SIBUR

Annual Review • 2019

FOCUS ON WHAT REALLY MATTERS

Delivering Value for Our Stakeholders

At SIBUR, we have a clear mission: to change ourselves and the world for the better. We produce materials essential to human progress; by doing so efficiently and effectively, we aim to create long-term, sustainable value for our stakeholders while safeguarding the well-being of the environment and society at large.

Believing in the importance of sharing the results of our activities in a transparent manner, we maintained regular communication with our stakeholders throughout the year. Below are the key highlights from our work with our stakeholders during 2019.

To learn more about our stakeholders, see p. 104

SIBUR's Board of Directors approved the 2025 Sustainability Strategy, centred on five key focus areas in which SIBUR can contribute to the resolution of global problems and create long-term sustainable value for all stakeholders.

- SIBUR created a Committee on Ecology, Sustainable Development and Social Investment at the Management Board level;
- SIBUR joined two international associations and initiatives: the UN Global Compact and Petcore Europe;
- SIBUR processed 22.6 billion cubic metres of APG① in 2019 and prevented the emission of 72 million tonnes of greenhouse gases (in CO_2 equivalent);
- SIBUR adopted specific goals in terms of environmental and climate impact reduction;
- SIBUR integrated ESG indicators into its investment process.

To learn more about the 2025 Sustainability Strategy, see p. 88

We aim to better address the needs of our customers and develop our operations to meet market demands. As customer expectations evolve, we also seek to ensure that more of our products are responsibly sourced and sustainably produced.

- SIBUR began production at the ZapSibNeftekhim (ZapSib) polyolefin complex, whose launch stimulates the growth of the polymer processing industry and encourages the production of final products;
- SIBUR launched PolyLab, Russia's first R&D centre for the development and testing of polymer products in Skolkovo;
- SIBUR set a course for the introduction of a circular economy by considering the r-PET project at POLIEF to incorporate polyethylene terephthalate (PET) flakes from used packaging into the production process for primary PET, and by entering into partnerships in the field of waste management;
- SIBUR launched the first in Russia eco-friendly dioctyl terephthalate plasticiser (DOTP) facility in Perm, which is the single largest production site of its kind in Europe.

We are committed to ensuring the safety, integrity and well-being of our 23,000 employees. Our aspiration is to create a culture that nurtures new ideas and rewards strong performance.

- Over the last year, our LTIF② improved by 16%, and we intend to further reduce this figure by 5% annually;
- Our professional training activities totalled 42 hours per FTE;
- Third place in HeadHunter's ranking of the best Russian employers in 2019;
- Two of the goals outlined in our Sustainability Strategy include increasing employee engagement from 74% in 2019 to 80% and developing corporate practices aimed at promoting leadership culture and equal opportunities.

① APG – associated petroleum gas, by-product of oil production.

② Including contractors providing services as part of the Company's ongoing operations, but excluding contractors involved in construction.

We are committed to maintaining a balance of both investments in further development and delivering superior returns to our shareholders.

- SIBUR remains one of the most profitable petrochemical companies③: with an FY19 EBITDA margin of 32%, the Company consistently exceeds the industry average;
- In March 2019, SIBUR revised its dividend policy, targeting a payout ratio of no less than 35% of NI④;
- Over the last 10 years, SIBUR has grown its revenue and EBITDA fourfold and sevenfold, respectively, and we are constantly screening ideas with a focus on profitable niches and feedstock monetisation for further value creation.

③ Compared to a selected peer group (in alphabetical order): BASF, Braskem, Dow, LyondellBasell, Petronas, PTT Chemicals, SABIC and Westlake Chemical.

④ Adjusted for FX gains/losses, extraordinary and one-off income and expenses.

Our strong balance sheet provides us with a platform to continue to invest in attractive growth opportunities while maintaining our track record as a reliable company that always meets its obligations.

- In June 2019, Fitch upgraded SIBUR's investment-grade rating to BBB-;
- In August 2019, Standard & Poor's assigned SIBUR a BBB- rating, which means SIBUR now holds an investment-grade rating from the world's three major rating agencies;
- In September 2019, the Company carried out its third Eurobond placement, with more than half of the bonds ultimately purchased by foreign investors.
- In June 2020, Fitch and Moody's affirmed SIBUR's ratings at investment-grade BBB- and Baa3, respectively, with a stable outlook. S&P also affirmed its investment-grade BBB- though changed the outlook to negative in May 2020.
- In June 2020, SIBUR raised USD 500 mln following the offering of 5-year Eurobonds. The coupon rate was set at 2.95%, which is a record low for Russian corporate issuers.

SIBUR continues to make meaningful economic and social contributions in the regions where it operates.

- SIBUR joined the UN Global Compact and integrated the UN Sustainable Development Goals (SDGs) from the 2030 Agenda for Sustainable Development into its operations;
- During 2019, SIBUR paid USD195 million in corporate taxes and made an economic contribution of approximately USD8 million through inter-region charitable programmes;
- SIBUR's Formula for Good Deeds programme was named the Best Social Project in Russia in the Charity category.

About the Report

The information contained herein pertaining to SIBUR (the "Group") has been provided by the Company solely for information purposes. By reading this Annual Review, you agree to be bound by the limitations set out below.

The material contained in this Annual Review is presented solely for information purposes and is not to be construed as providing investment advice. As such, it has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It should not be regarded by recipients as a substitute for the exercise of their own judgment.

There may be material variances between estimated data set forth in this Annual Review and actual results, and between the data set forth in this Annual Review and corresponding data previously published by or on behalf of the Company.

This Annual Review contains forward-looking statements that are subject to change without notice; this includes statements based on the Company's current expectations and projections about future events. All statements, other than statements of historical fact, contained herein are forward-looking statements.

Forward-looking statements are subject to inherent risks and uncertainties, such that future events and actual results may differ materially from those set forth in, contemplated by or underlying such forward-looking statements. The Company may not actually achieve or realise its plans, intentions or expectations.

There can be no assurance that the Company's actual results will not differ materially from the expectations set forth in such forward-looking statements.

Factors that could cause actual results to differ from such expectations include, but are not limited to, the state of the global economy, the ability of the petrochemical sector to maintain levels of growth and development, risks related to petrochemical prices and regional political and security concerns. The above is not an exhaustive list of the factors that could cause actual results to differ materially from the expectations set forth in such forward-looking statements. The Company and its affiliates are under no obligation to update the information, opinions or forward-looking statements in this Annual Review.

To download this Annual Review,
please visit our corporate website:
http://investors.sibur.com/~/media/Files/S/Sibur-IR/reports/SIBUR-AR-2019-EN.pdf

Contents

SIBUR at a Glance

What we do

SIBUR purchases hydrocarbon by-products of oil and gas extraction and processes them into high-value-added polymers, including polyolefins, plastics, elastomers and other materials.

As a result, SIBUR also helps to reduce CO_2 emissions stemming from the burning of oil extraction by-products, such as associated petroleum gas (APG), by processing them instead.

Our mission

We view ourselves as an integral part of the modern economy and therefore acknowledge our responsibility to make people's lives better by adapting to their needs and promoting sustainable business operations.

Our values

- One team
- Mutual respect
- Continuous improvement
- Smart solutions
- Cooperation
- Uncompromising safety

① Closest publicly traded global peers.

Largest petrochemical company in Russia and the CIS

Among the
top 10
PETROCHEMICALS COMPANIES① BY EBITDA

Leading position
in Russian production
OF PP, LDPE, BOPP, PET, MEG, EPS, DOTP, SBS AND SBR

Unique infrastructure for processing and transportation of hydrocarbon feedstock

2,700 km
of own pipelines

Sustainable development is a key strategic priority

2025 SUSTAINABLE DEVELOPMENT STRATEGY approved by the Board of Directors at the end of 2019

ACTIVE ROLE IN UNLOCKING THE POTENTIAL OF POLYMER RECYCLING and promoting a circular economy

Signatory of the UN Global Compact with a strong commitment to contribute to **13 UN SUSTAINABLE DEVELOPMENT GOALS**

Strong team and global footprint

>**23,000** employees
Among the **BEST EMPLOYERS** in Russia

>**1,400** large customers in **80** countries worldwide

Balanced business model ensuring resilient financial performance

Three
integrated **BUSINESS SEGMENTS** provide for consistent performance in terms of margins

Average EBITDA margin of
34%
over the last five years

Investment-grade credit ratings

MOODY'S
Baa3
stable

FITCH
BBB-
stable

S&P
BBB-
negative③

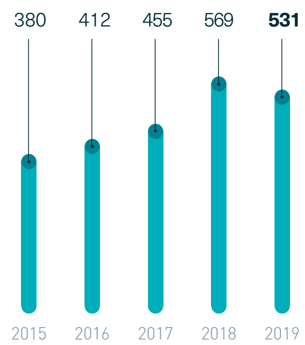
Clear strategic pillars of value creation

SIBUR has a portfolio of projects that are strengthening its leadership positions and driving the development of Russia's petrochemical industry:

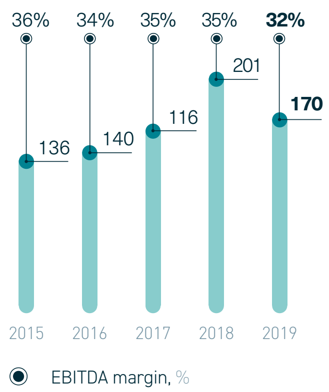
- ZapSibNeftekhim: a USD8.8 billion② project with total capacity of 2 million tonnes of PE and PP, upon full ramp-up, that will triple SIBUR's polyolefin capacity, enable the Company to enter new market segments, and create a solid base for sustainable growth in terms of long-term earnings and cash flows; start-up works at an advanced stage
See ZapSibNeftekhim on p. 32
- Amur GCC: a new project evaluated by SIBUR with total capacity of 2.7 million tonnes of PE and PP that is focused on the Company's long-term expansion in the higher-value-added petrochemicals segment; first project that is fully oriented towards Asian consumers;
See Amur project on p. 35
- Plastics, Elastomers & Intermediates (PE&I) projects that expand our product offering for advanced petrochemical solutions
See PE&I projects on p. 37

KEY FINANCIALS, RUB BLN

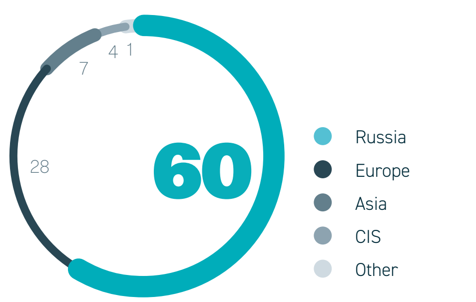
REVENUE
RUB **531** bln
USD **8.2** bln
CAGR: 9%



EBITDA
RUB **170** bln
USD **2.6** bln
CAGR: 6%



2019 REVENUE BREAKDOWN BY GEOGRAPHY, %



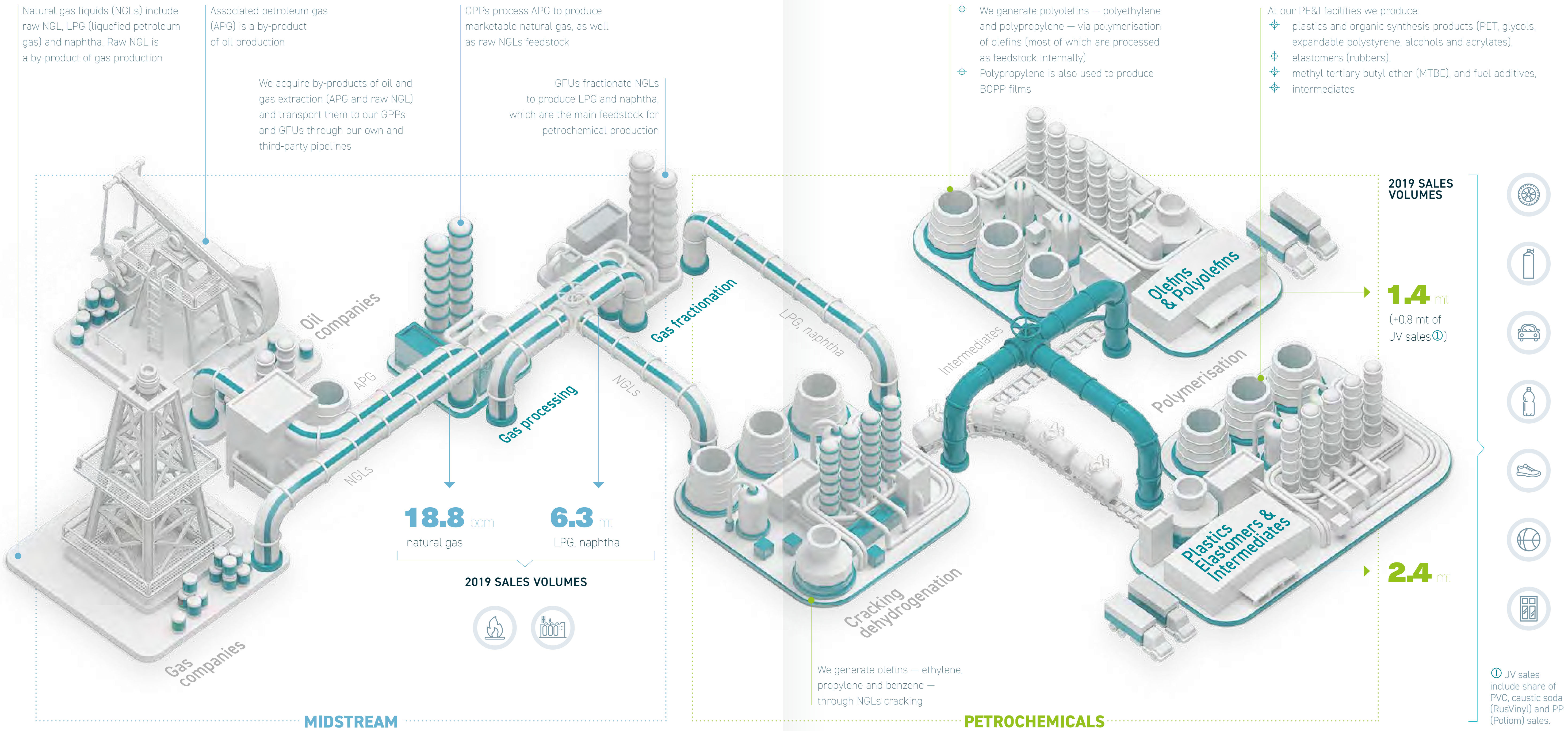
② Calculated based on annual historical exchange rates, residual budget estimated using exchange rates as of 31 March 2020: ₽/$ at 77.7, ₽/€ at 85.7.
③ Revised on 27 May 2020.

Business Model

We create value for our stakeholders by developing best-in-class, balanced midstream and petrochemical operations to convert non-marketable by-products of oil and gas extraction that are effectively stranded in Western Siberia into a wide range of value-added petrochemical and energy products used by people and businesses all over the world.

Our value chain

Our value chain is mainly spread across three business segments: Midstream; Olefins & Polyolefins (O&P); and Plastics, Elastomers & Intermediates (PE&I). These businesses operate on an arm's-length basis, supporting the flexibility of our business model.



Geographic Footprint

1 Transportation infrastructure

Extensive upgraded transportation Infrastructure supporting increased feedstock volumes and export sales of energy products

- Key directions for sea freight
- SIBUR's raw NGL pipeline

2 Processing & production

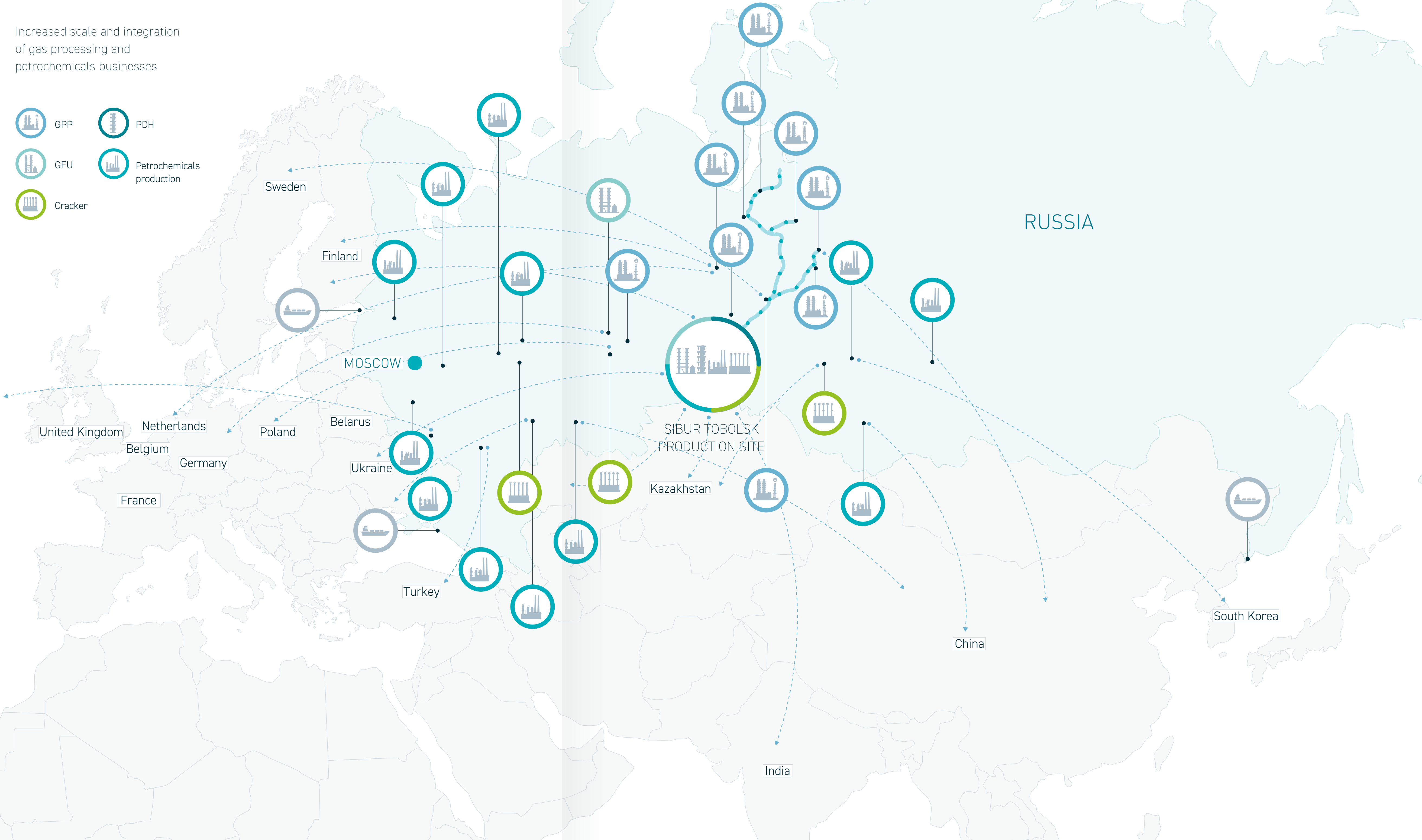
Increased scale and integration of gas processing and petrochemicals businesses

- GPP
- PDH
- GFU
- Petrochemicals production
- Cracker

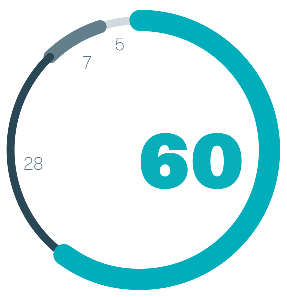
3 Sales & markets

Capturing the growing domestic marketplace through import substitution

- External sales



SALES DESTRIBUTION, %



- Russia
- Europe
- Asia
- CIS

Key Developments

Corporate
Investment projects
M&A
Sustainable development

2019

MAR

The Board of Directors approved changes to the Company's dividend policy and increased the dividend payout ratio from 25% to not less than 35% of adjusted net income[1].

MAY

SIBUR's Perm site launched production of eco-friendly dioctyl terephthalate plasticiser (DOTP), which is used in floor and roof coatings, medical items, wallpaper, cable compounds and automotive coatings and is designed to ensure their plasticity, enhanced durability, and wear and cold resistance.

See PE&I projects on p. 37

JUN

SIBUR and Sinopec signed a term sheet regulating the key principles of a potential JV for development and operations of the Amur Gas Chemical Complex (AGCC). As of 31 March 2020, SINOPEC received all the necessary corporate approvals to enter the JV with a 40% stake.

See PE&I projects on p. 37

SIBUR and Sinopec signed a distribution agreement to supply PE to China from SIBUR's ZapSibNeftekhim plant.

See ZapSibNeftekhim on p. 32

Fitch Ratings upgraded SIBUR's long-term issuer default rating (IDR) to BBB- from BB+ with a stable outlook. The upgrade followed Fitch's decision from a year ago to revise its outlook for SIBUR's IDR to positive.

JUL

Sibgazpolimer, a JV of SIBUR and Gazprom Neft, acquired a 50% stake in Poliom (a PP plant in Omsk) from the Titan Group, consolidating 100% of its authorised capital. As a result, Poliom LLC became a 50/50 JV between SIBUR and Gazprom Neft.

AUG

Reconstruction of the pure terephthalic acid (PTA) production facility was completed at SIBUR's Blagoveshchensk site, which will benefit medicine, construction, food packaging, and textiles.

See PE&I projects on p. 37

Standard & Poor's assigned SIBUR a long-term issuer credit rating of BBB- with a stable outlook. SIBUR now holds investment-grade ratings with stable outlooks from all three major global credit ratings agencies.

SEP

SIBUR joined the United Nations Global Compact, the UN's most prominent global business initiative for corporate social responsibility and sustainable development.

SIBUR and Sinopec signed a framework cooperation agreement to produce SEBS (styrene, ethylene and butylene-based block copolymers) and a memorandum of understanding to cooperate in the production of nitrile butadiene rubber (NBR).

SIBUR and Gazprom signed a preliminary agreement setting out the key commercial terms for the supply of LPG from Gazprom's Amur GPP to the Amur GCC. According to the agreement, Gazprom will additionally supply 1.5 mtpa of LPG and ethane fraction to the Amur GCC at formula-based prices. As a result, SIBUR will be able to increase its output from 1.5 mtpa of PE to 2.3 mtpa of PE and 400 ktpa of PP. Earlier in 2018, SIBUR and Gazprom signed a contract for the supply of c. 2 mtpa of ethane fraction.

SIBUR placed a USD 500 million Eurobond issue on the Irish Stock Exchange, maturing in 2024. The coupon rate was set at 3.45% per annum payable semi-annually.

SIBUR's subsidiary BIAXPLEN acquired a 50% stake in the European BOPP film producer Manucor S.p.A. BIAXPLEN and Manucor are expected to share their best practices in the areas of R&D, sales and marketing, production, and technical support.

OCT

At ZapSibNeftekhim, we completed construction and pre-commissioning works in key processing and technological units and proceeded to the commissioning stage. As of 31 December 2019, the ZapSib PP production unit and a number of infrastructure facilities were put in use, while the steam cracker and PE production units were operating in test mode.

NOV

SIBUR and Tatneft finalised the sale and purchase of SIBUR's petrochemical facilities in Togliatti.

DEC

SIBUR's Board of Directors approved the Company's 2025 Sustainable Development Strategy, identifying five key focus areas (responsible business, environment, society and partnership, sustainable product portfolio, and climate impact mitigation) and setting respective goals within them.

See Sustainable Development on p. 88

2020

MAY

SIBUR Holding's Board of Directors created a Sustainable Development Committee.

SIBUR successfully placed BO-01 and BO-02 series exchange-traded bonds for RUB 15 bln.

JUN

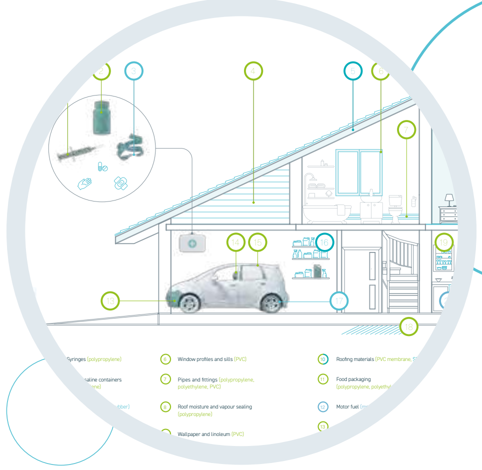
Fitch and Moody's affirmed SIBUR's credit ratings at investment grade BBB- and Baa3, outlook "Stable".

SIBUR raised USD 500 million in 5-year Eurobonds at 2.95%, a record low coupon for Russian corporate issuers.

[1] Net income adjusted for FX gains/losses, extraordinary and one-off income and expenses.

Contributing to a More Sustainable Future

Polymers (plastics) play a vital role in improving the quality of people's lives, as well as enhancing energy and production efficiencies in many industries. The demand for polymers is projected to outpace the world's GDP growth over the next decade, driven by population growth and expansion of the middle class. For us, these trends represent both an opportunity and a challenge to further strengthen the link between maximising value and serving the interests of both existing and future stakeholders. SIBUR is driving forward the implementation of a sustainable circular economy, where products are reused as much as possible, and consumed items are transformed into valuable resources rather than wasted.



For more information
on applications of our products
please see p. 52 of the report

The role of polymers in modern life

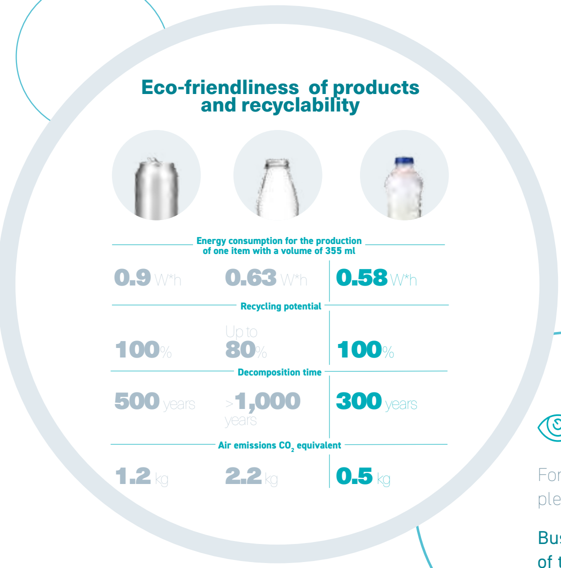
The use of modern polymers has significantly improved the quality of life of billions of people, driving breakthroughs in various fields of science, industry and technology. Strong, lightweight and mouldable, plastics are used in thousands of products that add convenience, comfort and safety to our everyday lives. Due to their unique properties, plastics have successfully substituted traditional materials (e.g. glass, metals, wood, natural fibres and paper) in many applications.

In terms of CO_2 emissions, consumption of energy and water, emissions and waste generated, production of polymers and other petrochemicals is more environmentally friendly than production of comparable materials, including metals and paper. The use of plastic in food packaging also significantly supports food savings.

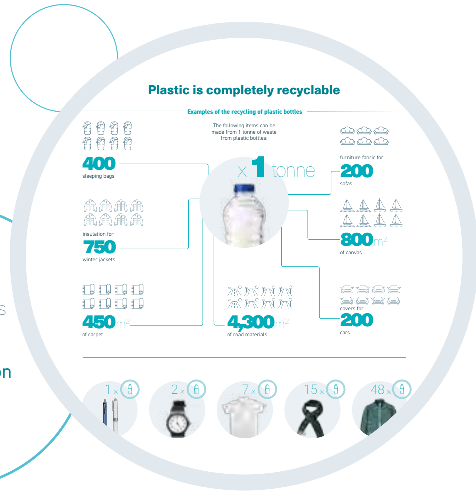
SIBUR's 2025 sustainability strategy: bringing sustainability efforts to a new level

SIBUR's efforts to build a sustainable organisation that serves the interests of both existing and future SIBUR stakeholders provide the basis for the Company's 2025 Sustainability Strategy, approved by the Board of Directors in December 2019. The Strategy identifies five key focus areas (responsible business, the environment, society and partnership, a sustainable product portfolio and climate impact mitigation) and sets specific sustainability goals for each of these areas.

More details about our Sustainability Strategy
are available on pp. 88–89 of this report



For more details please see the
Business section of the report
on pp. 50–83



For more details please see the
Business section of the report
on p. 70

SIBUR's contribution to a waste-free environment

One of the main advantages of most polymers is their great recycling potential. However, due to irresponsible use and utilisation of plastics, as well as the lack of strict regulation in most countries, only 16% of global polymer waste is reused or recycled. The most effective approach to tackling the issue should be a combination of simultaneous measures aimed at building adequate waste management systems, promoting separate waste collection, introducing new standards and educating consumers. We are confident that the amount of recycled plastics will grow considerably in the coming decades, and SIBUR is constantly contributing to this trend. The Company has been working on a number of initiatives to support a move to promote a circular economy.

R&D and innovations

SIBUR is carrying out a number of chemistry R&D projects to improve recycling yields. In 2019, the Company expanded its R&D infrastructure with Russia's first domestic R&D centre for the development and testing of polymer products, SIBUR's PolyLab, located at the Skolkovo Innovation Centre. PolyLab's top priority is to promote the use of polymers both to manufacture existing products and to design novel solutions to drive technological advancements in healthcare, consumer goods and the automotive and construction industries.

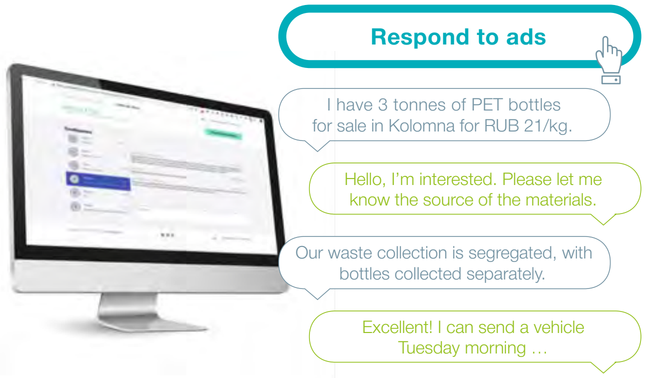
Recycling solutions for clients

We are working closely with both Russian and international corporate clients to provide them with polymer products with improved recyclability that would make it easier to reinsert used plastics back into the economic cycle. In 2020, SIBUR and Azimut, one of Russia's largest hospitality chains, launched an environmental project to introduce recyclable guest accessories in Azimut hotels. As part of this initiative, SIBUR and its partners will supply Azimut with in-room items, such as dental kits, combs, shampoo bottles and others, produced from recycled plastics or fully recyclable PET. Used accessories will be sorted and processed by waste collection operators.

