In 2011, the Group's net cash from operating activities increased by 5.3% from RR 51,431 million in 2010 to RR 54,181 million in 2011. This increase was attributable to the Group's strong operational performance, which was largely offset by the negative effect of changes in working capital and higher income tax paid.

In 2011, changes in working capital had a negative impact on the Group's cash flow from operating activities in the amount of RR 11,926 million (the reported revenue increase for the period totalled RR 60,097 million, or 31.9%) compared to a net positive effect of RR 3,953 million in 2010 (the reported revenue increase for the period totalled RR 60,763 million or 47.5%). The year-on-year movements in working capital in 2011 and 2010 were impacted by several non-recurring factors in both 2010 and 2011 that resulted in a sharp decrease in the net working capital balance and working capital days at the end of 2010 and in an increase in the working capital balance and working capital days at the end of 2011, as discussed below.

The increase in working capital in 2011 was partially attributable to the growing scale of the Group's business, while there were also several non-recurring factors that negatively affected the Group's working capital days. These factors comprised the following:

- Inventory of refined products increased primarily due to a change in the Group's marketing and distribution strategy for basic polymers and synthetic rubbers, as the Group eliminated third-party intermediaries to have direct access to customers. This change resulted in higher inventory and refined products in transit balances at the end of 2011 (see " — Results of Operations — Year Ended 31 December 2011 Compared to Year Ended 31 December 2010 — Operating Expenses — Change in WIP and refined products balances"). This, combined with deliberate increases by the Group in inventory balances of several products, led to higher inventory days (which the Group defines as the number of days goods and materials remain in inventory before being sold or being put into production), which increased to 32.6 days in 2011 from 24.5 days in 2010; and
- Payables to employees decreased in 2011 as the Group fully settled its obligations under a long-term incentive program that it had terminated in 2010 and paid higher bonuses to employees to compensate for the lower bonuses paid in 2009 due to the difficult economic environment in 2009. As a result, days of payables to employees (which the Group defines as the number of days payables to employees remain due before being paid) decreased to 6.0 days in 2011 from 11.4 days in 2010.

Primarily as a result of these factors, working capital days increased to 52.0 days in 2011 from 42.8 days in 2010. While this increase represents a deterioration in working capital days in 2011 as compared to 2010, the underlying trend in working capital over the period under review was positive with significant improvement compared to approximately 59.6 working capital days in 2009, as discussed below.

In 2010, the Group's net cash from operating activities increased by 155.8% from RR 20,103 million in 2009 to RR 51,431 million in 2010. This increase was attributable to the Group's strong operational performance as well as the positive contribution from changes in working capital.

The decrease in the working capital position at the end of 2010 and the positive impact this change had on the net cash from operating activities was primarily attributable to the following:

- During 2010, the Group changed its VAT reimbursement procedures from "permissive" to "notifying" in line with the changes in the applicable tax regime, which came into effect as of 1 January 2010. As a result of this change in procedures, the period for VAT reimbursement (which the Group defines as the number of days VAT remains outstanding before being recovered from the budget) was shortened significantly: on average, VAT reimbursement days decreased to 6.4 days in 2010 from 16.4 days in 2009, which reduced the overall working capital balance as of 31 December 2010. Throughout 2010, the Group adopted a conservative policy for applying VAT reimbursement rights by recording the full amount of VAT payables and receivables until it received confirmation of the right to reimbursement; and

- Trade receivables decreased as the Group significantly improved collection of receivables from both domestic and export customers. In particular, the Group streamlined its export sales by integrating its export trading firm SIBUR International GmbH (formerly Citco Waren-Handelsgesellshaft m.b.H.), which was acquired in 2009 to eliminate the Group's reliance on third-party intermediaries. As a result of these efforts, trade receivable days (which the Group defines as the number of days receivables remain outstanding before being collected) decreased to 18.1 days in 2010 from 39.2 days in 2009.

The above factors resulted in a significant improvement in working capital days to 42.8 days in 2010 from 59.6 days in 2009.

Net cash used in investing activities

In the nine months ended 30 September 2012, the Group's investing activities related primarily to:

- payments for purchases of property, plant and equipment of RR 48,165 million in connection with the implementation of the Group's investment program and its strategic investment projects (see " — Capital Expenditures");
- loans issued in the total amount of RR 1,838 million primarily to the BIAXPLEN group of companies (prior to its consolidation) and Yuzhno-Priobskiy GPP (joint venture investment project with the Gazprom Neft Group); and
- cash spent on acquisition of interest in the BIAXPLEN group of companies in the amount of RR 1,138 million.

The above cash outflows were partially offset by the following cash inflows:

- proceeds from disposals: RR 6,584 million from the disposal of ZAO Voronezh Tyre Plant and OAO Kirov Tyre Plant, RR 7,751 million from the disposal of mineral fertilizers businesses;
- proceeds from settlement of receivables from the Amtel Group of RR 2,631 million;
- proceeds received from the sale of a stake in OAO Phosagro in the amount of RR 2,273 million; and
- dividend payments from OOO NPP Neftekhimia, other JVs and OAO Phosagro in the total amount of RR 1,365 million.

In the nine months ended 30 September 2011, the Group's investing activities related primarily to:

- payments for purchases of property, plant and equipment of RR 32,612 million in connection with the implementation of the Group's investment program and its strategic investment projects (see " — Capital Expenditures");
- loans issued in the total amount of RR 42,454 million, including RR 31,500 million provided to ZAO Miracle for a partial refinancing of ZAO Miracle's borrowings obtained for the acquisition of SIBUR's shares; and
- cash spent on acquisition of interest in joint ventures, which primarily included RR 12,000 million contribution to the share capital of OOO RusVinyl for financing of its investment program.

The Group's net cash used in investing activities was RR 41,290 million in 2011, RR 50,809 million in 2010 and RR 8,398 million in 2009.

In 2011, the Group's investing activities related primarily to:

- payments for purchases of property, plant and equipment of RR 55,553 million in connection with the implementation of the Group's investment program and its strategic investment projects (see " — Capital Expenditures");
- loans issued to ZAO Miracle in the amount of RR 34,250 million provided for a partial refinancing of ZAO Miracle's borrowings obtained for the acquisition of SIBUR's shares. Loans to ZAO Miracle were eliminated on consolidation in November 2011, when SIBUR acquired 100% control of ZAO Miracle;

- cash spent on acquisition of interest in joint ventures, which was attributable to the contribution of RR 12,650 million to the share capital of OOO RusVinyl, the Group's joint venture with SolVin Holding Nederland B.V. for financing of OOO RusVinyl's investment program; and
- net cash proceeds from the disposal of the mineral fertilizers and tyres businesses in the amount of RR 33,023 million, which is equivalent to RR 37,318 million of cash proceeds received in 2011 net of related income tax of RR 4,295 million paid by SIBUR in 2011. In addition to cash proceeds from the disposal of the mineral fertilizers and tyres businesses, the Group also received RR 6,921 million in dividends from the divested businesses.

In 2010, the Group's investing activities related primarily to:

- payments for purchases of property, plant and equipment of RR 39,423 million in connection with the implementation of the Group's investment program and its strategic investment projects (see " — Capital Expenditures");
- investment in the share capital of the tyres business of RR 6,000 million;
- purchase of receivables of Amtel Group for RR 4,205 million; and
- acquisition of interest in joint ventures related to the purchase of 50% in PP producer OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group, for RR 3,360 million.

The above cash outflows were partially offset by cash inflows from proceeds from sale of property, plant and equipment in the amount of RR 1,489 million.

In 2009, the Group's investing activities related primarily to:

- payments for purchases of property, plant and equipment of RR 24,934 million (see " — Capital Expenditures");
- cash spent on acquisition of interest in subsidiaries of RR 8,192 million, attributable to the purchase of the export trading firm Citco Waren-Handelsgesellschaft m.b.H. (renamed SIBUR International GmbH in 2011); and
- purchase of equity instruments of the tyres business in the amount of RR 4,981 million.

The above cash outflows were partially offset by cash inflows from a return of cash and cash equivalents during 2009 that the Group had accumulated primarily in prior periods as short-term deposits as an additional liquidity control measure.

Net cash used in financing activities

Net cash used in financing activities in the nine months ended 30 September 2012 related primarily to a net repayment of the Group's debt and RR 21,785 million in dividend payment, partially compensated by RR 3,377 million of grants and subsidies received by SIBUR from various regional budgets.

Net cash used in financing activities in the nine months ended 30 September 2011 related primarily to proceeds from new borrowings and sale of treasury shares to OAO Gazprombank for a total amount of RR 6,984 million in February 2011.

The Group's net cash used in financing activities was RR 12,526 million in 2011, RR 204 million in 2010 and RR 5,772 million in 2009.

Net cash used in financing activities in 2011 related primarily to higher amounts of debt repaid as compared to proceeds from new borrowings, while at the same time, the Group's debt increased, which resulted from the assumption of ZAO Miracle's debt at SIBUR's acquisition of ZAO Miracle (see Note 32 to the Annual Combined Financial Information). Net cash used in financing activities in 2011 was positively affected by grants and subsidies in the amount of RR 13,632 million received by the Group from various regional budgets. As a major investor in infrastructure and social projects in the regions of its operations, SIBUR has signed cooperation agreements with a number of regional authorities, including investment and financial support agreements, which allowed the Group to partially refund capital expenditures incurred in the respective regions subject to certain conditions, including investments in business and social infrastructure and local payment of income taxes.

In 2010, net cash used in financing activities related primarily to higher amounts of new borrowings compared to repayment of existing debt. Additionally in 2010, the Group received RR

6,339 million in grants and subsidies from various regional budgets as discussed above. During the same period the Group paid dividends to shareholders in the amount of RR 4,612 million.

In 2009, proceeds from new borrowings were largely in line with the amounts of debt repaid by the Group. The Group's net cash used in financing activities was positively impacted by RR 9,000 million in proceeds from issue of ordinary shares and RR 5,000 million in proceeds from issue of promissory notes, while settlement of forward contracts resulted in cash outflow in the amount of RR 4,688 million. The Group also paid RR 8,760 million in dividends to shareholders.

Capital Expenditures

In connection with the implementation of the Group's investment programme and its strategic investment projects, payments for purchases of property, plant and equipment amounted to RR 48,165 million and RR 32,612 million in the nine months ended 30 September 2012 and 2011, respectively, and RR 55,553 million, RR 39,423 million and RR 24,934 million in 2011, 2010 and 2009, respectively. The following table sets forth information on the Group's key capital expenditure projects in the nine months ended 30 September 2012 and the three years ended 31 December 2011, 2010 and 2009.

		Nine months ended 30 September	Year ended 31 December			
Location	**Description**	**2012**	**2011**	**2010**	**2009**	**Completion stage**
			RR millions, net of VAT			
Feedstock and Energy						
Transportation infrastructure development						
Western Siberia	Purovsk – Pyt-Yakh – Tobolsk pipeline	13,306	553	158	24	2015
Leningrad region	Ust-Luga LPG and light oils trans-shipment facility	4,487	6,423	2,766	246	2013
Gas processing capacity modernization and expansion						
Noyabrsk	Construction of a GPP on the basis of Vyngapurovskaya compressor station	2,028	1,639	679	—	Completed
Pyt-Yakh	New gas processing unit at Yuzhno-Balykskiy GPP	827	920	459	—	Completed
Nizhnevartovsk	Third compressor station[1]	474	1,931	23	37	Completed
Gas fractionation capacity modernization and expansion						
Tobolsk	Second GFU	1,809	337	145	73	End of 2014
Petrochemicals						
Tobolsk	Tobolsk-Polymer Plant	13,682	22,463	7,083	5,446	2013
Voronezh	New thermoplastic elastomers production	1,633	1,015	215	46	2013
Tobolsk	"ZapSib-2" project FEED stage	1,584	208	—	—	2nd half of 2013
Kstovo	Steam cracker upgrade	1,226	1,240	494	229	2014
Blagoveshchensk	Expansion of PET production	586	46	—	—	2014
Novokuybyshevsk	Expansion of BOPP-film production	530	121	—	—	2014
Perm	Expandable polystyrene production line	473	1,379	1,246	762	Completed
Tomsk	New BOPP-film production	454	22	—	—	2013
Togliatti	Modernization/expansion of butyl rubber production	426	140	46	16	2013

(1) Including TNK-BP's share of financing.

The Group expects its full year 2012 aggregate capital expenditures to reach RR 75 billion net of VAT, and the Group's aggregate capital expenditures for the period from 2009 through 2012 to total RR 195 billion net of VAT (excluding investments under joint venture arrangements, loans issued to joint ventures or acquisitions). These investments have been incurred primarily to expand and modernise the Group's feedstock processing capacity (the Group has invested approximately RR 22 billion from 2009 to 2012); develop the Group's transportation infrastructure (the Group has invested approximately RR 59 billion from 2009 to 2012) and expand and modernize the Group's petrochemical production capacity (the Group invested approximately RR 89 billion from 2009 to 2012).

In December 2012, SIBUR's Board of Directors approved the 2013 capital expenditures budget in the aggregate amount of RR 74 billion (net of VAT). See "Business — Investment Programme and Capital Expenditure" for a description of the key projects that have been approved by the Group as part of these planned investments. The Group currently expects that it will finance these capital expenditures through a combination of cash flows from operations, cash and cash equivalents and new borrowings within the limits of its financial policy.

Debt Obligations

The Group's total debt was RR 80,850 million as of 30 September 2012, RR 82,910 million as of 31 December 2011, RR 58,698 million as of 31 December 2010 and RR 55,664 million as of 31 December 2009. As of the dates presented below, borrowings consisted primarily of loans from international and Russian banks. SIBUR has established and maintains good relationships with its principal lenders, which has facilitated its ability to obtain debt financing. As of 30 September 2012, all of the Group's debt was unsecured with the exception of the Tobolsk-Polymer project finance facility agreement dated 18 September 2009, as amended by addenda dated 27 July 2010, 14 October 2010 and 22 October 2010 (see " — Long term debt — Project finance" for details of this facility).

The following table provides a summary of the Group's outstanding indebtedness by creditor as of 30 September 2012, 31 December 2011, 31 December 2010 and 31 December 2009.

			As of 30 September	As of 31 December		
	Currency	Due	2012	2011	2010	2009
				RR millions		
Variable rate loans						
UniCredit Bank	US$, EUR	2011-2019	5,541	858	3,032	4,234
ING Bank	RR, US$, EUR	2008-2021	4,519	6,406	981	748
Nordea Bank	US$, EUR	2011-2016	10,799	11,246	6,490	6,424
Vnesheconombank	US$	2013-2023	17,704	13,718	1,478	339
Rosbank	US$	2013	4,638	4,829	—	—
Sberbank of Russia	RR	2012	—	3,000	—	—
HSBC Bank plc	US$	2012-2014	4,638	2,415	—	—
The Royal Bank of Scotland	US$, EUR	2012	1,272	—	—	—
Raiffeisen Bank	US$	2012-2013	4,638	4,829	—	—
Citibank International	US$, EUR	2012	572	431	—	—
Fixed rate loans						
Russian rouble denominated bonds	RR	2012	31	31	31	31
Gazprombank	RR, US$, EUR	2012-2017	1,855	—	9,199	9,595
Mezhregiongaz	RR	2011-2014	3,679	4,547	4,511	4,946
TNK-BP	RR, US$	2013-2017	4,722	4,545	3,598	3,265
Sberbank of Russia	RR, US$	2011-2014	14,143	18,000	6,095	6,049
NPP Neftekhimia	RR	2012-2015	525	500	—	—
TransCreditBank	RR	2012	—	2,900	—	—
Credit Agricole	RR	2012	—	3,000	—	—
Credit Suisse	RR	2012	—	1,500	—	—
The Royal Bank of Scotland	US$	2012	1,546	—	—	—
Kommerz Investments	RR	2010-2011	—	—	20,033	20,033
Other	RR, US$	2011-2013	28	155	3,250	—
Total debt			**80,850**	**82,910**	**58,698**	**55,664**

The following table provides scheduled maturities of the Group's outstanding debt as of 30 September 2012, 31 December 2011, 31 December 2010 and 31 December 2009:

	As of 30 September 2012	*% of total borrowings*	As of 31 December 2011	*% of total borrowings*	As of 31 December 2010	*% of total borrowings*	As of 31 December 2009	*% of total borrowings*
	RR millions, except as stated							
Due for repayment:								
Within one year	36,701	*45.4%*	31,194	*37.6%*	30,166	*51.4%*	25,217	*45.3%*
Between one and two years	17,050	*21.1%*	16,364	*19.7%*	4,633	*7.9%*	17,133	*30.8%*
Between two and five years	13,830	*17.1%*	22,636	*27.3%*	20,974	*35.7%*	10,646	*19.1%*
After five years	13,269	*16.4%*	12,716	*15.4%*	2,925	*5.0%*	2,668	*4.8%*
Total debt	**80,850**	***100.0%***	**82,910**	***100.0%***	**58,698**	***100.0%***	**55,664**	***100.0%***

The following table provides currency split of the Group's outstanding debt as of 30 September 2012, 31 December 2011, 31 December 2010 and 31 December 2009:

	As of 30 September 2012	*% of total borrowings*	As of 31 December 2011	*% of total borrowings*	As of 31 December 2010	*% of total borrowings*	As of 31 December 2009	*% of total borrowings*
	RR millions, except as stated							
Denominated in:								
RR	20,389	*25.2%*	39,910	*48.1%*	28,667	*48.8%*	24,876	*44.7%*
Euro	2,619	*3.2%*	2,630	*3.2%*	12,307	*21.0%*	17,498	*31.4%*
US Dollar	57,842	*71.6%*	40,370	*48.7%*	17,724	*30.2%*	13,290	*23.9%*
Total debt	**80,850**	***100.0%***	**82,910**	***100.0%***	**58,698**	***100.0%***	**55,664**	***100.0%***

The following table provides the Group's key liquidity and credit ratios as of 30 September 2012, 31 December 2011, 31 December 2010 and 31 December 2009:

	As of 30 September	**As of 31 December**		
	2012	**2011**	**2010**	**2009**
Debt/equity[(1)]	0.43x	0.50x	0.51x	0.65x
Debt/EBITDA[(2)]	0.96x	0.96x	1.01x	2.14x
Net debt/EBITDA	0.85x	0.78x	0.74x	1.57x
EBITDA/Interest expense[(3)]	108x	34x	18x	4x

(1) Debt to equity, which is a non-IFRS measure, means total debt divided by total equity.

(2) Debt to EBITDA, which is a non-IFRS measure, means total debt divided by EBITDA. As of 30 September 2012, debt to EBITDA is calculated as total debt divided by EBITDA for the twelve months ended 30 September 2012. EBITDA for the twelve months ended 30 September 2012 is calculated by adding the EBITDA for the nine months ended 30 September 2012 to EBITDA for the three months ended 31 December 2011 (which is EBITDA for the year ended 31 December 2011 less EBITDA for the nine months ended 30 September 2011).

(3) EBITDA to interest expense, which is a non-IFRS measure, means EBITDA for the reporting period divided by interest expense reported in the same period.

The Group has adopted a financial policy that includes maintaining a net debt to EBITDA ratio of no higher than 2.5x and EBITDA to interest expense ratio of no lower than 7x. In addition, the policy requires the Group to maintain average forward-looking net debt/EBITDA for the three forthcoming years of not higher than 2.0x. These objectives are stricter than the bank covenants included in the Group's most restrictive credit agreements. As of 30 September 2012, the Group's net debt to EBITDA ratio was 0.85x and EBITDA to interest expense ratio was 108x.

As of 30 September 2012, the Group had RR 70,680 million available under its existing credit facilities, of which RR 48,944 million were committed. Committed credit facilities include RR 24,668 million under the Tobolsk-Polymer project finance facility, which can be used only for construction of this project as well as RR 93 million of ECA-backed financing linked to particular import contracts. The remaining RR 24,183 million are available for general corporate purposes and are sufficient to cover the Group's short-term liquidity needs.

Set out below is a description of the Group's most significant borrowings outstanding as at 30 September 2012.

Long-term debt

Project finance

Tobolsk-Polymer Credit Facility

In September 2009, SIBUR's subsidiary, OOO Tobolsk-Polymer, entered into a US$ 153 million bridge credit facility agreement with State Corporation Vnesheconombank (VEB) for the purpose of financing the construction of the polypropylene production plant in Tobolsk. The facility agreement was subsequently amended to increase its principal amount to US$ 1,220 million and to extend the tenor of the facility. The facility is available for drawdown until 18 February 2013. OOO Tobolsk-Polymer must repay the credit facility in 21 semi-annual equal installments starting on the date falling three years and six months after the date of the execution of the credit facility. The final maturity of the facility is in March 2023. As of 30 September 2012, equivalent of RR 17,704 million was outstanding under this facility.

The facility agreement contains the following covenants, including, *inter alia*, an obligation to (i) use certain minimum amount of own funds for financing of the project (ii) agree with VEB certain disposals and encumbrances; (iii) agree with VEB third-party financing; (iv) agree with VEB security provided in favour of third parties; (v) enter into an agreement with a specialized company to monitor construction related to the project; (vi) ensure the election of the VEB's representative to the board of directors of OOO Tobolsk-Polymer; and (vii) comply with environmental and social obligations applicable to the project construction.

The facility is secured by pledges of property, plant and equipment of the borrower, pledge of a 100% stake in OOO Tobolsk-Polymer and mortgage of lease rights. In addition, SIBUR issued a suretyship in favour of VEB securing the repayment of (i) the principal amount and interest payments under the credit facility before project completion (targeted for 2013) and (ii) interest payments after the project completion. The facility agreement also contains an undertaking of the borrower to pledge the property acquired using the proceeds of the credit facility.

Credit facility agreements between SIBUR and Nordea Bank

- In February 2010, SIBUR entered into a US$ 149.3 million unsecured revolving credit facility agreement for general corporate purposes. The facility is available for drawdown in tranches until 17 February 2013. The final maturity of the facility is in February 2014. As of 30 September 2012, an equivalent of RR 4,616 million was outstanding under the facility agreement.
- In May 2011, SIBUR entered into a US$ 200 million unsecured revolving credit facility agreement for general corporate purposes. The facility is available for drawdown in tranches until 13 May 2015. The final maturity of the facility is in May 2016. As of 30 September 2012, an equivalent of RR 6,183 million was outstanding under the facility agreement.

Credit facility agreement between SIBUR and Rosbank

In September 2010, SIBUR entered into a US$ 150 million unsecured non-revolving credit facility agreement with Banque Societe Generale Vostok (later substituted by OAO AKB Rosbank) for general corporate purposes. The facility matures in September 2013. As of 30 September 2012, an equivalent of RR 4,638 million was outstanding under the facility agreement.

Credit facility agreement between SIBUR and HSBC

In April 2012, SIBUR entered into a US$ 150 million unsecured credit facility agreement for general corporate purposes. The facility must be repaid in seven equal installments with the final maturity date falling 30 months after the drawdown made in April 2012. As of 30 September 2012, an equivalent of RR 4,638 million was outstanding under the facility agreement.

Credit facility agreements between SIBUR and Sberbank

- In July 2011, SIBUR entered into a RR 12,000 million unsecured revolving credit line agreement for general corporate purposes. The credit line matures in July of 2014. As of 30 September 2012, RR 9,000 million was outstanding under this credit line agreement.
- In August 2011, SIBUR entered into a RR 9,000 million unsecured credit facility agreement for general corporate purposes. The facility must be repaid in seven equal installments. The final maturity of the facility is in August of 2013. As of 30 September 2012, RR 5,143 million was outstanding under this facility agreement.

Other long-term debt

Loan agreement with OOO Mezhregiongaz

The Group has a number of unsecured loan agreements with OOO Mezhregiongaz, a subsidiary of Gazprom. The loans were provided to the Group to implement the St. Petersburg government programme in relation to the construction of gas infrastructure assets in St. Petersburg area. The Group's subsidiaries were appointed as executors of this programme. OOO Mezhregiongaz acts as a contractor for the construction of assets, and the Group agreed to sell these assets following the completion of the construction, with the proceeds from such sales to be used for repayment of the outstanding amount under the loan agreements. As of 30 September 2012, RR 3,679 million was outstanding under the loans from OOO Mezhregiongaz.

Debt owed to OAO TNK-BP Holding

As of 30 September 2012, the Group has RR 4,722 million outstanding in long-term debt owed to TNK-BP, which represents an aggregation of cash contributions made by TNK-BP to set up a gas processing joint venture with the Group in 2007 (OOO Yugragazpererabotka) and to finance OOO Yugragazpererabotka's development in the period from 2007 to 2011. See "Business — Operating Joint Ventures with Russian Oil Companies". This debt matures in the period from 2013 and 2017 and is unsecured.

Short-term debt

Credit facility agreement with UniCredit Bank

- In July 2012, SIBUR entered into a US$ 150 million unsecured term loan credit facility agreement for the financing of current operations. The facility must be repaid in 12 months from the date of its execution. As of 30 September 2012, equivalent of RR 4,638 million was outstanding under this facility agreement.

Credit facility agreements with The Royal Bank of Scotland

- In September 2010, SIBUR entered into an unsecured revolving credit line agreement with RBS N.V., London Branch (which was subsequently substituted by RBS plc), in the amount of up to US$ 150 million (reduced to US$ 100 million by addenda dated 20 December 2011) for general corporate purposes. As of 30 September 2012, equivalent of RR 928 million was outstanding under this credit line agreement. The credit line matured in December 2012 and the agreement was terminated.
- In June 2012, SIBUR entered into an unsecured revolving credit facility agreement with ZAO RBS, as amended in December 2012, allowing SIBUR to borrow up to US$ 200 million for general corporate purposes. The facility agreement matures in June 2015. As of 30 September 2012, equivalent of RR 1,546 million was outstanding under this facility agreement.

Credit facility agreements with Raiffeisen Bank International

- In August 2011, SIBUR entered into an unsecured term loan facility agreement in an amount of up to US$ 150 million for general corporate purposes. The facility matures in August 2013. As of 30 September 2012, equivalent of RR 4,638 million was outstanding under this facility agreement.

Credit facility agreements with Gazprombank

- In January 2006, SIBUR entered into an agreement in relation to general conditions for execution of transactions with OAO Gazprombank which provides for financing through OAO Gazprombank's electronic dealing system. The agreement is effective for one year from the date of its execution and is automatically extended for another year. As of 30 September 2012, RR 1,855 million was outstanding under this agreement.

The Group's borrowings provide for a number of covenants, including, *inter alia*, maintaining certain financial ratios (including debt/EBITDA ratio) and restrictions on disposals and encumbrances of certain assets with certain exceptions, as well as restrictions on a change of control over the Company.

Off-Balance Sheet Liabilities

As of 30 September 2012, the Group had the following off-balance sheet liability as disclosed in the Interim Combined Financial Information: a finance guarantee for 50% of the loan obtained by

OOO RusVinyl under a Euro 450 million and RR 12,085 million multi-credit facility agreement entered into on 17 June 2011 with EBRD, OAO Sberbank, ING Bank N.V., ING Belgium S.A., HSBC France, BNP Paribas and Fortis Bank N.V. (lenders) for the purpose of financing the construction of a polyvinyl production facility in Kstovo, Nizhny Novgorod region.

OOO RusVinyl must repay the credit facility in 18 semi-annual instalments, with the final maturity date being 30 September 2022 in relation to the EBRD and Sberbank portion of the credit facility and 30 September 2023 in relation to the COFACE covered facility and ONDD covered facility. SIBUR's guarantee under the facility is structured as a debt service undertaking covering 50% of the RusVinyl's obligations under the facility agreement effective until the project completion date (as defined in the facility documentation), with the other 50% secured by SolVin Holding Nederland B.V., SIBUR's partner in the joint venture. After the project completion date (as defined in the facility documentation), SIBUR's debt service undertaking will be replaced by an obligation to provide liquidity support to RusVinyl in an amount limited to EUR 62.5 million, covering 50% of the total amount of liquidity support required under the facility documentation, with the other 50%, or EUR 62.5 million, to be provided by SolVin Holding Nederland B.V. The facility is also secured by pledges of OOO RusVinyl's property, plant and equipment, contracts rights, insurance rights, project accounts and inventories, a 100% stake in OOO RusVinyl (including a pledge of the 50% stake in OOO RusVinyl owned by the Group), a pledge agreement in relation to loans provided to OOO RusVinyl by the Group and by SolVin Holding Nederland B.V., and assignment of receivables under reinsurance contracts executed by the borrower from time to time. As of 30 September 2012, 31 December 2011, 2010 and 2009, the maximum credit risk exposure due to this financial guarantee was RR 8,477 million, RR 3,089 million, nil and RR 756 million, respectively.

As of 31 December 2011, the Group also had the following off-balance sheet liabilities as disclosed in the Annual Combined Financial Information: financial guarantees issued for SIBUR Russian Tyres loans. The maximum credit risk exposure in relation to these guarantees was RR 4,140 million as of 31 December 2011. As of 31 December 2011, this credit risk was mitigated by a bank guarantee of RR 1,129 million. In February and May 2012, the Group was fully released from the obligations under these financial guarantees.

Quantitative and Qualitative Disclosure About Market Risk

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

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

Foreign exchange risk

The Group operates internationally, exports production to European and Asian countries and attracts a substantial amount of foreign currency, denominated borrowings and, therefore, is exposed to foreign currency exchange risk. Summary of the Group's exposure to foreign currency exchange rate risk at 31 December 2011 is provided in Note 29 to the Annual Combined Financial Information. In addition, Note 29 to the Annual Combined Financial Information provides sensitivity analysis for a hypothetical gain/(loss) that the Group would receive/incur assuming the Russian rouble had weakened/strengthened by 10 percent against the US dollar and Euro and that there were no changes in the portfolio of instruments and other variables as of 31 December 2011, 2010 and 2009, respectively.

Cash flow and fair value interest rate risk

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

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

The Group's financial results are sensitive to changes in interest rates on the floating portion of the Group's debt portfolio. Note 29 to the Annual Combined Financial Information provides sensitivity analysis for a hypothetical change in the Group's floating rates.

Credit risk

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

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

All loans were provided to joint ventures or subsidiaries and approved by the investment committee and the Board of Directors supported by project feasibility studies. With regards to customers, the large part of Group's domestic receivables come from biggest Russian companies, including Gazprom, LUKOIL, TNK-BP, Gazprom Neft and Rosneft, which the Group assessed as being high credit quality. For other domestic customers the Group assesses credit quality taking into account financial position and past experience alongside other factors. Regarding export customers, the Group's priority is also to sell to major market players including Michelin Group, Continental group, Gunvor group, Naftomar LTD INC, etc., based on a standard delay of no more than 30 days. The major part of other export sales are primarily secured by credit letter or prepaid. Although collection of accounts receivable could be influenced by economic factors affecting these customers, the Group's management believes that there is no significant risk of loss to the Group beyond the provisions already recorded.

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

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

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

As of 31 December 2011, the maximum credit risk exposure due to financial guarantees issued for SIBUR Russian Tyres loans was RR 4,140 million. As of 31 December 2011, this credit risk was mitigated by a bank guarantee of RR 1,129 million. In February 2012, the Group was released from the financial guarantee of RR 3,011 million. Also, as of 31 December 2011 the Group issued finance guarantee for a 50 percent of loan obtained by OOO RusVinyl. The maximum credit risk exposure for guarantee issued by the Group is RR 3,089 million, nil and RR 756 million as of 31 December 2011, 2010 and 2009, respectively. No credit limits were exceeded during the reporting periods, and Group's management does not expect any losses resulting from these counterparties' non-performance. The maximum credit risk exposure for cash and cash equivalents is RR 14,971 million, RR 15,416 million and RR 14,846 million as of 31 December 2011, 2010 and 2009, respectively.

Liquidity risk and capital risk management

Liquidity risk management includes maintaining sufficient cash balances, the availability of funding from an adequate amount of committed credit facilities and the ability to close the Group's 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 borrowing facilities (see Notes 16 and 20 to the Group Annual Combined Financial Information) and cash and cash equivalents on the basis of expected cash flow. This is carried out at Group level monthly and annually. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these while maintaining debt financing plans.

In 2011, 2010 and 2009, the Group monitored liquidity on the basis of net debt to EBITDA ratio. The Group's financial policy is to have the net debt to EBITDA ratio not higher than 2.5 and EBITDA to interest expense ratio not lower than 7. This policy is stricter than the bank requirements. The primary objectives of the Group's liquidity management policy is to ensure a strong liquidity base to fund and sustain its business operations through prudent investment decisions and to maintain investor, market and creditor confidence to support its business activities.

Significant Accounting Policies and Critical Accounting Judgments and Estimates

A detailed description of the main accounting policies used in preparing the Combined Financial Information is set out in Note 2 to the Annual Combined Financial Information.

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

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

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (see Note 33 to the Annual Combined Financial Information).

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

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

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

Estimated impairment of goodwill. The Group tests annually whether goodwill has suffered any impairment. 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 of the Annual Combined Financial Information).

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

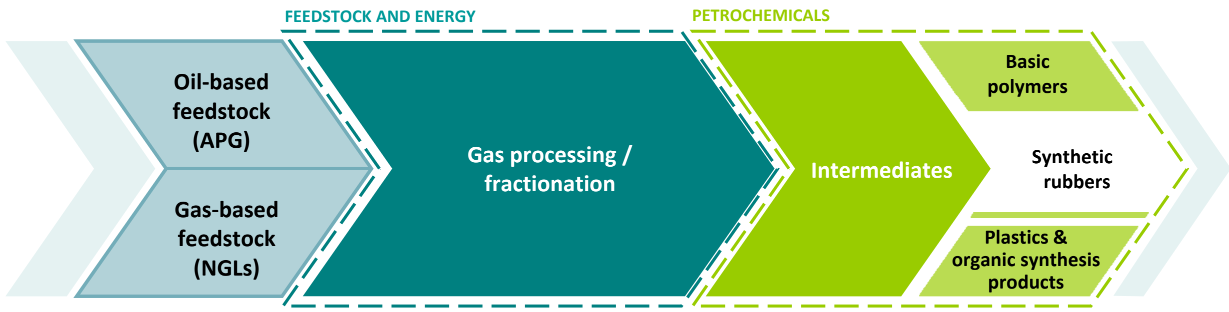
Recent Accounting Pronouncements

Recent accounting pronouncements are described in Note 35 to the Annual Combined Financial Information.

INDUSTRY

Except as otherwise indicated, all of the information set forth in " — Feedstock and Energy" in this section of the Prospectus has been reproduced from a publicly available market report entitled "Availability of Gas-based Feedstocks for the Russian Petroleum Industry" prepared by IHS CERA, and all of the information set forth in " — Petrochemicals" in this section of the Prospectus has been reproduced from a publicly available market report entitled "Russian Petrochemicals — A Market Analysis & Competitiveness Review plus an outlook 2006 — 2020" prepared by IHS Chemical.

SIBUR illustrative value chain overview



The Group has two operating and reportable segments: (1) feedstock and energy and (2) petrochemicals. The Group's feedstock and energy segment comprises (i) gathering and processing of associated petroleum gas (APG) that the Group purchases from major Russian oil companies, (ii) transportation, fractionation and other processing of natural gas liquids (NGLs) that the Group produces internally or purchases from major Russian oil and gas companies, and (iii) marketing and sales of energy products, such as natural gas, LPG, naphtha, raw NGL, methyl tertiary butyl ether (MTBE) and other fuels and fuel additives.

SIBUR operates a unique value chain that does not have direct comparables either in Russia or internationally and can be summarised as follows:

- Acquisition of primary hydrocarbon feedstock from oil and gas producers: APG and NGLs, comprising raw NGL, LPG and naphtha;
- Transportation via dedicated pipelines, processing of APG (separation of natural gas and raw NGL) and transportation of raw NGL via product pipelines and rail to fractionation or petrochemicals facilities;
- Natural gas obtained as a result of APG processing is sold domestically to oil and gas companies or to industrial customers via the Unified Supply Gas System (UGSS — Gazprom's production and technology complex consisting of production, transmission, processing and underground gas storage facilities);
- Raw NGL, derived from APG processing or purchased from third parties is used for further processing, which is either fractionation or steam cracking; and
- Fractionation of raw NGL into individual products (LPG and naphtha), which are either sold as fuels (mainly motor fuel, household heating) to industrial customers and traders or as feedstock to petrochemical producers; or used by SIBUR internally for further processing at its petrochemical facilities;
- Petrochemical processing of LPG, naphtha and raw NGL into intermediate products which constitute the building blocks of the petrochemicals industry. SIBUR further processes the large majority of these intermediate products into basic polymers, synthetic rubbers, plastics and organic synthesis products with the rest being sold to other industry players.

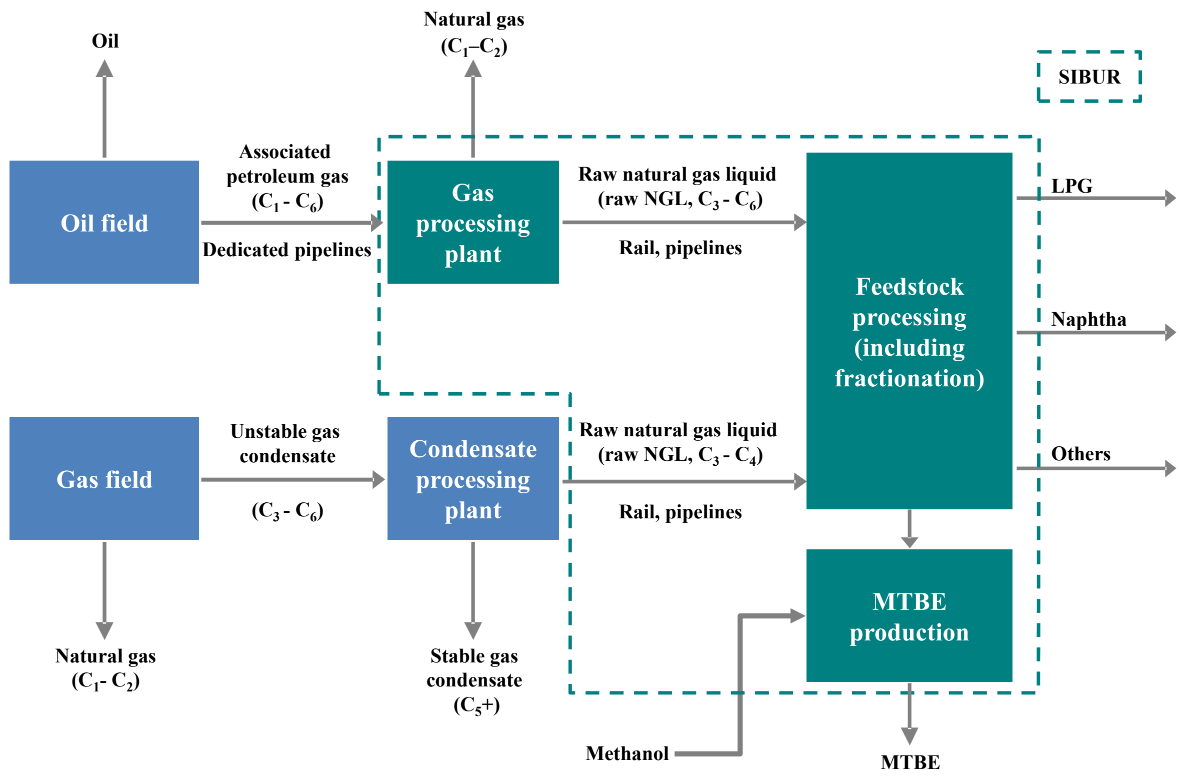
Feedstock and Energy

Hydrocarbon feedstock in Russia

Historically, the petrochemicals industry in Russia was concentrated in the Volga-Urals region, and relied heavily upon refinery-based petroleum liquids (especially naphtha or gasoline) for feedstock. However, in other countries with large domestic oil and gas industries the petrochemicals industry developed mostly based on lighter hydrocarbon fractions, available as associated products of oil and gas production. In Russia, almost since the inception of oil production in Western Siberia during the 1960s, light hydrocarbons were identified as highly advantageous raw materials to develop petrochemical production locally using the available associated gas and NGLs. However, the lack of incentives for oil companies to develop the necessary infrastructure moved the Russian petrochemicals industry towards using heavier refinery-based feedstock. Lately, there has been a steady shift toward greater use of gas-based feedstock in Russian petrochemicals, with SIBUR leading this development, in line with the Russian Government's effort to promote processing of energy products domestically, as well as to reduce the gas flaring volumes associated with oil production. With new petrochemical facilities currently under construction or at various stages of planning for Western Siberia by SIBUR, the region is set to become an important area to Russian petrochemicals production in the future.

Hydrocarbon feedstock resources and outlook

The chart below provides an overview of production flows of the feedstock and energy segment.



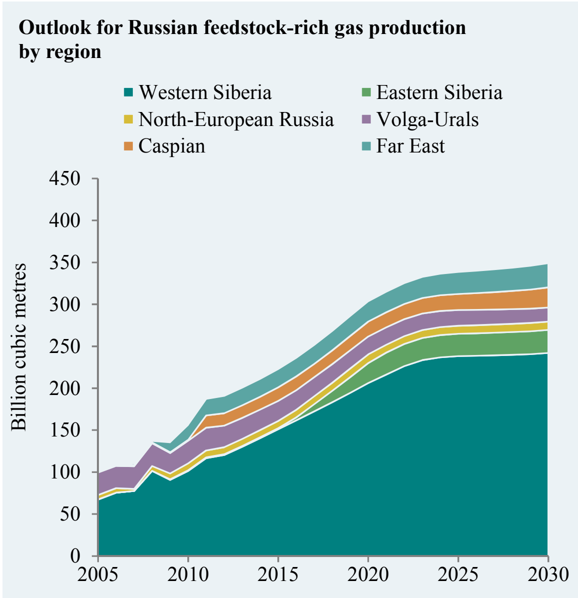
Feedstock-rich gas in Russia includes two main components:

- APG, comprised of (i) solution gas found in oil reservoirs and (ii) gas from the gas caps of oil fields; as well as
- Non-associated wet gas ("wet gas") from natural gas fields.

According to IHS CERA, the supply of feedstock-rich gas in Russia is expected to increase significantly from approximately 187 billion cubic metres in 2011 to 223 billion cubic metres in 2015 and 304 billion cubic metres by 2020, reaching nearly 350 billion cubic metres by 2030. In 2011, 75% of raw NGL in Russia came from wet gas and 25% from APG. The share of wet gas as a source of NGLs is forecasted to increase to up to 87% by 2030.

Most of the feedstock-rich gas in Russia — both APG and wet gas — is produced in Western Siberia, which is expected to remain the primary oil and gas producing region in the country, with the most important sources of growth being natural gas fields that produce non-associated wet gas, such as Yurkharovskoye, Bovanenkovo, Zapolyarnoe, Urengoy, Yamburgskoye, as well as a number of smaller fields (including, among others, fields of NOVATEK, Rospan and SeverEnergia).

The following charts provide an outlook for feedstock production in Russia by source and by region.



Source: IHS CERA

Associated petroleum gas (APG)

Overview

APG is a gas by-product of oil production with a very high content of C_{2+} fractions (ranging from 8% to over 40% of mass), with no commercial market and reference pricing in Russia. The high content of C_{2+} in APG makes the gas unsuitable for pumping directly into natural gas pipelines for the purpose of being sold to the domestic or international natural gas market.

APG is separated at the oil fields and then can be utilized either through gas processing or, alternatively, as an in-field fuel source for power generation or reverse injection into oil reservoirs. APG volumes that could be used in-field are limited and gas processing infrastructure historically could not handle all APG volumes, due to the lack of interest from oil companies to develop APG utilization infrastructure. Consequently, Russian oil producers still flare large volumes of APG according to official statistics: 16.8 billion cubic metres of the 68.4 billion cubic metres of APG produced in Russia in 2011 was flared, representing 25% of the total volume produced. Independent estimates from the World Bank suggest the possibility that flared volumes are more than twice as high as the official estimates by the Russian Government.

APG processing

APG is transported via dedicated pipelines from the oil fields to gas processing plants (GPPs) where APG is separated into natural gas (C_{1-2} fractions), which is then delivered to the UGSS, and raw NGL (C_{3+} fractions), which is then delivered to fractionation facilities or petrochemical plants via specialized product pipelines or railway.

The APG gathering network is effectively a combination of point-to-point pipeline links typically between oil fields/oil clusters and the nearest GPP, which limits alternative options for both APG producers and GPP owners and operators.

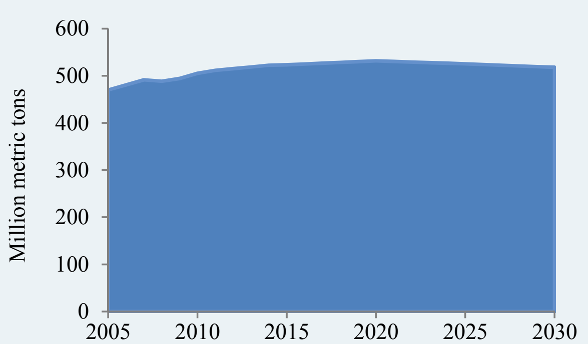
In Russia, there are nineteen GPPs, nine of which are located in Western Siberia, one in the North Caucasus, eight in the Volga-Urals and one in Timan-Pechora. These nineteen plants processed a total of 31.3 billion cubic metres of APG in 2011, representing 61% of the APG produced by oil companies net of flaring volumes, based on information from IHS CERA and the CDU-TEK. The remaining volumes of APG produced are mostly used for infields needs, including power generation. SIBUR owns seven of the nine GPPs in Western Siberia and in 2011 processed 18 billion cubic metres of APG (including TNK-BP's share in processing volumes of OOO Yugragazpererabotka (see "Business — Raw Materials Sourcing" and "Business — Operating Joint Ventures with Russian Oil Companies"), representing approximately 58% of total processed APG in Russia and 66% of total processed APG in Western Siberia.

APG availability and outlook

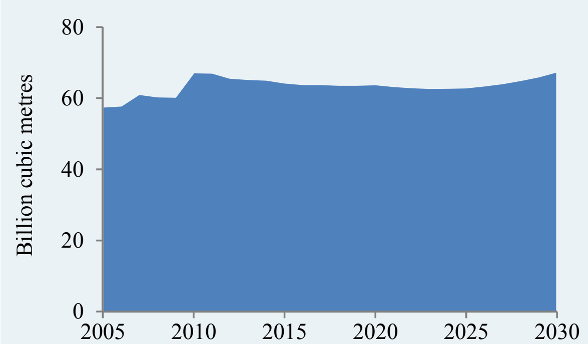
In 2011, the total amount of APG produced in Russia was 68.4 billion cubic metres, increasing from 65.3 billion cubic metres in 2010 and 61.4 billion cubic metres in 2009 with an annual growth rate of 4.7% and 6.4% per year, respectively, above the 2.9% average annual growth rate during the period between 2005 and 2011. Western Siberia represented 88% of APG production in Russia in 2011.

Generally, the outlook for APG production follows the outlook for Russian oil production, which is stable in traditional production regions like Western Siberia, with the possibility of increased production in new regions such as Eastern Siberia. APG production from a particular oil field may vary over time.

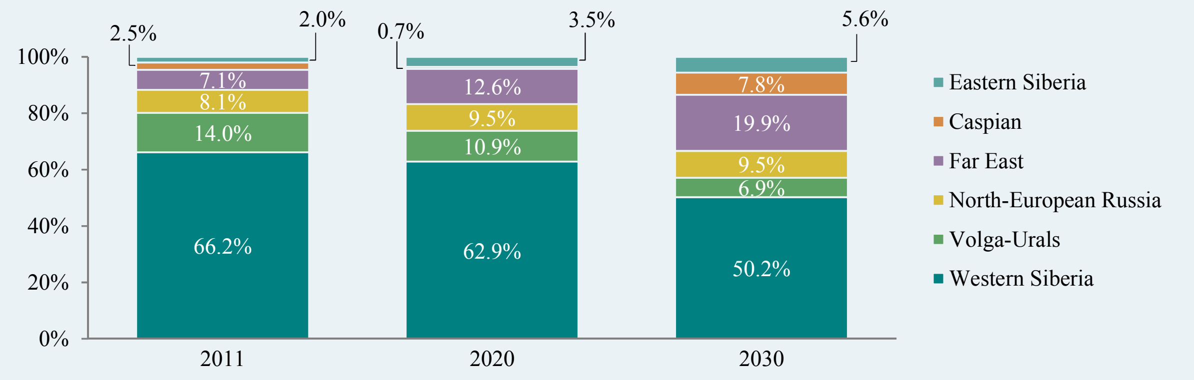
The following charts provide an outlook for Russian crude oil and APG production.



Outlook for Russian crude oil production



Outlook for Russian APG production



Outlook for Russian APG production by region(1)

Source: IHS CERA

(1) Information by region excludes gas from gas caps; production of gas from gas caps represented 37% of APG produced in 2011.

According to IHS CERA, the total volume of flared APG in Russia in 2011 was 16.8 billion cubic metres. With a total of 7.5 billion cubic metres, Western Siberia's flared APG represented 45% of total APG flared in Russia in 2011. Independent estimates by the World Bank, based on satellite picture estimation, suggest that the total volume of APG flared in Russia in 2011 was 37.4 billion cubic metres, approximately twice the volume reported by the official Government statistics used in the IHS CERA report.

The Russian Government has recently introduced additional measures to increase the utilization rate of APG and lower the volumes of flared APG. See "Regulation of Gas Processing and Petrochemicals Business in Russia".

As the regulatory regime for flaring becomes stricter, higher volumes of APG will become available creating the potential for sustained growth of APG volumes available for processing. IHS CERA estimates total flared volumes will be reduced to 10.4 billion cubic metres by 2015 and to 3.2 billion cubic metres by 2020, reaching 3.4 billion cubic metres in 2030.

Non-associated wet gas

Overview

Non-associated wet gas, which the Group refers to as "wet gas" in this Prospectus, is extracted from gas fields, as opposed to APG which is extracted from oil fields, and is processed by gas producers to separate natural gas from the heavier NGLs that are commonly referred to as unstable gas condensate (C_{3+} fractions). Unstable gas condensate is then separated into raw NGL (majority of C_3-C_4 fractions) and stable gas condensate or light oil (C_{5+} fractions). Stable gas condensate is an oil equivalent product and forms part of the oil industry's value chain and is sold to the downstream oil industry, typically for direct blending or refining. Raw NGL is part of the gas processing and petrochemical value chain and is processed at gas fractionation units and petrochemical plants.

Raw NGL produced by the processing of gas condensate is similar in nature to the raw NGL produced by the processing of APG. However, the latter also contains heavier fractions (C_{5+} or naphtha) that, in the case of condensate processing, mostly remain inside the stable gas condensate.

Wet gas processing

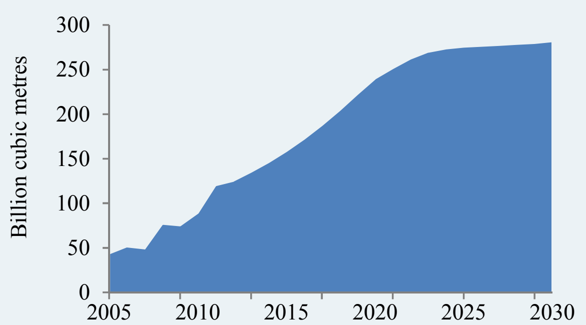
The Russian gas production sector is dominated by Gazprom and NOVATEK, together accounting for 84% of Russian gas production in 2011. Gazprom and NOVATEK also own the only two unstable gas condensate processing plants in Russia: the Purovskiy gas condensate plant (GCP), owned by NOVATEK and the Surgutskiy condensate stabilisation plant (ZSK), owned by Gazprom. Combined, their current processing capacity is approximately 13 million tons of unstable gas condensate (5 million tons at Purovskiy GCP and 8 million tons at Surgutskiy ZSK). Both Gazprom and NOVATEK have publicly disclosed plans to increase the capacities of their plants, bringing total capacity to 23 million tons of unstable condensate (11 million tons at Purovskiy GCP and 12 million tons at Surgutskiy ZSK).

Wet gas-based NGLs availability and outlook

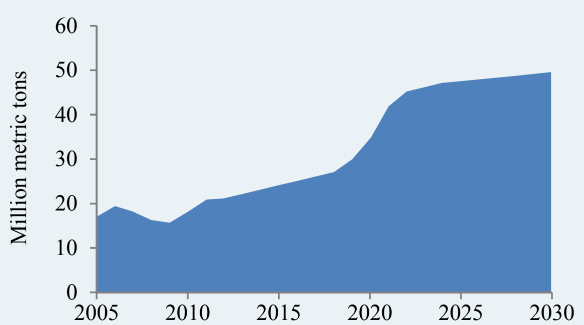
In 2011, a total of 21.1 million tons of unstable gas condensate was produced in Russia. Of this amount, Gazprom and NOVATEK produced 12.5 million tons and 4.3 million tons, respectively.

The following charts provide an outlook for Russian non-associated wet gas and unstable gas condensate production.

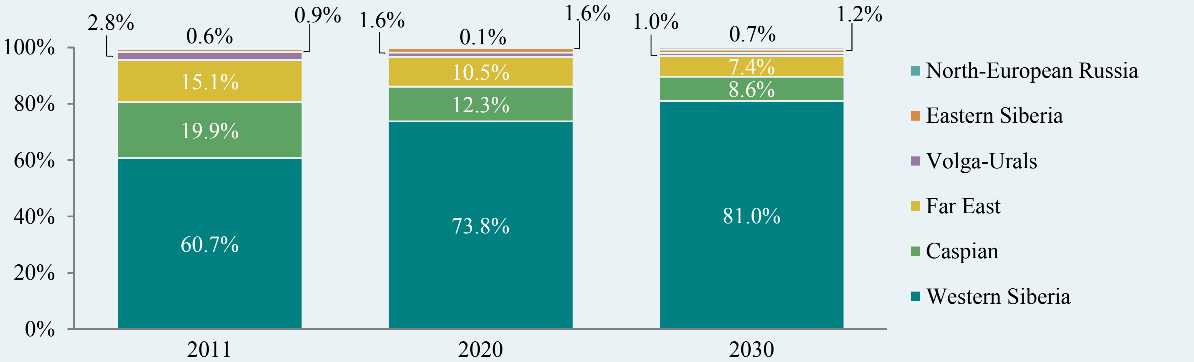
Outlook for Russian non-associated wet gas production



Outlook for Russian unstable gas condensate production



Outlook for Russian unstable gas condensate production by region



Source: IHS CERA

The majority of Russia's unstable gas condensate is produced in Western Siberia (approximately 61% of total Russian production in 2011), which is also the principal region where SIBUR's feedstock processing and transportation infrastructure is located.

In the medium term, IHS CERA expects unstable condensate production to increase from 21 million tons in 2011 to up to approximately 24 million tons in 2015, rising to approximately 35 million tons by 2020 and reaching nearly 50 million tons by 2030. The increase in unstable condensate production after 2015 is attributable to a ramp-up of output from existing key Western Siberian fields. After 2020, IHS CERA expects the growth in Western Siberia to be driven by the Bovanenkovo fields (particularly its second development phase which targets the field's deeper, wetter gas) and other fields on the Yamal Peninsula.

Hydrocarbon feedstock transportation

APG and raw NGL have separate transportation systems.

APG is transported via point-to-point gas pipelines to the closest GPPs. These pipelines are not interconnected within a dedicated network but represent links between oil fields/oil clusters and the nearest GPP, creating inter-dependence on both the producing and the receiving end.

The existing pipeline network presents a high barrier to entry, as potential new entrants would require substantial investment to replicate the existing infrastructure. APG dedicated pipelines in Western Siberia are owned by oil companies or SIBUR.

Transportation of NGLs differs for each respective product. Raw NGL is transported to fractionation units or petrochemical facilities partially via specialized raw NGL pipelines, and partially by railway. As Russia does not have a nationwide raw NGL pipeline system, products from Western Siberia to other destinations are transported by railway. SIBUR has developed its own pipeline with the total length of 1,168 kilometres and throughput capacity of 4.8 million tons of raw NGL per year, as of 31 December 2012. See "Business — Transportation and Logistics".

SIBUR recently commenced construction of a new 1,100 kilometre raw NGL pipeline connecting NOVATEK's Purovskiy GCP, SIBUR's Yuzhno-Balykskaya main pumping station in Pyt-Yakh and SIBUR's Tobolsk production site (referred to in this Prospectus as the "Purovsk — Pyt-Yakh — Tobolsk pipeline"). The new pipeline is set to have annual capacity of 4 million tons along the northern section between Purovskiy and Pyt-Yakh and 8 million tons along the southern segment between Pyt-Yakh and Tobolsk. This new pipeline will substantially decrease SIBUR's reliance on railway transportation for raw NGL.

Processing of raw NGL

Fractionation is one of the processing options for raw NGL produced from APG or unstable gas condensate. At the fractionation stage, raw NGL is separated into marketable energy products such as LPG (propane, butane fractions and their mixtures) and naphtha (natural gasoline). These products can also be used as feedstock for petrochemical products. Raw NGL can also be used directly as a feedstock for steam cracking, although less efficient than LPG or naphtha.

SIBUR owns and operates three gas fractionation units (GFUs), representing 5.2 million tons of fractionation capacity of raw NGL as of 31 December 2011.

Pricing fundamentals

For oil producers, APG is a by-product with limited uses or options for evacuating it from the oil fields. For this reason, there is no trading market for APG in Russia. Historically, the Russian Government regulated the price of APG. This regulation proved to be inefficient and was abolished in 2008. Oil companies in Western Siberia can utilise their APG volumes either internally or by entering into bilateral contracts with SIBUR as it owns and operates seven out of the nine GPPs in the region. As APG does not have a relevant benchmark price, pricing is negotiated on a case-by-case basis and is dependent on the following key factors: quality and composition of APG in terms of target liquid fractions content, distance of an APG source from a GPP, 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 the Group. Once agreed upon in absolute terms, APG pricing is generally indexed to reflect changes in the regulated domestic prices for natural gas, one of the products of APG processing.

Unlike APG, NGLs are priced with reference to international benchmark prices on an export netback basis. Given the abundant volumes of NGLs in Western Siberia as well as high and rising transportation tariffs and export duties, domestic prices in Western Siberia are substantially lower than those available in the international markets (the closest references being DAF Brest (Poland border) and Rotterdam). This makes NGLs an attractive feedstock for domestic petrochemical businesses, particularly if they are located close to hydrocarbon resources, where the transportation cost is minimal.

Energy products market

LPG

Product description

LPG (liquefied petroleum gases) refers to propane (C_3 fractions), butane, isobutane (C_4 fractions) or propane-butane mixtures. The choice of propane, butane or propane-butane mixtures is usually determined by a combination of the intended end use and desired physical properties. LPG is used as a motor fuel, feedstock for petrochemicals production as well as a fuel for heating.

LPG is delivered to the end consumer in pressurised or refrigerated containers or vessels mainly by railway and, as a result, storage, handling and transportation are more complex, making LPG more expensive than other energy products.

Industry structure

LPG is a by-product of the oil and gas and refinery industry; as a result, its global supply is determined by oil and gas production and global refining capacity instead of specific demand for LPG. Global LPG production was 252 million tons in 2011. According to Nexant, Asia, led by China, Japan, South Korea and India, is expected to continue to drive global consumption and constitutes the largest LPG importing region globally. This region is supplied primarily from the Middle East with an increasing share of imports from Africa and Russia needed to meet the growing demand.