Facilitating access to the waste market

In 2019, SIBUR launched Reaktor, an online platform connecting waste-producing entities and recycling companies. The start-up provides a number of convenient interfaces for transacting with waste and improves the economics of waste management and recycling for participants of the waste market. Reaktor aims to induce a significant number of enterprises into waste collection and trading. The platform now unites around five thousand users and handles from 10 to 15 thousand tonnes of waste every month.

DISCUSS ALL TRANSACTION DETAILS IN AN ONLINE CHAT



Promoting a zero-waste culture and waste sorting in local communities

SIBUR supports the installation of containers and waste collection machines in Moscow and other Russian cities. SIBUR also sponsors various eco-projects in Russia's major sports leagues, on TV and the Internet, and our top managers deliver public lectures promoting a circular economy and responsible waste management.

SIBUR'S ECO-BALL IN ACTION

In October 2019, the first-ever official basketball game played with an eco-ball took place in Russia's national basketball league, the VTB United League Championship. The ball was created from recycled plastic by SIBUR in partnership with Wilson. The inside of the eco-ball is made of a composite material obtained from plastic bottles processed using advanced technology. The total weight of the plastic used to create the cushion core technology, a patented sponge-like ball carcass for maximum shock absorption, is equal to the weight of 2.5 standard bottles. The ball passed a series of stringent tests and was certified by the International Basketball Federation (FIBA).

How to Sort Waste Properly

Plastics are not necessarily a burden on the planet. Producers of plastics, packaging and FMCG; retailers; and other large businesses have already embarked on a transition to a circular economy and demonstrated their commitment to polymer recycling. There are dedicated facilities and drop-off points, but no major progress is feasible without community involvement.

Unless people start sorting their waste, recycling plants will face a shortage of raw materials to operate efficiently. This leads to a continuing rise in the number of landfills, which take a toll on the environment. Take the first step towards responsible consumption by sorting and collecting plastics from your household waste.

TYPES OF PLASTICS AND COMMON USES

	1	2	3	4	5	6	7
	PET/PETE	**HDPE**	**V**	**LDPE**	**PP**	**PS/EPS**	**OTHER**
	Polyethylene terephthalate	High-density polyethylene	Polyvinyl chloride (PVC)	Low-density polyethylene	Polypropylene	Polystyrene	
PROPERTIES AND SAFETY	High barrier properties Resistant to sunlight Heating to temperatures above 60°C not recommended Microwave- and oven-safe if so labelled Reuse not recommended	High endurance and chemical resistance Can withstand temperatures up to 90°C	Safe for household and industrial use Toxic only if burnt (heating is safe)	High endurance and chemical resistance Heating or storing hot food not recommended Not microwavable	High endurance and chemical resistance Microwavable Freezable	Can be used in disposable packaging for cold food Heating or storing hot food not recommended Not microwavable	Items made of other plastics or multilayer packaging
RECYCLED PLASTICS CAN BE USED TO MAKE NEW ITEMS:	Great recycling potential	Good recycling potential	Poor recycling potential	Good recycling potential	Good recycling potential	Limited recycling potential	Poor recycling potential

1 Recognise the scale of the problem

Every year, a total of 2 billion tonnes of solid household waste is dumped around the world, with Russia accounting for 70 million tonnes. Almost half of the total amount, or 44%, is made up of organic and food waste, while 17% comes from paper and cardboard, and around 12% is contributed by plastic waste (that is some 3 million tonnes in Russia).

Although most of that solid waste could be recycled, around 90% is sent to giant landfill sites to rot. Some materials, including rubber, plastics and metals, decompose longer as compared to organic waste.

The pattern of recycling household waste, including plastics, is still only starting to take shape in Russia, with 94% of all waste remaining unsorted and sent to landfills, according to Greenpeace.

2 Learn to identify different types of plastic

Plastic is not a single material but a group of materials. In order to streamline and simplify plastic collection for recycling, a classification system was established in the 1980s. Recyclable plastic products were divided into seven groups, each associated with a number from 1 to 7.

3 Read the label before making a purchase

When shopping, pay attention to a label with a symbol indicating three chasing arrows. In addition to the above-mentioned seven types of plastic, this system is used to identify recyclable goods made of paper, glass, aluminium and a combination of several materials.

4 Consider the entire life cycle of a product

Whenever choosing between different types of recyclable packaging, pay attention to the ecological footprint of each material, i.e. the comprehensive impact it has on the environment throughout its life cycle. A lot of people tend to think that plastic is not green, as compared to the allegedly more environmentally friendly options of paper, glass or aluminium. However, when taking into account the consumption of energy, water and input materials or greenhouse gas emissions associated with producing or recycling, the argument for these materials becomes less straightforward.

For example, production and transportation of paper bags sometimes require more energy compared to polyethylene products. According to Greenpeace, the manufacturing of paper bags results in 1.5 times more emissions and 50 times more water pollution. This means that a paper bag needs to be used at least 43 times to outperform plastic in terms of environmental impact.

See pp. 65 and 69

5 Start with small steps

If you have never sorted waste before and have no idea what to begin with, focus on plastic bottles first. PET is one of the most common polymers and accounts for 5% of all plastic. Reusing a tonne of PET saves up to 5 cubic metres of space at a landfill site. On top of that, PET is readily recyclable.

See p. 70

6 Figure out the rest of your waste

After you get used to sorting plastic, move on to other types of waste, such as waste paper. By far not all paper products can be recycled. As one example, very few plants are willing to process Tetra Pak and similar cartons because of the many layers they contain (the components include paper, plastic and aluminium). Other non-recyclable products are diapers, sanitary pads, used paper napkins and towels, and disposable paper plates. Items that are fit for recycling include cardboard boxes and packaging, books, magazines, newspapers and notebooks as long as they are not stained with grease. Egg boxes and toilet paper tubes are accepted only by some recyclers.

Also recyclable are aluminium and tin cans, as well as metal caps, once they are rinsed out and crushed. Rinsing is equally necessary for glass bottles you want to put in the recycling bin — and make sure to remove any caps or lids.

STRATEGIC REVIEW

Message
from Dmitry Konov,
Chairman of the Management Board

Dear shareholders and stakeholders,

2019 was a challenging year for our industry as international trade tensions and global supply–demand imbalances caused prices for major petrochemical and energy products to fall.

Against this backdrop, our team efforts were aimed at the continued transformation of our business through strategic growth projects, maximising efficiencies and developing SIBUR as a truly sustainable organisation driven by environmental and community goals. Today, as we are facing one of the most uncertain economic and market environments in modern history, triggered by the COVID-19 outbreak, we see that our achievements of last year are bearing fruit, and our strategic focus remains unchanged. In March 2020, we started proactively introducing anti-crisis measures aimed at preserving SIBUR's business in this new environment. Consistent with our core values, we have prioritised the health and safety of our employees, continuity of our operations and intense optimisation of costs. The current turbulence in the global economy may have echoes in the future, reshaping the petrochemical industry and impacting our business, but we are all working right now to ensure that SIBUR navigates this crisis as efficiently as possible and continues to grow.

Entering 2020 in good shape

Despite last year's unforeseen market trends, SIBUR entered 2020 well prepared. We completed the construction of ZapSibNeftekhim (ZapSib), one of the world's largest and most advanced polyolefin facilities, ahead of schedule and continued to expand our product offering in plastics and elastomers. At the same time,

RUB **531** bln

SIBUR's revenue in 2019

↓7%

RUB **170** bln

SIBUR's EBITDA in 2019

↓15%

SIBUR's structural competitive advantages and balanced business model allowed us to cushion external impacts and post solid operating profitability against major peers. SIBUR's revenues for 2019 contracted by 7% year-on-year to RUB 531 billion, and EBITDA was down 15% year-on-year, reaching RUB 170 billion. As you will see in the Operating Environment and Markets section of this review,

the Company's year-on-year EBITDA dynamics were second best among global industry leaders.

In line with our strategy of expanding into value-added petrochemicals, the key positive driver of SIBUR's performance was the Olefins & Polyolefins (O&P) business. O&P revenues and EBITDA rose by 5% and 30% year-on-year, respectively, despite a significant weakening of polyolefin prices. This growth was supported in particular by the launch of polypropylene (PP) production at ZapSib in the fourth quarter of 2019. SIBUR's petrochemical operations overall saw declines in revenues and EBITDA by 7% and 15%, respectively, reflecting a sharp drop in market prices and spreads across the plastics and elastomers product portfolio. Our Midstream business was impacted by sharp decreases in LPG and naphtha prices following strong new inflows of LPG into the market from the United States. The Midstream segment's revenues and EBITDA were down 12% and 21% year-on-year, respectively.

SIBUR's financial position remains solid. As of the end of the year, our net debt/EBITDA ratio stood at a comfortable 2.1x, and our major investment project, ZapSib, was 90% financed (with USD 8.1 billion in investments out of a total budget of USD 8.9 billion). Since S&P's assignment of a BBB- credit rating in August 2019, SIBUR has retained investment-grade ratings from all three major international rating agencies.

Working against the challenges of COVID-19 and oil price volatility

The spread of the new coronavirus, COVID-19, as well as the sharp drop in oil prices started to have an adverse impact on SIBUR's core markets and counterparties in 1Q 2020. We saw prices for LPG and naphtha declining to all-time lows, while polyolefin prices experienced a modest correction. National lockdown measures in Europe created logistics bottlenecks and interruptions in deliveries to some of our customers. A number of European clients temporarily closed their production facilities.

In the face of a high degree of uncertainty, we introduced anti-crisis measures to mitigate new risks and impacts. Our number one priority is the health of our colleagues and of the employees of our contractors. We adjusted day-to-day operations and procedures at every SIBUR facility and at the Company's headquarters. At SIBUR's production sites, additional disinfection measures and medical checks were made mandatory, while most of the administrative staff began working from home and taking part in online meetings, as we organised thousands of remote working places. SIBUR's headquarters also started operating remotely.

Another area of our focus was to ensure that the Company's operations continue uninterrupted, maintaining the original ramp-up and capacity utilisation plan. SIBUR's largest facilities, such as ZapSib, formed isolated production teams staffed with those workers who passed medical checks and run no risk of carrying the coronavirus. These teams relocated to special campuses and were well equipped to be able to maintain on-site operations in the long run.

Message from Dmitry Konov, Chairman of the Management Board *(continued)*

In June 2020, we developed a plan for gradual return of our employees to offices. Shift camps at our production sites are also expected to be gradually eliminated.

Simultaneously, we started working to identify new pools of demand and distribution channels outside of Europe for both energy and petrochemical products. Given the relatively stable situation in Asia, we started to redirect part of our exports to Asian markets despite certain slowdowns in logistics and increased transportation costs. Polymer demand in Russia remains healthy in most industries, while some sectors, like food packaging, pharmaceuticals and medical appliances, have demonstrated demand spikes since March 2020.

> We fully appreciate the role SIBUR's products play in fighting the pandemic and have kept the prices for our customers involved in manufacturing critical medical devices at minimum levels.

Finally, we initiated a number of cost optimisation measures to help us navigate the longer-term economic and market downturn. We started optimisation of our 2020 investment programme, focusing on payment deferrals with no impact on physical progress across key projects. By mid-May, we managed to reduce our 2020 investment plan by approximately RUB 36 billion. Overall, we expect our optimisation plan, together with the completion of most ZapSib-related CAPEX, to have a considerable positive impact on our free cash flow in 2020.

ZapSib ramp-up underway, providing additional stability to SIBUR's business

Our top priority for 2020 remains the ramp-up of ZapSib, a unique polyolefin facility that combines an unmatched scale with a strategic location close to its feedstock base and high-end manufacturing technologies. Why is this project so important for us? ZapSib triples SIBUR's polyolefin capacity, allowing us to reroute up to 2.7 million tonnes of LPG (or over 50% of our total LPG output) from market sales to higher-value-adding polyolefin production, which has historically enjoyed more stable spreads compared to energy products. A weak oil price environment, like the one we are seeing today, usually puts strong pressure on our Midstream business but, all else being equal, results in wider spreads and margins in petrochemical operations.

> The significant addition of polyolefin capacities is making SIBUR far less vulnerable to downturns in commodity markets and is supporting our EBITDA. Bringing ZapSib to full capacity is also crucial in terms of our global competitive positioning, as it will solidify our cost advantages and SIBUR's status as one of the fastest-growing global petrochemical majors.

Ramping up a production site on the scale of ZapSib is a complex process requiring the gradual commissioning of complex technical units. We are proud that, in the first quarter of 2020, ZapSib was already running at almost 70% of its designed capacity. Within the next 12 months, we will aim to reach at least 90% utilisation of ZapSib.

Amur project as another pillar of our long-term growth

Looking ahead, we continue to believe that SIBUR's long-term advantages, such as the strategic location of our assets and infrastructure, low energy costs in Russia and our cutting-edge expertise, offer excellent opportunities for further expansion of value-adding petrochemicals operations. In line with this view, we have been working on our next strategic project: the construction of the Amur Gas Chemical Complex (GCC) in Eastern Siberia.

> In its extended capacity configuration of 2.3 mtpa of polyethylene and 400 ktpa of polypropylene, the plant would be the world's largest integrated basic polymer manufacturer.

The Amur GCC will process ethane and LPG supplied from Gazprom's Amur Gas Processing Plant (GPP).

The Amur project is expected to develop as a strategic industrial hub for the Russian Far East, further boosting Russia's value-adding production capacities and creating thousands of new jobs. We are looking forward to the introduction of a negative excise tax for LPG and ethane in Russia so that we can proceed to the active phase of the project. As we announced last year, SIBUR is planning to develop the Amur GCC through a joint venture with Sinopec, one of the world's leading petroleum and petrochemical holdings and our long-standing partner and shareholder.

Earlier this year, Sinopec received all the necessary corporate approvals and is currently in the process of obtaining regulatory approvals to confirm its commitment to take part in the project. Sinopec is expected to have a 40% share in the joint venture and in the project finance costs.

Focus on sustainability and community interests will be strengthened in any business environment

One of our key goals for 2019 was consolidating our efforts around sustainable development initiatives. Being one of the major players in the global petrochemical industry, we strive both to create value today and to serve the interests of future generations. Flipping through the pages of this annual review, you will see that our products play a crucial role in facilitating the safety and well-being of many people around the world. However, irresponsible usage creates significant environmental risks and thus tends to discredit the benefits of polymer products. One way to tackle this problem is by encouraging a circular economy, where products are continuously recycled. SIBUR's business model is a good example of circular principles, as it is based on creating high-value-added products from by-products of oil and gas production that would otherwise be flared off.

Today, we maintain our adherence to the values of a circular economy, as we are integrating recycling opportunities and other green initiatives in our entire value chain, reducing the ecological impact of our facilities and investing in research and the promotion of polymer recycling.

In January, we announced our 2025 Sustainable Development Strategy, which focuses our efforts on where we can contribute to the resolution of global problems and sets specific measurable targets that are crucial for our sustainable growth. As we are coming through a very challenging economic period, these targets will remain on our priority list, and we intend to report to all stakeholders on progress in implementing our Sustainable Development Strategy. I am confident that upholding our long-term values will help us navigate this challenging and uncertain period and continue creating sustainable value in the interest of all our stakeholders.

DMITRY KONOV
Chairman of the Management Board,
SIBUR Holding

Investment Case

Our investment case centres around three main components: (i) our leading market position and the strong fundamentals of our core markets; (ii) the financial value that we create for our shareholders by leveraging the Company's balanced business model and cost advantages; and (iii) the long-term intangible value of our business, which is supported by our strong management and ongoing commitment to sustainability and innovation in the interest of all SIBUR's stakeholders.

A leading EM petrochemicals company

Diversified end markets with strong long-term fundamentals

Cost and infrastructure advantages defending our market position and profitability

Superior margins and resilient cash flows throughout the petchem cycle

Transformational investment projects

A Strong management and shareholder teams with a proven track record of value creation

Commitment to sustainability and innovation

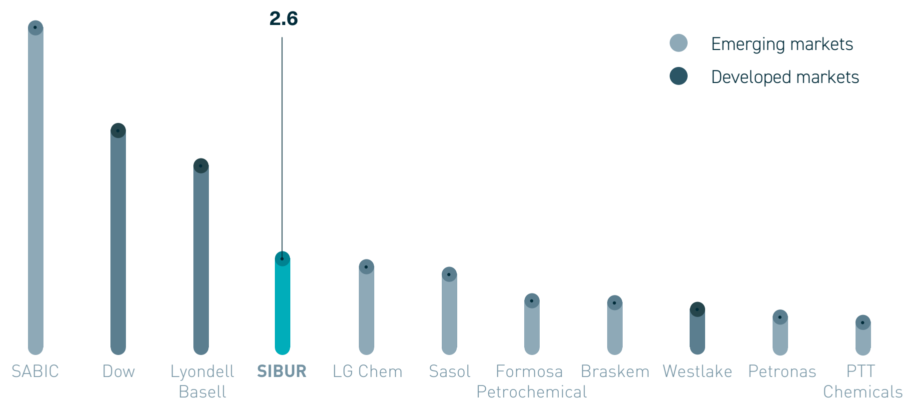
Leadership and long-term market fundamentals

1 We are an emerging markets leader in the petrochemicals industry and the largest player in Russia and the CIS

Among our closest publicly traded global peers, SIBUR was a top 10 petrochemicals company by EBITDA for FY 2019. Ramping up ZapSib will also position SIBUR among the world's top 15 manufacturers of basic polymers (polypropylene and polyethylene) by capacity.

In our domestic market of Russia, SIBUR has established itself as a clear leader in key petrochemical products. We are committed to reinforcing our leading position in domestic petrochemicals and providing a more secure and convenient supply source for Russian processors, while also seizing upon global growth opportunities by leveraging our structural advantages.

TOP 10 PUBLIC PETROCHEMICALS-FOCUSED COMPANIES AS MEASURED BY 2019 EBITDA, USD BLN



Source: Bloomberg, Companies' data.

SIBUR'S LEADING POSITION IN RUSSIA'S PRODUCTION (2019)

Polyolefins			Plastics			Elastomers		
No1 LDPE	No1 PP	No1 BOPP	No1 PET	No1 MEG	No1 EPS	No1 SBR	No2 PBR	No1 SBS

2 We operate in diversified end markets with strong long-term fundamentals

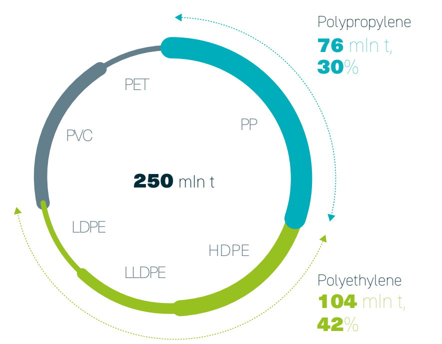
Our core products — polyethylene (PE) and polypropylene (PP) — are two of the most widely used polymers in the world, which is attributable to their unmatched consumer properties. According to IHS Markit, in 2019 global consumption reached 104 million tonnes for PE and 76 million tonnes for PP. Demand for PE and PP is expected to outperform global GDP performance due to significant structural growth potential for consumption of petrochemicals in emerging markets, including our priority domestic market of Russia. Asia is expected to lead this expansion, as the region catches up with Europe and the US in terms of per capita consumption of modern advanced materials. With the ramping up of ZapSib,

SIBUR's production facilities are becoming uniquely positioned to meet this demand, as they are strategically located in close proximity to China.

See Strategy on pp. 30–37

The diversification of our product offering was one of the mitigating factors in the face of the COVID-19 pandemic in 1H 2020. While some of our customers in the automotive, logistics, transportation and construction industries were hard hit, we also saw robust demand for polymers in the packaging, medical and pharmaceuticals industries, as well as cleaning and hygiene products, and household goods.

2019 GLOBAL MAJOR POLYMERS CONSUMPTION, MLN T



Source: IHS Markit.

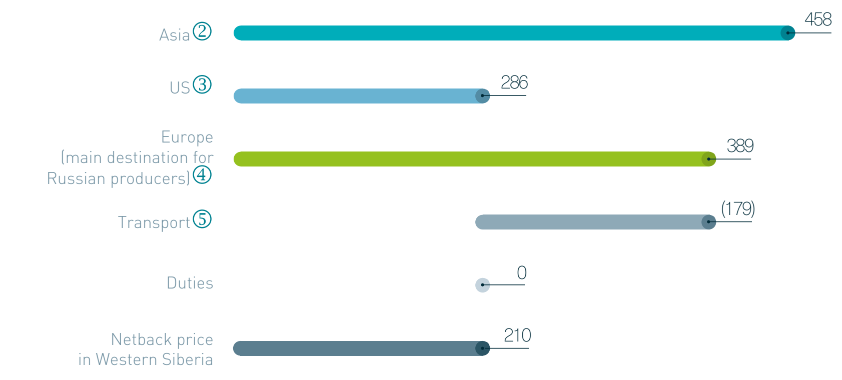
Financial Value

1 We are a low-cost petrochemicals producer with a unique geographical position and extensive infrastructure, which protect our leading market position and profitability

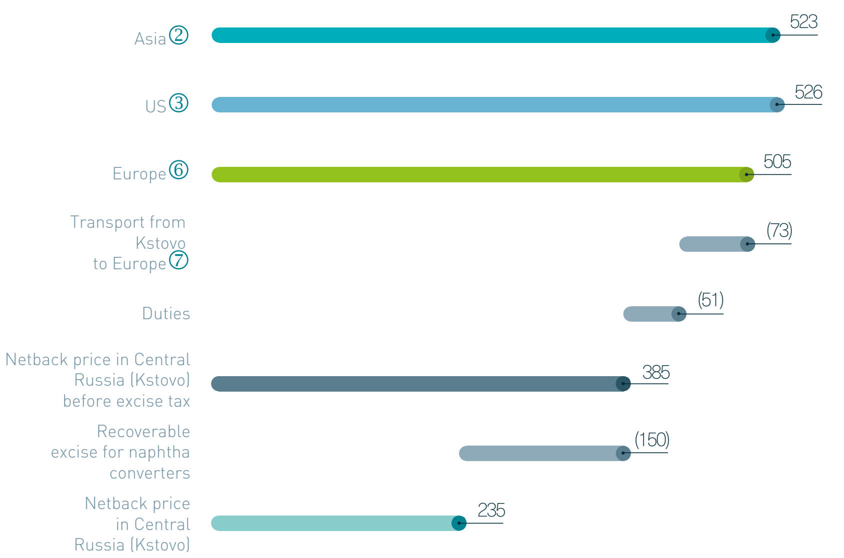
Our core production base is located in Western Siberia, the richest oil and gas extraction region in Russia (62% and 78% of Russian APG and gas condensate production, respectively), which makes feedstock costs among the lowest globally, providing a strong competitive advantage for our petrochemical operations. This cost advantage is secured by an abundant supply of landlocked LPG and naphtha (the end products of our Midstream business and feedstock for polymer production), driving the export netback pricing in the market. For LPG, the domestic netback price is lower versus global benchmarks (by approximately 30% compared with Europe in 2019) due to high transportation costs (railway transportation of LPG requires specialised tank cars and empty runs) and export duty. For naphtha, the netback price is also reduced by the recoverable excise①. The location and integration of SIBUR's key production assets helps us to eliminate a significant part of feedstock transportation costs and export duties, resulting in more favourable netback prices for LPG and naphtha as feedstock for petrochemicals production in Western Siberia against global benchmarks.

We have developed Russia's largest and most extensive integrated infrastructure for the processing and transportation of APG and NGLs, comprising eight of ten operating gas processing plants and 2,717 kilometres of pipelines in Western Siberia, thus creating significant entry barriers. With approximately USD 4.5 billion of investments over the past nine years, we have expanded and significantly upgraded our processing and transportation capacities. Replicating our infrastructure would require multibillion-dollar investments and would not be economically justifiable without the economies of scale, client base and marketing expertise in petrochemicals that SIBUR enjoys.

LPG PRICES IN 2019, USD/T



NAPHTHA PRICES IN 2019, USD/ T



Source: Company data, Argus, Ministry of Economic Development of the Russian Federation, Russian Tax Code.

① Recoverable excise taxes for naphtha, paraxylene and benzene were introduced by the Russian government to neutralise the impact of the tax manoeuvre on feedstock costs for petrochemical producers.
② CIF Japan.
③ Delivered USGC.
④ DAF Brest propane-butane (50/50).
⑤ Rail transportation costs from Tobolsk to Central Europe.
⑥ CIF Northwest Europe.
⑦ Company data, including rail transportation costs from Kstovo to Ust-Luga and sea freight costs from Ust-Luga to new ports.

2 Our business earns superior margins and generates resilient cash flows throughout the cycle

Our balanced business model provides us with greater stability against volatility in global commodity and FX markets compared to most peers. While our Midstream business tends to benefit from higher prices for hydrocarbons, the margins in the Olefins & Polyolefins business receive support in an environment of lower oil prices and a weaker rouble due to lower feedstock costs. Another supporting factor is the FX structure of our revenues and expenses. Despite the fact that we sell more than half of our products domestically, we apply import or export parity principles within our pricing formulas. That's why we treat almost all our revenue as FX-based inflow while the vast majority of expenses are denominated in Russian roubles.

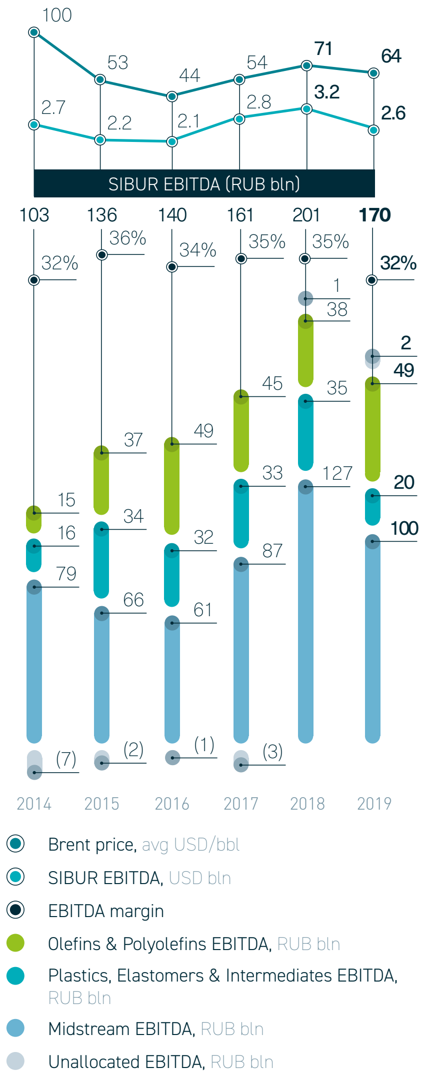
These hedging mechanisms are solidified by the pricing formulas of our long-term supply contracts, which link our feedstock prices to global commodity benchmarks and pass on the volatility in oil and gas prices to our suppliers.

In Olefins & Polyolefins, the spreads between feedstock costs and end-product selling prices have historically been more stable than in the Midstream segment. Expanding the capacity of our O&P segment with the launch of ZapSib and the increase in the share of petrochemicals in our business are thus helping to significantly reduce our exposure to oil price volatility.

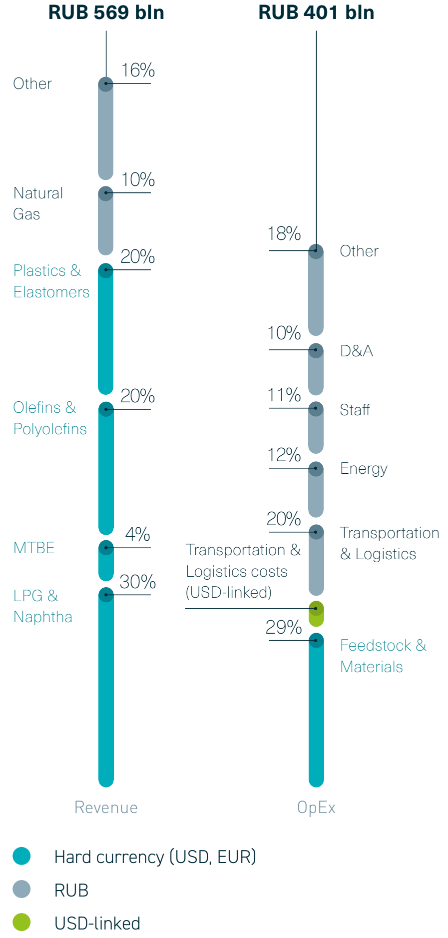
In 2019, the stability of our business model once again helped us to deliver sustainably healthy EBITDA margins and strong operating cash flows despite the challenging market environment in both energy and petrochemical markets. SIBUR's EBITDA trends proved to be among the most resilient in comparison with global peers. The Company's blended EBITDA margin remained strong at 32.3%.

See 2019 Operating Environment on pp. 38–39

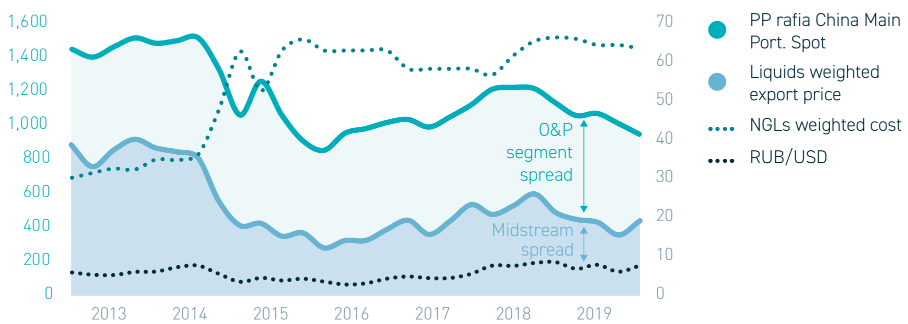
DOWNSTREAM INTEGRATION AND RESILIENCE OF EBITDA MARGIN, FY 2019



FX EXPOSURE OF SIBUR REVENUE AND COSTS, FY 2019



CHEMICAL SPREAD SUPPORTS MIDSTREAM MARGIN



3 We expect significant upside from world-class investment projects aimed at boosting the share of higher-value-added petrochemicals in our output

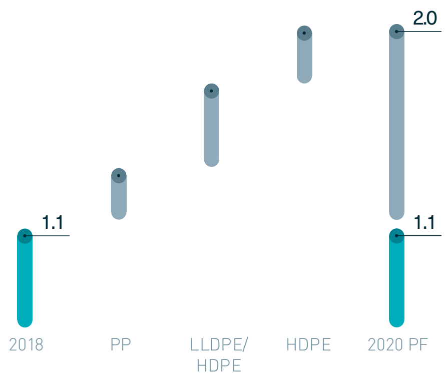
For SIBUR, 2019 was marked by the early completion of construction works at ZapSib, the world's largest single-unit polyolefin production facility, which is profoundly transforming our entire value chain. Upon full ramp-up, ZapSib triples our polyolefins capacity, enabling us to boost the share of higher-value-added products in our portfolio and further reduce our sensitivity to energy price fluctuations. During 1Q 2020, ZapSib reached 68% average capacity utilisation, helping SIBUR offset the negative effects of low hydrocarbon prices by boosting our internal consumption of feedstock and capturing temporarily widened polymer spreads.

See ZapSibNeftekhim on pp. 32–34

Another strategic opportunity that SIBUR is pursuing is the construction of the Amur Gas Chemical Complex (AGCC), which aims to develop petrochemicals production in Far East based on ethane and LPG feedstock to be supplied from Gazprom's Amur Gas Processing Plant. The project's total capacity should reach 2.3 million tonnes of polyethylene and 400 thousand tonnes of polypropylene, which is expected to be another big step towards increasing the processing volumes of hydrocarbon feedstock within Russia. SIBUR plans to develop the AGCC through a joint venture with Sinopec. Sinopec is expected to have a 40% share in the JV (in April 2020, the Chinese company received all necessary corporate approvals to take part in the project). With the AGCC, SIBUR would be well positioned to sell to Asian export markets, in particular China.

See Amur GCC on pp. 35–36

EXPANSION OF SIBUR'S CAPACITY THROUGH ZAPSIB



Intangible Value

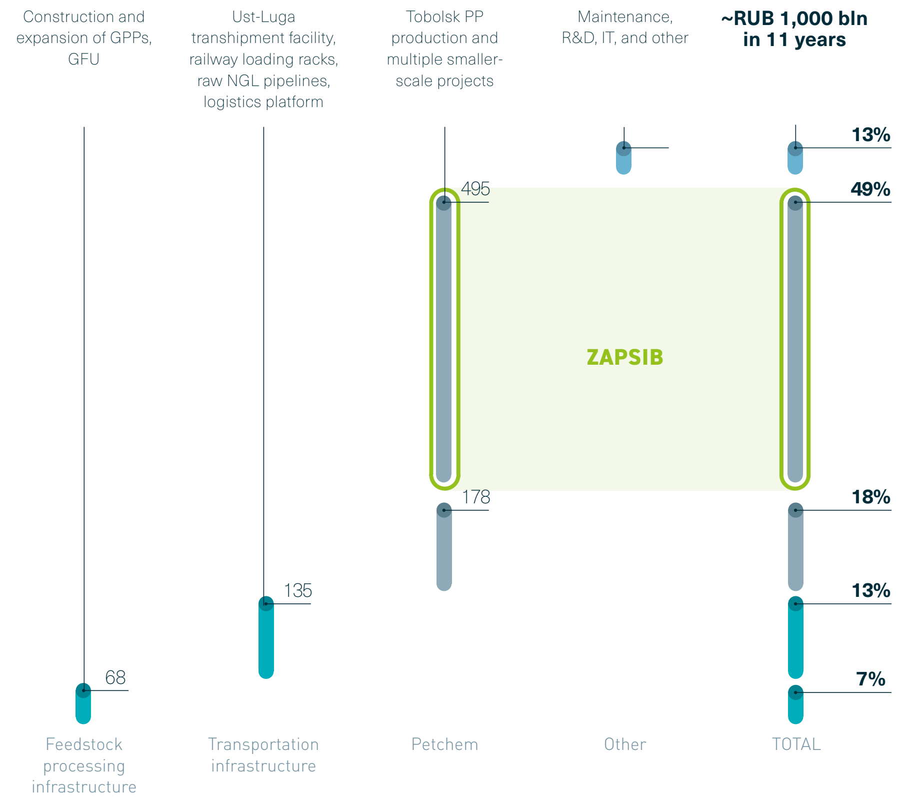
1 Our strong management has a track record of value creation

SIBUR is led by an experienced management team with industry-leading expertise and a strong track record in improving performance and project execution.

When implementing our strategic investment projects like ZapSib, we rely on our proven project management system based on detailed methodologies and processes, as well as modern project management IT systems and a team of experienced managers who specialise in project execution. In 2019, the efficiency of our management approach was once again proven by the early completion of ZapSib and the positive feedback we are getting from customers regarding the new facility's products.

Our proven track record of completing value-accretive projects on time and within budget has enabled us to develop beyond execution of our own investment programme and to offer our expertise to third parties through SIBUR's engineering subsidiary NIPIGAZ.

PORTFOLIO OF EXECUTED PROJECTS, RUB BLN (EXCL. VAT)



2 We are committed to sustainable development, greener business practices and innovations

SIBUR is developing as a sustainable and responsible business committed to creating value for all its stakeholders and serving the objectives of protecting the environment, promoting a circular economy and improving the quality of people's lives. Our innovation initiatives, including the creation of our Polylab R&D centre, are aimed at offering high-quality, eco-friendly products with maximum reuse or recycling potential. In January 2020, we approved our 2025 Sustainable Development Strategy, which identifies the Company's key sustainability focus areas and sets specific targets in order to maximise SIBUR's contribution to environmental and social well-being.

See Sustainability Review, on pp. 86–101 and R&D and Digital Transformation Programme on pp. 80–83

Growth Strategy

Our strategic focus

OLEFINS & POLYOLEFINS | PLASTICS, ELASTOMERS & INTERMEDIATES | MIDSTREAM

1 Expand core production base

- Monetisation of attractively priced hydrocarbons at our Tobolsk hub with integration into existing midstream infrastructure and facilities
- Developing new products based on domestic and international demand
- Incremental low-capital projects based on our expertise in the construction of petrochemical facilities
- Increasing the flow of NGLs from gas companies on the back of the expanding gas condensate base in the region

ZapSibNeftekhim ①

dioctyl terephthalate ②

thermoplastic elastomers ③

terephthalic acid ②

butyl & halo butyl rubber

maleic anhydride

nitrile butadiene rubber

SEBS

2 Grow beyond core production base to tap new O&G regions by leveraging third-party midstream infrastructure

- Developing petrochemicals by leveraging the midstream infrastructure of other companies

Amur GCC

- Following significant growth over the past decade, no new material investments are expected

3 Focus on a sustainable future

- Transition to a circular economy by creating a portfolio of sustainable products within the whole life cycle
- R&D focusing on the recycling of polymers and use of renewable feedstock
- Minimisation of the environmental and climate impact

rPET ④

- Minimisation of the environmental and climate impact

4 Continuously enhance efficiency and operational excellence

Enhancing efficiencies in line with best global operational benchmarks through projects with low CAPEX requirements:

- continued digitalisation of business processes
- debottlenecking, maximising equipment uptime and increasing output
- energy optimisation: cutting energy consumption and improving intensity rates
- tech improvements: reducing raw materials consumption and increasing operational efficiency

① Start-up and commissioning works completed as of 31 March 2020.

② Completed in 2019.

③ Completed in January 2020.

④ PET recycling project, currently under consideration.

EBITDA

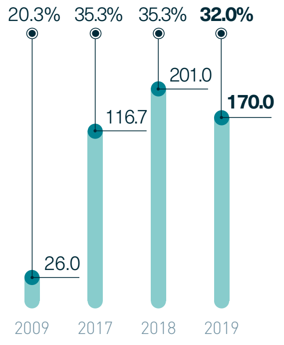
RUB **170** bln

↑6.5x

EBITDA MARGIN

32.0%

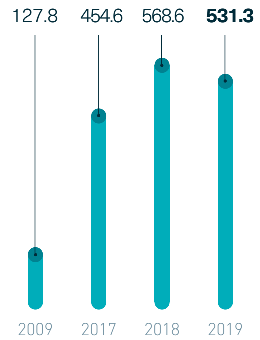
↑12 p.p.



REVENUE

RUB **531** bln

↑4.2x



See Sustainable development on pp. 88–89

Over the past 10 years, SIBUR has grown its revenues and EBITDA fourfold and sevenfold, respectively, while significantly improving its operational efficiency. This transformation was achieved through predominantly organic growth and our strategic focus on the highest-margin segments of the petrochemicals business. We have divested a number of non-core and smaller-scale assets and concentrated our investment effort on securing the feedstock base within our Midstream business, as well as robust capacity expansion in the Olefins & Polyolefins segment.

Today, the core of our strategy lies in leveraging SIBUR's structural advantages and balanced business model in order to achieve sustainable, profitable growth. Our long-term focus is on further diversification into higher-value-added petrochemicals with the aim of maximising the efficiency of feedstock monetisation.

Structurally, our long-term growth is driven by large-scale investment projects, in particular, ZapSibNeftekhim, which is transforming our entire value chain and enhancing the way we capitalise on rising domestic demand in Russia and the expansion of value-added exports.

The launch of sales from ZapSib has increased our financial flexibility, as we are preparing to develop our next strategic growth project, the Amur Gas Chemical Complex in Eastern Siberia.

We also continue to make selected strategic investments to expand our product offering at our plastics and elastomers facilities in order to take advantage of domestic and global consumption trends.

In 2019–2020, we have been strengthening our strategic focus on sustainability and creating community value by developing and approving SIBUR's 2025 Sustainable Development Strategy. The strategy identifies five sustainability focus areas and sets specific sustainability goals for each of these areas. We expect our work under the strategy to enhance the transparency of our sustainability efforts for all SIBUR's stakeholders. SIBUR will report annually on progress in implementing its Sustainable Development Strategy.

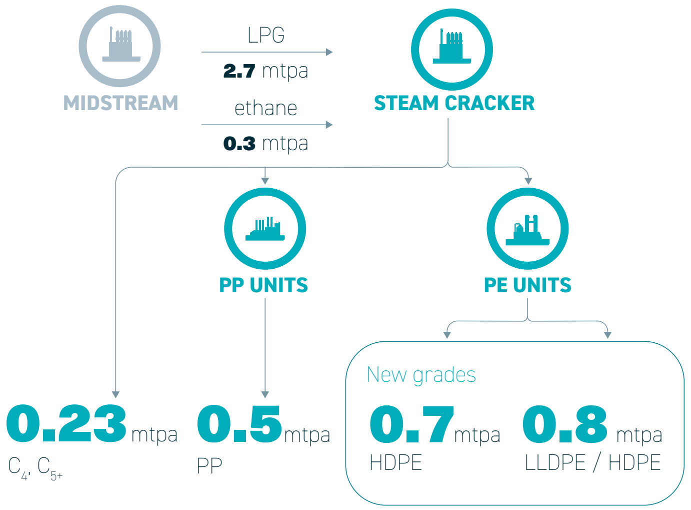
ZapSibNeftekhim

In 2019, SIBUR delivered early completion of ZapSibNeftekhim (ZapSib), one of the world's largest polyolefin production facilities, which will triple our polyolefins capacity. ZapSib is located within SIBUR's Tobolsk petrochemicals hub, building on our infrastructure and access to feedstock supplies in Western Siberia. This facility represents a significant enhancement of our ability to add value through monetisation of SIBUR's natural gas liquids (NGLs) feedstock. Against the extremely challenging macroeconomic backdrop at the beginning of 2020, the ramp-up of ZapSib enabled us to mitigate the impact of low hydrocarbon prices by boosting the share of SIBUR's feedstock processed internally and supporting sales in the Olefins & Polyolefins segment.

One of the world's largest and most advanced petrochemical facilities

ZapSib is designed to be one of the world's most advanced facilities in the global petrochemical market. The project comprises a cracking unit with nameplate capacity of 1.5 mtpa of ethylene and a polyolefin production complex with capacity of 1.5 mtpa of polyethylene (PE) and 0.5 mtpa of polypropylene (PP). The PE plant is adding linear low-density polyethylene (LLDPE) and high-density polyethylene (HDPE) units to SIBUR's low-density polyethylene (LDPE) offering. ZapSib was constructed using unique innovative and environmentally friendly technologies, which made it possible to minimise the equipment needs and ecological impact associated with construction.

PROJECT DESIGN



Project rationale: enhancing our feedstock advantage and boosting scale of operations

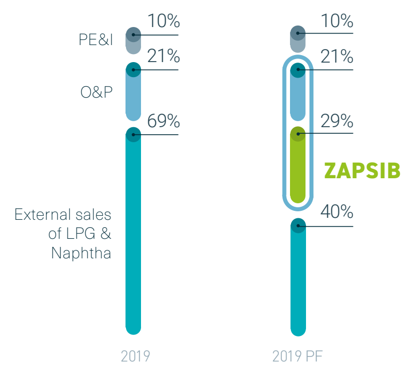
At year end 2018, SIBUR's production facilities were able to convert approximately 31% of available feedstock into higher-margin petrochemicals. The remaining 69% were sold in the market as liquefied petroleum gas (LPG) or naphtha. At full capacity, ZapSib will enable us to reroute approximately 2.7 million tonnes of LPG to polyolefins production, doubling the share of processed feedstock and facilitating stronger profitability, as well as resilience to fluctuations in oil prices. This result is to be achieved without cannibalisation of our Midstream segment, as all intersegmental flows are priced at market on an arm's-length basis.

On the back of our long-term contracts with suppliers and advanced transportation and processing infrastructure, SIBUR's Midstream business is generating significant flows of LPG and naphtha. Two major options thereafter are either to sell these liquids in European markets (as local demand in Russia is limited) or push them further up the value chain to produce polyolefins.

See Business Model on pp. 8–9

In the first scenario, almost half of the value of LPG produced in Tobolsk is eliminated by railway transportation costs (typically high for flammable liquids) and export duties. However, converting the LPG into higher-value-added polyolefins (second scenario) gives us low-cost options to transport polyolefin granules to end market with no export duties. With an abundant LPG supply and transportation cost arbitrage in place, ZapSib will further decrease SIBUR's exposure to volatile energy markets and significantly increase the Company's geography and diversification of product sales.

FEEDSTOCK USE BY SEGMENTS



XX% — share of segment in LPG and naphtha consumption

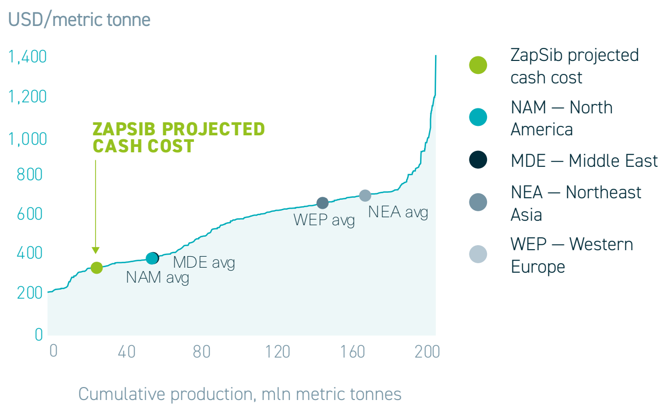
ZapSib is expected to be one of the most cost-efficient assets among global peers

The ethylene cost curve demonstrates how competitive ZapSib is in terms of feedstock costs. ZapSib is positioned at the lower end of the cost curve next to Middle Eastern and North American producers. The competitive cost position of Middle Eastern producers in olefins benefits from low fixed ethane prices stemming from government policies. ZapSib's costs are below the average for both US and other Russian producers thanks to SIBUR's low feedstock cost, relatively low energy and labour costs in Russia and economies of scale.

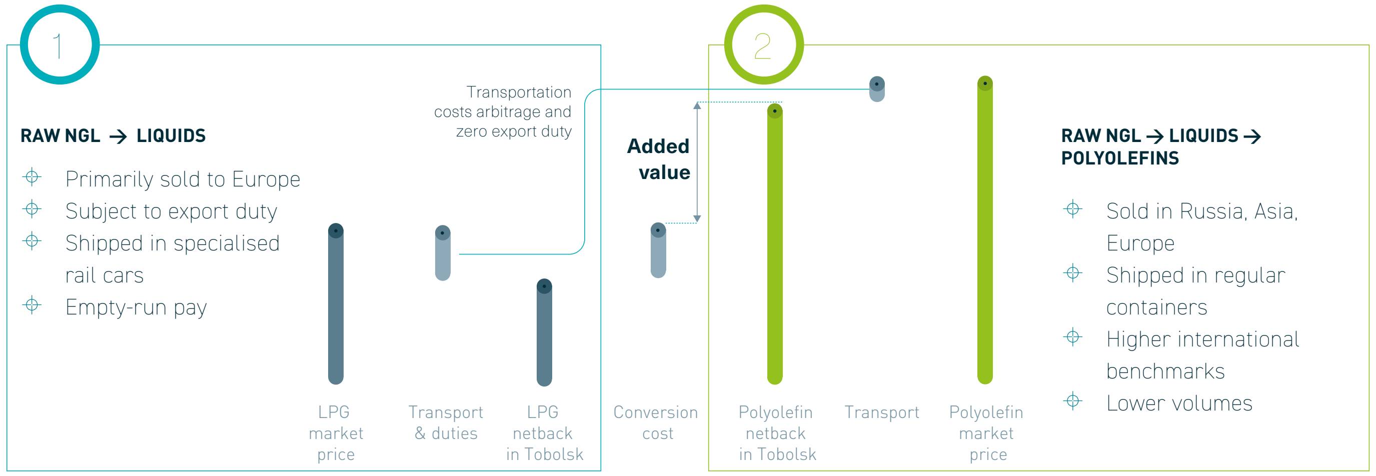
See Investment Case on p. 24

THE PROJECT IS EXPECTED TO BE POSITIONED IN THE 1ST QUARTILE ON THE GLOBAL ETHYLENE COST CURVE

2022, assuming Brent oil price of 58 $/bbl



RATIONALE FOR POLYOLEFIN PRODUCTION



Sales and marketing strategy: import substitution and effective distribution targeting undersupplied export markets

SIBUR expects to benefit from its low-cost producer advantage compared to competitors and projected growth in demand for polyolefins in Russia and key net-short international markets, such as China, Turkey and Europe.

About 40% of ZapSib's output is expected to be sold in the domestic market, substituting imports of basic polymers from Asia, the Middle East and Europe that are in high demand in Russia.

Over the past two years, we expanded our sales force in Russia and other key regions of SIBUR's presence, in particular, the Company's sales office in Vienna, four offices in China and an office in Istanbul. We fully formed our client portfolio in our key geographies, and signed a distribution agreement with Sinopec in June 2019 to secure supplies of ZapSib's PE to China.

During 2019, we also progressed with a logistics upgrade, ensuring that both the platform in Tobolsk and the polymer hub in Kaluga were launched and fully operational prior to the start of distribution.

Progress and ramp-up update

In 2019, construction and commissioning works across all technological and production units at ZapSib were completed well ahead of the initial schedule, and the production of polypropylene (PP) and polyethylene (PE) was successfully launched①.

As ZapSib's ramp-up remained our strategic priority in 2020, the facility successfully reached 68% of its operational capacity on average in 1Q 2020, producing around 370 thousand tonnes of PP and PE. Our load rates are within the industry average benchmarks, moving slightly above the mid-point of the first-year range. We believe we will manage to stay in this range or may even exceed it by the end of 2020.

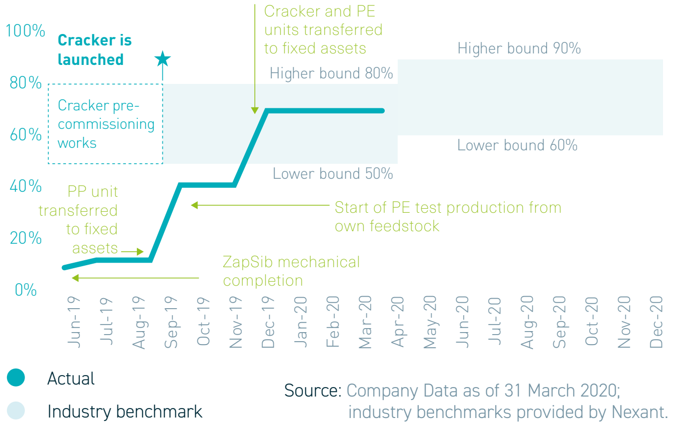
The total investment budget for ZapSib has been revised downwards from USD 9.5 billion to USD 8.8 billion as of the end of March 2020. We had already invested USD 8.2 billion②, with residual CAPEX at around USD 0.6 billion③, USD 0.4 billion of which was secured by the committed credit lines from ECA-covered facilities and an NDB loan.

Cooperation with leading international contractors

ZapSib was built in cooperation with leading international licensors and contractors that have experience in offering world-class solutions to the largest global corporations.

ZAPSIB PROGRESS EXPLAINED: KEY TECHNOLOGICAL UNITS PUT IN USE, MAINTENANCE DEBOTTLENECKING WORKS AHEAD

PP & PE CAPACITY UTILISATION RATE, %



Source: Company Data as of 31 March 2020; industry benchmarks provided by Nexant.

SIBUR PERFORMS OVERALL PROJECT OVERSIGHT

① ZapSib's PE sales are not reflected in our 2019 sales volumes and P&L statement, as the steam cracker and polyethylene production units continued to operate in test mode as of year end and were not accounted for as operating fixed assets.

② USD equivalent of multi-currency financing calculated using annual average RUB/USD and RUB/EUR exchange rates.

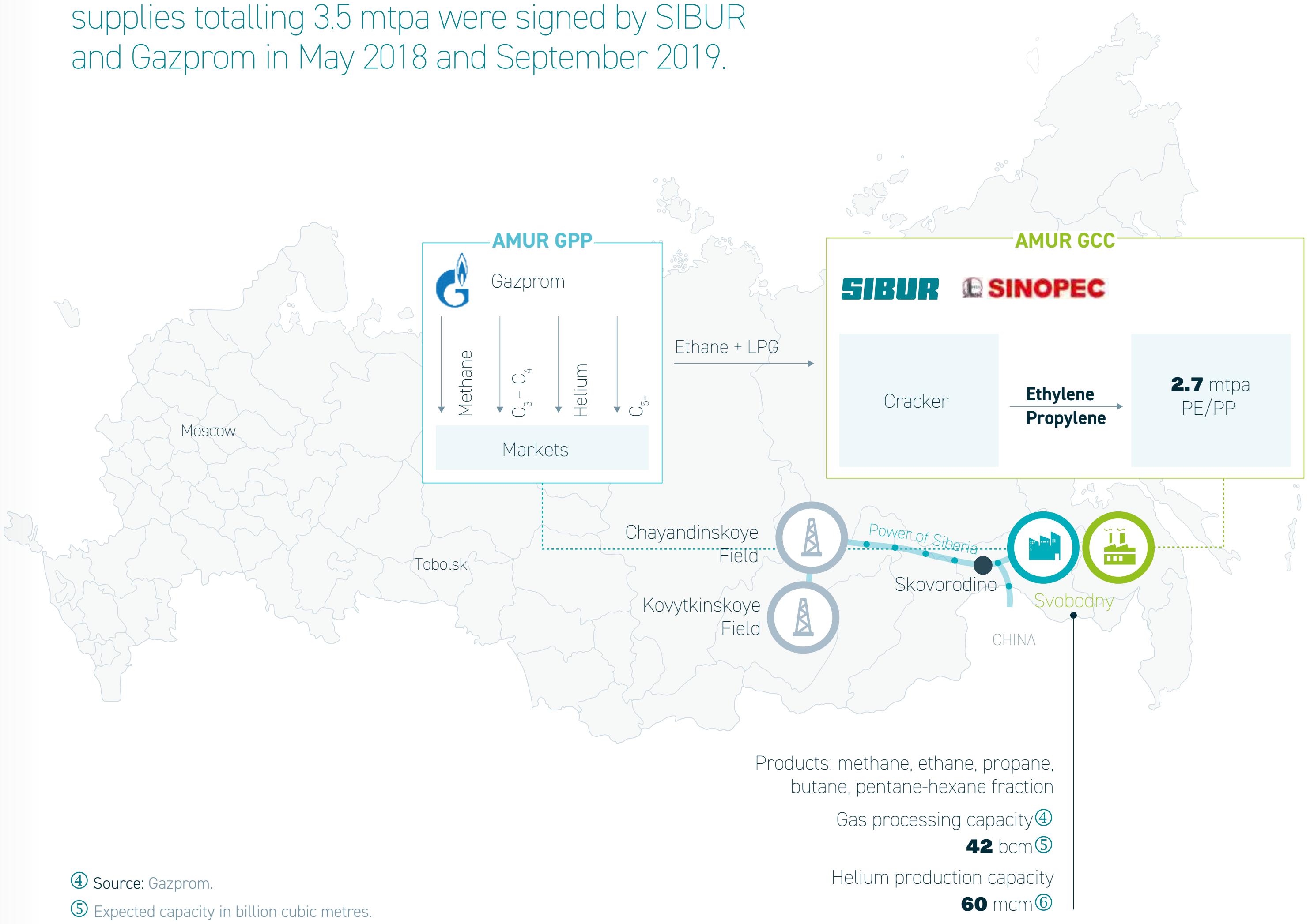
③ Based on the exchange rates as of 31 March 2020.

Amur Gas Chemical Complex

SIBUR considers the Amur project to be another potential pillar of the Company's expansion in the higher-value-added petrochemicals segment. This project would develop petrochemicals production in the Far East based on ethane and LPG feedstock expected to be supplied from Gazprom's Amur Gas Processing Plant (GPP) to SIBUR's Amur Gas Chemical Complex (GCC). In its extended configuration, the Amur GCC would be the world's largest integrated basic polymer manufacturer, with a total annual capacity reaching 2.3 million tonnes of polyethylene and 400 thousand tonnes of polypropylene. Agreements on long-term ethane (final) and LPG (preliminary) supplies totalling 3.5 mtpa were signed by SIBUR and Gazprom in May 2018 and September 2019.

Project rationale

The launch of the Amur GCC would provide us with an opportunity to unlock new, stable feedstock sources by leveraging the extensive midstream infrastructure of the Power of Siberia gas pipeline and the Amur GPP. The project is expected to create an efficient solution for LPG and ethane monetisation in the Amur region and further boost value-added polymer exports to the structurally undersupplied China market. Through the Amur GCC, SIBUR would also tap ethane fraction (a by-product of gas extraction).



④ Source: Gazprom.
⑤ Expected capacity in billion cubic metres.
⑥ Expected capacity in million cubic metres.

GAZPROM'S AMUR GPP

With a processing capacity of **42 BILLION CUBIC METRES PER YEAR**, the Amur GPP (being built by Gazprom since 2015) is expected **TO BECOME ONE OF THE WORLD'S LARGEST NATURAL GAS PROCESSING FACILITIES**. The facility's annual production capacity will be:

Helium:

up to **60** million mcm

Ethane:

c. **2.5** million tonnes

Propane:

c. **1** million tonnes

Butane:

c. **500,000** tonnes

Pentane-hexane fraction:

c. **200,000** tonnes

As of mid-February 2020, the project was more than 50% completed, according to Gazprom. Commissioning of the first two production trains is scheduled for 2021, and the Amur GPP is expected to reach full design capacity in early 2025. SIBUR's subsidiary NIPIGAZ (part of SIBUR Group) is acting as the general contractor for the project.

Project timeline and design update

SIBUR is now at the extended basic design stage, there are also works conducted to prepare site for the Amur GCC.

The mechanical completion of the facility will be synchronised with the commissioning of the fourth stage of the Amur GPP by Gazprom and is thus tentatively expected no sooner than 2024.

The Amur GCC project comprises a large-scale ethane cracker and a polyethylene production facility. Construction of the facility will involve some of the world's leading engineering and technology companies, which will ensure the high efficiency and environmental safety of the project. In February 2020, we agreed that Linde AG would provide engineering, procurement and site services for the cracker unit (engineering and procurement to be provided in a consortium with our group company NIPIGAZ). Chevron Phillips and Univation Technologies are expected to be licensors for the PE unit, while Tecnimont/Sinopec will provide front-end engineering design services for both the PE and PP units. LyondellBasell has been chosen as the licensor for the PP unit.

SIBUR will also engage an international provider to perform regular ecological audits of the construction in order to minimise the environmental impact of the project.

Budget and financing

Preliminarily investments in the project are estimated at approximately USD 10.7 billion.

In June 2019, SIBUR signed a term sheet for a potential joint venture (JV) for the Amur GCC project with Sinopec. Subject to SIBUR's investment decision, Sinopec is expected to have a 40% share in the JV. In April 2020, Sinopec received all necessary corporate approvals to take part in the project. SIBUR and Sinopec expect to share financing costs of the project in proportion to their stakes. To cover the financing needs for the Amur GCC, we will consider various available funding sources, including project financing and facilities from export credit agencies and other financial institutions from Russia, China, the US and Europe.

Plastics, Elastomers & Intermediates

Plastics, Elastomers & Intermediates (PE&I) is the second pillar of our petrochemical business and the top end of our value chain. Our strategic priority in this segment is expanding our product offering in order to meet domestic demand for advanced petrochemical solutions and to leverage opportunities to substitute less competitive imports.

Our growth in PE&I is driven by selected projects with low capital requirements based on our expertise in the construction of modern, efficient petrochemical facilities. In 2019, we successfully completed two such projects: the construction of Russia's first plant to manufacture dioctyl terephthalate (DOTP) and the reconstruction of the terephthalic acid (PTA) production facility in Blagoveshchensk (Republic of Bashkortostan). Our key expansion areas for 2020 and the mid-term are thermoplastic elastomers (TPE), maleic anhydride (MAN), butyl rubber, nitrile butadiene rubber (NBR) and SEBS copolymers.

DOTP — SIBUR's new "green" product

DOTP is an advanced eco-friendly plasticiser — a safer and more durable alternative to phthalate plasticisers — used as a component in floor and roof coatings, wallpaper, cable compounds and other construction products. SIBUR's new facility, launched in May 2019 at SIBUR-Khimprom in Perm, with an annual capacity of 100,000 tonnes, is the largest DOTP manufacturer in Europe. The new and the first in Russia production facility is successfully substituting imported plasticisers in Russia while also serving the European market.

PTA facility in Blagoveshchensk

In August 2019, SIBUR completed the reconstruction of its terephthalic acid complex at the POLIEF site in Blagoveshchensk. The plant's annual capacity was expanded by approximately 30% to 350,000 tonnes, with strong improvements achieved in production efficiency and environmental safety. The POLIEF facility remains the only operating manufacturer of PTA in Russia. PTA is a precursor to polyethylene terephthalate (PET), one of the world's most widespread polymers, which is used in the production of plastic bottles for beverages, synthetic fibres, various types of packaging and medical supplies. PTA is also used to make eco-friendly plasticisers for toys, flooring and other products.