Total Russian LPG produced in 2011 was 10.8 million tons, according to the CDU-TEK. SIBUR was the largest producer of LPG in Russia in 2011 with a 34% share in production (approximately 3.6 million tons produced). SIBUR's principal competitors in this market were Gazprom (with 21% share in production), LUKOIL (with 8% share in production) and NOVATEK (also with 8% share in production). Russian LPG demand for 2011 was only 7.2 million tons, making Russia a net exporter of LPG with Western Europe being the principal market for LPG exports from Russia.

Pricing dynamics

Because of the abundance of LPG in Russia and the net export position of the domestic LPG market, Russian domestic LPG prices are determined on the basis of export netback prices.

Key factors driving Russian LPG pricing are: LPG global pricing and its correlation with oil prices, quality and purity of LPG fractions, transportation costs and LPG export duties. As Russia's domestic prices for LPG are based on export netback prices, high export duties and transportation expenses reduce the local price for LPG, making it an attractive feedstock for domestic petrochemical producers.

LPG sold internationally (other than to Belarus or Kazakhstan) are subject to export duties, which are set monthly by the Russian Government. The export duty on LPG is formula-based and depends on the LPG DAF Brest price quoted by Argus Media. According to the formula, if the market price for LPG is below US$ 490 per ton, no export duty is imposed. For exports of pure (purity higher than 95%) normal butane and isobutane, the Russian Government currently does not impose any export duty, while exports of pure (purity higher than 95%) propane currently remain subject to export duty.

Market outlook

Nexant forecasts that global LPG production will grow at an average rate of 2.4% per year from 2011 to 2020 to reach 312 million tons per year in 2020. Russian LPG consumption will grow at an average rate of 2.8% per year through to 2020 with production expected to grow at an average rate of 2.7% per year over the same period, increasing Russia's position as a net exporter.

Demand for LPG generally is driven by the same factors as demand for other energy products. In particular, in the residential, commercial and industrial markets the main competing fuels for LPG are natural gas, kerosene, gasoil and electricity. In areas where a transmission network becomes available, natural gas will tend to displace LPG due to its convenience, lower cost and elimination of the need to handle residential LPG containers. As a petrochemicals feedstock, LPG typically competes with alternative feedstocks such as naphtha, gasoil or ethane at steam crackers that have feedstock flexibility due to their technical configuration. In the transportation market, and in Russia in particular, LPG is used as a fuel for vehicles because it is generally more economical than gasoline or diesel.

Naphtha

Product description

Naphtha (C_{5+} fractions) is a mix of liquid hydrocarbons and refers to pentane, isopentane, hexane and heavier fraction hydrocarbons. It can be produced from processing of oil and stable gas condensate at refineries and gas condensate processing plants, respectively, or from APG through raw NGL fractionation. Naphtha is primarily used as feedstock for petrochemicals (through steam cracking), gasoline blending or refinery processing. Naphtha exists in liquid form and can be easily transported in tankers via railway or ship.

Industry structure

Global naphtha production reached 220 million tons in 2011 according to IHS Chemical. In terms of geographic regions, Asia was the largest producer and consumer of naphtha in 2011, with a total of 109 million tons produced, and a total of 156 million tons consumed. Although European companies produced 38 million tons of naphtha in 2011, Europe as a whole was a large net importer of naphtha with an aggregate of 48 million tons of naphtha consumed in 2011. The additional demand for naphtha in Europe was largely met by exports from Russia.

Total marketed production of naphtha (i.e. excluding the captive usage by refineries) in Russia was 19.0 million tons in 2011, according to Alliance Analytics. Oil refineries accounted for approximately 79% of naphtha production in Russia. APG and stable gas condensate accounted for the remaining approximately 21% of Russian naphtha. Overall, the Russian naphtha industry is relatively fragmented: the largest Russian producer of naphtha, Rosneft, accounted for only 22% of the total Russian naphtha production in 2011, with Gazprom and TNK-BP accounting for 12% and 8%, respectively. SIBUR accounted for 7% of Russian naphtha production in 2011.

Russian naphtha production is geared primarily towards the export market, as according to Alliance Analytics, Russian domestic demand for naphtha totalled approximately 5.3 million tons in 2011.

Pricing dynamics

Due to the abundance of naphtha in Russia and the large net export position, Russian domestic naphtha prices are determined on the basis of export netbacks.

Key factors driving Russian naphtha pricing are: global pricing and its correlation with oil prices, transportation costs and naphtha export duties. As Russian domestic prices for naphtha are based on export netback prices, high export duties and transportation expenses reduce the local price for naphtha, making it an attractive feedstock for domestic petrochemical producers.

Export duties on naphtha are calculated as a percentage of export duties on crude oil (Urals). Effective 1 July 2011, the Russian Government raised the export duty on naphtha to 90% of the crude oil export duty with the aim of encouraging domestic processing of energy products into higher value added products and stabilise prices in the domestic gasoline market.

Market outlook

Global naphtha consumption is expected to increase at an average rate of 1.5% per year from 2011 to 2015.

Russian naphtha production and internal consumption is expected to grow at a faster rate than the global market, with growth in consumption driven principally by the development of new naphtha-based crackers. Notwithstanding the growth in domestic consumption, Alliance Analytics expects the Russian market to remain fundamentally a net export market.

Natural gas

Product description

Natural gas is a hydrocarbon gas mixture comprising methane (C_1 fraction) and ethane (C_2 fraction). Natural gas is primarily used as a fuel for power generation, residential, commercial and industrial applications as well as feedstock for the production of mineral fertilizers and methanol. Ethane, if separated from natural gas, can also be used as a petrochemical feedstock. Natural gas is transported via specialized pipelines.

Industry structure

In 2011, overall gas production in Russia (including APG) was 670.6 billion cubic metres.

The principal producers of natural gas in Russia include large upstream gas producers such as Gazprom and NOVATEK, oil companies operating gas fields and APG processors. In 2011, SIBUR was the third largest producer of natural gas in Russia (excluding flaring, losses, internal consumption and production under product-sharing agreements but including TNK-BP's share in production volumes of OOO Yugragazpererabotka), based on the data from the CDU-TEK.

Gazprom currently has the exclusive statutory right to export natural gas, and independent producers, including SIBUR, sell natural gas only to the domestic market.

Substantially all of the natural gas sold in Russia is transported via the UGSS, owned and operated by Gazprom. Under existing legislation, Gazprom must provide access to the UGSS to all independent suppliers on a non-discriminatory basis. In 2012, the Gas Supply Law (as defined in "Regulation of Gas Processing and Petrochemicals Business in Russia") was amended to provide natural gas produced through APG processing with priority access to the UGSS. SIBUR transports a major part of its natural gas via the UGSS. The UGSS transportation tariffs are regulated by the FTS.

Pricing dynamics

Independent natural gas producers in Russia are generally not subject to the Government's regulation of natural gas prices, except for those volumes delivered to households. The prices that independent producers can achieve on the domestic market, however, are strongly influenced by the prices regulated by the FTS and present market conditions. The FTS price for natural gas varies from region to region. When the FTS increases gas tariffs, the increase may vary regionally from the overall nation-wide average increase. SIBUR typically sells its natural gas to domestic oil and gas companies or industrial customers at prices linked to the FTS regulated prices.

In November 2006, the FTS approved and published an initial plan to liberalise the price of natural gas sold on the Russian domestic wholesale market by 2011. As part of the initial plan, the FTS approved four quarterly increases in the regulated gas price for natural gas in 2009, raising it by 5% in the first quarter, 7% in the second quarter, 7% in the third quarter and 6.2% in the fourth quarter (resulting in an average total increase of 15.9% in 2009). In December 2009, the FTS increased the regulated prices for natural gas by 15% effective from 1 January 2010 and subsequently in December 2010 by a further 15% effective from 1 January 2011. According to the Domestic Gas Market Liberalisation Plan, which was approved by the Government in 2011 and which introduced certain revisions to the plan approved by the FTS in 2006, the target start date for the full liberalisation of the domestic natural gas market is 1 January 2015, but there are various governmental discussions indicating that this programme may be further extended. As part of the Domestic Gas Market Liberalisation Plan, the FTS announced a 15% increase in natural gas prices effective 1 July 2012. According to the revised Forecast of Socio-Economic Development of the Russian Federation for 2012, published by the Ministry of Economic Development in September 2011, the regulated natural gas prices will be increased by 15% effective 1 July 2013 and by a further 15% effective 1 July 2014. The Group cannot predict the timing of price liberalisation on the domestic gas market or the extent to which the market will be liberalised, as the FTS has the right to modify the percentage increases already published, as well as to prolong the timetable toward market price liberalisation based on market conditions and other factors. The Group does not expect domestic gas prices to rise sharply in the near term.

Market outlook

IHS CERA estimates that natural gas production in Russia will increase by an average rate of 1.4% per year from 2011 to 2020.

MTBE

MTBE is produced from the reaction of methanol with isobutylene and is used primarily as an additive to gasoline, especially unleaded gasoline, for the automobile sector to obtain higher octane values, accounting for 94% of the 15.1 million metric tons of global MTBE consumption in 2011.

MTBE is produced primarily by petrochemicals companies and refineries. MTBE exists in liquid form that is transported in tankers via railway or ship.

Industry structure

Global production capacity for MTBE was 19.8 million metric tons in 2011 and IHS Chemical expects it to reach 22.5 million tons per year in 2020, with the bulk of the capacity additions being built in China. The Middle East is the largest exporting region globally, with sales primarily to South America, Western Europe and Asia. Russia accounted for approximately 6.4% of global MTBE production capacity in 2011, or approximately 1.2 million tons. SIBUR is a leading MTBE producer in Russia both in terms of production capacity and sales, based on the information published by IHS Chemical.

Russian demand for MTBE in 2011 was estimated by IHS Chemical to be nearly 900,000 tons, representing a 50% increase over 2010. This increase in demand was driven primarily by a change in legislation in Russia that provides for the gradual introduction of European-based standards on gasoline. Russia currently exports MTBE to Western Europe and the rest of the CIS region.

Market outlook

Global demand for MTBE is expected by IHS Chemical to grow at an average rate of 1.5% per year from 2011 through to 2020, reaching 17.2 million tons in 2020. Most of this growth is expected to be driven by higher demand from Asian consumers. By contrast, demand for MTBE in Europe is expected to decline because of legislative and regulatory initiatives that favour the use ethanol-based or other renewable feedstock-derived oxygenates, such as ethyl tertiary butyl ether (ETBE) over MTBE, for gasoline blending. IHS Chemical does not forecast increases in production capacity for MTBE in Russia at least until 2020. With Russian production of MTBE remaining fairly flat and domestic demand growing at an average rate of 1.5% per year through 2020, IHS Chemical expects the country's net exports to decline slowly over time.

Petrochemicals

Introduction

The Group operated 18 petrochemicals production sites in Russia as of 30 September 2012 providing essential materials for downstream manufacturers both in Russia and internationally.

SIBUR's petrochemical products comprise the following product groups:

- Basic polymers, including polyethylene (PE), polypropylene (PP);
- Synthetic rubbers, including commodity and specialty rubbers, and thermoplastics elastomers;
- Plastics and organic synthesis products, including several main product groups; and
- Intermediates and other chemicals.

Although each of these product groups has particular characteristics and distinct market fundamentals, they share certain similar features: all of them are sold to industrial consumers and growth in each of these product groups is driven primarily by the development of the industrial sector generally and of the key end-customer industries, including automotive, construction, fast moving consumer goods (FMCG), industrial machinery, chemicals and other. Mid- and long-term growth in petrochemicals globally depends on growth in emerging markets, the speed and extent of technical modernisation and innovation in key end markets as well as the introduction of government policies that promote the use of new advanced materials and products.

The petrochemicals markets are cyclical, depending on the individual market, periods of higher market growth are interspersed with periods of stagnation or decline in the market. The transition from market growth to market declines can be very swift and can vary from region to region following different regional dynamics.

The petrochemical markets are also subject to significant fluctuations as they are influenced by trends in global 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. 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.

Generally, per capita consumption of petrochemical products in Russia is significantly lower than consumption in more developed and other emerging markets. This disparity may provide significant growth opportunities for Russian petrochemical producers

Basic polymers

Overview

Basic polymers generally include three principal products: PE, PP and polyvinyl chloride (PVC). In 2011, global production of PE totalled 76.2 million tons (of which Russian producers accounted for 2%), PP totalled 51.4 million tons (of which Russian producers accounted for 1%) and PVC totalled 36.8 million tons (of which Russian producers accounted for 1.6%).

Russia's leading producers of PE and PP include SIBUR, the TAIF Group, which controls OAO Nizhnekamskneftekhim and OAO Kazanorgsintez, and LUKOIL. Based on the information published by IHS Chemical, in 2011, SIBUR accounted for approximately 12% and 37% of Russia's PE and PP production capacity, respectively (including 100% of PP production capacity of NPP Neftekhimia, SIBUR's JV with the Gazprom Neft Group). In 2011, the Russian demand for PE, PP and PVC totalled approximately 1.8 million tons, 0.8 million tons, and 1.1 million tons, respectively. Russia is currently a net importer of high-density polyethylene (HDPE) and linear low density polyethylene (LLDPE) and a net exporter of low density polyethylene (LDPE). Russia is currently a net importer of PP and PVC, but once SIBUR's Tobolsk-Polymer Plant is launched and reaches substantial production volumes, Russia may become a net exporter of PP.

Historically, consumption of basic polymers in Russia demonstrated solid growth, driven by demand in core end-markets — FMCG, construction and chemicals. The Russian market for basic polymers remains largely unsaturated, as basic polymer per capita consumption lags behind both developed and some emerging economies. Solid growth is forecasted to continue on the back of positive momentum in key end-customer industries, driven by the overall economic growth. The Russian economy has experienced significant growth in GDP per capita that has resulted in increased disposable incomes and consumer spending and has driven changes in consumption patterns. Russian GDP per capita increased by approximately 63% from RR 234,000 in 2007 to RR 382,000 in 2011. The following table sets forth certain key statistics on the Russian basic polymers market in 2011.

Product	Russian capacity (thousand tons)	Russian production (thousand tons)	Russian demand (thousand tons)	Net import/ export
PE	1,997	1,520	1,752	Net import
PP	630	625	804	Net import
PVC	647	579	1,100	Net import

Source: IHS Chemical

Feedstock dynamics and cost curve

The principal feedstock for PE and PP is ethylene and propylene, while the feedstock for PVC is mainly ethylene and chlorine. Ethylene is mainly produced by steam cracking of hydrocarbon feedstocks such as ethane and NGLs, including LPG and naphtha. Propylene is mainly produced as a by-product alongside ethylene in the steam cracking process, but can also be derived as a by-product of crude oil refining or produced "on-purpose" by the dehydrogenation of propane.

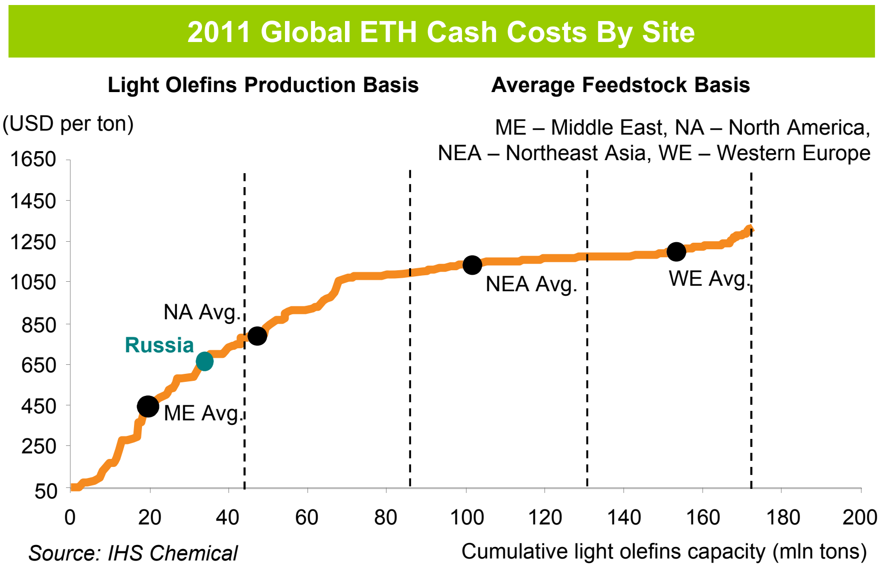
The cracker feedstock mix (ethane, LPG or naphtha) has the most significant impact on the cost position of basic polymers as feedstock represents the largest share of production cost. The feedstock mix also has direct influence on the type and quantity of monomers, which are used for production of basic polymers.

The following table sets forth ratios between feedstock types used to produce ethylene in main producing regions globally:

Ethylene feedstock mix by region in 2011	North America	Western Europe	Middle East	Northeast Asia	Russia
Ethane (C_2)	62.2%	4.8%	68.9%	0.0%	10.2%
Propane (C_3)	17.2%	4.8%	15.6%	1.7%	26.5%
Butane (C_4)	3.4%	9.5%	2.2%	3.3%	24.5%
Naphtha and heavier feedstocks (C_{5+})	17.2%	80.9%	13.3%	95.0%	38.8%

The prices of ethane, LPG and naphtha are influenced by numerous factors, including the balance between supply and demand, oil and natural gas prices, prevailing tax regimes, transportation means and distances, and geopolitical factors. However, in general, light feedstock (ethane) is priced relative to natural gas and heavier feedstock (LPG and naphtha) is priced relative to oil. Generally, global feedstock markets are equally priced, however a combination of high transportation costs, export duties and logistical bottlenecks can lead to local prices in some locations being substantially below prices in other regions. Additionally, structural changes in feedstock supply such as, for example, the discovery and commercialization of new feedstock sources such as shale gas in the United States, may have impact on local feedstock prices.

The following chart provides global ethylene cash cost curve for 2011 on the basis of light monomers.



The Middle East has the most significant cost advantage in monomers production as ethane is available in the region at low prices regulated by the respective governments. However, growth in the availability of ethane in the region is expected to decline and local consumption is expected to increase.

Russia, and specifically Western Siberia, enjoys access to lighter feedstock at advantageous prices compared to global price levels. With APG being predominantly priced at a discount to natural gas, which in its turn is below export netback parity, and NGLs being difficult to transport out of the region and subject to high export duties, SIBUR has access to advantageously priced domestic feedstock.

North America, on average, is positioned behind Russia on the monomers cash cost curve. However, the region's cost position is likely to improve in the future with additions of new capacity and increased production of ethane from shale gas.

Globally, the majority of propylene is produced as a by-product, mostly from steam crackers in which case it is manufactured along with ethylene or, alternatively, from a refinery. Unlike the majority of capacities, SIBUR's Tobolsk-Propylene Plant will use on-purpose technology of propane dehydrogenation. Apart from Tobolsk, the production of propylene in Russia is predominately based on the cracking of NGLs and typically consumed locally at the source of production.

Products

SIBUR's main products within basic polymers are PE and PP. In the medium-term, SIBUR also plans to increase in PVC production through added capacity from OOO RusVinyl, its joint venture with SolVin Holding Nederland B.V. See "Business — Partnership with Leading World Producers".

Polyethylene

Product description

PE is the world's most widely used polymer and is produced through the polymerization of ethylene. Based on IHS Chemical estimates, PE accounted for 61% of the world's total ethylene consumption in 2011 and going forward is expected to remain the largest ethylene derivative by volume. PE is often classified by its density because greater density corresponds with greater material rigidity.

High density polyethylene (HDPE) is mostly used in pipes for housing and industrial infrastructure, plastic bottles, packaging for consumer products and other products.

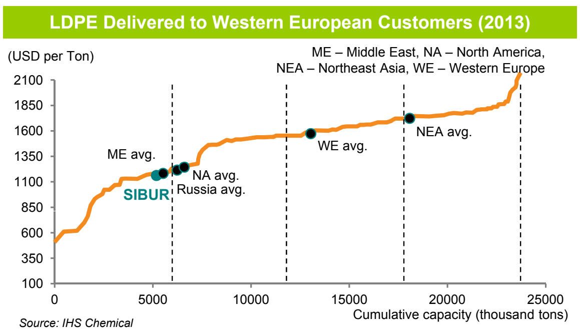
Low density polyethylene (LDPE) is a thermoplastic polymer that is softer, more flexible and easier to process than HDPE. LDPE is mainly used for film and sheet (packaging, lamination, bags, agricultural and special applications such as tent windows).

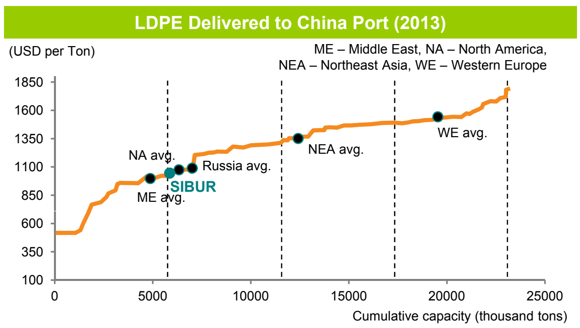
Linear low density polyethylene (LLDPE) has similar basic properties to LDPE and the two are, to a certain extent, substitutable for one another, although LLDPE has superior strength properties compared to LDPE.

SIBUR's polyethylene business currently focuses on LDPE, with sales almost evenly split between the Russian domestic market and export markets (primarily the CIS countries and China), serving customers in the FMCG and chemical industries.

Cash cost analysis

As a result of the high integration into ethylene production with advantageously priced feedstock, Russian production of LDPE is in the first quartile of the global cost curve. The following charts provide global polyethylene cost curves for 2013.





On average, Russian producers are positioned at the end of the first quartile of the global cost curve, and have a significant cost advantage over domestic producers in China and Western Europe. The competitors positioned below the average Russian producer on the cost curve are Middle Eastern and North American ethane-based cracker complexes with access to relatively low-cost feedstock and world-scale capacity. The emergence of large volumes of shale gas in North America has substantially improved the North American producers' position on the global cost curve.

Industry structure

Global LDPE production capacity in 2011 was estimated by IHS Chemical at 22.2 million tons, concentrated mostly in Europe, Asia, and the Middle East; global demand for LDPE in 2011 was estimated at 18.9 million tons, dominated by film and sheet applications (67% of total demand).

According to IHS Chemical, Russia's LDPE production capacity in 2011 totalled 672,000 tons (approximately 3% of global production) with two major players controlling 69% of the capacity — the TAIF Group, accounting for 35% and SIBUR — for 34%. Other LDPE producers in Russia include divisions of Bashneft, Rosneft and Gazprom. SIBUR operates the largest production facility in Russia.

With Russian demand for LDPE in 2011 estimated by IHS Chemical at 564,000 tons, Russia currently has a structural surplus of LDPE and primarily relies on neighbouring CIS and Eastern European countries to absorb its exports. Regional characteristics of the Russian market result in average domestic prices fluctuating between export parity with a premium and import parity.

Market outlook

While the potential growth in LDPE demand in mature markets is limited, China represents the global engine for LDPE consumption, which was 4 million tons in 2011 and which IHS Chemical forecasts to grow by an average of 6.4% a year through 2020.

In Russia, the structure of the demand for LDPE is generally in line with the global average, with film and sheet applications representing 78% of the 2011 demand. Development of consumer goods manufacturing, FMCG, infrastructure, agriculture and other end-customer industries are the key demand drivers in Russia. Current Russian per capita consumption is low at 4 kg per capita annually, as estimated by IHS Chemical. By comparison, Eastern Europe consumes an annual average of 6 kg of LDPE per capita while Western Europe consumes well above 8 kg per capita. This illustrates the market potential for growth in LDPE demand in Russia.

Demand for LDPE in Russia is forecasted by IHS Chemical to grow at an average annual rate of 2.5% from 2011 to 2020.

Polypropylene

Product description

PP is the world's second most largely used polymer after PE and is among the fastest growing products among thermoplastics. PP is manufactured through the polymerization of propylene. According to IHS Chemical, PP accounted for 64% for the world's total propylene consumption in 2011.

PP applications range from commodity-type film products used for snack food packaging to higher-value items, such as household appliances, electronic components and automotive parts. A significant portion of PP is consumed in the manufacturing of durable goods, which are products with a life span exceeding three years. Furthermore, PP is extensively used in fibre applications ranging from carpets to ropes and consumer related products such as sporting goods.

SIBUR sells PP primarily in the domestic market to customers in the FMCG, construction, automotive, road building and textile industries.

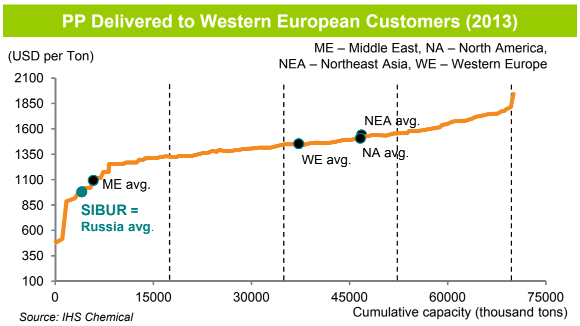
Industry structure

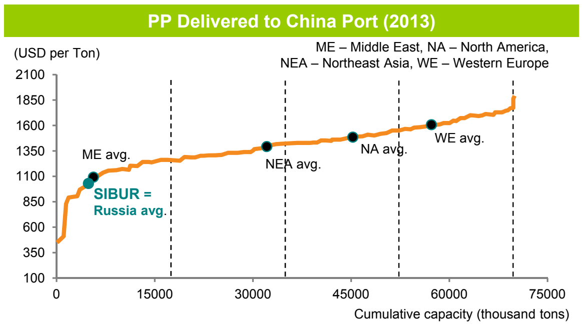
Global PP production capacity in 2011 was approximately 64 million tons, concentrated in Asia, Western Europe and North America. Global demand for PP in 2011 was 52 million tons. According to IHS Chemical, the largest end markets for PP globally were injection-moulding (34%), film and sheet (24%), raffia (17%) and fibre (14%). Injection-moulded PP includes a large variety of end uses, such as packaging, automotive applications and appliances. PP fibres are used in fabrics and carpets, while film and sheet end uses include food bags, tape and wrapping for consumer goods.

According to IHS Chemical, Russia's PP production capacity was 630,000 tons in 2011, with the TAIF Group having almost a 29% share followed by SIBUR with 21%. In addition, SIBUR has a 50% interest in NPP Neftekhimia, SIBUR's joint venture with the Gazprom Neft Group, which produces PP from propylene sourced from MNPZ — Gazprom Neft's refinery in the City of Moscow, and accounts for 16% of Russia's total PP capacity. The remaining Russian capacity is split between LUKOIL and Bashneft (19% and 16% of PP capacity respectively). Russian PP demand underwent rapid growth averaging 11% per annum from 2006 to 2011 and amounted to 804,000 tons in 2011, making Russia a net importer of PP. Given its position as a net importer, Russia is currently experiencing import parity pricing for PP.

Cash cost analysis

Russia is positioned in the first quartile of the global cost curve for production of polypropylene. The following charts provide global polypropylene cost curves for 2013.





The competitors positioned below the average Russian unit on the cost curve are Middle Eastern propane dehydrogenation units with access to subsidised propane feedstock, as well as other Russian (including SIBUR) and Middle Eastern crackers with higher capacity or lower cost feedstock than the average Russian unit.

Market outlook

IHS Chemical forecasts demand growth in Russia at 4.2% per annum through 2020, with injection-moulding application expected to remain the main growth driver led by developments in manufacturing (such as automotive and household appliances), construction and general consumer sectors. Potential for demand growth is shown by Russia being among the lowest per capita consumers of PP annually at 6 kg per capita, compared with around 12 kg per capita in Eastern Europe and over 18 kg per capita in Western Europe.

Russia is currently a net importer of PP. This is expected to change with new capacity additions coming on line shortly. Two new Russian polypropylene facilities are planned to come on line shortly: a 180,000 ton per year polypropylene production facility at Poliom by Titan and SIBUR's 500,000 ton per year facility in Tobolsk. Taking into account these capacities, Russian production capacity for polypropylene is expected to more than double to 1.3 million tons. As a result of the capacity expansion, Russia will become a net exporter and will begin exporting PP to Western Europe, Asia and other markets.

The significant increase in capacity and expectation that Russia will become a net exporter of polypropylene will have a material impact on market prices in Russia, which currently enjoy import parity status. In Western Europe, demand is estimated by IHS Chemical to grow in line with GDP but with flat or negative production growth, which is expected to turn West Europe into a net importer in the near term. In Asia, China remains the largest importer of polypropylene in the world and is expected to remain so until 2020, as a result of its expected average annual demand growth rate of 5.8%.

PVC

Product description

PVC is the third largest polymer by volume behind PE and PP globally. PVC is produced by polymerization of vinyl chloride. PVC resins compete with other polymers and traditional materials for market share in a number of different end use applications. The advantages of PVC over other materials pertain primarily to its durability and non-flammable properties. PVC can also be combined easily with solvents or mixed with additives to enhance its properties.

The bulk of PVC is consumed by pipe and fitting applications including construction, irrigation and drainage, with construction being the most important end market globally. As a result, the global PVC market is closely linked with the construction industry and is, therefore, also cyclical in nature.

Industry structure

Global PVC production capacity in 2011 was estimated by IHS Chemical at 51 million tons, of which roughly 50% is concentrated in Northeast Asia. Global PVC demand was estimated at 36.8 million tons with the main end-uses being pipe and fittings (43%), profiles and tubes (19%) and film and sheet (17%). This current oversupply in the global PVC market can be attributed to the 2008 economic downturn as well as the contraction of construction markets and differs sharply from the relatively balanced market conditions that prevailed during the past decade prior to the 2008-2009 crisis.

The situation is different in Russia, where the country has been a net importer of PVC since 2006, due to the rapid demand growth coupled with a lack of investment in domestic production capacity. According to IHS Chemical, imports covered 48% of Russian domestic demand for PVC in 2011, compared to 25% in 2006.

Russian PVC production capacity amounted to 647,000 tons in 2011. PVC demand in Russia reached 1.1 million metric tons in 2011. The existing PVC production units in Russia tend to be relatively old and inefficient, including several smaller, non-integrated plants. The largest PVC producers in Russia are currently Sayanskkhimplast (43% of total capacity) and Kaustik Sterlitamak (31%). Given its position as net importer, Russia is currently experiencing import parity pricing for PVC.

Market outlook

IHS Chemical forecasts that PVC demand growth in Russia will continue through 2020 at an average annual growth rate of 2.4%. The structure of PVC demand by end use in Russia differs from other regions. In contrast to most other geographies, the production of profiles (mostly window profiles) represents the largest end use in Russia at 46% of the total market. Furthermore, the Russian market for pipes differs from other geographies due to the fact that in Russia, until recently, pipes have been manufactured from materials such as ductile iron, concrete and HDPE. However, this is expected to be a strong growth area for PVC in Russia, as the old iron and concrete pipes are replaced with PVC and other polymer material equivalents, adding to the growth potential arising from new installations.

RusVinyl, the joint venture between SIBUR and SolVin Holding Nederland B.V., is planning to launch a new PVC production facility with capacity of 330,000 tons. Despite new capacity additions, Russia is forecasted to remain a net importer of PVC in the medium term.

Synthetic rubbers

Overview

Global demand for synthetic rubber (SR) in 2011 was 14.9 million tons, according to IISRP. This compares with global installed capacity of 16.0 million tons. In 2011 Russia accounted for approximately 10% of the global production capacity, according to IISRP. According to Sintezkauchuk Association, the total production equalled 1.25 million tons with approximately 0.85 million tons of net export. Globally, China and India are the key net importers of synthetic rubbers. In 2011, SIBUR's production of synthetic rubbers exceeded 426,000 tons (see "Business — Operations — Products").

Synthetic rubbers are divided into three groups:

- Commodity rubbers, with a global installed capacity in 2011 of 10.2 million tons (64% of total SR capacity), are mainly used by the automotive (tyre and general rubber goods manufacturing) and industrial machinery segments (general rubber goods);
- Specialty rubbers with a global installed capacity in 2011 of 3.6 million tons (22% of total SR capacity), are mainly used by the automotive, oil and gas, construction and healthcare industries; and
- Thermoplastic elastomers with a global installed capacity of 2.1 million tons (13.5% of total SR capacity), are mainly used in construction (as an asphalt modifier in paving and roofing), footwear, adhesives and sealants.

Feedstock

The principal feedstocks for synthetic rubbers are butadiene, isoprene, styrene and isobutylene monomers. SIBUR produces each of these products.

Butadiene

Butadiene is the most important monomer in the rubber industry. More than 78% of global butadiene is utilised in the synthetic rubber industry. Butadiene is used in the production of styrene-butadiene, polybutadiene, nitrile, polychloroprene rubbers, styrenic block copolymers and latexes. The global butadiene installed capacity was 12.8 million tons in 2011.

Currently, Russia's relative position in global installed butadiene capacity is higher than that of other commodity petrochemicals due to the sizeable presence of butadiene downstream derivative production in the country. With 528,000 tons of capacity, Russia represents 4.1% of global butadiene capacity and 5.3% of global butadiene consumption. SIBUR and the TAIF Group are the largest Russian producers of butadiene.

Styrene

Styrene, is the second most important monomer in the rubber industry and is used in the production of styrene-butadiene rubbers, styrene block copolymers and latexes. Global styrene capacity amounted to 31.8 million tons in 2011, catering to a global market of about 27 million tons and more than 9% of which was used in rubber production.

The total Russian styrene capacity in 2011 was approximately 707,000 tons, with 38% of the installed capacity controlled by the TAIF Group followed by Gazprom and SIBUR, accounting for an additional 28% each. In Russia, the current trend in the styrene market is for major producers of styrene to reduce external sales of their product in favour of internal processing.

Isoprene

Isoprene is another important monomer in the context of the rubber industry. Isoprene is used in the production of polyisoprene rubber, butyl (isobutylene-isoprene) and styrenic block copolymers (styrene-isoprene-styrene thermoplastic elastomer).

Russia's total isoprene production capacity amounted to 466,000 tons, according to Sintezkauchuk Association, and the country's production of isoprene equalled 427,500 tons of isoprene in 2011, according to IHS Chemical. The three largest producers of isoprene in Russia are the TAIF Group, Synthez-Kauchuk and SIBUR. Shell and Goodyear in the United States are the next largest producers of isoprene globally.

<u>Global synthetic rubbers demand drivers</u>

The global rubber market is driven by the following key factors:

- World and regional macroeconomic climate. The key end markets of the rubbers, automotive and construction industries, are closely aligned with global and regional GDP development.

- Automotive industry. Synthetic rubber's largest end-market is manufacturing of tyres, with mobility, urbanization and a growing middle class in emerging countries as the key market drivers. In addition, there is a general trend of using more high performance tyres due to higher fuel efficiency leading to lower carbon dioxide emissions, longer lifetimes, better wet grip and lower exterior noise.

- Availability and prices for raw materials. Synthetic rubbers raw materials and butadiene in particular, are very sensitive to regional dislocations.

- Pricing for natural rubber. Natural rubber is cultivated in pre-equatorial areas. Production of natural rubber is highly exposed to weather conditions, which causes volatility in supply and prices. Natural rubber can be partially substituted by certain types of synthetic rubbers (SBR, IR), which makes prices for natural and respective types of synthetic rubbers correlated.

<u>Product description</u>

Production of synthetic rubbers is dominated by Asian producers, with more than 48% of the global installed production capacity in the Asia Pacific region, and by the production of commodity rubbers. The following table sets forth information on the world synthetic rubber capacities in 2011 broken down by type of product.

Type	Product	Global capacity (thousand tons)	Russian capacity (thousand tons)	SIBUR share of Russian capacity
Commodity rubbers				
Emulsion styrene-butadiene	eSBR	4,607	404	41%
Solution styrene-butadiene	sSBR	1,267	40	100%
Isoprene Rubber	IR	794	514	16%
Polybutadiene	PBR	3,578	383	30%
Specialty rubbers				
Ethylene-Propylene	EPDM	1,192	20	—
Butyl Rubbers	IIR	1,262	169	29%
Chloroprene	Polychloroprene	424	—	—
Nitrile Rubbers	NBR	718	56	84%
Thermoplastic elastomers				
Styrenic block copolymers	SBC	2,123	35	100%
Total		**15,965**	**1,621**	**33%**

Source: IISRP 2011. SIBUR's share is based on IISRP's data.

According to IISRP, in Russia, total installed capacity in 2011 was 1.6 million tons. According to IISRP, SIBUR is the second largest producer, accounting for 33% of Russian installed capacity, and ranking number ten globally in terms of synthetic rubber capacity.

Commodity rubbers

Commodity rubbers group comprises primarily emulsion and solution styrene-butadiene, polybutadiene and polyisoprene rubbers.

Emulsion styrene-butadiene rubber (eSBR) is a general purpose synthetic rubber copolymer consisting of styrene and butadiene. Tyre production is the largest single use of eSBR but it is also consumed to produce general rubber goods for automotive and industrial applications. eSBR is the most commoditized of all synthetic rubbers.

According to IISRP, global capacity was 4.6 million tons in 2011, with Asia Pacific accounting for the largest share with 54% of global capacity. Russia accounted for 9% of global eSBR production capacity, of which SIBUR accounted for 3% in 2011.

Sintezkauchuk Association estimates Russian eSBR production at a level of 227,800 tons with 105,300 tons delivered to domestic market in 2011. Apart from SIBUR, main producers include Omskiy Kauchuck and Sterlitamak Kauchuk. Net exports were 125,000 tons, representing approximately 55% of domestic production.

Solution styrene-butadiene rubber (sSBR) is one of the newest rubbers in the global rubber market. Its main application is high performance tyres with improved rolling resistance and wet grip specifications.

According to IISRP, global capacity for sSBR was 1.3 million tons in 2011. Main players in the global market are North America, Western Europe and Japan with 34%, 23% and 16% shares of global capacity, respectively. SIBUR is the only producer of sSBR in Russia and has a 3% share of global capacity.

The end use of both eSBR and sSBR is the same with the majority being consumed by the automotive industry especially in the production of tyres. New tyre legislation in developed countries introduces stricter requirements for safety and economic efficiency, which will drive growth in the consumption of sSBR. Over the next five years, however, global sSBR demand growth is also expected to increase, especially in countries such as China, India, and Brazil. The emergence of a rapidly growing automotive market in these countries and others, as well as demand for sSBR, will offset declining demand for eSBR in North America and West Europe. sSBR is also experiencing more rapid growth in demand, as it is an important component of "green" tyres with reduced rolling resistance; these tyres are common in Europe and are expected to increase in popularity in North America.

In Russia domestic demand was approximately 109,000 tons in 2011. IHS Chemical forecasts both eSBR and sSBR demand in Russia to grow at an average annual rate of nearly 8% from 2011 to 2020.

Polybutadiene rubber (PBR) is primarily used in the production of tyres. Alternatively, it is used in general rubber and abrasion goods and plastic modification.

According to IISRP, global capacity was 3.6 million tons in 2011, with Asia Pacific accounting for the largest share with a 52% share of global capacity. Russia has 11% of global PBR production capacity with total Russian production capacity in 2011 being 383,000 tons. The TAIF Group was the largest producer in Russia with a 39% share of total production followed by SIBUR with almost 30% share.

The global demand for PBR reached 2.8 million tons in 2011. Approximately three quarters of PBR is consumed in tyre production, with a further quarter used as an impact modifier in polystyrene and rubber goods. Russian PBR demand amounted to approximately 75,000 tons in 2011, whilst production was more than 300,000 tons. While import volumes are negligible, net exports amounted to 235,000 tons, representing more than 75% of domestic production. IHS Chemical expects Russian demand to grow at an annual average rate of 4.9% until 2020.

Isoprene or polyisoprene rubber (IR) is designed to be similar to natural rubber in structure and properties. Although it still demonstrates lower green strength, slower cure rates, lower hot tear, and lower aged properties than its natural counterpart, synthetic polyisoprene exceeds the natural types in consistency of product, cure rate, processing and purity. In addition, it is superior in mixing, extrusion, molding, and calendering processes. Polyisoprene rubbers are currently being used in a variety of end-use applications. By far, the largest end-use for polyisoprene is in tyres, accounting for 60% of world IR demand. Other uses include general rubber goods, footwear, medical applications and sealants and adhesives.

According to IISRP, global capacity for polyisoprene production amounted to 794,000 tons in 2011 with Russia dominating the industry with a 65% share of total global production capacity. The TAIF Group is the world's largest producer, with more than 31% of the global capacity, followed by Synthez-Kauchuk, with almost 23% of the global capacity; Goodyear and SIBUR (third largest and fourth largest) have 11% and 10% tons of IR global production capacity, respectively.

Russian domestic demand is driven by tyre production. According to IHS Chemical in 2011, demand for polyisoprene rubber was estimated to be 153,000 tons whilst production amounted to 427,000 tons. Consequently, Russia exported a significantly larger volume than was consumed domestically. Russia is the world's largest exporter of manufactured polyisoprene rubber and target markets include the CIS (Ukraine and Belarus), Europe and China. Russia is a net exporter of commodity rubbers leading to export net backed parity pricing which IHS Chemical expects to stay in place going forward.

Specialty rubbers

Specialty rubbers comprise primarily nitrile-butadiene (NBR), butyl rubbers (IIR), ethylene-propylene terpolymer (EPDM), polychloroprene rubbers (CR) and latexes. SIBUR currently only produces NBR and IIR, as well as latexes.

Global capacity for specialty rubbers was 3.6 million tons in 2011, according to IISRP. The main players are Asia and Western Europe with capacity shares of 38% and 27% respectively.

Nitrile-butadiene rubber (NBR) or nitrile rubber is actually a complex family of unsaturated copolymers of acrylonitrile and butadiene. NBR is used in a wide variety of applications requiring oil, fuel and chemical resistance and is functional within a wide temperature range of -40C to +125C. The main application is rubber goods for the automotive and oil and gas industries.

According to IISRP, global capacity for NBR was 718,000 tons in 2011. The main players are Asia Pacific and Western Europe with capacity shares of 55% and 27%, respectively. Russia had 8% of global NBR production capacity, of which SIBUR accounted for 7%.

According to IISRP, global demand for NBR reached 527,000 tons in 2011. Growth is expected to be driven by Asia, which today accounts for approximately 60% of global demand. Russian NBR demand amounted to approximately 13,000 tons in 2011, whilst production was 38,800 tons, according to Sintezkauchuk Association. Net exports were 25,100 tons, representing approximately 65% of domestic production, according to Sintezkauchuk Association.

Butyl rubber (isobutylene-isoprene rubber, IIR) is a copolymer of isobutylene and a small amount of isoprene. There are two types of butyl rubber — halogenated and non-halogenated (regular). The main end market for regular IIR is the production of tyre inner tubes. Other end uses include adhesives and sealants, diaphragms for tyre production, pharmaceutical uses and chewing gum. Tyre inner liners are by far the largest application for halobutyl rubber today.

Global butyl rubber production capacity was 1.3 million tons in 2011, according to IISRP. The global butyl rubber market is highly consolidated. The main players are Exxon Mobil, Lanxess, Japan Butyl, the TAIF Group, SIBUR, SINOPEC and Cenway.

Russian IIR capacity was 169,000 tons in 2011 which represented 13% of global capacity, of which SIBUR accounted for 4%, according to IISRP. Demand for IIR was 10,000 in 2011 and is forecasted by IHS Chemical to grow at a rate of 2.8% per year through to 2020.

Thermoplastic elastomers

Thermoplastic elastomers (TPE) are a mix of polymers (usually a plastic and a rubber), which consists of materials with both thermoplastic and elastomeric properties. Styrenic Block Copolymers (SBCs) represent the vast majority of global TPE capacity. According to IHS Chemical, SBS is the dominant product in SBC group.

In 2011, the global demand for SBS reached 1.3 million tons. Russian demand for SBS was 31,000 tons in 2011. The major area of consumption of SBS in Russia is in bitumen modifiers for roofing and paving, accounting for approximately 70% of the Russian demand in 2011.

According to IISRP, SIBUR's Voronezhsintezkauchuk is the only Russian SBS producer. Russia is a net importer of SBS today. However, the planned launch of additional capacity by SIBUR is expected to make the Russian market a net exporter, with Western and Central Europe being the key export markets.

Plastics and Organic Synthesis

Plastics and organic synthesis products represent a highly diversified product group both globally and in Russia. SIBUR's plastics and organic synthesis product group comprises glycols, alcohols, polyethylene terephthalate (PET), acrylates, plastic compounds, expandable polystyrene and biaxially oriented polypropylene films (BOPP-films). These products are used as key components in a wide variety of consumer and industrial products. End-customer industries include chemicals, construction and FMCG. Some of these products are also used internally by SIBUR for further processing into other products.

These products are mainly ethylene and propylene derivatives, and compared to basic polymers, the markets for these products tend to be more fragmented, of a smaller size, domestic in nature and mostly in deficit. The following table provides certain information on the Russian plastics and organic synthesis products market in 2011:

Product	Russian capacity (thousand tons)	SIBUR share of Russian capacity	Net import/ export
Mono-ethylene glycol (MEG)	506	45%	Import/Export
Oxo-Alcohols[(1)]	413	38%	Export
PET	530	36%	Import
Plastics compounds, including ABS plastics and PVC cable compounds	314	29%	Import
Expandable polystyrene	76	80%	Import

Source: IHS Chemical, Alliance Analytics, Market Report

(1) – comprising 2-EH and butyl alcohols

Glycols, which include mono-ethylene glycol, diethylene glycol and triethylene glycol, are used primarily for production of antifreeze and polyester resins (PET). SIBUR's production of glycols is primarily sold in the domestic market, with the remaining share attributable to exports to Belarus and Eastern Europe. According to IHS Chemical, SIBUR is the largest producer of MEG in Russia overall and also uses glycols internally for further processing in its PET production. Growth in Russian domestic MEG demand will depend on expansions of polyester capacity, which is planned to be commissioned to support local PET bottle resin demand growth. Future growth in demand is expected to be supplied by imports until domestic production capacity is expanded as IHS Chemical does not expect additional MEG capacity to be installed in Russia before 2020.

Alcohols (or Oxo-Alcohols), which include 2-ethylhexanol, butanol and isobutanol, are propylene derivatives used primarily as solvents and also for the production of other petrochemical products. SIBUR sells alcohols in Russia but mostly to Europe and China, where alcohols are mainly used for acrylate esters, PVC plasticizers and diesel additives applications, while main end markets driving demand are signs and coatings, plastic materials, feed and food, synthetic lubricants, adhesives and fuels. SIBUR also uses alcohols for further processing for its own production of butyl acrylate.

PET is a thermoplastic polymer resin of the polyester family and is used in manufacturing of synthetic fibres as well as beverage, food, and other containers. It is produced through polymerization of a MEG and PTA mix and SIBUR is the only Russian producer of PET that is integrated into both PTA and MEG production. SIBUR sells 100% of its PET externally, primarily on the domestic market where demand is heavily dependent on the production of beverage and food containers (97% of PET demand in Russia in 2011). Beverage companies are expected to continue to invest in Russia and growth in the production of bottles is expected to remain the main driver of demand for PET in Russia. IHS Chemical forecasts PET demand to grow at an annual average rate of 4.4% to 2020.

Acrylates are mainly used to produce lacquers, paints and varnishes that are used in the construction and textile industries; acrylic surface coatings are the leading finishes used in the paint and coatings industry and are considered to be one of the fastest-growing sectors in the coatings industry. SIBUR entered the acrylates market through the acquisition of Acrylate Group in the second half of 2011. According to Nexant, the Group is the only producer of acrylates in Russia.

Plastic compounds (including ABS plastics and PVC cable compounds) are used for production of wire/cable insulation and auto components. SIBUR sells its production volumes primarily on the Russian and CIS markets, which experience a deficit of these products.

Expandable polystyrene is used mainly for production of thermo-insulating and packaging materials as well as decorative elements. In 2011, SIBUR controlled 80% of Russian EPS capacity, with the Group's products sold mostly within the CIS region. The Russian market represents the most dynamic market for expandable polystyrene outside of Asia, driven by the production of insulation board and, to a lesser extent, the packaging sector. Demand is quite seasonal due to the lack of construction activity during the winter months. Domestic demand is estimated to grow at an average of 4.4% a year through to 2020.

Biaxially oriented polypropylene (BOPP) includes coextruded, coated, non-heat sealable or homopolymer films in a variety of finishes. BOPP is used in packaging and industrial (non-packaging) applications for carton overwrap, coating, metalizing, laminating and other preparations for final use. SIBUR entered the Russian BOPP market in 2009 by acquiring 50% of OOO Biaxplen, and sells BOPP-films primarily domestically.

Intermediates and other chemicals

Intermediates and other chemicals primarily comprise benzene, styrene, terephthalic acid (PTA), propylene, ethylene oxide, butadiene, isoprene, isobutylene, ethylene and others. This product group represents a combination of products that are predominantly used as inputs. SIBUR mainly uses these products internally and processes them within the three product groups discussed above: out of 3.2 million tons of intermediates and other chemicals SIBUR produced in 2011, approximately 80% were used internally for further processing, allowing SIBUR to cover the majority of its demand for intermediates internally.

SIBUR's integrated business model enables it to change the composition of its feedstock and product mix to optimize purchasing, production and sales. As a result, the share of external sales in intermediates and other chemicals fluctuates significantly from period to period depending on market trends, shifts in supply and demand fundamentals, capacity constraints and other factors.

BUSINESS

Overview

The Group is a uniquely positioned gas processing and petrochemicals company with a business model focused on the integrated operation of its two core segments. The Group owns and operates Russia's largest gas processing business in terms of associated petroleum gas processing volumes, according to IHS CERA and is a leader in the Russian petrochemicals industry. The Group has two operating and reportable segments: (1) feedstock and energy and (2) petrochemicals. The Group's feedstock and energy segment comprises (i) gathering and processing of associated petroleum gas (APG) that the Group purchases from major Russian oil companies, (ii) transportation, fractionation and other processing of natural gas liquids (NGLs) that the Group produces internally or purchases from major Russian oil and gas companies, and (iii) 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. The Group sells these energy products on the Russian and international markets and uses some of them as feedstock for its petrochemicals segment, which processes them into various petrochemicals, including basic polymers, synthetic rubbers, plastics and products of organic synthesis, as well as intermediates and other chemicals. As of 30 September 2012, the Group operated 27 production sites, had over 1,500 large customers operating in the energy, automotive, construction, fast moving consumer goods (FMCG), chemical and other industries in approximately 60 countries and employed over 30,000 personnel.

The Group benefits from owning and operating Russia's largest and most extensive integrated infrastructure for processing and transportation of APG and NGLs, located primarily in Western Siberia, which is the largest oil and gas producing region in Russia and where the Group sources most of its feedstock. This infrastructure includes seven out of the nine existing gas processing plants (GPPs) in Western Siberia, five compressor stations, and three gas fractionation units (GFUs). As of 31 December 2011, the Group had APG processing capacity of 22 billion[1] cubic metres per annum and raw NGL fractionation capacity of 5.2 million tons per annum. The Group's transportation infrastructure comprises 1,168 kilometres of raw NGL pipelines and 352 kilometres of natural gas pipelines as well as substantial railway transportation facilities, including six railway loading racks and rolling stock of over 17,500 rail cars and tank wagons under management. The Group's GPPs also have direct links to the production facilities of major oil companies operating in Western Siberia through a network of APG transportation pipelines, a large part of which is owned by the oil companies, while SIBUR owns 913 kilometres of these pipelines. The Group's infrastructure for processing and transportation of APG and NGLs provides it with advantageous access to feedstock.

In its petrochemicals business, the Group operates three steam cracker facilities, one basic polymers production plant, manufacturing low density polyethylene (LDPE) and polypropylene (PP), three synthetic rubbers production plants, manufacturing commodity and specialty rubbers as well as thermoplastic elastomers, and 14 production plants manufacturing a wide range of intermediate chemicals, plastics and organic synthesis products, including polyethylene terephthalate, glycols, alcohols, BOPP-films, expandable polystyrene, acrylates and plastic compounds. As of 31 December 2011, the Group's basic polymers production capacity was 460,000 tons per annum[2], synthetic rubbers production capacity was 601,900 tons per annum and plastics and products of organic synthesis production capacity was 816,900 tons per annum[3].

The Group has a leading share in the production of a number of energy and petrochemical products in Russia. In 2011, the Group processed 58% of all APG processed in Russia according to IHS CERA, and produced 34% of all LPG produced in the country based on the data from the CDU-TEK. In 2011, the Group was also the third largest producer of natural gas in Russia (including TNK-BP's share in production volumes of OOO Yugragazpererabotka), based on the data from the CDU-TEK[4]. Based on data published by IHS Chemical, in 2011, the Group accounted for a 45% share of the Russian production capacity of mono-ethylene glycol (a product within the Group's plastics and organic synthesis products group), a 34% share of the Russian production capacity of LDPE and a 37% share of the Russian production capacity of PP, including the capacity of OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group. In 2011, the Group accounted for a 45% share of the Russian butadiene production capacity (a product within the

1 Including 100% of processing capacity of GPPs which are controlled by OOO Yugragazpererabotka, the Group's joint venture with TNK-BP.

2 Including 100% of processing capacity of NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group.

3 Excluding production capacity of the intermediates and other chemicals product group to avoid double counting.

4 Excluding flaring, losses, internal consumption and production under product-sharing schemes.

Group's intermediates and other chemicals product group) according to IHS Chemical. In addition, in 2011, the Group accounted for a 33% share of the Russian synthetic rubbers production capacity, according to IISRP.

In the nine months ended 30 September 2012 and 2011, the Group's revenue was RR 198,957 million and RR 181,471 million, the Group's EBITDA was RR 60,240 million and RR 62,669 million, the Group's EBITDA margin was 30.3% and 34.5%, respectively. In the years ended 31 December 2011, 2010 and 2009, the Group's revenue was RR 248,660 million, RR 188,563 million and RR 127,800 million, the Group's EBITDA was RR 86,669 million, RR 58,178 million and RR 25,967 million, and the Group's EBITDA margin was 34.9%, 30.9% and 20.3%, respectively.

Competitive Strengths

The Group attributes its leading position and strategic advantages principally to the following competitive strengths:

Advantageous access to feedstock

The Group benefits from advantageous access to APG and NGLs, including raw NGL, LPG and naphtha. APG and raw NGL represent the principal feedstock for the Group's energy products, which the Group either sells externally or processes into petrochemical products. LPG, naphtha and to a smaller extent raw NGL, both produced internally and purchased from third parties represent the principal feedstock for the Group's petrochemical business.

1. *Extensive APG Processing Infrastructure*

The Group enjoys a particularly strong position in relation to the purchase of APG, which is a by-product of oil production. As most Russian oil companies in Western Siberia generally lack their own internal APG processing infrastructure and have limited means to utilise APG efficiently, SIBUR believes that its infrastructure provides them with an attractive solution to process APG without incurring substantial capital expenditures or paying material fines for APG flaring. See "Industry". This infrastructure includes seven out of the nine existing GPPs in Western Siberia, five compressor stations, and three GFUs. The Group's GPPs have direct links to oil fields in Western Siberia through point-to-point APG pipelines and to Gazprom's UGSS through natural gas pipelines owned by the Group.

Given the limited options for using APG and the lack of alternatives for evacuating it from the oil fields, there is no market or a benchmark price for APG. As a result, the Group purchases the APG from oil companies at prices that are negotiated on a case-by-case basis, typically at a significant discount to regulated natural gas prices, which reflects incurred and ongoing capital and operating expenditures required to construct, maintain and expand the processing infrastructure. The Group processes the APG it purchases into natural gas and raw NGL and sells the natural gas that is produced at prices close to regulated prices. Because of the difference between the price at which the Group is typically able to purchase APG and the price at which it can sell the natural gas produced, the Group is able to generate significant margins and cash flow. The raw NGL that is produced, in turn, serves as an attractive feedstock for both the feedstock and energy and petrochemicals segments. In 2011, the Group processed 58% of all APG processed in Russia and 66% of all APG processed in Western Siberia, net of flaring volumes, according to IHS CERA.

2. *Access to Growing Volumes of Attractively Priced NGLs*

The Group also benefits from an attractive pricing environment for NGLs. As the supply of NGLs significantly exceeds demand in Russia and particularly in Western Siberia, the NGLs produced in this region are effectively stranded. As a result, 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 in Western Siberia. This cost advantage is further supported by the Russian Government's current policy of using export duties to encourage domestic processing of energy products into higher value added products.

SIBUR operates a well-developed NGLs transportation infrastructure, which includes approximately 1,168 kilometres of raw NGL pipelines as well as substantial railway transportation facilities, including six railway loading racks and rolling stock of over 17,500 rail cars and tank wagons under management.

To further consolidate growing NGL flows in Western Siberia, the Group is currently constructing a 1,100 kilometre raw NGL pipeline with expected annual capacity of up to 8 million tons that, upon completion in 2015, will connect the Purovskiy gas condensate plant (GCP), which is owned by NOVATEK, the Group's Yuzhno-Balykskaya main pumping station near Pyt-Yakh and the Tobolsk production site (the "**Purovsk — Pyt-Yakh — Tobolsk pipeline**"). In addition to the pipeline construction, the Group is also expanding the capacity of its flagship GFU in Tobolsk from the current 3.8 to 6.6 million tons of raw NGL per annum, to accommodate the increasing feedstock volumes. The Group expects to complete the expansion of capacity at its GFU by the end of 2014. These two projects are aimed at strengthening the Group's competitive positions in feedstock processing. See " — Investment Programme and Capital Expenditure".

This advantageous access to growing supplies of NGLs provides the Group with a reliable source of raw materials for its growing petrochemicals business, particularly for new projects located in close proximity to the resource base, which, based on IHS Chemical estimates, will allow it to be among the lowest cost petrochemicals producers globally.

Extensive installed asset base presenting significant barrier to entry

The Group operates the largest and most extensive infrastructure for processing and transportation of feedstock in Western Siberia. SIBUR believes that this infrastructure combined with the Group's new projects at advanced implementation stages would be difficult for any potential competitor to replicate. Potential competitors would need to make significant capital commitments with long lead times. The Group believes that in order to ensure an adequate rate of return to justify such investments, it would be uneconomical for a potential competitor to construct selective processing or transportation facilities but would, instead, need to replicate substantial part or the entire infrastructure to achieve economies of scale comparable to those of SIBUR.

Established presence and leading market positions in petrochemicals on the growing Russian market

SIBUR's production base in petrochemicals consists of 18 production sites, excluding joint ventures, and comprises: one production site in basic polymers, three production sites in synthetic rubbers, and 14 production sites in plastics and organic synthesis products. The Group also produces monomers and other intermediates at these sites. As of 31 December 2011, the Group's basic polymers production capacity was 460,000 tons per annum[1], synthetic rubbers production capacity was 601,900 tons per annum and plastics and products of organic synthesis production capacity was 816,900 tons per annum[2]. These petrochemicals production facilities enable the Group to enjoy a leading share in Russia in many of its petrochemical products based on production. Based on data published by IHS Chemical, in 2011, the Group had a 45% share of Russian mono-ethylene glycol production capacity, a 45% share of Russian butadiene production capacity, a 34% share of Russian LDPE production capacity and a 37% share of Russian polypropylene production, including 100% of the production capacity of OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group. In addition, according to IISRP, in 2011, the Group had a 33% share of Russian synthetic rubbers production capacity and was also one of the leading rubbers producers globally.

These leading market positions, combined with the strong growth potential of the Russian petrochemicals market on the back of low per capita consumption of petrochemical products and the currently high share of imports in certain petrochemicals underpin the Group's significant further investments to increase production capacity in its petrochemicals business.

Vertically integrated and diversified business model supporting the sustainability of earnings

1. *The Group's integration in both feedstock and energy and petrochemicals segments creates protection against fluctuations in feedstock prices*

Only approximately 35% of the Group's NGLs volumes available for sale are supplied to the petrochemicals segment as feedstock, while the rest is sold externally. As a result, the Group is a net seller of energy products, including natural gas, LPG and naphtha, and the Group's feedstock and energy segment, therefore, benefits from higher natural gas and oil and oil derivative prices. As discussed above, the price at which the Group purchases APG is typically linked to, but is significantly lower than the regulated natural gas price. The Group also sells natural gas, which is one of the products of APG processing, externally at prices close to the regulated natural gas price, which makes SIBUR's financial performance positively correlated with growth in domestic natural gas prices and helps sustain margins in the APG processing business. Additionally, the Group purchases NGLs at export netback prices for international oil and oil derivative products and also sells energy

1 Including 100% of processing capacity of NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group.
2 Excluding production capacity of the intermediates and other chemicals product group to avoid double counting.

products, such as LPG and naphtha, at prices that are correlated with prices for international oil and oil derivatives, which protects margins in the NGLs business. As a net seller of energy products, the Group benefits from a natural hedge against growth in feedstock prices as higher revenues from sales of energy products historically have more than compensated for the higher costs to the Group's petrochemicals segment. The Group's sales of energy products accounted for 46.4% and 46.5% of total external revenues in the nine months ended 30 September 2012 and 2011, and 45.2%, 42.3% and 46.0% of the Group's total external revenues in the years ended 31 December 2011, 2010 and 2009, respectively.

In addition to energy products, a large portion of the Group's revenue is derived from the production and sale of petrochemical products. Prices for petrochemical products are only partially correlated with oil and oil derivative prices and are to a large extent dependent on supply and demand fundamentals determined by cyclical factors in the petrochemicals industry as well as demand trends in the customer industries, which are influenced by the macroeconomic situation globally and in the relevant countries. Lower oil and oil derivative prices have a positive impact on SIBUR's petrochemicals segment's cost base as they decrease feedstock purchasing costs. This partially compensates for the effect that declines in oil and oil derivative prices have on the Group's feedstock and energy segment's revenue. The Group's sales of petrochemical products accounted for 47.5% and 47.8% of total external revenues in the nine months ended 30 September 2012 and 2011, and 49.0%, 52.7% and 46.8% of the Group's total external revenues in the years ended 31 December 2011, 2010 and 2009, respectively.

2. *The Group has a diverse range of product groups and customers and sells to a number of different industries worldwide*

The integrated nature of the Group's business allows it to maintain a large and diversified range of product groups. The Group's principal energy products have different sensitivities to oil and gas prices. For example, the domestic price of natural gas has virtually no sensitivity to oil prices but is fully dependent on developments in the liberalization of gas prices in Russia; the prices of LPG and naphtha are strongly correlated to oil prices; and the price of MTBE, despite its correlation with the European market prices, is largely dependent on trends in the Russian gasoline market, including regulatory developments and the introduction of European standards. In addition to energy products produced and sold by the Group's feedstock and energy business, the Group's petrochemicals business produces a large and diversified range of petrochemical products, including basic polymers, synthetic rubbers, plastics and products of organic synthesis, intermediates and other chemicals. The Group sells these products to clients in a variety of industries, including chemical, automotive, FMCG, construction, agricultural, healthcare, and other industries, all of which have different demand and supply dynamics and underlying drivers.

Overall, SIBUR sells its products to approximately 1,500 large customers operating in a variety of industries in approximately 60 countries. As these customers, industries and geographies have different trends underlying supply and demand dynamics for the Group's products, the Group has limited exposure to a single customer, industry or geography. In the nine months ended 30 September 2012, the Group's largest customer accounted for 6.2% of the Group's revenue.

3. *The Group's integration and diversification drives profitability and resilience*

Together with its diverse product portfolio, the integrated nature of the Group's business, combined with its technological flexibility, enables it to change the composition of its feedstock and product mix in response to changes in market trends and shifts in demand fundamentals to optimize purchasing, production and sales in order to support the Group's blended margins. SIBUR applies a system of monthly operational planning in order to (1) change the composition of the feedstock for its petrochemicals business, (2) suspend production at various stages of the production process and (3) adjust the mix of products the Group ultimately elects to sell to the market in response to the Group's own technological requirements and market conditions.

Unique growth opportunities and execution capabilities

The Group's advantageous access to feedstock and its extensive and unparalleled infrastructure in the region with the largest supply of APG and NGLs in Russia provide the Group with unique opportunities to make significant investments in the expansion of its existing production capacities and in the implementation of new large-scale petrochemical projects in close proximity to its feedstock base.

For example, in 2013, the Group expects to commence production at its newly-built Tobolsk-Polymer Plant, a large scale, world-class petrochemicals facility located at the same production site as the Group's flagship GFU in Western Siberia. The launch of the Tobolsk-Polymer Plant, which will apply the propane dehydrogenation technology to produce 510,000 metric tons of propylene to be further processed into 500,000 tons of polypropylene is expected to create the largest polypropylene production site in the CIS and Eastern Europe. The Tobolsk-Polymer Plant represents a major first step in execution of SIBUR's strategy of creating a full-scale petrochemicals hub in Western Siberia. Additionally, the Group is actively evaluating a significant greenfield project involving the construction of ZapSibNeftekhim, an integrated facility also in Tobolsk, which is projected to operate a steam cracker with a total annual capacity of 1.5 million tons of ethylene and produce 1.5 million tons of polyethylene and 500,000 tons of polypropylene per annum (which is referred to as the "ZapSib-2" project). The "ZapSib-2" project is currently at a "front end engineering design" stage, and the Group currently expects that it will make the final investment decision no earlier than the second half of 2013 (see " — Investment Programme and Capital Expenditure"). SIBUR believes that investments of the size of Tobolsk-Polymer Plant and, if ultimately approved for construction, the "ZapSib-2" project, are critical to achieving economies of scale and provide the Group with first-mover advantage in establishing large-scale petrochemicals production capabilities in Western Siberia.

Moreover, the Group has a strong track record of developing large industrial projects in regions with difficult climate, logistical and market conditions, working with leading global engineering firms. In implementing these projects, the Group has developed an internal team of specialists that can lead the investment project management activities. The Group believes this expertise will allow it to complete successfully the various significant capital projects that it has undertaken or that are at various stages of planning to increase capacity, including projects in regions with harsh conditions.

SIBUR believes that the current advanced stage of its development projects as well as the developed execution capabilities position the Group ahead of any potential new entrants that would need to make major capital commitments with substantial lead-times to match the Group's current state of its project development.

Highly experienced management team with strong shareholder support

SIBUR's management team combines managers with unparalleled industry expertise, whose experience with the Group's facilities dates back to Soviet times, with the best talent the Group can attract from the market, including leading global professional firms, multinationals and market participants, as well as individuals sourced from within the ranks of the Group's own internal talent pool. A further key strength of this management team is that most of the Group's senior management has been with the Group over the better part of the last eight years, providing the Group with a measure of stability and continuity.

Under the leadership of its current management team, the Group has demonstrated strong growth combined with sustainable profitability and operational excellence in rapidly changing economic conditions and industry developments, including through optimization of business processes, asset structure and headcount. Prudent fiscal policies adopted by the management team have allowed the Group to remain financially stable even during the major economic downturn of 2008-2009. SIBUR believes that its resilience during the crisis was attributable not only to its integrated business model, feedstock advantage and flexibility and diverse product portfolio, but also to the successful implementation of a number of timely financial management measures.

The Group's management team has a proven track record of developing, and executing on, a clearly defined strategy. This strategy has been endorsed by and enjoys strong support from the Group's reputable shareholders with extensive knowledge of the oil and gas sector in Russia.

Strategy

Cement long-term access to feedstock through expanding existing APG and NGLs processing and transportation infrastructure and long-term arrangements with oil and gas companies

The Group aims to reinforce its competitive positions in APG and NGLs processing and transportation to further consolidate growing feedstock flows in Western Siberia.

The Group is continuing to develop a network of multi-year contracts and joint ventures with oil and gas companies. It is also making investments in its existing facilities through the expansion of its processing capacity as well as in new facilities such as its transportation infrastructure, as well as in technology upgrades both in existing regions of operations and new areas to secure reliable long-term access to attractively priced hydrocarbon feedstock. To that end, the Group plans to make significant investments to (1) expand and modernize its existing gas and product transportation infrastructure, (2) increase its gas fractionation capacity, and (3) expand its APG processing capabilities, particularly through enhancement of the liquid hydrocarbon recovery rates at GPPs. SIBUR believes that the resulting increase in feedstock processing capacity will provide it with further opportunities to expand its petrochemicals business. The Group expects that its investments in developing a pipeline link connecting Purovsk, Pyt-Yakh and Tobolsk combined with the expansion of the Group's flagship GFU capacity in Tobolsk and supported by new long-term supplier arrangements will, in particular, allow it to enjoy first-mover advantage, making it increasingly difficult for other market players to capture access to NGLs on economically comparable terms in these areas of Western Siberia.

Monetize stranded feedstock through construction of large-scale petrochemicals production facilities

The Group is making substantial investments in Tobolsk to develop large-scale petrochemicals production capacity near the Group's feedstock base in Western Siberia. These investments are aimed primarily at increasing production volumes of basic polymers, in particular through the development of the Tobolsk-Polymer Plant and potentially the "ZapSib-2" project, which is currently at a "front end engineering design" stage of development. The Group expects these investments to result in further integration of its businesses and provide a more efficient and higher value added alternative to monetizing its access to low cost NGLs stranded in the region. By processing NGLs into petrochemicals in close proximity to the feedstock base, the Group expects to realise significant savings on transportation charges and export duties on energy products, while gaining a strong cost advantage for its basic polymers both in Russia and internationally by capitalising on its position as one of the lowest cost producers globally, according to IHS Chemical. The Group believes that, after implementing these measures, it will be able to better manage its exposure to volatile global energy markets and achieve more balanced operating margins for its key business segments.

Capture domestic growth opportunities

According to IHS Chemical, Russia's demand for basic petrochemical products is expected to grow faster than demand in many of the world's developed economies as the country's per-capita use of basic petrochemicals lags substantially behind these economies. Moreover, much of Russia's demand for certain petrochemicals is currently met by imports due to a shortage of domestic petrochemical capacity, according to IHS Chemical. This makes the petrochemicals market in Russia relatively more attractive for domestic producers. Benefiting from its existing petrochemical facilities and its leading market positions in a variety of petrochemical products and niche markets, the Group believes it is well positioned to capture this opportunity. To secure its position in the domestic market, the Group will continue to pursue selective development of its petrochemicals product offering to adapt to evolving trends in customer needs and demand while strengthening its competitive position in selective higher margin specialty chemicals. The Group has consistently increased its investments in research and development and makes selective acquisitions to support these goals, entering or expanding its presence in such markets as BOPP-films, PET and acrylates. As part of this strategy, the Group also seeks opportunities to broaden its offering through cooperation with international manufacturers, licensors and customers.

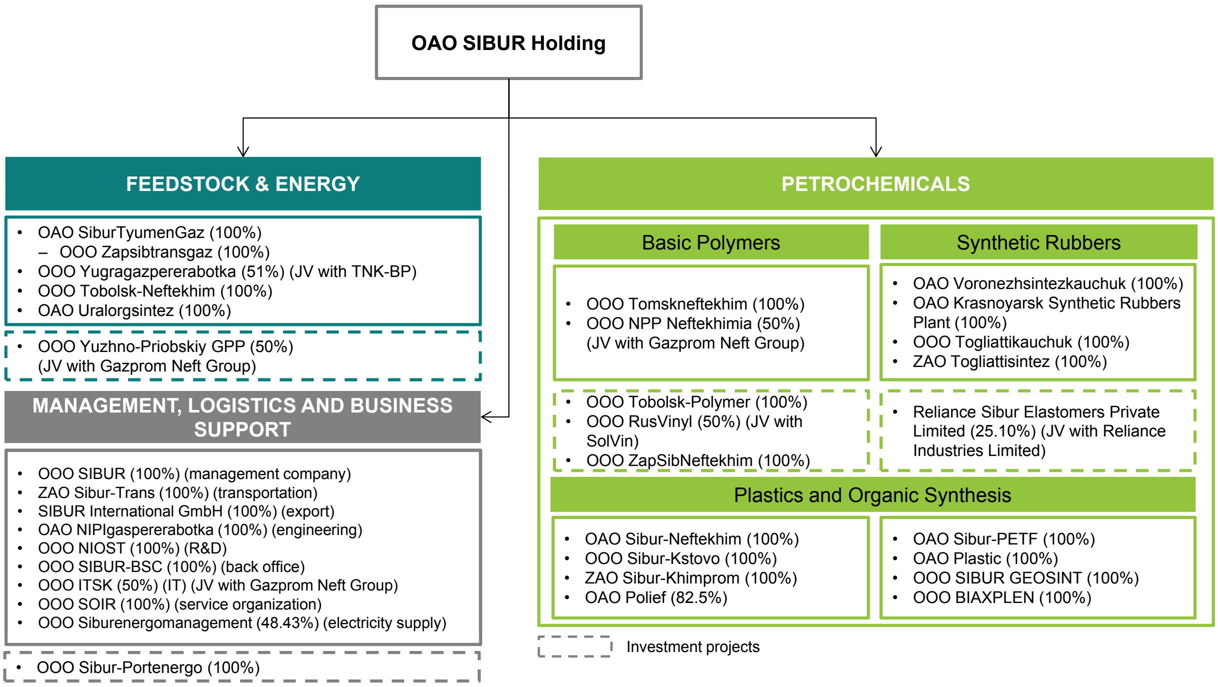
Pursue operational excellence

The Group will continue to pursue operational excellence to enhance its cost advantages, reduce risks and promote the long-term sustainability of its business by applying global best practices, adapting them where necessary to the Russian market situation, in order to improve productivity, streamline and further integrate its asset base, enhance business processes and functions, and upgrade IT infrastructure. The Group is also committed to a disciplined, prudent and effective use of capital. The Group prioritizes investment opportunities to focus on projects with the best strategic fit and industry-leading returns, while increasing cash flows and maintaining balance sheet strength in line with its financial policy to support steady growth. In addition, the Group will continue to seek to increase market opportunities for its products by taking active steps in promoting customer interest in the Group's products. These and other initiatives aim to improve the Group's operational efficiencies, control costs, enhance the Group's long-term competitiveness and support operating margins.

Corporate Structure

The Group's operations are managed through an integrated management structure based at the Group's headquarters in Moscow and at the production facilities. The Group's headquarters is responsible for logistics, sales, procurement and general corporate functions, including financial reporting and controlling, investment planning, project management and treasury. The management at the plant level is responsible for overseeing the facilities' production and health, safety and environmental activities.

The Company is the holding company of the Group. The following chart shows the Group's key subsidiaries, partnerships and joint ventures and its ownership in such entities as of the date of this Prospectus.



History and Development

The timeline below sets forth key milestones in the Group's history.

1995 – 2000 OAO AK Sibur (AK Sibur), the Group's predecessor, was established in March 1995 on the basis of gas processing and gas fractionation assets located primarily in Western Siberia as part of the Russian Government's privatization process. As a result, AK Sibur became the owner of all eight gas processing plants then existing in Western Siberia.

AK Sibur was privatised in several stages with control consolidated in the hands of private investors by 1998.

In 1999 and 2000, AK Sibur pursued an active acquisition strategy and became a vertically integrated gas processing and petrochemicals company through purchases of several Russian petrochemical enterprises.

In 2001, OAO Gazprom acquired a controlling stake in AK Sibur.

2000 – 2002 As a result of the aggressive acquisition strategy and the 1998 financial crisis, AK Sibur's leverage increased significantly, which led the Company to insolvency and forced it to sell two of its eight GPPs in Western Siberia.

In 2002, OAO Gazprom, as AK Sibur's major shareholder and creditor, initiated a long-term restructuring programme of AK Sibur's debt through a bankruptcy procedure.

2003 – 2005 In 2003, the Company's management changed: Mr. Alexander Dyukov was appointed the General Director of AK Sibur and a new management team was formed. The new management focused on the business turn-around through operational and financial improvements, including sales efficiency enhancement, cost controls, working capital management, asset structure optimization and other initiatives.

In 2005, in accordance with a debt restructuring plan, AK Sibur established OAO SIBUR Holding, which consolidated all the assets of AK Sibur. 25% of shares in OAO SIBUR Holding were sold to OAO Gazprom and the remainder was sold to ZAO Gazprombank, while the proceeds were used to repay the debt owed to OAO Gazprom.

2006 – 2010 Starting from 2006, SIBUR focused predominantly on organic development and continuously invested in the expansion and modernization of its assets to capitalise on the growth opportunities in both gas processing and petrochemical markets in Russia.

In 2006, Mr. Dmitry Konov was appointed the General Director of the Company.

In 2008, OAO Gazprom, as part of its strategy to exit from non-core businesses, disposed of its interest in the Group by selling its stake to OAO Gazprombank, which was controlled by the Non-State Pension Fund Gazfund.

In 2007, SIBUR made a final investment decision on construction of the Tobolsk-Polymer polypropylene plant – the Group's large scale investment project in Tobolsk. See " — Investment Programme and Capital Expenditure". Also in 2007, the Group formed its joint venture with SolVin Holding Nederland B.V. to construct Russia's first world scale fully integrated vinyl plant in the Nizhny Novgorod region. See " — Partnership with Leading World Producers". Additionally, in 2007, the Group formed its strategic joint venture with TNK-BP, OOO Yugragazpererabotka, a gas processing company, in which the Group holds 51%. See " — Operating Joint Ventures with Russian Oil Companies".

The Group also made selective acquisitions aimed at strengthening its positions in or entering into attractive segments of the Russian petrochemicals market as well as at optimizing its sales channels. Such transactions included the acquisition of a 50% interest in OOO Biaxplen, a BOPP-film producer, 100% in OOO Novatek-Polymer, also a BOPP-film producer (now part of OOO Biaxplen), a 50% interest in OOO NPP Neftekhimia, a polypropylene producer (a 50/50% joint venture with the Gazprom Neft Group), and 100% in Citco Waren-Handelsgesellschaft m.b.H., an export trading firm (later renamed SIBUR International GmbH).

2011 – 2012 Between December 2010 and November 2011, through a series of transactions, Mr. Leonid Mikhelson, the CEO and founder of NOVATEK and a group of investors affiliated with him acquired 100% of OAO SIBUR Holding's share capital from the previous owner, the non-state pension fund Gazfund, who controlled SIBUR through OAO Gazprombank. The transactions received all the required regulatory approvals. As of the date of this Prospectus, SIBUR Limited, a Cyprus legal entity, is the majority shareholder of SIBUR with a 99.99% stake, while SIBUR's beneficial ownership structure is as follows: Mr. Leonid Mikhelson – 57.2%, Mr. Gennady Timchenko (a co-founder of the independent oil-trading company Gunvor) – 37.3% and a group of current and former SIBUR senior managers – 5.5%. See "Shareholders".

In line with the Group's objectives to exit non-core activities and streamline its asset structure, in December 2011, the Group completed the disposal of its stakes in the various legal entities comprising the non-core mineral fertilizers and tyres businesses. Proceeds were used for debt repayment.

The Group continued the implementation of its strategic investment programme through expansion and modernization of its production facilities (see " — Investment Programme and Capital Expenditure"). Additionally, the Group entered a "front end engineering design" stage for its "ZapSib-2" project, an integrated facility for the production of 1.5 million tons of polyethylene and 500,000 of polypropylene also in Tobolsk (see " — Investment Programme and Capital Expenditure").

The Group also completed several acquisitions in the plastics and organic synthesis product group, including the acquisition of control in Acrylate Group, a producer of acrylates, in OAO Polief, a producer of PET, and in OOO Biaxplen, a producer of BOPP-films.

Operations

Overview of Business Segments

The Group subdivides its operations into two segments: feedstock and energy segment and petrochemicals segment.

Feedstock and Energy segment

The Group's feedstock and energy segment comprises (i) gathering and processing of APG that the Group purchases from major Russian oil companies (ii) transportation, fractionation and other processing of NGLs, that the Group produces internally or purchases from major Russian oil and gas companies and (iii) marketing and sales of energy products, such as natural gas, LPG, naphtha, raw NGL and other fuels and fuel additives, including MTBE. The Group sells these energy products on the Russian and international markets and uses some of them as feedstock for its petrochemicals segment.

During the nine months ended 30 September 2012 and the years ended 31 December 2011, 2010 and 2009, revenues from the Group's feedstock and energy sales accounted for 48.7%, 45.5%, 42.4% and 46.2% of the Group's revenue, respectively.

Petrochemicals segment

The petrochemicals segment comprises the production and sale of basic polymers, synthetic rubbers, plastics and organic synthesis products, as well as intermediates and other chemicals. The products of the petrochemicals segment are both sold externally and consumed by the Group for further processing to produce other petrochemical products.

During the nine months ended 30 September 2012 and the years ended 31 December 2011, 2010 and 2009, revenues from the Group's petrochemicals segment accounted for 47.1%, 50.2%, 54.1% and 47.4% of the Group's revenue, respectively.

Products

Energy products

The Group's energy products include the following:

LPG

LPG (liquefied petroleum gases) refers primarily to propane (C_3 fractions), butane, isobutane (C_4 fractions) or propane-butane mixtures. The choice of propane, butane or propane-butane mixtures is usually determined by a combination of the intended end use and desired physical properties. LPG is used as a motor fuel, feedstock for petrochemicals production as well as a fuel for heating.

The Group produces LPG by fractionating raw NGL at its GFUs and also purchases LPG directly from oil and gas companies. Historically, LPG has been the Group's largest energy product in terms of revenue. Based on information from the CDU-TEK, the Group was the largest producer of LPG in Russia in 2011, with a 34% share of the country's total production. The Group sells the LPG it produces and purchases to external customers in Russia and abroad and also supplies it to the Group's petrochemicals operations as feedstock for the production of petrochemical products.

The table below sets forth information on the Group's LPG production, purchases and sales (including internal sales) volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			Metric tons		
LPG					
Production	2,759,027	2,684,970	3,624,868	3,397,866	3,341,730
Purchases from third parties, including:	138,315	447,118	548,019	103,444	103,048
Purchases for resale	55,533	237,934	275,377	—	—
Total production and purchases	**2,897,342**	**3,132,088**	**4,172,887**	**3,501,310**	**3,444,778**
(Fractionation and internal use)	(367,249)	(411,208)	(585,078)	(154,321)	(60,090)
(Increase)/decrease in stock	10,136	4,096	(29,008)	(3,976)	105,464
Gross sales, including	2,540,229	2,724,976	3,558,801	3,343,013	3,490,152
Intercompany sales to petrochemical business	572,230	570,272	714,710	1,032,777	1,518,660
External sales	**1,967,999**	**2,154,704**	**2,844,091**	**2,310,236**	**1,971,492**
Domestic	**637,380**	**851,178**	**1,101,533**	**904,245**	**781,697**
Export	**1,330,619**	**1,303,526**	**1,742,558**	**1,405,991**	**1,189,795**

Naphtha

Naphtha (C_{5+} fractions) is a mix of liquid hydrocarbons and refers primarily to pentane, isopentane, hexane and heavier fraction hydrocarbons. Naphtha is primarily used as feedstock for energy, utilities and petrochemical industries.

The Group produces naphtha by fractionating raw NGL at its GFUs and also purchases it directly from oil and gas companies. The Group sells the naphtha it produces and purchases to external customers in Russia and abroad and also supplies it to the Group's petrochemicals operations as feedstock for the production of petrochemical products.

The table below sets forth information on the Group's naphtha production, purchases and sales (including internal sales) volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			Metric tons		
Naphtha					
Production	1,006,925	954,846	1,294,536	1,262,026	1,216,300
Purchases from third parties	293,204	416,206	571,497	382,359	33,453
Total production and purchases	**1,300,129**	**1,371,052**	**1,866,033**	**1,644,385**	**1,249,753**
(Internal use/losses)	(2,205)	(481)	(1,054)	(944)	(1,401)
(Increase)/decrease in stock	(8,651)	(8,813)	12,151	41,797	(18,156)
Gross sales, including	1,289,273	1,361,758	1,877,130	1,685,238	1,230,196
Intercompany sales to petrochemical business	497,527	609,696	897,685	742,652	468,665
External sales	**791,746**	**752,062**	**979,445**	**942,586**	**761,531**
Domestic	**48,876**	**209,471**	**282,443**	**265,463**	**89,780**
Export	**742,870**	**542,591**	**697,002**	**677,123**	**671,751**

Natural gas

Natural gas is a hydrocarbon gas mixture primarily comprising methane (C_1 fraction) and ethane (C_2 fraction). Methane is primarily used as a fuel for power generation, residential, commercial and industrial applications as well as feedstock for the production of mineral fertilizers and methanol. Ethane can also be used as a chemical feedstock.

The Group produces natural gas at its GPPs through processing of APG purchased from oil companies, which is separated into natural gas and raw NGL. In 2012, the Group also began purchasing natural gas from NOVATEK. The Group sells its natural gas to Russian oil and gas companies and, to a limited extent, to Russian regional and municipal power companies. The Group also uses certain volumes of natural gas internally, mainly as fuel at its GPPs and for own heat power generation. In 2011, the Group was the third largest producer of natural gas in Russia (including TNK-BP's share in production volumes of OOO Yugragazpererabotka), based on data from the CDU-TEK[1].

The table below sets forth information on the Group's natural gas production, purchases and sales volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	Thousand of cubic metres				
Natural gas					
Production(1)	11,985,166	11,750,139	15,806,351	15,325,007	14,822,034
Production, Group's share(2)	8,008,717	8,088,647	10,864,052	11,154,101	10,824,692
Purchases from third parties	467,480	—	—	—	—
Total production and purchases	**8,476,197**	**8,088,647**	**10,864,052**	**11,154,101**	**10,824,692**
(Internal use/losses)	(943,289)	(873,062)	(1,200,758)	(1,244,874)	(770,778)
(Increase)/decrease in stock	131,778	(442,488)	(518,356)	(175,018)	1,085,583
External sales	**7,664,686**	**6,773,097**	**9,144,938**	**9,734,209**	**11,139,497**
Domestic	**7,664,686**	**6,773,097**	**9,144,938**	**9,734,209**	**11,139,497**
Export	—	—	—	—	—

(1) Includes TNK-BP's share in production volumes of OOO Yugragazpererabotka (see " — Raw Materials Sourcing" and " — Operating Joint Ventures with Russian Oil Companies").

(2) Excludes TNK-BP's share in production volumes of OOO Yugragazpererabotka (see " — Raw Materials Sourcing" and " — Operating Joint Ventures with Russian Oil Companies").

Raw NGL

Raw NGL represents a mixture of hydrocarbon fractions from C_3 to C_6 (including propane, normal butane, pentane, hexane). Raw NGL is primarily used as feedstock for fractionation into energy products and as feedstock for petrochemicals production.

The Group produces raw NGL through processing of APG, which is separated into natural gas and raw NGL and also purchases it from oil and gas companies. The Group primarily uses raw NGL for further processing (fractionation) into other energy products and as feedstock for the Group's petrochemicals production. The Group also sells marginal volumes of raw NGL externally.

1 Excluding flaring, losses, internal consumption and production under product-sharing schemes.

The table below sets forth information on the Group's raw NGL production, purchases and sales volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			Metric tons		
Raw NGL					
Production(1)	3,066,524	3,088,782	4,175,843	3,954,516	3,565,155
Production, Group's share(2)	2,065,874	2,118,297	2,864,371	2,627,054	2,252,584
Purchases from third parties, including	2,066,939	1,929,331	2,544,569	2,268,070	2,331,824
Purchases for resale	—	38,575	38,575	—	—
Total production and purchases	**4,132,813**	**4,047,628**	**5,408,940**	**4,895,124**	**4,584,408**
(Fractionation)	(3,484,079)	(3,596,518)	(4,803,389)	(4,513,208)	(4,384,680)
(Increase)/decrease in stock	(2,334)	9,027	(24,771)	19,789	(3,688)
Gross sales, including	646,400	460,137	580,780	401,705	196,040
Intercompany sales to petrochemical business	491,647	314,629	417,506	355,846	144,993
External sales	**154,753**	**145,508**	**163,274**	**45,859**	**51,047**
Domestic	**15,230**	**88,762**	**93,263**	**—**	**50,317**
Export	**139,523**	**56,746**	**70,011**	**45,859**	**730**

(1) Includes TNK-BP's share in production volumes of OOO Yugragazpererabotka (see " — Raw Materials Sourcing" and " — Operating Joint Ventures with Russian Oil Companies").

(2) Excludes TNK-BP's share in production volumes of OOO Yugragazpererabotka (see " — Raw Materials Sourcing" and " — Operating Joint Ventures with Russian Oil Companies").

MTBE

MTBE (methyl tertiary butyl ether) is a fuel additive used to obtain higher octane values for gasoline.

The Group produces MTBE from the reaction of methanol with isobutylene and also purchases MTBE directly from third parties for resale. The Group sells MTBE to oil refineries in Russia and internationally.

The table below sets forth information on the Group's MTBE production, purchases and sales (including internal sales) volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
			Metric tons		
MTBE					
Production	296,511	300,503	405,371	414,619	504,032
Purchases from third parties	13,998	18,157	28,972	28,001	—
Total production and purchases	**310,509**	**318,660**	**434,343**	**442,620**	**504,032**
(Internal use/losses)	(230)	(84)	(305)	—	—
(Increase)/decrease in stock	5,008	8,741	3,600	2,700	(12,285)
External sales	**315,287**	**327,317**	**437,638**	**445,320**	**491,747**
Domestic	**240,162**	**208,145**	**299,117**	**211,085**	**228,832**
Export	**75,125**	**119,172**	**138,521**	**234,235**	**262,915**

Other fuels and fuel additives

Other fuels and fuel additives represent an insignificant share of the Group's revenue. These products are primarily used in the energy and petrochemical industries. Other fuels and fuel additives are by-products of the production processes in both of the Group's principal segments. The Group sells other fuels and fuel additives to customers in the energy and petrochemical industries in Russia and abroad. The Group also consumes certain of these products internally.

The table below sets forth information on the Group's other fuels and fuel additives production, purchases and sales (including internal sales) volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			Metric tons		
Other fuels and fuel additives					
Production	212,889	247,683	337,158	215,970	169,638
Purchases from third parties	8,058	869	1,151	—	—
Total production and purchases	**220,947**	**248,552**	**338,309**	**215,970**	**169,638**
(Internal use/losses)	(95,126)	(110,329)	(146,751)	(91,953)	(59,813)
(Increase)/decrease in stock	597	(1,454)	(1,420)	(3,922)	3,034
External sales	**126,418**	**136,769**	**190,138**	**120,095**	**112,859**
Domestic	**126,304**	**135,682**	**189,051**	**117,184**	**106,094**
Export	**114**	**1,087**	**1,087**	**2,911**	**6,765**

Petrochemical products

Basic polymers

Basic polymers produced by the Group include PP (polypropylene) and LDPE (low density polyethylene). PP is a granulated thermoplastic polymer with geometrically identical granules. PP is used as a feedstock in manufacturing of general-purpose consumer goods, various packaging, BOPP films, hygiene products, pipes, fibres and automotive components. LDPE is a granulated thermoplastic polymer with geometrically identical granules, which is softer, more flexible and easier to process than high-density polyethylene. LDPE is used as a feedstock in manufacturing general-purpose consumer goods, coating materials for electrotechnical and energy industry, film for agricultural industry as well as various packaging.

The table below sets forth information on the Group's basic polymers production, purchases and sales volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			Metric tons		
Basic Polymers					
Production	283,401	268,225	372,967	418,153	438,835
PE (LDPE)	184,461	175,038	244,177	238,369	247,028
PP	98,940	93,187	128,790	179,784	191,807
Purchases from third parties[(1)]	86,089	86,713	114,295	36,437	190
Total production and purchases	**369,490**	**354,938**	**487,262**	**454,590**	**439,025**
(Internal use/losses)	(49,539)	(17,107)	(20,422)	(6,332)	(10,166)
(Increase)/decrease in stock	22,952	(15,432)	(20,750)	(12,279)	26,707
External sales					
PE (LDPE)	198,661	160,027	225,476	226,807	270,849
Domestic	101,659	78,827	107,225	114,187	93,196
Export	97,002	81,200	118,251	112,620	177,653
PP	144,242	162,372	220,614	209,172	184,717
Domestic	126,248	152,947	203,985	193,307	140,109
Export	17,994	9,425	16,629	15,865	44,608
External sales volumes	**342,903**	**322,399**	**446,090**	**435,979**	**455,566**
Domestic	**227,907**	**231,774**	**311,210**	**307,494**	**233,305**
Export	**114,996**	**90,625**	**134,880**	**128,485**	**222,261**

(1) Primarily purchases of PP from NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group.

The Group produces PP through polymerization of propylene, which is an intermediate petrochemical product also produced by the Group. The Group produces LDPE from polymerization of ethylene, which is also an intermediate petrochemical product produced by the Group. The Group sells basic polymers to customers in the FMCG, construction and agricultural industries in Russia and abroad. The Group also uses certain amount of these products for further processing into other petrochemicals. In 2011, the Group's production of LDPE accounted for 34% of LDPE production in Russia, and the Group's production of PP accounted for 37% of Russia's PP production (including the capacity of OOO NPP Neftekhimia, the Group's joint venture with the Gazprom Neft Group), according to IHS Chemical.

Synthetic rubbers

Synthetic rubbers include commodity rubbers, specialty rubbers and thermoplastic elastomers.

Commodity rubbers comprise polyisoprene (IR), polybutadiene (BR) and styrene-butadiene (ESBR, SSBR) rubbers. These are butadiene or isoprene polymers as well as co-polymers of butadiene and styrene or alphamethylstyrene, which have elastic and other properties that are partially similar to natural rubbers. Commodity rubbers are used in the production of tyres, mechanical rubber goods for automobile and machine-building industries, asbestos technical (frictional) goods and adhesives, as well as footwear.

Specialty rubbers comprise co-polymers such as nitrile-butadiene (NBR), which is a complex mixture of unsaturated co-polymers of acrylonitrile and butadiene, and butyl rubbers (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 characterized by oil and petrol resistance quality, while IIR is characterized by gas impermeability. Specialty rubbers are used mostly in the production of tyre inner tubes and vulcanizing diaphragms, mechanical rubber goods for automobile and machine-building industries, asbestos technical (frictional) goods and adhesives, as well as footwear.

Thermoplastic elastomers (TPE) are a mix of polymers (usually a plastic and a rubber), which consists of materials with both thermoplastic and elastomeric properties. Styrenic Block Copolymers (SBCs) represent the vast majority of global TPE capacity. According to IHS Chemical, SBS is the dominant product in SBC group. TPE are widely used in construction, healthcare, automotive and electronics.

The Group produces synthetic rubbers from butadiene, isoprene, isobutylene and styrene, all of which the Group also produces as part of its intermediate products manufacturing and which are produced through cracking and other chemical processing of raw NGL, LPG and naphtha. According to IISRP, the Group's production of synthetic rubbers accounted for 33% of Russia's synthetic rubbers production.

The Group sells synthetic rubbers primarily to customers in the automotive (for tyre manufacturing), industrial machinery and construction industries in Russia and abroad.

The table below sets forth information on the Group's synthetic rubbers production, purchases and sales volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			Metric tons		
Synthetic rubbers					
Production	302,030	310,979	426,200	431,640	338,490
Commodity rubbers	216,771	224,013	307,594	306,700	238,640
Specialty rubbers	64,220	66,285	90,629	93,706	74,158
Thermoplastic elastomers	21,039	20,681	27,977	31,234	25,692
Purchases from third parties	22,932	45,351	63,828	60,232	37,543
Total production and purchases	**324,962**	**356,330**	**490,028**	**491,872**	**376,033**
(Internal use/losses)	(537)	(305)	(557)	(15)	—
(Increase)/decrease in stock	(5,123)	(2,666)	(4,595)	3,495	3,700
External sales					
Commodity rubbers	234,280	266,347	365,383	370,304	275,809
Domestic	102,639	125,665	169,480	157,662	133,877
Export	131,641	140,682	195,903	212,642	141,932
Specialty rubbers	62,668	66,441	92,359	93,498	77,651
Domestic	10,901	14,759	19,092	16,860	12,175
Export	51,767	51,682	73,267	76,638	65,476
Thermoplastic elastomers	22,354	20,571	27,134	31,550	26,273
Domestic	17,825	17,481	23,133	25,498	21,224
Export	4,529	3,090	4,001	6,052	5,049
External sales volumes	**319,302**	**353,359**	**484,876**	**495,352**	**379,733**
Domestic	**131,365**	**157,905**	**211,705**	**200,020**	**167,276**
Export	**187,937**	**195,454**	**273,171**	**295,332**	**212,457**

Plastics and organic synthesis products

The Group's plastics and organic synthesis product group comprises primarily polyethylene terephthalate (PET), glycols, alcohols, biaxially oriented polypropylene films (BOPP-films), expandable polystyrene (EPS), acrylates, plastic compounds (acrylonitrile butadiene styrene (ABS) plastics and polyvinyl chloride (PVC) cable compounds). These products are used primarily in chemicals, construction and FMCG industries.

PET is a thermoplastic polymer resin of the polyester family with geometrically identical granules and is primarily used in manufacturing of PET packaging for beverages and food, as well as other containers.

Glycols are viscous liquids, which include mono-ethylene glycol, diethylene glycol and trienthylene glycol are used primarily for production of PET, polyester fiber, de-icing liquids, cooling and anti-freezing liquids, extragent for aromatic hydrocarbons and reagent for natural gas drying. Based on the data published by IHS Chemical, in 2011, the Group's production of glycols accounted for 45% of total mono-ethylene glycol production in Russia.

Alcohols are colourless liquids, which include 2-ethylhexanol, butyl alcohol and isobutyl alcohol. Alcohols are used in organic synthesis for production of plasticizers, acetates, acrylates, oil additives, as solvents for plastics and varnish, as anti-foaming agent, as well as a component for perfume compounds. The Group is a leading player in the Russian alcohols market, with approximately 38% market share in alcohols sales in 2011, based on data from IHS Chemical and Alliance Analytics.

Biaxially oriented polypropylene films (BOPP-films) include coextruded, coated, non-heat sealable or homopolymer films in a variety of finishes. BOPP-films are characterized by the following properties: better shrinkage, stiffness, transparency, sealability, twist retention and barrier. BOPP-films are mainly used by the retail industry for packaging and production of price tags and labels and adhesive tapes.

Expandable polystyrene is a granulated polymer with round granules made from styrene monomer. Expandable polystyrene is used for production of thermo-insulation blocks, packaging materials as well as for decorative elements. Based on information published by IHS Chemical, in 2011, the Group's share of expandable polystyrene capacity in Russia was approximately 80%.

Acrylates are liquids with strong odor and include ethers of acrylic acid, butyl, methyl and ethyl. Acrylates are mainly used in the production of acrylic emulsions, superabsorbents, building mixes and adhesives used in the construction and textile industries.

Plastic compounds include ABS plastics and PVC cable compounds, which are used for production of cables, polymer sheets and automobile components used in transport, construction and consumer goods industries.

The Group produces plastics and organic synthesis products primarily from ethylene and propylene derivatives, which the Group also produces as part of its intermediate products manufacturing.

The Group sells plastics and organic synthesis products to customers in chemical, construction and FMCG industries in Russia and abroad, with a majority of these products sold domestically. The Group also uses certain of these products for further processing into other petrochemicals in this product group and others. For example, the Group uses glycols for further processing into PET and alcohols for its own production of butyl acrylate.

The table below sets forth information on the Group's plastics and other synthesis products production, purchases and sales volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			Metric tons		
Plastics and organic synthesis products					
Production	603,512	428,946	607,293	524,071	466,697
PET	153,699	55,190	95,230	73,577	71,538
Glycols	169,719	182,267	243,664	241,174	209,908
Alcohols (including 2-ethylhexanol)	117,642	109,149	148,425	140,128	135,441
BOPP-films	44,867	11,154	13,761	5,104	—
Expandable polystyrene	51,059	24,467	36,741	11,036	9,673
Acrylates(1)	32,430	10,022	20,349	—	—
Plastic compounds(2)	34,096	36,697	49,123	53,052	40,137
Purchases from third parties	6,816	654	655	—	3,300
Total production and purchases	**610,328**	**429,600**	**607,948**	**524,071**	**469,997**
(Internal use/losses)	(71,974)	(44,039)	(55,322)	(61,408)	(62,904)
(Increase)/decrease in stock	33,872	(32,580)	(26,955)	557	12,615
External sales					
PET	173,104	47,316	85,305	77,376	75,393
Domestic	172,350	46,150	82,256	70,558	73,358
Export	754	1,166	3,049	6,818	2,035
Glycols	119,001	140,483	196,909	191,629	162,239
Domestic	81,990	111,973	150,066	140,140	103,087
Export	37,011	28,510	46,843	51,489	59,152
Alcohols (including 2-ethylhexanol)	104,850	97,035	132,219	128,259	124,326
Domestic	39,693	38,624	52,837	47,465	46,521
Export	65,157	58,411	79,382	80,794	77,805
BOPP-films	46,348	8,964	13,054	4,792	—
Domestic	39,045	8,818	12,907	4,292	—
Export	7,303	146	147	500	—
Expandable polystyrene	54,260	19,742	37,935	9,857	13,477
Domestic	36,629	17,319	33,499	6,338	13,477
Export	17,631	2,423	4,436	3,519	—
Acrylates	40,424	2,528	10,768	—	—
Domestic	9,536	2,462	4,494	—	—
Export	30,888	66	6,274	—	—
Plastic compounds	34,239	36,913	49,481	51,307	44,273
Domestic	32,222	34,606	46,438	47,562	43,436
Export	2,017	2,307	3,043	3,745	837
External sales volumes	**572,226**	**352,981**	**525,671**	**463,220**	**419,708**
Domestic	**411,465**	**259,952**	**382,497**	**316,355**	**279,879**
Export	**160,761**	**93,029**	**143,174**	**146,865**	**139,829**

(1) From 1 January 2012, the Group reports acrylates as a separate product in the plastics and organic synthesis product group due to the consolidation of Acrylate Group and higher sales volumes. In 2011, acrylates were included in the intermediates and other chemicals product group, as their sales volumes were non-material.

(2) Including ABS plastics and PVC cable compounds.

Intermediates and other chemicals

Intermediates and other chemicals primarily comprise butadiene, isoprene, isobutylene, propylene, ethylene oxide, ethylene, benzene, styrene, terephthalic acid (PTA) and others.

Butadiene is an industrial chemical that is used in the production of styrene-butadiene, polybutadiene, nitrile, polychloroprene rubbers and styrenic block copolymers. Isoprene, a heat sensitive organic compound, is used in the production of butyl (isobutylene-isoprene) and polyisoprene rubber, styrenic block copolymers (styrene-isoprene-styrene thermoplastic elastomer). Isobutylene is a hydrocarbon, which is used in production of butyl (isobutylene-isoprene) rubber and isoprene (the monomer for butyl and polyisoprene rubbers), styrenic block copolymers (styrene-isoprene-styrene thermoplastic elastomer). Propylene is mainly produced as a by-product alongside ethylene in the steam cracking process, but can also be derived as by-product of crude oil refining or produced "on-purpose" by the dehydrogenation of propane. Ethylene oxide is a derivative of ethylene. Benzene is an aromatic hydrocarbon in the form of a colorless, flammable liquid, which is primarily used as a feedstock for styrene monomer, phenol and caprolactam production. Styrene is an aromatic hydrocarbon (a derivative of benzene), it is used in the production of polystyrene (general purpose, expandable and high-impact), ABS plastics, styrene-butadiene rubbers and styrene block copolymers. Terephthalic acid is the organic compound, which is colorless and solid and is a commodity chemical, used principally as a precursor to the polyester.

The Group primarily uses these products internally for processing into higher value-added petrochemical products the Group produces. The Group also sells these products to other petrochemical companies, particularly under the Group's product swap schemes, when the Group supplies feedstock in exchange for refined products.

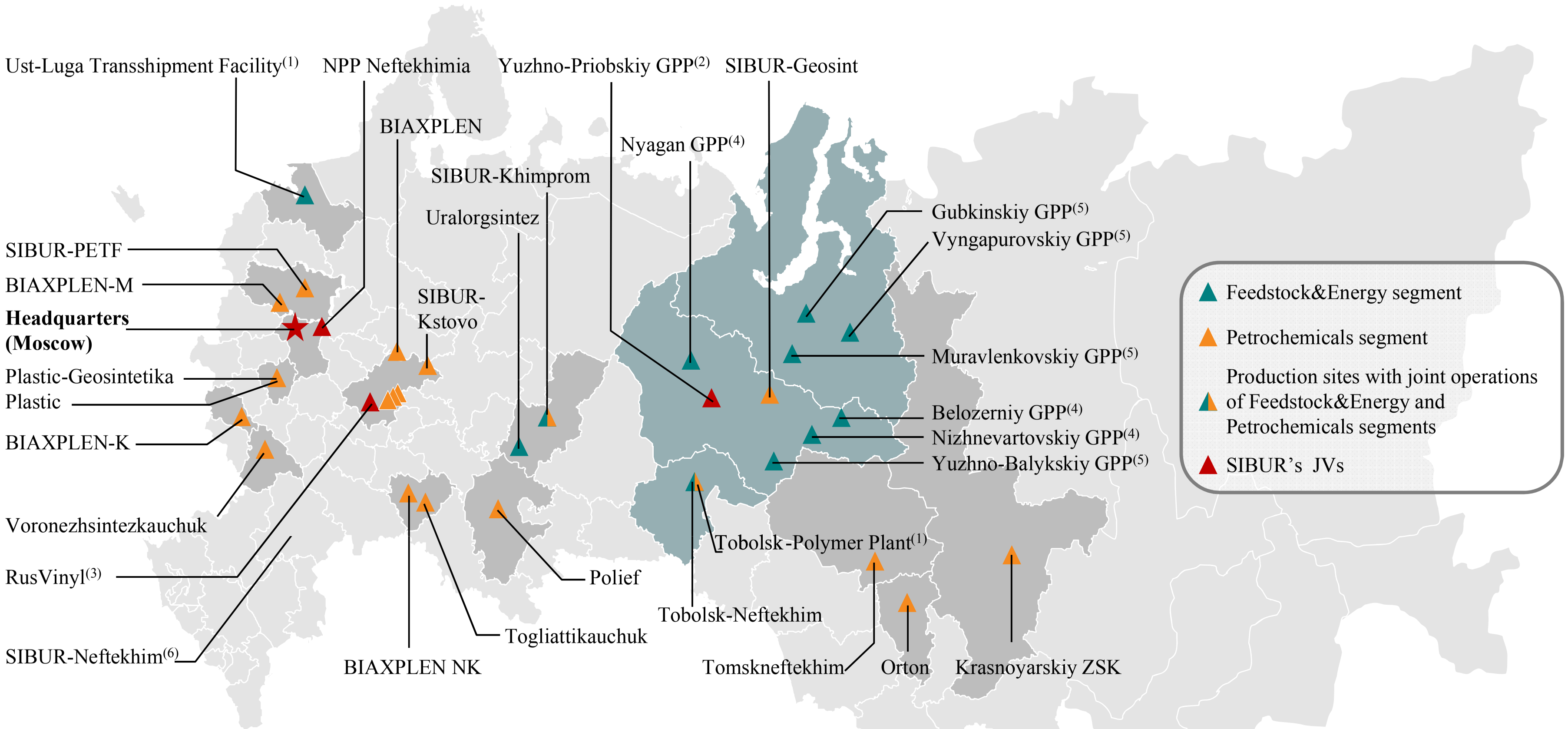
The table below sets forth information on the Group's intermediates and other chemicals production, purchases and sales volumes for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			Metric tons		
Intermediates and other chemicals					
Production	2,519,283	2,278,847	3,147,238	2,797,824	2,669,795
Intermediates, including	1,954,062	1,715,499	2,391,459	2,296,686	2,159,998
Styrene	118,595	90,017	122,664	108,321	109,806
Terephthalic acid	187,041	—	44,128	—	—
Ethylene oxide	56,719	63,922	85,746	83,452	64,906
Isoprene	11,512	7,173	10,111	10,630	11,136
Propylene	237,269	241,695	327,441	365,177	325,414
Benzene	95,751	110,094	149,019	101,923	68,278
Isobutylene	24,806	30,986	38,883	45,728	148,421
Butadiene	154,848	161,823	226,558	223,262	164,648
Ethylene	391,626	389,590	535,080	525,643	497,319
Other intermediates	675,895	620,199	851,829	832,550	770,070
Other chemicals	565,221	563,348	755,779	501,138	509,797
Purchases from third parties	11,983	43,866	69,698	40,176	62,580
Total production and purchases	**2,531,266**	**2,322,713**	**3,216,936**	**2,838,000**	**2,732,375**
(Internal use/losses)	(2,078,262)	(1,805,695)	(2,514,949)	(2,095,839)	(2,084,856)
(Increase)/decrease in stock	1,036	(333)	5,763	(7,355)	12,105
External sales, including					
Styrene	45,612	40,427	51,807	60,734	77,043
Domestic	24,318	6,917	9,571	15,657	20,751
Export	21,294	33,510	42,236	45,077	56,292
Terephthalic acid	57,526	—	12,888	—	—
Domestic	57,526	—	12,888	—	—
Export	—	—	—	—	—
Ethylene oxide	42,943	44,956	60,853	53,930	49,112
Domestic	37,695	39,421	53,317	48,821	44,414
Export	5,248	5,535	7,536	5,109	4,698
Isoprene	10,644	7,299	9,587	10,618	9,925
Domestic	112	120	196	153	151
Export	10,532	7,179	9,391	10,465	9,774
Propylene	31,245	53,530	67,247	120,895	92,124
Domestic	25,765	40,131	48,065	102,138	81,304
Export	5,480	13,399	19,182	18,757	10,820
Benzene	30,080	62,889	93,035	88,746	69,339
Domestic	30,080	62,889	93,035	88,746	69,339
Export	—	—	—	—	—
Isobutylene	12,647	13,563	17,555	18,787	28,222
Domestic	10,244	10,974	14,966	13,278	10,217
Export	2,403	2,589	2,589	5,509	18,005
Butadiene	4,861	10,254	18,147	11,148	4,471
Domestic	4,861	10,254	18,147	11,148	3,000
Export	—	—	—	—	1,471
Ethylene	—	—	—	—	—
Domestic	—	—	—	—	—
Export	—	—	—	—	—
Other intermediates	81,240	103,258	131,826	158,689	127,722
Domestic	61,317	87,987	114,741	130,124	110,539
Export	19,923	15,271	17,085	28,565	17,183
Total intermediates	316,798	336,176	462,945	523,547	457,958
Domestic	251,918	258,693	364,926	410,065	339,715
Export	64,880	77,483	98,019	113,482	118,243
Other chemicals	137,242	180,509	244,805	211,259	201,666
Domestic	131,238	160,915	221,084	201,419	189,086
Export	6,004	19,594	23,721	9,840	12,580
External sales volumes	**454,040**	**516,685**	**707,750**	**734,806**	**659,624**
Domestic	**383,156**	**419,608**	**586,010**	**611,484**	**528,801**
Export	**70,884**	**97,077**	**121,740**	**123,322**	**130,823**

For further details of the products described above, see "Industry".

Production Sites

The following map provides information on the locations of the Group's principal production sites.



(1) *Investment project*
(2) *Investment project, JV with Gazprom Neft Group*
(3) *Investment project, JV with SolVin Holding Nederland B.V.*
(4) *Part of OOO Yugragazpererabotka, JV with TNK-BP*
(5) *Part of OAO SiburTyumenGaz*
(6) *Including three production sites*

Feedstock and Energy

The Group benefits from Russia's largest and most extensive integrated infrastructure for processing and transportation of APG and NGLs (see below for processing infrastructure discussion, see " — Transportation and Logistics" for transportation infrastructure discussion). The Group's feedstock and energy segment operates seven gas processing plants (GPPs), three gas fractionation units (GFUs) and four MTBE production units.

The following table sets forth a summary of the Group's feedstock and energy production sites:

Production site	Location	Products	Nameplate capacity as of 31 December 2011	Commissioning date/date of latest modernization	Share of the Group's ownership
Gas processing plants (GPPs)					
GPPs owned by OOO Yugragazpererabotka, the Group's joint venture with TNK-BP					
Belozerniy GPP	Khanty-Mansi Autonomous Area	Natural gas, raw NGL, naphtha, LPG	Combined processing capacity of 13.4 billion cubic metres of APG	1974-1987/ 2011	51%
Nizhnevartovskiy GPP					51%
Nyagan GPP					51%
GPPs 100% owned by SIBUR					
Gubkinskiy GPP	Khanty-Mansi and Yamal-Nenets Autonomous Areas	Natural gas, raw NGL	Combined processing capacity of 8.4 billion cubic metres of APG	1979-1990/ 2010-2012	100%
Vyngapurovskiy GPP					100%
Muravlenkovskiy GPP					100%
Yuzhno-Balykskiy GPP					100%
Gas fractionation units (GFUs)					
Tobolsk-Neftekhim	Tobolsk	LPG, naphtha	Processing capacity of 3.8 million metric tons of raw NGL	1984/2011	100%
Uralorgsintez	Tchaikovskiy (Perm region)	LPG, naphtha	Processing capacity of 800,000 metric tons of raw NGL	1979/2006	100%
SIBUR-Khimprom	Perm	LPG, naphtha	Processing capacity of 550,000 metric tons of raw NGL	1975/2005	100%
MTBE production units					
Uralorgsintez	Tchaikovskiy (Perm region)	MTBE	200,000 metric tons	1999/2012	100%
Tobolsk-Neftekhim	Tobolsk	MTBE	150,000 metric tons	1997/2011	100%
Togliattikauchuk	Togliatti	MTBE	75,000 metric tons	2000/2005	100%
SIBUR-Khimprom	Perm	MTBE	33,000 metric tons	1996/2006	100%

Petrochemicals

The Group's petrochemicals segment operates 18 petrochemicals production sites across Russia, which provide essential materials for downstream manufacturers in Russia and internationally, including one basic polymers production site, three synthetic rubbers production sites, 14 plastics and organic synthesis products production sites. The Group's intermediates and other chemicals products are produced at the Group's petrochemicals sites as indicated in the table below.

The following table sets forth a summary of the Group's basic polymers production sites:

Products	Production sites	Location	Nameplate capacity as of 31 December 2011 (metric tons)	Commissioning date/date of latest modernization	Share of the Group's ownership
LDPE	Tomskneftekhim	Tomsk	230,000	1994/ongoing	100%
PP	Tomskneftekhim	Tomsk	130,000	1981/ongoing	100%
PP	NPP Neftekhimia[(1)]	City of Moscow	100,000	1995	50%

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

The following table sets forth a summary of the Group's synthetic rubbers production sites:

Products	Production sites	Location	Nameplate capacity as of 31 December 2011 (metric tons)	Commissioning date/date of latest modernization	Share of the Group's ownership
Commodity rubbers					
IR	Togliattikauchuk	Togliatti	60,000	1968/2011	100%
BR	Voronezhsintezkauchuk	Voronezh	91,000	1964	100%
PBR-Nd	Voronezhsintezkauchuk	Voronezh	30,000	2005/2009	100%
ESBR	Voronezhsintezkauchuk	Voronezh	155,000	1949/2012	100%
ESBR	Togliattikauchuk	Togliatti	97,900	1961/2004	100%
SSBR	Voronezhsintezkauchuk	Voronezh	23,000	2005/2009	100%
Specialty rubbers					
NBR	Krasnoyarskiy ZSK	Krasnoyarsk	42,500	1952/2012	100%
IIR	Togliattikauchuk	Togliatti	48,000	1982/2006	100%
Latexes	Voronezhsintezkauchuk	Voronezh	19,500	1959	100%
Thermoplastic elastomers					
SBS	Voronezhsintezkauchuk	Voronezh	35,000	1993/2008	100%

The following table sets forth a summary of the Group's principal plastics and organic synthesis products productions sites:

Products	Production sites	Location	Nameplate capacity as of 31 December 2011 (metric tons)	Commissioning date/ date of latest modernization	Share of the Group's ownership
PET	Polief	Blagoveshchensk (Bashkortostan)	120,000	2009	83%
PET	SIBUR-PETF	Tver	70,000	2003/2008	100%
Glycols	SIBUR-Neftekhim	Nizhniy Novgorod region	255,000	1982/2011 (1st stage)	100%
Alcohols[1]	SIBUR-Khimprom	Perm	154,700	1979 (1st stage), 1985 (2nd stage)/ 2006	100%
BOPP-films[2]	BIAXPLEN NK	Samara region	25,000	2005	100%
Expandable polystyrene	SIBUR-Khimprom	Perm	50,000	2011 (1st stage)	100%
Expandable polystyrene	Plastic	Tula region	11,000	1968/2008	100%
Acrylates	SIBUR-Neftekhim	Nizhniy Novgorod region	40,000	2004	100%
Plastic compounds					
ABS plastics	Plastic	Tula region	23,000	1973/1994	100%
PVC compounds	SIBUR-Neftekhim	Nizhniy Novgorod region	68,200	1972/2009	100%

(1) Including 2-ethylhexanol.

(2) BIAXPLEN, BIAXPLEN M and BIAXPLEN K, other producers of BOPP-films, were integrated into the Group in 2012, therefore, these production facilities are not included in the table above.

Plant Performance

The following table sets forth average achieved utilization capacity rates for the Group's feedstock and energy segment processing and production sites:

	Year ended 31 December		
	2011	2010	2009
GPPs owned by OOO Yugragazpererabotka, the Group's joint venture with TNK-BP	85%	82%	78%
GPPs 100% owned by SIBUR	77%	75%	72%
GFUs[1]	90%	82%	77%
MTBE production units[2]	89%	79%	80%

(1) Excluding fractionation volumes and capacity of ZAO Novokuybyshevskaya Neftekhimicheskaya Kompaniya, which the Group disposed of in April 2011, for all reporting periods.

(2) Excluding production volumes and capacity of OAO Kauchuk, which the Group disposed of in June 2010, for all reporting periods.

The following table sets forth the achieved utilization capacity rates for the Group's key petrochemical products by production site or unit:

	Production site	Year ended 31 December 2011	2010	2009
Basic polymers				
LDPE	Tomskneftekhim	106%	104%	105%
PP	Tomskneftekhim	99%	92%	90%
PP	NPP Neftekhimia	114%	98%	n/a
Synthetic rubbers				
Commodity rubbers				
IR	Togliattikauchuk	111%	116%	97%
BR	Voronezhsintezkauchuk	87%	89%	72%
PBR-Nd	Voronezhsintezkauchuk	58%	66%	34%
ESBR	Voronezhsintezkauchuk	49%	50%	40%
ESBR	Togliattikauchuk	55%	48%	42%
SSBR	Voronezhsintezkauchuk	63%	48%	2%
Specialty rubbers				
NBR	Krasnoyarskiy ZSK	91%	88%	64%
IIR	Togliattikauchuk	99%	100%	85%
Latexes	Voronezhsintezkauchuk	22%	24%	19%
Thermoplastic elastomers				
SBS	Voronezhsintezkauchuk	80%	89%	73%
Plastics and organic synthesis products				
PET(1)	Polief	69%	n/a	n/a
PET	SIBUR-PETF	107%	105%	102%
Glycols	SIBUR-Neftekhim	96%	95%	82%
Alcohols(2)	SIBUR-Khimprom	96%	91%	88%
BOPP-films(3)	BIAXPLEN NK	55%	82%	n/a
Expandable polystyrene	SIBUR-Khimprom	55%	n/a	n/a
Expandable polystyrene	Plastic	86%	100%	88%
Acrylates(4)	SIBUR-Neftekhim	102%	n/a	n/a
Plastic compounds				
ABS plastics	Plastic	63%	62%	30%
PVC compounds	SIBUR-Neftekhim	51%	57%	49%

(1) For the purpose of capacity utilization rates calculation, production capacity was adjusted to match the period in the respective year, for which the facility's production volumes were consolidated. As Polief was consolidated from the fourth quarter of 2011, i.e. for only one quarter of the year, its 2011 capacity utilization rate takes into account adjusted production capacity calculated as full year production capacity divided by four.