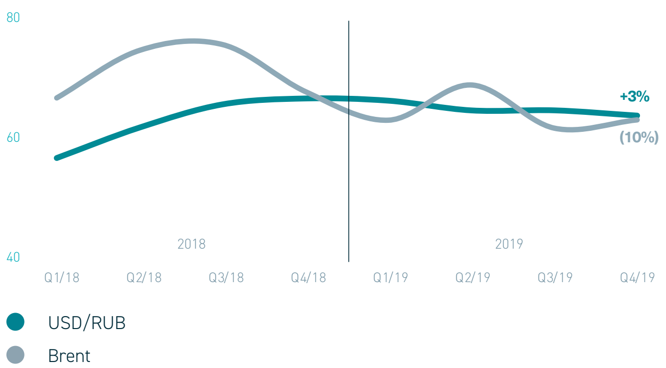
Project	Highlights	Product application	Capacity and estimated CAPEX	Status / Expected timing of completion
NEW DOTP PRODUCTION AT SIBUR-KHIMPROM (PERM)	Substituting imports of alternative products Supplies to export markets, where demand for DOTP is rapidly growing	Floor and roof coatings Wallpaper, cable compounds, other construction products	100,000 tpa / RUB 6.9 bln	✓
PTA PRODUCTION UPGRADE AT POLIEF (BLAGOVESHCHENSK, BASHKORTOSTAN)	Opportunities to substitute a major portion of imports Improving the site's production efficiency and environmental safety	Production of PET for packaging and other industries	350,000 tpa / RUB 6.4 bln	✓
EXPANSION OF TEP PRODUCTION AT VORONEZHSINTEZKAUCHUK (VORONEZH)	Production will efficiently utilise additional butadiene from ZapSib	Road and pavement construction (producing polymer-bitumen binders) Roofing material	50,000 tpa / RUB 5.1 bln	2020
BUTYL RUBBER AND HALO BUTYL RUBBER PRODUCTION RELIANCE SIBUR JV (INDIA)	Access to the fast-growing Indian market 25.1% in South Asia's first butyl and halogenated butyl rubber production Monetisation of technology	Car tyres Products for pharma industries	120,000 tpa / USD 151 mln	2019/2020
MALEIC ANHYDRIDE (MAN) PRODUCTION AT TOBOLSK	Monetising SIBUR's own feedstock (butane) generated in Tobolsk Substituting 100% of MAN imports Exports to Europe and Turkey	Automobiles, tanks and pipes, paint and varnish, furniture, pharmaceuticals	45,000 tpa / RUB 16 bln	2021
NITRILE BUTADIENE RUBBER (NBR) PRODUCTION IN CHINA Sinopec-SIBUR JV	Capitalising on strong consumer demand for NBR in China	Seals, hoses and bag fuel tanks, conveyor belts, rubberised textile fabrics	To be announced	To be announced
SEBS (STYRENE, ETHYLENE AND BUTYLENE-BASED BLOCK COPOLYMERS) PRODUCTION IN RUSSIA SIBUR-Sinopec 50/50 JV	Import substitution and meeting consistently growing demand in other markets	Elastomers, plastics and bitumen modification, wire, cable, toys	≥ 20,000 tpa	To be announced

2019 Operating Environment

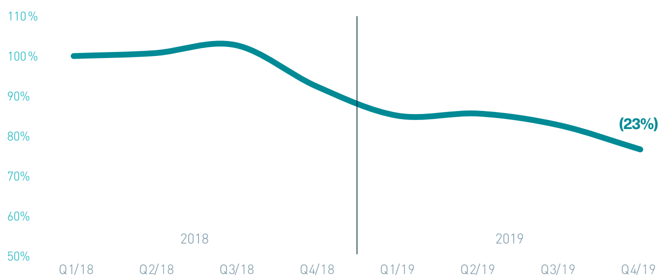
The year 2019 was rather challenging for the entire petrochemical industry, mainly due to the trade war between the United States and China coupled with the global economic slowdown and supply–demand imbalances in petrochemical markets.

Growth in Russia slowed in 2019 in response to negative macroeconomic factors. Russia reported GDP growth of 1.3% year-on-year in 2019 compared with 2.5% a year earlier. The price of Brent crude reached 64 USD/bbl in 2019, down 10% compared with the 2018 average under pressure from increased oil production in the United States that outpaced OPEC+ cuts. At the same time, the Russian rouble depreciated by 3% year-on-year versus the US dollar, averaging RUB 64.7362 per dollar in 2019, compared with RUB 62.7078 per dollar a year earlier. As a result, we observed a weaker oil environment in rouble terms, with a drop of approximately 7% year-on-year. As for the petrochemical industry, the entire year was marked by unstable and falling prices for basic products, a trend that started in the fourth quarter of 2018.

OIL AND FX DYNAMICS, USD



WORLD PETCHEM INDEX (IPEX), %①

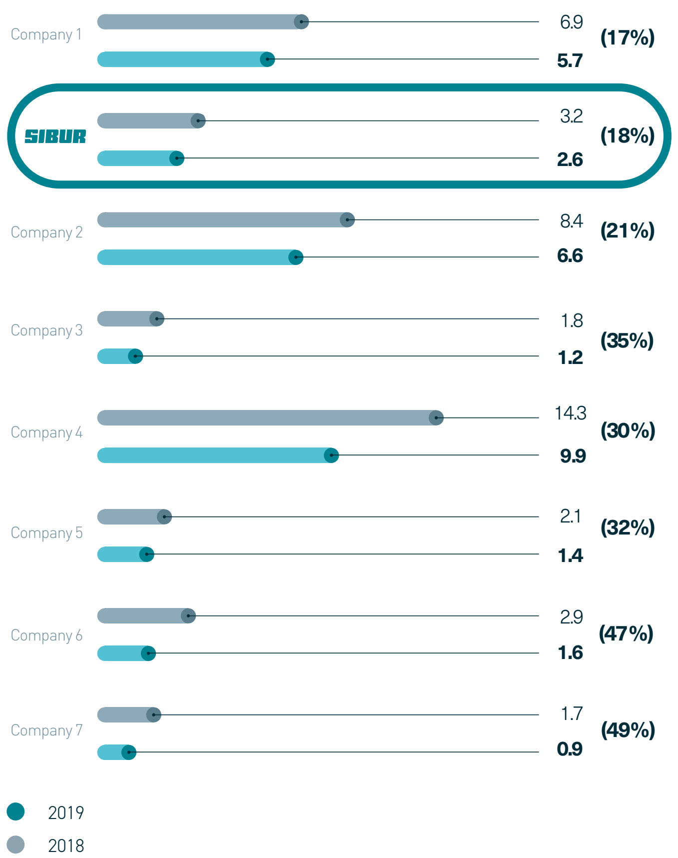


① ICIS composite index, comprising 12 chemical products: PE, PP, ethylene, propylene, benzene, toluene, paraxylene, styrene, butadiene, methanol, PVC, EPS.

Sustainability of SIBUR's business model

While the negative macroeconomic situation in 2019 affected the financial performance of all petrochemicals companies, SIBUR proved to be more resilient compared with most global companies in the industry and achieved respectable financial results as of the end of the year. These negative trends worsened in the first quarter of 2020 with the global spread of COVID-19 and had a major impact on the industry, resulting in the postponement or termination of a number of projects. With its structural advantages in terms of its feedstock and its balanced business model, SIBUR is relatively more resistant to market fluctuations and is capable of continuing with the implementation of its large-scale and highly efficient projects.

SUSTAINABILITY OF SIBUR'S BUSINESS EBITDA, USD BLN



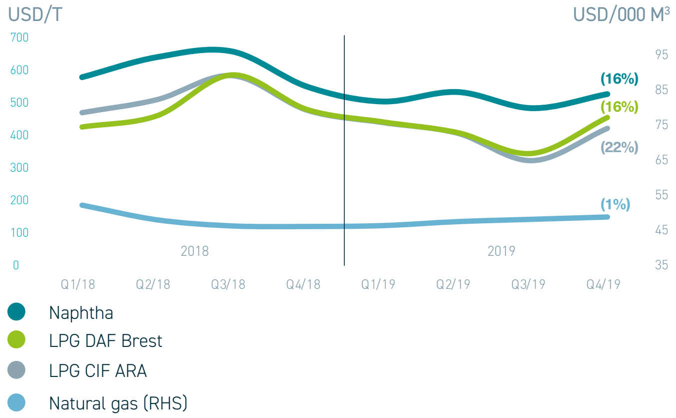
The following market participants are presented in the chart (in alphabetical order): Braskem, Dow, LyondellBasell, Petronas, PTT Chemicals, SABIC and Westlake Chemical.

Source: Bloomberg, information from the above-mentioned companies.

Midstream segment

The downward trend in the price of oil drove down the price of hydrocarbons, which experienced a much steeper decline as a result. LPG and naphtha benchmarks decreased around 20%, driven mainly by higher LPG volumes exported from the United States in the context of increased oil and APG production, and also due to shrinking demand for naphtha as a feedstock for chemical producers in Europe as a result of the high volumes of US LPG available in the market.

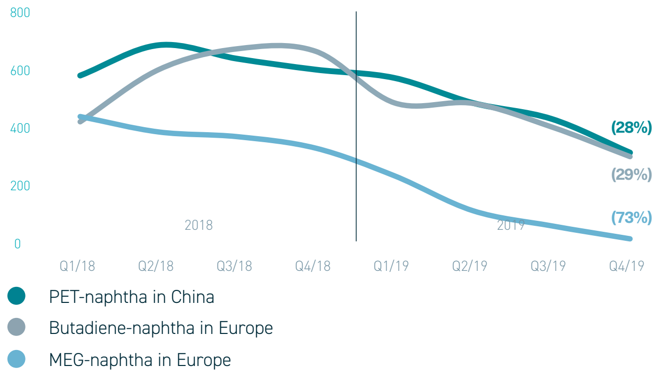
MIDSTREAM BENCHMARKS, USD/T USD/000 M³



Plastics, Elastomers & Intermediates segment

The Plastics, Elastomers & Intermediates segment also continued to see downward price trends throughout 2019. The PET-naphtha spread dropped 28% year-on-year mainly due to the high base in 2018 caused by a supply shortage stemming from the force majeure circumstances facing major manufacturers, delays in the commissioning of new capacities as well as demand growth due to the hot summer. The sharp decline in the MEG-naphtha spread was attributed to the ongoing ramp-up of previously launched projects. The weakening of the elastomers spread was driven by the demand side, mainly due to poor auto sales worldwide.

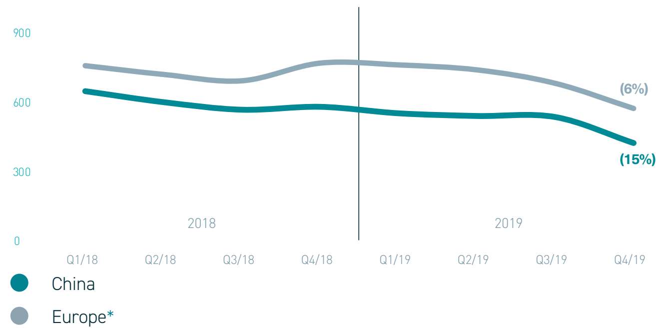
KEY PE&I SPREADS TO NAPHTHA, USD/T



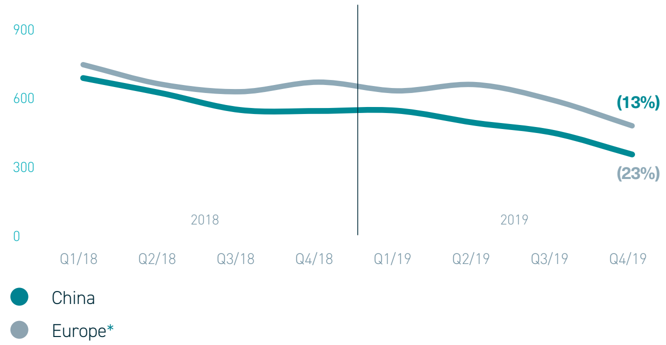
Olefins & Polyolefins segment

Prices for polyolefins demonstrated a downward trend due to ongoing ramp-ups of previously commissioned projects in the United States and Asia amid weak market activity. Polyethylene spreads continued to decrease in response to a wave of new crackers commissioned in the United States, which was further intensified by the launch of new capacities in Asia as well as destocking triggered by the US–China trade war. Polypropylene prices also faced pressure due to weak market activity in China and the addition of new capacity.

POLYPROPYLENE SPREAD TO NAPHTHA (O&P), USD/T



POLYETHYLENE** SPREAD TO NAPHTHA (O&P), USD/T



Source: IHS.

* Spot prices.
** PE calculated as the average price of LDPE, LLDPE and HDPE.

2019 Group Results Overview

Operating results

In 2019, SIBUR's gas processing plants (GPPs) processed 22.6 billion cubic metres of associated petroleum gas (APG), an increase of 1.5% year-on-year. Raw NGL fractionation volumes remained at 2018 levels and amounted to 7.7 million tonnes[1]. LPG sales decreased by 4.0% to 5.1 million tonnes due to greater internal use of this raw material during the commissioning of ZapSib.

SIBUR increased sales volumes for most of its products year-on-year. Sales of polypropylene increased by 26.3% to 737 thousand tonnes following the start of test sales at ZapSib and also thanks to a shorter maintenance shutdown in Tomsk and Tobolsk. Polyethylene sales volumes were almost flat and amounted to 261 thousand tonnes. Sales of plastics and organic synthesis products also remained at 2018 levels and amounted to 793 thousand tonnes. Sales of elastomers grew by 8.8% to 529 thousand tonnes as a result of higher contractual obligations and a change in inventory balances.

Thousand tonnes, except as stated	Year ended 31 December 2019	2018	Change
Processing and production volumes			
APG processing, SIBUR's share[2] (million cubic metres)	22,617	22,283	1.5%
Raw NGL fractionation, SIBUR's share[1]	7,739	7,712	0.3%
Sales volumes			
Products in the petrochemicals segments, including:	3,767	3,686	2.2%
Polypropylene	737	583	26.3%
Polyethylene (LDPE)	261	262	(0.6%)
Elastomers	529	486	8.8%
Plastics and organic synthesis products	793	800	(0.8%)
Intermediates and other chemicals	542	483	12.1%
Products in the Midstream segment, including:	6,317	6,402	(1.3%)
LPG	5,145	5,357	(4.0%)
Naphtha	1,172	1,045	12.2%

Financial results

In 2019, the Company's revenue decreased by 6.6% year-on-year to RUB 531.3 billion, with the following dynamics across business segments:

- Olefins & Polyolefins revenue increased by 4.8% to RUB 105.7 billion. This was largely attributable to the start of PP production at ZapSib and was partially offset by negative dynamics in terms of international benchmarks.
- Plastics, Elastomers & Intermediates revenue decreased by 10.6% to RUB 152.8 billion, mainly due to a decrease in the average selling prices for all product groups.
- Midstream revenue decreased by 11.5% to RUB 213.0 billion on the back of lower LPG and naphtha prices.

In 2019, SIBUR's operating expenses were almost flat at RUB 401.4 billion compared to RUB 403.6 billion in 2018. The decline was mainly driven by a decrease in feedstock costs largely on lower international benchmarks and a substantial decrease in goods for resale, which was almost fully offset by a change in work in progress (WIP) and an increase in transportation and logistics and depreciation and amortisation lines.

EBITDA decreased by 15.4% to RUB 170 billion, with the following dynamics across business segments:

- Olefins & Polyolefins EBITDA increased by 30.0% to RUB 49.0 billion mainly due to declining feedstock purchase prices coupled with growth in PP sales volumes, which was partially offset by lower selling prices.
- Plastics, Elastomers & Intermediates EBITDA decreased by 44.0% to RUB 19.5 billion primarily due to tighter spreads compared to last year's high base and higher feedstock prices (terephthalic acid).
- Midstream EBITDA decreased by 21.5% to RUB 99.8 billion primarily due to a decline in selling prices. This factor was partly compensated by lower purchase feedstock prices.
- SIBUR's net profit increased by 27.6% to RUB 141.4 billion largely due to the revaluation of the Company's FX-denominated debt.

Net cash from operating activities decreased by 22.4% to RUB 124.5 billion on the back of lower EBITDA and higher income tax paid. Our net cash used in investing activities decreased by 5.8% to RUB 125.6 billion on lower capital expenditures on ZapSib due to the advanced stage of the project, which was partly offset by higher expenses related to new projects.

① Excluding third-party volumes processed at SIBUR's capacities.

② Including volumes processed at third-party capacities and excluding third-party volumes processed at SIBUR's capacities.

RUB millions, except as stated	Year ended 31 December 2019	2018	Change
Revenue (net of VAT and export duties), including:	**531,306**	**568,647**	**(6.6%)**
Olefins & Polyolefins	105,717	100,862	4.8%
Plastics, Elastomers & Intermediates	152,805	171,003	(10.6%)
Midstream	213,030	240,818	(11.5%)
EBITDA	**170,020**	**201,007**	**(15.4%)**
Olefins & Polyolefins	48,979	37,679	30.0%
Plastics, Elastomers & Intermediates	19,511	34,816	(44.0%)
Midstream	99,788	127,107	(21.5%)
EBITDA margin, %	32.0%	35.3%	(3.3 pp)
Olefins & Polyolefins	36.1%	28.8%	7.3 pp
Plastics, Elastomers & Intermediates	12.5%	20.0%	(7.5 pp)
Midstream	39.1%	43.1%	(4.0 pp)
Profit for the year	141,367	110,760	27.6%
Net cash from operating activities	124,468	160,409	(22.4%)
Net cash used in investing activities, including:	(125,555)	(133,286)	(5.8%)
Capital expenditures[1]	(150,378)	(151,438)	(0.7%)

Borrowings

As of 31 December 2019, total debt amounted to RUB 379.7 billion, an increase of 14.2% from 31 December 2018. The increase was driven by the drawdown of credit facilities for ZapSib funding and the Group's adoption of IFRS 16 from 1 January 2019.

Net debt[3] as of 31 December 2019 increased by 14.1% compared to 31 December 2018 and amounted to RUB 362.3 billion.

The net debt to EBITDA ratio as of 31 December 2019 was 2.1x compared to 1.6x as of 31 December 2018.

RUB millions, except as stated	As of 31 December 2019	As of 31 December 2018	Change
Total debt	**379,739**	**332,411**	**14.2%**
Debt excluding related to ZapSib	116,213	86,637	34.1%
ZapSib-related debt	248,202	245,774	1.0%
Lease liabilities	15,324	-	n/m
Cash and cash equivalents	17,443	14,783	18.0%
Net debt	**362,296**	**317,628**	**14.1%**
Net debt excluding related to ZapSib	119,390	74,770	59.7%
ZapSib-related net debt	242,906	242,858	n/m

For more detailed information, see MD&A on p. 128

① Including volumes processed at third-party capacities and excluding third-party volumes processed at SIBUR's capacities.

② Net debt is calculated as total debt excluding cash and cash equivalents.

Risk Management

Risk management is an important element of SIBUR's corporate strategy, involving a constant cycle of identification, assessment and mitigation of near-term and long-term risks that could affect our performance, value and ability to conduct business. SIBUR continuously acts to improve its risk management system and to properly mitigate risks arising from its business operations and strategic development.

KEY GOALS

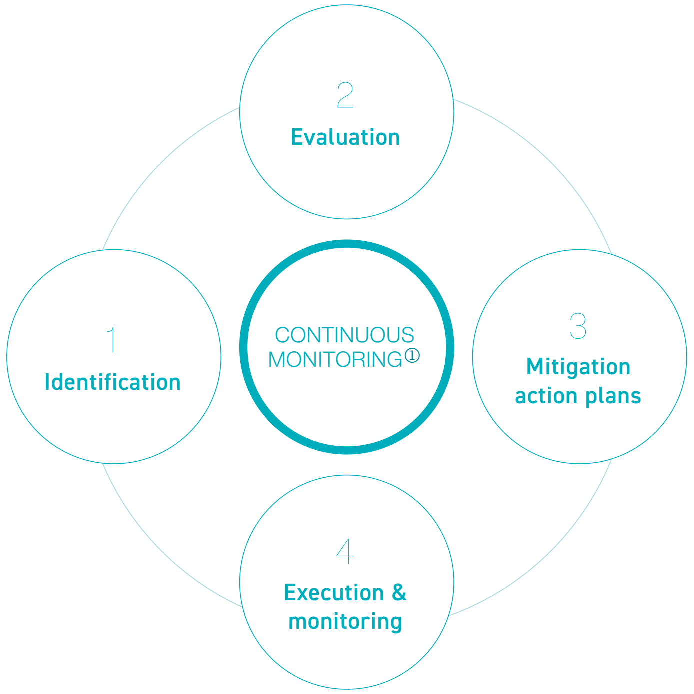
- Support for strategy implementation;
- Preservation of asset value and increase in operational efficiency.

IMPROVEMENTS IN 2019

- The Company's risk database was created, which contains up-to-date information about risk dynamics, response strategies and relevant management measures;
- A heat map of the Company's risks was implemented, visualising in a single coordinate system the full scope of risks applicable to key functional areas of the business;
- Maps on key risks were developed for consideration by the Board of Directors' Audit Committee and for decision-making by the Company's management.

CONTINUOUS IMPROVEMENT AND DEVELOPMENT

- Regular updates of the Company's risk database and heat map based on the results of completed audits, verification of key risks, ongoing analysis and monitoring of the Company's processes;
- Implementation of initiatives to automate the risk management system in the corporate IT environment;
- Development of indicators for operational monitoring of risks in key business areas;
- Further integration of risk management into business planning processes, which will enable us to:
  - Evaluate the probability of achieving planned KPIs
  - Evaluate potential deviations in KPIs set in the Company's business plan as a result of risk impact
  - Evaluate correlations and relationships between risks
  - Minimise deviations of actual results from targets by using structured responses to adverse events



1. Identification of risks that impact the Company's operational performance.
2. Evaluation and prioritisation of each risk's impact on the Company's performance and business as a whole, including an analysis of risk probabilities and possible losses.
3. Development of mitigation action plans for each risk.
4. Continuous monitoring of risk mitigation actions with respect to timeliness and efficiency.

[1] Risk owners report on the status of risks at annual Audit Committee meetings.

Risk management principles

INTEGRATED APPROACH
We apply an integrated and unified approach to risk management. Implementation of a consistent policy ensures a holistic approach across the entire risk spectrum.

GOAL SETTING
Risks are identified at the same time that goals are set. To manage risks effectively, we aim to integrate risk analysis as we set business goals at all levels of the Company.

OPEN DISCUSSION
Risk management requires open discussion both internally and with key stakeholders. SIBUR employees take part in our risk management process, assessing risk probabilities and possible losses, providing input targeted at risk prevention and loss minimisation, which are openly discussed within departments and at cross-functional risk-management sessions.

LESSONS LEARNED
By analysing past experience — the reasons for risk occurrences and lessons learned — and by sharing knowledge Group-wide, we aim to prevent the same issues from being repeated in other Group entities. Knowledge and experience sharing with respect to realised risks allows us to optimise risk management processes Group-wide.

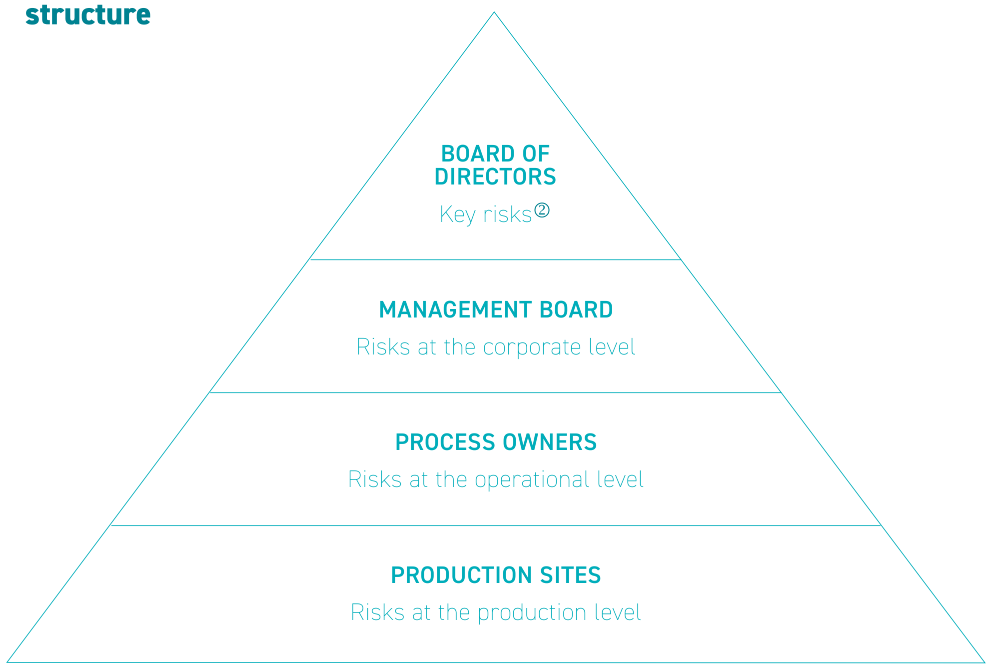
ACCOUNTABILITY
SIBUR employees at every level are responsible for the risks related to their functional and oversight areas. They monitor and manage risks by applying risk matrices and appropriate oversight procedures.

INFORMED DECISION-MAKING
All management decisions incorporate information regarding risk probabilities and possible losses provided by internal and external sources. All secondary effects that could arise as a consequence of mitigating primary risks are taken into account as well.

RECEPTIVITY TO NEW IDEAS
Risk management requires constant assessment, flexibility and a preventive mindset in all business areas. Openness to change allows us to take advantage of new ideas and technologies and translate them into opportunities, while mitigating negative impacts.

CONTINUITY
Risk management involves a constant cycle of interconnections and changes. All elements of our risk management system are interconnected and influence each other, and they are directly correlated with the Company's business processes and updated to reflect major changes and business developments.

Risk management system structure



[2] At the direction of the Audit Committee, key risks include events that can significantly affect the achievement of key Company goals over both the short and long term.

Key risks

- Operational risk
- Market risk
- IT systems risk
- Risk of feedstock undersupply
- Logistical risk
- Investing activity risk
- Industrial accident risk
- Regulatory risk
- Sustainable development and climate change risk[1]
- Risk to the Company's long-term financial sustainability

SIBUR applies a risk-based approach in its decision-making process and operations management. Risks are considered an inherent part of operating the business, and risk management is built into each employee's responsibilities. Regular monitoring and evaluation are conducted in relation to identified risks, while the Company plans and monitors the implementation of specific actions aimed at risk prevention and mitigation.

Key risks[2] and related response strategies are reviewed and approved by the Board of Directors' Audit Committee. Regular updates to the list of key risks help to guide management and employee efforts to manage the most significant risks that could impact the Company's operations.

The current list[3] of key risks was revised and approved in April 2019.

① The PJSC SIBUR HOLDING 2025 Sustainability Strategy was approved by the Board of Directors on 17 December 2019. More information about the strategy is available on our website.

② At the direction of the Audit Committee, key risks include events that can significantly affect the achievement of key Company goals over both the short and long term.

③ The list of risks presented herein is not exhaustive and only reflects SIBUR's opinion and assessments. This section does not include any analysis of general economic and social risks, such as slowdowns in economic growth or decreases in consumer purchasing power, among others.

Operational risk

DESCRIPTION
Decreased production volumes, deterioration in product quality, increased operating expenses for production resulting from malfunction or shutdown of production processes, equipment failures or reduced operating efficiency of equipment.

RISK MITIGATION ACTIONS
To reduce the impact of risks, the Company is rebuilding and modernising its facilities, organising continuous operations and monitoring the condition of equipment, introducing advanced methods to maintain and upgrade fixed assets, undertaking projects designed to enhance the skills of workers who operate equipment, and protecting against production interruptions and unplanned production outages at key Company facilities.

Industrial accident risk

DESCRIPTION
Risks involving a danger to people's life, health and safety; damage or destruction of equipment, buildings and installations; and pollution caused by the use of the Company's assets and as a result of possible accidents at related enterprises.

RISK MITIGATION ACTIONS
The Company is taking active steps to minimise the potential impact of such risks. In particular, sites are monitored continuously for emergency risk factors, and projects designed to improve the Company's culture of industrial safety and safeguard property are underway.

Feedstock supply risk

DESCRIPTION
Insufficient supply of feedstock on the market or a shortage of individual feedstock fractions, low quality of feedstock.

RISK MITIGATION ACTIONS
To manage these risks, the Company is taking the following measures:
- locating production facilities in close proximity to feedstock producers;
- implementing projects to pursue further extraction and develop the feedstock base;
- investing in infrastructure to collect, process and transport feedstock in order to consolidate the flow of hydrocarbon feedstock and ensure reliable access to the feedstock base;
- signing long-term feedstock supply contracts;
- diversifying feedstock suppliers where possible.

Market risk

DESCRIPTION
Reduced demand and/or lower prices for the Company's products, including lower prices for oil and petroleum products, increased market competition, and displacement of the Company's products by alternative products.

RISK MITIGATION ACTIONS
Market risk management is being carried out in several areas:
- market monitoring and analysis;
- market segment diversification;
- product portfolio development;
- geographic diversification for product sales;
- conclusion of long-term sales contracts for finished products;
- fulfilment of customers' product quality, transportation, labelling and packaging requirements;
- development of a sales system and sales channels to account for expanded production capacity;
- and undertaking premarketing activities.

Logistical risk

DESCRIPTION
Increased logistics costs; changes in the timing of feedstock and finished product delivery; changes in product quality during transport, loading, unloading, and storage; and suboptimal meeting of production requirements with existing inventories.

RISK MITIGATION ACTIONS
The Company is developing alternative transport routes, taking measures to create and/or update infrastructure facilities, and developing comprehensive long-term solutions to logistics challenges together with its shipping partners: Russian Railways and the Russian Government.

Long-term financial sustainability risk

DESCRIPTION
Lack of liquidity, unforeseen financial losses associated with the introduction of new types of taxes, increased tax rates, and transfer pricing.

RISK MITIGATION ACTIONS
- BBB- investment ratings with a stable outlook received from Fitch and S&P rating agencies;
- RDIF credit covenants aligned with Eurobond conditions;
- Active portfolio management, including early loan repayment;
- Expansion of credit instruments using state support (financing from the Monocity Development Fund);
- Access to the rouble bond market secured: bond issues have been registered.

IT systems risk

DESCRIPTION
Failure of key information systems and equipment, unauthorised access to information, and corruption of information during transmission.

RISK MITIGATION ACTIONS
To manage these risks, the Company continues to develop information backup systems, as well as systems to protect information, channels and communication equipment from external intrusion.

Investing activity risk

DESCRIPTION
Increased duration and cost of investment project implementation, as well as failure to broadly achieve investment activity performance measures.

RISK MITIGATION ACTIONS
A contract strategy is formed early, schedules are developed to mobilise contractors based on performance and workload, and workflows are planned and adjusted based on the actual supply of materials.

Project implementation plans and productivity are monitored weekly, and worker mobilisation plans are adjusted.

Alternative suppliers are being selected, and confirmation is provided for order placements and the start of component manufacturing.

Backup options are being developed with efficiency analysis.

Regulatory risk

DESCRIPTION
Changes in the regulatory environment (laws, standards and regulatory requirements); political instability in Russia and the regions where the Company operates, as well as international sanctions.

RISK MITIGATION ACTIONS
The Company uses an information analysis system to monitor counterparties and the regulatory environment in order to develop timely responses to changes in legislation, consults and trains employees on legal issues, and actively participates in discussions of draft legislation.

Sustainable development and climate change risk

DESCRIPTION
Risks in the field of sustainable development and climate change include negative factors and external threats associated with the global sustainable development agenda, which dictates new challenges for business. This is reflected in different legal requirements, which leads to the creation of additional barriers and restrictions, the requirements of key stakeholders, as well as public concerns about sustainable development and climate change. The Company is constantly working to improve the efficiency of its activities in terms of environmental, corporate and social aspects.

RISK MITIGATION ACTIONS
In order to manage this risk more centrally, the Company established a Sustainable Development Department in 2019 and developed its 2025 Sustainability Strategy, which was approved by the Board of Directors of PJSC SIBUR Holding. The goals for reducing greenhouse gas emissions and for implementing solutions aimed at transitioning to a circular economy are a separate part of the Strategy.

INSURANCE

To mitigate operational risks, SIBUR maintains insurance coverage that meets global standards and best practices. Insurance policies are underwritten by reputable Russian insurance companies, with partial placement of risks on international insurance and reinsurance markets.

All of the Group's production facilities are covered under comprehensive property damage (PD) insurance programmes. PD insurance is maintained for full replacement value based on an independent valuation. An independent surveyor identifies risks at each production facility. Based on the surveyor's reports, estimated maximum losses are determined, and the Group then implements and monitors compliance with the surveyor's recommendations.

For facilities where accidents could incur the largest financial impact and replacement costs, the Group maintains insurance coverage against property damage and business interruption (PD/BI).

The Group also maintains liability insurance for harm to the life, health, or property of third parties. This liability policy is supplemental to the compulsory insurance of hazardous production facilities in order to provide efficient coverage against possible third-party claims resulting from accidents and risk occurrences at the Group's production sites.

The Group also maintains directors and officers liability insurance (D&O) that protects the Group and its directors and officers against possible third-party lawsuits that may arise from unintentional and/or erroneous actions. To protect its trading operations and risks to product supplies on extended payment terms, the Group maintains comprehensive cargo and credit insurance programmes.

Additionally, the Group maintains insurance coverage for construction risks at its major investment projects, including risks related to construction, third-party liabilities, cargo transportation and financial losses resulting from delays in commissioning of new facilities due to material damage or destruction of insured properties.

The Group regularly reviews the terms of its insurance coverage and relationships with reinsurance market players. Reinsurance is provided by major reinsurance companies with a credit rating of A- or better on the S&P Global Ratings' financial strength rating scale.

The Group believes that insurance coverage is only one of the risk mitigation actions it must take as part of a comprehensive risk mitigation approach and works to implement other measures to decrease its maximum cumulative risk.

BUSINESS REVIEW

Our Business

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

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

SIBUR operates a Midstream segment and two petrochemicals sub-segments: Olefins & Polyolefins and Plastics, Elastomers & Intermediates.

These business segments vary in their end-user markets, supply and demand trends, value drivers, and, consequently, their profitability. They are highly integrated, however, with most of the feedstock for our petrochemicals business supplied by our Midstream segment.

Midstream

KEY ASSETS AND RESOURCES①

- Russia's largest infrastructure for processing and transportation of hydrocarbon feedstock:
  - APG and raw NGL pipelines connecting extraction fields with our gas processing plants (GPPs) and our major gas fractionation unit (GFU) in Tobolsk
  - Eight out of 10 GPPs in Western Siberia
  - Two GFUs, including a facility in Tobolsk, the largest in Eastern Europe; a long-term agreement for feedstock processing at a third-party GFU in the Urals
- Long-term supply contracts with an average maturity of 14 years

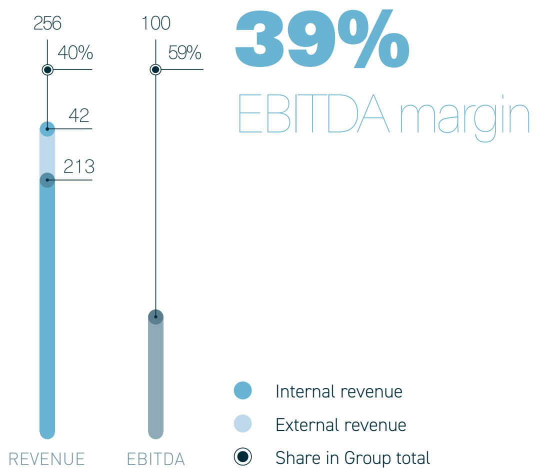
WHAT WE DO

- We acquire by-products of oil and gas extraction (APG and raw NGL) and transport them to our GPPs and GFUs through our own and third-party pipelines
- GPPs process APG to produce marketable natural gas, as well as raw NGLs feedstock
- GFUs fractionate NGLs to produce LPG and naphtha, which are the main feedstock for petrochemical production

END PRODUCTS③ AND VALUE

- Providing the oil and gas industry with a unique processing solution that is helping to significantly reduce on-field flaring and CO_2 emissions
- 6.3 million tonnes of LPG and naphtha, and 18.8 billion cm of natural gas sold externally
- Securing feedstock for SIBUR's petrochemical business

FINANCIAL RESULTS (2019)



Olefins & Polyolefins (O&P)

KEY ASSETS AND RESOURCES

- Production hubs in Western Siberia conveniently located to reduce feedstock transportation costs, and large facilities in Central Russia:
  - A PDH facility in Tobolsk and two steam crackers in Tomsk and Kstovo
  - Three polypropylene and polyethylene② production facilities in Tobolsk and Tomsk, PP plants in Omsk (JV with Gazpromneft and Titan Group) and Moscow (JV with Gazpromneft)
  - Five BOPP film production sites in Central Russia and Siberia
- A polyvinyl chloride and caustic soda production facility in the Nizhniy Novgorod region (JV with Solvay Group)

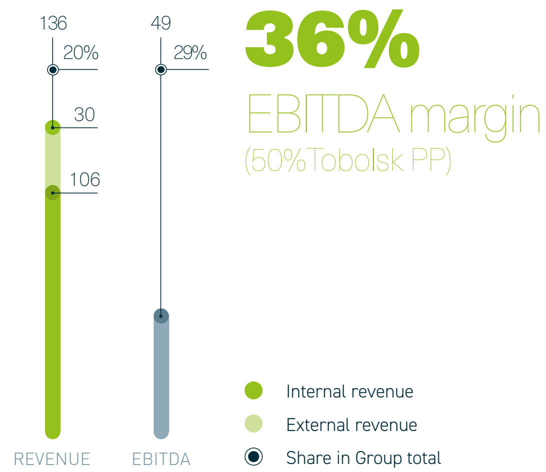
WHAT WE DO

- We generate olefins through NGLs cracking (ethylene, propylene and benzene) and dehydrogenation (propylene)
- We generate polyolefins — polyethylene and polypropylene — via polymerisation of olefins (most of which are processed as feedstock internally)
- Polypropylene is also used to produce BOPP films

END PRODUCTS AND VALUE

- 997 thousand tonnes of PP and PE and 153 thousand tonnes of BOPP films delivered to c. 850 customers in Russia and abroad
- When ZapSib is fully utilised, it will triple our capacities in PP and PE and expand our offering with new types of polyethylene
- Some volumes of olefins are sold in Russia; ethylene is primarily sold to our JV with Solvay RusVinyl
- Securing feedstock for production of plastics and elastomers

FINANCIAL RESULTS (2019)



Plastics, Elastomers & Intermediates (PE&I)

KEY ASSETS AND RESOURCES

- Production facilities in Central Russia and Eastern Siberia:
  - One steam cracker
  - Four plastic and organic synthesis production plants
  - Three elastomer production plants
- A butyl rubber production facility in India (JV with Reliance Industries)

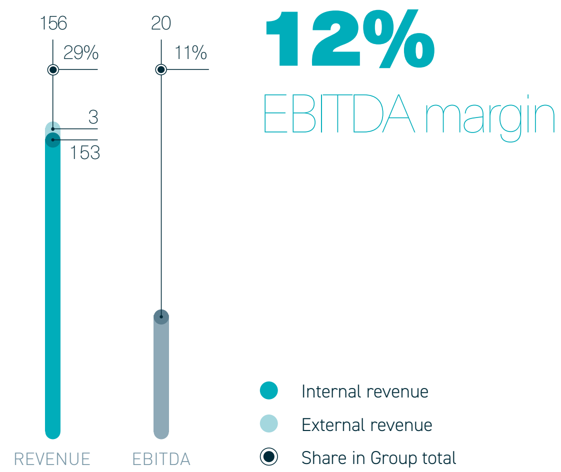
WHAT WE DO

- At our PE&I facilities, we produce:
  - plastics and organic synthesis products (PET, glycols, expandable polystyrene, DOTP, alcohols and acrylates)
  - elastomers (rubbers)
  - methyl tertiary butyl ether (MTBE) and fuel additives
  - intermediates

END PRODUCTS AND VALUE

- Sales to c. 1,260 customers globally in the chemicals, FMCG, construction, automotive, agriculture and other industries
- Helping businesses and consumers to save energy, water and other resources by using modern materials, including plastics and rubbers

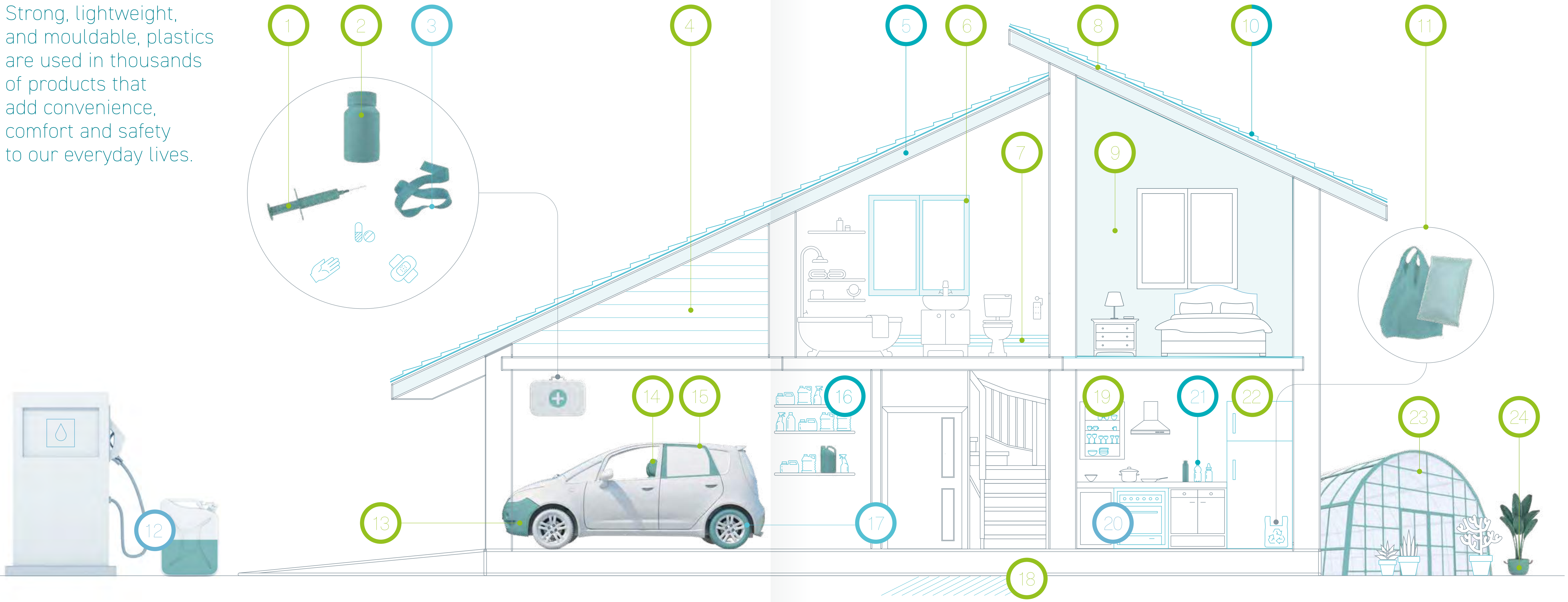
FINANCIAL RESULTS (2019)



① As of 31 December 2019.
② Including a PP facility at ZapSib that went online in 2019 (other production facilities at ZapSib were still undergoing testing as of 31 December 2019).
③ Based on FY 2019 operational results.

Application of Our Products

Strong, lightweight, and mouldable, plastics are used in thousands of products that add convenience, comfort and safety to our everyday lives.



- Olefins & Polyolefins
- Plastics & Organic Synthesis Products
- Elastomers
- Midstream

1. Syringes (polypropylene)
2. Normal saline containers (polypropylene)
3. Medical tourniquets (rubber)
4. Siding (PVC)
5. Heat insulation (EPS)
6. Window profiles and sills (PVC)
7. Pipes and fittings (polypropylene, polyethylene, PVC)
8. Roof moisture and vapour sealing (polypropylene)
9. Wallpaper and linoleum (PVC)
10. Roofing materials (PVC membrane, SBS)
11. Food packaging (polypropylene, polyethylene)
12. Motor fuel (methane, propane, butane)
13. Bumpers (polypropylene)
14. Artificial leather (PVC)
15. Soundproofing (polyethylene)
16. Cooling and antifreeze liquids (glycols)
17. Tyres (rubber)
18. Geoweb and geotextiles (polypropylene)
19. Plastic tableware (polypropylene)
20. Utilities (natural gas)
21. Bottles (PET)
22. Home appliances (polypropylene)
23. Greenhouses and hotbeds (polypropylene)
24. Seedling pots (polypropylene)

Feedstock Sourcing

We use two major types of hydrocarbon feedstock:

- **APG**① is a by-product of oil production and represents a key raw material for our Midstream business. We produce natural gas and raw NGL by processing APG at our gas processing plants.
- **NGLs**② include raw NGL (a by-product of gas production), liquefied petroleum gas (LPG) and naphtha. NGLs are used as a raw material for both our Midstream and petrochemicals businesses. We produce NGLs from APG at our own GFUs and GPPs and also purchase them from third parties.

To ensure sufficient feedstock volumes for our processing and production capacities, we work continuously with all the largest oil and gas producers in Western Siberia.

Multi-year supply contracts increase the predictability of feedstock pricing and volumes and enable better planning of our operating expenses.

PRICING DRIVERS

APG

- Base price for APG depends on three key drivers:
  - Regulated domestic natural gas price
  - Target liquid fractions content, distance and processing cost (i.e. value for SIBUR)
  - Alternative cost for the seller
- The Russian Government has consistently increased incentives for oil companies to utilise APG: penalties for flaring increased from 4.5x the standard emission charge in 2012 to 25x starting from 2014

RAW NGL

- With reference to international prices for LPG and naphtha, and to domestic LPG prices
- Pricing in raw NGL supply contracts is determined on an export netback basis and reflects
  - Fraction content of LPG and naphtha and fractionation cost (i.e. value for SIBUR)
  - Transportation costs and export duties
  - Alternative channels available for NGLs suppliers (i.e. alternative cost of the seller)

KEY SUPPLIERS

Oil majors

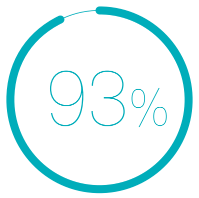
LUKOIL, ROSNEFT, GAZPROMNEFT, RussNeft

Gas majors

GAZPROM, NOVATEK

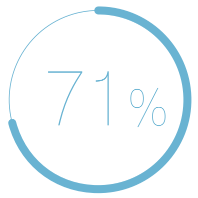
CONTRACT CHARACTERISTICS

APG: % Guaranteed under long-term contracts



APG: Weighted average maturity

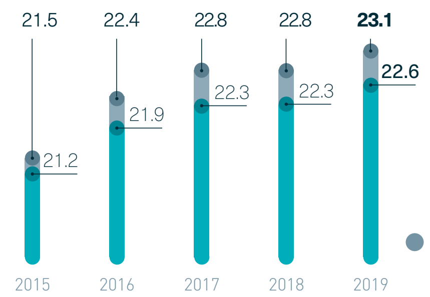
Raw NGL: % Guaranteed under long-term contracts



Raw NGL: Weighted average maturity

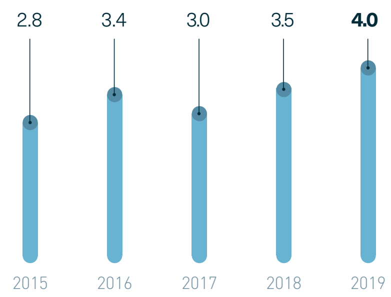
SOURCING

APG, bln cubic metres



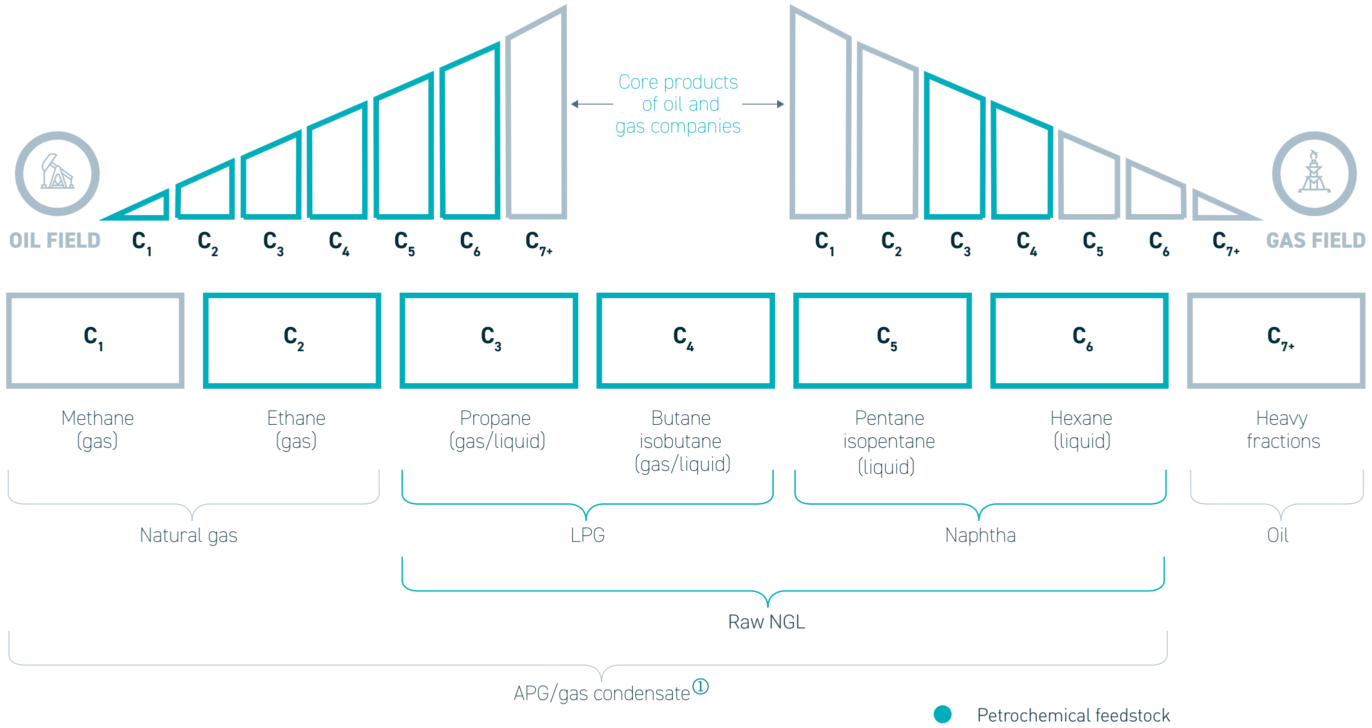
Share of our JV partners in APG purchases within JVs

NGLS, mln tonnes



① Associated petroleum gas (APG).
② Natural gas liquids (NGLs).

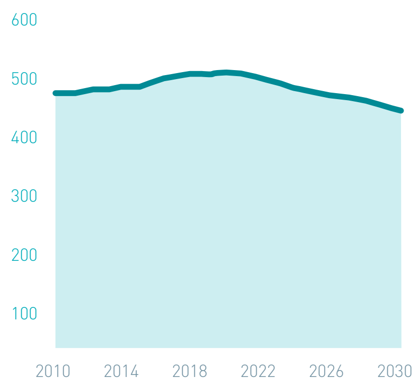
Hydrocarbon chain



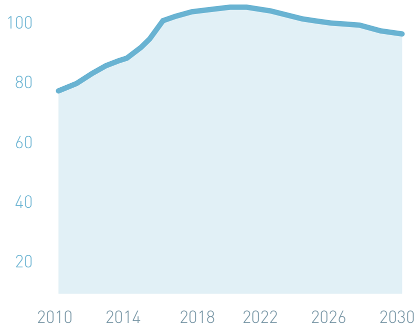
Feedstock trends in Western Siberia

The outlook for APG production mostly follows the trend of Russian oil production, which, according to Wood Mackenzie estimates, is stable in mature production areas like Western Siberia. The following charts provide an outlook for Russian crude oil and APG production:

OUTLOOK FOR RUSSIAN CRUDE OIL PRODUCTION, mln tonnes



OUTLOOK FOR RUSSIAN APG PRODUCTION, bln cubic metres



Given the maturity profile of oil fields, the concentration of liquid fractions in APG may decline, but we expect this trend to be partially offset by a higher liquids recovery ratio. In recent years, we substantially expanded our raw NGL transportation infrastructure to match the production growth at our suppliers' gas fields in the northern part of Western Siberia. Since then, we have not been expecting a significant increase in the volume of NGL feedstock supplied; however, we do expect to process an increasing portion of NGLs into petrochemicals as we expand capacity.

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

Midstream

The products from SIBUR's Midstream segment, including LPG, naphtha and natural gas, are sold primarily to customers in the utilities, fuels and petrochemicals industries both in Russia and internationally. The majority of available raw NGL is used internally as petrochemical feedstock and raw materials for LPG and naphtha.

In 2019, our revenue from our Midstream segment amounted to RUB 213.0 billion, a decrease of 11.5% year-on-year, representing 40% of total Group revenue.

Domestic sales accounted for 46% of total revenue from Midstream product sales, while 54% of revenue was attributable to exports.

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

40% of total Group revenue

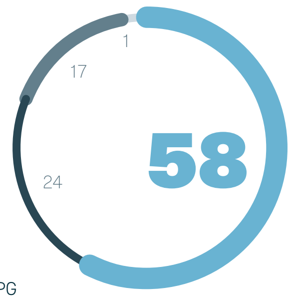
59% of total Group EBITDA

39% EBITDA margin

35% of volumes of NGLs available for sale are supplied as feedstock for petrochemicals

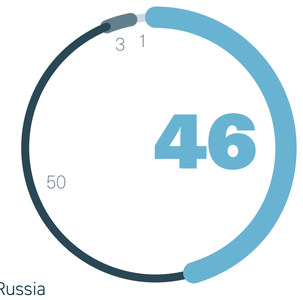
Midstream revenue split (2019)

BY PRODUCT, %



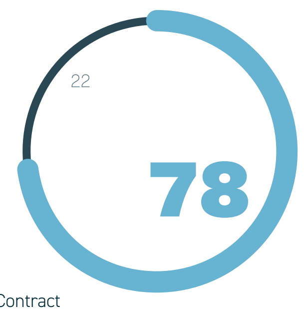
- LPG
- Natural gas
- Naphtha
- Other sales

BY REGION %



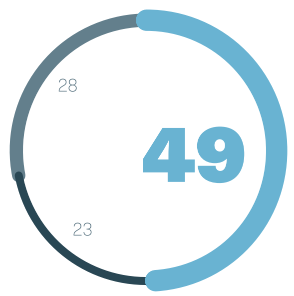
- Russia
- Europe
- Asia
- Other

BY CONTRACT/SPOT, %



- Contract
- Spot

BY KEY END-CUSTOMER INDUSTRY, %



- Petrochemicals
- Utilities and fuels
- Traders and other

- M — Midstream
- O&P — Olefins & Polyolefins
- P&OS — Plastics & organic synthesis
- I&OC — Intermediates & other chemicals
- MTBE — MTBE & fuel additives
- Facilities operated under joint ventures

Product	Production site	Location	Nameplate capacity as of 31 December 2019	Nameplate capacity as of 31 December 2018	Capacity utilisation 2019	Capacity utilisation 2018
Processing capacity, billion cubic metres of APG						
Natural gas Raw NGL Naphtha LPG	Gas processing plants (GPPs)①	Khanty-Mansi Autonomous Area Yamal-Nenets Autonomous Area	25.4	25.4	91%	90%
Processing capacity, million tonnes of raw NGL						
LPG Naphtha	Gas fractionation units (GFUs)②	Tobolsk Perm	9.5	9.5	94%	94%

① Including the Yuzhno-Priobskiy GPP, which is operated as a JV with Gazprom Neft.
② SIBUR utilises the fractionation capacities of Uralorgsintez divested in April 2017 under a long-term processing arrangement.

Our Business ● Midstream

23% of total Group revenue

58% of Midstream revenue

28% of volumes available for sale are used internally as feedstock for petrochemicals production

Product description

LPG refers primarily to propane (C_3), butane and isobutane (C_4) or propane-butane mixtures and is produced by fractionating raw NGL at our GFUs.

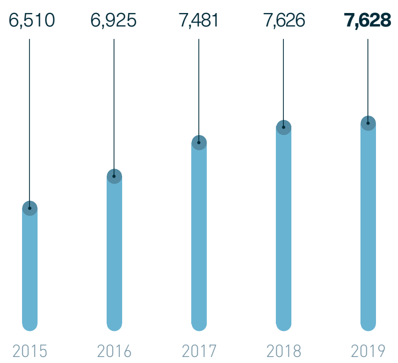
Key applications

Motor fuel, feedstock for petrochemicals, utilities.

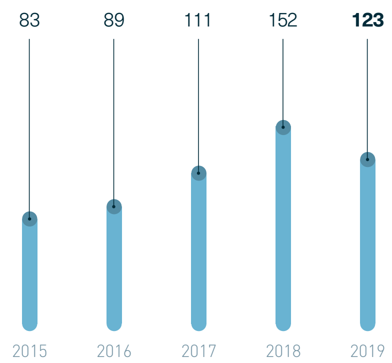
Sales

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

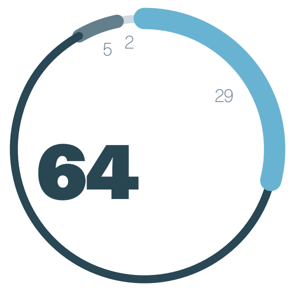
PRODUCTION VOLUMES, '000 TONNES①



REVENUE FROM SALES, RUB BLN



REVENUE SPLIT BY MARKET, %



- Russia
- Europe
- Asia
- Other

① Including volumes under processing arrangements.

7% of total Group revenue

17% of Midstream revenue

54% of volumes available for sale are used internally as feedstock for petrochemicals production

Product description

Naphtha (C_{5+}) refers primarily to pentane, isopentane, hexane or heavier fraction hydrocarbons and is produced by fractionating raw NGL at our GFUs.

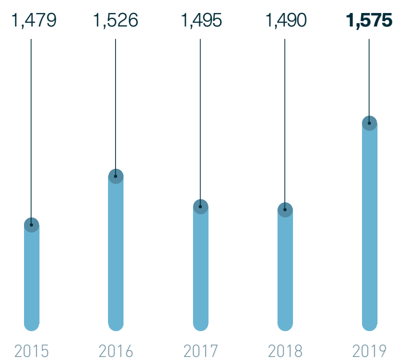
Key applications

Feedstock for energy and petrochemicals industries.

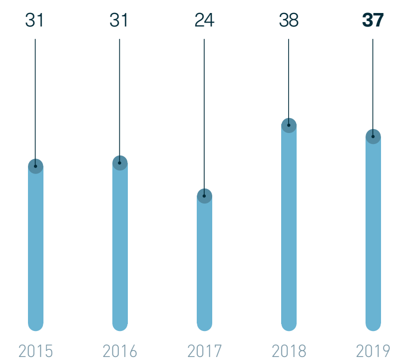
Sales

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

PRODUCTION VOLUMES, '000 TONNES

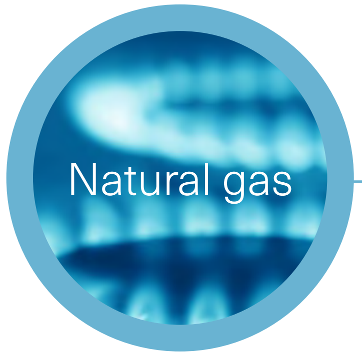


REVENUE FROM SALES, RUB BLN



REVENUE SPLIT BY MARKET, %

- Russia
- Europe



10% of total Group revenue

24% of Midstream revenue

Product description

Natural gas comprises methane (C_1) and ethane (C_2). SIBUR produces natural gas at its GPPs by processing APG purchased from oil companies, which we separate into natural gas and raw NGL.

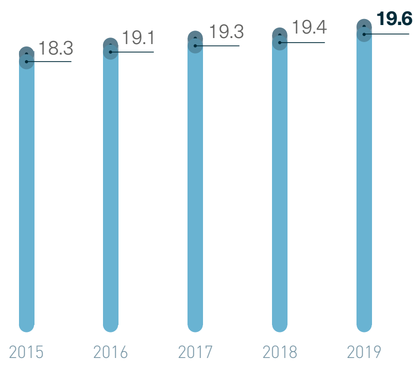
Key applications

Utilities

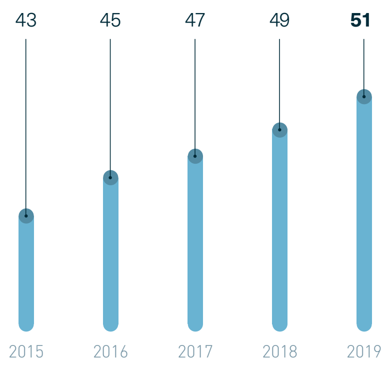
Sales

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

PRODUCTION VOLUMES, BLN CUBIC METRES



REVENUE FROM SALES, RUB BLN



JVs' share in production volumes

REVENUE SPLIT BY MARKET, %

100% of volumes available for sale used internally as feedstock for petrochemicals production

93% fractionated into energy products from produced and purchased volumes

Product description

Raw NGL represents a wide mixture of hydrocarbon fractions, ranging from C_3 to C_6 (propane, butane, isobutane, pentane, isopentane, and hexane), which are produced at GPPs by processing APG and separating it into natural gas and raw NGL.