(2) Including 2-ethylhexanol.

(3) For the purpose of capacity utilization rates calculation, production capacity was adjusted to match the period in the respective year, for which the facility's production volumes were consolidated. As BIAXPLEN NK was consolidated from the fourth quarter of 2010, i.e. for only one quarter of the year, its 2010 capacity utilization rate takes into account adjusted production capacity calculated as full year production capacity divided by four. BIAXPLEN, BIAXPLEN M and BIAXPLEN K, other producers of BOPP-films were integrated into the Group in 2012, therefore, performance of these producers is not included in the data in the table above.

(4) For the purpose of capacity utilization rates calculation, production capacity was adjusted to match the period in the respective year, for which the facility's production volumes were consolidated. As Acrylate Group (which is now part of SIBUR-Neftekhim) was consolidated from the second half of 2011, i.e. for only six months of the year, its 2011 capacity utilization rate takes into account adjusted production capacity calculated as full year production capacity divided by two.

Capacity utilization is calculated as total production (excluding off-specifications products) as a percentage of nameplate capacity during the year. For the purpose of capacity utilization rates calculation, the Group uses nameplate capacity as of 31 December 2011 for all reporting periods. For information about the Group's production volumes, see " — Operations — Products". For information about nameplate capacities of the Group's production facilities, see " — Operations — Production Sites". The nameplate capacity is the capacity registered with the supervisory body, Rostekhnadzor. It is defined as the volume of product that could be produced by a plant or a unit if it operates a certain number of hours, usually less than the number of hours in a calendar year. As such, the nameplate capacity implicitly assumes scheduled shutdowns of a plant. The nameplate capacity does not take into account quality, grade or vintage characteristics of the products produced.

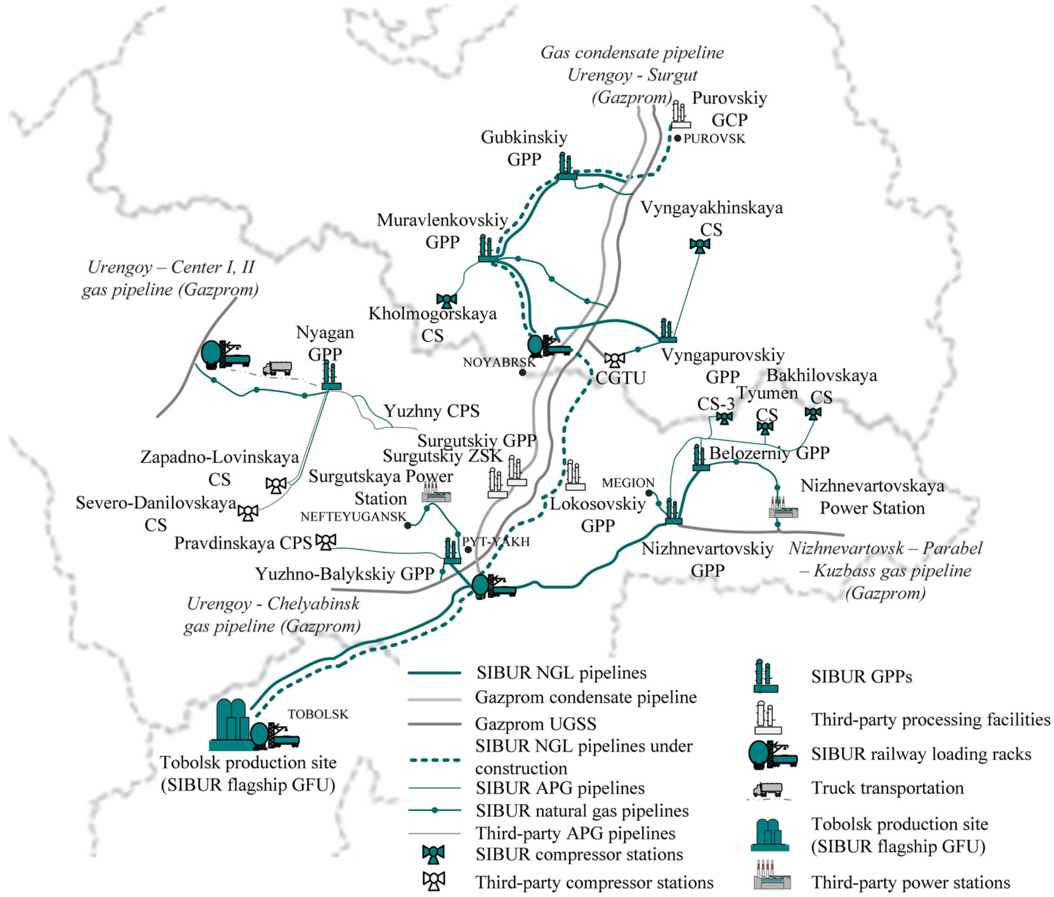
The Group seeks to operate its production facilities at optimal levels of capacity utilization that takes into consideration the prevailing general economic conditions, availability of feedstock, demand for the Group's products and the Group's operating expenses. Capacity utilization may fall below 100% due to a number of factors. Capacity utilization below 100% at GPPs is driven primarily by availability of feedstock at particular location during the relevant period. Capacity utilization below 100% at other production facilities is driven more by a combination of market demand for each particular product and the Group's decision and ability to switch the production between different types of products. In addition, capacity utilization levels below 100% may reflect lost days of production due to unscheduled plant shutdowns at the Group's own facilities as well as at facilities of the Group's suppliers or customers.

Capacity utilization exceeds 100% when the Group is able to run a facility more efficiently over time as it upgrades the technology and implements other debottlenecking measures, resulting in improved utilization rates as compared with nameplate capacity. As the nameplate capacity includes scheduled shutdowns, the capacity utilization at a particular facility may exceed 100% during those periods in which the frequency and duration of scheduled shutdowns are different from those.

Transportation and Logistics

Due to the extensive geographical spread of the Group's operations, the Group uses a number of transportation means for deliveries of its feedstock and finished products, which include pipelines, railway, trucks, port facilities and services of multimodal transportation operators. A significant part of the Group's transportation needs is met by its own infrastructure, which includes APG, natural gas and raw NGL pipelines and railway facilities, such as railway loading racks and rolling stock.

Pipeline transportation



<u>APG pipelines</u>

APG that the Group purchases from oil companies in Western Siberia is transported via point-to-point pipelines, which represent direct links between oil fields/oil clusters to the Group's GPPs, creating inter-dependence on both, the producing and the receiving end. These pipelines had historically been built to ensure APG utilization and are typically owned and operated by the oil companies, with only limited number of such pipelines in the Group's ownership. Total length of the APG pipelines owned by SIBUR was 913 kilometres as of 31 December 2012.

<u>Natural gas pipelines</u>

The Group transports natural gas it produces at its GPPs through its own gas pipelines primarily into the UGSS, which is owned and operated by Gazprom and, to a limited extent, to regional and municipal power companies. Total length of the Group's natural gas pipelines was 352 kilometres as of 31 December 2012. Natural gas transportation through the UGSS is subject to tariffs regulated by the FTS. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting Results of Operations – Transportation Tariffs".

<u>Raw NGL pipelines</u>

A large portion of the raw NGL produced by SIBUR from APG or purchased from oil and gas companies is transported to the Group's GFUs via specialized raw NGL pipelines. At present, Russia does not have a nationwide NGL pipeline system. The Group has developed its own pipeline with the total length of 1,168 kilometres and throughput capacity of up to 4.8 million tons of raw NGL per year, as of 31 December 2012. This pipeline comprises two parts: the northern part, extending from the Group's Gubkinskiy GPP to Muravlenkovskiy GPP and Vyngapurovskiy GPP and the southern part, extending from the Group's Belozerniy GPP through Nizhnevartovskiy GPP, Yuzhno-Balykskiy GPP to the Group's flagship GFU in Tobolsk. In accordance with Russian anti-trust regulation, SIBUR is obliged to provide non-discriminatory third party access to its raw NGL pipelines. However, as such pipelines represent point-to-point connections, SIBUR has never been approached to provide such access. The Group recently commenced construction of Purovsk — Pyt–Yakh — Tobolsk pipeline, a new 1,100 kilometre raw NGL pipeline with an expected annual capacity of up to

8 million tons that, upon completion in 2015, will replace certain parts of the existing raw NGL pipeline, provide a direct connection between the Group's Tobolsk production site, SIBUR's Yuzhno-Balykskaya main pumping station near Pyt-Yakh and the Purovskiy GCP owned by NOVATEK. The project is expected to result in a substantial extension of SIBUR's raw NGL transportation infrastructure, an increase in its throughput capacity and reliability. This is expected to secure the Group's long-term access to abundant NGLs resources of Western Siberia, and particularly its northern parts, where projected growth in wet gas production is expected to support rising supplies of raw NGL. See " — Investment Programme and Capital Expenditure".

Rail transportation

The Group uses rail for transportation of its refined products, intermediates and feedstock, including 100% of the Group's LPG, naphtha and MTBE, significant volumes of raw NGL (between the Group's GPPs and GFUs) and a major part of the Group's petrochemical products.

The Group's subsidiary ZAO Sibur-Trans, a licensed railway operator, is responsible for handling the Group's rail logistics, including purchasing of transportation services from Russian Railways and acting as a rail car fleet operator. ZAO Sibur-Trans handles transportation within Russia as well as the Group's export deliveries. As of 30 September 2012, the Group owned six railway loading racks used for loading and unloading NGLs into rail tank wagons. Also, as of 30 September 2012, total fleet under management of ZAO Sibur-Trans included 17,551 rail cars and tank wagons, 6,222 of which were owned with the remainder leased under lease agreements or transportation contracts. The Group believes ZAO Sibur-Trans is a leading railway operator in Russia in terms of transported volumes of LPG and raw NGL.

Rail transportation is subject to transportation tariffs for access to Russia's main railway and usage of locomotives, which is regulated by the FTS, as well as operator fees and cost of leasing and contracting rolling stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting Results of Operations — Transportation Tariffs".

Truck transportation

The Group also uses trucks to transport petrochemical products, primarily within Russia (for basic polymers and synthetic rubbers) and to a limited extent for export (for synthetic rubber deliveries to Europe). The Group does not operate its own truck fleet but uses third-party services from a variety of truck transportation service providers. There is no single operator that handles a significant portion of the Group's truck deliveries, as this is a highly fragmented and competitive market.

Port facilities

The Group delivers LPG, naphtha, MTBE and certain other products to export markets through ports in, among others, Odessa (Ukraine), Ilyichevsk (Ukraine), Kerch (Ukraine), Riga (Latvia), St.Petersburg (Russia), Nakhodka (Russia) and Vladivostok (Russia). In some ports the Group uses third-party loading and storage facilities, while to the majority of customers the Group delivers on FOB basis. Currently port charges do not represent a significant portion of the Group's transportation costs.

The Group is currently in the process of constructing an LPG and light oils transshipment facility at Ust-Luga sea port in the Leningrad region. The project is being developed to support growth in the Group's LPG exports to customers in key Western European markets. See " — Investment Programme and Capital Expenditure".

Multimodal transportation services

The Group uses the services of Russia's largest multimodal transportation operators to deliver certain volumes of its petrochemical products such as basic polymers and synthetic rubbers to export markets. Multimodal transportation operators transport the Group's products under contracts that provide for transportation by different means of transport.

Warehouses and distribution centres

The Group purchases warehouse services from professional operators to store its petrochemical products in close proximity to the Group's production sites as well as near the facilities of key customers.

Raw Materials Sourcing

Hydrocarbon Feedstock

The Group uses two major types of hydrocarbon feedstock: APG and NGLs. APG is used as a feedstock for the Group's feedstock and energy business. See also " — Operations".

APG is a by-product of oil production and a key feedstock used by the Group in production of its energy products. APG accounted for 23.7% and 18.7% of the Group expenses related to third-party hydrocarbon feedstock purchases in the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively. As a percentage of total feedstock and materials costs, APG accounted for 11.9% and 10.7% in the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively.

NGLs, comprising raw NGL, LPG and naphtha, are used as a raw material for both feedstock and energy business and for petrochemicals business. Raw NGL is produced as a result of APG processing or stabilization of unstable gas condensate which is obtained from processing of wet gas extracted from gas fields. LPG and naphtha are produced through fractionation of raw NGLs. See "Industry". SIBUR produces NGLs at its own GPPs and GFUs and also purchases them from third parties. NGLs accounted for 76.3% and 81.3% of the Group expenses related to third-party hydrocarbon feedstock purchases in the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively. As a percentage of total feedstock and materials costs, NGLs accounted for 38.5% and 46.4% in the nine months ended 30 September 2012 and the year ended 31 December 2011, respectively.

Other Feedstock

Other feedstock includes primarily paraxylene, which is used in the production of PTA, methanol, which is used in the production of MTBE, and certain intermediate chemicals such as butadiene, benzene and others, which the Group buys mainly from other petrochemical producers in addition to its own production of intermediates.

Key Suppliers

A large portion of the Group's hydrocarbon feedstock is obtained through OOO Yugragazpererabotka, the Group's joint venture arrangement with TNK-BP. See " — Operating Joint Ventures with Russian Oil Companies". The Group and TNK-BP have a series of agreements, under which TNK-BP supplies APG to OOO Yugragazpererabotka for processing into raw NGL and natural gas. In addition to APG from TNK-BP, OOO Yugragazpererabotka processes APG supplied by other oil companies. The Group pays for 51% of the total APG volumes supplied by TNK-BP to OOO Yugragazpererabotka, while the remaining 49% is processed by OOO Yugragazpererabotka for TNK-BP, which pays a processing fee for these services. The Group obtains 51% of all raw NGL and dry gas volumes produced by the joint venture's GPPs, while TNK-BP obtains the rest. Subsequently the Group purchases TNK-BP's share of raw NGL and sells its share of natural gas to TNK-BP. In the nine months ended 30 September 2012 and the year ended 31 December 2011, the APG supplies from TNK-BP under the joint venture arrangements represented 39.9% and 38.2% of the Group's total APG supplies in volume terms, and the raw NGL supplies from TNK-BP under the joint venture arrangements represented 46.6% and 44.3% of the Group's total NGLs supplies in volume terms.

In addition to the Group's arrangements with TNK-BP, the Group purchases APG and NGLs from other major oil and gas companies in Western Siberia, including Gazprom, Gazprom Neft, Rosneft, Surgutneftegas, LUKOIL, RussNeft, and Northgas, primarily under multi-year contracts.

As of 30 September 2012, approximately 70% of the Group's planned APG supplies for 2013 were guaranteed under multi-year supply contracts (including all APG supplies from TNK-BP under the joint venture arrangement). As of 30 September 2012, the Group's multi-year APG supply contracts had a weighted average maturity of 6.0 years (including all APG supplies from TNK-BP under the joint venture arrangement).

As of 30 September 2012, approximately 67% of the Group's planned NGLs feedstock supplies for 2013 were guaranteed under multi-year supply contracts (including NGLs supplies from TNK-BP under the joint venture arrangement). As 30 September 2012, the Group's multi-year NGLs feedstock supply contracts had a weighted average maturity of 8.1 years (including all raw NGL supplies from TNK-BP under the joint venture arrangement).

The Group increasingly has sought to enter into long-term relationships for the supply of APG and NGLs. 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 program.

Pricing

Given the limited options for using APG and the lack of alternatives for evacuating it from the oil fields, there is no market or a benchmark price for APG. As a result, the Group purchases APG from oil companies at prices that are negotiated on a case-by-case basis, typically at a significant discount to the FTS regulated natural gas prices. The amount of the discount 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 the Group's 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 the Group. Once agreed upon in absolute terms, the Group's APG purchase price is typically regularly indexed to reflect changes in the FTS regulated prices for natural gas. Depending on a supplier, such indexations are made monthly, quarterly or annually.

Unlike APG, NGLs feedstock is priced with reference to international 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 in Western Siberia. Export duties are also relatively high due to the Russian Government's current policy of encouraging domestic processing of energy products into higher value added products. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting the Group's Results of Operations – Crude Oil, Raw NGL, LPG and Naphtha Prices". The Group's NGL supply contracts typically contain a formula linked to the respective netbacks and reflecting 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.

See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Feedstock Sourcing and Mix".

Electricity

The Group makes electricity purchases in a centralized manner. This approach enables the Group to leverage its purchasing power and to optimize its electricity purchasing costs. In addition to purchases of electricity for internal needs, the Group also buys electricity for further resale to third parties, which primarily include other companies located at the Group's production sites.

The Group also owns and continues to expand its own electric power generating capacity. In September 2012, the Group launched a 7.2 MW power plant at Vyngapurovskiy GPP's site to ensure the plant's independence from third-party suppliers. However at the Group's level, its own electric power generation accounts for an insignificant share in total electricity consumption.

Heat energy

The Group sources heat energy in the form of steam and hot water from regional suppliers at regulated prices. In order to minimize dependence on third-party providers, the Group generates a substantial portion of heat energy (approximately 50% of the total heat consumed for the nine months ended 30 September 2012) at its own facilities.

For a discussion on electricity prices and heat tariffs and their impact on the Group's results of operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Factors Affecting the Group's Results of Operations — Electricity and Heat Tariffs".

Maintenance

The Group carries out maintenance of its production facilities internally and also uses third-party maintenance service providers. The Group's production facilities are shut down periodically for scheduled maintenance and occasionally for unscheduled maintenance. In addition, the Group continuously monitors the performance of the Group's production equipment and performs any necessary online maintenance of the facilities without shutting down operations to ensure that appropriate measures are taken to optimize the long-term reliability of key equipment and production processes.

Quality Control

Product quality is very important in the feedstock and energy and petrochemicals industry and the Group takes special care of quality control of the Group's products to meet the required standards for energy and petrochemical products that the Group produces. Each of the Group's production facilities has its own quality control function. The Group implements quality control at all stages of production including checking whether raw materials, technological processes and products comply with appropriate technological regulations. The Group's production facilities are subject to annual internal and external audits to ensure compliance with established procedures of quality control.

Sales and Marketing

The Group operates a three-tier system for managing sales: front office, middle office and back office. The front office is engaged in searching and enticing new clients and participating in basic decision making, i.e. contract price, delivery terms and volume of sales. The middle office drafts and processes contracts with customers, monitors payments, while the back office is responsible for handling sales related documentation, such as invoices. The Group's sales function is supported by:

- product management and marketing team (key markets analyses, short-term demand/price forecasts, strategic planning);
- technical services team (product application consulting);
- sales development team (monitoring sales performance; improving business processes and organisational structure); and
- advertising and promotional activities team.

Structure of the sales and marketing function is based on product groups. Sales in each product group are managed at both headquarter level and through regional distribution network for domestic sales and by SIBUR International GmbH ("**SIBUR International**") based in Austria for export sales. As of 1 December 2012, there were 290 employees involved in sales and marketing.

Principal markets and customers

SIBUR sells its products to over 1,500 large customers operating in a variety of industries in approximately 60 countries. As these customers, industries and geographies have different trends underlying supply and demand dynamics for the Group's products, the Group has limited exposure to a single customer, industry or geography. SIBUR benefits from a relatively low customer concentration. In the nine months ended 30 September 2012, the largest customer in the Group's portfolio accounted for 6.2% (including purchases of products and processing services) of the Group's total revenue and top ten customers accounted for 29.2% of the Group's total revenue.

The following table sets forth key end-customer industries for the nine months ended 30 September 2012:

	Revenue from sales to key end-customer industries % product group revenue
Energy products	
Traders	32.0%
Refineries	29.6%
Fuels	25.7%
Petrochemicals	9.6%
Energy	2.8%
Other	0.3%
Basic polymers	
Chemicals	69.5%
Traders	18.6%
FMCG	11.7%
Other	0.2%
Synthetic rubbers	
Automotive	60.1%
Traders	28.6%
Construction	7.1%
Industrial machinery	3.6%
Other	0.6%
Plastics and organic synthesis products	
Chemicals	52.9%
FMCG	22.0%
Traders	16.0%
Construction	6.4%
Other	2.7%

The following table sets forth customer concentration for the nine months ended 30 September 2012:

	Revenue from sales to top ten customers, % revenue	Revenue from sales to largest customer, % revenue
	Share in respective product group sales	
Group's total	**29.2%**	**6.2%**
Energy products	55.3%	8.8%
Basic polymers	28.2%	5.3%
Synthetic rubbers	46.5%	17.0%
Plastics and organic synthesis products	34.2%	6.9%
Intermediates and other chemicals	39.7%	11.1%
Sales of processing services and other sales	50.6%	32.4%

Spot and contract sales

The Group sells its products on the spot market and on contractual basis. The spot/contract mix is different for different product groups and depends on market practice in each particular industry. In the nine months ended 30 September 2012, the Group's contract sales accounted for 62.8% of the Group's revenue.

The following table sets contract/spot structure for the product groups' sales in the nine months ended 30 September 2012:

	Contract	Spot
	Share in product group sales	
Energy products	85.9%	14.1%
Basic polymers	35.6%	64.4%
Synthetic rubbers	61.7%	38.3%
Plastics and organic synthesis products	37.8%	62.2%

Domestic sales

The Group's marketing efforts and sales to domestic customers are conducted both on a centralized basis, through the Group's headquarters in Moscow, and on a regional basis through the Group's subsidiaries. The Group has 15 sales offices in Russia and plans to open three offices in Ekaterinburg, Nizhniy Novgorod and Rostov-on-Don in 2013.

The following table sets forth share of product groups in the Group's domestic revenue for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
Energy products	36.6%	38.1%	37.7%	34.9%	39.1%
Basic polymers	10.9%	11.4%	10.9%	12.8%	10.5%
Synthetic rubbers	11.7%	16.0%	15.7%	14.0%	11.9%
Plastics and organic synthesis products	19.6%	12.2%	12.8%	11.9%	11.7%
Intermediates and other chemicals	12.7%	12.5%	12.8%	17.8%	14.5%
Other	8.5%	9.8%	10.1%	8.6%	12.3%

Export sales

The Group sells its products to a broad customer base in approximately 60 countries. The Group's major markets include CIS, European and Asian countries, with China being the key export market.

The following table sets forth share of product groups in the Group's export revenue for the periods indicated:

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
Energy products	58.6%	57.4%	55.1%	52.1%	54.7%
Basic polymers	5.7%	5.5%	5.9%	6.2%	12.3%
Synthetic rubbers	20.6%	26.2%	26.9%	28.6%	20.4%
Plastics and organic synthesis products	8.3%	5.5%	6.1%	6.6%	5.1%
Intermediates and other chemicals	3.9%	5.1%	5.8%	6.5%	6.5%
Other	2.9%	0.3%	0.2%	0.0%	1.0%

The following table sets out, by revenue, the regions in which the Group's products were exported during the periods indicated:

	Nine months ended 30 September	Year ended 31 December		
	2012	2011	2010	2009
	RR millions			
Europe	58,146	66,330	56,424	34,556
Asia	15,663	20,397	15,689	9,013
CIS	11,376	13,077	6,137	7,271
Other[1]	3,642	6,857	3,437	5,392

(1) Other includes other export revenue and does not include revenue from sales in Russia

Investment Programme and Capital Expenditure

In line with its strategy, the Group plans to invest approximately RR 143 billion net of VAT from 2013 to 2016, out of which RR 74 billion were approved by the Board of Directors for 2013. These amounts comprise investment projects approved by the Group's Investment Committee to upgrade and expand the Group's feedstock processing capacity for a total amount of RR 14 billion; develop the Group's transportation infrastructure for a total amount of RR 60 billion, and expand the Group's petrochemicals production capacity for a total amount of RR 30 billion, and also include capital expenditures to maintain the existing infrastructure as well as the capitalised portion of the Group's expenses related to R&D, organisational and IT projects. The following table sets forth the Group's key approved projects and the related capital expenditures for the period from 2013 through 2016:

Location	Description	2013	2014	2015	2016	Total 2013-2016[(1)]
		RR millions, net of VAT				
Feedstock and Energy						
Western Siberia	Purovsk – Pyt-Yakh – Tobolsk pipeline	16,604	17,642	13,307	—	47,553
Tobolsk	Second GFU	6,060	3,752	—	—	9,812
Leningrad region	Ust-Luga LPG and light oils trans-shipment facility	4,938	—	—	—	4,938
Petrochemicals						
Tobolsk	Tobolsk-Polymer Plant	4,860	—	—	—	4,860
Kstovo	Steam cracker upgrade	4,665	—	—	—	4,665
Tobolsk	"ZapSib-2" project FEED stage.	3,069	—	—	—	3,069
Tobolsk	Expansion of propylene intermediate depot	1,713	—	—	—	1,713
Tomsk	New BOPP-film production	1,493	—	—	—	1,493
Novokuybyshevsk	Expansion of BOPP-film production	1,137	140	—	—	1,277
Blagoveshchensk	Expansion of PET production	961	13	—	—	974
Togliatti	Modernization/expansion of butyl rubber production	550	—	—	—	550
Voronezh	New thermoplastic elastomers production	373	—	—	—	373

(1) Capital expenditure estimates in this table are based on latest approved budgets for each project. These numbers may change along the project implementation and the actual amount of capital expenditure that the Group may incur may alter from the initially approved amounts.

Feedstock and Energy Investment Projects

- Construction of a 1,100 kilometre raw NGL pipeline connecting Purovskiy GCP owned by NOVATEK, Yuzhno-Balykskaya main pumping station near Pyt-Yakh and the Tobolsk production site, where SIBUR's flagship GFU is located, referred to in this Prospectus as the "Purovsk — Pyt – Yakh — Tobolsk pipeline". The pipeline's throughput capacity between Purovskiy GCP and SIBUR's loading rack in Noyabrsk is expected to total approximately 4 million metric tons per annum, between the loading rack in Noyabrsk and Yuzhno-Balykskaya main pumping station – approximately 5.5 million metric tons per annum, and between Yuzhno-Balykskaya main pumping station and the Tobolsk production site – approximately 8 million metric tons per annum. The launch of the new pipeline will enable the Group to replace certain parts of the existing raw NGL pipeline and is expected to result in a substantial extension of SIBUR's raw NGL transportation infrastructure, an increase in its throughput capacity and reliability. See " – Transportation and Logistics". The project is aimed at securing SIBUR's long-term access to abundant NGL resources of Western Siberia, and particularly its northern parts, where projected growth in wet gas production is expected to support rising supplies of raw NGL. See "Industry". The Group expects that the creation of a single infrastructure for transportation of raw NGL to its flagship GFU will create a secure foundation for development of its petrochemicals business in Tobolsk.

- Expansion of the central GFU facility in Tobolsk through construction of a second GFU, which is expected to increase the overall raw NGL fractionation capacity at the Tobolsk production site to 6.6 million tons per annum from the current 3.8 million tons per annum. The project is scheduled for completion by the end of 2014 and is aimed at handling the growing volumes of raw NGL supplies.
- Greenfield project for the construction of an LPG transshipment facility at Ust-Luga sea port in the Leningrad region with an annual loading capacity of 1.5 million metric tons of LPG and 2.5 million metric tons of light oils per annum. This project that is scheduled for completion in 2013 is expected to support growth in LPG exports to the premium Western European markets.

Petrochemicals Investment Projects

- Construction of Tobolsk-Polymer Plant, a large scale world-class petrochemicals complex located in Tobolsk at the same production site as the Group's flagship GFU. The complex will apply the propane dehydrogenation technology to produce 510,000 metric tons of propylene per annum (technology provided by UOP, the USA) to be further processed into 500,000 tons of polypropylene using the technology of INEOS, the UK. As of 30 September 2012, the project was largely completed and is scheduled for launch in 2013. Tobolsk-Polymer Plant is on the state top-priority project list in the region and represents a major step in execution of SIBUR's strategy of creating a full-scale petrochemicals hub in Western Siberia in close proximity to the hydrocarbon resource base.
- Modernization and upgrade of the steam cracker in Kstovo, the Nizhniy Novgorod region. The project is targeted at the expansion of the facility's capacity from 240,000 to 360,000 tons of ethylene per annum and is scheduled for completion in 2014.
- Expansion of a propylene depot at the Group's Tobolsk production site through the construction of a propylene railway loading rack and additional reservoirs. The project is scheduled for completion by the end of 2013.
- Launch of a new production capacity of BOPP-films of 38,000 tons per annum at the existing basic polymers production site in Tomsk. The project is scheduled for completion by the end of 2013 and is aimed to satisfy the growing demand for BOPP-films in Russia and the CIS countries.
- Expansion of the existing BOPP-films production capacity at the production site in Novokuybyshevsk through the construction of a new production line with projected capacity of 30,500 tons per annum. The project is scheduled for completion in 2014 and is aimed to satisfy the growing demand for BOPP-films in Russia and the CIS countries.
- Expansion of the PET production capacity in Blagoveshchensk (Bashkortostan) from 120,000 to 210,000 tons of PET per annum is aimed to satisfy the growing domestic demand. The project is scheduled for completion in 2014.
- Expansion and upgrade of the butyl rubbers facilities at the Togliatti production site with the goal to increase the capacity from 48,000 tons per annum to 53,000 tons per annum. The project is scheduled for completion by the end of 2013.

- Construction of a new thermoplastic elastomers production facility with an annual capacity of 50,000 tons at the Group's synthetic rubber plant in Voronezh. The completion of the project is expected to satisfy the growing domestic demand for styrene-butadiene thermoplastic elastomers. The project is scheduled for completion in 2013.

In addition to the approved projects, SIBUR's management is actively evaluating a significant greenfield project involving the construction of an integrated polyethylene and polypropylene production complex in Tobolsk, referred to herein as the "ZapSib-2" project. The Group plans to make a final investment decision on the "ZapSib-2" project after completion of the FEED stage no earlier than the second half of 2013. The facility is projected to operate a steam cracker with a total annual capacity of 1.5 million tons of ethylene (technology provided by LINDE, Germany), four polyethylene production units with a total annual capacity of 1.5 million tons (technology provided by INEOS, the UK), and one polypropylene production unit with an annual capacity of 500,000 tons (technology provided by LyondellBasell, the Netherlands). In case of a decision to proceed with the project, the Group believes that it will be the largest integrated facility for production of basic polymers in Russia.

In addition to projects that have been formally approved by the Group's Investment Committee and the "ZapSib-2" project described above, a number of other projects have not yet gone through the formal approval process and are at various stages of review by SIBUR's management. Therefore, the actual amount of capital expenditure that the Group may incur may exceed the amounts that have been formally approved. See "Risk Factors — Risks Relating to the Group's Business — The Group may be unable to finance its significant capital expenditures needed to expand its operations".

Also, the Group estimates its share of capital expenditures under current and planned joint venture arrangements at RR 13 billion (net of VAT) from 2013 through 2016. Such investments are typically reported as equity contributions or loans issued in the Group's financial statements. See " – Partnership with Leading World Producers".

Operating Joint Ventures with Russian Oil Companies

OOO Yugragazpererabotka, a joint venture with TNK-BP for APG processing in the Khanty-Mansi Autonomous Area, Russia

OOO Yugragazpererabotka owns and operates three gas processing plants (Nizhnevartovskiy GPP, Belozerniy GPP and Nyagan GPP), three compressor stations, APG pipelines from compressor stations to the GPPs, natural gas pipelines and raw NGL transportation infrastructure connecting the GPPs with the Group's raw NGL pipeline.

OOO Yugragazpererabotka was established in 2007, when the Group contributed Nizhnevartovskiy GPP and Belozerniy GPP together with certain infrastructure assets to a newly established subsidiary. Subsequently, TNK-BP obtained a 49.0% stake in this subsidiary for a cash contribution, while the Group retained a 51.0% stake. In the period from 2007 to 2011, the parties made several cash contributions to OOO Yugragazpererabotka to finance its development program. In addition, in December 2010, both parties financed an acquisition of Nyagan GPP by OOO Yugragazprererabotka from the Group. All cash contributions by TNK-BP are accounted for as long-term debt in the Combined Financial Information. As of 30 September 2012, the outstanding amount of long-term debt owed to TNK-BP totalled RR 4,722 million.

The Group retains control over OOO Yugragazpererabotka through call options included in the joint venture agreement. If the call options are exercised, the Group will repay to TNK-BP the initial cash contribution and the interest accrued on the initial cash contribution.

The Group and TNK-BP have a series of supply agreements, under which TNK-BP supplies APG to OOO Yugragazpererabotka for processing it into raw NGL and natural gas. In addition to APG supplied by TNK-BP, OOO Yugragazpererabotka processes APG supplied by other oil companies. The Group pays for 51% of the total APG volumes supplied to OOO Yugragazpererabotka, while the remaining 49% are processed by OOO Yugragazpererabotka for TNK-BP, which pays a processing fee for these services. The Group obtains 51% of all raw NGL and natural gas volumes produced by the joint venture's GPPs, while TNK-BP obtains the rest. Subsequently the Group purchases TNK-BP's share of raw NGL and sells its share of natural gas to TNK-BP.

OOO NPP Neftekhimia, a joint venture with the Gazprom Neft Group

In September 2010, the Group created a joint venture, OOO NPP Neftekhimia, with OAO Moskovskiy NPZ (later renamed as OAO Gazprom Neft – MNPZ), a member of the Gazprom Neft Group, to increase its presence in the polypropylene market. The joint venture is a PP producer located in the City of Moscow and the Group purchases almost all of its production volumes. The Group owns a 50% stake in the joint venture, while the remaining 50% is controlled by the Gazprom Neft Group.

Partnership with Leading World Producers

The Group partners with leading world players in the petrochemicals industry to monetize its own technologies and acquire technologies to support the diversification of its petrochemicals product portfolio. Set forth below is a summary of the Group's principal projects developed on the basis of international cooperation.

OOO RusVinyl, a joint venture PVC facility in Kstovo, the Nizhniy Novgorod, Russia

In June 2007, the Group established a joint venture with SolVin Holding Nederland B.V., in which each of the Group and SolVin Holding Nederland B.V. owns a 50% stake. This joint venture was established to construct a PVC plant with a capacity of 330 ktpa for PVC and 225 ktpa for caustic soda. Commercial start-up of this project is currently expected to take place during 2014.

Reliance Sibur Elastomers Private Limited, a joint venture for butyl rubber production in India

In February 2012, the Group entered into a joint venture arrangement with Reliance Industries Limited, pursuant to which a jointly owned company Reliance Sibur Elastomers Private Limited was set up, in which the Group owns a 25.1% stake. This joint venture was established for the development of butyl rubber production with capacity of 100 ktpa. Commercial start-up of this project is preliminary scheduled for 2015.

Partnership with Sinopec for nitrile butadiene rubber production in Krasnoyarsk, Russia

In October 2012, the Group and SINOPEC INTERNATIONAL (HONG KONG), Co., Limited ("**Sinopec**") signed a share purchase agreement, which provides for the establishment of a partnership on the basis of the Group's Krasnoyarsk Synthetic Rubber Plant with nitrile butadiene rubber production capacity of 42.5 ktpa. Under the terms of this agreement, Sinopec will hold a 25% plus one share in the newly formed entity, while the Group will hold a 75% minus one share. As of the date of this Prospectus, the parties are in the process of obtaining regulatory approvals required for the establishment of the entity.

OOO RusPav, a joint venture for development of surfactants plant in Nizhniy Novgorod, Russia

In October 2012, the Group entered into a joint venture arrangement with SOLVIN (Rhodia), in which the Group owns a 50% stake. The joint venture was established for the development of surfactants and oilfield process chemicals production site. Commercial start-up of this project is preliminarily scheduled for 2015.

Competition

The Group competes with other energy and petrochemical companies primary on the basis of pricing, product and service offerings and delivery times. Most of the Group's products are commodity grade and competition for such products is principally based on price. Competition for the Group's more specialized petrochemical products is based on quality, performance, manufacturing flexibility and other factors. The priority of taking these factors into account is based on the needs of particular customers and the characteristics of specific products.

The global market for commodity energy products such as LPG and naphtha is highly liquid and fragmented, and the Group competes with many international producers of these products on its export sales. Domestically, the Group's main competitors on sales of LPG, naphtha and natural gas are major Russian oil and gas companies.

The Group sells a variety of petrochemical products and the competitive environment varies across its products and product groups. On export sales of basic polymers, plastics and organic synthesis products, the Group's principal competitors include LyondellBasell, Dow Chemical, BASF, SABIC and KB Chemicals. In synthetic rubbers, the Group competes with a number of global producers such as Lanxess, Sinopec, JSR. In Russia, the Group's principal competitors in petrochemicals are Nizhnekamskneftekhim and Kazanorgsyntez (both controlled by the TAIF Group), as well as petrochemical subsidiaries of Russian oil and gas producers – Bashneft, a subsidiary of OAO Sistema, LUKOIL, Rosneft and, to a lesser extent, Gazprom.

Research and Development

The Group's R&D activities are designed to develop business opportunities for the Group and aimed at the development of new products and achieving sustainable environmental improvement. The Group regularly seeks to improve the operations at its production facilities, principally by improving operating efficiency, reliability and capacity. The Group's R&D program is being primarily implemented on the basis of two corporate R&D centres in Tomsk and Voronezh, as well as at the research departments of production subsidiaries. The Group's R&D program includes the following areas of focus: information and analytical research on global achievements in petrochemical chemistry, research on improvement of the existing processes and yielded products for the purposes of operational costs reduction and increase in profits, theoretical research in development of crucially new processes and products which can help position the Group to take advantage of markets in the future.

OOO NIOST (NIOST) in Tomsk is the Group's subsidiary which serves as an R&D centre for chemical technologies development. Real production processes are simulated in the NIOST's laboratories. NIOST is engaged in a number of projects, including development of new products and processes in the fields of polyolefynes and special chemistry, polymer compounds, as well as in the area of organic synthesis. In October 2012, in Voronezh, R&D centre was established on the basis of scientific and technical centre of OAO Voronezhsintezkauchuk, the primary aim of this R&D centre is development of synthetic rubber technologies.

Amongst the most significant Group's R&D projects in 2011 – 2012 were developing an efficient method for using destructed gel-waste in butyl rubber production and development of new grades of ethylene-propylene copolymer, styrene-butadiene rubber and thermoplastic elastomer.

When appropriate, the Group seeks to register rights to intellectual property that result from its research and development. See " — Intellectual Property".

Intellectual Property

The Group owns trademarks "SIBUR" and "СИБУР" ("SIBUR trademarks"), which are registered in Russia. The trademark "SIBUR" is also registered in 31 countries. The Group has 41 registered trademarks in Russia and 11 trademarks registered abroad, which the Group uses for marketing its products and services. These trademarks are valid for a period of 10 years and could be renewed after the validation period. The Group has also applied for registration of 28 trademarks in Russia and 14 abroad.

In addition to its trademarks, as of 30 September 2012, the Group had 167 patents for inventions and 38 patents for models. The Group has also applied for registration of 14 applications for inventions in Russia and 12 applications for inventions abroad and also filed 5 applications under the Patent Cooperation Treaty concluded in 1970. The Group's patents for inventions and models are aimed at protecting new production technologies and the improvement of the Group's products quality.

In addition to using technologies and processes developed by the Group and registered in the Group's name, the Group utilizes advanced manufacturing technologies and processes licensed to the Group by various technology providers, including UOP and INEOS. The Group expects to use these technologies and processes in connection with the production of PP at its Tobolsk-Polymer Plant. In June 2012, the Group and LINDE AG entered into an agreement on design development for an ethylene cracker unit of "ZapSib-2" project. LINDE AG will be responsible for development of FEED documentation and the relevant sections of the overall design package. INEOS Technologies and LyondellBasell were selected as licensors for the PE and PP production units.

The Group believes that its intellectual property is important for its production processes and product quality. The Group recognizes the importance of protecting and enforcing its intellectual property rights and also monitors potential intellectual property infringements in Russia and other countries. However, there can be no assurance that the Group's intellectual property rights will not be infringed. See "Risk Factors — Risks Relating to the Group's Business — The Group may not be able to protect adequately or enforce its intellectual property rights").

Since 1 January 2010 until the date of this Prospectus, no material claim or dispute has been brought against the Group in relation to any infringement of the Group's intellectual property.

Information Technology

The Group's information technology system is based on Oracle E-Business Suite and covers core areas of the Group's production processes and business activities. The Group uses Hyperion for management and IFRS reporting and for EBITDA earning forecast, 1C for Russian tax accounting and Boss Kadrovik for payroll calculations. Supply chain management is implemented in Aspen Tech systems and tightly integrated with Oracle E-Business Suite. The Group has also implemented IT solutions at the level of its production facilities from major international IT companies such as Yokogawa to control production at these sites.

The Group performs data back-up procedures on a daily and weekly basis. The Group also has a disaster recovery plan which covers key components of the Group's IT system, including databases and servers. The Group also developed instructions on actions to be taken by the Group's IT specialists in case of emergency situations affecting the Group's IT systems. To ensure fail safe operation of IT systems, the Group's IT department conducts regular as well as unscheduled IT training for IT personnel, including disaster recovery training. As of the date of this Prospectus, the Group has not experienced any material information technology system failures or disruptions. In planning the Group's IT operations and upgrades, the Group also ensures that its IT systems have sufficient capacity to address any IT needs the Group's growing business may have.

Risk Management and Insurance

The Group's risk management system includes identifying and analyzing risks affecting the Group's strategic goals, developing proposed action plan to respond to such risks, implementing and monitoring such plan. As part of the Group's risk management system, the Group's key risks are evaluated every six months. The list of key risks is discussed at the meeting of SIBUR's Audit Committee and approved by SIBUR's Management Board. In July 2012, the Management Board identified the following as the key risks faced by the Group: industrial accident risks, regulatory risks, IT system risks, risks related to non-performance of organisational projects, risks related to non-performance of investment projects, market risks and logistical risks. The Group maintains insurance coverage required by law, such as third-party liability for entities operating hazardous production facilities, damage related to explosions, fire and other accidents caused by operating process, obligatory medical insurance and certain other types of insurance.

In addition to the obligatory insurance, the Group maintains, on a Group-wide basis, insurance coverage against loss and damage to its properties and equipment on a full replacement value basis, including machinery breakdown, property damage and, in respect of certain production facilities, business interruption insurance. Under the terms of the business interruption insurance, the Group will be compensated if as a result of interruption at these facilities, the Group's overall financial performance is impacted. The Group also maintains insurance coverage for construction risks at its major construction projects, such as Tobolsk-Polymer Plant, and cargo insurance for its international trader SIBUR International. The Group also provides directors and officers (D&O) insurance to its directors and key members of the senior management. The Group's insurance policies currently in force are provided by a number of major Russian insurance companies, such as SOGAZ and AlfaStrakhovanie, which, in turn, are generally required by the terms the Group's policies to reinsure with major international insurance companies with a credit rating of "A-" or better. This construct is driven by the fact that under current Russian legislation, Russian legal entities are unable to obtain the types of insurance outlined above directly from non-Russian insurance companies.

The Group believes that its current insurance arrangements comply with insurance requirements under Russian law and are in line with industry practice, but cannot guarantee that its insurance coverage will be sufficient. See "Risk Factors – Risks Relating to the Group's Business – The Group's existing and future insurance coverage may not be sufficient and may not adequately protect it against certain operating hazards".

Environmental Matters

The Group is subject to laws, regulations and other legal requirements relating to the environmental protection, including those laws and regulations governing the discharge of substances into the air, water and soil, the management and disposal of hazardous substances and waste.

At each of its production facilities, the Group has been developing and implementing annual and long-term environmental protection programs in order to minimize the environmental impact of its operations. The Group's environmental policy focuses on the following priorities:

- applying the latest science and technology to maximize efficient use of hydrocarbon resources and provide solutions for reducing ecologically harmful flaring by oil and gas industry;
- reducing environmental impact of the Group's operations by integrating environmentally clean, efficient and economically-sound technologies and equipment at the Group's new production facilities while modernizing older facilities to improve reliability and safety of production;
- providing transparency regarding the Group's activities on environmental protection, developing co-operation with governmental authorities and municipalities to protect the environment, as well as increasing international co-operation to create environmentally clean, efficient and economically-sound technologies and equipment.

The Group contributes to solving environmental problems by processing of APG into a source of raw materials for basic polymers, synthetic rubbers and plastics. The Group processed approximately 18 billion cubic metres of APG in 2011 and approximately 13.7 billion cubic metres of APG in the nine months ended on 30 September 2012.

In terms of initiatives on reduction of oil industry "greenhouse" gas emissions, the Group participates in the project within the framework of the Kyoto Protocol. In 2011, the Ministry of Economic Development of the Russian Federation approved the Group's plan to launch the second stage of the expansion of the Yuzhno-Balykskiy GPP in the Khanty-Mansi Autonomous Area as falling within the joint implementation mechanism framework. In early 2012, the Group sold its first tranche of emission reduction units in the amount of approximately 1.2 million tons of CO2 on the international market. The buyer was JP Morgan Chase in a purchase coordinated by Sberbank.

As part of the implementation of the Group's environmental policy, the Group's Corporate Environmental Management System ("**CEMS**"), compliant with international ISO standard 14001:2004, was implemented in April 2008. In April 2011, a re-certification audit of the Group's CEMS was carried out by BUREAU VERITAS Certification Rus and the Group's compliance with requirements for the ecological management system was recertified and is currently effective until April 2014. The primary purpose of CEMS is an effective management of all environment-related issues through planning and achievement of targets to decrease environmental impact. In accordance with corporate targets, all the Group's production facilities develop and implement annual and long term Environmental Programs, including Water Resource Protection Program for the Period of 2011 – 2015 ("**Water Protection Program**"), Waste Management Program for the period of 2011 – 2015 ("**Waste Management Program**"), Air Resource Protection Program for the period of 2012 – 2016 ("**Air Protection Program**") and "Business for Ecology" Corporate Program.

The Water Protection Program focuses on renovation, reconstruction and building of new treatment facilities as well as water intake facilities and disposal sewers for treated outflows. Major projects under this program in 2012 included capital renovation of networks of chemically polluted runoffs at OAO Voronezhsintezkauchuk and modernization of water-cooling tower of water circulation cycle (monomers production) at OOO Tomskneftekhim. The Waste Management Program includes construction of additional waste storage facilities, decrease of waste output, dismantling of existing industrial waste, purchase of waste processing and utilization equipment. Major projects under this program in 2011 included construction of sludge collector at OOO Togliattikauchuk. The Air Protection Program aims to decrease the emission of pollutants into the air and reduce the industrial impact in the regions of the Group's operations. Major projects under this program in 2012 included modernization of flare tips at OOO Tomskneftekhim. The "Business for Ecology" Corporate Program is focused on making improvements to the environment in the regions where the Group operates through development of public initiatives. Under this program in 2012, the Group financed more than 40 projects aimed at improvement of ecological literacy of adults and environmental education for children, planting of greenery and cleaning of territories and water sources from garbage, as well as environmental monitoring. These projects were implemented in co-operation with public organisations.

The Group's activities on environmental protection is vertically integrated, the Ecological service of the Management Company co-ordinates environmental activities of all Group's production facilities. Also, the Group established two regional centers "Sibir" and "Europe" to control environmental issues at the Group's production facilities in their regions. Each production facility has its own department for environmental protection.

In July 2010, the Group established Energy Saving Engineering Center ("**ESEC**"), which focuses on centralized development and implementation of the Energy Saving Program for the Group's production companies.

Significantly, two of the Group's major investment projects – Tobolsk-Polymer Plant and OOO RusVinyl – are in compliance with the Equator Principles, the credit risk management framework for determining, assessing and managing environmental and social risk applied by the lenders in connection with the financing of those projects. The Group is also in compliance with REACH Regulation, the European Union enacted regulation on registration, evaluation, authorisation and restrictions of the use of chemicals. The Group believes that it is in material compliance with applicable requirements of the current Russian environmental legislation. See "Regulation of Gas Processing and Petrochemicals Business in Russia – Environmental Matters" for a discussion of these requirements.

Health and Safety

The Group's production facilities are large industrial sites staffed with a large number of workers, and workplace safety issues are of significant importance to the operations of these sites. Since 2009, three accidents occurred at the Group's production facilities that resulted in the loss of the lives to the Group's employees. The number of industrial accidents at the Group's production facilities was 2 in the nine months ended 30 September 2012, 3 in 2011 and 1 in 2010. The lost time injury frequency rate[1] ("**LTIFR**") was 1.22 in 2010 and 0.81 in 2011, which is below the Group's target LTIFR of 1.1 for 2011. LTIFR for nine months ended 30 September 2011 and 2012 was 0.81 and 0.71 respectively.

The Group maintains the Corporate Program for Development of Safety Culture and Industrial Safety and Occupational Health & Safety Management Systems which was launched in 2008 and covers all of the Group's employees. This program includes, among other things, development of industrial safety and health and safety standards, development of occupational health & safety management system and accident prevention system, introduction of mandatory internal investigations for all serious accidents and reasons for them, provision of employees with special clothes and equipment and organising of emergency first aid at each production site. In 2008-2011, the Group and DuPont, a multinational company and an industry leader in occupational safety, implemented a project on safety culture which included an audit of the Group's health & safety and industrial safety system carried out by DuPont's experts, development of safety standards for the Group, training for the Group's employees conducted by DuPont's specialists, development of recommendations for the Group for improvement of the safety culture.

The Group believes that the most efficient way to promote industrial and occupational safety at the Group's production facilities, is to make the Group's employees part of the corporate industrial and occupational safety management. Starting from 2010, the Group rewards the enterprises and individuals demonstrating the strongest safety practices. Gubkinskiy GPP was named as the best enterprise of the Group in industrial safety for 2011. More than 2,850 employees were awarded for their safety related-achievements.

The Group regularly analyzes potential risks, develops measures to reduce these risks and reduce consequences of industrial accidents and conducts worker-safety training and updates internal safety regulations. The Group considers reduction of accident and employee injury risk, implementation of an integral Industrial Safety and Occupational Health & Safety management system and a risk evaluation system among its key priorities in the Industrial Safety area. The Group believes that it is in material compliance with applicable requirements of the current Russian legislation in relation to the occupational health and safety. See "Regulation of Gas Processing and Petrochemicals Business in Russia — Health and Safety" for a discussion of these requirements.

1 Lost Time Injury Frequency Rate (LTIFR) is the number of injured employees per million working hours.

Employees

Overview

As of 30 September 2012, the Group had 30,446 employees, of which 21% were employed by the feedstock & energy segment, 63% by the petrochemical business and 16% in logistics, sales & marketing, administration and other centralized project management and support activities. The following table sets out the average number of employees of the Group, for nine months ended 30 September 2012, and the years ended 31 December 2011, 2010 and 2009.

	Nine months ended 30 September	Year ended 31 December		
	2012	2011	2010	2009
Feedstock & Energy	6,479	6,614	8,358	9,731
Petrochemicals	19,070	19,518	19,501	21,881
Unallocated[(1)]	4,897	4,621	4,097	3,716
Total	**30,446**	**30,753**	**31,956**	**35,328**

(1) Includes logistics, sales & marketing, administration and other centralized project management and support activities.

The Group considers its relationships with their employees as satisfactory. Approximately 14,000 Group's employees are members of "NefteGasStroyProfsoyuz" labour union. In addition, 24 employees of Togliattikauchuk are members of "Nashe Delo" labour union and 708 employees of Polief are members of "Roshimprofsoyuz" labour union. The Group considers its relationships with the labour unions as constructive and positive.

Compensation and Employee Benefits

In 2011, the Group completed a project on implementation of a systematic framework for employees remuneration and from January 2012 the Group use unified remuneration system. Currently, compensation of the Group's personnel includes a base salary and performance bonuses and depends on the employee's grade.

The Group maintains several social and employee benefits programs for its employees. The Group's employees receive medical benefits beyond obligatory medical insurance program, the Group provides its employees with free use of various sport facilities and organising various health-improving activities. In June 2012, the Group opened the corporate recreational center "SIBUR-Yug" in Anapa, on the Black Sea Coast and the Group's employees and their families offered recreational activities on favourable terms to the employees.

Under Russian laws and regulations, the Group makes mandatory contributions to a number of employee benefit programs, including, state pension insurance and obligatory medical insurance.

Personnel Training and Career Development

In addition to monetary compensation, the Group also has an ongoing training system for its employees. The Group's employees have access to the professional education through the Corporate University, a structural division of the Group which provides a number of training programs in the areas of management, leadership, sales and marketing, production efficiency, safety, corporate services and investment projects. The Group also provides special corporate and individual programs, which are developed for employees who are identified as having high leadership potential. These programs include education, training, job rotation and participation in various projects. Selected employees are also assigned a mentor from the Group's management.

Social responsibilities

The Group is committed to social responsibility and, while under no legal obligation to do so, participates in a number of social programs. The Group is engaged in a number of charity programs and sponsorships, allocating resources to various social groups in the regions where it operates. The Group's charity programs are primarily aimed at children, teens and elderly focusing on sports, medicine, education and culture, as well as social infrastructure maintenance, chemical science development and environment protection. Additionally, the Group has agreements with certain regional authorities to provide funds for socially important causes and initiatives.

Litigation

From time to time, the Group is involved in litigation in the ordinary course of its business activities.

In 2011, the FAS alleged that the Group, together with certain other market participants, violated Russian antimonopoly law by entering into agreements containing provisions on price fixing in the Russian chloride and caustic soda markets (chloride and caustic soda are included in the intermediates and other chemicals product group). To date, the Group has been successful in challenging the FAS allegations regarding the chloride market. The Arbitration (Commercial) Court of the Volgograd Region and the 12th Appelate Court held in their decisions as of 9 July and 24 September 2012, respectively, that the determination of the FAS that the Group violated Russian antimonopoly law was inconsistent with the law and nullified the related rulings and sanctions issued by the FAS. The FAS filed an appeal to the Federal Arbitration (Commercial) Court of the Povolzhsky District, which scheduled the hearing of an appeal on 22 January 2013. The Group also challenged an order of FAS regarding the Group's alleged actions in the caustic soda market, which required that the Group discontinue these actions and imposed a fine in the amount of RR 96 million on the Group. On 26 December 2012, the Arbitration (Commercial) Court of the City of Moscow dismissed the Group's claim. The Group currently intends to file an appeal in relation to decision of the court of first instance. The ruling of the Arbitration (Commercial) Court of the City of Moscow will not enter into effect until after the appeal hearing.

Other than the above, there have been no other governmental, legal or arbitration proceedings against the Group during the period under review that may have, or have had in the recent past, significant effects on the Group's financial position or profitability or may be otherwise material for the Group.

REGULATION OF GAS PROCESSING AND PETROCHEMICALS BUSINESS IN RUSSIA

Set forth below is a summary of material information concerning regulation of the gas processing and petrochemicals industry in Russia and the Group's business. This description does not purport to be a complete description of all laws and regulations applicable to the Group's business and should not be read as such.

Russia has not enacted any specific legislation governing the operation of the gas processing and petrochemicals industry. The Group's activities in the Russian Federation are regulated by general civil legislation and administrative and special regulation relating to particular aspects of its operations such as quality standards, industrial safety rules, environmental, employment, certain transportation requirements and other matters.

Regulatory Authorities

Russia has a tiered structure of federal authorities that divides responsibility between various governmental bodies. The federal ministries issue regulations that interpret the legislation in their respective area and establish a corresponding regulatory regime. The federal services and federal agencies monitor compliance with applicable law and regulations promulgated by the federal ministries.

At the federal level, general regulatory oversight of the Group's business is divided between the following Russian ministries:

- the Ministry of Industry and Trade, which is responsible for the development of governmental policy in the industry and trade sectors and the creation of both general and industry-specific standards;
- the Ministry of Economic Development, which is responsible for development of foreign economic activity and for analysis and strategic plans for social and economic development;
- the Ministry of Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters, which is responsible for developing and implementing governmental policy in the fields of civil defence, prevention and resolution of emergency situations and fire safety;
- the Ministry of Energy, which is responsible for developing and implementing governmental policy for enterprises of fuel and energy complex, including gas processing and petrochemicals industry; and
- the Ministry of Natural Resources and Ecology (the "**Ministry of Natural Resources**") is responsible for the development of governmental policy and regulation in the sphere of natural resources. It co-ordinates the activities of the regulatory authorities in the environmental protection area, passes regulations setting safety requirements for exploration and development of natural resources.

The principal federal services and federal agencies that regulate the Group's business include:

- the Federal Service for Environmental, Technological and Nuclear Supervision, also referred to herein as Rostekhnadzor, which oversees compliance with certain mandatory industrial safety rules and issues licenses and authorisations for certain industrial activities, registers hazardous facilities and imposes limits on and establishes rules governing waste disposal;
- the Federal Labour and Employment Service, which monitors and supervises companies' compliance with labour legislation;
- the Federal Agency for Technical Regulation and Metrology, which determines and oversees levels of compliance with obligatory state standards and technical regulations;
- the Federal Agency on Water Resources (the "**Water Resources Agency**"), which monitors compliance with obligatory state requirements in the sphere of water resources protection; and
- the Federal Antimonopoly Service, aslo referred to herein as the FAS, which supervises compliance with antimonopoly legislation and the state policy of promoting and development of the commodity markets and competition by seeking to prevent and

terminate monopolistic activities, unfair competition and other violation of antimonopoly legislation. This service also oversees acquisitions of controlling stakes in companies and activities of companies holding dominant market positions.

In addition, there are a number of government organisations, which together with their relevant sub-divisions, have authority over various general issues relevant to the Russian gas processing and petrochemicals industry or otherwise involved in regulation of other areas of the Group's business. Generally, regional and local authorities with jurisdiction over a specific region have substantial power and influence, including certain taxation powers.

Gas Industry Regulation

The principal legislative act regulating the gas industry in Russia is Federal Law No. 69-FZ "On Gas Supply in the Russian Federation", dated 31 March 1999, as amended (the "**Gas Supply Law**"). The Gas Supply Law establishes a regulatory framework for natural gas supply in Russia. Under the Gas Supply Law, Russian federal authorities have jurisdiction over natural gas supplies, including the development and implementation of the Government policy on natural gas supply; the regulation of strategic natural gas reserves; control over the industrial and environmental safety of the industrial sites of the natural gas supply systems; metrological support; and standardization and certification in the gas industry. Under the Gas Supply Law, the Government: (i) sets the procedure for formation and approval of the projected natural gas production levels and the sales balance in Russia; (ii) determines the principles of natural gas prices and transportation tariffs; (iii) approves rules on natural gas deliveries; (iv) approves procedures for providing independent organisations with access to the natural gas transportation and distribution networks; and (v) defines the categories of customers to whom natural gas deliveries cannot be restricted or suspended.