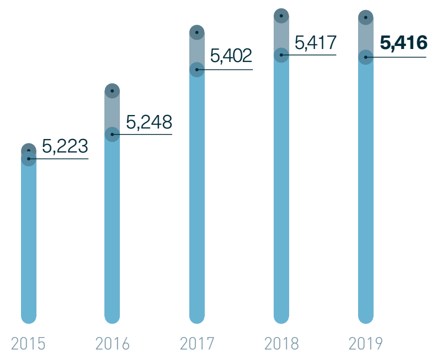
Key applications

Petrochemicals

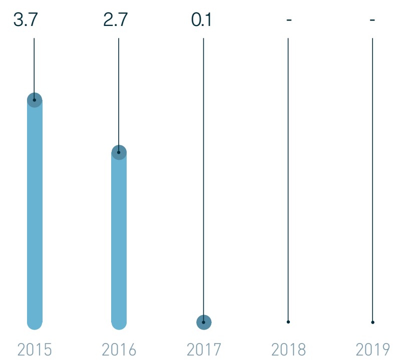
Sales

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

PRODUCTION VOLUMES, '000 TONNES



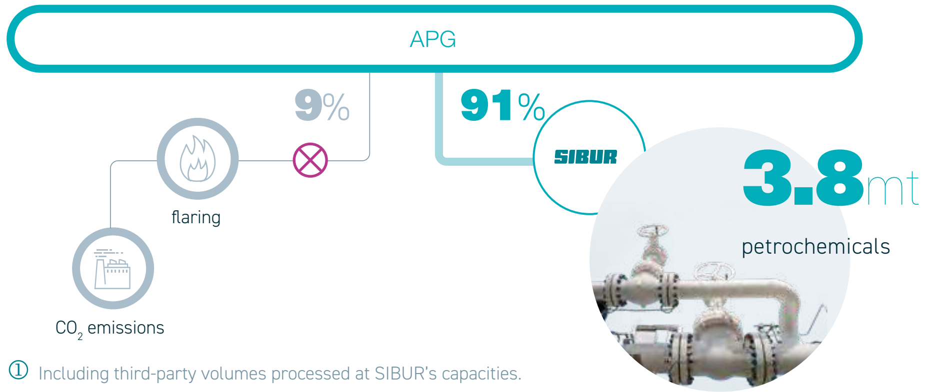
REVENUE FROM SALES, RUB BLN



JVs' share in production volumes

APG PROCESSING RESULTS IN NEGATIVE CO_2 FOOTPRINT

SIBUR helps to reduce CO_2 emissions stemming from the burning of oil extraction by-products, such as APG, by recycling them instead. In 2019, SIBUR processed 23.1 billion cubic metres of APG①, thus cutting greenhouse-gas emissions by 72 million tonnes, which is equivalent to the annual CO_2 footprint of a medium-sized European country.

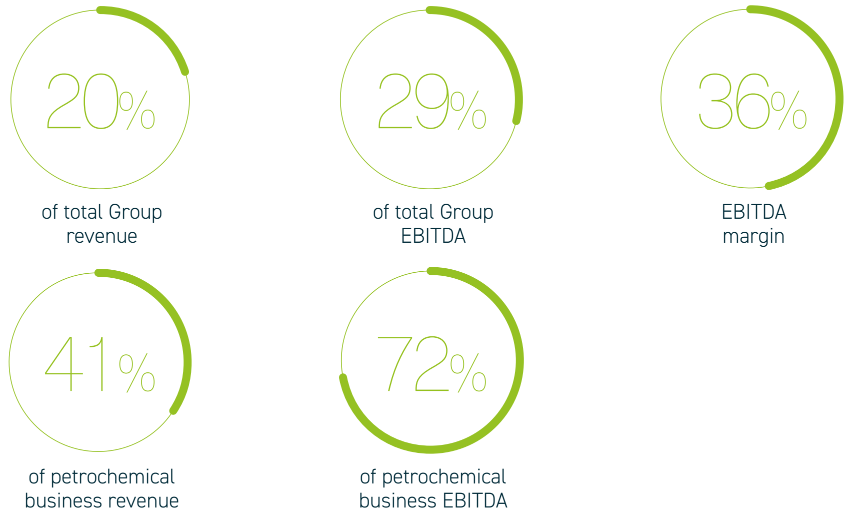


① Including third-party volumes processed at SIBUR's capacities.

Olefins & Polyolefins

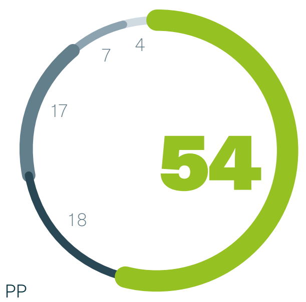
SIBUR's Olefins & Polyolefins segment comprises polypropylene, polyethylene, BOPP films and olefins. Polyolefins are sold primarily to customers in the fast-moving consumer goods (FMCG), construction and chemical industries in both domestic and external markets. The majority of olefins are used to produce higher-value-added petrochemical products and are sold in Russia, primarily to RusVinyl.

In 2019, our revenue from Olefins & Polyolefins totalled RUB 105.8 billion, a 5% increase year-on-year, and accounted for 20% of total Group revenue for 2019. Domestic sales accounted for 68% of total revenue from Olefins & Polyolefins sales, while 32% of revenue was attributable to exports.



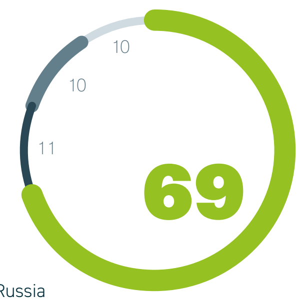
Olefins & Polyolefins revenue split (2019)

BY PRODUCT, %



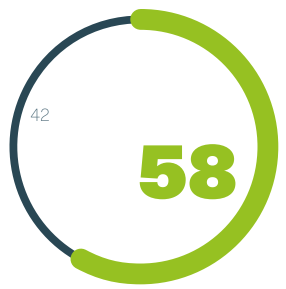
- PP
- PE (LDPE)
- BOPP films
- Olefins
- Other

BY REGION %



- Russia
- CIS
- Europe
- Asia

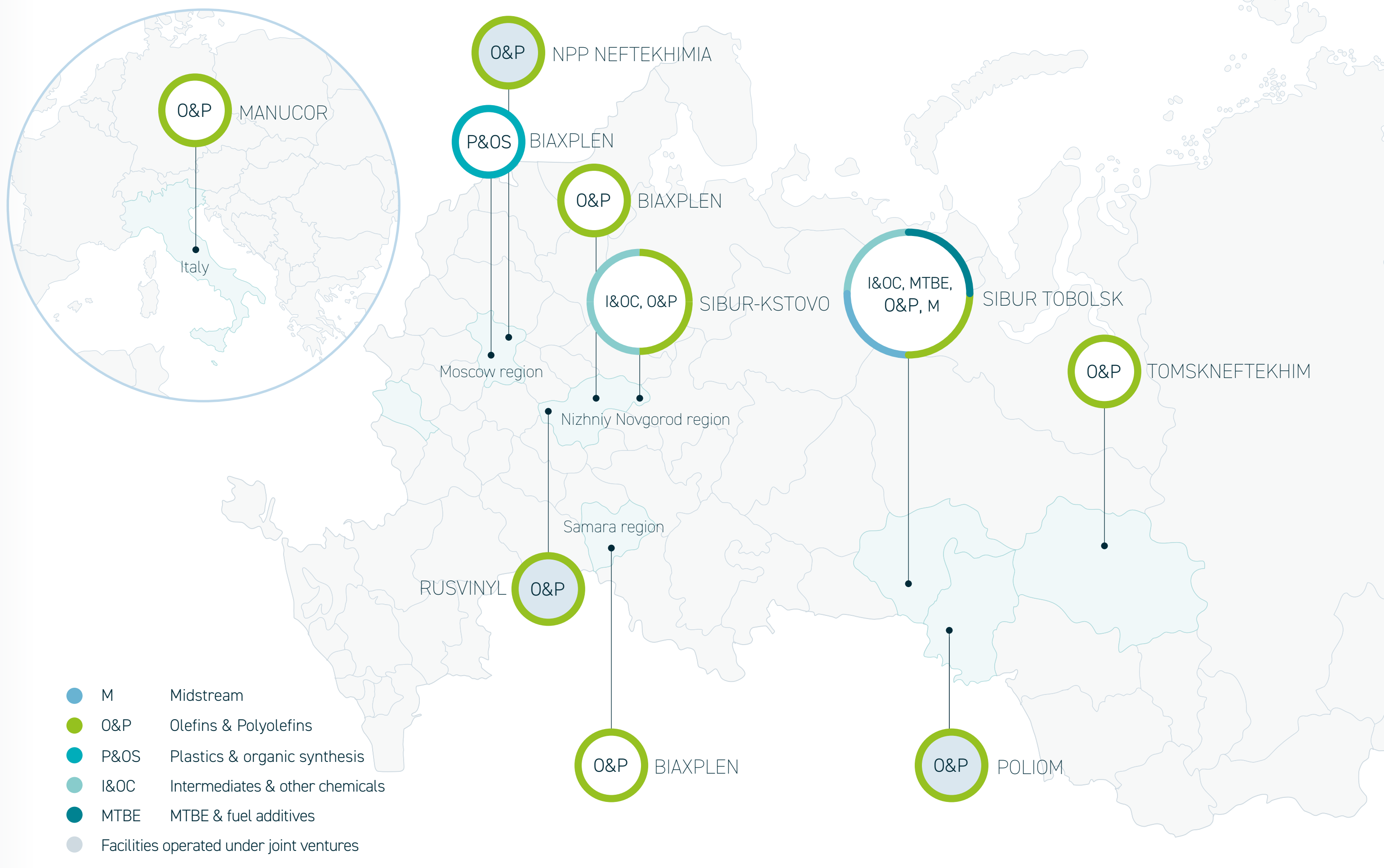
BY CONTRACT/SPOT, %



- Contract
- Spot

BY KEY END-CUSTOMER INDUSTRY, %

- Packaging
- FMCG
- Hygiene products
- Construction
- Chemicals
- Other



Product	Production site	Location	Nameplate capacity as of 31 December 2019	Nameplate capacity as of 31 December 2018	Capacity utilisation 2019	Capacity utilisation 2018
Processing capacity, billion cubic metres of APG						
PE (LDPE)	Tomskneftekhim	Tomsk	270,000	270,000	98%	95%
PP	SIBUR Tobolsk ZapSibNeftekhim Tomskneftekhim	Tobolsk Tomsk	1,140,000	640,000	98%	90%
PP	NPP Neftekhimia (non-consolidated JV)	Moscow	140,700	140,700	99%	103%
PP	Poliom (non-consolidated JV)	Omsk	218,400	218,400	97%	98%
BOPP films	BIAXPLEN group of companies	Samara region Moscow region Kursk Nizhniy Novgorod region	185,020	185,020	83%	83%
BOPP	Manucor (non-consolidated JV)	Italy	100,000	n/a	64%	n/a
Ethylene	Tomskneftekhim SIBUR-Kstovo	Tomsk Nizhniy Novgorod region	720,000	720,000	95%	94%
Propylene	SIBUR Tobolsk Tomskneftekhim SIBUR-Kstovo	Tobolsk Tomsk Nizhniy Novgorod region	829,000	829,000	99%	84%
Benzene	SIBUR-Kstovo	Nizhniy Novgorod region	104,000	104,000	79%	76%
PVC	RusVinyl (non-consolidated JV)	Nizhniy Novgorod region	330,000	330,000	105%	102%
Caustic soda	RusVinyl (non-consolidated JV)	Nizhniy Novgorod region	225,000	225,000	103%	97%

Product description

SIBUR's Olefins & Polyolefins include polypropylene (PP) and polyethylene (LDPE), BOPP films and olefins.

PP and LDPE are granulated thermoplastic polymers that are derived from polymerisation of olefins – propylene and ethylene, respectively – that are produced internally.

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

Key applications

PP

Consumer goods, packaging, BOPP films, hygiene products, pipes, fibres and automotive components.

LDPE

Consumer goods, coating materials for the electrotechnical and energy industry, film for the agriculture industry, various types of packaging.

BOPP FILMS

Packaging and production of labels and adhesive tapes.

OLEFINS

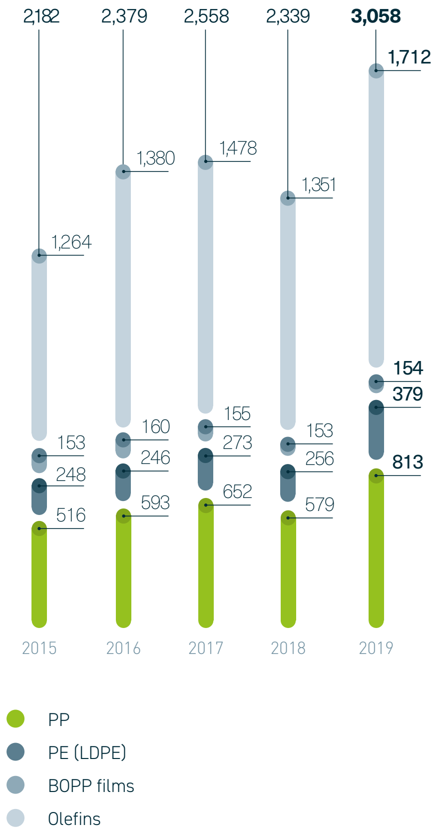
Production of PP and LDPE.

Sales

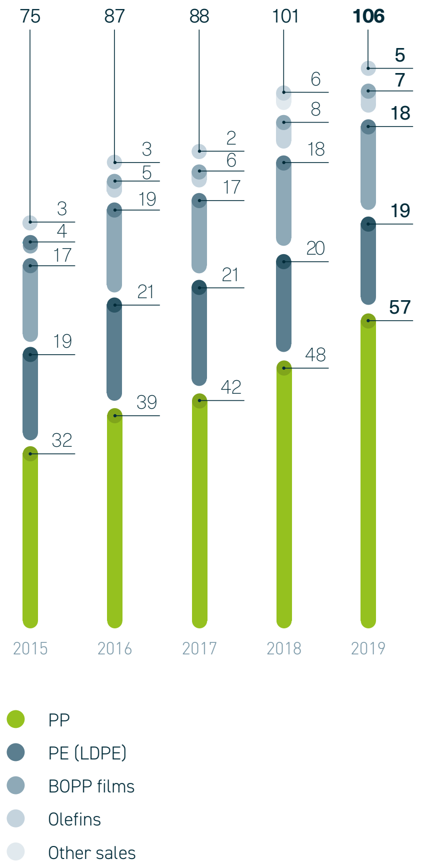
We sell polyolefins to external clients in Russia and abroad and also use certain volumes of PP internally in the production of BOPP films.

While some olefins are sold externally to other petrochemicals companies, we process most of the volumes internally into higher-value-added petrochemicals products.

PRODUCTION VOLUMES, '000 tonnes



REVENUE FROM SALES, RUB bln



Plastic bags VS Paper bags

1 REDUCE ENERGY USE

Production of plastic bags requires **40% less** ENERGY

Production of paper bags generates **80% more** SOLID WASTE THAN PLASTIC BAGS

2 Keep the air clean

The use of plastic bags in Russia **PREVENTS THE CUTTING DOWN OF 15 mln trees EVERY YEAR** that would be necessary for the production of paper bags, which thereby increases the absorption of CO_2 by about 14,000 tonnes per year

In the production of paper bags **70% more CO_2** is released than in the production of plastic bags

3 Support foods savings

EXTENDED SHELF LIFE

3× 2×
3× 5×
3× 182×

97% 50%

OF ALL FOOD PRODUCTS ARE PRESERVED during transportation

4 Reduce water use

The production of plastic bags consumes ONLY **3%** AS MUCH WATER as the production of paper bags

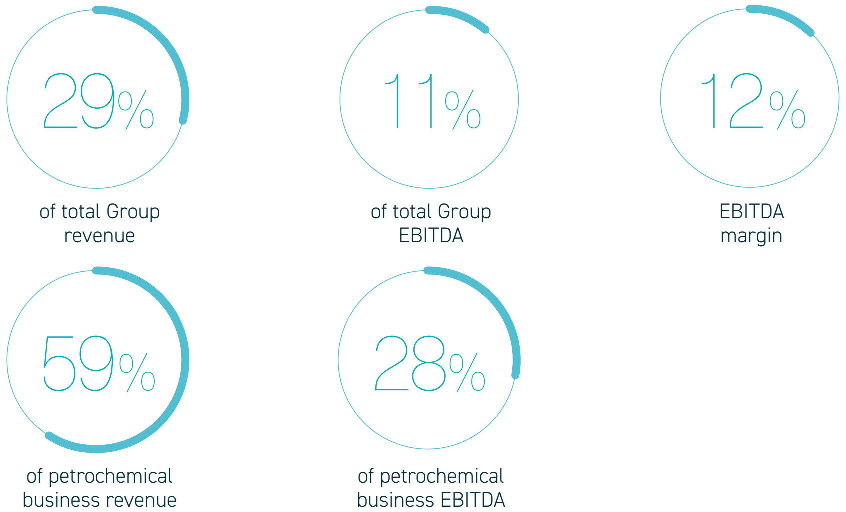
Plastics, Elastomers & Intermediates

Within the Plastics, Elastomers & Intermediates segment, we produce (i) plastics and organic synthesis products comprising PET, glycols, expandable polystyrene (EPS), dioctyl terephthalate plasticiser (DOTP), alcohols and acrylates; (ii) elastomers comprising various grades of commodity and specialty rubbers and thermoplastic elastomers; and (iii) MTBE and fuel additives, which are sold externally. The segment also produces intermediates, which are primarily used internally, with a small share being sold in the market.

Each of these product groups has particular characteristics and distinct market fundamentals; however, they are all sold to industrial customers in key end markets, such as chemicals, utilities and fuels, automotive, FMCG, construction and other sectors.

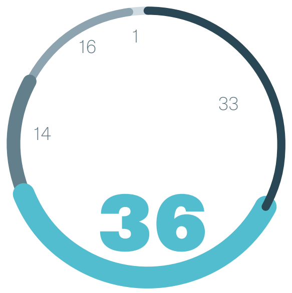
In 2019, SIBUR's Plastics, Elastomers & Intermediates segment's external revenue decreased by 11% to RUB 152.8 billion. Domestic sales accounted for 57% of total revenue from Plastics, Elastomers & Intermediates sales, while 43% of revenue was attributable to exports.

We use a large portion of intermediates and other chemicals internally for processing into higher-value-added petrochemical products. SIBUR's integrated business model enables us to change the composition of our feedstock and product mix to optimise purchasing, production, sales and logistics in order to maximise our blended margins.



Olefins & Polyolefins revenue split (2019)

BY PRODUCT, %

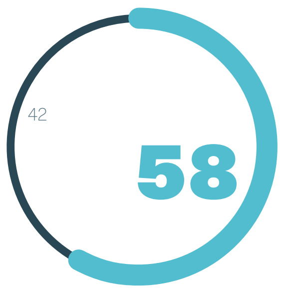


- Plastics & organic synthesis products
- Elastomers
- MTBE & fuel additives
- Intermediates & other chemicals
- Other

BY REGION %

- Russia
- Europe
- Asia
- CIS
- Other

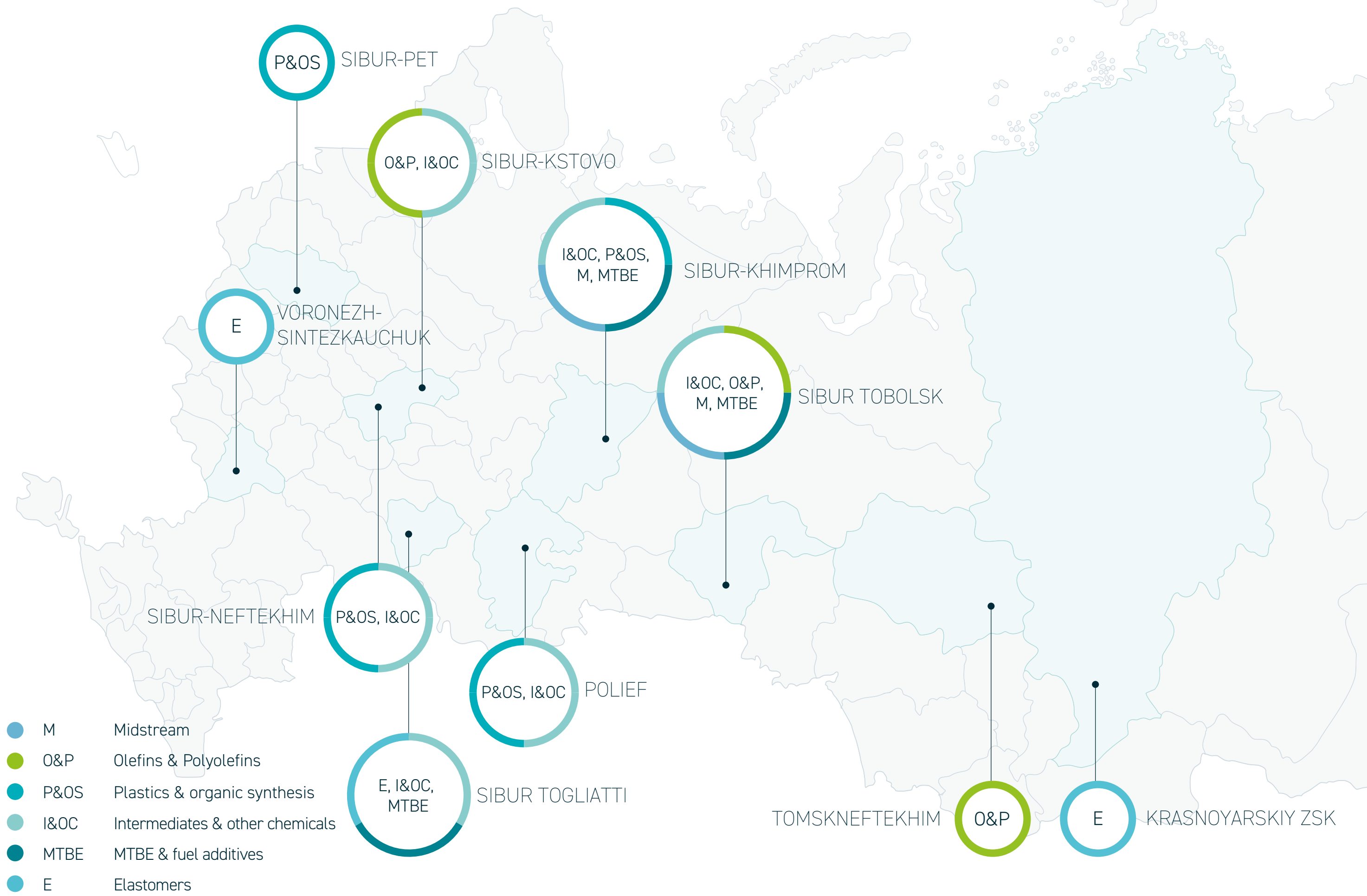
BY CONTRACT/SPOT, %



- Contract
- Spot

BY KEY END-CUSTOMER INDUSTRY, %

- Chemicals
- Automotive
- Fuels
- FMCG
- Construction
- Traders and other



Product	Production site	Location	Nameplate capacity (tonnes) as of 31 December		Capacity utilisation, %	
			2019	2018	2019	2018
Elastomers			**368,800**	**580,800**	**89%**	**88%**
Commodity rubbers	SIBUR Togliatti① Voronezhsintezkauchuk	Togliatti Voronezh	237,800	374,800	86%	86%
Specialty rubbers	Krasnoyarskiy ZSK SIBUR Togliatti①	Krasnoyarsk Togliatti	46,000	121,000	93%	88%
Thermoplastic elastomers	Voronezhsintezkauchuk	Voronezh	85,000	85,000	98%	93%
Plastics and organic synthesis products			**1,072,238**	**972,238**	**86%**	**95%**
PET	POLIEF SIBUR-PET	Blagoveshchensk (Bashkortostan) Tver	327,250	327,250	69%	90%
Glycols	SIBUR-Neftekhim	Nizhniy Novgorod region	308,900	308,900	95%	98%
Alcohols	SIBUR-Khimprom	Perm	164,700	164,700	97%	104%
Expandable polystyrene	SIBUR-Khimprom	Perm	100,000	100,000	102%	105%
DOTP	SIBUR-Khimprom	Perm	100,000	-	94%	-
Acrylates	SIBUR-Neftekhim	Nizhniy Novgorod region	71,388	71,388	71%	73%
Intermediates and other chemicals						
Propylene	SIBUR-Khimprom	Perm	110,000	96,500	66%	69%
Ethylene	SIBUR-Khimprom	Perm	71,175	60,000	90%	95%
Butadiene	SIBUR Togliatti①	Togliatti	-	80,000	106%	101%
Benzene	Uralorgsintez②	Perm region	95,000	95,000	91%	96%
Isoprene	SIBUR Togliatti①	Togliatti	-	90,000	91%	93%
Styrene	SIBUR-Khimprom Plastic③	Perm Tula region	210,000	210,000	90%	92%
Ethylene oxide	SIBUR-Neftekhim	Nizhniy Novgorod region	324,000	324,000	100%	93%
Terephthalic acid	POLIEF	Blagoveshchensk (Bashkortostan)	372,750	271,788	33%	99%
MTBE and fuel additives						
MTBE	Uralorgsintez② SIBUR Tobolsk SIBUR Togliatti① SIBUR-Khimprom	Perm region Tobolsk Togliatti Perm	285,000	390,000	86%	84%

① SIBUR Togliatti divested in 2019 and was not included in nameplate capacity as of 31 December 2019.
② Uralorgsintez, which divested in April 2017, produces benzene and up to 65,000 tpa of MTBE for SIBUR under a processing arrangement.
③ Plastic, which divested in December 2013, produces styrene for SIBUR under a processing arrangement.

33% of Plastics, Elastomers & Intermediates revenue

20% of petrochemical business revenue

10% of total Group revenue

Product description

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

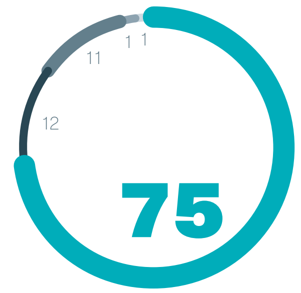
Description	Key applications
PET is a thermoplastic polymer resin of the polyester family.	Packaging for beverages and food, other containers.
GLYCOLS include mono-ethylene glycol, diethylene glycol and triethylene glycol.	PET, polyester fibre, de-icing liquids, cooling and antifreeze liquids, extragent for aromatic hydrocarbons and reagent for drying natural gas.
EXPANDABLE POLYSTYRENE is a granulated polymer produced from styrene monomer.	Production of thermoinsulation blocks, packaging materials as well as for decorative elements.
ALCOHOLS include 2-ethylhexanol, butyl alcohol and isobutyl alcohol.	Production of plasticisers, acetates, acrylates, oil additives, as solvents for plastics and varnish, as an antifoaming agent, as well as a component for perfume compounds.
ACRYLATES comprise ethers of acrylic acid, butyl, methyl and 2-ethylhexyl.	Production of acrylic emulsions, superabsorbents, building mixes and adhesives used in the construction and textile industries.
DIOCTYL TEREPHTHALATE (DOTP) is a colourless, almost odourless, liquid that is primarily used as a plasticiser to ensure plasticity, enhanced durability, and wear and cold resistance; one of the safest plasticisers for both human health and the environment.	PVC toys, childcare articles, consumer products, beverage closures, floor and roof coatings, wallpaper, cable compounds and automotive coatings

Sales

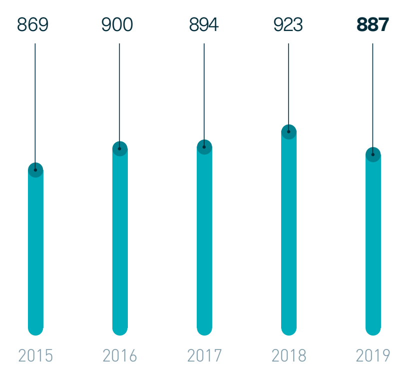
We sell these products to external customers in a variety of industries in Russia and abroad with a strong focus on the domestic market for the majority of the products, and we also use certain volumes internally, primarily in the production of higher-value-added products.

REVENUE SPLIT BY PRODUCT, %

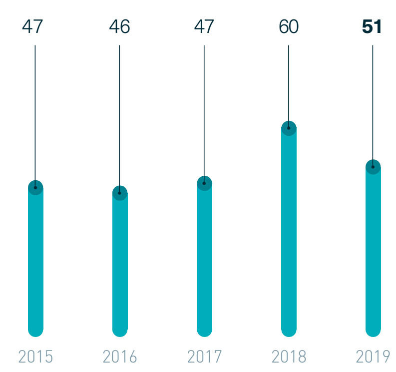
REVENUE SPLIT BY MARKET, %



PRODUCTION VOLUMES, '000 tonnes



REVENUE FROM SALES, RUB bln



Eco-friendliness of products and recyclability



Energy consumption for the production of one item with a volume of 355 ml	0.9 W*h	0.63 W*h	0.58 W*h
Recycling potential	100%	Up to 80%	100%
Decomposition time	500 years	>1,000 years	300 years
Air emissions CO_2 equivalent	1.2 kg	2.2 kg	0.5 kg

IN TERMS OF CO2 EMISSIONS, consumption of energy and water, emissions and waste generated, **PRODUCTION OF POLYMERS AND OTHER PETROCHEMICALS IS MORE ENVIRONMENTALLY FRIENDLY** than production of comparable materials, including metals and paper

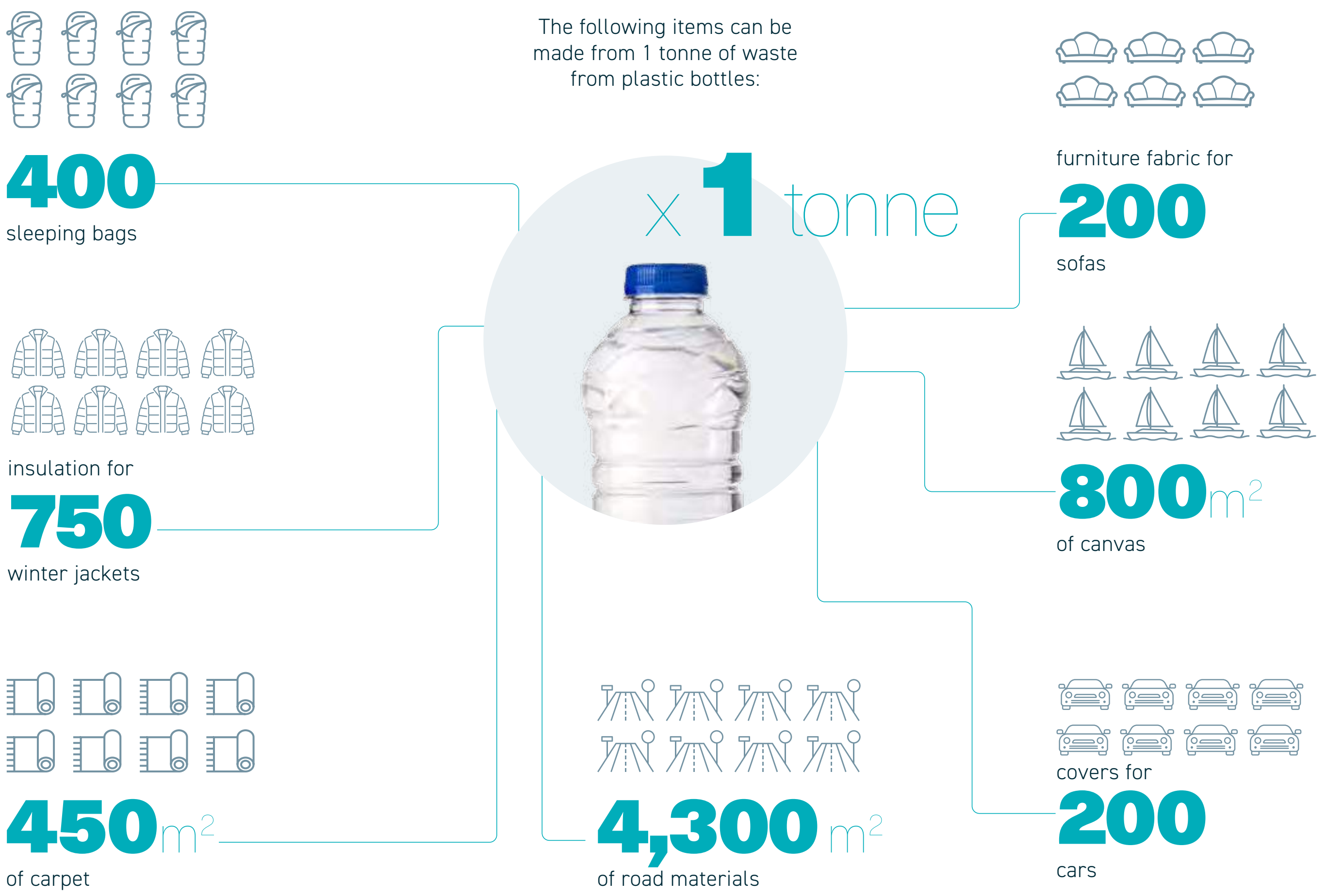
The Company **IMPLEMENTS PRINCIPLES OF A CIRCULAR ECONOMY**, contributing to the development of polymers recycling

SIBUR's products have **ENVIRONMENTAL BENEFITS** and a **SMALL CARBON FOOTPRINT**

Source: Table D-1, Franklin Associates, Green Lifestyle Magazine, The Container Recycling Institute, Columbia University Fu Foundation School of Engineering and Applied Science.

Plastic is completely recyclable

Examples of the recycling of plastic bottles



14% of Plastics, Elastomers & Intermediates revenue

8% of petrochemical business revenue

4% of total Group revenue

Product description

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

Key applications

Motor fuel

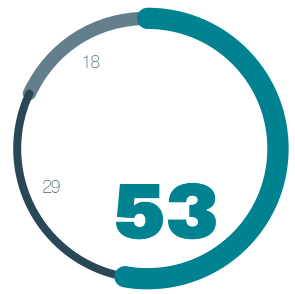
Sales

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

REVENUE SPLIT BY PRODUCT, %

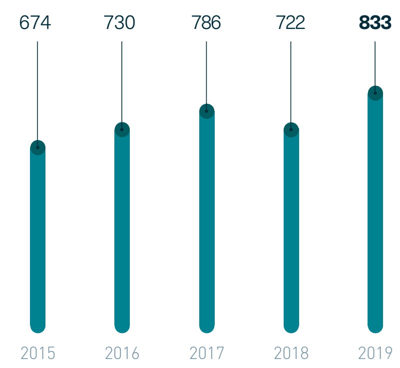
- MTBE
- Other fuels and fuel additives

REVENUE SPLIT BY MARKET, %

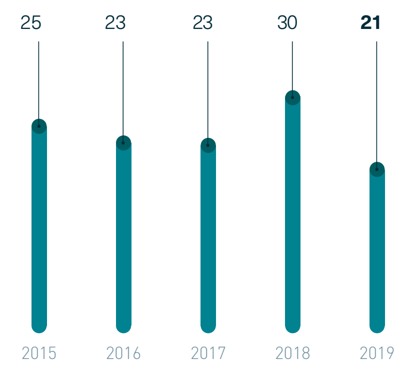


- Russia
- Europe
- CIS

PRODUCTION VOLUMES, '000 tonnes



REVENUE FROM SALES, RUB bln



36% of Plastics, Elastomers & Intermediates revenue

21% of petrochemical business revenue

10% of total Group revenue

Product description

Elastomers comprise commodity rubbers, specialty rubbers and thermoplastic elastomers (SBS). Commodity rubbers have elastic and other properties that are somewhat similar to natural rubbers. Some specialty rubbers are characterised by oil and petrol resistance, gas impermeability, in addition to basic rubber properties. Thermoplastic elastomers demonstrate both thermoplastic and elastomeric properties.

Key applications

COMMODITY RUBBERS

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

SPECIALTY RUBBERS

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

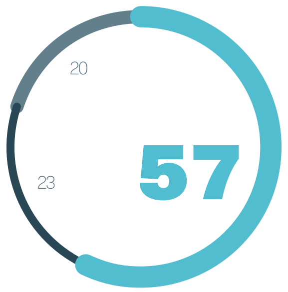
THERMOPLASTIC ELASTOMERS

Construction, healthcare, automotive, electronics and footwear.

Sales

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

REVENUE SPLIT BY PRODUCT, %

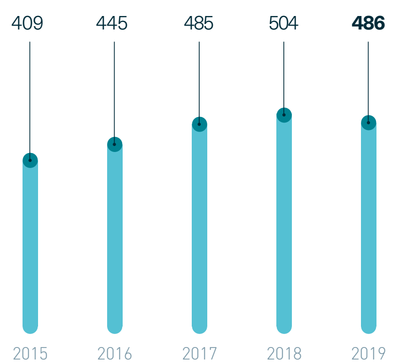


- Commodity rubbers
- Specialty rubbers
- Thermoplastic elastomers

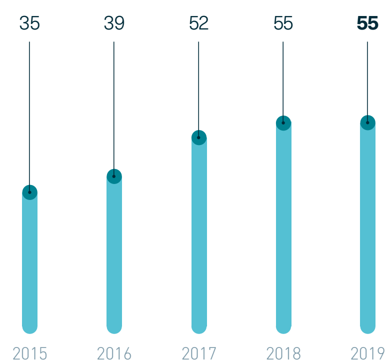
REVENUE SPLIT BY MARKET, %

- Russia
- Europe
- Asia
- CIS
- Other

PRODUCTION VOLUMES, '000 tonnes



REVENUE FROM SALES, RUB bln



16% of Plastics, Elastomers & Intermediates revenue

10% of petrochemical business revenue

5% of total Group revenue

Product description

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

Key applications

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

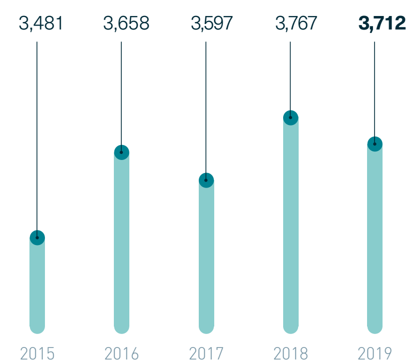
Sales

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

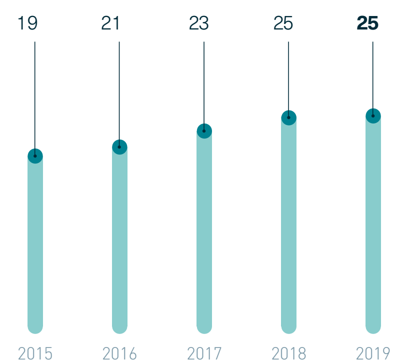
REVENUE SPLIT BY PRODUCT, %

- Russia
- Europe
- CIS
- Asia

PRODUCTION VOLUMES[1], '000 tonnes

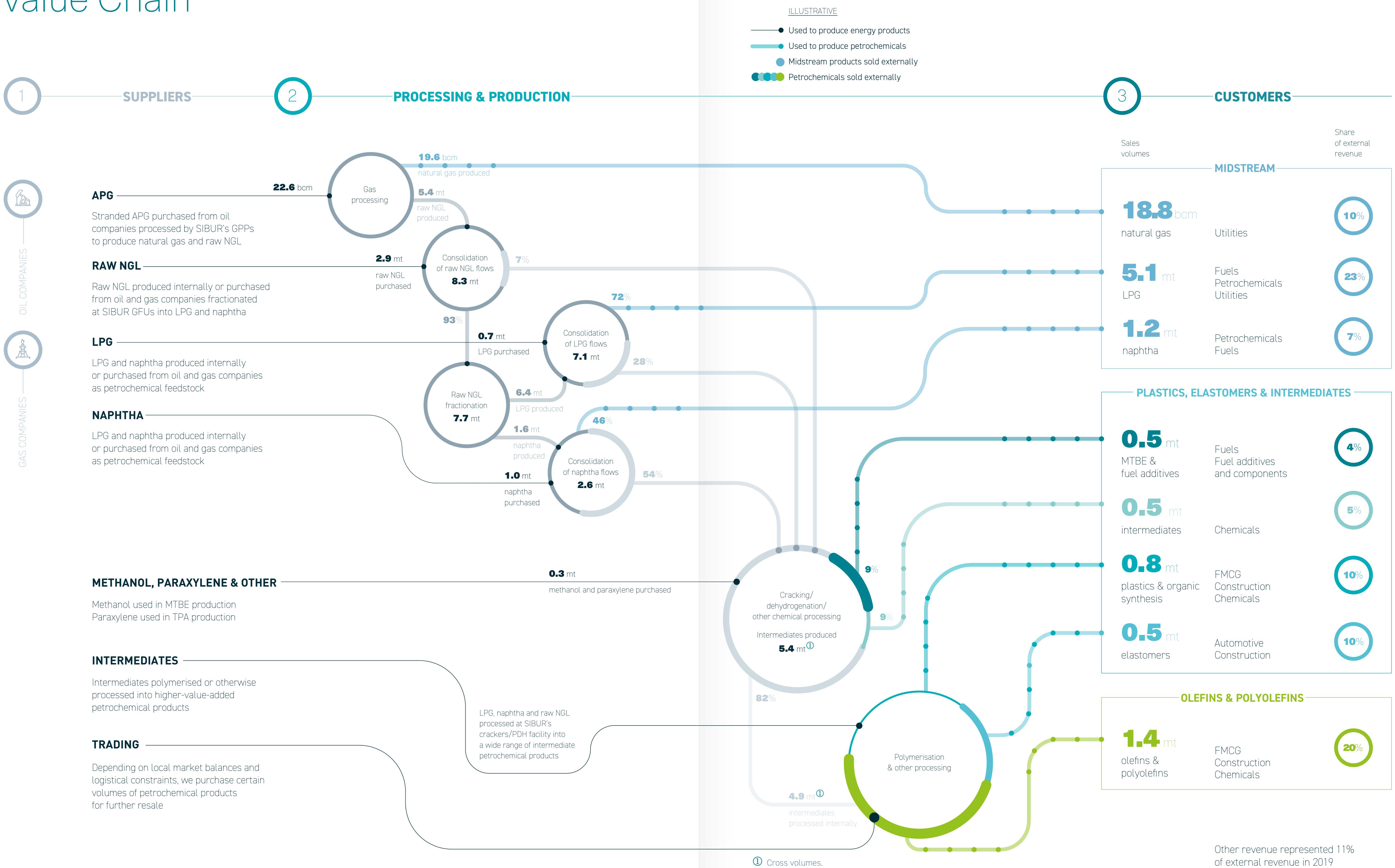


REVENUE FROM SALES, RUB bln

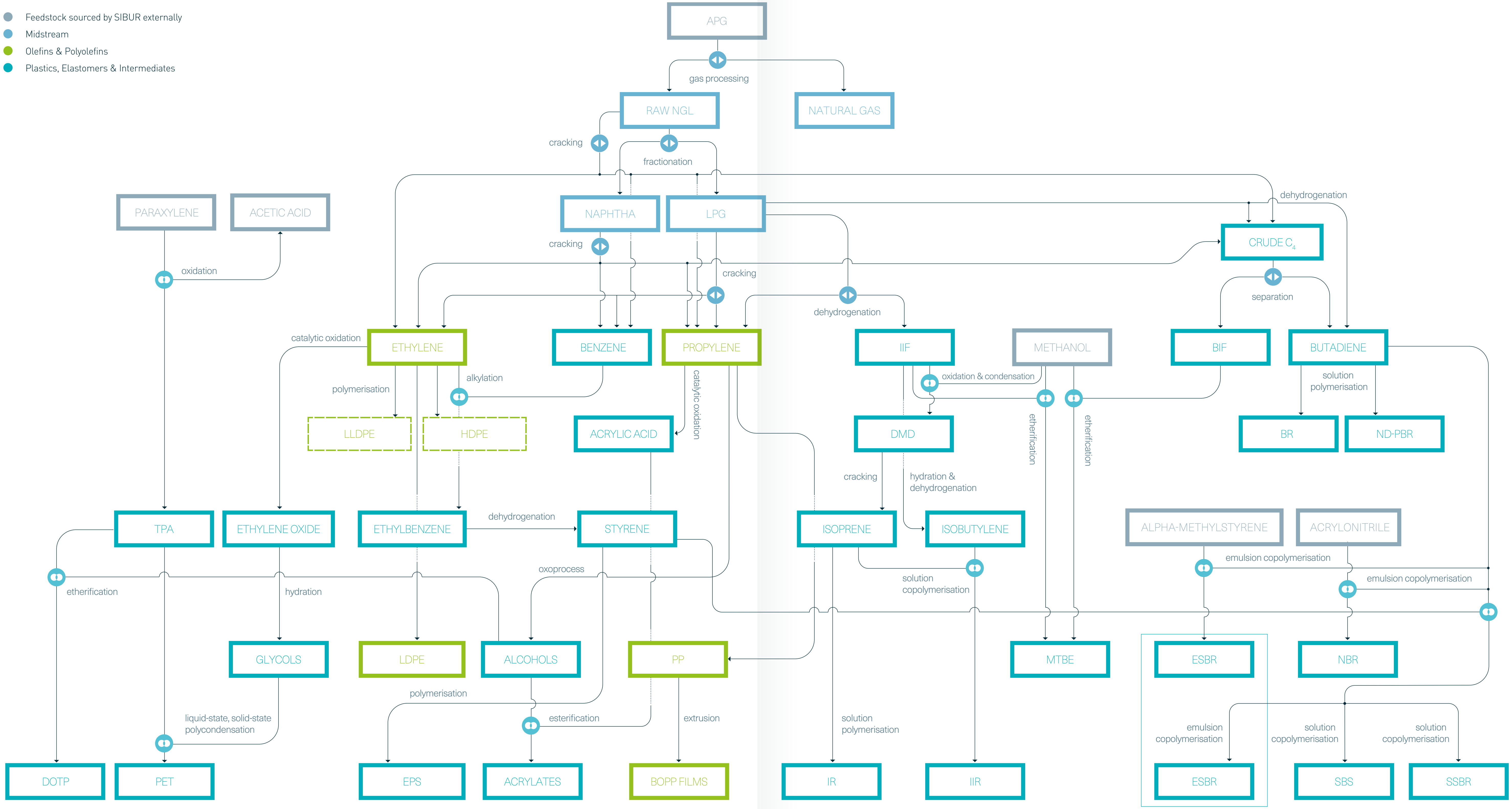


[1] Please note that total production volumes of intermediates and other chemicals include double counting.

Value Chain


ILLUSTRATIVE
Used to produce energy products
Used to produce petrochemicals
Midstream products sold externally
Petrochemicals sold externally
1 SUPPLIERS
2 PROCESSING & PRODUCTION
3 CUSTOMERS
OIL COMPANIES
GAS COMPANIES
APG
Stranded APG purchased from oil companies processed by SIBUR's GPPs to produce natural gas and raw NGL
22.6 bcm
RAW NGL
Raw NGL produced internally or purchased from oil and gas companies fractionated at SIBUR GFUs into LPG and naphtha
2.9 mt raw NGL purchased
LPG
LPG and naphtha produced internally or purchased from oil and gas companies as petrochemical feedstock
0.7 mt LPG purchased
NAPHTHA
LPG and naphtha produced internally or purchased from oil and gas companies as petrochemical feedstock
1.0 mt naphtha purchased
METHANOL, PARAXYLENE & OTHER
Methanol used in MTBE production
Paraxylene used in TPA production
0.3 mt methanol and paraxylene purchased
INTERMEDIATES
Intermediates polymerised or otherwise processed into higher-value-added petrochemical products
TRADING
Depending on local market balances and logistical constraints, we purchase certain volumes of petrochemical products for further resale
Gas processing
19.6 bcm natural gas produced
5.4 mt raw NGL produced
Consolidation of raw NGL flows 8.3 mt
7%
93%
Raw NGL fractionation 7.7 mt
6.4 mt LPG produced
1.6 mt naphtha produced
Consolidation of LPG flows 7.1 mt
72%
28%
Consolidation of naphtha flows 2.6 mt
46%
54%
Cracking/ dehydrogenation/ other chemical processing
Intermediates produced 5.4 mt
9%
9%
82%
LPG, naphtha and raw NGL processed at SIBUR's crackers/PDH facility into a wide range of intermediate petrochemical products
Polymerisation & other processing
4.9 mt intermediates processed internally
Cross volumes.
Sales volumes
Share of external revenue
MIDSTREAM
18.8 bcm natural gas Utilities 10%
5.1 mt LPG Fuels Petrochemicals Utilities 23%
1.2 mt naphtha Petrochemicals Fuels 7%
PLASTICS, ELASTOMERS & INTERMEDIATES
0.5 mt MTBE & fuel additives Fuels Fuel additives and components 4%
0.5 mt intermediates Chemicals 5%
0.8 mt plastics & organic synthesis FMCG Construction Chemicals 10%
0.5 mt elastomers Automotive Construction 10%
OLEFINS & POLYOLEFINS
1.4 mt olefins & polyolefins FMCG Construction Chemicals 20%
Other revenue represented 11% of external revenue in 2019

Production Flows



Transportation & Logistics

Pipelines in Western Siberia

Although not part of our logistics costs, pipelines are crucial for transportation given the geographical spread of our enterprises and significant volumes of hydrocarbon feedstock that needs to be transported. Fixed costs required for the upkeep of such a network, like those of staff and maintenance expenses, are substantially lower than railway payments, especially taking into account the transport geography and the considerable volumes of raw materials transported.

- **APG** (associated petroleum gas) is transported via pipelines that link oil fields and oil clusters to our GPPs. Most of the pipelines used are owned by oil companies, but SIBUR owns

  819 km[1]

  of its own pipelines;

- SIBUR transports the **natural gas** it produces through

  250 km[1]

  of its own pipelines to the Unified Gas Supply System (UGSS), owned by Gazprom, and to regional power companies;

- **Raw NGL** is transported to our GFUs via

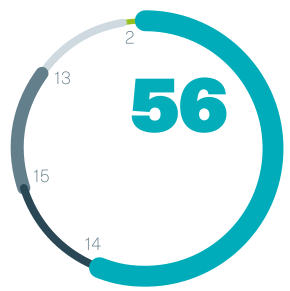
  1,648 km[1]

  of specialised pipelines that ensure uninterrupted long-term access to abundant raw NGL resources in Western Siberia.

Non-pipeline transportation

In 2019, external logistics costs totalled RUB 79.4 billion, which represents 20% of the Group's total operational expenses. Excluding pipeline transportation, transportation volumes by other various types of transport, including transportation between the Company's enterprises, totalled 17.3 million tonnes. Volumes transported between the Company's enterprises accounted for 20% of total transported volumes.

TRANSPORTATION VOLUMES BY TYPE OF TRANSPORT, %



- Rail transportation
- Transshipment in ports
- Sea freight
- Truck transportation
- Multimodal transportation services

HIGHEST-VOLUME TRANSPORT: RAIL

Rail is SIBUR's major mode of transportation in terms of both volumes transported and costs. The main components of rail transportation costs are:

- tariffs for access to Russia's railway network and usage of locomotives, which is regulated by the Federal Antimonopoly Service of Russia (FAS);
- cost of shipping services outside Russia;
- cost of contracted and rented rolling stock;
- cost of rolling stock maintenance.

In 2018, we refined our model of rolling stock ownership by selling our fleet of LPG tank cars to Petrochemicals Transportation Company (NKhTK), a JV set up with a parity ownership split between SIBUR and the railway operator SG-trans. This deal will allow us to be more flexible in terms of the number of tank cars we have, which will decrease after the launch of ZapSib, while maintaining control over current operations.

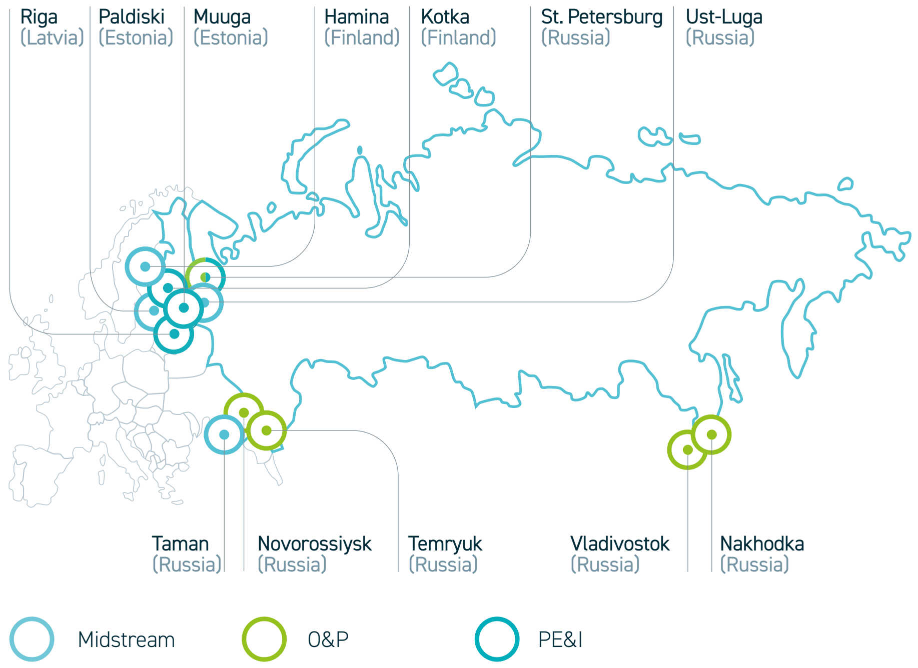
[1] As of 31 December 2019.

PORT FACILITIES AND SEA FREIGHT

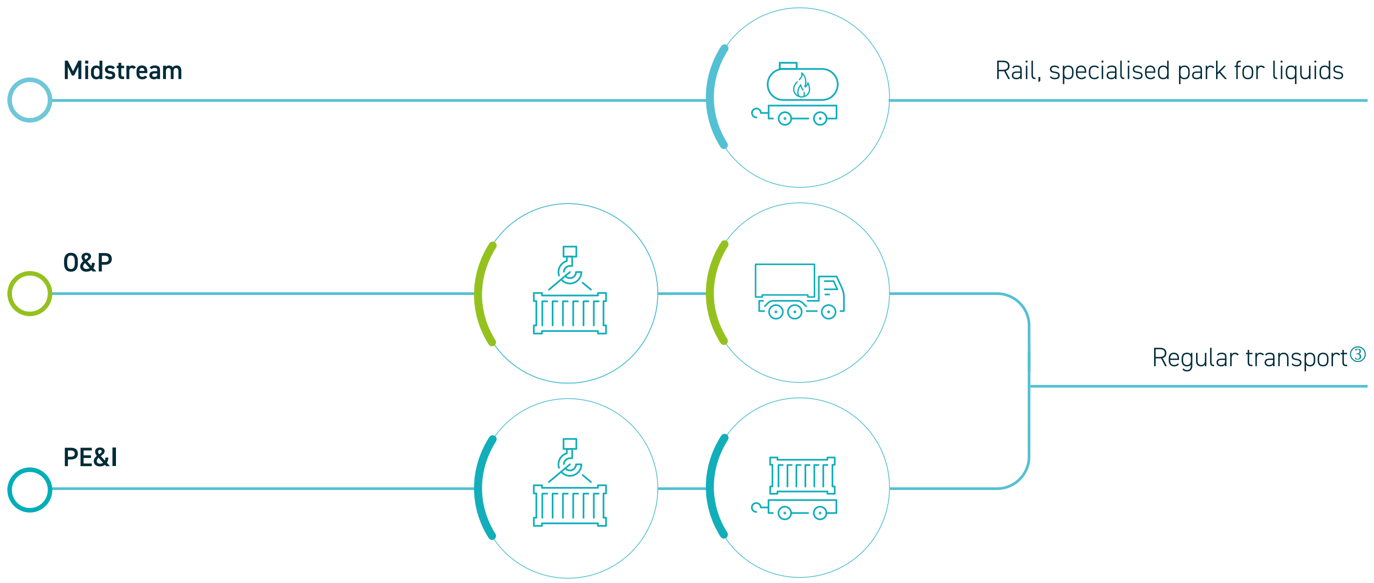
We deliver LPG, naphtha and certain other products to export markets through ports in Russia and neighbouring countries (Baltic states, Finland). The largest ports are shown on the map opposite. In 2019, SIBUR shipped 2.1 million tonnes of LPG through the sea terminal at the port of Ust-Luga[2], which is under SIBUR's operational management.

Most of the LPG was shipped in eight ice-class cargo ships with a capacity of 5,000–22,000 cubic metres each. All of the ships are on long-term lease.

SEAPORTS BY TYPES OF PRODUCTS SHIPPED



KEY TYPES OF ONSHORE TRANSPORTATION BY SEGMENT



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

[3] Specialised vehicles are used for relatively low volumes of transportation.

Research and Development

SIBUR's R&D activities are aimed mainly at improving the efficiency of existing production, as well as expanding the Company's product range, in particular by developing new brands of polyolefins, rubbers, etc. In addition, SIBUR conducts strategic research that should result in new technologies and products for the industry.

134 patents

registered for PJSC SIBUR holding,

33

of them were received in 2019

23 new projects

launched in 2019

SIBUR's R&D expenditures in 2019 amounted to

RUB **1,056** million

Given the rapid growth in the use of polymeric materials all around the world, polymer research and new technologies in polymer production on an international level are becoming increasingly essential. SIBUR is a partner of the Collaborative Innovation for Low-Carbon Emitting Technologies in the Chemical Industry, a World Economic Forum project involving BASF, Dow, SABIC, Solvay and other major industry players. SIBUR is also an industrial partner of DPI, an industry-wide international collaboration platform for pre-competitive research in the field of polymers. The platform brings together such industry players as Aramco, Braskem, Dow, Reliance Industries Limited, SABIC, Sinopec and others, as well as leading knowledge institutes.

MAIN AREAS OF RESEARCH AND DEVELOPMENT:

1 **1-3 years — improvements in production technologies and the development of new grades, which should increase the productivity of SIBUR's existing assets**

2 **5-7 years — new products and new technologies:**

the search for, and analysis of, ideas for new businesses, development of the Company's own technologies for new products without licensors

3 **10 years — process and technology optimisation:**

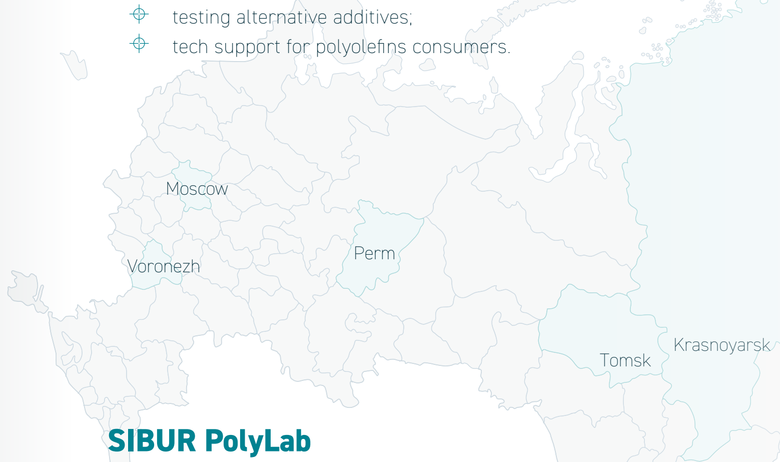
increased efficiency of the technologies and processes used by the Company. Production process analysis, processing of ideas, implementation of R&D projects, transfer of standard solutions

For more information, please see:

https://www.weforum.org/projects/collaborative-innovation-for-low-carbon-emitting-technologies-in-the-chemical-industry

https://www.polymers.nl/research/partners-industry

R&D AT SIBUR



Corporate centre/Business customers

- R&D coordination;
- supervision of projects;
- project portfolio management.

PolyLab centre, Skolkovo

- R&D developers of various grades of polyolefins;
- testing alternative additives;
- tech support for polyolefins consumers.

NIOST chemtech centre in Tomsk

- R&D in organic synthesis and catalysis, plastics and associated compounds;
- testing alternative feedstocks and materials at the Feedstock and Material Qualification Centre (FMQC);
- functional management of the Company's scientific units.

Elastomers centre (VoronezhSyntezKauchuk)

- R&D in synthetic rubbers (SSBR, BR, ESBR);
- tech support for operations at VoronezhSyntezKauchuk and FMQC.

Development and scaling centre in Perm (SIBUR-Khimprom)

- R&D in catalysis and EPS;
- tech support for operations at SIBUR-Himprom and FMQC.