Natural Gas Supply and Transportation

The UGSS

The Gas Supply Law defines the UGSS as the nation's centrally managed, technologically and economically regulated system of gas production, processing, transportation, storage and supply. Gazprom is currently the owner of the UGSS. To ensure reliable gas supply and compliance with international treaties of the Russian Federation and gas delivery contracts, Gazprom, as the owner of the UGSS, is obliged to: (i) maintain and develop the UGSS network; (ii) monitor the function of its facilities; (iii) procure the use of equipment and process for energy efficiency and environmental safety for the UGSS; (iv) take action to ensure industrial and ecological safety within the UGSS; and (v) operate disaster management systems.

In accordance with Russian Government Resolution No. 858 "On Provision of Access of Independent Companies to the Gas Transportation System of OAO Gazprom, dated 14 July 1997, as amended, Gazprom, as the owner of the UGSS, must provide independent gas producers access to its natural gas transportation system in Russia subject to the availability of capacity in the UGSS, the compliance of the gas being transported with established quality and technical parameters and the availability of connecting and branch pipelines to end customers.

Similar access rights to regional gas supply systems are established pursuant to Russian Government Resolution No. 1370 "On Approval of Regulation on Ensuring Access of Organisations to Local Gas Supply Systems", dated 24 November 1998, as amended. According to this Resolution, any legal entity within the territory of the Russian Federation has the right of non-discriminatory access to the regional gas supply systems for transportation of gas to customers. Russian Government Resolution No. 872, dated 29 October 2010, establishes the standards for disclosure of information by Gazprom as operator of the UGSS.

Transportation and Supply of Gas

The relationship between natural gas suppliers and off-takers is governed by the Regulation on Natural Gas Supplies in the Russian Federation approved by Russian Government Resolution No. 162 "On Approval of Rules of Gas Supplies in the Russian Federation", dated 5 February 1998, as amended.

A right of priority to enter into natural gas supply agreements is given to off-takers that purchase natural gas for state needs and municipal/domestic services and to certain off-takers wishing to extend their existing natural gas supply agreements.

In accordance with the Gas Supply Law, consumers are obliged to pay for natural gas supplies and transportation services. If consumers fail to make such payments, suppliers have the right to limit or suspend natural gas supplies to such consumers in accordance with specific procedures provided for by certain Russian Government resolutions (although the Russian Government has issued resolutions regulating the restriction or suspension of suppliers to certain customers, such as military institutions and fire prevention services).

Gas Prices and Tariffs

Natural gas prices and transportation tariffs in Russia are regulated pursuant to Federal Law No. 147-FZ "On Natural Monopolies", dated 17 August 1995, as amended (the "**Natural Monopolies Law**"), and the Gas Supply Law, as well as pursuant to certain Russian Government resolutions. The Natural Monopoly Law defines "natural monopoly" as a condition of the commodities market in which the demand for products is satisfied more effectively in the absence of competition due to technological characteristics of the manufacturing process and in which another product cannot readily be substituted for the monopoly product, which makes demand for the monopoly product less responsive to the price movements than demand for other products. Russian Government Resolution No. 1021 "On State Regulation of Gas Prices and Tariffs for Gas Transportation within the Territory of the Russian Federation", dated 29 December 2000, as amended, sets forth the main provisions for regulating the wholesale price of natural gas and transportation tariffs.

FTS regulates (i) the price of gas extracted by Gazprom and its affiliates (including any entity in which it has 20% or more equity ownership), but not the wholesale price of natural gas produced by independent gas suppliers such as the Group, and (ii) the tariff charged to independent gas suppliers such as the Group to transport their gas through the UGSS. The principles of pricing include the recovery of economically reasonable expenses by suppliers and transportation companies, maintenance of reasonable operating margins and satisfaction of the demand for gas. While the Group's sale prices are not regulated, they are customarily closely linked to the FTS regulated natural gas prices.

Railway Transportation Tariffs

The Group uses rail for transportation of its refined products, intermediates and feedstock. The Group's rail transportation costs comprise the Railway Tariff charged for access to Russia's main railway and usage of locomotives. The Railway Tariff is charged by Russian Railways. According to the Natural Monopolies Law, the core services provided by Russian Railways are classified as belonging to the natural monopoly sector and the prices charged by Russian Railways for such services, including freight railway transportation, are regulated by the FTS. The Railway Tariff depends on types of products, types of carriers and their tonnage, transportation routes and volume of a delivery. FTS reviews the Railway Tariff on an annual basis. See "Risk Factors — Risks Relating to the Group's Business — Disruption in railway transportation or increases in costs related to railway transportation could adversely impact the Group's results of operations."

APG Flaring

Russian oil producers flare large volumes of APG. According to Russian Government statistics, 16.8 billion cubic metres of the 68.4 billion cubic metres of APG produced in Russia in 2011 were flared, representing 25% of the total volume produced. The World Bank estimates that flared volumes are more than twice as high as the official data. Over the past few years, the Russian Government has undertaken a number of measures to reduce APG flaring, including through amendments to the relevant regulatory and legal framework.

On 8 November 2012, the Russian Government adopted Resolution No. 1148 "On Peculiarities of Calculation of Emission Charges for Air Pollution by Flaring of the Extracted Related Gas", which became effective as of 1 January 2013 ("**Resolution No. 1148**"). Resolution No. 1148 imposes substantially higher payments for flaring of APG in volumes exceeding permitted thresholds. According to Resolution No. 1148, from 1 January 2013, the threshold for flaring was capped at 5% of the total APG produced. Resolution No. 1148 imposes increased penalties for flaring APG in excess of this 5% threshold: a penalty of 12 times the standard emission charge for 2013 and 25 times the standard emission charge starting from 2014. The standard emission charges are defined in the Russian Government Resolution No. 344, dated 12 June 2003 as amended, and depend on the type of pollutant. These new penalties are significantly higher than those applied to excessive APG flaring during 2012 pursuant to the preceding resolution.

Other measures the Russian Government has taken to encourage oil companies to reduce APG flaring, include the adoption of Resolution No. 118 "On Preparation, Agreement and Approval of Engineering Designs for Development of Mineral Deposits and Other Design Documents for the

Performance of Works Connected With the Use of Subsoil Plots", dated 3 March 2010, as amended, which provides that project design documentation prepared in connection with construction of new facilities, should set out measures for utilization of APG.

In addition, in March 2010, Federal Law No. 35-FZ "On Electrical Energy Industry", dated 26 March 2003 (as amended), was amended to facilitate priority access to the Unified National Electricity Grid for electricity production facilities powered by APG and its derivatives.

Further, on 3 December 2012, the Russian President signed amendments to the Gas Supply Law. These amendments, which became effective from 1 January 2013, provide that suppliers of dry gas derived from APG processing should have priority access to the UGSS.

Export Duties

LPG (excluding butane and isobutene), naphtha (excluding pentane and isopentane) and propylene, products that the Group exports, are subject to export duties.

In accordance with Russian Government Resolution No. 1155, dated 27 December 2010, as amended, LPG export duty is calculated based on a separate progressive scale and is linked to the average monthly LPG price at the border of Belarus and Poland (DAF Brest terms). The table below illustrates the calculation of the export duty depending on the respective price bands of international LPG prices.

LPG price (DAF Brest)	Export duty
Below US$ 490 per ton	Export duty is not levied
US$ 490 per ton to US$ 640 per ton	50% of the difference between average LPG price and US$ 490 per ton
US$ 640 per ton to US$ 740 per ton	US$ 75 per ton plus 60% of the difference between average LPG price and US$ 640 per ton
Above US$ 740 per ton	US$ 135 per ton plus 70% of the difference between average LPG price and US$ 740 per ton

The export duty on naphtha is calculated as a percentage of the export duties on crude oil (Urals). The export duties for crude oil and oil products are set by the Russian Government on a monthly basis in advance of each calendar month and are effective from the first calendar day of the respective month. The rate for crude oil is based on the average Urals crude oil price for the period from the 15th calendar day in the month to the 14th calendar day of the following month and calculated on a progressive scale. Currently, the export duty on naphtha is 90% of the crude oil export duty rate.

According to Russian Government Resolution No. 695, dated 16 November 2006, as amended, the export duty rate for propylene is US$ 198.7 per ton from 1 January 2013 compared to US$ 197.4 per ton in December 2012.

Currently, the export of petrochemical products into certain CIS countries, which are members of the Custom Union, such as Belarus and Kazakhstan, is not subject to export duties.

Licensing

The Group is required to obtain a number of licenses, authorisations and permits from Russian governmental authorities for its operations. Federal Law No. 99-FZ "On Licensing of Certain Types of Activities", dated 4 May 2011, as amended (the "**Licensing Law**"), as well as other laws and regulations, set forth the activities subject to licensing and establish procedures for issuing licenses. Such activities include, for example, the exploitation of chemically hazardous industrial objects, exploitation of explosive and flammable hazardous industrial objects, handling of hazardous waste, fire fighting; assembly, repair and maintenance of fire safety systems. The licenses are usually issued for an indefinite term. The Group is required under licensing regulations and the terms of its licenses and permits to comply with numerous industrial standards, employ qualified personnel, maintain certain equipment and system of quality controls, monitor operations, maintain and make appropriate filing and, upon request, submit specified information to the licensing authorities that control and inspect its activity. Failure to comply with these requirements may result in suspension and subsequent revocation of the license by the court order.

Environmental Matters

The Group is subject to laws, regulations and other legal requirements relating to protection of the environment, including those governing the discharge of substances into the air and water, and the management and disposal of hazardous substances and waste. Issues of environmental protection in Russia are regulated primarily by Federal Law No.7-FZ "On Environmental Protection", dated 10 January 2002, as amended (the "**Environmental Protection Law**"), as well as by a number of other federal and local legal acts. The Ministry of Natural Resources, Rostekhnadzor and certain other federal authorities (along with their regional branches) are involved in environmental control, implementation and enforcement of relevant laws and regulations. The federal government and the Ministry of Natural Resources are responsible for co-ordinating the activities of the regulatory authorities in this area. Such regulatory authorities, along with other state authorities, individuals and public and non-governmental organisations, also have the right to initiate lawsuits for the compensation of damage caused to the environment. The statute of limitations for such lawsuits is 20 years.

Pay-to-pollute

The Ministry of Natural Resources, Rostekhnadzor, Water Resources Agency and other government agencies establish guidelines for setting limits for different types of permissible impact on the environment, including the emission, disposal of substances and waste disposal. A company may obtain approval for exceeding these statutory limits from the federal or regional authorities, depending on the type and scale of environmental impact. As a condition to such approval, a plan for the reduction of the emissions or disposals must be developed by the company and cleared with the appropriate government authority. Fees are assessed on a sliding scale for both the statutory or individually approved limits on emissions and effluents and for pollution in excess of these limits: the lowest fees are imposed for pollution within the statutory limits, intermediate fees are imposed for pollution within the individually approved limits, and the highest fees are imposed for pollution exceeding such limits. Payments of such fees do not relieve a company of its responsibility to take environmental protection measures.

Environmental liability

If the operations of a company violate environmental requirements or cause harm to the environment or any individual or legal entity, a court action may be brought to limit or ban these operations and require the company to remedy the effects of the violation. Any company or its employees that fail to comply with the requirements of applicable environmental laws and regulations may be subject to administrative and/or civil liability, while individuals may also be subject to criminal liability. Courts may also impose clean-up obligations on violators in lieu of or in addition to imposing fines.

EU REACH

On 1 June 2007, the European Union enacted regulation on registration, evaluation, authorisation and restrictions of the use of chemicals, known as REACH Regulation. The purpose of REACH Regulation is to ensure a high level of protection of human health and the environment, including the promotion of alternative methods of assessment of hazards of chemical substances.

REACH Regulation requires foreign chemical manufacturers importing their chemical substances into the EU in quantities of one ton or more per year to register such substances with the European Chemicals Agency. It directly concerns a wide range of producers, importers, distributors and consumers of chemicals in the EU member countries, while at the same time affecting companies in non-EU countries (so-called "third countries") that export their products to the European market and consume chemical substances manufactured in Europe.

Health and Safety

Due to the nature of the Group's business, much of its activity is conducted at industrial sites by large numbers of workers, and workplace safety issues are of significant importance to the operation of these sites. The principal law regulating industrial safety is Federal Law No. 116-FZ "On Industrial Safety of Hazardous Industrial Facilities", dated 21 July 1997, as amended (the "**Safety Law**"). The Safety Law applies, in particular, to industrial facilities and sites where certain activities are conducted, including sites where lifting machines and high pressure devices are used. The Safety Law also contains a comprehensive list of hazardous substances and their permitted concentration, and extends to facilities and sites where these substances are used.

Any construction, reconstruction, liquidation or other activities in relation to regulated industrial sites is subject to a state industrial safety review. Any deviation from project documentation in the process of construction, reconstruction and liquidation of industrial sites is prohibited unless reviewed by a licensed expert and approved by Rostekhnadzor. Companies that operate such industrial facilities and sites have a wide range of obligations under the Safety Law and the Labour Code of Russia. In particular, they must limit access to such sites to qualified specialists, maintain industrial safety controls and carry insurance for third party liability for injuries caused in the course of operating industrial sites. The Safety Law also requires these companies to enter into contracts with professional wrecking companies or create their own wrecking services in certain cases, conduct personnel training programmes, create systems to cope with and inform Rostekhnadzor of accidents and maintain these systems in good working order.

In certain cases, companies operating industrial sites must also prepare declarations of industrial safety, which summarise the risks associated with operating a particular industrial site and measures the company has taken and will take to mitigate such risks and use the site in accordance with applicable industrial safety requirements. Such declaration must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein. The industrial safety declaration, as well as a state industrial safety review, are required for the issuance of a license permitting the operation of a hazardous industrial facility. The Safety Law also provides that the use of technical equipment at hazardous industrial facilities is subject to Rostekhnadzor's permission. Rostekhnadzor has broad authority in the field of industrial safety. In case of an accident, a special commission led by a representative of Rostekhnadzor conducts a technical investigation of the cause. The company operating the hazardous industrial facility where the accident took place bears all costs of an investigation. The officials of Rostekhnadzor have the right to access industrial sites and may inspect documents to ensure a company's compliance with safety rules. Rostekhnadzor may suspend or terminate operations or impose administrative liability. Any company or individual violating industrial safety rules may incur administrative and/or civil liability, and individuals may also incur criminal liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be obligated to compensate the individual for lost earnings, as well as health related damages.

Investments in Russian Strategic Enterprises

Russian Federal Law No. 57-FZ "On Procedure for Implementing Foreign Investment in Commercial Enterprises Having Strategic Importance for Securing the National Defense and Security of the State", dated 29 April 2008, as amended (the "**Strategic Enterprises Law**"), sets forth certain restrictions and special procedures relating to foreign investments in companies that are deemed to be strategic (the "**Strategic Enterprises**") by imposing restrictions on the acquisition of control over Strategic Enterprises and by establishing a procedure for approving the acquisition of such control. Under the Strategic Enterprises Law, foreign investors acquiring direct or indirect control over a Strategic Enterprise are required to obtain a prior approval or, in certain cases, post-transactional approval, of the Foreign Investments Supervision Commission of the Russian Government. Such approval is subject to a determination by the Russian Federal Security Service that the acquisition of control does not threaten the national defence and security of the Russian state. Additionally, the approval may be subject to the fulfillment of certain conditions by the foreign investor, including, among others, achieving a Strategic Enterprise's business plan and securing the employment of a certain number of personnel. The approval process usually takes between three and six months.

Recent amendments to the Strategic Enterprises Law introduced certain exemptions from the clearance requirements. In particular, these amendments provide that the Strategic Enterprises Law shall not apply to transactions with respect to Strategic Enterprises entered into between entities under control of the Russian Federation or Russian citizens, which are tax residents of the Russian Federation (except for individuals with dual citizenship), i.e. if both the seller and the acquirer are ultimately controlled by the Russian Federation or such Russian citizens.

Strategic Enterprises include companies that conduct certain types of activities listed in the Strategic Enterprises Law. Because the Group has several licenses for the use of radioactive sources it may be recognised as a Strategic Enterprise. In addition, one of the Group's subsidiary, OAO SiburTyumenGas is recognised as a natural monopoly in the gas pipeline transportation that is also a basis for being recognised as a Strategic Enterprise.

If the acquisition of control over a Strategic Enterprise happens without the required approval, the transaction is void under the Russian legislation and the foreign investor and/or its group of companies may be deprived from voting rights that correspond to the stake acquired in the Strategic Enterprise.

Anti-monopoly Legislation

The anti-monopoly legislation of the Russian Federation is based on Federal Law No. 135-FZ "On the Protection of Competition", dated 26 July 2006, as amended (the "**Competition Law**"), and other federal laws and regulations governing anti-monopoly issues. Anti-monopoly restrictions include prohibitions on the conclusion of anti-competitive agreements, the exercise of anti-competitive coordinated actions, acts resulting in unfair competition, and the abuse of a dominant position. Russian legislation grants the FAS the powers necessary for the performance of its functions and dealing with violations of anti-monopoly legislation.

An entity or a group of entities is deemed to have a dominant position in a particular commodity market if: (a) the entity (or the group of entities) has a market share in a particular commodity market in excess of 50%, unless it is specifically established by the FAS that the entity (or the group of entities) does not have a dominant position; or (b) the entity has a market share in a particular commodity market which is less than 50% but more than 35% and the dominant position of the entity (or the group of entities) is specifically established by the FAS based on the stability or near stability of such entity's (or such group of entities') share in the particular commodity market, and certain characteristics of the relevant commodity market (such as the accessibility of the commodity market to new competitors) or even if the entity has a market share of less than 35% in certain specific circumstances.

Several entities are deemed to have collective dominance if each of them meets the following criteria: (i) the aggregate market share of not more than three entities exceeds 50%, or the aggregate market share of not more than five entities exceeds 70% (provided that market share of each such entity exceeds market shares of other entities at the same commodity market) and the market share of each entity is not less than 8%; (ii) during at least one year (or if the relevant commodity market has existed for less than one year, such shorter period) the relative sizes of entities' shares are stable or subject to insignificant changes, as well as access of new competitors to the relevant market is impeded; and (iii) the goods purchased or sold cannot be replaced with other goods, the increase of commodity prices will not lead to decrease of demand, information about the prices, conditions of selling or purchasing in the relevant market is publicly available.

The Competition Law provides for mandatory pre-approval by the FAS of certain transactions on acquisition of voting shares of joint stock companies, participation interest in limited liability companies, acquisition of the core production assets (with certain exceptions) and/or intangible assets of an entity, obtaining (directly or indirectly) rights to determine the conditions of business activity of an entity or to exercise the powers of its executive body, mergers and consolidations of entities and formation of an entity if certain thresholds established by the Competition Law are met. Also, the Competition Law stipulates certain carve-outs from this rule providing for post-transactional notification of the FAS instead of the FAS pre-approval in certain cases.

Intra-group transfers are subject to merger control. They may be exempt from the prior approval requirement and may be subject to post-transactional notification to the FAS under certain circumstances, including, that not later than one month prior to closing a list of group members is disclosed to the FAS in accordance with the Competition Law.

The Competition Law expressly provides for its extraterritorial application to transactions that are entered into outside of Russia but lead, or may lead, to the restriction of competition in Russia and which relate to assets located on the territory of Russia, to the shares (or participation interests) in Russian companies or rights in relation to such companies, shares in or rights in relation to foreign target companies which had sales to Russia of at least RR 1 billion for the year preceding the year in which the transaction is consummated.

Under the Competition Law, if an acquirer has acted in violation of the merger control rules and, for example, acquired shares without obtaining the prior approval of the FAS, the transaction may be invalidated by a court order initiated by the FAS, provided that such transaction has led or may lead to the restriction of competition, for example, by means of strengthening of a dominant position in the relevant market.

Procurement of Goods and Services

The Federal Law No. 223-FZ "On Procurement of Goods, Works and Services by Certain Types of Legal Entities", dated 18 July 2011, as amended (the "**Procurement Law**"), provides for bidding principles and procedures that apply to the procurement of goods, works and services by certain categories of legal entities, including natural monopolies and their direct and indirect subsidiaries. In accordance with the Procurement Law, these entities are required to develop procurement regulations specifying rules and procedures for tender-based purchase of goods, services and works and publish them on the specifically designated web-site. Provisions of the Procurement Law apply to direct and indirect subsidiaries of natural monopolies starting from 1 January 2013. The Group's subsidiary OAO SiburTyumenGas is recognized as a natural monopoly in the pipeline transportation of gas. OAO SiburTyumenGas indirectly holds more than 50% of the share capital of certain of the Group's production companies.

Employment and Labour Regulation

Labour matters in Russia are primarily governed by the Labour Code. In addition to this core legislation, relationships between employers and employees are regulated by various federal laws. For certain territories with harsh climatic conditions, Russian legislation establishes additional regulations to protect the interest of employees. Under Law of the Russian Federation No. 4520-1 "On the State Guarantees and Compensation for Persons Working and Residing in the Far North Regions and Areas of Equal Status", dated 19 February 1993, such employees are entitled to certain additional benefits including higher salaries and bonuses and additional vacation days.

Certain Matters of International Trade Regulation

The United States has adopted laws and regulations that enable it to impose trade sanctions on certain entities and persons. These laws and regulations are primarily administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**"). The Group does not believe that it is subject to the trade sanctions laws and regulations, including those administered by the OFAC. In the past, the Group has had dealings with Belarus entities named on the Specially Designated Nationals list maintained by the OFAC (the "**SDN list**") as part of its ordinary course of business and for civil purpose, and may in the future have dealings with these or other entities named on SDN list or in sanctioned countries, but such dealings have in the past, and in the future are expected to be, insignificant. The Group is in the process of implementing policies and procedures to ensure that the proceeds of the offering will not be used to benefit such persons or jurisdictions.

DIRECTORS AND SENIOR MANAGEMENT

Governing Bodies of the Company

The management structure of the Company consists of the General Meeting of Shareholders, the Company's Board of Directors, the Management Board and the Sole Executive Body. Powers of the Sole Executive Body were transferred to the Management Company. The Management Board and the Sole Executive Body are responsible for the Company's day-to-day operations and report to the Company's Board of Directors and General Meeting of Shareholders. Mr. Dmitry Konov is Chairman of the Management Board and General Director of the Management Company.

Board of Directors

The following table sets forth certain information with respect to the members of the Company's Board of Directors (also referred to as Directors) as of the date of this Prospectus:

Name	Year of birth	Title	Year appointed
Leonid Mikhelson	1955	Director, Chairman of the Board of Directors	2011
Ruben Vardanian*	1968	Independent Director, Chairman of the Human Resources and Remuneration Committee, member of the Finance Committee	2011
Oleg Golounin	1971	Director, member of the Audit Committee and Human Resources and Remuneration Committee	2011
Alexander Dyukov	1967	Director, Deputy Chairman of the Board of Directors, Chairman of the Strategy and Investments Committee	2006
Dmitry Konov	1970	Director	2007
Pavel Malyi	1970	Director, Chairman of the Finance Committee, member of the Strategy and Investments Committee	2011
Seppo Remes*	1955	Independent Director, Chairman of the Audit Committee, member of the Finance Committee and the Human Resources and Remuneration Committee	2007
Arkadiy Samokhvalov*	1948	Independent Director, member of the Audit Committee and the Strategy and Investments Committee	2007
Gennady Timchenko	1952	Director, member of the Strategy and Investments Committee	2012

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

The registered business address of each of the Company's Directors is: 16/1 Krzhizhanovskogo St., Moscow, GSP-7, 117997, Russian Federation.

Leonid Mikhelson has served as a director and Chairman of the Company's Board of Directors since 2011. Mr. Mikhelson began his career as a foreman of a construction and assembling company in Tyumen region, where he worked on the construction of the first section of Urengoi-Chelyabinsk gas pipeline. In 1985 Mr. Mikhelson was appointed as Chief Engineer of Ryazantruboprovodstroy. In 1987, he became General Director of Kuibishevtruboprovodstroy, which in 1991 was one of the first companies in Russia to sell its shares and subsequently became private company, Joint Stock Company SNP NOVA. Mr. Mikhelson remained SNP NOVA's Managing Director from August 1987 until October 1994. Then Mr. Mikhelson became General Director of Novafininvest, a holding company, which included NOVA amongst other assets. Since 2002, Mr. Mikhelson served as a member of the Board of Directors and Chairman of the Management Board of OAO NOVATEK. From March 2008 to December 2010, he was a member and Chairman of the Board of Directors of OAO Stroytransgaz. From 2008 to 2011, Mr. Mikhelson was a member of the Board of Directors of OOO Art Finance. Mr. Mikhelson is a member of the Supervisory Board of OAO Russian Regional Development Bank. Mr. Mikhelson graduated from the Samara Institute of Civil Engineering in 1977 with a degree in Industrial Civil Engineering. Mr. Mikhelson has been awarded the Order of the Badge of Honor of the Russian Federation.

Ruben Vardanian has been an independent Director of the Company since 2011. Mr. Vardanian currently serves as Chairman of the Human Resources and Remuneration Committee of the Company's Board of Directors and as a member of the Finance Committee of the Company's Board of Directors. Mr. Vardanian is CEO of Troika Dialog, Advisor to the President of Sberbank of Russia and Managing Director of ZAO Sberbank CIB. From 2004 until 2012, Mr. Vardanian has acted as Chairman of the Board of Directors of Troika Dialog. Mr. Vardanian is a member of the Board of Directors of OAO AvtoVAZ, OAO KAMAZ, OAO NOVATEK, Joule Unlimited, Inc (a pioneer in production of renewable fuel based on solar energy) and others. Mr. Vardanian is also Chairman of the Board of Directors of OAO Rosgosstrakh and AmeriaBank. Mr. Vardanian is a Co-founder of the Moscow-based Skolkovo School of Management and is represented on its Coordinating Council. The school was established on the initiative of Mr. Vardanian and certain Russian businessmen. From 2006 until 2011, Mr. Vardanian was President of the Skolkovo School of Management. Mr. Vardanian is also a member of the Russia's President's Council on Implementation of National Projects and Demographic Policy and the Russia's President's International Advisory Committee on Establishment of International Financial Center in the Russian Federation. Mr. Vardanian is also a member of the Russian Government's Competition and Entrepreneurship Council. The World Economic Forum (Davos) included Mr. Vardanian in the list of "100 future world leaders". Mr. Vardanian was also included in the Top-22 Business Leaders of Russia for three consecutive years (rating by the "Kommersant" newspaper and Managers Association). Mr. Vardanian graduated with honors from the Moscow State University in 1992 with a degree in Economics. Mr. Vardanian completed executive management courses at INSEAD (Fontainebleau, France) in 2000. In 2001 and 2005, Mr. Vardanyan completed the courses at the Harvard Business School (USA).

Oleg Golounin has been a Director of the Company since 2011. Mr. Golounin is a member of the Audit Committee and Human Resources and Remuneration Committee of the Board of Directors. Mr. Golounin is Chairman of the Board of Directors of OAO First United Bank (Pervobank). Since May 2012, Mr. Golounin has also been Director of representative office of OOO LEVIT in Moscow. From 2010 to 2012, Mr. Golounin served as General Director of ZAO Miracle. From 2005 to 2007, Mr. Golounin served as General Director of OOO Novafininvest and from 2007 to 2010 he served as General Director of OOO NOVATEK-Polymer. Mr. Golounin graduated from the Samara State University in 1994 with a degree in Law.

Alexander Dyukov has been Deputy Chairman of the Company's Board of Directors since 2011. Mr. Dyukov served as CEO of the Company from February 2003 to November 2006. From 2006 to 2011, Mr. Dyukov served as Chairman of the Company's Board of Directors. Mr. Dyukov has served as CEO of OAO Gazprom Neft from 2006. Since 2006, Mr. Dyukov has acted as Chairman of the Management Board and a member of the Board of Directors of OAO Gazprom Neft. Mr. Dyukov has acted as President and Chairman of the Board of Directors of ZAO Football Club Zenit since 2006. Mr. Dyukov is a member of the Board of Directors of OOO National Oil Consortium, ZAO Hockey Club SKA, OOO Gazprom gazomotornoye toplivo and OOO LIGA-TV. From 1996 to 1998, Mr. Dyukov served as Financial Director and General Director of Joint Venture ZAO Petersburg Oil Terminal. In 1998, Mr. Dyukov was appointed as Director of Economics, and during 1999 served as Acting General Director of St. Petersburg Sea Port. In 2000, Mr. Dyukov returned to the Petersburg Oil Terminal as Chairman of the Board of Directors. Mr. Dyukov graduated from the Leningrad Shipbuilding Institute in 1991 with a degree in Engineering. Mr. Dyukov received an MBA from the International Management Institute of St. Petersburg in 2001.

Dmitry Konov has been a Director of the Company since 2007. Mr. Konov joined the Group in February 2004. From February 2004 to November 2006, Mr. Konov held various positions at the Group, including as Advisor to the President, Vice President for Corporate Policy and Strategy, Senior Vice President for Corporate Policy and Strategy, Head of the Plastics and Organic Synthesis Business Unit. Since 2006, Mr. Konov has acted as CEO of the Management Company. From June 2007, Mr. Konov has served as Chairman of the Company's Management Board, and from November 2009 he has served as Chairman of the Management Board of the Management Company. Mr. Konov is Chairman of the Board of Directors of OOO RusVinyl and OOO SNHK and a member of the Board of Directors of OOO Tobolsk-Polymer. Mr. Konov was a member of the Board of Directors of OAO Gazprombank from 2010 to 2011 and OAO Gazprom neftekhim Salavat from 2010 to October 2012. Prior to joining the Group, Mr. Konov worked for AKB Trust and Investment Bank from 2001 to January 2004, where he held positions of Vice President – Head of the Investment Banking Department then Managing Director, Corporate Finance. From 1998 to 2000, Mr. Konov served in the Treasury Department of OAO NK YUKOS. Mr. Konov graduated from the Moscow State Institute of International Relations (MGIMO) in 1994 with a degree in international economic relations. Mr. Konov received an IMD MBA degree in 2001.

Pavel Malyi has been a Director of the Company since 2011. Currently Mr. Malyi serves as Chairman of the Finance Committee and is a member of the Strategy and Investments Committee of the Company's Board of Directors. Since April 2012, Mr. Malyi has been Managing Director of

OOO LEVIT. From 2011 to 2012, Mr. Malyi served as President of ZAO Miracle. Mr. Malyi served as Director, Executive Director, Managing Director and Head of UBS Investment Bank in the Russian Federation, Ukraine and Kazakhstan from 2004 to 2010. Mr. Malyi graduated from the Moscow State Institute of International Relations (MGIMO) in 1991 with a degree in international law. In 1994, Mr. Malyi graduated with a Master's degree from the University of Chicago Law School.

Seppo Remes has been an independent Director of the Company since 2007. Currently Mr. Remes serves as Chairman of the Audit Committee, and is a member of the Finance Committee and Human Resources and Remuneration Committee of the Company's Board of Directors. Mr. Remes is a member of the Board of Directors of a number of companies, including OAO SOLLERS, Federal Grid Company, OAO Interregional Distribution Grid Company of North-West, ROSNANO and OAO Lenenergo. Mr. Remes has been Chairman of the Board of Directors of RAO UES since 2007. Mr. Remes currently serves as General Director of OOO KIURU. He is Honorary Doctor of the Plekhanov Russian Academy of Economics and was granted the Best Independent Director of the Director of the Year 2012 award. Mr. Remes graduated from the University of Oulu (Finland) in 1986, where he majored in economics. Mr. Remes also holds a licentiate degree in economics from the School of Economics and Business Administration in Turku (Finland) obtained in 1994.

Arkadiy Samokhvalov has been an independent Director of the Company since 2007. Currently Mr. Samokhvalov is a member of the Audit Committee and Strategy and Investments Committee of the Company's Board of Directors. Mr. Samokhvalov is Advisor to the President of OAO NK Rosneft since 2012. Mr. Samokhvalov has been a member of the Board of Directors of ZAO St. Petersburg International Commodity Exchange since 2009. From 2008 until 2012, Mr. Samokhvalov served as Assistant to the Deputy Prime Minister of the Russian Federation. From 2006 to 2008, Mr. Samokhvalov served as First Deputy General Director of ZAO Strategicheskiye Aktivy Management Company. From 2004 until 2006, Mr. Samokhvalov served as Executive Director of ZAO Pro-Invest-Consulting and General Director of OOO Pro-Invest-Spetsproekt. From 2003 to 2004, Mr. Samokhvalov served as Finance Director and an Executive Director of ZAO Guta Textil. From 2000 to 2003, Mr. Samokhvalov served as Chairman of the Board of Directors of ZAO International Center for Regional Development. From 1998 to 2000, Mr. Samokhvalov served as First Deputy Minister of Economics of the Russian Federation. Mr. Samokhvalov graduated from the Plekhanov Russian Academy of Economics in 1972 with a degree in economics. In 1980, Mr. Samokhvalov received a Ph.D. in economics from the Central Economics and Mathematics Institute of the USSR Academy of Sciences. Mr. Samokhvalov holds a post-graduate degree in economics and is a State Counselor of the Russian Federation, First Class.

Gennady Timchenko has been a Director of the Company since 2012. Currently Mr. Timchenko serves as a member of the Strategy and Investments Committee of the Company's Board of Directors. Mr. Timchenko has been a member of NOVATEK's Board of Directors since 2009. Mr. Timchenko is Chairman of the Board of Directors and President of the Ice Hockey Club SKA St. Petersburg. He is also Chairman of the Continental Hockey League (KHL). Mr. Timchenko has more than 20 years of experience in Russian and international energy sectors and he has built interests in trading, logistics and transportation related companies. Mr. Timchenko began his career in 1976 at the Izjorskii Factory in Leningrad, an industrial plant which made components for the energy industry. From 1982 to 1988, Mr. Timchenko served as the Senior Engineer at the Ministry of Foreign Trade. In 1988, Mr. Timchenko became Vice President of Kirishineftekhimexport, the export and trading arm of the Kirishi refinery in the Leningrad region. In 1991, Mr. Timchenko started working for Urals Finland which specialized in oil and petrochemical trading. From 1994 to 2001, Mr. Timchenko served as Managing Director of IPP OY Finland and IPP AB Sweden, which specialized in oil and petrochemical trading and logistics. In 1997, Mr. Timchenko co-founded Gunvor, a leading independent oil trading company. Mr. Timchenko graduated from the Leningradsky Mechanical University in 1976 with a degree in electromechanical engineering.

Management Board

The Company's Management Board consists of five members. The Management Board is responsible for the day-to-day management of the Company's operations. The Management Board also participates in the development and execution of the Company's strategy. The Management Board is also responsible for managing the Company's assets to maximize their value and returns, improving the efficiency of internal control and risk management systems, and ensuring the protection of shareholder rights and interests. According to the Company's charter, the Management Board is formed by the Company's Board of Directors from the Company's senior executives based on the recommendations of the Sole Executive Body.

The following tables set forth certain information with respect to the members of the Management Board as of the date of this Prospectus. Members of the Management Board are also referred to herein as senior managers.

Name	Year of birth	Position	Year appointed
Dmitry Konov	1970	Chairman of the Management Board	2007
Mikhail Karisalov	1973	Member of the Management Board	2007
Vladimir Razumov	1944	Member of the Management Board	2007
Alexey Philippovskiy	1972	Member of the Management Board	2007
Kirill Shamalov	1982	Member of the Management Board	2008

Dmitry Konov Please refer to " — Board of Directors — Dmitry Konov".

Mikhail Karisalov joined the Group in 2003. During the period from 2003 to 2006, Mr. Karisalov held positions of Advisor to the President, Director of Procurement, Head of Logistics and Capital Construction. Since 2006, Mr. Karisalov has been Vice-President – Head of Hydrocarbon Feedstock Department. Since 2007, Mr. Karisalov has been a member of the Company's Management Board and since 2009, he has been a member of the Management Board of the Management Company. Since 2012, he has served as Deputy Chairman of the Management Board of the Management Company. From 2006 to 2008, Mr. Karisalov also served as General Director of OAO SiburTyumenGaz. Mr. Karisalov is Chairman of the Board of Directors of OAO NIPIgaspererabotka, OOO Yuzhno-Priobskiy GPP and a member of the Board of Directors of OOO Tobolsk-Polymer. Prior to joining the Group, Mr. Karisalov served as General Director of OOO Oblkonservprom from 1997 to 2003. Mr. Karisalov graduated from the Russian Civil Service Academy under the President of the Russian Federation in 1998 with a degree in management and economics.

Vladimir Razumov joined the Group in 1999. From 1999 to 2002, Mr. Razumov served as Vice President in charge of Production of Synthetic Rubber and Tyres, and as Senior Vice President in charge of Petrochemical Production. From 2002 to 2003, Mr. Razumov served as COO of OAO Avtotor Holding. In August 2003, Mr. Razumov rejoined the Group and served as Advisor to the President, Vice President in charge of Production and Senior Vice President in charge of Production and Marketing. In December 2005, Mr. Razumov became Senior Executive Vice President at the Group. Since June 2007, Mr. Razumov has been a member of the Company's Management Board, and since 2006 he has been a member of the Management Board of the Management Company. Since January 2012, Mr. Razumov has served as Deputy Chairman of the Management Board and Executive Director of the Management Company. Mr. Razumov is Chairman of the Board of Directors of OOO Tobolsk-Polymer and a member of the Board of Directors of ZAO SIBUR-Trans. Prior to joining the Group, Mr. Razumov served as Vice President and First Vice President of ZAO Korporatsiya Rosshina from 1997 to 1999 and as Vice President of ZAO Roskhimneft. From 1989 to 1992, Mr. Razumov served as the USSR Deputy Minister of the Oil Refining and Petrochemicals Industry. In 1988, Mr. Razumov was appointed as Head of the Main Procurement Department of the USSR Ministry of the Oil Refining and Petrochemicals Industry. From 1968 to 1983, Mr. Razumov worked at the Voronezh Synthetic Rubber Plant as an engineer, section manager, mechanic, shop manager and Deputy Director for Procurement and Marketing. Mr. Razumov was appointed as Director of the Volga Synthetic Rubber Plant in 1983. Mr. Razumov graduated with honors from the Voronezh Technological Institute in 1967 with a degree in Engineering. In 1980, Mr. Razumov graduated from the Plekhanov Russian Academy of Economics, with a degree in procurement. From 1987 to 1989, Mr. Razumov studied at the Academy of the National Economy under the USSR Council of Ministers, specializing in economics and management of the national economy.

Alexey Philippovskiy joined the Group in September 2004. From October 2004 to 2006, Mr. Philippovskiy held the position of Head of the Finance and Economics Department. Since 2007, Mr. Philippovskiy has been Chief Financial Officer of the Management Company. Since June 2007, Mr. Philippovskiy has been a member of the Company's Management Board. Since January 2012, Mr. Philippovskiy has served as Deputy Chairman of the Management Board of the Management Company. From 2007 to 2011, Mr. Philippovskiy was a member of the Board of Directors of OAO Russian Tyres and from 2008 until 2012 he was Chairman of the Board of Directors of ZAO

SIBUR-Trans. Since 2011, Mr. Philippovskiy has been a member of the Board of Directors of OOO ITSK. Prior to joining the Group, Mr. Philippovskiy served as a consultant in the Moscow office of McKinsey & Company. Mr. Philippovskiy graduated from the Ural State Technical University in 1995 with a degree in engineering and economics. From 2000 to 2002, Mr. Philippovskiy studied at Anderson Graduate School of Management at the University of California, Los Angeles (UCLA), where he received an MBA in Finance and Strategy.

Kirill Shamalov joined the Group in June 2008 as Vice-President for Business Administration of the Management Company. Since June 2008, Mr. Shamalov has been a member of the Company's Management Board, and since November 2009 he has been a member of the Management Board of the Management Company. Since January 2012, Mr. Shamalov has served as Deputy Chairman of the Management Board of the Management Company. Mr. Shamalov is Chairman of the Board of Directors of OAO SMNG since 2011 and a member of the Board of Directors of ZAO GEONOD razvedka. Mr. Shamalov served as General Director of OAO TYRE Invest from 2008 to 2009. Prior to joining the Group, from 2005 to 2008, Mr. Shamalov served for the Russian Government as expert consultant in the Economics and Finance Department. Mr. Shamalov began his career at OAO Gazprom as Chief Legal Counsel for foreign economic activity in 2002. In 2004, Mr. Shamalov worked for FGUP Rosoboronexport as an expert in the regional department, where he was responsible for military-technical cooperation with Western European countries. In 2005, Mr. Shamalov joined ZAO AB Gazprombank as Chief Lead Counsel in the legal department. Mr. Shamalov graduated from the St. Petersburg State University with a degree in law in 2004.

Corporate Governance Practices

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

The Company's Board of Directors currently consists of nine persons, three of directors are independent (in accordance with director independence criteria established by Russian law). The members of the Company's current Board of Directors were elected by the annual meeting of shareholders held on 26 April 2012 and will serve until the next annual general meeting of shareholders unless the board in its entirety is terminated prior to the expiration of its term upon a decision of the Company's shareholders. The Company's Board of Directors, *inter alia*, determines the Company's strategic priorities, approves annual and long-term business plans and annual investment programs, oversees the Company's financial activities and internal controls, recommends on dividends payment.

Committees of the Company's Board of Directors

The Company's Board of Directors has four committees: the Audit Committee, the Human Resources and Remuneration Committee, the Strategy and Investments Committee and the Finance Committee.

Audit Committee

Audit Committee consists of three members. The primary objective of the Audit Committee is to develop and make recommendations to the Company's Board of Directors concerning (i) conducting an annual independent external audit of the Company's financial statements, including the IFRS financial statements, (ii) the independent external auditor's qualifications, the quality of the services rendered by the auditor, and whether the auditor meets independence requirements; and (iii) assessing the effectiveness of the internal control and risk management systems and developing recommendations for their further improvement.

The members of the Audit Committee are Mr. Seppo Remes (Chairman of the Audit Committee), Mr. Oleg Golounin and Mr. Arkady Samokhvalov.

Human Resources and Remuneration Committee

Human Resources and Remuneration Committee consists of three members. It deals with developing the Group's HR policy, reviews the Company's annual performance indicators and annual and semiannual results of their execution, and provides recommendations on the Company's long-term incentive program. The Human Resources and Remuneration Committee submits recommendations to the Company's Board of Directors on improvements in HR policy of the Company and the Management Company, and the criteria for determining what constitutes an Independent Director. The Human Resources and Remuneration Committee compares the Company's

HR policy and incentive programs with peers and market practices, and informs the Company's Board of Directors about the results of such analysis.

The members of the Human Resources and Remuneration Committee are Mr. Ruben Vardanian (Chairman of the Human Resources and Remuneration Committee), Mr. Oleg Golounin and Mr. Seppo Remes.

Strategy and Investments Committee

Strategy and Investments Committee consists of five members. This committee is responsible for developing and making recommendations to the Company's Board of Directors on defining the Company's priority areas for development and the Company's long-term strategy, objectives and tasks, as well as the Company's annual and long-term investment programs. The committee evaluates the Company's investment process management and strategic planning process, it also evaluates the Company's policy on cooperation with investors and shareholders and makes recommendations to the Company's Board of Directors for improving the policy. This committee also reviews issues related to the Company's establishment of commercial and non-commercial organisations, as well as mergers, acquisitions, divestments or pledges of the Group's assets.

The members of the Strategy and Investments Committee are Mr. Alexander Dyukov (Chairman of the Strategy and Investments Committee), Mr. Gennady Timchenko, Mr. Pavel Malyi, Mr. Vladimir Razumov and Mr. Arkadiy Samokhvalov.

Finance Committee

Finance Committee consists of three members. It deals with developing the Company's financial strategy in line with the Company's operational results and financial standing, as well as its strategic priorities, objectives and tasks, as approved by the Company's Board of Directors, and the Company's areas for development and its annual and long-term business plans. The Finance Committee reviews the Company's annual report and recommends it to the Company's Board of Directors for preliminary approval. This committee also makes recommendations to the Company's Board of Directors with respect to dividend amounts and payout schedules. Additionally, the Finance Committee reviews issues related to the issuance or buyback of bonds and other securities, as well as the raising or issuance of loans, guarantees and pledges, when such transactions require the Company's Board of Directors' approval.

The members of the Finance Committee are Mr. Pavel Malyi (Chairman of the Finance Committee), Mr. Ruben Vardanian and Mr. Seppo Remes.

Compensation

Remuneration of the directors and senior management amounted to RR 525 million for the nine months ended 30 September 2012 and RR 721 million for the year ended 31 December 2011.

The directors' remuneration consists of fixed remuneration, remuneration for participation in the boards' committees, remuneration for chairmanship. The directors are entitled to compensation of their expenses for travelling to the place of the board's meeting and accommodation.

The Company senior managers are entitled to salaries, bonuses, voluntary medical insurance and other employee benefits. In March 2008, the Company's Board of Directors approved a Share Option Plan for the Group's management and key employees, which is no longer in effect (see "Transactions with Related Parties" for details).

Directors and Officers Insurance

The Group also provides directors and officers (D&O) insurance to its directors and key members of the senior management. This D&O insurance covers claims (subject to certain exceptions) made by any person in connection with actions of the insured Group's directors and senior managers undertaking in the course of fulfillment their duties, the liability limit is up to US$ 100 million.

Loans to Directors and Senior Managers

The Company has not extended any loans to any of its Directors or senior managers.

Interests of Directors and Senior Managers

Certain of the Company's Directors and senior managers have direct and/or beneficial interest in the Company's shares. See "Shareholders". Except as set forth under "Shareholders", none of the Company's Directors and senior managers has any interest in the Company's shares.

Conflicts

There are no potential conflicts of interest between any duties owed to the Company by any Director or senior manager and his or her private interests.

Litigation Statement About Directors and the Senior Managers

At the date of this Prospectus, none of the members of the Company's Board of Directors or the Management Board has in the previous five years:

- had any convictions for fraudulent offences;
- held an executive function as a senior manager or a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; or
- been subject to official public incrimination or sanction by a statutory or regulatory authority (including a professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

SHAREHOLDERS

The Issuer is a direct wholly-owned subsidiary of the Company.

Major Shareholders of the Company

The following table sets forth the shareholders of record of the Company as of the date of this Prospectus.

Shareholder	Number of shares	Percentage of the Company's share capital
SIBUR Limited[(1)]	2,178,479,000	99.99999541%
OOO SIBUR FINANCE[(2)]	100	0.00000459%

(1) SIBUR Limited is a company organised and existing under the laws of the Republic of Cyprus. Mr. Leonid Mikhelson, a member of the Company's Board of Directors, is a beneficial owner of 57.2%, and Mr. Gennady Timchenko, a member of the Company's Board of Directors, is a beneficial owner of 37.3%, of SIBUR Limited. Mr. Alexander Dyukov, Mr. Dmitry Konov, Mr. Mikhail Karisalov, Mr. Kirill Shamalov and Mr. Mikhail Mikhailov together beneficially own 5.5% of SIBUR Limited.

(2) OOO SIBUR FINANCE is a limited liability company organised and existing under the laws of the Russian Federation and is the Company's subsidiary.

TRANSACTIONS WITH RELATED PARTIES

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

The significant transactions that the Company entered into with whom it had such related-party relationships during the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011, 2010 and 2009 or had a significant balance outstanding as of 30 September 2012, 31 December 2011, 2010 and 2009 are set out below. See also Note 28 to the Interim Combined Financial Information and Note 32 to the Annual Combined Financial Information.

Transactions with NOVATEK Group

During the nine months ended 30 September 2012 and 2011 and the years ended 31 December 2011 and 2010, the Group engaged in transactions with OAO NOVATEK and its subsidiaries (together, the "**NOVATEK Group**"). OAO NOVATEK is a related party of the Group since December 2010 as Mr. Mikhelson, the Group's controlling shareholder, is the Chairman of the Board of Directors and a shareholder of OAO NOVATEK. Transactions and balances of the Group with the NOVATEK Group during relevant periods are set out below:

Transactions

	Nine months ended 30 September 2012
	RR millions
Purchases of natural gas	1,454
Natural gas sales	6,614

Balances

	As of 30 September	**As of 31 December**	
	2012	**2011**	**2010**
		RR millions	
Trade and other receivables	610	—	—
Advance and prepayments	4	—	—
Trade and other payables	1,596	1,502	1,730
Advances received	1,690	—	—

The most significant transactions the Group has entered into with the NOVATEK Group are set out below.

Purchases of natural gas from NOVATEK Group

In September and October 2011, the Group entered into multi-year agreements for purchases of natural gas with companies of the NOVATEK Group. Under the terms of these agreements, the Group purchases natural gas in the volumes and under the prices specified in addenda to the agreements. Under the terms of these agreements, the price of natural gas purchased under these agreements may be adjusted if the FTS introduces gas price adjustments or if governmental authorities adopt regulations affecting gas prices. The agreements were concluded for a period through December 2016.

Supplies of natural gas to NOVATEK Group

In August 2011, the Company entered into a multi-year agreement for the supply of natural gas with a company of the NOVATEK Group for a period through December 2016. Under this agreement the Company supplied natural gas to the NOVATEK Group until the end of 2012. This agreement was replaced by a new multi-year agreement entered into in September 2012 for a period through December 2022. The Company started supplies of natural gas to the NOVATEK Group under this agreement in January 2013. Under the terms of this agreement, the Company sells natural gas to the NOVATEK Group in the volumes and at the prices specified in addenda to the agreement. Under the terms of this agreement, if the FTS introduces gas price adjustments or if the Russian Government adopts a decree cancelling state regulation of gas prices, the parties are required to negotiate a new gas price. The August 2011 agreement contained similar terms as the September 2012 agreement except for delivery basis terms.

Acquisition of OOO Biaxplen NK

On 2 September 2010 and 27 September 2010, before the NOVATEK Group became a related party, the Company entered into two share purchase agreements with OAO NOVATEK for the acquisition of a 32% and 68% stake in the charter capital of OOO NOVATEK-Polymer, respectively. OOO NOVATEK-Polymer was subsequently renamed OOO Biaxplen NK. Pursuant to these agreements, as a consideration for the 100% stake acquired in OOO Biaxplen NK, the Company is required to pay OAO NOVATEK RR 2,400 million with the last payment due on 30 September 2013. As security for the Company's obligations to pay the purchase price, the Company pledged its 100% stake in the charter capital of OOO Biaxplen NK in favour of OAO NOVATEK until full settlement of the consideration under the agreements. As of 30 September 2012, the carrying amount payable to OAO NOVATEK under these agreements was RR 1,596 million.

Transactions with Gunvor Group

In October 2011, the Gunvor Group, jointly controlled by Mr. Timchenko, became a related party of the Group after Mr. Timchenko acquired significant influence over the Group. The Group engaged in transactions with the Gunvor Group companies both before and during the period the Gunvor Group was a related party. These transactions included sales of energy products to the Gunvor Group. Transactions and balances of the Group with the Gunvor Group during relevant periods are set out below:

Transactions

	Nine months ended 30 September 2012	October – December 2011
	RR millions	
Energy products sales	4,081	1,846

Balances

	As of 30 September 2012	As of 31 December 2011
	RR millions	
Trade and other receivables	50	497

Under the agreements for the sale of energy products with the Gunvor Group, the Group sells energy products to the Gunvor Group on the basis of spot and contract sales. The contract sales are primarily based on framework agreements that provide for the minimum and maximum monthly quantity of the product to be sold. The volume of energy products is typically not fixed and may be changed at the seller's option up to 5-10% from the volume agreed. The price under these agreements is based on quotations from Platt's European Marketscan for naphtha and other different quotations for gasoline.

Transactions with Stroytransgaz Companies

During the nine months ended 30 September 2012, the Group entered into transactions with OAO Stroytransgaz and its subsidiary, OOO Stroytransgaz-M (together, the "**Stroytransgaz companies**"), the ultimate beneficiary of which is Mr. Timchenko, one of the Group's principal shareholders. The transactions primarily included purchases by the Group from the Stroytransgaz companies of construction, repair and maintenance services. Transactions and balances of the Group with the Stroytransgaz companies during relevant periods are set forth below:

Transactions

	Nine months ended 30 September 2012
	RR millions
Purchases of construction and repair and maintenance services	294

Balances

	As of 30 September 2012	As of 31 December 2011
	RR millions	
Trade and other receivables	907	—
Trade and other payables	236	4

Transactions with OAO Gazprombank

As Non-State Pension Fund Gazfund was the controlling shareholder of the Group and OAO Gazprombank until October 2011, OAO Gazprombank was a related party of the Group. The Group engaged in transactions with OAO Gazprombank both during and after the period OAO Gazprombank was a related party. In particular, the Group entered into credit facility agreements with OAO Gazprombank, primarily for the purposes of general corporate financing. Other transactions with OAO Gazprombank include guarantees and letters of credit issued by OAO Gazprombank to secure the Group's obligations owed to third parties and suretyships provided by the Company to OAO Gazprombank to secure obligations of the Group under bank guarantees, letters of credit and short-term credit facilities provided by OAO Gazprombank to the Group. Transactions and balances of the Group with OAO Gazprombank relating to financing activities during periods when OAO Gazprombank was a related party are set out below:

Transactions

	Nine months ended 30 September	Year ended 31 December		
	2011	2011	2010	2009
	RR millions			
Interest expense	133	133	743	2,558
Interest income	226	226	357	331
Fair value gain on financial instruments	—	—	—	2,203

Balances

	As of 31 December	
	2010	2009
	RR millions	
Cash and cash equivalents	5,293	10,991
Long-term debt	9,199	9,595

Transactions with Gazprom Group

During the period from 2009 through 2011, the Group entered into a number of transactions with OAO Gazprom and its subsidiaries (together, the "**Gazprom Group**"). OAO Gazprom was a related party of the Group until October 2011. The Group has engaged in transactions with the Gazprom Group both during and after the period OAO Gazprom was deemed a related party. Transactions and balances of the Group with the Gazprom Group during periods when OAO Gazprom was a related party are set out below:

Transactions

	Nine months ended 30 September	Year ended 31 December		
	2011	2011	2010	2009
		RR millions		
Purchases of materials and supplies	10,298	10,298	7,705	2,585
Purchases of gas transportation and other transportation services	1,738	1,738	1,697	1,215
Purchases of other goods and services	451	451	870	948
Total purchases	**12,487**	**12,487**	**10,272**	**4,748**
Dry gas sales	4,562	4,562	3,370	4,677
Petrochemical products sales	1,347	1,347	773	1,787
Sales of other goods and services	13	13	109	652
Total revenue	**5,922**	**5,922**	**4,252**	**7,116**

Balances

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

The most significant transactions with the Gazprom Group entered into by the Group during the period when OAO Gazprom was a related party are set out below.

Purchases of materials and supplies

The Group entered into long-term agreements for purchases of materials and supplies of natural gas with Gazprom Group. The agreements were concluded for a period of one year providing for an extension for each subsequent year.

Purchases of gas transportation and other transportation services

The Group purchased gas transportation services from OAO Gazprom. Under the terms of the respective agreements, OAO Gazprom transported natural gas produced by the Group via the UGSS network.

Purchases of other goods and services

The Group purchased various other services from the Gazprom Group, including rental of rail cars from the Gazprom Group and product processing services.

Natural gas sales

The Group sold natural gas to different Gazprom Group companies under a number of supply agreements. Under the terms of these agreements, the price can be adjusted due to a change in the market conditions, which in the past has included FTS gas price adjustment.

Petrochemical products sales

The Group sold petrochemical products to companies of the Gazprom Group under a multi-year supply agreement. The parties extended the agreement for one-year periods. In 2012, the parties agreed to discontinue sales of products under the agreement.

Sales of other goods and services

The Group provided various other services to the Gazprom Group, including primarily consultancy services and other services.

Transactions relating to construction of gas infrastructure in St. Petersburg area

The Group has engaged in transactions with OOO Mezhregiongaz, a company of the Gazprom Group, in connection with the implementation by the Group of the construction of gas infrastructure assets in St. Petersburg area, where OOO Mezhregiongaz, acted as a contractor. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Debt Obligations".

Transactions with Joint Ventures

The Group has entered into transactions with its joint ventures, including OOO RusVinyl, OOO NPP Neftekhimia, OOO ITSK, OOO Yuzhno-Priobskiy GPP, OAO Polief (during a period when this company was not a consolidated subsidiary of the Group) and OOO Biaxplen (during a period when this company was not a consolidated subsidiary of the Group). These transactions occur in the ordinary course of business and include, among others, financings of joint ventures, purchases of materials, goods and services from joint ventures as well as sales of materials, such as polypropylene, propane-propylene fraction, ethylene glycol and catalyzers, to joint ventures. Transactions and balances of the Group with its joint ventures during relevant periods are set out below:

Transactions

	Nine months ended 30 September		Year ended 31 December		
	2012	2011	2011	2010	2009
			RR millions		
Purchases of materials, goods and services	3,766	6,320	7,626	1,991	3
Sales of materials	1,648	2,388	2,530	1,594	—
Interest income	642	676	704	418	650

Balances

	As of 30 September	As of 31 December		
	2012	2011	2010	2009
		RR millions		
Loans receivable	1,458	1,139	7,410	2,360
Debt	525	500	—	—
Trade and other receivables	71	1,314	2,244	5,089
Trade and other payables	240	259	112	59

Acquisition of ZAO Miracle

In September and October 2011, the Company provided loans to ZAO Miracle, a company controlled by Mr. Mikhelson, the Group's controlling shareholder, in an aggregate principal amount of RR 34,250 million with an average interest rate at 8.5% per annum. ZAO Miracle used these loans partially to refinance bank loans received in connection with its acquisition of the Company's shares.

In November 2011, the Company acquired 100% of the share capital of ZAO Miracle from Dellawood Holdings Limited (renamed SIBUR Limited in October 2011) under a share purchase agreement entered into in September 2011, for a total consideration of RR 1 million. As a result of the acquisition the Group recognised the following assets and liabilities of ZAO Miracle:

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

As a result of this acquisition, the Company acquired 50% less 1 share of its own share capital, which were deemed to be treasury shares. The Company's loans granted to ZAO Miracle before the acquisition were effectively settled at the date of the transaction. In December 2011, the Company fully repaid bank loans received by ZAO Miracle for acquisition of the Company's shares.

Transactions with Mineral Fertilizers Business Companies

Subsidiaries of the Company that belonged to its mineral fertilizers business before they were disposed of by the Group in December 2011 were considered related parties until the time of such disposal. During the period from 2009 through 2011, the Group entered into a number of transactions with these companies. In particular, the Group sold raw materials (such as dry gas) and electricity, provided various services (including maintenance and lease of premises, equipment repair and telephone connection services), and provided loan financing to these subsidiaries. Transactions and balances of the Group with these subsidiaries during relevant periods are set out below:

Transactions

	Nine months ended 30 September	Year ended 31 December		
	2011	2011	2010	2009
	RR millions			
Sales of raw materials	2,973	4,346	3,845	2,335
Sales of electricity	770	1,025	920	682
Sales of other work and services	373	—	—	—
Discount on loans receivable	—	—	188	1,621
Interest income	515	556	783	721
Unwinding of discount on loans receivable	212	270	—	—

Balances

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

Transactions with Tyres Business Companies

Subsidiaries of the Group that belonged to its tyres business before they were disposed of by the Group in December 2011 were considered related parties until the time of such disposal. During the period from 2009 through 2011, the Group entered into a number of transactions with these companies. In particular, the Group sold raw materials, other inventories, as well as electricity, and provided certain works and services as well as financing to these subsidiaries. In addition, the Group purchased tyres, rubber goods and other work and services from these companies. Transactions and balances of the Group with these subsidiaries during relevant periods are set out below:

Transactions

	Nine months ended 30 September	Year ended 31 December		
	2011	**2011**	**2010**	**2009**
		RR millions		
Sales of raw materials and other inventories	9,846	13,365	8,617	4,307
Sales of electricity	743	965	797	779
Sales of other work and services	38	40	85	91
Purchases of tyres and rubber goods	—	—	2	5
Purchases of other work and services	—	—	12	—
Purchases of financial investments and financial issues	—	—	—	17
Interest income	—	—	691	640
Interest expense	—	294	520	347

Balances

	As of 31 December	
	2010	**2009**
	RR millions	
Accounts receivable	1,610	515
Long-term loans given	560	3,186
Short-term loans given	219	3,932
Accounts payable	153	158
Notes payable	5,306	5,192
Advances received	2	11

Agreements with OAO Pervobank

The Group has entered into bank account agreements with OAO Pervobank, in which Mr. Mikhelson is a controlling shareholder. The bank accounts of the Group are serviced by OAO Pervobank under standard terms. In addition, in December 2012, the Group entered into a general agreement on conversion operations with OAO Pervobank. This agreement was entered into for a one year period and may be extended automatically until terminated by either party.

Compensation for Directors and Key management personnel

Members of the Board of Directors are entitled to annual compensation as stipulated in the Board of Directors' Remuneration Policy approved by the Annual General Shareholders' Meeting of the Company. Key management personnel of the Group (including senior managers listed in "Directors and Senior Management") are entitled to salaries, bonuses, voluntary medical insurance and other employee benefits. Remuneration for key management personnel is determined by the terms set out in the relevant annual employment contracts. In the nine months ended 30 September 2012 and 2011, remuneration of the Company's directors and key management personnel amounted to RR 976 million and RR 119 million, respectively. In the years ended 31 December 2011, 2010 and 2009, remuneration of the Company's directors and key management personnel amounted to RR 1,246 million, RR 5,206 million and RR 704 million, respectively.

In March 2008, the Company's Board of Directors approved a Share Option Plan (the "**Plan**") for the Group's management and key employees, which is no longer in effect. The Plan provided for the granting of share options at a specially determined exercise price to the members of the

Management Board and other key Group employees, most of whom have provided services to the Group over the past three years or more. The number of share options granted to each individual manager was based on the position of the respective manager and the duration of services provided by manager to the Group. As of 31 December 2009, 1,657,609 shares had been granted. All options outstanding as of 31 December 2009 were exercisable in November 2010. Plan participants had no right to exercise the share option at any time before the exercise date. If their employment was terminated before the exercise date, Plan participants lost their rights under the Plan. In November 2010, the Group signed agreements with all Plan participants to terminate the Plan with a RR 3,452 million repayment obligation. See Note 28 to the Interim Combined Financial Information and Note 32 to the Annual Combined Financial Information.

DESCRIPTION OF THE ISSUER

Issuer

SIBUR Securities Limited was incorporated in Ireland on 8 November 2012, with registered number 519781 as a private company with limited liability under the Companies Acts. The registered office of the Issuer is 31 Fitzwilliam Square, Dublin 2, Ireland and its telephone number is + 353 1 905 8020.

Share capital and ownership

The authorised share capital of the Issuer is EUR 500,000 divided into 500,000 ordinary shares of par value EUR 1.00 each (the "**Shares**"). The Issuer has issued one Share, which is fully paid and is held by OAO SIBUR Holding.

The Issuer is a wholly-owned subsidiary of OAO SIBUR Holding.

Pursuant to the Articles of Association of the Issuer, the board is responsible for the management of the Issuer. Under Irish law, for as long as the Issuer is solvent the board is required to act in the best interests of the Issuer.

The relationship between the Issuer and OAO SIBUR Holding, the sole shareholder of the Issuer, is governed by the memorandum and articles of association of the Issuer and Irish law, including the Companies Acts and regulations made thereunder.

Cafico Corporate Services Limited (the "**Corporate Services Provider**"), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on 19 November 2012 between the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party. The Corporate Services Agreement contains provisions for the appointment of a replacement corporate services provider if necessary.

The Corporate Services Provider's principal office is 31 Fitzwilliam Square, Dublin 2, Ireland.

Principal Activities

The principal objects of the Issuer are set forth in clause 2 of its memorandum of association (as currently in effect) and permit the Issuer, *inter alia*, to lend money and give credit, secured or unsecured, to issue debentures and otherwise to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money.

The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue of debt securities and to use amounts equal to the proceeds of each such issuance to advance loans to Group companies.

Since its incorporation, the Issuer has not engaged in any material activities other than those incidental to its registration as a private company under the Companies Acts and those related to the issue of the Notes. The Issuer has no employees.

Directors and Company Secretary

The Issuer's Articles of Association provide that the board of directors of the Issuer will consist of at least two Directors.

The directors of the Issuer and their business addresses are as follows:

– Rodney O'Rourke, 31 Fitzwilliam Square, Dublin 2, Ireland.

– Yolanda Kelly, 31 Fitzwilliam Square, Dublin 2, Ireland.

The Company Secretary is Cafico Secretaries Limited.

The directors do not hold any direct, indirect, beneficial or economic interest in any of the Shares. The directorships of Rodney O'Rourke and Yolanda Kelly are provided as part of the Corporate Services Provider's overall corporate administration services provided to the Issuer pursuant to the Corporate Services Agreement. There are no current or potential conflicts of interest between the private interests and/or other duties of any member of the Issuer's board of directors and the duties of the members of the Issuer's board of directors to the Issuer.

Save for the issues of Notes described above and their related arrangements, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Financial Statements

Since its date of incorporation, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as of the date of this Prospectus. The financial year of the Issuer ends on 31 December in each year. The Issuer will not prepare interim financial statements.

Each year, a copy of the audited profit and loss account and balance sheet of the Issuer together with a report of the directors and the auditors thereon is required to be filed in the Irish Companies Registration Office within 28 days of the annual return date of the Issuer and is available for inspection. The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer.

TERMS AND CONDITIONS OF THE NOTES

The U.S.$ 1,000,000,000 3.914 per cent. guaranteed notes due 2018 of SIBUR Securities Limited (the ***Issuer***) (the ***Notes***, which expression includes any further Notes issued pursuant to Condition 15 and forming a single series therewith) are unconditionally and irrevocably guaranteed by OAO SIBUR Holding (the ***Guarantor***). The Notes were authorised by a meeting of the board of directors of the Issuer held on 25 January 2013. The Guarantee (as defined below) of the Notes was authorised by a meeting of the board of directors of the Guarantor held on 18 December 2012.

The Notes are constituted by a trust deed dated 31 January 2013 (the ***Trust Deed***) between the Issuer and Citibank, N.A., London Branch (the ***Trustee***, which expression shall include all persons for the time being who are the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below) of the Notes. The Guarantor has entered into a separate deed of guarantee with the Trustee, dated on or about the date of the Trust Deed (the ***Deed of Guarantee***).

These terms and conditions (the ***Conditions***) include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Deed of Guarantee. The Issuer and the Guarantor have entered into an agency agreement dated 31 January 2013 (the ***Agency Agreement***) with the Trustee, Citibank N.A., London Branch as principal paying agent (the ***Principal Paying Agent*** and, together with any other paying agents appointed under the Agency Agreement, the ***Paying Agents***), Citigroup Global Markets Deutschland AG as registrar (the ***Registrar***) and Transfer Agents named therein. The Registrar, Paying Agents and Transfer Agents are together referred to herein as the ***Agents***.

Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection during normal business hours at the registered office of the Issuer (being at the date hereof 31 Fitzwilliam Square, Dublin 2, Ireland), the specified office of the Trustee, being at the date hereof Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, United Kingdom), and at the specified offices of the Agents. The Noteholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

Capitalised terms used but not defined in these Conditions shall have the respective meanings given to them in the Trust Deed and the Deed of Guarantee.

1. FORM AND DENOMINATION

The Notes are issued in fully registered form, serially numbered and without interest coupons attached, in minimum denominations of U.S.$200,000 or integral multiples of U.S.$1,000 in excess thereof (each an ***Authorised Denomination***). The Notes may be transferred only in amounts not less than an Authorised Denomination.

*The Notes are initially issued in global, fully registered form, and will only be exchangeable for Notes in definitive, fully registered form (**Definitive Notes**) in the limited circumstances set forth in the Agency Agreement.*

2. GUARANTEE AND STATUS

Guarantee

2.1 The Guarantor has, pursuant to the Deed of Guarantee, unconditionally and irrevocably, guaranteed the payment when due of all sums expressed to be payable by, and all other obligations of, the Issuer under the Trust Deed and the Notes (the ***Guarantee***).

2.2 The Guarantor has undertaken in the Deed of Guarantee that so long as any of the Notes remains outstanding (as defined in the Trust Deed) it will not take any action for the liquidation or winding-up of the Issuer.

Status

2.3 The Notes constitute direct, unsubordinated and (subject to Condition 4.1) unsecured obligations of the Issuer and shall at all times rank *pari passu* and rateably without any preference among themselves. The Guarantee constitutes direct, unsubordinated and (subject to Condition 4.1) unsecured obligations of the Guarantor. Each of the Issuer and the Guarantor shall ensure that at all times the claims of the Noteholders against them under the Notes and the Guarantee, respectively, rank in right of payment at least *pari passu* with the claims of all their other present and future unsecured and unsubordinated creditors, save those whose claims are preferred by any mandatory operation of law.

3. REGISTER, TITLE AND TRANSFERS

Register

3.1 The Registrar shall maintain a Register in respect of the Notes (the ***Register***) outside the United Kingdom at the specified office for the time being of the Registrar in accordance with the provisions of the Agency Agreement and shall record in the Register the names and addresses of the Noteholders, particulars of the Notes and all transfers and redemptions thereof. In these Conditions, the ***Holder*** of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and ***Noteholder*** shall be construed accordingly.

Title

3.2 Title to the Notes will pass by and upon registration in the Register. The Holder of each Note shall (except as otherwise required by a court of competent jurisdiction or applicable law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Definitive Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Definitive Note) and no person shall be liable for so treating such Holder.

Transfers

3.3 Subject to Conditions 3.6 and 3.7 below, a Note may be transferred in whole or in part in an Authorised Denomination upon surrender of the relevant Definitive Note representing that Note, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer endorsed thereon) (the ***Transfer Form***), duly completed and executed, at the specified office of a Transfer Agent or of the Registrar, together with such evidence as such Agent or the Registrar may reasonably require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form. Where not all the Notes represented by the surrendered Definitive Note are the subject of the transfer, a new Definitive Note in respect of the balance not transferred will be delivered by the Registrar to the transferor in accordance with Condition 3.4. Neither the part transferred nor the balance not transferred may be less than U.S.$200,000.

Registration and delivery of Definitive Notes

3.4 Within five Business Days of the surrender of a Definitive Note in accordance with Condition 3.3 above, the Registrar shall register the transfer in question and deliver a new Definitive Note to each relevant Holder at the specified office of the Registrar or (at the request of the relevant Noteholder) at the specified office of a Transfer Agent or (at the request and risk of such relevant Holder) send it by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder.

No Charge

3.5 The registration of the transfer of a Note shall be effected without charge to the Holder or transferee thereof, but against such indemnity from the Holder or transferee thereof as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Closed periods

3.6 Noteholders may not require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of such Note.

Regulations concerning Transfer and Registration

3.7 All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer and registration of Notes set out in the First Schedule to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the

Trustee and the Registrar. A copy of the current regulations will be sent by the Registrar free of charge to any person who so requests and will be available at the specified office of the Registrar.

4. COVENANTS

Limitation on Liens

4.1 Each of the Issuer and the Guarantor shall not, and the Guarantor shall procure that each Material Subsidiary shall not, directly or indirectly, create, incur, assume, permit or suffer to exist any Liens, other than Permitted Liens, on any of its properties or assets (including any share capital of the Issuer or a Subsidiary of the Guarantor), whether owned at the Issue Date or thereafter acquired, or on any income, revenue or profits therefrom, securing any Indebtedness, without, at the same time or prior thereto, effectively providing that the Issuer's obligations under the Notes or the Guarantor's obligations under the Guarantee, as the case may be, shall be secured equally and rateably with such other secured Indebtedness or benefit from such other security or other arrangements as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

Limitation on Indebtedness

4.2 (a) The Issuer and the Guarantor will not, and the Guarantor will not permit any of its Subsidiaries to, incur, directly or indirectly, any Indebtedness; provided, however, that the Guarantor and each of its Subsidiaries will be entitled to incur Indebtedness if:

(i) after giving effect to such incurrence and the application of the proceeds thereof, on a *pro forma* basis, no Potential Event of Default or Event of Default would occur or be continuing; and

(ii) on the date of such incurrence and after giving effect thereto and the application of the proceeds thereof, on a *pro forma* basis the Group Leverage Ratio does not exceed 3.5 to 1.

(b) Notwithstanding the foregoing Condition 4.2(a), the Guarantor and any of its Subsidiaries will be entitled to incur Permitted Indebtedness.

(c) Notwithstanding the foregoing, neither the Guarantor nor any Subsidiary of the Guarantor will incur any Indebtedness pursuant to Condition 4.2 if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Guarantor unless such Indebtedness shall be subordinated to the Notes or the applicable Guarantee to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with this Condition 4.2:

(i) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described in Conditions 4.2(a) or 4.2(b), the Guarantor, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of incurrence and will only be required to include the amount and type of such Indebtedness in one of the above sub-Conditions;

(ii) the Guarantor will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in Conditions 4.2(a) or 4.2(b) and may change the classification of an item of Indebtedness (or any portion thereof) to any other type of Indebtedness described in Conditions 4.2(a) or 4.2(b) at any time. The outstanding principal amount of any particular Indebtedness shall be counted only once and any obligations arising under any guarantees, Lien, letters of credit or similar instrument supporting such Indebtedness shall not be double counted; and

(iii) any entity that is allowed to incur Indebtedness under Condition 4.2(a) or Condition 4.2(b) (and the definition of Permitted Indebtedness) may provide a guarantee of any other entity's incurrence of such Indebtedness, provided that such other entity incurs such Indebtedness pursuant to Condition 4.2(a) or Condition 4.2(b) (and the same paragraph of the definition of Permitted Indebtedness) under which the guaranteeing entity provides its guarantee of such Indebtedness.

(e) For purposes of determining compliance with any U.S. dollar denominated restriction on the incurrence of Indebtedness where the Indebtedness incurred is denominated in a different currency, the amount of such Indebtedness will be the U.S. Dollar Equivalent determined on the date of the incurrence of such Indebtedness; provided, however, that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to U.S. dollars covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in U.S. dollars will be as provided in such Currency Agreement. Notwithstanding any other provision of this Condition 4.2, the maximum amount that the Guarantor or a Subsidiary of the Guarantor may incur pursuant to this Condition 4.2 shall not be deemed to be exceeded, with respect to outstanding Indebtedness, due solely as a result of fluctuations in the exchange rates of currencies.

Merger and Consolidation

4.3 (i) Neither the Issuer nor the Guarantor shall enter into any reorganisation (by way of a merger, accession, division, separation or transformation, or other bases or procedures for reorganisation contemplated or as may be contemplated from time to time by Russian legislation, as these terms are construed by applicable Russian legislation) (together and individually a ***Reorganisation***), and (ii) the Guarantor shall ensure that, no Material Subsidiary (A) enters into any Reorganisation, or (B) in the case of a Material Subsidiary incorporated in a jurisdiction other than Russia participates in any type of corporate reconstruction or other analogous event (as determined under the legislation of the relevant jurisdiction) if (in the case of either (i) or (ii) above) any such Reorganisation or other type of corporate reconstruction is reasonably likely to have a Material Adverse Effect. Notwithstanding anything set out in this Condition 4.3, the Reorganisation or other analogous event wholly between Subsidiaries (except the Issuer), and of Subsidiaries (except the Issuer) into the Guarantor (provided that the surviving entity will be the Guarantor), shall be permitted.

Disposals

4.4 The Issuer and the Guarantor shall not, and the Guarantor shall ensure that each Material Subsidiary shall not sell, lease, transfer or otherwise dispose of (each such action, a ***disposal***), to a person by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets which have the aggregate value in excess of US$ 100,000,000 or the U.S. Dollar Equivalent thereof in any 12 month period except where such disposal:

(a) is made on an arms-length basis in the ordinary course of business of the Group;

(b) is made to a person that is either the Guarantor or a Material Subsidiary, as the case may be;

(c) is a disposition of cash or cash equivalents;

(d) is of an asset which is not part of the Restricted Business (as defined in Condition 4.10) (including OOO SIBUR-Portenergo and/or any of its assets (including Ust-Luga Port Facility));

(e) is otherwise than in the ordinary course of business of the Group and is made for Fair Market Value and the proceeds of such disposal are invested, within 540 days of receipt thereof, in assets used in the ordinary course of business of the Group or exchanged for other assets comparable, or superior, as to type, value and quality;

(f) is a disposition of accounts receivable related assets of the type specified in the definition of "Qualified Receivables Transaction" to a Receivables Subsidiary;

(g) is of obsolete, worn out, negligible, surplus or outdated equipment or machinery;

(h) is the creation of a Lien (but not the sale or other disposition of the property subject to such Lien);

(i) is the licensing or sublicensing of rights to intellectual property or other intangibles in the ordinary course of business of the Group;

(j) is a disposition constituting or resulting from the enforcement of a Lien incurred in compliance with Condition 4.1;

(k) is the lease, assignment or sublease of any real or personal property in the ordinary course of business of the Group which would not have a Material Adverse Effect;

(l) is the surrender or waiver of contract rights or the settlement, release, or surrender of contract, tort or other claims, in the ordinary course of business of the Group; or

(m) could not reasonably be expected to have a Material Adverse Effect.

For the avoidance of doubt, the deconsolidation of a Subsidiary which does not result from the disposal of shares or participatory interests in such Subsidiary, including as a result of the surrender, release or waiver of control or ownership rights in or over such Subsidiary shall not be a disposal for the purposes of this Condition 4.4.

Reports

4.5 (a) As long as any Notes are outstanding, the Guarantor will furnish to the Noteholders and the Trustee:

(i) within 150 days after the end of each financial year, Financial Statements containing the audited statements of financial position of the Group as of the end of the last financial year and audited statements of comprehensive income, of cash flows and of changes in equity of the Group for the last financial year, in each case prepared in accordance with IFRS, and including complete notes to such Financial Statements and the independent auditor's report on the Financial Statements; and

(ii) within 90 days after the end of the first semi-annual period of each financial year of the Guarantor thereafter Financial Statements containing the unaudited statements of financial position of the Group as of the end of such period and unaudited statements of comprehensive income, of cash flows and of changes in equity of the Group for the period ending on the unaudited balance sheet date, and the comparable prior year periods, in each case prepared in accordance with IFRS, and including condensed notes to such interim condensed Financial Statements (unaudited) of the Group together with a review report thereon conducted in accordance with International Standard on Review Engagements No. 2410 (or such replacement standard in force at such time).

(b) The Guarantor shall also (i) post copies of such Financial Statements in compliance with the guidelines published by the Stock Exchange and (ii) post such Financial Statements on the website of the Guarantor or the Issuer, each within the respective time periods referred to in Condition 4.5(a) above. All Financial Statements referred to in this section will be available for inspection at the respective offices of the Principal Paying Agent. Any Noteholder may request that a copy of any such Financial Statements be mailed to such Noteholder, at the expense of the Issuer, by written request to the Principal Paying Agent.

(c) In addition, so long as any of the Notes are restricted securities (as defined in Rule 144 under the Securities Act) and during any period during which the Guarantor is not subject to the reporting requirements of the Exchange Act or exempt therefrom pursuant to Rule 12g3-2(b), the Guarantor will furnish to any Holder or beneficial owner of Notes initially offered and sold in the United States to Qualified Institutional Buyers pursuant to Rule 144A under the Securities Act, and to prospective purchasers in the United States designated by such Holder or beneficial owners, upon request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Payment of Taxes and Other Claims

4.6 So long as any amount remains outstanding under the Notes, the Issuer and the Guarantor shall, and the Guarantor shall cause its Material Subsidiaries to, pay or discharge or cause to be paid or discharged, before the same shall become overdue and without incurring penalties, (a) all taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or assets of the Issuer, the Guarantor or any such Material Subsidiary, as the case may be, (which, in the context of any entity incorporated in the Russian Federation, shall mean the earlier of either a ruling of the tax inspection based on an act of audit (*reshenie, vynesennoye po aktu proverki*) or a request to pay taxes (*trebovanie ob uplate naloga*)) and (b) all lawful claims for labour, materials and supplies which, if unpaid, might by law become a Lien (other than a Permitted Lien) upon the property of the Issuer, the Guarantor or any such Material Subsidiary, as the case may be; provided, however, that none of the Issuer, the Guarantor nor any such Material Subsidiary, as the case may be, shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment or charge (which, in the context of any entity incorporated in the Russian Federation, shall mean the earlier of either a ruling of the tax inspection based on an act of audit (*reshenie, vynesennoye po aktu proverki*) or a request to pay taxes (*trebovanie ob uplate naloga*)) or any such claim (i) whose amount, applicability or validity is being contested in good faith by appropriate proceedings or (ii) where the aggregate of all such taxes, assessments, charges or claims does not exceed US$ 100,000,000 or the U.S. Dollar Equivalent thereof at any time.

Maintenance of Authorisations

4.7

(a) Each of the Issuer (with respect only to itself and the Notes) and the Guarantor shall obtain or make, and procure the continuance or maintenance of, all registrations, recordings, filings, consents, licences, approvals and authorisations, which may at any time be required to be obtained or made in Russia, Ireland or any other relevant jurisdiction for the purposes of the execution, delivery or performance of the Notes, the Deed of Guarantee and the Trust Deed and for the validity and enforceability thereof.

(b) Each of the Issuer and the Guarantor shall, and the Guarantor shall procure that each Material Subsidiary shall, obtain, make or do, and procure the continuance or maintenance of, all registrations, recordings, filings, consents, licences, approvals, authorisations and things, which may at any time be required to be obtained or made to ensure the continuance of its corporate existence and its Restricted Business and for its ability to own its assets, except, in the case of Material Subsidiaries, where such failure would not have a Material Adverse Effect.

Maintenance of Property

4.8 Each of the Issuer and the Guarantor shall, and the Guarantor shall cause each Material Subsidiary to, cause all property that is material in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements and improvements thereof, all as, in the judgment of the Guarantor, the Issuer or the relevant Material Subsidiary, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times, if such failure would have a Material Adverse Effect.

Maintenance of Insurance

4.9 Each of the Issuer and the Guarantor shall, and the Guarantor shall cause each Material Subsidiary to, keep those of their properties which are of an insurable nature insured with insurers of good standing against loss or damage to the extent that property of similar character is usually so insured by corporations in the same jurisdictions similarly situated and owning like properties in the same jurisdictions, provided that if the Issuer, the Guarantor or such Material Subsidiary can remedy any failure to comply with the above within 90 days or if such potential losses or risks would not have a Material Adverse Effect, this covenant shall be deemed not to have been breached.

Change of Business

4.10 The Guarantor shall procure that no material change is made to the general nature of the principal business of the Group as conducted as at the Issue Date (being gas processing and petrochemicals) (the ***Restricted Business***).

Claims Pari Passu

4.11 Each of the Issuer and the Guarantor shall ensure at all times the claims of the Noteholders against it under the Notes and the Guarantee, as applicable, shall rank at least *pari passu* with claims of all other present and future unsecured creditors (other than claims preferred under any bankruptcy, insolvency, liquidation or similar laws).

Covenant Suspension

4.12 If on any date following the Issue Date (the ***Suspension Date***):

(a) the Notes have Investment Grade Status; and

(b) no Potential Event of Default or Event of Default has occurred and is continuing on such date,

(together, the ***Suspension Conditions***), and such conditions are certified to the Trustee in an Officers' Certificate, then beginning on the Suspension Date and continuing until such time (the ***Reversion Date***), if any, at which the Notes cease to have Investment Grade Status (such period, the ***Suspension Period***), the Issuer and the Guarantor and any Subsidiary (as applicable) will be not be subject to Conditions 4.2, 4.4, 4.6, 4.7, 4.8, 4.9 and 4.10 (the ***Suspended Covenants***) and, in each case, any related Potential Events of Default or Events of Default under Condition 9 will cease to be effective and will not be applicable to the Issuer, the Guarantor or any Subsidiary of the Guarantor.

If a Reversion Date occurs, the Issuer and the Guarantor will thereafter again be subject to the Suspended Covenants until such time (if any) as the Suspension Conditions are again satisfied.

Notwithstanding that the Suspended Covenants may be reinstated upon the occurrence of a Reversion Date, no Potential Event of Default or Event of Default will be deemed to have occurred as a result of any (i) actions of the Issuer, the Guarantor or any Subsidiary taken or committed to be taken during the Suspension Period pursuant to law, court or government orders, resolutions of the relevant board of directors or other management body of a relevant member of the Group or a binding and legally effective contract; or (ii) any omission or failure by the Issuer, the Guarantor or any Subsidiary to act in respect of any of the Suspended Covenants during the Suspension Period. If, following the occurrence of a Reversion Date, any act or omission of the Issuer, the Guarantor or any Subsidiary, in respect of Condition 4.6, 4.7, 4.8 or 4.9, which would have been a Potential Event of Default or Event of Default during the Suspension Period but for the operation of this Condition 4.12 is continuing, the Issuer and the Guarantor shall have 60 days to cure and remedy any such event and during such period such act or omission shall not constitute a Potential Event of Default of an Event of Default. On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred pursuant to one of the paragraphs of the definition of "Permitted Indebtedness" in Condition 21 (to the extent such Indebtedness would be permitted to be incurred thereunder as of the Reversion Date and after giving effect to Indebtedness incurred prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to a paragraph of the definition of "Permitted Indebtedness", such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under paragraph (a) of the definition of "Permitted Indebtedness". On the Reversion Date, all disposals made during the Suspension Period will be classified to have been made pursuant to one of the exceptions in Condition 4.4. For the purpose of determining compliance with Condition 4.4, the 12 month period for determining the aggregate value of any disposals shall be reset to the Reversion Date and any amount of proceeds from a disposal made during the Suspension Period will be deemed to be reset to zero for the purposes of compliance with Condition 4.4(e). On the Reversion Date, all Liens made or entered into during the Suspension Period will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under paragraph (a) of the definition of "Permitted Liens".

5. INTEREST

The Notes bear interest from and including the Issue Date at the rate of 3.914 per cent. per annum, payable semi-annually in arrear on 31 January and 31 July in each year (each an ***Interest Payment Date***).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder, and (b) the day which is seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Noteholders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an ***Interest Period***.

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the ***Calculation Amount***). The amount of interest payable per Calculation Amount for any period shall be equal to the product of 3.914 per cent., the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. REDEMPTION AND PURCHASE

Final redemption

6.1 Unless previously redeemed, or repurchased and cancelled, the Notes will be redeemed at their principal amount on 31 January 2018 (the ***Maturity Date***). The Notes may not be redeemed at the option of the Issuer or the Guarantor other than in accordance with this Condition 6.

Redemption for tax reasons

6.2 The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable) at the principal amount thereof, together with interest accrued to the date fixed for redemption, if the Issuer or the Guarantor satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay additional amounts as provided or referred to in Condition 8.1, or the Guarantor would be unable to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws, treaties or regulations of any Relevant Jurisdiction, or any change in the published application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 January 2013 and (ii) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer or the Guarantor, as the case may be, shall deliver to the Trustee (x) an Officers' Certificate stating that the obligation referred to in (i) above cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it and the Trustee shall be entitled to accept such Officers' Certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (ii) above, in which event it shall be conclusive and binding on the Noteholders and (y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment. All Notes in respect of which any such notice of redemption is given under and in accordance with this Condition shall be redeemed on the date specified in such notice in accordance with this Condition.

Purchase

6.3 The Issuer, the Guarantor and any Subsidiaries of the Guarantor may at any time purchase Notes in the open market or otherwise at any price.

Cancellation

6.4 All Notes redeemed or purchased pursuant to this Condition 6 May be cancelled or held and resold.

7. PAYMENTS

Principal and other amounts

7.1 Payment of principal and interest in respect of the Notes will be made to the persons shown in the Register at the close of business on the Record Date (as defined below). Payments of all amounts other than as provided in this Condition 7.1 will be made as provided in these Conditions.

Payments

7.2 Each payment in respect of the Notes pursuant to Condition 7.1 will be made by transfer to a U.S. dollar account maintained by or on behalf of the payee with a bank in New York City. Payment instructions (for value on the due date or, if that is not a business day (as defined below), for value the first following day which is a business day) will be initiated on the business day preceding the due date for payment (for value the next business day).

Payments subject to fiscal laws

7.3 All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

Payments on business days

7.4 If the due date for any payment of principal or interest under this Condition 7 is not a business day, the Holder of a Note shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 7 only, ***business day*** means any day on which banks are open for business in the place of the specified office of the relevant Paying Agent and, in the case of payment by transfer to a U.S. Dollar account as referred to above, on which dealings in foreign currencies may be carried on both in New York City and in such other place.

Record date

7.5 ***Record Date*** means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

Agents

7.6 The initial Agents and their initial specified offices are listed below. The Issuer reserves the right to vary or terminate the appointment of all or any of the Agents at any time (with the written approval of the Trustee) and appoint additional or other payment or transfer agents, provided that the Issuer will at all times maintain (i) a Registrar and a Principal Paying Agent, (ii) a Paying Agent and a Transfer Agent having specified offices in at least one major European city approved by the Trustee and (iii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. Notice of any such change will be provided to Noteholders as described in Condition 16.

8. TAXATION

8.1 All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or under the Guarantee by the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account for, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall increase the relevant payment so as to result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by or on behalf of a Holder which is (i) liable to such taxes, duties, assessments or governmental charges in respect of such Note or the Guarantee by reason of its (or its beneficial owners) having some connection with the Relevant Jurisdiction other than the mere holding of such Note or the benefit of the Guarantee or (ii) able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim to the relevant taxing authority; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Definitive Note is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Definitive Note on the last day of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive; or

(d) held by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a member state of the European Union; or

(e) to a Noteholder in respect of taxes, duties, assessments or governmental charges that are imposed or withheld by reason of the failure of the Noteholder to comply with a request of, or on behalf of, the Issuer or the Guarantor addressed to the Noteholder to provide information concerning the nationality, residence or identity of such Noteholder or to make any declaration or similar claim or satisfy any information or reporting requirement, which is required or imposed by a statute, treaty, regulation, protocol or administrative practice as a precondition to exemption from all or part of such taxes, duties, assessments or governmental charges; or

(f) where such withholding or deduction is required pursuant to Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

8.2 In these Conditions, ***Relevant Date*** means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in New York City by or for the account of the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders by the Issuer in accordance with Condition 16.

8.3 Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by Noteholders holding not less than 25 per cent. of the principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (subject in each case to its being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are immediately due and repayable at their principal amount together with accrued interest if any of the following events occurs and is continuing (each an ***Event of Default***):

(a) the Issuer, or where applicable, the Guarantor, fails to pay the principal of or any interest on any of the Notes when due (whether at its stated maturity, on optional redemption, on required purchase, on declaration of acceleration or otherwise) and such failure continues for a period of five Business Days; or

(b) the Issuer or the Guarantor, as the case may be, defaults in the performance or observance of any of their respective other obligations under the Notes, the Trust Deed or in the Deed of Guarantee, as the case may be, and except where such default is not, in the opinion of the Trustee, capable of remedy, such default, in the opinion of the Trustee, remains unremedied for 30 calendar days after written notice thereof, addressed to the Issuer, or where applicable the Guarantor, has been delivered by or on behalf of the Trustee to the Issuer or the Guarantor, as the case may be; or

(c) a default under any Indebtedness of the Issuer, the Guarantor or any Material Subsidiary, if that default (i) is caused by a failure to pay any amounts due pursuant to such Indebtedness within any originally applicable grace period; or (ii) results in the acceleration of such Indebtedness prior to its stated maturity as a result of an event of default (howsoever described) under such Indebtedness; provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above individually or in the aggregate exceeds U.S.$50,000,000 or the U.S. Dollar Equivalent thereof; or

(d) the amount of unsatisfied judgments, decrees or orders of courts or dispute resolution bodies of competent jurisdiction that are not subject to further appeal for the payment of money against the Issuer, the Guarantor or any Material Subsidiary in the aggregate at any given moment of time exceeds U.S.$50,000,000 or the U.S. Dollar Equivalent thereof and there shall have been a period of 30 calendar days during which a stay of enforcement of such judgement, decree or order, by reason of an appeal or otherwise, shall not be in effect; or

(e) the Issuer, the Guarantor or any Material Subsidiary is unable or admits inability to pay its debts as they fall due, generally suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors generally with a view to a general rescheduling of any of its Indebtedness in excess of U.S.$50,000,000 or the U.S. Dollar Equivalent in aggregate; and/or a moratorium is declared in respect of any Indebtedness of any of the Issuer, the Guarantor or any Material Subsidiary as a result of any action taken by any competent authority where, in the case of any Material Subsidiary, such inability, action or declaration would have a Material Adverse Effect; or

(f) the occurrence of any of the following events: (i) the Issuer, the Guarantor or any Material Subsidiary ceases to have corporate existence or is seeking or consenting to (or an order is made or an effective resolution is passed for) the introduction of proceedings for its liquidation or the appointment of a liquidator, or liquidation commission (*likvidatsionnaya komissiya*) or a similar officer of the Issuer, the Guarantor or any Material Subsidiary as the case may be or a petition in relation to the Issuer or any Material Subsidiary organised outside Russia, additionally, its winding up, examinership or dissolution (otherwise in each case than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or in accordance with Condition 4.3); (ii) the acceptance by a court of competent jurisdiction, arbitration court or any competent agency of a petition in respect of any of the Issuer, the Guarantor or any Material Subsidiary alleging, or for, its bankruptcy, insolvency, examinership, dissolution, liquidation (or any analogous proceedings) or the declaration by such jurisdiction, court or agency of the insolvency or bankruptcy of any of the Issuer, the Guarantor or any Material Subsidiary (other than any vexatious or frivolous petition or where such petition is presented or filed by a person that is not the Guarantor or a Subsidiary of the Guarantor, such petition remains undischarged for at least 60 calendar days); (iii) the institution, against the Guarantor or any Material Subsidiary organised within Russia of supervision (*nablyudeniye*), financial rehabilitation (*finansovoye ozdorovleniye*), external management (*vneshneye upravleniye*) or bankruptcy management (*konkursnoye proizvodstvo*) or, with respect to the Issuer or any Material Subsidiary organised outside Russia, the institution against the Issuer or any Material Subsidiary organised outside Russia of bankruptcy, examinership, insolvency, voluntary or judicial liquidation, composition with creditors, reprieve from payment, controlled management, fraudulent conveyance, general settlement with creditors or reorganisation; (iv) the entry by the Issuer, the Guarantor or any Material Subsidiary into, or the agreeing by the Issuer, the Guarantor or any Material Subsidiary to enter into any amicable settlement which, in the case of any entity in the Russian Federation and without limitation, shall include amicable settlement (*mirovoye soglasheniye*) with its creditors, as such terms are defined in the Federal Law of the Russian Federation No. 127-FZ "On Insolvency (Bankruptcy)" dated 26 October 2002 (as amended or replaced from time to time); or (v) any judicial liquidation in respect of the Issuer, the Guarantor or any Material Subsidiary (otherwise for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or in accordance with Condition 4.3); or

(g) any expropriation, attachment, sequestration, execution, Lien or distress is levied against or becomes enforceable and is enforced against, or an encumbrancer takes possession of or sells, the whole or any material part of, the property, undertaking, revenues or assets of the Group taken as a whole;

(h) the Notes, the Trust Deed or the Guarantee is held in any judicial or arbitral proceeding to be unenforceable or invalid or ceases to be legal, valid, binding and in full force and effect (other than in accordance with, the terms of such document) or the Issuer or the Guarantor denies, disaffirms, repudiates (or purports or evidences an intention to repudiate) its obligations under the Notes, the Trust Deed or the Guarantee; or

(i) at any time it is or becomes unlawful for the Issuer or the Guarantor to perform or comply with any or all of their respective material obligations under any of the Notes, the Guarantee or the Trust Deed and any such event continues for more than 30 Business Days; or

(j) any step is taken by or under state authority with a view to the seizure, compulsory acquisition, expropriation, or nationalisation of all or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Material Subsidiary; or

(k) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

10. PRESCRIPTION

Claims for the payment of principal and interest in respect of any Note shall be prescribed unless made within 10 years (for claims for the payment of principal) or five years (for claims for the payment of interest) of the appropriate Relevant Date.

11. REPLACEMENT OF DEFINITIVE NOTES

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to all applicable laws and Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Registrar may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

Meetings of Noteholders

12.1 The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such meetings shall be held in accordance with the provisions set out in the Trust Deed. Such a meeting shall be convened by the Trustee upon the request in writing of Noteholders holding not less than 10 per cent. of the aggregate principal amount of the Notes for the time being outstanding. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest payable on, the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes, (iv) to change the currency of payment under the Notes, (v) to modify the provisions in Schedule 4 of the Trust Deed concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, (vi) to modify or cancel the Guarantee, or (vii) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer, the Guarantor or any other entity, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds of the aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting not less than 25 per cent. of the aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any such meeting shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed). A written resolution signed by or on behalf of the Noteholders holding not less than 90 per cent. of the aggregate principal amount of Notes outstanding who are for the time being entitled to receive notice of a meeting in accordance with the Trust Deed will take effect as if it were a duly passed Extraordinary Resolution.

Modification and Waiver

12.2 The Trustee may agree with the Issuer and the Guarantor, without the consent of the Noteholders, to (i) any modification of any of the provisions of the Trust Deed, the Deed of Guarantee, the Agency Agreement or the Notes which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Notes or the Trust Deed or the Deed of Guarantee, which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, shall be notified to the Noteholders as soon as practicable.

Entitlement of the Trustee

12.3 In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other Person, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

13. ENFORCEMENT

At any time after the Notes become due and payable, the Trustee may, at its discretion (but subject to Condition 20) and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes and/or the Deed of Guarantee (whether by arbitration pursuant to the Trust Deed or the Deed of Guarantee or by litigation), but it need not take any such steps, actions or proceedings and nor shall the Trustee be bound to take, or omit to take any step or action (including instituting such proceedings) unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. INDEMNIFICATION AND REMOVAL OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit. The Trustee may rely without liability to Noteholders on any certificate or report prepared by auditors, accountants or any other expert pursuant to the Trust Deed, whether or not addressed to the Trustee and whether or not the auditors', accountants' or expert's liability in respect thereof is limited by a monetary cap or otherwise. The Trust Deed provides that the Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove the Trustee (or any successor trustee or additional trustees) provided that the removal of the Trustee or any other trustee shall not become effective unless there remains a Trustee in office after such removal.

15. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders, create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any such other securities shall be constituted by a deed supplemental to the Trust Deed and will benefit from guarantee substantially in the form of the Deed of Guarantee given in respect of these Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders for the holders of securities of other series where the Trustee so decides.

16. NOTICES

Notices to the Noteholders shall be valid if sent to them by first class mail (airmail if overseas) at their respective addresses on the Register or by any means designated from time to time by any clearing system on which trades in Notes settle. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, so long as the Notes are listed on the Stock Exchange and the rules or guidelines of that exchange so require, notices will be published via the companies announcements office of the Stock Exchange. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

17. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or the Guarantor in respect of the Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the ***first currency***) in which the same is payable under these Conditions or such order or judgment into another currency (the ***second currency***) for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes or the Guarantee, the Issuer, failing whom the Guarantor, shall indemnify each recipient, on the written demand of such recipient addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the specified office of the Registrar, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such recipient may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer or, as the case may be, the Guarantor and shall give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Noteholder or any other person and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Trust Deed, the Deed of Guarantee and/or the Notes or any other judgment or order.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent, if any, that the Notes expressly provide for such Act to apply to any of their terms.

19. GOVERNING LAW AND ARBITRATION

19.1 The Trust Deed, the Notes, the Deed of Guarantee and these Conditions and any non-contractual obligations arising out of or in connection therewith shall be governed by and interpreted in accordance with English law.

19.2 (a) Any dispute, claim or difference of whatever nature arising out of or in connection with the Trust Deed, the Notes, the Deed of Guarantee and these Conditions (including a dispute regarding the existence, validity or termination of the Trust Deed, the Notes, the Deed of Guarantee or these Conditions or a dispute relating to non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Deed of Guarantee and these Conditions) (a Dispute) shall be referred to and finally resolved by arbitration under the rules of the LCIA (the Rules), which Rules are deemed incorporated by reference into these Conditions, as amended herein.

(b) The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator. The respondent(s), irrespective of number, shall nominate jointly the second arbitrator. The third arbitrator, who shall serve as

Chairman, shall be nominated by agreement of the two party-nominated arbitrators. Failing such agreement within 15 days of the confirmation of the appointment of the second arbitrator, the third arbitrator shall be appointed by the LCIA as soon as possible. For the avoidance of doubt, the parties to this Agreement agree for the purpose of Article 8.1 of the Rules, that the claimant(s), irrespective of number, and the respondent(s), irrespective of number, shall constitute two separate sides for the formation of the arbitral tribunal.

(c) In the event that the claimant(s) or the respondent(s) fail to nominate an arbitrator in accordance with the Rules, such arbitrator shall be nominated by the LCIA as soon as possible, preferably within 15 days of such failure. In the event that the respondent(s) or both the claimant(s) and the respondent(s) fail to nominate an arbitrator in accordance with the Rules, all 3 arbitrators shall be nominated and appointed by the LCIA as soon as possible, preferably within 15 days of such failure, and such arbitrators shall then designate one amongst them as Chairman.

(d) The seat of arbitration shall be London, England and the language of the arbitration shall be English.

(e) If more than one arbitration is commenced under the Trust Deed, the Notes, the Deed of Guarantee or these Conditions and any party contends that two or more such arbitrations are so closely connected that it is expedient for them to be resolved in one set of proceedings, the arbitral tribunal appointed in the first filed of such proceedings (the ***First Tribunal***) shall have the power to determine, provided no date for the hearing on the merits of the Dispute in any such arbitrations has been fixed, that the proceedings shall be consolidated.

(f) The tribunal in such consolidated proceedings shall be selected as follows: (i) the parties to the consolidated proceedings shall agree on the composition of the tribunal; and (ii) failing such agreement within 30 days of consolidation being ordered by the First Tribunal, the LCIA shall appoint all members of the tribunal within 30 days of a written request by any of the parties to the consolidated proceedings.

(g) For the avoidance of doubt, the parties to the Trust Deed, the Notes, the Deed of Guarantee and these Conditions are intended by the parties to this Agreement to have the right under the Contracts (Rights of Third Parties) Act 1999 to enforce the terms of Condition 19.2(e).

(h) The parties hereby exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

19.3 Each of the Issuer and the Guarantor undertakes irrevocably to appoint Capita Trust Secretaries Limited as agent to accept service of process and any other documents in proceedings in England or in any legal action or proceedings arising out of or in connection with these Conditions and the Notes (the ***Process Agent***), provided that:

(a) service upon the Process Agent shall be deemed valid service upon the Issuer and the Guarantor whether or not the process is forwarded to or received by the Issuer or the Guarantor;

(b) the Issuer and the Guarantor shall inform the Trustee, in writing, of any change in the address of the Process Agent within 28 days of such change;

(c) if the Process Agent ceases to be able to act as a process agent or to have an address in England, the Issuer and the Guarantor irrevocably agrees to appoint a new process agent in England acceptable to the Trustee and to deliver to the trustee within 14 days a copy of a written acceptance of appointment by the new process agent; and

(d) nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

19.4 To the extent that the Issuer or the Guarantor may now or hereafter be entitled, in any jurisdiction in which any legal action or proceeding may at any time be commenced pursuant to or in accordance with these Conditions, to claim for itself or any of its undertaking, properties, assets or revenues present or future any immunity (sovereign or otherwise) from suit, jurisdiction of any court, attachment prior to judgment, attachment in aid of execution of a judgment, execution of a judgment or award or from set-off, banker's lien, counterclaim or any other legal process or remedy with respect to its obligations under these Conditions and/or to the extent that in any such jurisdiction there may be attributed to the Issuer or the Guarantor any such immunity (whether or not claimed), each of the Issuer and the Guarantor hereby irrevocably agrees not to claim, and hereby waive, any such immunity.

19.5 Each of the Issuer and the Guarantor irrevocably and generally consents in respect of any proceedings anywhere to the giving of any relief or the issue and service on it of any process in connection with those proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those proceedings.

20. NON-PETITION

None of the Noteholders or the other creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

No Noteholder shall have any recourse against any director or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes, other than in the case of fraud.

21. DEFINITIONS

In these Conditions the following terms have the meaning given to them in this Condition 21.

Affiliate of any specified Person means (i) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person or (ii) any other Person who is a director or officer (a) of such specified Person, (b) of any Subsidiary of such specified Person or (c) of any Person described in (i) above. For the purposes of this definition, ***control*** when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms ***controlling*** and ***controlled*** have meanings correlative to the foregoing;

Average Life means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (a) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of, or redemption or similar payment with respect to, such Indebtedness multiplied by the amount of such payment by (b) the sum of all such payments;

Business Day means, other than for the purposes of Condition 7, a day on which, if on that day a payment is to be made hereunder, commercial banks generally are open for business in Moscow, New York City and in the city where the Specified Office (as defined in the Agency Agreement) of the Principal Paying Agent is located;

Capital Lease Obligation means an obligation that is required to be classified and accounted for as a finance lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation shall be the capitalised amount of such obligation determined in accordance with IFRS;

the Code means the United States Internal Revenue Code of 1986, as amended;

Currency Agreement means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values;

EBITDA for any period means the Group's profit/loss for the period adjusted for income tax expense, finance income and expenses, share of net income/loss of joint ventures, depreciation and amortisation, impairment of property, plant and equipment, gain/loss on disposal of investments and exceptional items;

Exchange Act means the U.S. Securities Exchange Act of 1934, as amended;

Financial Statements means (i) the combined financial information for the periods ended on or before 31 December 2012 and (ii) the consolidated financial statements for the periods starting 1 January 2013, prepared in accordance with IFRS;

Fair Market Value means, with respect to any asset or property, the price that would be paid in an arms' length, free market transaction, for cash, between an informed, willing and able seller and an informed, willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined in good faith by a duly authorised officer of the Guarantor, whose determination (in the absence of fraud or manifest error) will be conclusive;

Fitch means Fitch Ratings Limited, any credit rating agency affiliate thereof or any successor to the rating agency business thereof;

Group means the Guarantor and its Subsidiaries taken as a whole;

Group Indebtedness means at any date of determination all Indebtedness of the Guarantor and its Subsidiaries (without duplication and netting out Indebtedness from one member of the Group to another member of the Group) outstanding as at the balance sheet date of the most recent published Financial Statements of the Group, as is shown on a statement of financial position of the Group as at such balance sheet date prepared in accordance with IFRS;

Group Leverage Ratio as of any date of determination (the ***Determination Date***), means the ratio of (x) the aggregate amount of Group Indebtedness to (y) the aggregate amount of EBITDA for the period (the ***EBITDA Calculation Period***) of the two most recent consecutive semi-annual periods, ending prior to the date of such determination for which Financial Statements of the Group are available; provided, however, that:

(a) if (i) the Guarantor or any Subsidiary of the Guarantor has incurred any Indebtedness since the balance sheet date of the latest published Financial Statements of the Group published immediately preceding the date of determination (the ***Relevant Date***) which remains outstanding on the Determination Date or (ii) if the transaction giving rise to the need to calculate the Group Leverage Ratio is an incurrence of Indebtedness, or both, the Group Indebtedness for such period shall be calculated after giving effect on a *pro forma* basis to such Indebtedness and the use of proceeds therefrom as if such Indebtedness had been incurred on the first day of such period;

(b) if (i) the Guarantor or any Subsidiary of the Guarantor has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the Relevant Date or (ii) if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Group Leverage Ratio, or both, the Group Leverage Ratio shall be calculated on a *pro forma* basis as if such discharge had occurred on the Relevant Date;

(c) if since the Relevant Date the Guarantor or any Subsidiary of the Guarantor has made a disposal (as defined in Condition 4.4) as a result of which a Person ceased to be a Subsidiary of the Guarantor, Group Indebtedness shall be reduced on a *pro forma* basis by an amount of indebtedness (to the extent originally included) equal to the indebtedness of such Person as if such disposal had occurred on the Relevant Date; and

(d) if since the beginning of the EBITDA Calculation Period the Guarantor or any Subsidiary of the Guarantor (by merger or otherwise) shall have made an investment in any Subsidiary of the Guarantor or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA for such period shall be calculated after giving *pro forma* effect thereto (including the incurrence of any Indebtedness) as if such investment or acquisition had occurred on the first day of such the EBITDA Calculation Period.

For purposes of this definition, whenever *pro forma* effect is to be given to an acquisition of assets and the amount of income or earnings relating thereto, the *pro forma* calculations shall be determined in good faith by an authorised officer of the Guarantor, whose determination will be conclusive (in the absence of manifest error);

Group Total Assets means at any date of determination the total assets of the Guarantor and its Subsidiaries as shown in the most recently published statement of financial position of the Group prepared in accordance with IFRS;

guarantee means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of reimbursement agreements in respect thereof, of all or any part of any Indebtedness;

Hedging Obligations of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement;

IFRS means International Financial Reporting Standards issued by the International Accounting Standards Board (the ***IASB***) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, consistently applied and which are in effect from time to time;

Indebtedness means, without duplication, in respect of the Guarantor and its Subsidiaries for or in respect of:

(a) moneys borrowed (the principal amount of which as determined in accordance with IFRS);

(b) any principal amount (as determined in accordance with IFRS) raised by acceptance under any acceptance credit facility;

(c) any principal amount (as determined in accordance with IFRS) raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) any principal amount (as determined in accordance with IFRS) raised under any other transaction having the economic or commercial effect of a borrowing; and

(e) the amount of any liability in respect of the guarantee or indemnity for, or similar undertaking given in respect of, any of the items referred to above in relation to any Person which is not the Guarantor or its Subsidiary.

For the avoidance of doubt the following amounts shall not constitute "Indebtedness": (i) trade account payables arising solely in the ordinary course of business; (ii) advances received from customers; (iii) any tax liability and any letters of credit and bank guarantees issued in relation to trade related activities, customs activities or tax payments; (iv) any liquidity support undertakings, equity support undertakings, guarantee by way of a pledge of the share capital of a Project Finance Company and similar arrangements provided by or on behalf of the Guarantor or a Subsidiary of the Guarantor in respect of Project Financing of a Project Finance Company which is not a Subsidiary of the Guarantor; and (v) contingent liabilities other than with respect to items of Indebtedness described in the preceding sentence;

Interest Rate Agreement means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates;

Investment Grade Rating means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by Fitch or Standard & Poor's or, if applicable in relation to any other Rating Agency, an equivalent rating by such other Rating Agency;

Investment Grade Status shall be deemed to have been reached on the date that the Notes have an Investment Grade Rating from at least two of the Ratings Agencies;

Issue Date means 31 January 2013;

Lien means any mortgage, pledge, encumbrance, lien, charge or other security interest or other preferential agreement or agreement having a similar effect (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction and any conditional sale or other title retention agreement or lease in the nature thereof);

Material Adverse Effect means a material adverse effect on (a) the operations or financial condition of the Group taken as a whole; (b) the Guarantor's, or the Issuer's, as the case may be, ability to perform or comply with its material obligations under the Notes, the Deed of Guarantee and the Trust Deed, as the case may be, and for the validity and enforceability thereof or the rights or remedies of the Noteholder or the Trustee in connection therewith;

Material Subsidiary means (i) OOO Tobolsk-Polymer, OAO SiburTyumenGaz, SIBUR International, OAO Polyef, ZAO Sibur-Khimprom, OAO Sibur-Neftekhim and OOO Tobolsk-Neftekhim and (ii) at any time, any other direct or indirect Subsidiary of the Guarantor:

(a) whose total assets represent not less than 10 per cent. of Total Assets or whose total revenue represent not less than 10 per cent. of total revenue of the Group (determined by reference to the most recent publicly available annual or interim Financial Statements of the Group; or

(b) to which is transferred all or substantially all the assets and undertakings of a Subsidiary of the Guarantor which immediately prior to such transfer is a Material Subsidiary;

Moody's means Moody's Investors Service Limited, any credit rating agency affiliate thereof or any successor to the rating agency business thereof;

Non-Recourse Debt means Indebtedness:

(a) as to which neither the Guarantor nor any of its Subsidiaries (i) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (ii) is directly or indirectly liable (as a guarantor or otherwise);

(b) no default with respect to which would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Guarantor or any of its Subsidiaries to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(c) the explicit terms of which provide that there is no recourse against any of the assets of the Guarantor or any of its Subsidiaries;

Officers' Certificate means, a certificate executed on behalf of such person by a duly authorised officer of the Issuer or two duly authorised representatives of the Guarantor, as the case may be; provided that every Officers' Certificate with respect to the compliance with the Trust Deed shall include (i) a statement that the Officers making or giving such Officers' Certificate have read such condition and any definitions or other provisions contained in the Trust Deed relating thereto, (ii) a statement that, in the opinion of the signers, they have made or have caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such condition has been complied with, and (iii) a statement as to whether, in the opinion of the officers, such condition has been complied with;

Permitted Indebtedness means any or all of the following Indebtedness:

(a) Indebtedness outstanding at the Issue Date;

(b) Indebtedness represented by the Notes and the Guarantee;

(c) Refinancing Indebtedness incurred by the Guarantor or any Subsidiary of the Guarantor to Refinance Indebtedness;

(d) Indebtedness incurred pursuant to Hedging Obligations incurred; providing that such Hedging Obligations are entered into in the ordinary course of business of the Group and not for speculative purposes;

(e) Indebtedness in respect of workers' compensation claims or claims arising under similar legislation, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

(f) customer deposits and advance payments received from customers in the ordinary course of business of the Group;

(g) intercompany and intra-Group Indebtedness owed to, and held by, the Guarantor or a Subsidiary of the Guarantor in respect of the Guarantor or a Subsidiary of the Guarantor; provided, however, that any subsequent disposition, pledge or transfer of such Indebtedness (other than to the Guarantor or a Subsidiary of the Guarantor) shall be deemed, in each case, to constitute the incurrence of such Indebtedness by the relevant obligor in respect of such Indebtedness;

(h) obligations in respect of performance, bid and surety bonds, completion guarantees, letters of credit, veksels (being Russian rouble-denominated short-term promissory notes) or similar obligations provided by the Guarantor or any Subsidiary of the Guarantor in the ordinary course of business of the Group, provided that, upon demand being made under such obligations, such obligations are reimbursed or the Indebtedness thereunder repaid within 30 days following such payment or disbursement in respect of such demand;

(i) Purchase Money Indebtedness incurred to finance the acquisition by the Guarantor or a Subsidiary of the Guarantor of assets in the ordinary course of business of the Group;

(j) Indebtedness under any export credit facility incurred to finance the acquisition by the Guarantor or a Subsidiary of the Guarantor of an asset, licences and services, including construction, additions and improvements (including the cost of design, development, construction, acquisition, transportation, installation, improvement and migration of assets); provided, however, that (A) any Lien arising in connection with any such Indebtedness shall be limited to the specific asset, licence or service being financed or, in the case of real property or fixtures, including additions and improvements, the real property on which such asset is attached, and (B) the aggregate principal amount of such Indebtedness at any one time outstanding shall not exceed (x) the Fair Market Value of the acquired or constructed asset, licence or service or improvement so financed or (y) in the case of an uncompleted constructed asset, the amount of the asset to be constructed, as determined on the date the contract for construction of such asset was entered into by the Guarantor or the relevant Subsidiary of the Guarantor (including, in each case, any related premiums, fees, expenses and taxes incurred in connection with such acquisition, construction or development);

(k) Indebtedness of a Subsidiary of the Guarantor incurred and outstanding on or prior to the date on which such Subsidiary was acquired by the Guarantor or a Subsidiary of the Guarantor (other than Indebtedness incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary of the Guarantor or was acquired by the Guarantor); provided, however, that on the date of such acquisition and after giving *pro forma* effect thereto (i) the Guarantor would have been entitled to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 4.2(a) or (ii) the Group Leverage Ratio is less after giving effect to the acquisition;

(l) Indebtedness of either the Guarantor or any Subsidiary of the Guarantor consisting of guarantees of Indebtedness of either the Guarantor or any Subsidiary incurred under Condition 4.2(a) or any other paragraph of this definition;

(m) Non-Recourse Debt of a Receivables Subsidiary in a Qualified Receivables Transaction;

(n) in addition to the items referred to in paragraphs (a) to (m), Indebtedness of the Guarantor and its Subsidiaries incurred in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness incurred pursuant to this paragraph (n) and then outstanding, will not exceed U.S.$200,000,000 at any time outstanding;

Permitted Liens means:

(a) Liens existing on the Issue Date and extensions, refinancings, renewals and replacements of any such Liens so long as the principal amount of Indebtedness or other obligations secured thereby is not increased (other than by an amount necessary to pay any fees and expenses, including premiums, related to such extensions, refinancing, renewals or replacements) and so long as such Liens are not extended to any other property of the Guarantor or any of its Subsidiaries;

(b) Liens created pursuant to paragraph (a), (b), (d) or (j) of the definition of Permitted Indebtedness;

(c) Liens under worker's compensation laws, unemployment insurance laws or similar legislation, or to secure public or statutory obligations, surety bonds, customs duties, bid bonds and the like, or for the payment of rent, in each case incurred in the ordinary course of business of the Group and not securing Indebtedness;

(d) Liens imposed by law, such as carriers', vendors', warehousemen's and mechanics' liens, in each case for sums not yet due or being contested in good faith and by appropriate proceedings;

(e) Liens arising by operation of law and in the ordinary course of business of the Group or in respect of taxes, assessments, government charges or claims, including without limitation those in favour of Russian governmental fiscal authorities;

(f) Liens in respect of Taxes or assessments, government charges and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which the Guarantor has set aside in its books of account reserves to the extent required by IFRS, as consistently applied;

(g) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the proceeds thereof;

(h) with respect to any Person, survey exceptions, encumbrances, easement or reservations of, or rights of others, licences, rights of way, sewers, electrical lines, telegraph or telephone lines and other similar purposes, or zone or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not act in the aggregate materially adversely effect the value of the property or materially impair their use in the operation of the business of such Person;

(i) (i) licenses or leases or subleases as licensor, lessor or sublessor of any of its property in the ordinary course of business of the Group and (ii) with respect to any leasehold interest where either the Issuer, the Guarantor or any of the Subsidiaries of the Guarantor is a lessee, tenant, subtenant or other occupant, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or sublandlord of such leased real property encumbering such landlord's or sublandlord's interest in such leased real property;

(j) any bankers' Liens in respect of deposit accounts, statutory landlords' Liens and deposits to secure bids, contracts, leases, and other similar obligations (provided such Liens do not secure obligations constituting Indebtedness and are incurred in the ordinary course of business of the Group), direct debit arrangements, any netting or set-off arrangement entered into by any member of the Group in the normal course of its banking arrangements for the purpose of netting debit and credit balances and judgment Liens not giving rise to a Potential Event of Default or an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(k) Liens securing Indebtedness permitted to be incurred under Condition 4.2 to finance or refinance the construction, purchase or lease of, or repairs, improvements or additions to, property of such Person; provided, however, that the Lien may not extend to any other property (other than property related to the property being financed) owned by such Person or any of its Subsidiaries at the time the Lien is incurred, and the Indebtedness (other than any interest thereon) secured by the Lien may not be incurred more than 180 days after the later of the refinancing, acquisition, lease, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the Lien;

(l) Liens on property at the time such Person or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into the Guarantor or any Subsidiary of the Guarantor; provided, however, that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such acquisition and provided further, that the Liens may not extend to any other property owned by such Person or any of its Subsidiaries (other than assets and property affixed or appurtenant thereto);

(m) Liens securing Indebtedness or other obligations of either the Guarantor or a Subsidiary of the Guarantor in favour of either the Guarantor or a Subsidiary of the Guarantor;

(n) Liens securing Hedging Obligations so long as such Hedging Obligations are permitted to be incurred under these Conditions and the related Indebtedness is, and is permitted to be in accordance with these Conditions, secured by a Lien on the same property securing such Hedging Obligation and such Hedging Obligations are entered into in the ordinary course of business of the Group and are not speculative;

(o) any title transfer or retention of title arrangement entered into by any member of the Group in the ordinary course of its trading activities;

(p) Liens to secure a Refinancing Indebtedness that was secured by a Lien permitted thereunder and that was incurred in accordance with these Conditions; provided that such Liens do not extend to or cover any property or assets of either the Guarantor or any Subsidiary of the Guarantor other than assets or property securing the Indebtedness so refinanced;

(q) deposits made by and escrow or similar arrangements to secure obligations or liabilities arising from agreements providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, in each case incurred or assumed in connection with the disposition of any assets (to the extent such disposition of assets is permitted hereby);

(r) Liens on property or share capital of another Person at the time such other Person becomes a Subsidiary of the Guarantor; provided, however, that such Liens are not created, incurred or assumed in connection with, or in contemplation of, such Person becoming a Subsidiary of the Guarantor and provided further that the Liens may not extend to any other property owned by the Guarantor or a Subsidiary of the Guarantor (other than assets and property affixed or appurtenant thereto);

(s) any Lien created or permitted to exist over accounts receivable of the Guarantor or any of its Subsidiaries (including any Receivables Subsidiary) in connection with a Qualified Receivables Transaction;

(t) any Liens in respect of or in support of Project Financing;

(u) any extension, renewal of or substitution for any Lien permitted by any of the preceding paragraphs, provided, however, that such extension, renewal or replacement shall be no more restrictive in any material respect than the original Lien; with respect to Liens incurred pursuant to this paragraph (u) the principal amount secured has not increased (other than any increase representing costs, fees, expenses or commission associated with such extension, renewal or substitution) and the Liens have not been extended to any additional property or assets (other than proceeds of the property or assets in question); and

(v) any Liens (other than those contemplated above in paragraphs (a) to (u)) where the aggregate value of the assets or revenues subject to such Liens at any one time outstanding do not exceed 15 per cent. of Group Total Assets;

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

Potential Event of Default means an event which, with the lapse of time and/or the issue, making or giving of any notice or both, would constitute an Event of Default;

Project Finance Company means any Person in which the Guarantor holds a direct or indirect interest, where such person is established for the purposes of undertaking the ownership, acquisition, construction or development of any project whose main source of finance is Project Financing;

Project Financing means any indebtedness issued, raised or borrowed by a Project Finance Company to finance the ownership, acquisition, construction or development of any project if the recourse of the person or persons providing such financing is limited to (a) the project financed, (b) the revenues derived from such project and/or (c) any guarantee, indemnity or similar undertaking provided by the Guarantor or any of its Subsidiaries in relation to the project financed, as the main source of repayment for the moneys advanced;

Purchase Money Indebtedness means Indebtedness (including Capital Lease Obligations) (i) consisting of the deferred purchase price of property, conditional sale obligations, obligations under any title retention agreement, other purchase money obligations and obligations in respect of Indebtedness, in each case where the maturity of such Indebtedness does not exceed the anticipated useful life of the asset being financed, and (ii) incurred to finance the acquisition by the Guarantor or a Subsidiary of the Guarantor of such asset, including construction, additions and improvements, in the ordinary course of business of the Group (including the cost of design, development, construction, acquisition, transportation, installation, improvement and migration of assets); provided, however, that (A) any Lien arising in connection with any such Indebtedness shall be limited to the specific asset being financed or, in the case of real property or fixtures, including additions and improvements, the real property on which such asset is attached, (B) such Indebtedness is incurred within 180 days after such acquisition of such assets and (C) the aggregate principal amount of Purchase Money

Indebtedness at any one time outstanding shall not exceed (x) the Fair Market Value of the acquired or constructed asset or improvement so financed or (y) in the case of an uncompleted constructed asset, the amount of the asset to be constructed, as determined on the date the contract for construction of such asset was entered into by the Guarantor or the relevant Subsidiary of the Guarantor (including, in each case, any reasonable related fees and expenses incurred in connection with such acquisition, construction or development);

Qualified Receivables Transaction means any transaction or series of transactions entered into by the Guarantor or any of its Subsidiaries with any Person (including, without limitation, any Receivables Subsidiary) pursuant to which the Guarantor or any of its Subsidiaries (a) creates or permits to exist any Lien over, (b) sells, conveys or otherwise transfers or (c) grants a participation or beneficial interest in, its accounts receivable (whether now existing or arising in the future) of the Guarantor or any of its Subsidiaries and any assets related thereto (including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such accounts receivable, and other assets which are customarily subject to the grant of a Lien, transferred or subject to the grant of a participation or beneficial interest, in connection with financing transactions involving accounts receivable);

Rating Agencies means Fitch, Moody's and Standard & Poor's or, if any or all of Fitch, Moody's or Standard & Poor's shall not provide a publicly available rating on the Notes, an internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer and the Guarantor with the prior written approval of the Trustee, which shall be substituted for Fitch, Moody's and/or Standard & Poor's, with respect to the Notes;

Receivables Subsidiary means a Subsidiary of the Guarantor which engages in no activities other than in connection with the financing of accounts receivable and which is designated by the board of directors of the Guarantor (as provided below) as a Receivables Subsidiary (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Guarantor or any Subsidiary of the Guarantor (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to representations, warranties, covenants and indemnities given or entered into (as the case may be) by the Guarantor or such Subsidiary in the ordinary course of business of the Group in connection with a Qualified Receivables Transaction) and excluding guarantees by any other Receivables Subsidiary, (ii) provides recourse to or obligates the Guarantor or any subsidiary of the Guarantor in any way other than pursuant to representations, warranties, covenants and indemnities given or entered into (as the case may be) in the ordinary course of business of the Group in connection with a Qualified Receivables Transaction, or (iii) subjects any property or asset of the Guarantor or any Subsidiary of the Guarantor (other than accounts receivable and related assets as provided in the definition of Qualified Receivables Transaction), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities given or entered into (as the case may be) in the ordinary course of business of the Group in connection with a Qualified Receivables Transaction, (b) with which neither the Guarantor nor any Subsidiary of the Guarantor has any material contract, agreement, arrangement or understanding other than on terms no less favourable to the Guarantor or such Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Guarantor, other than fees payable in the ordinary course of business of the Group in connection with servicing accounts receivable, and (c) with which neither the Guarantor nor any Subsidiary of the Guarantor has any obligation to maintain or preserve such Subsidiary's financial condition or cause such Subsidiary to achieve certain levels of operating results. Any such designation by the board of directors of the Guarantor will be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the board of directors of the Guarantor giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions. The Trustee shall be entitled to rely on such certificate without further enquiries or liability to any person nor inquire further as regards the circumstances then existing;

Refinance means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. ***Refinances***, ***Refinanced*** and ***Refinancing*** shall have correlative meanings;

Refinancing Indebtedness means Indebtedness that Refinances any Indebtedness of the Guarantor or any Subsidiary of the Guarantor existing on the Issue Date or incurred in compliance with these Conditions, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

(a) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced or earlier provided that the Stated Maturity is later than the Stated Maturity of the Notes;

(b) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced or earlier provided that the Average Life is later than the Average Life of the Notes;

(c) such Refinancing Indebtedness has an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding (plus all accrued interest and fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; and

(d) if the Indebtedness being Refinanced is subordinated in right of payment to the Notes and the Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes and the Guarantee at least to the same extent as the Indebtedness being Refinanced;

Relevant Jurisdiction means:

(a) in the case of payment by the Issuer, Ireland or any political subdivision or any authority thereof or therein having power to tax;

(b) in the case of payments by the Guarantor, the Russian Federation or any political subdivision or any authority thereof or therein having power to tax; or

(c) in any case except in relation to Condition 6.2, any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor becomes subject in respect of payments made by it of principal or interest on the Notes or under the Guarantee;

Restricted Business has the meaning given to it in Condition 4.10;

RusVinyl Project means a project for the design, development, construction, installation, completion, commissioning, start-up, operation and expansion by OOO RusVinyl of a green field polyvinyl chloride (***PVC***) integrated plant at Kstovo district, Nizhniy Novgorod region of the Russian Federation the financing of which is provided to OOO RusVinyl;

Securities Act means the U.S. Securities Act of 1933, as amended;

Standard & Poor's means Standard & Poor's Credit Market Services Europe Limited, any credit rating agency affiliate thereof or any successor to the rating agency business thereof;

Stated Maturity means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred);

Stock Exchange means the Irish Stock Exchange Limited;

Subordinated Obligation means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes or a guarantee of such Person, as the case may be, pursuant to a written agreement to that effect;

Subsidiary of any specified Person means any corporation, partnership, joint venture, association or other business or entity, whether existing on the Issue Date or thereafter organised or acquired:

(a) which is controlled directly or indirectly by such Person; and/or

(b) which is beneficially owned directly or indirectly for more than 50 per cent. of the issued share capital or similar right of ownership by such Person; and/or

(c) of which more than 50 per cent. of the total voting power of the voting stock is held by such Person and/or any Subsidiaries of such Person;

and which in each case is required under IFRS to be consolidated in the financial statements of such Person prepared in accordance with IFRS;

Taxes means any taxes, duties, assessments or government charges of whatever nature (including interest or penalties thereon) which are now or at any time hereafter imposed, assessed, charged, levied, collected, demanded, withheld or claimed by a Relevant Jurisdiction or any tax authority thereof or therein and the term ***Taxation*** shall be construed accordingly; and

U.S. Dollar Equivalent means with respect to any monetary amount in a currency other than U.S. dollars, at any time for determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in The Wall Street Journal in the "Exchange Rates" column under the heading "Currency Trading" or any replacement thereof on the date two Business Days prior to such determination.

SUMMARY OF PROVISIONS OF THE NOTES WHILE IN GLOBAL FORM

The Global Notes

All Notes will be in fully registered form, without interest coupons attached. The Notes offered and sold to non- U.S. Persons (as defined in Regulation S) outside the United States in reliance on Regulation S (the "**Regulation S Notes**") will be evidenced on issue by, and represented by beneficial interests in the Regulation S Global Note (the "**Regulation S Global Notes**"). The Regulation S Global Note will be in fully registered form, without interest coupons attached, and will be deposited on or about the closing date of the Offering with a common depositary for Euroclear Bank and Clearstream, Luxembourg, and registered in the name of a nominee for such common depositary in respect of interests held through Euroclear or Clearstream, Luxembourg. Beneficial interests in the Regulation S Global Note may at all times be held only through Euroclear or Clearstream, Luxembourg. By acquisition of a beneficial interest in the Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. Person, and that, if it determines to transfer such beneficial interest prior to the expiration of the 40-day distribution compliance period (as such term is defined in Rule 902 of Regulation S), it will transfer such interest only to a person whom the seller reasonably believes (a) to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) to be a person who takes delivery in the form of an interest in a Rule 144A Global Note (if applicable). See "Transfer Restrictions, Clearing and Settlement".

The Notes offered and sold in reliance on Rule 144A (the "**Rule 144A Notes**") will be evidenced on issue by, and represented by beneficial interests in a Rule 144A Global Note (the "**Rule 144A Global Note**" and, together with the Regulation S Global Note, the "**Global Notes**"). The Rule 144A Global Note will be in fully registered form, without interest coupons attached, and will be deposited on or about the closing date of the Offering with a custodian for, and registered in the name of Cede & Co., as nominee for, DTC. By acquisition of a beneficial interest in the Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that the purchaser is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. Beneficial interests in the Rule 144A Global Note may be held only through DTC.

Each Regulation S Global Note will have an ISIN and a common code and each Rule 144A Global Note will have a CUSIP number, an ISIN and a common code.

Amendments to Conditions

The Global Notes contain provisions which apply to the Notes in respect of which the Global Notes are issued, some of which modify the effect of the "Terms and Conditions of the Notes" contained elsewhere in this Prospectus. Terms defined in the "Terms and Conditions of the Notes" section of this Prospectus have the same meanings as in the paragraphs below. The following is a summary of those provisions.

Meetings

The registered holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, any meeting of Noteholders, and in any such meeting as having one vote in respect of each Note for which the Global Notes may be exchanged.

Cancellation

Cancellation of any Note evidenced by a Global Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principle amount of the appropriate Global Note.

Payment

Payments of principal and interest in respect of the Global Note shall be made to the person who appears at the relevant time on the register of Noteholders as holder of the Global Note against presentation and (if no further payment falls to be made on it) surrender thereof to or to the order of the Principal Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose) which shall endorse such payment or cause such payment to be endorsed on the relevant schedule thereto (such endorsement being prima facie evidence that the payment in question has been made). Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January. No person shall, however, be entitled to receive any payment on a Global Note falling due after the Exchange Date (as defined below) unless the exchange of the relevant Global Note for Definitive Notes is improperly withheld or refused by or on behalf of the Issuer.

Transfers

Transfer of interests in the Notes which are represented by a Global Note shall be made in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg or DTC, as the case may be.

Notices

So long as any of the Notes are represented by a Global Note and such Global Note is held on behalf of DTC, Euroclear or Clearstream, Luxembourg, or any alternative clearing system, notices to Noteholders may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream, Luxembourg, or any alternative clearing system, for communication by it to entitled accountholders in substitution for notification as required by the "Terms and Conditions of the Notes" and such notices shall be deemed to have been given on the second day after the day on which they were so delivered. For so long as the Notes are listed, the Issuer will also publish notices in accordance with the rules and regulations of the relevant stock exchange.

Whilst any Notes held by Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent through the relevant clearing system in such a manner as the Principal Paying Agent and the relevant clearing system may approve for this purpose.

Prescription

Claims in respect of principal, interest and other amounts payable in respect of the Notes will become void unless they are presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the due date for payment in respect thereof.

Trustee's Powers

In considering the interests of Noteholders in circumstances where the Global Notes are being held on behalf of DTC, Euroclear or Clearstream, Luxembourg or any alternative clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to such information provided to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of Global Notes; and (b) consider such interests as if such accountholders were the holders of such Global Notes.

Exchange of Interests in Global Notes for Definitive Notes

Exchange of interests in Notes represented by the Rule 144A Global Note, in whole but not in part, for Rule 144A Notes represented by individual Notes in definitive form (the "**Rule 144A Definitive Notes**") will not be permitted unless DTC or a successor depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Rule 144A Global Note or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility or cessation on the part of such depositary. Exchange of interests in Notes represented by the Regulation S Global Note, in whole but not in part, for Regulation S Notes represented by individual Notes in definitive form (the "**Regulation S Definitive Notes**" and, together with the Rule 144A Definitive Notes, the "**Definitive Notes**") will not be permitted unless Euroclear or Clearstream, Luxembourg, is closed for business for a continuous period of 14 days (other than by reason of legal holidays), or announces an intention permanently to cease business or does in fact do so. Exchange of interests in a Global Note, in whole or in part, for a Definitive Note may be made on or after the Exchange Date by the surrender by the holder of the Global Note to the Registrar or the Transfer Agent. "**Exchange Date**" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or relevant Transfer Agent is located. The Registrar will not register the exchange of interest in a Global Note for a Definitive Note during the period of 15 calendar days ending on the due date for any payment or principal or interest in respect of the Notes.

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "Transfer Restrictions, Clearing and Settlement" or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Registrar a fully completed, signed certificate substantially to the effect that the transfer is being made in compliance with the provisions of Regulation S.

TRANSFER RESTRICTIONS, CLEARING AND SETTLEMENT

The following information relates to the transfer of the Notes. Terms defined in the section of this Prospectus entitled "Terms and Conditions of the Notes" have the same meanings in the paragraphs below.

Transfer Restrictions

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of one or more QIBs and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

2. It (a) is not a broker-dealer that owns and invests on a discretionary basis less than US$ 25 million in securities of unaffiliated issuers; (b) is not a participant-directed employee plan, such as a 401(k) plan, as referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan; (c) is acquiring the Notes for its own account or for the account of a QIB; (d) was not formed for the purpose of investing in the Issuer; (e) will hold and transfer at least US$ 200,000 in principal amount of the Notes at any time; (f) will provide notice of the transfer restrictions described below to any subsequent transferees;and (g) acknowledges that the Issuer may receive a list of participants' holding positions in the Notes from one or more book-entry depositories.

3. It understands that the Issuer has the power to compel any owner of Rule 144A Notes that is a U.S. person and is not a QIB to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honor the transfer of a Rule 144A Note to a U.S. person who is not a QIB.

4. The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) pursuant to a registration statement that has been declared effective under the Securities Act; (b) in reliance on Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs; (c) to a non U.S. person (as defined in Regulation S) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; (d) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States.

5. The Notes offered and sold hereby in the manner set forth in paragraph (1) are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for the resale of the Notes;

6. The purchaser of the Notes will be deemed to represent, warrant and agree that (1) either (i) it is not and for so long as it holds a Note (or any interest therein) will not be (a) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to the Section 4975 of Code, (c) an entity whose underlying assets include, or are deemed to include, the assets of any such employee benefit plan subject to Title I of ERISA or other plan subject to Section 4975 of the Code, or (d) a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law or non U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (each of the foregoing, a "**Plan**") or (ii) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law or non U.S. law) and (2) it will not sell or otherwise transfer the Notes otherwise than to a purchaser or transferee that is deemed to represent and agree with respect to its purchase and holding of such Notes to

the same effect as the purchaser's representation and agreement set forth in this sentence. Any purported purchase of a Note (or an interest therein) that does not comply with the foregoing shall be null and void ab initio.

7. The Rule 144A Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend substantially to the following effect:

   THIS NOTE AND THE GUARANTEE IN RESPECT HEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) TO A NON U.S. PERSON (AS DEFINED IN REGULATION S) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

   EACH BENEFICIAL OWNER HEREOF REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (i) IT IS NOT AND FOR SO LONG AS IT HOLDS NOTES WILL NOT BE (AND IS NOT ACQUIRING THE NOTES DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE NOTES ARE HELD WILL BE) AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A PLAN SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THAT ENTITY (EACH OF THE FOREGOING, A "**PLAN**") OR A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (AN "**ALTERNATIVE PLAN**"); OR (ii) ITS PURCHASE AND HOLDING OF THE NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF AN ALTERNATIVE PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW) AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO REPRESENT AND AGREE WITH RESPECT TO ITS PURCHASE AND HOLDING OF SUCH NOTES TO THE SAME EFFECT AS THE PURCHASER'S REPRESENTATION AND AGREEMENT SET FORTH IN THIS SENTENCE. ANY PURPORTED PURCHASE OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID AB INITIO.

8. It understands that the Issuer, the Guarantor, the Registrar and the Joint Coordinators, the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole

investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

9. It understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Note. Before any interest in the Rule 144A Global Notes may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and is a non-U.S. Person (as defined in Regulation S) and is purchasing the Notes in an offshore transaction pursuant to Regulation S.

2. It understands that the Notes and the Guarantee have not been and will not be registered under the Securities Act and that the Issuer has not been and will not be registered under the Investment Company Act and that it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of one or more QIBs or (b) to a non-U.S. person (as defined in Regulation S) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. The purchaser of the Notes will be deemed to represent, warrant and agree that (1) either (i) it is not and for so long as it holds a Note (or any interest therein) will not be (a) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to the Section 4975 of Code, (c) an entity whose underlying assets include, or are deemed to include the assets of any such employee benefit plan subject to Title I of ERISA or other plan subject to Section 4975 of the Code, or (d) a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law or non U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (each of the foregoing, a "**Plan**") or (ii) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, state or local law or non U.S. law) and (2) it will not sell or otherwise transfer the Notes otherwise than to a purchaser or transferee that is deemed to represent and agree with respect to its purchase and holding of such Notes to the same effect as the purchaser's representation and agreement set forth in this sentence. Any purported purchase of a Note (or an interest therein) that does not comply with the foregoing shall be null and void *ab initio*.

4. It acknowledges that for the period until and including the 40th day after the commencement of the Offering, it will not make an offer or sale of Regulation S Notes to, or for the account or benefit of, a U.S. Person within the meaning of Regulation S.

5. It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend substantially to the following effect:

   THIS NOTE AND THE GUARANTEE IN RESPECT HEREOF HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE

TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS.

EACH BENEFICIAL OWNER HEREOF REPRESENTS AND WARRANTS THAT FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (i) IT IS NOT AND FOR SO LONG AS IT HOLDS NOTES WILL NOT BE (AND IS NOT ACQUIRING THE NOTES DIRECTLY OR INDIRECTLY WITH THE ASSETS OF A PERSON WHO IS OR WHILE NOTES ARE HELD WILL BE) AN EMPLOYEE BENEFIT PLAN SUBJECT TO THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A PLAN SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY SUCH

EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THAT ENTITY (EACH OF THE FOREGOING, A "**PLAN**") OR A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (AN "**ALTERNATIVE PLAN**"); OR (ii) ITS PURCHASE AND HOLDING OF THE NOTES WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF AN ALTERNATIVE PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE OR LOCAL LAW, OR NON-U.S. LAW) AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO REPRESENT AND AGREE WITH RESPECT TO ITS PURCHASE AND HOLDING OF SUCH NOTES TO THE SAME EFFECT AS THE PURCHASER'S REPRESENTATION AND AGREEMENT SET FORTH IN THIS SENTENCE. ANY PURPORTED PURCHASE OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID AB INITIO.

6. It understands that the Issuer, the Guarantor, the Registrar, the Joint Coordinators and the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

7. It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Note. Before any interest in the Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Book-Entry Procedures for the Global Notes

Custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See " — Book-Entry Ownership" and " — Settlement and Transfer of Notes". Investors may hold their interests in the Global Notes directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg, each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg, is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg, provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg, also deal with domestic securities markets in several countries through established depository and custodial relationships.

Euroclear and Clearstream, Luxembourg, have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates.

Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Note as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "Summary of Provisions of the Notes while in Global Form-Exchange of Interests in Global Notes for Definitive Notes", DTC will surrender the Rule 144A Global Note for exchange for Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing the Regulation S Notes will have an ISIN, a Common Code and a CUSIP number and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-2967, Luxembourg.

DTC

The Rule 144A Global Note representing the Rule 144A Notes will have an ISIN, a Common Code and a CUSIP number and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under such Global Note, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note, and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Guarantor, the Trustee, the Joint Coordinators or the Joint Bookrunners or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg, or the nominee of their common depositary is the registered holder of a Global Note, DTC, Euroclear, Clearstream, Luxembourg, or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement and the Notes. Payments of principal, premium (if any), interest and additional amounts (if any) in respect of Global Notes will be made to DTC, Euroclear, Clearstream, Luxembourg, or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Guarantor, the Trustee, any Agent, the Joint Coordinators or the Joint Bookrunners or any affiliate of any of them or any person by whom any of them is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal, premium (if any) and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg, from the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg, customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the Principal Paying Agent, all distributions of principal, premium (if any) and interest with respect to book entry interests in the Notes from the Principal Paying Agent through DTC. Distribution in the United States will be subject to relevant United States tax laws and regulations.

Payments on the Notes will be paid to the holder shown on the Register on the close of business the business day before the due date for such payment so long as the Notes are represented by a Global Note, and on the close of business the Clearing System Business Day before the due date for such payment if the Notes are in the form of Definitive Notes (the "**Record Date**").

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system, and its records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg, can only act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes through DTC, Euroclear and Clearstream, Luxembourg, will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) the nominee of the common depositary and (ii) Cede & Co. to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg, and DTC, respectively. Beneficial ownership in the Notes will be held through financial institutions as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg.

Beneficial interests in the Regulation S Global Note and the Rule 144A Global Note will be in uncertificated book-entry form.

DTC actions with respect to the Notes

The Issuer will direct DTC to take the following steps in connection with the Notes:

- to cause (i) each physical DTC delivery order ticket delivered by DTC to purchasers to contain the 20-character security descriptors and (ii) each DTC delivery order ticket delivered by DTC to purchasers in electronic form to contain the "GRLS" indicators and the related user manual for participants, which will contain a description of relevant restrictions;
- to send, on or prior to the closing date of this Offering, an "Important Notice" to all DTC participants in connection with this Offering of the Notes. The Issuer may instruct DTC from time to time (but not more frequently than every six months) to reissue the "Important Notice";
- to include in all "confirms" of trades of the Notes in DTC, CUSIP numbers with a "fixed field" attached to the CUSIP number that has the "GRLS" markers; and
- to deliver to the Issuer from time to time a list of all DTC participants holding an interest in the Notes.

Euroclear actions with respect to the Notes

The Issuer will instruct Euroclear Bank SA/NV to take the following steps in connection with the Notes:

- to reference "144A" as part of the security name in the Euroclear securities database;
- in each daily securities balances report and daily transactions report to Euroclear participants holding positions in the Notes, to include "144A" in the securities name for the Notes; and
- to deliver to the Issuer from time to time, upon its request, a list of all Euroclear participants holding an interest in the Notes.

Clearstream, Luxembourg, actions with respect to the Notes

The Issuer will instruct Clearstream, Luxembourg, to take the following steps in connection with the Notes:

- to reference "144A" as part of the security name in the Clearstream, Luxembourg, securities database;
- in each daily portfolio report and daily settlement report to Clearstream, Luxembourg, participants holding positions in the Notes, to include "144A" in the securities name for the Notes; and
- to deliver to the Issuer from time to time, upon its request, a list of all Clearstream, Luxembourg, participants holding an interest in the Notes.

Bloomberg Screens, etc.

The Issuer will from time to time request all third-party vendors to include appropriate legends regarding Rule 144A restrictions on the Notes on screens maintained by such vendors. Without limiting the foregoing, the Joint Coordinators and the Joint Bookrunners will request that Bloomberg, L.P. include the following on each Bloomberg screen containing information about the securities as applicable:

- the bottom of the "Security Display" page describing the Notes should state: "Iss'd under 144A" and "GRLS";
- the "Security Display" page should have a flashing red indicator stating "Additional Note Pg";
- such indicator for the Notes should link to an "Additional Security Information" page, which should state that the Notes "are being offered in reliance on the exception from registration under Rule 144A of the Securities Act of 1933, as amended (the "**Securities Act**") to persons that are "qualified institutional buyers" as defined in Rule 144A under the Securities Act; and
- the "Disclaimer" pages for the Notes should state that the securities "have not been and will not be registered under the Securities Act of 1933, as amended".

CUSIP

Each "CUSIP" obtained for a Rule 144A Global Note will have an attached "fixed field" that contains "GRLS" and "144A" indicators.

Trading between Euroclear and Clearstream, Luxembourg, Accountholders

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg, to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg, will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg, and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement System.

Trading between DTC Seller and Euroclear or Clearstream, Luxembourg, Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note (subject to such certification procedures as are provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by such Rule 144A Global Note and (ii) increase the amount of Notes registered in the name of a nominee of the common depositary and evidenced by such Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the ease may be, for credit to the relevant accountholder on the first business day following the settlement date. See above concerning the Record Date for payments of interest.

Trading between Euroclear or Clearstream, Luxembourg, Seller and DTC Purchaser

When book-entry interests in Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg, accountholder holding a beneficial interest in a Regulation S Global Note to the account of a DTC participant wishing to purchase a beneficial interest in a Rule 144A Global Note (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg, accountholder must send to Euroclear or Clearstream, Luxembourg, delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and

Clearstream, Luxembourg, and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg, accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg, will (i) transmit appropriate instructions to the custodian who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (ii) instruct the Registrar to (a) decrease the amount of Notes registered in the name of a nominee of the common depositary and evidenced by such Regulation S Global Note and (b) increase the amount of Notes registered in the name of the Cede & Co. and evidenced by such Rule 144A Global Note. See above concerning the Record Date for payments of interest.

Although the foregoing sets out the procedures of DTC, Euroclear and Clearstream, Luxembourg, in order to facilitate the transfers of interests in the Notes among the participants of DTC, Euroclear and Clearstream, Luxembourg, none of DTC, Euroclear or Clearstream, Luxembourg, is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantor, the Trustee, any Agent, the Joint Coordinators and the Joint Bookrunners or any affiliate of any of them or any person by whom any of them is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg, or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

Pre-issue Trades Settlement

It is expected that delivery of the Notes will be made against payment therefor on the Closing Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade the Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of the Notes may be affected by such local settlement practices, and purchasers of the Notes between the relevant date of pricing and the Closing Date should consult their own advisers.

TAX CONSIDERATIONS

The following is a general description of certain tax considerations relating to the Notes and does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisors as to the consequences of a purchase, ownership and disposition of any Notes in light of their particular circumstances, including, but not limited to, the consequences of receipt of interest and of sale or redemption of the Notes. This summary is based upon the laws as in effect on the date of this document and is subject to any change in law that may take effect after such date.

Russian Taxation

General

The following is an overview of certain Russian tax considerations relevant to payments under the Guarantee. The overview is based on the laws of the Russian Federation in effect on the date of this Prospectus, which are subject to potential change (possibly with retroactive effect). The overview does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal authorities of the Russian Federation. Nor does the overview seek to address the availability of double tax treaty relief in respect of the payments under the Gurantee, and it should be noted that there may be practical difficulties, including satisfying certain documentation requirements, involved in claiming double tax treaty relief. Prospective investors should consult their own advisers regarding the tax consequences of investing in the Notes including payments under the Guarantee. No representations with respect to the Russian tax consequences of investing, owning or disposing of the Notes (including payments under the Guarantee) to any particular Noteholder is made hereby.

The provisions of the Russian Tax Code applicable to Noteholders, transactions involving the Notes and payments under the Guarantee are ambiguous and lack interpretive guidance. Both the substantive provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be more inconsistent and subject to more rapid and unpredictable change than in jurisdictions with more developed capital markets or more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax authorities.

In practice, interpretation by different tax inspectorates may be inconsistent or contradictory and may constitute the imposition of conditions, requirements or restrictions not provided for by the existing legislation. Similarly, in the absence of binding precedents court rulings on tax or related matters by different Russian courts relating to the same or similar circumstances may also be inconsistent or contradictory.

According to the Russian Tax Code, a tax resident is an individual who has spent not less than 183 days in the Russian Federation within 12 consecutive months (days of medical treatment and education outside of the Russian Federation are also counted as Russian days if the individual departed from the Russian Federation for these purposes for less than six months).

The interpretation of this definition by the Ministry of Finance of the Russian Federation states that for tax withholding purposes an individual's tax residence status should be determined on the date of income payment (based on the number of Russian days in the 12-month period preceding the date of payment). The individual's final tax liability in the Russian Federation for the reporting calendar year should be determined based on his/her tax residence status for such calendar year, i.e. based on the number of Russian days in the 12-month period as of the end of such period.

For the purposes of this overview, a "non-resident Noteholder" means (i) an individual Noteholder who has not established a Russian tax residence status for the reporting calendar year as discussed above; or (ii) a legal entity or organisation in each case not organised under Russian law that holds and disposes of the Notes otherwise than through a permanent establishment in the Russian Federation.

For the purposes of this overview, a "Russian resident Noteholder" means (i) an individual Noteholder who has established a Russian tax residence status for the reporting calendar year as discussed above; or (ii) a legal entity or organisation which is a Noteholder but is not qualified a non-resident Noteholder as defined in the previous paragraph.

Payments under the Guarantee may be subject to Russian withholding tax

Non-Resident Noteholders

Payments following enforcement of the Guarantee in the part relating to interest on the Notes are likely to be characterised as Russian source income. Accordingly, such payments should be subject to withholding tax at a rate of 20 per cent. in the event that a payment under the Guarantee is made to a non-resident Noteholder that is a legal entity or organisation which in each case is not organised under Russian law and which holds and disposes of the Notes otherwise than through a permanent establishment in Russia, subject to any available double tax treaty relief. In the event a payment under the Guarantee is made to a non-resident individual, such payment should be subject to withholding tax at a rate of 30 per cent., subject to any available double tax treaty relief.

The Issuer and the Guarantor cannot offer any assurance that: (1) double tax treaty relief (or refund of any taxes withheld) will be available for a non-resident Noteholder with respect to payments under the Guarantee or (2) that such withholding tax would not be imposed upon the entire payment under the Guarantee, including with respect to the principal amount of the Notes. The imposition or possibility of imposition of this withholding tax could adversely affect the value of the Notes.

Non-resident Noteholders should consult their own tax advisors with respect to the tax consequences of the receipt of payments under the Guarantee, including the applicability of any available double tax treaty relief.

Resident Noteholders

A Russian resident Noteholder is subject to all applicable Russian taxes and responsible for complying with any documentation requirements that may be established by law or practice in respect of payments under the Guarantee.

Russian resident Noteholders should consult their own tax advisers with respect to their tax position regarding payments under the Guarantee.

Tax Treaty Relief

Advance Treaty Relief

Where the payments under the Guarantee are received from a Russian source, in order for the non- resident Noteholders, whether an individual, legal entity or organisation, to receive the benefits of an applicable double tax treaty, documentary evidence is required to confirm the applicability of the double tax treaty for which benefits are claimed.

Currently, a non-resident Noteholder – legal entity or organisation should present to the payer of income an apostilled or legalised confirmation of its tax residence, attaching a notarized translation in Russian.The confirmation should be presented before any payment is made and should be certified by the competent authority of the country of the Noteholder's tax residence. Such confirmation is valid for the calendar year in which it is issued.

For non-resident individual Noteholders, procedures for advance treaty clearance are not specifically provided for by current Russian legislation. Therefore, it is likely that for non-resident individual Noteholders an advance reduction of the Russian withholding income tax or advance exemption from such tax provided by a respective double tax treaty between the Russian Federation and the country of the tax residence of such non-resident individual Noteholder could practically not be obtained.

Non-resident Noteholders should consult their own tax advisers with respect to the possibilities to enjoy any double tax treaty relief or tax refund and the relevant Russian procedures.

Refund of Tax Withheld

For a non-resident Noteholder which is not an individual and for which double tax treaty relief is available, if Russian withholding tax on income was withheld by the source of payment, a refund of such tax is possible within three years from the end of the tax period in which the tax was withheld. In order to obtain a refund, the tax documentation confirming the right of the non-resident recipient of the income to double tax treaty relief is required.

If non-resident individual Noteholders do not obtain double tax treaty relief at the time the payments under the Guarantee are paid to such non-resident individual Noteholders and income tax is withheld by a Russian payer of the income, such non-resident individual Noteholders may apply for a refund within one year from the end of the tax period in which the tax was withheld. The documentation requirements to obtain such a refund would include a confirmation of the income received and the taxes paid in the country of tax residence of the non-resident individual Noteholders as confirmed by the relevant tax authorities of such countries. However, there can be no assurance that the refund of any taxes withheld or double tax treaty relief (as described above) will be available for such non-resident individual Noteholders.

The Russian tax authorities may, in practice, require a wide variety of documentation confirming the right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required by the Russian Tax Code.

Obtaining a refund of Russian tax withheld may be a time consuming process and can involve considerable practical difficulties, including the possibility that a tax refund may be denied for various reasons.

Irish Taxation

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts, etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

(a) the Notes are Quoted Eurobonds, i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as the Irish, London or Luxembourg Stock Exchanges) and which carry a right to interest; and

(b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:

 (i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or

 (ii) the Noteholder is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and

(c) one of the following conditions is satisfied:

 (iii) the Noteholder is resident for tax purposes in Ireland; or

 (iv) the Noteholder is a pension fund, government body or other person (other than a person described in paragraph (c)(iv) below), who is resident in a Relevant Territory (as defined below) and who, under the laws of that territory is exempted from tax that generally applies to profits, income or gains in that territory; or

 (v) the Noteholder is subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory; or

 (vi) the Noteholder is not a company which, directly or indirectly, controls the Issuer, is controlled by the Issuer, or is controlled by a third company which also directly or indirectly controls the Issuer, and neither the Noteholder, nor any person connected with the Noteholder, is a person or persons:

  i. from whom the Issuer has acquired assets;

  ii. to whom the Issuer has made loans or advances; or

iii. with whom the Issuer has entered into a Swap Agreement,

where the aggregate value of such assets, loans, advances or Swap Agreements represents not less than 75 per cent. of the assets of the Issuer, or

(vii) the Issuer is not aware at the time of the issue of any Notes that any Noteholder of those Notes is (i) a person of the type described in (c)(iv) above AND (ii) is not subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory,

where for these purposes, the term

"**Relevant Territory**" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty; and

"**Swap Agreement**" means any agreement, arrangement or understanding that -

(i) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof, and

(ii) transfers to a person who is a party to the agreement, arrangement or undertaking, or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in the asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

Thus, so long as the Notes continue to be quoted on the Irish Stock Exchange are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised), and one of the conditions set out in paragraph (c) above is met, interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer free of any withholding or deduction for, or on account of, Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for, or on account of, Irish income tax provided that such payment is made through a Paying Agent outside Ireland, and one of the conditions set out in paragraph (c) above is met.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Income Tax, PRSI and Universal Social Charge

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish tax with respect to such interest. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of Section 110 of the TCA, the recipient is not resident in

Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. Secondly, interest payments made by the Issuer in the ordinary course of its business are exempt from income tax provided the recipient is not resident in Ireland and is a company which is either resident in a Relevant Territory which imposes a tax that generally applies to interest receivable in that Relevant Territory by companies from sources outside that Relevant Territory or, in respect of the interest is exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which is not yet in force but which will come into force once all ratification procedures have been completed. Thirdly, interest paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from income tax, where the recipient is a person not resident in Ireland and resident in a Relevant Territory. Finance Act 2012 extends the foregoing exemption to companies which are under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory are resident for the purpose of tax in a Relevant Territory and are not under the control of person(s) who are not so resident, and to 75% subsidiary companies of a company or companies the principal class of shares in which is substantially and regularly traded on a recognised stock exchange. For these purposes, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the case of Noteholders who are individuals, is subject to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Noteholder.

Capital Gains Tax

A Noteholder will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, will be levied at 33 per cent. (assuming that the measures announced on 5 December 2012 by the Minister for Finance are enacted into law within the relevant statutory time frame) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland)).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) of the Irish Stamp Duties Consolidation Act, 1999 so long as the Issuer is a qualifying company for the purposes of Section 110 of the TCA and the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

EU Directive on Taxation of Savings Income

Ireland has implemented the EC Council Directive 2003/48/EC on the taxation of savings income into national law. Accordingly, any Irish paying agent making an interest payment on behalf of the Issuer to an individual or certain residual entities resident in another Member State of the European Union or certain associated and dependent territories of a Member State will have to provide details of the payment and certain details relating to the Noteholder (including the

Noteholder's name and address) to the Irish Revenue Commissioners who in turn are obliged to provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned. The Issuer shall be entitled to require Noteholders to provide any information regarding their tax status, identity or residency in order to satisfy the disclosure requirements in Directive 2003/48/EC and Noteholders will be deemed by their subscription for Notes to have authorised the automatic disclosure of such information by the Issuer or any other person to the relevant tax authorities.

United States Taxation

General

The following discussion summarizes certain U.S. federal income tax consequences relevant to the acquisition, ownership, disposition and retirement of the Notes by a U.S. Noteholder (as defined below), and does not purport to be a complete analysis of all potential tax considerations. This discussion only applies to Notes that are held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**Code**"), and that are purchased in the initial offering at the initial offering price, by U.S. Noteholders. This discussion does not describe all of the U.S. federal income tax consequences that may be relevant to U.S. Noteholders in light of their particular circumstances or to U.S. Noteholders subject to special treatment under U.S. federal income tax law, such as financial institutions; tax-exempt organisations; insurance companies; real estate investment trusts; regulated investment companies; entities treated as partnerships for U.S. federal income tax purposes; traders or dealers in securities; persons holding Notes as part of a straddle, hedge, conversion transaction or other integrated transaction; persons liable for the alternative minimum tax; or certain former citizens or residents of the United States. This summary also does not address tax consequences to U.S. Noteholders whose "functional currency" is not the U.S. dollar. Persons considering the purchase of Notes are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Furthermore, this discussion does not describe the effect of the 3.8% U.S. medicare contribution tax applicable to the net investment income of certain U.S. Noteholders, U.S. federal estate and gift tax laws or the effect of any applicable foreign, state or local law.

This summary is based on the Code, Treasury regulations promulgated thereunder (the "**Treasury Regulations**"), administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or differing interpretations which could affect the tax consequences described herein. The Issuer has not and will not seek any rulings or opinions from the Internal Revenue Service (the "**IRS**") with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the acquisition, ownership or disposition of the Notes or that any such position would not be sustained.

U.S. Internal Revenue Service Circular 230 Disclosure

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, NOTEHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY NOTEHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON NOTEHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) NOTEHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

For purposes of this summary, a "**U.S. Noteholder**" is a beneficial owner of Notes, who is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation or other entity subject to tax as a corporation for U.S. federal income tax purposes created or organised in or under the laws of the United States or any state thereof (including the District of Columbia);

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes, or (2) (a) the administration of which a U.S. court can exercise primary supervision over and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner will depend on the status of the partner and the activities of the partnership. A U.S. Noteholder that is a partnership and partners in such partnership should consult their own tax advisors as to the tax consequences to them of the partnership acquiring, owning, disposing and retiring Notes.

Interest and Original Issue Discount

Payments of interest on a Note generally will be included in the income of a U.S. Noteholder as taxable ordinary income from sources outside of the United States in accordance with the U.S. Noteholder's method of accounting for United States federal income tax purposes.

If the Notes are treated as issued with original issue discount ("OID"), a U.S. Noteholder, regardless of its accounting method, generally must include in ordinary income the daily portion of any OID on a Note for each day during each taxable year in which a Note is held, determined by using a constant yield-to-maturity method that reflects compounding of interest. The total amount of OID on a Note will equal the excess of the Note's "stated redemption price at maturity" over its "issue price" unless such excess is de minimis (i.e., less than one-quarter of one percent of the stated redemption price at maturity multiplied by the number of complete years to maturity). The "stated redemption price at maturity" will equal the Note's face amount. The "issue price" of a Note will equal the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers. The amount of such inclusions will generally increase over time. Any OID will be ordinary income from sources outside of the United States.

Withholding and Payment of Additional Amounts

If any non-U.S. taxes are withheld with respect to interest payments and OID on the Notes, a U.S. Noteholder would be required to include in ordinary taxable income any additional amounts (as described under "Terms and Conditions of the Notes — Taxation") paid and any tax withheld from the interest payment, notwithstanding that such withheld tax is not in fact received by the U.S. Noteholder. A U.S. Noteholder may be eligible, subject to a number of limitations, for a deduction or U.S. foreign tax credit with respect to any non-U.S. tax withheld. Non-U.S. taxes withheld or imposed in respect of the Notes other than on a payment of interest may not be creditable or may be creditable only if the U.S. Noteholder has foreign source income of the appropriate type. The rules relating to U.S. foreign tax credits or deductions and the timing thereof are extremely complex and U.S. Noteholders should consult their own tax advisors with regard to the availability of a U.S. foreign tax credit or deduction and the application of the U.S. foreign tax credit limitations to their particular situations.

Sale, Exchange, Retirement or Other Disposition

Upon the sale, exchange, retirement or other disposition of a Note, a U.S. Noteholder generally will recognize capital gain or loss equal to the difference between the amount realised on the sale, exchange, retirement or other disposition (other than accrued but unpaid interest which will be taxable as ordinary income to the extent not yet included in income by the U.S. Noteholder) and the U.S. Noteholder's adjusted tax basis in such Note. A U.S. Noteholder's adjusted tax basis in a Note generally should equal the cost of the Note to such U.S. Noteholder increased by any OID included in the U.S. Noteholder's income with respect to that Note and reduced by any payments other than stated interest.

Any capital gain or loss recognised on the disposition of a Note will generally be long-term capital gain or loss if the U.S. Noteholder has held the Note for more than one year. Long-term capital gain of a non-corporate U.S. Noteholder is generally subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations.

In most circumstances, gain or loss realised by a U.S. Noteholder on the sale, exchange, retirement or other disposition of a Note generally will be treated as U.S. source income or loss, as the case may be, for U.S. foreign tax credit limitation purposes.

Possible Effect of Substitution of the Issuer

Provided that certain conditions are satisfied, another entity may be substituted, without the consent of the Noteholders, as the principal obligor in respect of the Notes. Depending on the circumstances, such substitution could be treated as a deemed taxable exchange to a U.S. Noteholder of the Notes for newly issued notes, which could be considered, for U.S. federal income tax purposes, to be issued with original issue discount. U.S. Noteholders should consult their tax advisors regarding the consequences to them of such a substitution.

U.S. Foreign Account Tax Compliance Withholding

In the event that the terms of the Notes are materially modified or another entity is substituted as the principal obligor in respect of the Notes, it is possible that the payments on the Notes may be subject to U.S. withholding tax at a rate of 30% pursuant to the provisions of recently enacted legislation ("FATCA") or a similar law implementing an intergovernmental approach to FATCA. This withholding tax may apply if the new obligor is a U.S. person or, alternatively, if (i) the Issuer, Guarantor or other paying agent is considered to be a "foreign financial institution" ("FFI") (as defined in FATCA) and certain other factors are present, (ii) the terms of the Notes are materially modified after the date that is six months after finalization of final regulations (the "grandfather date"), which would occur if there is a substitution of the obligor after the grandfather date, and (iii) the payments are made to or through a non-compliant FFI. Final regulations address some aspects of FATCA but do not address the scope of the FATCA withholding tax in all of the circumstances described above. Thus, the possible application of FATCA to amounts paid with respect to the Notes is not clear. If an amount in respect of FATCA withholding tax were withheld from interest, principal or other payments on the Notes, neither the Issuer nor the Guarantor nor any paying agent nor any other person would be required to pay additional amounts as a result of the withholding of such tax. Noteholders should consult their tax advisers on how FATCA may affect the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (also referred to herein as the EU Savings Directive), member states are required to provide to the tax authorities of other member states details of payments of interest or other similar income paid by a person within its jurisdiction to an individual (or certain other types of person) established in that other member state. However, Luxembourg and Austria are instead required to operate a withholding system for a transitional period in relation to such payments made by paying agents established in those countries unless, during such period, they elect to do otherwise. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. A number of non-EU countries and territories have agreed to adopt similar measures.

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

The attention of Noteholders is drawn to Condition 7.6 of the Terms and Conditions of the Notes.

CERTAIN ERISA CONSIDERATIONS

ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "Risk Factors" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Other provisions of U.S. federal, state or local law or non-U.S. law may impose restrictions that are similar to those imposed by section 406 of ERISA and section 4975 of the Code

Regulations promulgated by the United States Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), describe what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA and Section 4975 of the Code, including the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, the purchase with assets of a Plan of equity interests in the Issuer could, in certain circumstances, cause the assets of the Issuer to be deemed assets of the investing Plan which, in turn, would subject the Issuer and its assets to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA and Section 4975 of the Code. The Plan Asset Regulation defines an equity interest as "any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features." Although there is no guidance under ERISA on how this definition applies generally or in particular, to a security issued by a special purpose entity such as the Issuer, because the Notes (a) are expected to be treated as indebtedness under local law, and (b) should not be deemed to have any "substantial equity features," purchases of the Notes should not be treated as equity investments and, therefore, the assets of the Issuer should not be deemed to be assets of the investing Plans. These conclusions are based, in part, upon the traditional debt features of the Notes, including the reasonable expectation of purchasers of the Notes that the Notes will be repaid when due, as well as the absence of conversion rights, warrants and other typical equity features. It should be noted, however, that the debt treatment of the Notes for ERISA purposes could change subsequent to their issuance (i.e., they could be treated as equity) if, for instance, the Issuer incurs significant losses.

Whether or not the underlying assets of the Issuer are deemed to include "plan assets," as described above, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which the Issuer, the Guarantor, the Joint Bookrunners, the Trustee or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any Notes (or any interest in a Note), the purchaser (whether in the case of the initial purchase or in the case of a subsequent transfer) thereof will be deemed to have represented and agreed that (1) either (i) it is not and for so long as it holds a Note (or any interest in a Note) will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or while the Notes are held will be) a Plan, an entity whose underlying assets include, or are deemed to include, the assets of a Plan (each of the foregoing a "**Benefit Plan Investor**"), or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any such substantially similar U.S. federal, State or local law, or non-U.S. law); and (2) it will not sell or otherwise transfer such Notes otherwise than to a purchaser or transferee that is deemed to represent and agree with respect to its purchase and holding of such Notes to the same effect as the purchaser's representation and agreement set forth in this sentence. Any purported purchase of a Note (or an interest therein) that does not comply with the foregoing shall be null and void *ab initio*.

The foregoing discussion is general in nature and not intended to be all inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes (or any interests therein) should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA. Likewise, potential purchasers or subsequent transferees who are acting on behalf of governmental or other employee benefit plans are subject to other U.S. federal, state or local laws or non-U.S. law that impose restrictions that are similar to those imposed by Section 406 of ERISA and section 4975 of the Code should consult their advisors regarding the applicability of such laws.

The sale of Notes (or any interests therein) to a Plan is in no respect a representation by the Joint Bookrunners that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE

Pursuant to a Subscription Agreement dated 29 January 2013, Citigroup Global Markets Limited, J.P. Morgan Securities plc and The Royal Bank of Scotland plc have been appointed as Joint Coordinators and Joint Bookrunners in connection with the Offering and Credit Suisse Securities (Europe) Limited, GPB-Financial Services Ltd and SIB (Cyprus) Limited have been appointed as Joint Bookrunners in connection with the Offering. The Joint Bookrunners have, in the Subscription Agreement, severally and not jointly, nor jointly and severally, agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe for the Notes at 100% of their principal amount in the following amounts:

Joint Bookrunners	**Principal Amount of Notes (US$)**
Citigroup Global Markets Limited	166,666,667
J.P. Morgan Securities plc.	166,666,667
The Royal Bank of Scotland plc.	166,666,668
Credit Suisse Securities (Europe) Limited	166,666,666
GPB-Financial Services Ltd	166,666,666
SIB (Cyprus) Limited	166,666,666
TOTAL	**1,000,000,000**

The Issuer (failing whom the Guarantor) has agreed to pay to the Joint Coordinators and the Joint Bookrunners a combined management, underwriting and selling commission (which shall be an agreed percentage of the aggregate principal amount of the notes) in consideration of their obligations undertaken in the Subscription Agreement. In addition, the Issuer (failing whom the Guarantor) has agreed to reimburse the Joint Coordinators and the Joint Bookrunners for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Coordinators and the Joint Bookrunners to terminate it in certain circumstances prior to payment being made to the Issuer. The Issuer and the Guarantor have in the Subscription Agreement agreed to indemnify the Joint Coordinators and the Joint Bookrunners against certain liabilities incurred in connection with the issue of the Notes, including liabilities under the Securities Act.

The Joint Coordinators and the Joint Bookrunners and their respective affiliates may have performed various financial advisory, investment banking and commercial banking services for, and may arrange loans and other non public market financing for, and enter into derivative transactions with, the Company and its affiliates (including its shareholders and the Issuer) and for which they may receive customary fees and expenses. Each of the Joint Coordinators and the Joint Bookrunners and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer and the Group in the ordinary course of their respective businesses.

No Securities Commission Approval

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Notes or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Coordinator and each Joint Bookrunner has severally and not jointly, nor jointly and severally, represented in the Subscription Agreement that it has not offered and sold the Notes and the Guarantee and agrees that it will not offer and sell the Notes or the Guarantee (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the Offering and the Closing Date (the "**distribution compliance period**") except in accordance with Rule 903 or 904 of Regulation S or Rule 144A as set forth below. Accordingly, each Joint Coordinator and each Joint Bookrunner has represented that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee and it has complied and will comply with the Offering restrictions of Regulation S. Terms used in this paragraph have the meanings given to them by the Regulations.

Each Joint Coordinator and each Joint Bookrunner has agreed in the Subscription Agreement that, at or prior to confirmation of sale of the Notes and the Guarantee (other than a sale pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes and the Guarantee from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Notes and the Guarantee covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S under the Securities Act."

Each Joint Coordinator and each Joint Bookrunner has also severally and not jointly nor jointly and severally represented and agreed in the Subscription Agreement that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act ("**Regulation D**")), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Notes and the Guarantee in the United States. Each Joint Coordinator and each Joint Bookrunner severally and not jointly, nor jointly and severally, has further represented that it has not entered and agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes and the Guarantee, except with its affiliates or with the prior written consent of the Issuer and the Company.

The Subscription Agreement provides that the Joint Coordinators and the Joint Bookrunners may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of the Notes and the Guarantee in the United States only to qualified institutional buyers in accordance with Rule 144A.

United Kingdom

Each of the Joint Coordinators and Joint Bookrunners has severally and not jointly, nor jointly and severally, represented and agreed in the Subscription Agreement that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Russian Federation

Each Joint Coordinator and each Joint Bookrunner has severally and not jointly, nor jointly and severally, acknowledged in the Subscription Agreement that (i) no Russian prospectus has been produced and registered or is intended to be produced and registered with respect to the Notes and the Notes have not been and are not intended to be registered in the Russian Federation; and (ii) the Notes are not admitted to placing and public circulation in the Russian Federation (in terms of the applicable Russian securities laws). Consequently, each of the Joint Coordinators and each of the Joint Bookrunners has severally and not jointly nor jointly and severally represented, warranted and agreed in the Subscription Agreement that it and its affiliates have not offered or sold or otherwise transferred, and will not offer or sell or otherwise transfer as part of their initial distribution or at any time thereafter, any Notes to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation, or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law.

Ireland

Each of the Joint Coordinators and Joint Bookrunners has, severally and not jointly, nor jointly and severally, acknowledged in the Subscription Agreement that:

(a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) as amended, including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;

(b) it will not underwrite the issue of, or place, any Notes, otherwise than in conformity with the provisions of the Companies Acts 1963 – 2012, the Central Bank Acts 1942 – 2011 and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of any Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended, and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of any Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005, as amended, and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland.

LEGAL MATTERS

Certain legal matters in relation to the Offering will be passed upon for the Issuer and the Guarantor with respect to the laws of the United States by Skadden, Arps, Slate, Meagher & Flom (U.K.) LLP, with respect to the laws of the Russian Federation by Skadden, Arps, Slate, Meagher & Flom LLP and with respect to the laws of Ireland by Arthur Cox. Certain legal matters in relation to the Offering will be passed upon for the Joint Coordinators and the Joint Bookrunners with respect to the laws of England, the United States and the Russian Federation by Freshfields Bruckhaus Deringer LLP. Certain legal matters in relation to the Offering will be passed upon for the Trustee with respect to the laws of England by Linklaters LLP.

INDEPENDENT AUDITORS

The Annual Combined Financial Information included in this Prospectus has been audited by ZAO PricewaterhouseCoopers Audit ("**PwC**"), independent auditors, of Butyrsky Val 10, 125047 Moscow, Russian Federation as stated in their audit report appearing herein (the "**Independent Auditor's Report**"). PwC are a member of the Audit Chamber of Russia (*Auditorskaya Palata Rossii*).

With respect to the Interim Combined Financial Information included in this Prospectus, PwC reported that they have applied limited procedures in accordance with professional standards for review of such information. However, PwC's report dated 14 December 2012, appearing herein, states that they did not audit and they do not express an opinion on the Interim Combined Financial Information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

PwC are responsible for the Independent Auditor's Report, as part of the Prospectus, and declare that they have taken all reasonable care to ensure that the information contained in the Independent Auditor's Report is, to the best of PwC's knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex IX of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation").

For the purpose of compliance with item 13.1 of Annex IX of the PD Regulation, PwC have given and not withdrawn their written consent to the inclusion of the Independent Auditor's Report, in the form and context in which it is included and have authorised the content of the Independent Auditor's Report.

The written consent described above is different from a consent filed with the U.S. Securities and Exchange Commission under Section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act. As the Notes have not and will not be registered under the Securities Act, PwC have not filed a consent under Section 7 of the Securities Act.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg, and DTC. The common code of the Regulation S Notes is 087885577 and the ISIN is XS0878855773. The common code of the Rule 144A Notes is 088108868, the CUSIP number is 825798AA9 and the ISIN is US825798AA95.
2. So long as any of the Notes are outstanding and the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will promptly furnish, for the benefit of the holders from time to time of Notes, upon request, to holders of Notes and prospective purchasers designated by any such holders, information required to be disclosed by subsection (d)(4) of Rule 144A (or any successor provision).
3. So long as any of the Notes are outstanding and the Guarantee is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act, the Guarantor will promptly furnish, for the benefit of holders from time to time of the relevant Notes, upon request, to holders of Notes and prospective purchasers designated by any such holders, information required to be disclosed by subsection (d)(4) of Rule 144A (or any successor provision).
4. It is expected that the listing of the Notes on the Official List of the Irish Stock Exchange and the admission of the Notes to trading on the Main Securities Market will take place on or about 31 January 2013, subject to the issuance of the Global Notes. Transactions will normally be effected for delivery on the third business day after the transaction.
5. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Noes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.
6. For so long as any of the Notes are listed on the Irish Stock Exchange and admitted to trading on the Main Securities Market for listed securities of the Irish Stock Exchange, copies of the following documents may be inspected at and are available free of charge in physical form at the registered office of the Issuer, the Guarantor and the specified office of the Principal Paying Agent in London during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):
   - the certificate of incorporation of the Issuer and articles of association of the Issuer;
   - a copy of the charter or, as the case may be, articles of incorporation of the Guarantor (together with an English translation thereof, if applicable; any investor receiving an English translation acknowledges that such translation is provided solely for the benefit of the investor and that in the instance of any dispute, the original document will prevail. The Group affirms that any English translation provided will be direct and accurate in all material respects);
   - the Agency Agreement;
   - the Trust Deed, including the forms of the Global Notes;
   - the Guarantee;
   - the Prospectus;
   - the Group's Annual Combined Financial Information;
   - the Group's Interim Combined Financial Information;
   - the authorisations listed in paragraph 6 below.
7. The issuance of the Notes has been authorised by a decision of the board of directors of SIBUR Securities Limited dated 25 January 2013, and the Guarantee has been authorised by a decision of the Board of Directors of OAO SIBUR Holding dated 18 December 2012.
8. No consents, approvals, authorisations or orders of any regulatory authorities are required by the Issuer or the Guarantor under the laws of Ireland or the Russian Federation for issuing the Notes or the giving of the Guarantee.
9. Since 8 November 2012, the date of incorporation of the Issuer, there has been no material adverse change in the prospects of the Issuer.
10. Since 8 November 2012, the date of incorporation of the Issuer, there has been no significant change in the financial or trading position of the Issuer.

11. There has been no material adverse change in the prospects of either the Guarantor or the Group since 31 December 2011, such date being the date of the last audited combined financial information of the Group.

12. There has been no significant change in the financial or trading position of either the Guarantor or the Group since 30 September 2012, such date being the date of the latest unaudited combined interim condensed financial information of the Group.

13. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware), during a period covering at least the previous 12 months, which may have, or have had in the recent past, significant effects on each of the Issuer's, the Guarantor's, or the Group's financial position or profitability.

14. The Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Guarantee.

15. The total fees and expenses in relation to the admission to trading of the Notes are expected to be approximately Euro 5,000.

16. The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

17. Any reference to websites in this Prospectus is for information purposes only and such websites shall not form part of this document.

18. The Guarantor is an open joint stock company organised under the laws of the Russian Federation with the legal name Open Joint Stock Company SIBUR Holding. The Guarantor was registered in the Russian Federation on 8 July 2005 under the the principal state registration number 1057747421247. The Guarantor's registered address is Russia, 190000, St. Petersburg, Galernaya Street, 5, liter A, and its telephone number is +7 495 777 5500.

GLOSSARY OF TECHNICAL TERMS

The following technical terms are used in this Prospectus:

Acrylates	are liquids with strong odor and include ethers of acrylic acid, butyl, methyl and ethyl. Acrylates are mainly used in the production of acrylic emulsions, superabsorbents, building mixes and adhesives used in the construction and textile industries.
Alcohols	are colourless liquids, which include 2-ethylhexanol, butyl alcohol and isobutyl alcohol. Alcohols are used in organic synthesis for production of plasticizers, acetates, acrylates, oil additives, as solvents for plastics and varnish, as anti-foaming agent, as well as a component for perfume compounds.
Associated petroleum gas (APG)	is a gas by-product of oil production with very high content of C_{2+} fractions (ranging from 8% to over 40% of mass). APG comprises solution gas found in oil reservoirs and and gas from the gas caps of oil fields. APG can be utilized either through gas processing or, alternatively, as an in-field fuel source for power generation or reverse injection into oil reservoirs.
Benzene	is an aromatic hydrocarbon in the form of a colorless, flammable liquid, which is primarily used as a feedstock for styrene monomer, phenol and caprolactam production.
Biaxially Oriented Polypropylene films (BOPP – films)	include coextruded, coated, non-heat sealable or homopolymer films in a variety of finishes. BOPP-films are mainly used by the retail industry for packaging and production of price tags and labels and adhesive tapes.
Butadiene	is an industrial chemical used in the production of styrene-butadiene, polybutadiene, nitrile, polychloroprene rubbers and styrenic block copolymers.
Butyl rubbers (IIR)	is a copolymer of isobutylene and a small amount of isoprene, characterised by gas impermeability. Butyl rubbers are mainly used for production of tyre inner tubes, as well as adhesives, sealants, diaphragms for tyres, and chewing gums.
Gas fractionation unit (GFU)	is the final processing step of raw NGL. At fractionation stage, raw NGL is separated into LPG (propane, butane fractions and their mixes) and naphtha, which are either sold to energy market clients or used as petrochemical feedstock.
Gas Processing Plant (GPP)	is a processing plant where APG is separated into natural gas ($C_{1\text{-}2}$ fractions) and raw NGL (C_{2+} fractions).
Condensate processing plant (CPP)	is a processing plant where unstable gas condensate is stabilized and separated into stable gas condensate (C_{5+} fractions) and raw NGL ($C_{3\text{-}5}$ fractions). Only two of these plants exist in Russia. The Purovskiy GCP owned by NOVATEK and the Surgutskiy ZSK owned by Gazprom. Stable gas condensate is sold to the downstream oil industry, typically for direct blending or refining; raw NGL is transported to fractionation facilities or petrochemicals plants for further processing.
Ethylene oxide	is a derivative of ethylene.
Expandable polystyrene (EPS)	is a granulated polymer with round granules made from styrene monomer. Expandable polystyrene is used for production of thermo-insulation blocks, packaging materials as well as for decorative elements.

Glycols	are viscous liquids, which include mono-ethylene glycol, diethylene glycol and trienthylene glycol. Glycols are used primarily for production of PET, polyester fiber, de-icing liquids, cooling and anti-freezing liquids, extragent for aromatic hydrocarbons and reagent for natural gas drying.
Isobutylene	is a hydrocarbon used in production of butyl (isobutylene-isoprene) rubber and isoprene (the monomer for butyl and polyisoprene rubbers), styrenic block copolymers (styrene-isoprene-styrene thermoplastic elastomer).
Isoprene	is a heat sensitive organic compound used in the production of butyl (isobutylene-isoprene) and polyisoprene rubber, styrenic block copolymers (styrene-isoprene-styrene thermoplastic elastomer).
Isoprene/polyisoprene rubbers (IR)	are commodity rubbers primarily used in the production of tyres, rubber goods, footwear, medical applications and sealants and adhesives.
Liquefied petroleum gases (LPG)	refers primarily to propane (C_3 fractions), butane, isobutane (C_4 fractions) or propane-butane mixtures. The choice of propane, butane or propane-butane mixtures is usually determined by a combination of the intended end use and desired physical properties. LPG is used as a motor fuel, feedstock for petrochemicals production as well as a fuel for heating.
Low density polyethylene (LDPE)	is a granulated thermoplastic polymer with geometrically identical granules. LDPE is used as a feedstock in manufacturing general-purpose consumer goods, coating materials for electrotechnical and energy industry, film for agricultural industry as well as various packaging.
Methyl tertiary butyl ether (MTBE)	is a fuel additive used to obtain higher octane values for gasoline.
Naphtha	(C_{5+} fractions) is a mix of liquid hydrocarbons and refers primarily to pentane, isopentane, hexane and heavier fraction hydrocarbons. Naphtha is primarily used as feedstock for energy, utilities and petrochemical industries.
Natural gas	is a hydrocarbon gas mixture primarily comprising methane (C_1 fraction) and ethane (C_2 fraction). Methane is primarily used as a fuel for power generation, residential, commercial and industrial applications as well as feedstock for the production of mineral fertilizers and methanol. Ethane can also be used as a chemical feedstock. Natural gas is an equivalent of dry gas
Natural gas liquids (NGLs)	comprise raw NGL, LPG and naphtha.
Nitrile-butadienenitrile rubber (NBR)	is a complex mixture of unsaturated co-polymers of acrylonitrile and butadiene, characterized by oil and petrol resistance quality.
Polypropylene (PP)	is a granulated thermoplastic polymer with geometrically identical granules. PP is used as a feedstock in manufacturing of general-purpose consumer goods, various packaging, BOPP-films, hygiene products, pipes, fibres and automotive components.
Polyvinyl chloride (PVC)	is produced by polymerization of vinyl chloride. PVC is primarily used for pipe and fitting applications, including construction, irrigation and drainage.
Polybutadiene rubbers (BR)	are commodity rubbers primarily used in the production of tyres, as well as general rubber and abrasion goods and plastic modification.
Polyethylene terephthalate (PET)	is a thermoplastic polymer resin of the polyester family with geometrically identical granules. It is primarily used in manufacturing of PET packaging for beverages and food, as well as other containers.

Propylene	is mainly produced as a by-product alongside ethylene in the steam cracking process, but can also be derived as by-product of crude oil refining or produced "on-purpose" by the dehydrogenation of propane.
Raw NGL	represents a mixture of hydrocarbon fractions from C_3 to C_6 (including propane, normal butane, pentane, hexane). Raw NGL is primarily used as feedstock for fractionation into energy products and as feedstock for petrochemicals production.
Styrene	is an aromatic hydrocarbon (a derivative of benzene) used in the production of polystyrene (general purpose, expandable and high-impact), ABS plastics, styrene-butadiene rubbers and styrene block copolymers.
Styrene-butadiene (eSBR, sSBR) rubbers	are commodity rubbers derived from styrene and butadiene, used in automotive industry primarily for the production of tyres.
Synthetic rubber	is a type of artificial elastomer. An elastomer is a material with the mechanical property that can undergo much more elastic deformation under stress than most other materials and still return to its previous size without permanent deformation.
Terephthalic acid (PTA)	is the organic compound, which is colorless and solid and is a commodity chemical, used principally as a precursor to the polyester.
Thermoplastic elastomers (TPE)	are a mix of polymers (usually a plastic and a rubber), which consists of materials with both thermoplastic and elastomeric properties. TEP are primarily used in construction, healthcare, automotive and electronics.
Unstable gas condensate	are C_{3+} fractions obtained from processing of wet gas extracted from gas fields.
Wet gas	is non-associated gas extracted from gas fields and processed by gas producers to separate natural gas from the heavier NGLs (C_{3+} fractions).

INDEX TO COMBINED FINANCIAL INFORMATION

OAO SIBUR Holding

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

As of and for the three and nine months ended 30 September 2012

Report on review of combined interim condensed financial information

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

Introduction

1. We have reviewed the accompanying combined interim condensed statement of financial position of the feedstock and energy and petrochemical segments of the Group as described in notes 1 and 2 as at 30 September 2012 and the related combined interim condensed statements of comprehensive income for the three and nine months then ended, and of cash flows and changes in equity for the nine months then ended. Management is responsible for the preparation and presentation of this combined interim condensed financial information as set out on pages 2 to 27 in accordance with International Accounting Standard No.34, *Interim Financial Reporting*, and the basis of preparation set out in note 2 to the combined interim condensed financial information. Our responsibility is to express a conclusion on this combined interim condensed financial information based on our review.

Scope of review

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

Conclusion

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

ZAO PricewaterhouseCoopers Audit

14 December 2012

Moscow, Russian Federation

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

(In millions of Russian roubles, unless otherwise stated)

Notes		30 September 2012	31 December 2011
	Assets		
	Non-current assets		
5	Property, plant and equipment	183,355	150,502
3	Goodwill	9,480	6,697
6	Investments in joint ventures	16,908	18,118
	Deferred income tax assets	12,301	10,380
7	Advances and prepayments for capital construction	45,219	32,858
8	Loans receivable	762	638
9	Trade and other receivables	95	335
10	Other non-current assets	5,852	3,432
	Total non-current assets	**273,972**	**222,960**
	Current assets		
11	Inventories	22,166	22,187
9	Trade and other receivables	15,243	20,965
9	Receivables for disposed businesses	-	11,368
	Prepaid current income tax	859	3,025
12	Prepayments and other current assets	16,731	20,749
8	Loans receivable	1,126	911
13	Cash anpd cash equivalents	9,176	14,971
13	Restricted cash	1,106	-
4	Assets classified as held for sale	3,884	5,993
	Total current assets	**70,291**	**100,169**
	Total assets	**344,263**	**323,129**
	Liabilities and equity		
	Non-current liabilities		
14	Long-term debt	44,149	51,716
16	Grants and subsidies	21,467	19,549
	Deferred income tax liabilities	9,485	8,110
17	Other non-current liabilities	4,815	6,512
	Total non-current liabilities	**79,916**	**85,887**
	Current liabilities		
15	Short-term debt and current portion of long-term debt	36,701	31,194
18	Trade and other payables	32,735	29,973
	Income tax payable	2,985	5,286
19	Taxes other than income tax payable	3,201	4,788
4	Liabilities associated with non-current assets classified as held for sale	-	667
	Total current liabilities	**75,622**	**71,908**
	Total liabilities	**155,538**	**157,795**
	Equity		
	Shareholders of the parent company net investment	187,232	163,911
	Non-controlling interest	1,493	1,423
	Total equity	**188,725**	**165,334**
	Total liabilities and equity	**344,263**	**323,129**

D.V. Konov
Chief Executive Officer
14 December 2012

A.N. Filippovskiy
Chief Financial Officer
14 December 2012

The accompanying notes on pages 6 to 27 are an integral part of this combined interim condensed financial information.

(In millions of Russian roubles, unless otherwise stated)

Notes		Three months ended 30 September: 2012	Three months ended 30 September: 2011	Nine months ended 30 September: 2012	Nine months ended 30 September: 2011
	Continuing operations				
21	Revenue	62,030	59,885	198,957	181,471
22	Operating expenses	(47,011)	(43,953)	(146,093)	(124,075)
	Operating profit	**15,019**	**15,932**	**52,864**	**57,396**
23	Finance income	3,889	1,665	3,145	3,032
23	Finance expenses	(177)	(4,072)	(1,020)	(5,848)
3	Gain on acquisition of a subsidiary	-	-	430	-
	Share of net income of joint ventures	194	238	115	493
	Gain/(loss) on disposal of investments	283	61	283	(185)
	Profit before income tax	**19,208**	**13,824**	**55,817**	**54,888**
24	Income tax expense	(3,692)	(2,201)	(10,326)	(10,768)
	Profit from continuing operations	**15,516**	**11,623**	**45,491**	**44,120**
	Total comprehensive income from continuing operations	**15,516**	**11,623**	**45,491**	**44,120**
	Discontinued operations				
4	Loss from disposal of the Amtel Group assets	-	-	(315)	-
4	**Total comprehensive loss from discontinued operations**	**-**	**-**	**(315)**	**-**
	Total comprehensive income for the reporting period	**15,516**	**11,623**	**45,176**	**44,120**
	Profit for the reporting period, including attributable to:	**15,516**	**11,623**	**45,176**	**44,120**
	Non-controlling interest	9	25	70	(19)
	Shareholders of the parent company	15,507	11,598	45,106	44,139

The accompanying notes on pages 6 to 27 are an integral part of this combined interim condensed financial information.

(In millions of Russian roubles, unless otherwise stated)

Notes		Nine months ended 30 September: 2012	2011
	Operating activities		
25	Cash from operating activities of continuing operations before income tax payment	64,977	62,473
24, 25	Income tax paid from continuing operations	(10,081)	(11,412)
25	**Net cash from operating activities of continuing operations**	**54,896**	**51,061**
	Net cash from operating activities	**54,896**	**51,061**
	Investing activities		
	Purchase of property, plant and equipment	(48,165)	(32,612)
	Loans issued	(1,838)	(42,454)
	Proceeds from disposal of the Mineral Fertilizers business, net of related income tax of RR 900	7,751	-
9	Settlement of receivables from the Amtel Group	2,631	-
	Proceeds from sale of financial instruments	2,273	-
13	Restricted cash for capital construction	(1,106)	-
6,9	Dividends received	1,365	-
	Repayment of loans and notes receivable	410	7,058
	Proceeds from sale of property, plant and equipment	1,149	1,074
	Purchase of investments at fair value through profit and loss	-	(2,050)
	Proceeds from disposal of subsidiaries, net of cash disposed	283	736
6	Acquisition of interest in joint ventures	-	(12,000)
	Acquisition of interest in subsidiaries, net of cash acquired	(1,524)	(1,799)
	Decrease/(increase) in other non-current assets, net	480	(113)
	Cash used in investing activities of continuing operations	**(36,291)**	**(82,160)**
4	**Cash from investing activities of discontinued operations, net of related income tax**	**6,584**	-
	Net cash used in investing activities	**(29,707)**	**(82,160)**
	Financing activities		
	Proceeds from long-term debt	10,188	41,019
	Repayment of long-term debt	(11,590)	(19,803)
	Proceeds from short-term debt	21,864	31,308
	Repayment of short-term debt	(29,858)	(40,318)
20	Dividends paid to the Company's shareholders	(21,785)	-
20	Sale of OAO SIBUR Holding shares	-	6,984
	Interest received	546	493
	Interest paid	(2,742)	(1,537)
	Payment of bank fees	(586)	(194)
16	Grants and subsidies received	3,377	1,304
	Other	-	126
	Cash (used in)/received from financing activities of continuing operations	**(30,586)**	**19,382**
	Net cash (used in)/received from financing activities	**(30,586)**	**19,382**
	Effect of exchange rate changes on cash and cash equivalents	(398)	(144)
	Net decrease in cash and cash equivalents	**(5,795)**	**(11,861)**
	Cash and cash equivalents, at the beginning of the reporting period	14,971	15,416
	Cash and cash equivalents, at the end of the reporting period	**9,176**	**3,555**

The accompanying notes on pages 6 to 27 are an integral part of this combined interim condensed financial information.

(In millions of Russian roubles, unless otherwise stated)

Notes		Shareholders of the parent company net investment	Non-controlling interest	Total equity
	Balance as of 31 December 2010	**113,692**	**672**	**114,364**
	Profit for the reporting period	44,139	(19)	44,120
	Comprehensive income for the reporting period	44,139	(19)	44,120
20	Sale of OAO SIBUR Holding shares	6,984	-	6,984
	Net contributions from shareholders of the Mineral Fertilizers and Tyres businesses	2,777	-	2,777
	Balance as of 30 September 2011	**167,592**	**653**	**168,245**
	Balance as of 31 December 2011	**163,911**	**1,423**	**165,334**
	Profit for the reporting period	45,106	70	45,176
	Comprehensive income for the reporting period	45,106	70	45,176
	Dividends paid	(21,785)	-	(21,785)
	Balance as of 30 September 2012	**187,232**	**1,493**	**188,725**

The accompanying notes on pages 6 to 27 are an integral part of this combined interim condensed financial information.

1 NATURE OF OPERATIONS

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

The Group's overall sales have no material exposure to seasonal factors. The Group's production facilities are located in the Russian Federation.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation. This combined interim condensed financial information has been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34). It should be read in conjunction with the Group's combined financial information for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations.

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

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

The combined interim condensed financial information comprises an aggregate of the amounts included in the financial statements of OAO SIBUR Holding and its subsidiaries relating to the activities of the SIBUR Group's Feedstock & Energy and Petrochemicals reportable segments. The combined interim condensed financial information is different than the consolidated interim condensed financial information for the nine months ended 30 September 2012 and 2011, as the combined interim condensed financial information does not give effect to inclusion of the Mineral Fertilizers and Tyres businesses that were treated as discontinued operations in the consolidated interim condensed financial information for the nine months ended 30 September 2012 and 2011. The principal entities included in this combined interim condensed financial information are shown in Note 27.

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

(In millions of Russian roubles, unless otherwise stated)

3 ACQUISITION OF OOO BIAXPLEN

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

Details of the assets and liabilities acquired are as follows:

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

The acquired subsidiary contributed RR 1,265 in revenue and RR 82 in profit to the Group for the period from the acquisition date to 30 September 2012. If the acquisition had occurred on 1 January 2012, the Group's revenue and profit from continuing operations for the nine months ended 30 September 2012 would have been RR 199,394 and RR 45,361, respectively.

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

4 DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

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

Cash from investing activities in the combined interim condensed statement of cash flows for the nine months ended 30 September 2012 includes RR 6,584 for OAO Kirov Tyre Plant and ZAO Voronezh Tyre Plant from OOO E-Volution Tyre, a joint venture of the Pirelli Group and Rostechnologii, as sale consideration.

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

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

Other assets classified as held for sale. As of 30 September 2012 and 31 December 2011, assets classified as held for sale included a number of construction projects worth RR 3,884 and RR 1,370, respectively, administrated by ZAO Severnye Gazoprovody and OOO Yugozapadnye Gazoprovody. The Group plans to sell these property, plant and equipment items accounted for as assets classified as held for sale as of 30 September 2012 within 12 months.

(In millions of Russian roubles, unless otherwise stated)

5 PROPERTY, PLANT AND EQUIPMENT

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

	Buildings	Facilities	Machinery and equipment	Transport	Assets under construction	Other	Total
Net book value as of 31 December 2010	**11,717**	**18,427**	**18,840**	**6,942**	**44,762**	**974**	**101,662**
Depreciation charge	(352)	(1,479)	(2,828)	(465)	-	(147)	(5,271)
Additions	15	26	40	62	39,231	6	39,380
Acquisition of subsidiaries	602	196	2,127	73	113	15	3,126
Reclassifications	(17)	13	(16)	1	-	19	-
Transfers	1,215	6,579	5,784	1,020	(15,215)	617	-
Disposals of subsidiaries	(7)	(59)	(151)	(19)	(39)	(12)	(287)
Disposals	(143)	(341)	(668)	(60)	(1,592)	(53)	(2,857)
Net book value as of 30 September 2011	**13,030**	**23,362**	**23,128**	**7,554**	**67,260**	**1,419**	**135,753**
Historical cost as of 30 September 2011	19,246	34,336	42,613	10,470	67,260	2,128	176,053
Accumulated depreciation	(6,216)	(10,974)	(19,485)	(2,916)	-	(709)	(40,300)
Net book value as of 31 December 2011	**18,334**	**28,138**	**31,224**	**7,497**	**63,598**	**1,711**	**150,502**
Depreciation charge	(545)	(2,117)	(3,701)	(565)	-	(172)	(7,100)
Additions	32	22	23	56	40,245	2	40,380
Acquisition of subsidiaries (Note 3)	2,364	268	2,452	14	16	69	5,183
Reclassifications	-	949	(321)	(20)	-	(608)	-
Transfers	2,454	11,839	4,630	151	(19,321)	247	-
Disposals	(317)	(392)	(405)	(81)	(1,311)	(2)	(2,508)
Impairment	(115)	(47)	(26)	(2)	-	(72)	(262)
Reclassification to assets held for sale (Note 4)	-	(2,840)	-	-	-	-	(2,840)
Net book value as of 30 September 2012	**22,207**	**35,820**	**33,876**	**7,050**	**83,227**	**1,175**	**183,355**
Historical cost as of 30 September 2012	28,877	49,245	57,433	10,405	83,227	2,005	231,192
Accumulated depreciation	(6,670)	(13,425)	(23,557)	(3,355)	-	(830)	(47,837)

For the nine months ended 30 September 2012 and 2011, the Group capitalised interest expenses of RR 2,257 and RR 1,140, respectively. The capitalisation rates were 4.6 percent and 5.3 percent, respectively.

During the nine months ended 30 September 2012 the Group recognised a RR 262 impairment loss for chlorine and caustic soda production assets in Dzerzhinsk, Nizhny Novgorod (Petrochemicals segment). The recoverable amount of the assets was determined based on its fair value less costs to sell. Fair value was determined based on market price.

(In millions of Russian roubles, unless otherwise stated)

6 INVESTMENTS IN JOINT VENTURES

	30 September 2012	31 December 2011
OOO RusVinyl	13,145	13,371
OOO NPP Neftekhimia	3,494	3,523
OOO ITSK	239	256
RELIANCE SIBUR ELASTOMERS Private Limited	23	-
OOO Yuzhno-Priobskiy GPZ	5	6
OOO SNHK	2	2
OOO Biaxplen	-	960
	16,908	**18,118**

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

In August 2011, the Group and SolVin Holding Nederland B.V. each contributed RR 12,000 to the share capital of OOO RusVinyl and, consequently, the Group's ownership share remained unchanged.

As of 30 September 2012 the Group issued a finance guarantee for 50 percent of a loan obtained by OOO RusVinyl. As of 30 September 2012 and 31 December 2011, the maximum credit risk exposure due to financial guarantees issued for the OOO RusVinyl loan was RR 8,477 and RR 3,089, respectively.

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

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

	Country of incorporation	Nature of operations	Interest, percent, held as of 30 September 2012	Interest, percent, held as of 31 December 2011
OOO RusVinyl	Russia	Polyvinyl chloride production	50	50
OOO NPP Neftekhimia	Russia	Polypropylene production	50	50
OOO ITSK	Russia	IT services	50	50
RELIANCE SIBUR ELASTOMERS Private Limited	India	Butylrubber production	25	-
OOO Yuzhno-Priobskiy GPZ	Russia	Associated petroleum gas processing	50	50
OOO SNHK	Russia	Production of plastics and synthetic resins	50	50
OOO Biaxplen	Russia	BOPP-film production	-	50

In March 2012 the Group acquired control over OOO Biaxplen by acquiring an additional 50 percent stake, as a result OOO Biaxplen was consolidated by the Group as for the reporting dates 31 March 2012 and later.

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

(In millions of Russian roubles, unless otherwise stated)

7 ADVANCES AND PREPAYMENTS FOR CAPITAL CONSTRUCTION

As of 30 September 2012 and 31 December 2011, the most significant advances and prepayments for capital construction were paid to the Group's contractors for the construction of a polypropylene plant in Tobolsk, for the construction of gas infrastructure assets in the St Petersburg area and for construction of natural gas liquids pipeline connecting Purovsky gas condensate plant, Yuzhno-Balykskaya main pumping station and the Tobolsk production site in Tyumen region. The Group's most significant advances and prepayments related to capital construction projects were paid to the following contractors: LINDE-KCA-DRESDEN GmbH, Tecnimont S.p.A., OOO Tecnimont Russia, MAVEG GmbH, OOO Gazprom Mezhregiongaz, OAO ChelPipe, TECHNIP BENELUX B.V. and OOO Nova.

8 LOANS RECEIVABLE

	30 September 2012	31 December 2011
OOO Yuzhno-Priobskiy GPZ	1,458	638
ZAO Edas Pak	189	-
ZAO Krona	127	-
OOO Biaxplen	-	501
OAO SIBUR-Russian Tyres (renamed OAO Cordiant)	-	410
Other	114	-
	1,888	**1,549**
Less: non-current portion	(762)	(638)
	1,126	**911**

9 TRADE AND OTHER RECEIVABLES

	30 September 2012	31 December 2011
Trade receivables (net of impairment provisions of RR 277 and RR 243 as of 30 September 2012 and 31 December 2011, respectively)	13,014	14,816
Other receivables (net of impairment provisions of RR 0 and RR 1,771 as of 30 September 2012 and 31 December 2011, respectively)	2,324	6,484
	15,338	**21,300**
Less: non-current portion		
Other receivables	(95)	(335)
	15,243	**20,965**
Receivables for disposed businesses	-	11,368

As of 30 September 2012 and 31 December 2011, other receivables included RR 869 and RR 3,500 (net of impairment provision of RR 1,731) from the Amtel Group, respectively. The Group received RR 2,631 during the nine months ended 30 September 2012.

Also, as of 31 December 2011, other receivables included RR 700 of dividends receivable from OAO SIBUR-Russian Tyres (renamed OAO Cordiant), which were received during the nine-month period ended 30 September 2012.

10 OTHER NON-CURRENT ASSETS

	30 September 2012	31 December 2011
Metal catalysts	2,974	674
Intangible assets	1,507	1,209
Raw natural gas liquids in pipelines	503	633
Recoverable VAT related to assets under construction	148	364
Other	720	552
	5,852	**3,432**

(In millions of Russian roubles, unless otherwise stated)

11 INVENTORIES

	30 September 2012	31 December 2011
Refined products and work in progress (net of impairment provisions of RR 66 and RR 85 as of 30 September 2012 and 31 December 2011, respectively)	12,520	13,227
Materials and supplies (net of impairment provisions of RR 106 and RR 130 as of 30 September 2012 and 31 December 2011, respectively)	8,950	8,172
Goods for resale (net of impairment provisions of RR 20 and RR 19 as of 30 September 2012 and 31 December 2011, respectively)	696	788
	22,166	**22,187**

12 PREPAYMENTS AND OTHER CURRENT ASSETS

	30 September 2012	31 December 2011
Financial assets		
Listed equity securities held for trading	-	1,400
Derivative financial instruments	-	548
Non-financial assets		
VAT receivable	5,631	4,567
Prepayments and advances to suppliers	3,658	5,142
Recoverable VAT	2,921	3,384
Prepaid borrowing costs	2,354	2,784
Recoverable excise	1,026	1,275
Other prepaid taxes	1,114	1,367
Other current assets	175	646
Total prepayments and other current assets	**16,879**	**21,113**
Less: non-current portion		
Recoverable VAT related to assets under construction	(148)	(364)
	16,731	**20,749**

During the nine months ended 30 September 2012, the Group disposed of its investment in PhosAgro shares. A gain on the disposal in the amount of RR 31 was recognised within other finance income (Note 23). During the nine months ended 30 September 2012, the Group received RR 90 in dividends from PhosAgro.

13 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents included deposits held with banks, which are readily convertible to cash and have an original maturity of less than three months of RR 4,241 and RR 5,775 as of 30 September 2012 and 31 December 2011, respectively.

Restricted cash included OAO Vnesheconombank letters of credit worth RR 1,106 as of 30 September 2012. The letters of credit were opened to finance capital construction expenditures for the construction of a polypropylene plant in Tobolsk.

14 LONG-TERM DEBT

	Currency	Due	30 September 2012	31 December 2011
Long-term debt payable to				
Variable rate				
OAO Vnesheconombank	USD	2013-2023	17,704	13,718
OAO Nordea Bank	USD	2013-2016	10,799	11,246
OAO Rosbank AKB	USD	2013	4,638	4,829
HSBC Bank plc	USD	2013-2014	4,638	-
ING Bank Group	EUR, USD	2008-2021	1,427	1,627
UniCredit Bank AG	EUR	2013-2019	903	858
Fixed rate				
OAO Sberbank of Russia	RR	2012-2014	14,143	18,000
OAO TNK-BP	RR, USD	2013-2017	4,722	4,545
OOO Mezhregiongaz	RR	2011-2014	3,679	4,547
NPP Neftekhimia	RR	2015	525	-
Russian rouble-denominated bonds	RR	2012	31	31
Other	USD	2012	14	15
Total long-term debt			**63,223**	**59,416**
Less: current portion of long-term debt			(19,074)	(7,700)
			44,149	**51,716**

Long-term RR-denominated debt bore average interest rates of 7.3 percent and 7.2 percent as of 30 September 2012 and 31 December 2011, respectively. Long-term USD-denominated debt bore average interest rates of 3.7 percent and 3.5 percent as of 30 September 2012 and 31 December 2011, respectively. Long-term EUR-denominated debt bore average interest rates of 2.3 percent and 3.1 percent as of 30 September 2012 and 31 December 2011, respectively.

The following table provides scheduled maturities of our outstanding debt as of 30 September 2012 and 31 December 2011.

	30 September 2012	31 December 2011
Due for repayment:		
Between one and two years	17,050	16,364
Between two and five years	13,830	22,636
After five years	13,269	12,716
Total debt	**44,149**	**51,716**

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

	Credit limit	Undrawn amount
As of 30 September 2012		
EUR-denominated (in millions of EUR)	37	2
USD-denominated (in millions of USD)	1,646	998
RR-denominated (in millions of RR)	27,000	18,000
As of 31 December 2011		
EUR-denominated (in millions of EUR)	61	4
USD-denominated (in millions of USD)	1,646	1,160
RR-denominated (in millions of RR)	36,000	15,000

As of 30 September 2012 and 31 December 2011 the total rouble equivalent of the Group's undrawn committed long-term credit facilities was RR 48,944 and RR 52,514, respectively.

Committed credit facilities include RR 24,668 under the Tobolsk-Polymer project finance facility, which can be used solely for construction of this project as well as RR 93 of ECA-backed financing linked to specific import contracts. The remaining RR 24,183 is available for general corporate purposes.

(In millions of Russian roubles, unless otherwise stated)

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

	30 September 2012	31 December 2011
Short-term debt:		
RR-denominated debt	16	15,542
USD-denominated debt	17,178	7,675
EUR-denominated debt	433	277
	17,627	**23,494**
Current portion of long-term debt	19,074	7,700
	36,701	**31,194**

Short-term RR-denominated debt bore average interest rates of 7.8 percent as of 31 December 2011. Short-term USD-denominated debt bore average interest rates of 2.3 and 2.2 percent as of 30 September 2012 and 31 December 2011, respectively. Short-term EUR-denominated debt bore an average interest rate of 2 percent as of 30 September 2012 and 31 December 2011, respectively.

16 GRANTS AND SUBSIDIES

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

	2012	2011
Balance as of 1 January	**20,249**	**7,286**
Less: current portion	(700)	-
	19,549	**7,286**
Grants and subsidies received	3,377	1,304
Recognised in profit or loss	(259)	-
Balance as of 30 September	**23,367**	**8,590**
Less: current portion	(1,900)	-
	21,467	**8,590**

17 OTHER NON-CURRENT LIABILITIES

	30 September 2012	31 December 2011
Financial liabilities		
Payables for acquisition of subsidiaries	1,375	3,090
Interest payable	1,602	1,353
Promissory notes payable	542	564
Other liabilities	-	32
	3,519	**5,039**
Non-financial liabilities		
Post-employment obligations	1,296	1,296
Other	-	177
	1,296	**1,473**
	4,815	**6,512**

(In millions of Russian roubles, unless otherwise stated)

17 OTHER NON-CURRENT LIABILITIES (CONTINUED)

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

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

18 TRADE AND OTHER PAYABLES

	30 September 2012	31 December 2011
Financial liabilities		
Accounts payable to contractors and suppliers of property, plant and equipment	11,128	9,094
Trade payables	7,575	6,673
Payables for acquisition of subsidiaries	1,697	-
Interest payable	276	510
Promissory notes payable	-	2,631
Other payables	-	217
	20,676	**19,125**
Non-financial liabilities		
Advances from customers	5,590	3,769
Payables to employees	4,392	4,059
Other payables	177	2,320
Current portion of grants and subsidies	1,900	700
	12,059	**10,848**
	32,735	**29,973**

As of 30 September 2012 and 31 December 2011, payables to employees included provisions for bonuses of RR 2,496 and RR 2,540, respectively.

As of 30 September 2012, payables for acquisition of subsidiaries included payables for the acquisitions of OAO Polief of RR 101, and OOO Biaxplen NK of RR 1,596.

19 TAXES OTHER THAN INCOME TAX PAYABLE

	30 September 2012	31 December 2011
VAT	1,013	2,416
Social taxes	858	235
Excise tax	674	1,061
Property tax	282	227
Other taxes	374	849
	3,201	**4,788**

20 EQUITY

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

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

During the nine months ended 30 September 2012, dividends in the amount of RR 21,785 were paid out.

(In millions of Russian roubles, unless otherwise stated)

21 REVENUE

	Three months ended 30 September:		Nine months ended 30 September:	
	2012	2011	2012	2011
Sales of refined products (net of excise tax, customs duties and VAT):				
Energy products:				
Liquefied petroleum gas	11,832	13,118	38,522	39,873
Naphtha	5,559	6,330	18,333	16,177
Natural gas	6,100	3,951	17,591	12,847
MTBE	3,932	3,931	13,166	10,700
Other fuels and fuel additives	825	1,190	2,468	2,987
Raw natural gas liquids	720	911	2,329	1,755
Petrochemical products:				
Synthetic rubbers	8,880	11,983	31,183	36,991
Plastics and organic synthesis products	10,004	5,311	28,876	16,782
Basic polymers	5,474	4,892	17,127	16,005
Intermediates and other chemicals	5,781	4,803	17,379	16,945
Total refined products	**59,107**	**56,420**	**186,974**	**171,062**
Sales of processing services	1,361	1,307	3,771	3,958
Other sales	1,562	2,158	8,212	6,451
Total revenue	**62,030**	**59,885**	**198,957**	**181,471**

22 OPERATING EXPENSES

	Three months ended 30 September:		Nine months ended 30 September:	
	2012	2011	2012	2011
Feedstock and materials	14,464	14,322	43,288	38,359
Transportation	9,378	7,944	27,683	23,726
Energy and utilities	7,550	5,789	21,788	21,352
Staff costs	6,354	5,094	20,558	13,557
Goods for resale	1,126	3,331	7,826	11,052
Depreciation and amortisation	2,660	1,901	7,114	5,273
Repairs and maintenance	1,999	1,655	5,319	3,310
Services provided by third parties	1,339	1,818	4,361	4,350
Rent expenses	1,184	663	3,198	2,199
Taxes other than income tax	396	346	1,207	946
Charity and sponsorship	143	196	970	424
Marketing and advertising	298	103	545	313
Impairment of PPE	-	-	262	-
Other	72	1,910	880	3,321
Change in WIP and refined products balances	48	(1,119)	1,094	(4,107)
Total operating expenses	**47,011**	**43,953**	**146,093**	**124,075**

(In millions of Russian roubles, unless otherwise stated)

23 FINANCE INCOME AND EXPENSES

	Three months ended 30 September:		Nine months ended 30 September:	
	2012	2011	2012	2011
Foreign exchange gain from non-financing activities	132	384	84	-
Foreign exchange gain from financing activities	3,530	-	1,313	-
Unwinding of discount on loans receivable and non-current accounts receivable	-	-	685	-
Interest income	227	1,156	648	2,660
Other income	-	125	415	372
Finance income	**3,889**	**1,665**	**3,145**	**3,032**
Foreign exchange loss from non-financing activities	-	-	-	(1,530)
Foreign exchange loss from financing activities	-	(3,808)	-	(2,498)
Interest expense	-	-	(559)	(1,284)
Other expense	(177)	(264)	(461)	(536)
Finance expenses	**(177)**	**(4,072)**	**(1,020)**	**(5,848)**

24 INCOME TAXES

The Group incurred current income tax of RR 10,820 and RR 4,179, and RR 12,523 and RR 4,521 for the nine and three months ended 30 September 2012 and 30 September 2011, respectively.

The Group paid current income tax of RR 10,981 and RR 11,412 for the nine months ended 30 September 2012 and 30 September 2011, respectively.

(In millions of Russian roubles, unless otherwise stated)

25 CASH GENERATED FROM OPERATIONS

Notes		Nine months ended 30 September: 2012	2011
	Profit before income tax from continuing operations	**55,817**	**54,888**
	Adjustments to profit before income tax and non-controlling interest of continuing operations		
22	Depreciation and amortisation	7,114	5,273
23	Interest expense	559	1,284
	Impairment of property, plant and equipment	262	-
	Loss on disposal of property, plant and equipment	559	794
	Share of net income of joint ventures	(115)	(493)
18	Accrual of bonuses	2,876	-
3	Gain on acquisition of a subsidiary	(430)	-
	(Gain)/loss on disposal of investments	(283)	185
23	Interest income	(648)	(2,660)
23	Unwinding of discount on loans receivable and non-current accounts receivable	(685)	-
23	Foreign exchange (gain)/loss	(1,397)	4,028
	Other adjustments	172	268
	Operating cash flows before working capital changes of continuing operations	**63,801**	**63,567**
	Changes in working capital of continuing operations		
	Decrease in trade and other receivables	3,538	5,711
	Decrease in prepayments and other current assets	2,549	1,328
	Increase in inventories	(515)	(4,228)
	Decrease in trade and other payables	(2,576)	(3,783)
	Decrease in taxes payable	(1,820)	(122)
	Cash generated from operating activities of continuing operations before income tax payment	**64,977**	**62,473**
	Income tax paid from continuing operations	(10,081)	(11,412)
	Net cash from operating activities of continuing operations	**54,896**	**51,061**

26 SEGMENT INFORMATION

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

(In millions of Russian roubles, unless otherwise stated)

26 SEGMENT INFORMATION (CONTINUED)

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

- Feedstock & Energy: the processing of associated petroleum gas and other hydrocarbon feedstock to produce energy products, including raw natural gas liquids, liquefied petroleum gas, naphtha and natural gas and which are marketed and sold externally and some of them 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 and organic synthesis products, intermediates and other petrochemical products.

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

The Group's management measures the performance of the operating segments 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 to the operating segments. Other information provided to the Group's management, except as noted below, is measured in a manner consistent with that in this combined interim condensed financial information.

	Continuing operations			
	Feedstock & Energy segment	Petrochemicals segment	Unallocated	Total
Three months ended 30 September 2012				
Total segment revenue	36,950	31,244	4,586	72,780
Inter-segment transfers	(5,817)	(1,994)	(2,939)	(10,750)
External revenue	**31,133**	**29,250**	**1,647**	**62,030**
EBITDA	**15,357**	**3,674**	**(1,352)**	**17,679**
Nine months ended 30 September 2012				
Total segment revenue	119,671	99,956	16,337	235,964
Inter-segment transfers	(22,867)	(6,181)	(7,959)	(37,007)
External revenue	**96,804**	**93,775**	**8,378**	**198,957**
EBITDA	**52,236**	**14,293**	**(6,289)**	**60,240**
Three months ended 30 September 2011				
Total segment revenue	36,934	29,337	4,323	70,594
Inter-segment transfers	(7,457)	(1,760)	(1,492)	(10,709)
External revenue	**29,477**	**27,577**	**2,831**	**59,885**
EBITDA	**16,158**	**6,157**	**(4,482)**	**17,833**
Nine months ended 30 September 2011				
Total segment revenue	110,724	93,590	15,202	219,516
Inter-segment transfers	(27,548)	(5,184)	(5,313)	(38,045)
External revenue	**83,176**	**88,406**	**9,889**	**181,471**
EBITDA	**51,056**	**18,334**	**(6,721)**	**62,669**

(In millions of Russian roubles, unless otherwise stated)

26 SEGMENT INFORMATION (CONTINUED)

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

	Continuing operations			
	Feedstock & Energy segment	**Petrochemicals segment**	**Unallocated**	**Total**
Three months ended 30 September 2012				
EBITDA	**15,357**	**3,674**	**(1,352)**	**17,679**
Depreciation and amortisation	(930)	(1,345)	(385)	(2,660)
Operating profit	**14,427**	**2,329**	**(1,737)**	**15,019**
Finance income	-	-	3,889	3,889
Finance expenses	-	-	(177)	(177)
Share of net income of joint ventures	-	-	194	194
Gain on disposal of investments	-	-	283	283
Profit before income tax	**14,427**	**2,329**	**2,452**	**19,208**
Nine months ended 30 September 2012				
EBITDA	**52,236**	**14,293**	**(6,289)**	**60,240**
Depreciation and amortisation	(2,832)	(3,120)	(1,162)	(7,114)
Impairment	-	(262)	-	(262)
Operating profit	**49,404**	**10,911**	**(7,451)**	**52,864**
Finance income	-	-	3,145	3,145
Finance expenses	-	-	(1,020)	(1,020)
Gain on acquisition of a subsidiary	-	-	430	430
Share of net income of joint ventures	-	-	115	115
Gain on disposal of investments	-	-	283	283
Profit before income tax	**49,404**	**10,911**	**(4,498)**	**55,817**
Three months ended 30 September 2011				
EBITDA	**16,158**	**6,157**	**(4,482)**	**17,833**
Depreciation and amortisation	(811)	(698)	(392)	(1,901)
Operating profit	**15,347**	**5,459**	**(4,874)**	**15,932**
Finance income	-	-	1,665	1,665
Finance expenses	-	-	(4,072)	(4,072)
Share of net income of joint ventures	-	-	238	238
Gain on disposal of investments	-	-	61	61
Profit before income tax	**15,347**	**5,459**	**(6,982)**	**13,824**
Nine months ended 30 September 2011				
EBITDA	**51,056**	**18,334**	**(6,721)**	**62,669**
Depreciation and amortisation	(2,430)	(2,070)	(773)	(5,273)
Operating profit	**48,626**	**16,264**	**(7,494)**	**57,396**
Finance income	-	-	3,032	3,032
Finance expenses	-	-	(5,848)	(5,848)
Share of net income of joint ventures	-	-	493	493
Loss on disposal of investments	-	-	(185)	(185)
Profit before income tax	**48,626**	**16,264**	**(10,002)**	**54,888**

(In millions of Russian roubles, unless otherwise stated)

26 SEGMENT INFORMATION (CONTINUED)

Geographical information. All of the Group's production facilities are located in the Russian Federation.

The breakdown of revenues by geographical region is as follows:

	Three months ended 30 September 2012	Three months ended 30 September 2011	Nine months ended 30 September 2012	Nine months ended 30 September 2011
Russia	37,404	34,317	110,130	102,846
Europe	16,749	16,728	58,146	51,080
Asia	3,611	4,644	15,663	13,613
CIS	3,629	3,892	11,376	9,532
Other	637	304	3,642	4,400
Total revenue	**62,030**	**59,885**	**198,957**	**181,471**

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

27 PRINCIPAL SUBSIDIARIES

Principal wholly-owned operating subsidiaries of the Group

OAO Gubkinskiy GPK	OOO Tollyattikauchuk
OAO Yuzhno-Balykskiy GPK	OOO Tobolsk-Neftekhim
OOO Noyabrskiy GPK *	OAO Krasnoyarskiy ZSK
OAO SIBUR-Neftekhim	ZAO SIBUR-Khimprom
OAO SIBUR-PETF	ZAO SIBUR-Trans
SIBUR International GmbH	OOO Tomskneftekhim
OAO SIBUR TyumenGaz	OOO Biaxplen NK
OOO SIBUR-Geotekstil	OOO Biaxplen (from 29 March 2012)

*OOO Noyabrskiy GPK is a holding company for Muravlenkovskiy GPK and Vyngapurovskiy GPK.

Other principal operating subsidiaries of the Group

	Effective percent of share capital held by the Group as of	
	30 September 2012	31 December 2011
OAO Uralorgsintez	100	97
OAO Voronezhsintezkauchuk	98	98
KOAO Orton	99	99
OAO Plastic	99	99
OAO Polief	83	83
OOO Yugragazpererabotka *	51	51

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

(In millions of Russian roubles, unless otherwise stated)

28 RELATED PARTIES

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

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

a) Gazprombank

	Three months ended 30 September 2011	Nine months ended 30 September 2011
Financing activities		
Interest expense	3	133
Interest income	35	226

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

b) Gazprom Group

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

	Three months ended 30 September 2011	Nine months ended 30 September 2011
Operating activities		
Purchases of materials and supplies	3,841	10,298
Purchases of gas transportation and other transportation services	475	1,738
Purchases of other goods and services	155	451
Total purchases	**4,471**	**12,487**
Dry gas sales	1,427	4,562
Petrochemical products sales	949	1,347
Sales of other goods and services	-	13
Total revenues	**2,376**	**5,922**

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

c) NOVATEK Group

As of 30 September 2012 and 31 December 2011, trade and other payables included RR 1,596 and RR 1,502, respectively, in payables to NOVATEK Group for the acquisition of OOO Novatek-Polymer. This amount is payable by 31 December 2013. OOO Novatek-Polymer was subsequently renamed OOO Biaxplen NK.

(In millions of Russian roubles, unless otherwise stated)

28 RELATED PARTIES (CONTINUED)

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

	30 September 2012	31 December 2011
Trade and other receivables	610	-
Advances and prepayments	4	-
Trade and other payables	1,596	1,502
Advances received	1,690	-

	Three months ended 30 September 2012	Nine months ended 30 September 2012
Operating activities		
Purchases of natural gas	495	1,454
Natural gas sales	2,386	6,614

d) Gunvor and Stroytransgaz Group

In October 2011, a party which jointly controls Gunvor Group and ultimate beneficiary of Stroytransgaz Group acquired a 37.5 percent stake in the Group.

For the nine and three month periods ended 30 September 2012, the Group's revenue from the sale of petrochemical products to Gunvor Group amounted to RR 4,081 and RR 1,248, respectively. As of 30 September 2012 and 31 December 2011, the Group's trade receivables included trade receivables from Gunvor Group of RR 50 and RR 497, respectively.

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

	30 September 2012	31 December 2011
Trade and other receivables	907	-
Trade and other payables	236	4

	Three months ended 30 September 2012	Nine months ended 30 September 2012
Operating and investing activities		
Purchases of construction and repair and maintainance services	150	294

e) Remuneration of directors and key management

The Group's Board of Directors comprises nine individuals, including shareholder representatives. Members of the Board of Directors are entitled to annual compensation, as approved by the Annual General Shareholders' Meeting. Key management has comprised 15 individuals since the third quarter of 2012 (16 during first and second quarter of 2012). Key management personnel are entitled to salaries, bonuses, voluntary medical insurance and other employee benefits. Remuneration for key management personnel is determined by the terms set out in the relevant annual employment contracts. Remuneration of directors and key management personnel amounted to RR 976 and RR119 for the nine months ended 30 September 2012 and 2011, respectively. Remuneration of directors and key management personnel for the three months ended 30 September 2012 and 2011 amounted to RR 389 and RR 45, respectively. The growth seen in this amount is primarily attributable to introduction of a new long-term incentive programme effective from 1 January 2012 as well as accrual of bonuses on a quarterly basis starting from 2012. In prior periods, bonuses were subject to approval at year-end and relevant provisions were accrued on an annual basis.

(In millions of Russian roubles, unless otherwise stated)

28 RELATED PARTIES (CONTINUED)

f) Joint ventures

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

	30 September 2012	31 December 2011
Loans receivable	1,458	1,139
Debt	525	500
Trade and other receivables	71	1,314
Trade and other payables	240	259

	Three months ended 30 September		Nine months ended 30 September	
Operating activities	**2012**	**2011**	**2012**	**2011**
Purchases of materials, goods and services	1,135	2,083	3,766	6,320
Sales of materials	173	845	1,648	2,388
Interest income	28	300	642	676

g) Mineral Fertilizers

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

	Three months ended 30 September 2011	Nine months ended 30 September 2011
Sales of raw materials	1,201	2,973
Sales of electric power	243	770
Sales of other work and services	38	373
Interest income	85	515
Unwinding of discount on loans receivable and non-current accounts receivable	71	212

h) Tyres

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

	Three months ended 30 September 2011	Nine months ended 30 September 2011
Sales of raw materials and other inventories	2,216	9,846
Sales of electric power	199	743
Sales of other work and services	-	38

29 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

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

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

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

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

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

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

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

29 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

The Group includes companies incorporated outside of Russia. The Group's tax liabilities are determined on the assumption that these companies are not subject to Russian income tax, because they are not permanently established in Russia. Russian tax law does not provide detailed rules on the taxation of foreign companies. It is possible that, with the evolution of the interpretation of these rules and changes in the Russian tax authorities' approach, the non-taxable status of some or all of the Group's foreign companies in Russia may be challenged. The impact of any such challenge cannot be reliably assessed; however, it may be significant to the financial condition and/or the overall operations of the entity. The Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Where the Group's management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in this IFRS combined interim condensed financial information.

The Group raises borrowings for financing of capital investment projects and incurs related borrowing costs. In accordance with Newsletter No 147 the Presidium of the Russian Federation Supreme Arbitrazh Court, dated 13 September 2011, bank commissions paid as a lump sum or periodically may be considered as void or fraudulent. Thus, such borrowing costs may be recognised by the tax authorities as economically unjustifiable expenses or reclassified as interest expense. To date, the tax authorities have not issued any clarifications on this issue, and no judicial practice has yet developed in this regard. The Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax position will be sustained.

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

Social commitments. The Group contributes to the maintenance and upkeep of local infrastructure, and the welfare of employees in those areas where its production operations are located, including contributions to the construction, development and upkeep of housing, hospitals, transportation services, recreation and other facilities to meet social needs. This funding is expensed as incurred.

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

Capital commitments. In the normal course of business, the Group has entered into contracts for the purchase of property, plant and equipment. The Board of Directors has approved capital expenditure budgets for the years ended 31 December 2012 and 2011 in the amount of RR 58,033 and RR 58,458 net of VAT, respectively.

As of 30 September 2012, the Group had contractual capital expenditures commitments of RR 51,988.

30 EVENTS AFTER THE REPORTING DATE

On 15 October 2012, the shareholders approved a decision to distribute dividends for the first 6 months of year 2012 in the amount of RR 7,407 (3.4 Russian rouble per ordinary share).

31 NEW ACCOUNTING DEVELOPMENTS

There were no new standards and interpretations issued which are mandatory for annual periods beginning on or after 1 January 2012 or later other than those disclosed in the combined interim condensed financial information as of and for the three and six months ended 30 June 2012, and tje combined financial information as of and for the year ended 31 December 2011.

The Group head office:

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OAO SIBUR Holding

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

31 December 2011

Independent auditor's report

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

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

Management's responsibility for the combined financial information

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

Auditor's responsibility

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

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

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

Opinion

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

ZAO PricewaterhouseCoopers Audit

14 December 2012

Moscow, Russian Federation

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(In millions of Russian roubles, unless otherwise stated)

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

D.V. Konov
Chief Executive Officer
14 December 2012

A.N. Filippovskiy
Chief Financial Officer
14 December 2012

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

(In millions of Russian roubles, unless otherwise stated)

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

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

(In millions of Russian roubles, unless otherwise stated)

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

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

(In millions of Russian roubles, unless otherwise stated)

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

1 NATURE OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation. This combined financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations. Most of the Group's companies maintain their accounting records in Russian roubles (RR) and prepare their statutory financial statements in accordance with the Russian Federal Law on Accounting (RAR). The financial information is based on statutory records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

(In millions of Russian roubles, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

[1] includes potential voting rights interest of 48 percent

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Intangible assets.

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty is considering bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

(In millions of Russian roubles, unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

4 ACQUISITION OF SUBSIDIARIES

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

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

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

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

4 ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

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

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

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

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

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

Other subsidiaries

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

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

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

(In millions of Russian roubles, unless otherwise stated)

6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

(In millions of Russian roubles, unless otherwise stated)

7 INTANGIBLE ASSETS

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

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

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

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

Impairment tests for goodwill

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

8 INVESTMENTS IN JOINT VENTURES

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

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

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

8 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

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

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

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

As of and for the year ended 31 December 2011

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

As of and for the year ended 31 December 2010

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

As of and for the year ended 31 December 2009

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

(In millions of Russian roubles, unless otherwise stated)

9 ADVANCES AND PREPAYMENTS FOR CAPITAL CONSTRUCTION

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

10 LOANS RECEIVABLE

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

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

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

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

11 TRADE AND OTHER RECEIVABLES

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

(In millions of Russian roubles, unless otherwise stated)

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

12 OTHER NON-CURRENT ASSETS

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

13 INVENTORIES

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

14 PREPAYMENTS AND OTHER CURRENT ASSETS

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

15 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents include deposits held with banks, which are readily convertible to cash and have an original maturity of less than three months of RR 5,775, RR 9,635 and RR 11,744 as of 31 December 2011, 2010 and 2009, respectively.

(In millions of Russian roubles, unless otherwise stated)

16 LONG -TERM DEBT

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

Long-term RR-denominated debt bore average interest rates of 7.2 percent, 8 percent and 12 percent for the years ended 31 December 2011, 2010 and 2009, respectively. Long-term USD-denominated debt bore average interest rates of 3.5 percent, 5 percent and 7.4 percent for the years ended 31 December 2011, 2010 and 2009, respectively. Long-term EUR-denominated debt bore average interest rates of 3.1 percent, 7 percent and 7.7 percent for the years ended 31 December 2011, 2010 and 2009, respectively.

OAO Vnesheconombank. In July 2010, the Group signed an agreement with OAO Vnesheconombank for project financing for the construction of new polypropylene production facilities in the Tobolsk area. As of 31 December 2011, the Group had received RR 13,718 out of a RR 39,280 (USD 1,220 million) tranche covered by export credit agencies. The financing is primarily secured by OOO Tobolsk-Polymer shares and property, plant and equipment valued at RR 15,523.

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

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

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

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

16 LONG -TERM DEBT (CONTINUED)

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

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

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

Long-term debt include fixed-rate loans with carrying values of RR 24,730, RR 24,393 and RR 23,436, and fair values of RR 24,370, RR 23,222 and RR 21,179 as of 31 December 2011, 2010 and 2009, respectively. All other long-term debt generally have variable interest rates linked to LIBOR or EURIBOR, and the carrying amounts approximate their fair value. The Group had no subordinated debt and no debt that may be converted into an equity interest in the Group.

As of 31 December 2011, 2010 and 2009 the Group had the following committed long-term credit facilities:

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

17 GRANTS AND SUBSIDIES

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

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

(In millions of Russian roubles, unless otherwise stated)

18 OTHER NON-CURRENT LIABILITIES

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

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

19 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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

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

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

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

21 TAXES OTHER THAN INCOME TAX PAYABLE

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

(In millions of Russian roubles, unless otherwise stated)

22 EQUITY

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

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

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

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

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

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

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

23 NON-CONTROLLING INTEREST

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

(In millions of Russian roubles, unless otherwise stated)

24 REVENUE

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

25 OPERATING EXPENSES

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

(In millions of Russian roubles, unless otherwise stated)

26 FINANCE INCOME AND EXPENSES

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

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

27 INCOME TAXES

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

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

(In millions of Russian roubles, unless otherwise stated)

27 INCOME TAXES (CONTINUED)

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

27 INCOME TAXES (CONTINUED)

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

28 CASH GENERATED FROM OPERATIONS

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

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

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

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

As of and for the year ended 31 December 2010	Bank equity	Rating	Credit limit for one bank	Balance
Related banks - Gazprombank	Not limited	BBB-	Not set	5,277
Major banks	>= 25,000	B+/B2	5,000	4,631
Secondary banks	>= 5,000	B+/B2	2,500	4,486
Other banks	Not set	Not set	Individually set	1,022
				15,416

As of and for the year ended 31 December 2009	Bank equity	Rating	Credit limit for one bank	Balance
Related banks - Gazprombank	Not limited	BBB-	Not set	10,007
Major banks	>= 25,000	B+/B2	5,000	2,451
Secondary banks	>= 5,000	B+/B2	2,500	2,151
Other banks	Not set	Not set	Individually set	237
				14,846

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

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

(In millions of Russian roubles, unless otherwise stated)

29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

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

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

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

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

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

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

30 SEGMENT INFORMATION

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

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

(In millions of Russian roubles, unless otherwise stated)

30 SEGMENT INFORMATION (CONTINUED)

Management has determined two operating and reportable segments:

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

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

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

The Group's management assesses the performance of each operating segment based on their respective EBITDA contributions (Note 29). The revenues and expenses of some of the Group's subsidiaries, which primarily provide energy supply, transportation, processing, managerial and other services to other Group entities, are not allocated into the operating segments. Other information provided to management, except as noted below, is measured in a manner consistent with that in this combined financial information.

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

(In millions of Russian roubles, unless otherwise stated)

30 SEGMENT INFORMATION (CONTINUED)

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

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

Geographical information. All of the Group's production facilities are located in the Russian Federation.

The breakdown of revenues by geographical regions is as follows:

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

(In millions of Russian roubles, unless otherwise stated)

30 SEGMENT INFORMATION (CONTINUED)

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

31 PRINCIPAL SUBSIDIARIES

Principal wholly-owned operating subsidiaries of the Group

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

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

Other principal operating subsidiaries of the Group

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

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

32 RELATED PARTIES

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

The nature of the related-party relationships for those related parties with whom the Group entered into significant transactions during the year ended 31 December 2011, 2010 and 2009, or had significant balances outstanding as of 31 December 2011, 2010 and 2009 are presented below.

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

a) ZAO Miracle acquisition

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

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

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

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

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

b) NOVATEK Group

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

c) Gunvor Group

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

d) Gazprombank Group

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

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

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

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

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

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

e) Gazprom Group

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

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

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

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

f) Remuneration of directors and key management

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

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

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

j) Share Option Plan

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

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

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

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

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

k) Joint ventures

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

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

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

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

l) Mineral Fertilizers

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

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

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

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

m) Tyres

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

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

(In millions of Russian roubles, unless otherwise stated)

32 RELATED PARTIES (CONTINUED)

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

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

33 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

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

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

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

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

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

Recent events in Russia suggest that the Russian tax authorities may be taking a more assertive position in their interpretation of the law and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. The Supreme Arbitrazh Court has issued guidance to lower courts on reviewing tax cases, providing a systemic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of the tax authorities' scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year under review. Under certain circumstances, reviews may cover longer periods.

33 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

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

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

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

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

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

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

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

33 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

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

Capital commitments. In the normal course of business, the Group has entered into contracts for the purchase of property, plant and equipment. The Board of Directors has approved a capital expenditure budget for 2012 of RR 68,479 (2011: RR 64,209, 2010: RR 46,445).

34 EVENTS AFTER THE REPORTING DATE

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

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

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

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

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

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

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

35 NEW ACCOUNTING DEVELOPMENTS

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

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

35 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

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

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

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

35 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

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

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

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

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

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

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

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

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

35 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

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

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

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

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

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

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

35 NEW ACCOUNTING DEVELOPMENTS (CONTINUED)

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

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

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of the phrase "currently has a legally enforceable right of set-off", and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

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

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