Development and scaling centre in Krasnoyarsk (KrasnoyarskSyntezKauchuk)

- R&D in synthetic rubbers (butadiene nitrile and latex);
- tech support for operations at KrasnoyarskSyntezKauchuk and FMQC.

SIBUR PolyLab

SIBUR pays special attention to the development of new properties of polymer products with a focus on the world's leading scientific and technological achievements. PolyLab's goal is to expand the possibility of the effective use of polymers both in the production of the production of existing products and in the creation of unique, innovative product solutions. This will allow us to contribute to the development of such industries as medicine, textiles and consumer goods, automotive manufacturing, and construction.

The first centre for the development and testing of polymer products in Russia was opened at the SKOLKOVO innovation centre in Moscow. The ceremony was attended by the then-Prime Minister of the Russian Federation, Dmitry Medvedev, and other senior officials. The centre will focus on the use of secondary materials and the potential of polymers in a circular economy. On 29 May 2019, SIBUR's PolyLab opened its doors to our partners and clients. Investments in the centre amounted to RUB 2.2 billion.

The centre is modernly equipped: 13 units for processing polymers into finished products and more than 100 units for subsequent testing of products. The centre is also home to the highest sleeve blowing machine (more than 12 m high) installed in Russia, as of 2018. The centre's pilot production lines produce samples of polypropylene and polyethylene grades that have been developed and that will subsequently be processed into pipes, medical devices, films, food packaging and other products.

PolyLab is not only a new element in SIBUR's R&D infrastructure; it is also a new competence center for the entire petrochemical industry. The centre plans to develop joint products with industry partners, conduct training courses and technical seminars, train engineering personnel, and conduct other events for the exchange of knowledge and expertise. Together with the centre's opening, SIBUR signed memoranda of cooperation with global petrochemical companies with the strongest research potential: Norner AS, 3M, Reifenhauser, BASF.

SERGEY TUTOV

Director of research and development at SIBUR

Before the centre opened, we had certain risks when working with a client. We had no idea how the material would behave in mass production. Field tests were the responsibility of our clients. A product might behave in one way at one facility and in a completely different way at another one, depending on the equipment, production methods, and other factors. Now we have the opportunity to test the material on our own and to approach our customers with a proven decision, avoiding situations where a client is forced to stop or adjust a production line.

Click the link to find out more about PolyLab:

https://www.youtube.com/watch?v=rrVWJI0x5Ic

Digital Transformation

One of SIBUR's key values is that of **smart solutions**, which are a reflection of the Company's commitment to achieving its goals in the most effective way possible. In our search for the best possible solutions, we apply cutting-edge innovative approaches and technologies that benefit people and preserve the environment.

In 2019, SIBUR developed and launched a **TRANSFORMATION PROGRAMME** for all its IT and digital operations and processes in order to fully benefit from what the digital world has to offer. As a result of this programme, we will reach the top quartile in terms of IT efficacy among industry leaders. In 2019, a plan was developed to introduce a new process model, a duties model and an organisational structure within the Company called SIBUR Digital, which will consolidate SIBUR's IT and digital expertise.

For SIBUR, digital transformation in the short and long term means the following:

- A radical improvement in the efficiency of production and business processes driven by the introduction of new digital tools;
- Strong digital skills among all Company employees;
- Upgrading employees' digital skills to enable them to use new technologies successfully in their work;
- Using data as a new Company asset to make sound and timely decisions.

SIBUR has already achieved tangible benefits from the digital transformation: productivity and work safety have improved, and the amount of manual labour has decreased; environmental and energy performance have improved, as have staff qualifications.

MOBILE ROUNDS AND REPAIRS

In 2019, SIBUR completed the **introduction of a digital product called "Mobile Rounds and Repairs"** at 14 of the Company's sites. This product is used by more than two thousand employees. To monitor the status of equipment, including maintenance, employees now need only a smartphone with an application that reads special RFID tags and records the results of their rounds online. In 2020, the Company plans to scale up the use of this product. The **Econs decision support system** helps operators evaluate the impact of process conditions on production efficiency and economic variables in real time. And with the help of an **augmented reality (AR) innovation called Remote Expert**, our engineers completed more than 200 tasks related to operational consultations and remote communication between manufacturers and experts during the repair and adjustment of equipment.

Digitalisation of health and safety

To ensure the **SAFETY OF EMPLOYEES** in the workplace, all mandatory work permits for work involving fire and gas hazards were digitised at five SIBUR sites (Tobolsk, Tomsk, Voronezh, Kstov and Nizhnevartovsk). For the remote monitoring of technological processes and to ensure a prompt response to deviations, temperature sensors for heat sinks were introduced, and a line of certified equipment for the Industrial Internet of Things (IIoT) was launched using the Company's own design. Video analytics and computer vision systems were also launched to ensure worker protection and industrial safety.

Key goals for 2020

- Halving the time frame for the introduction of digital products and the implementation of IT projects;
- Reducing operating costs by 20% or more in annual terms;
- Piloting digital instruments: an application for conducting inspections and continuous remote monitoring of hazardous work;
- Developing a digital ecosystem for interaction with customers;
- Digitising parts of the SIBUR 2 production system: the evolution of system elements, the use of new tools and the integration of initiatives aimed at improving processes (new operating model, restructuring of end-to-end processes).

>600 operations

were carried out using drones equipped with a camera, a thermal imager and a sampling system to increase safety, supervise the execution of work and monitor the environmental situation

In 2020, SIBUR will continue to introduce robotic systems and will also implement 64 initiatives to increase efficiency and develop end-to-end digitalisation within the Company, including:

1. **Dynamic pricing** – completion of a system that will forecast prices for the Company's key products;
2. **Smart pricing** – a tool to determine optimal price lists across the demand curve;
3. **Digital lead generation** – redirecting products to premium markets;
4. **A set of advisory models** – completion of work on oil and gas production in Tobolsk to improve the quality of the final product;
5. **Price-dependent energy consumption** – reduction of operating costs by using electricity during off-peak hours;
6. **Development of Econs** – enhancing the Econs system and subsequently creating a constructor;
7. **Blast-resistant IIoT equipment** – further production of our own equipment for work in harsh conditions (for example, at high temperatures) and equipment for the internal navigation system for personnel at plants;
8. **IIoT platform** – the launch of the Company's own platform and deployment of the Industrial Internet of Things at five sites;
9. **AR platform** – establishing an additional data flow between manufacturers and experts during the repair and adjustment of equipment;
10. **Drones** – the development and implementation of new capabilities for unmanned aerial vehicles, including for environmental monitoring;
11. **Data-driven approach** – end-to-end use of data across all enterprises;
12. **Process automation programme** – approval, implementation and completion of projects for the introduction of robotic systems for routine operations at production sites.

SUSTAINABILITY REVIEW

Sustainable Development at SIBUR: Taking Action ahead of the Curve

As Russia's largest petrochemical company, we are aware of our responsibility to a wide range of stakeholders. We strive to meet the most stringent requirements in terms of sustainable development, implement the best global practices and extend them to the entire value chain.

MAJOR ACHIEVEMENTS

- **Sustainable Development Department** created: coordinator of the Company's activities in the area of sustainable development, a leader in terms of SIBUR's climate agenda and a driver of the transition to a circular economy.
- **Committee on Ecology, Sustainable Development and Social Investment** created at the level of the Management Board
- **2025 Sustainability Strategy** approved by the Board of Directors
- Sustainable development indicators **integrated into the investment process**
- Implementation of **circular-economy solutions**: project design of secondary PET production at the POLIEF production site; chemical waste processing technologies are being analysed
- **2018 Sustainability Report** in accordance with GRI standards **was independently verified** for the first time
- **UN Global Compact** signed
- **Rated** by:

SUSTAINALYTICS · ecovadis · MSCI · CDP

GOALS FOR 2020

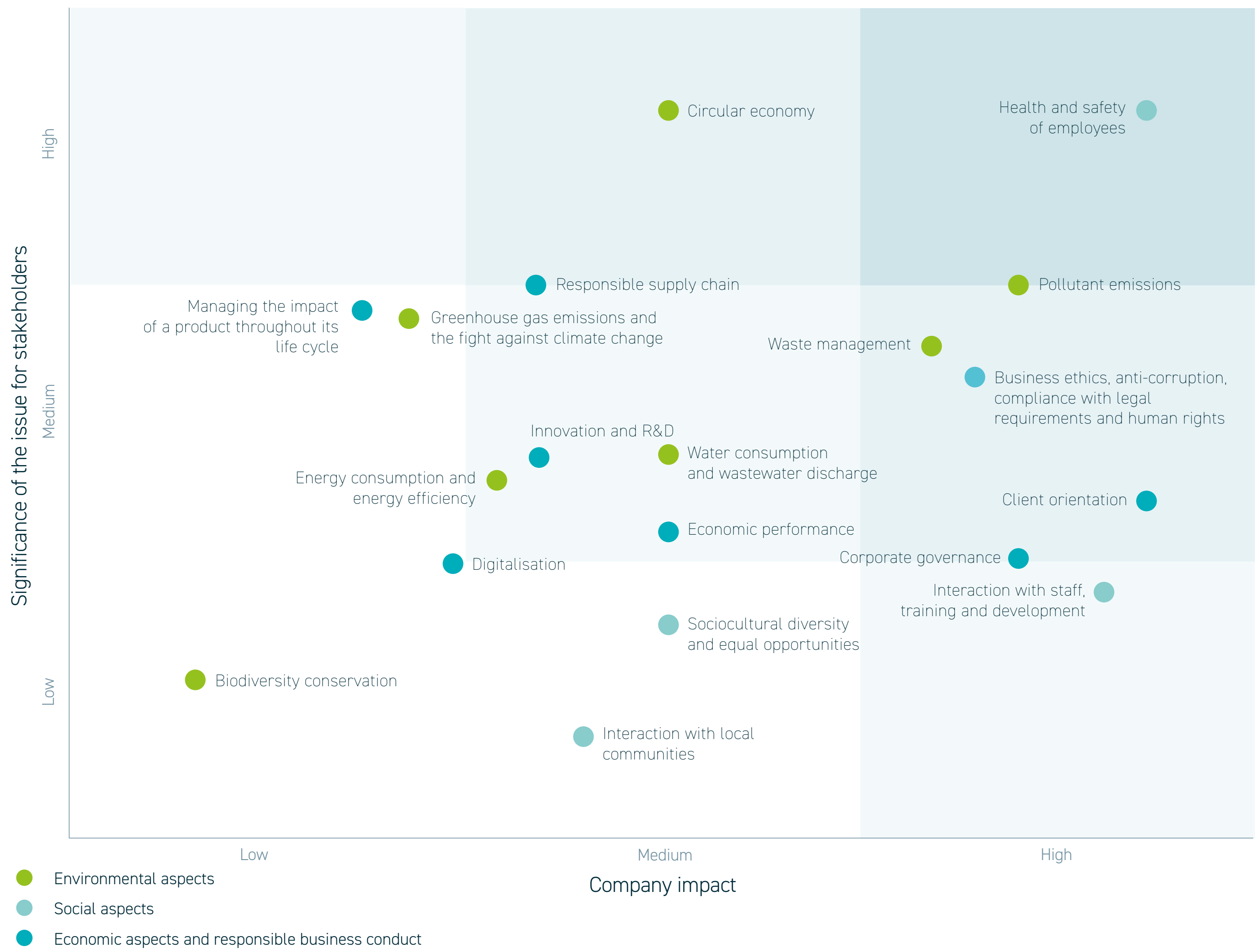
- Implementation of **2025 Sustainability Strategy**
- Creation of a **Sustainable Development Committee at the Board of Directors level**
- Integration of ESG metrics into **supply chain management**
- **Improving positions** in ESG ratings
- Continuing to implement the principles of a **circular economy**, creating a "responsible sourcing" strategy and a portfolio of sustainable products
- **R&D** in waste processing, renewable sources, CO_2 capture
- Partnerships and joint projects with market players on **responsible waste management and segregated waste collection**
- **Improving the climate agenda**: verifying greenhouse gas emissions, calculating Scope 3 emissions, implementing an energy-efficiency programme, and exploring low-carbon technologies
- Participation in **international associations and initiatives**:

PlasticsEurope · TCFD · Operation Clean Sweep · Responsible Care · cefic

SIBUR's approach to ESG principles is becoming more systematic and structured. Last year, we took a number of important steps to enhance our sustainable development performance and set a number of important goals for 2020.

More info on **SIBUR's sustainable development** can be found on our website and in stand-alone sustainability reports prepared every year

Material issues for our stakeholders



This year, material issues were identified based on a survey of stakeholders, which is the best practice for disclosing non-financial data. We interviewed more than 300 respondents, including Company employees and top management, suppliers, NGOs, authorities, investors and clients.

Building a matrix of material issues enables us not only to improve reporting in the area of sustainable development, but also to compare the results of our activities with the expectations of society and to determine points for further growth.

2025 Sustainable Development Strategy

Sustainability Strategy to 2025 highlights

Reduce:

- **Pollutant air emissions by at least 5%** compared to 2018
- **Pollutants in wastewater effluents by 40%** compared to 2018
- **Water consumption by at least 5%** compared to 2018

Climate impact:

- Increase the amount of **green energy** in the Company's energy balance fivefold compared to 2019
- Reduce **greenhouse gas emissions** in **gas processing by 5%** and in **petrochemicals by 15%** compared to 2018

Recycle at least 50% of all waste generated

Minimise the leakage of plastic particles into the environment during production operations

Health and safety:

- Annual **LTIF reduction by 5%** and
- **Zero fatalities** among Company employees and contractorsⓘ

Employees:

- **Increase employee engagement** from 74% in 2019 to 80%
- Develop corporate practices aimed at **leadership culture, equal opportunities and staff diversity**

Communities:

- **Promote responsible plastic waste management** (enter into **at least two international partnerships**)
- Increase the share of employees participating in **volunteer projects** to 20%
- **Train 85% of employees on sustainable development** and **extend the training to** the Company's **partners**

Management:

- **At least double the number of women** on the Management Board and at the top executive level compared to 2018

Compliance:

- **Adopt a Contractor's Code of Business Ethics** and **apply** the Code's requirements **to all Company contractors**
- Create a **common educational platform** for all of SIBUR's compliance programmes
- **Extend** the **coverage** of the compliance system
- **Develop a "Human rights in the workplace"** corporate compliance programme

Increase investment by 50% in R&D projects aimed at processing plastic waste and involving renewable sources of raw materials

Supply chain:

- Build a process for **interaction with vendors on sustainability issues**
- Evaluate at least **10–15%** of chemical vendors according to **sustainability criteria**

Production:

- Ensure that PET with **recycled granule content** accounts for at least **40% of total PET production**

Product:

- Develop a methodology for assessing products against **sustainability criteria**; assess **100% of the current product portfolio** and introduce assessments for all new products
- Ensure that existing and new products meet the strictest **safety and recyclability requirements** on the part of customers

Customers:

- Promote **reusability and recyclability** of end products manufactured using SIBUR products and implement joint projects aimed at the introduction of **circular-economy principles**

Partnership for a circular economy:

- Contribute, together with professional market players and government agencies, to the achievement of **national goals in waste management**
- Enter into at least **two international partnerships** and play an active role in initiatives that promote **responsible plastic waste management**

SIBUR operates in the interests of all stakeholders, as our products play an important part in the day-to-day life of many people around the world. The Company's commitment to sustainability and approval of our 2025 Sustainable Development Strategy were primarily driven by SIBUR's active role in unlocking the potential of polymer recycling, efforts to promote a circular economy and initiatives to address other challenges that our society is now facing. The Company will continue to work towards integrating circular-economy opportunities in its business model, which will help us incrementally achieve our ambitious sustainability goals.

The Sustainable Development Strategy, approved by the Board of Directors, is aligned with the Company's mission and values and 13 United Nations Sustainable Development Goals (SDGs) in which SIBUR is best suited to make the strongest impact.

For the full version of SIBUR's Sustainability Strategy, please visit our website

ⓘ Including contractors providing services as part of the Company's current operations, but excluding contractors involved in construction.

Environmental Protection

2019 HIGHLIGHTS

An Environmental Impact Index of

3.4

marking an improvement for the seventh year in a row

Company expenditures on environmental protection amounted to

RUB **3.38** bln

18% in 2019

650

employees

47%

completed training on issues related to environmental protection

Environmental management

SIBUR is focused on constantly improving of its environmental management system in order to limit its negative impact and reduce environmental risks. The Company identifies and evaluates environmental aspects of its operations, applies best practices and technologies to minimise its environmental impact and complies with legal and international regulations.

The environmental management system functions smoothly as part of the Company's integrated management system. Based on the results of third-party compliance audits conducted at SIBUR enterprises in 2019, it was recommended that the Company's ISO 14001:2015 certification be renewed.

SIBUR's "Policy on the Integrated Management System in the Area of Occupational Health, Environmental Protection, Industry Safety, Quality and Energy Efficiency", a Company-wide document that applies to the managing company and all SIBUR enterprises, specifies strategic goals and priority activities, as well as commitments for achieving them.

Environmental impact assessments

SIBUR closely monitors its environmental impact. Over the five years since 2015, SIBUR has been calculating an Environmental Impact Index (EII), which reflects the extent of the Company's environmental impact in several key areas: emissions, wastewater discharges and waste per tonne of production. In 2019, SIBUR's EII was 3.4, 8% below the target of 3.7. Despite an increase in gross emissions, discharges and waste generation due to the commissioning of new capacities in 2019, the Company's EII decreased by 3% from 2018. This drop was due to the implementation of a number of measures aimed at reducing our environmental impact while increasing productivity.

SUSTAINABILITY METRICS AS PART OF INVESTMENT PROJECT REVIEWS

As part of the Company's review of investment projects, metrics have been introduced in concerning sustainable development, including environmental protection.

In 2019, a preliminary assessment of the impact of projects in terms of their effect on greenhouse gas emissions was added to the list of environmental performance indicators. To assess the sensitivity of an investment project to changes in the prices of carbon products, estimated carbon tax rates are used per thousand tonnes of CO_2 equivalent.

Poor environmental performance could result in the suspension of project activities or the need to make improvements, or it could result in the project being abandoned altogether.

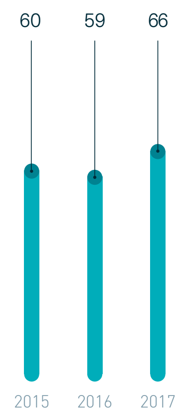
ENVIRONMENTAL IMPACT INDEX

Climate impact reduction

SIBUR understands that low-carbon development will be a prerequisite for survival in the long run. This is clear not only from the progressive improvement of national regulatory systems but also from requests on the part of shareholders, investors and clients.

The issue of reducing greenhouse gas emissions is an integral part of SIBUR's sustainable development agenda. Our business model is based on the recovery of associated petroleum gas (APG). At the first stage of the value chain, we have a positive impact on the climate by processing APG. As the largest processor of by-products produced by the oil and gas industry, we process 62% of the APG produced in Russia, thus helping companies reach their targets by reducing the volumes of APG burned and thereby decreasing greenhouse gas emissions. We are facilitating the creation of an APG sales market, helping oil and gas companies comply with legal requirements and producing high-value-added products from waste generated by the oil and gas industry.

TOTAL EMISSIONS, THOUSAND TONNES



Emissions of pollutants

SIBUR pays considerable attention to monitoring the condition of the ambient air and reducing emissions. The Company's target is to reduce specific emissions by 2025 by at least 5% compared with 2018.

In 2019, SIBUR's emissions increased by 12% due to several factors:

- A new polypropylene production facility was launched at ZapSibNeftekhim; start-up operations are under way, and capacity is gradually being ramped up;
- The use of ethane–propane fraction as a feedstock for furnaces and boilers instead of natural gas (on account of its higher energy value compared with natural gas) at SIBUR's Tobolsk enterprise.

The following steps were taken in 2019 with the aim of reducing emissions:

- Steam boilers were upgraded at SIBUR-Khimprom to ensure their stable operation using low-grade fuel;
- New facilities were built at Voronezhsintezkauchuk for the treatment of industrial emissions in the production of thermoplastic elastomers;
- Catalytic oxidation units were installed at POLIEF.

Water consumption and wastewater discharges

The Company's key objectives in terms of responsible water consumption are to ensure extensive water treatment and to reduce the volume of water intake and the accumulation of pollutants in discharges.

In total, 80,603.92 megalitres of water was taken in during 2019, 68% of which was from surface waters, 28% from third parties, and 4% from groundwater. The share of reused water within the Company amounted to 0.96%.

The total amount of pollutants in the effluents from SIBUR enterprises in 2019 amounted to 188 tonnes.

During the reporting year, the following wastewater treatment measures were implemented:

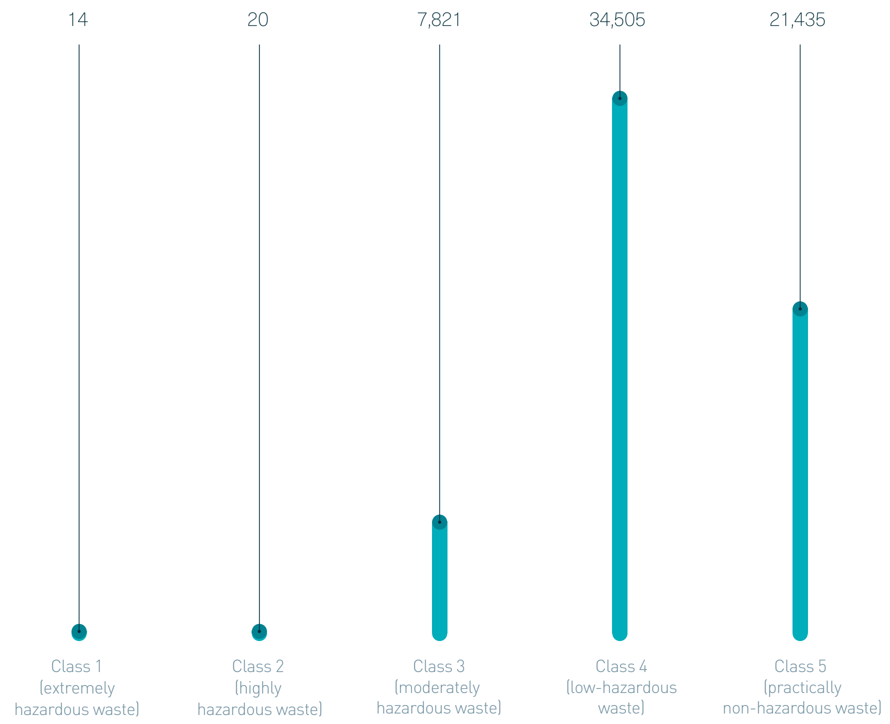
- Wastewater treatment plants were upgraded and storage tanks repaired at POLIEF;
- Local wastewater treatment facilities were built at Voronezhsintezkauchuk;
- The backwash storage tank at SIBUR-Neftekhim was repaired.

Waste management

SIBUR aims to optimise the process of generating and processing waste in order to reduce its negative impact on the environment and reduce economic costs.

The Company predominately generates waste in hazard classes 4 (low-hazardous waste) and 5 (practically non-hazardous waste).

WASTE GENERATION, TONNES



OPERATION CLEAN SWEEP

In 2018, SIBUR joined PlasticsEurope's Operation Clean Sweep (OCS), an initiative aimed at preventing the release of polymer particles (microparticles, powder, dust) into the environment during their production and transportation. More than 500 companies are involved in the initiative, accounting for about 98% of the plastics supply chain. The number of participants has doubled over the past three years.

In 2019, 15 production sites completed the OCS progress questionnaire in order to include the Company's data in a Europe-wide progress report. As of the end of the reporting year, SIBUR had prevented 8.9 thousand tonnes of microplastic particles from entering the environment. Of these, 77% of plastic microparticles (dust, powder, granules and sweepings) were sold, and 21% of the captured microplastic particles were put back into the production cycle. The volume of captured plastic was 47 times larger than in 2018.

Operation Clean Sweep®

77%
of plastic microparticles were sold

21%
of the captured microplastic particles were put back into the production cycle

The volume of captured plastic was
47 times
larger than in 2018

Energy consumption and energy efficiency

In order to improve its operational efficiency and environmental sustainability, SIBUR aims to reduce its energy consumption by reducing energy intensity, introducing energy-saving technologies and using resources rationally.

2019 HIGHLIGHTS

The Company's energy conservation programme resulted in the following reductions in energy consumption in 2019:

64 kW•h
of electricity

230 thousand Gcal
of thermal energy

28 mln cubic metres
of fuel and fuel gas

Energy-saving measures saved
RUB 609 mln
68%

To improve energy efficiency, the Company has introduced an energy management system, which is part of SIBUR's integrated management system and is based on the ISO 50001 international standard.

To ensure a high degree of energy efficiency, the Company implements a number of measures, such as:

- the development and implementation of an energy-saving programme at every enterprise;
- the identification of potential to close the gap in relation to international standards in the medium term;
- ensuring the energy efficiency of processes at the design stage of facilities that are being newly built or renovated in order to introduce best practices.

To increase the amount of green electricity it uses, SIBUR plans to build its own solar power plants in an economically feasible location, to conclude direct agreements with generators of renewable sources of energy and to take into account green certificates to offset greenhouse gas emissions.

Targets to 2025

1. **To reduce specific water consumption** by at least 5% compared with 2018;
2. **To reduce the specific mass of pollutants** in wastewater by 40% compared with 2018;
3. **To reduce specific emissions of pollutants** by at least 5% compared with 2018;
4. **To reduce the specific indicator of greenhouse gas emissions** per tonne of production in the gas processing segment by 5% compared with 2018;
5. **To reduce specific greenhouse gas emissions** per tonne of products sold in the petrochemicals segment by 15% compared with 2018;
6. **To recycle** at least 50% of all waste generated;
7. **To minimise the release of plastic particles** into the environment from production as part of the Operation Clean Sweep initiative;
8. **To increase the amount of green electricity** in the Company's energy balance by five times compared with 2019.

Occupational Health and Safety

Responsible business involves, among other things, responsibility for the health and safety of employees in the workplace, as well as the dissemination of best occupational health practices among the Company's contractors.

2019 HIGHLIGHTS

An LTIF rate of

0.27
↓27%

among Company employees, including contractors' employees

27 employees
↓37%

accidents resulting in injuries among employees of construction contractors

RUB **1.13** bln

in Company expenses on occupational health and industrial safety measures

3,557 employees

underwent in-person training

7,444 people

took part in distance education

807 employees

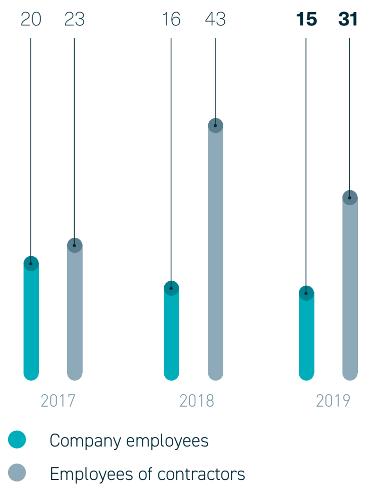
of contractors underwent OHS training

In order to reduce the number of accidents resulting in injuries and fatalities and to improve the safety culture among SIBUR employees in 2019, the Company carried out the following activities:

1. A risk assessment was conducted, and measures were taken to reduce risks;
2. Incidents were investigated internally;
3. Measures were developed to eliminate the root causes of accidents resulting in injuries in order to avoid repeating them;
4. Certain processes (digital work orders, mobile rounds) were digitalised;
5. Appropriate training was conducted for employees of the Company and of contractors;
6. OHS meetings were held for the employees of contractors.

LTIF DYNAMICS

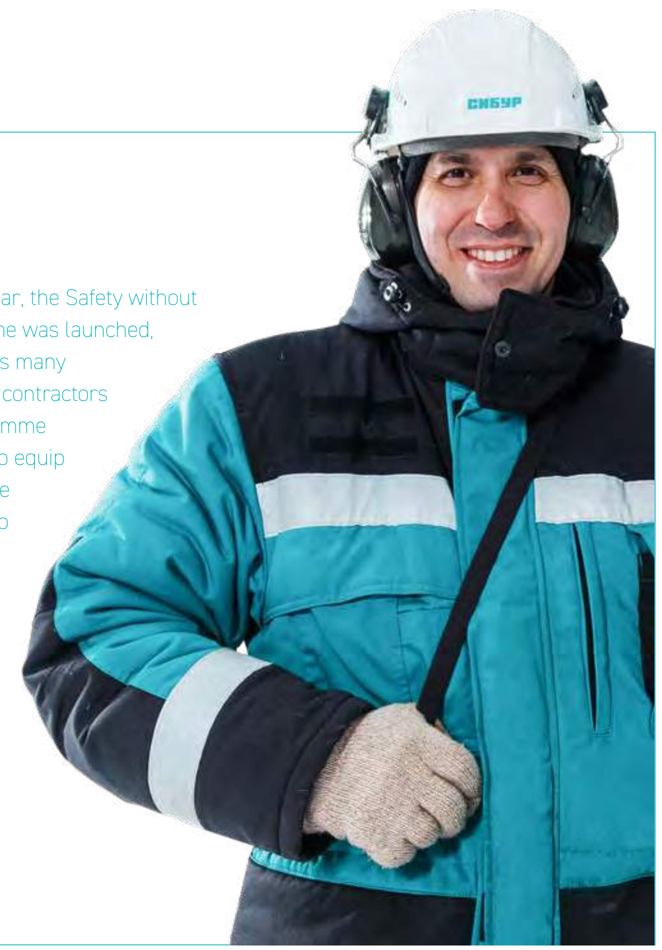
ACCIDENTS RESULTING IN INJURIES



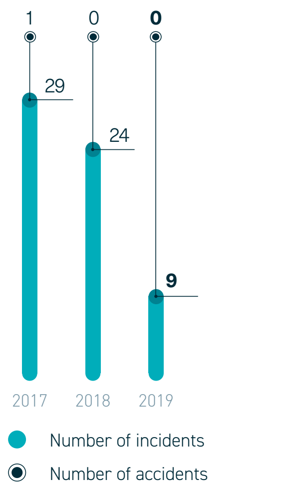
All employees of the Company and of contractors undergo training in accordance with legislative and corporate standards (in-person training, distance learning, webinars), and training is available according to international standards and best practices in terms of occupational health and safety. Training is provided on occupational health, industrial and fire safety, emergency preparedness and improving the safety culture. Following training, mandatory testing and an in-person knowledge assessment are carried out. For this purpose, commissions have been created at every enterprise to assess employees' knowledge of occupational health requirements and to provide industrial safety certification. Compulsory training is carried out for newly hired employees, when new equipment is commissioned and at the request of employees. In total, 22,660 hours of training on occupational health and industrial safety were conducted in 2019.

SAFETY WITHOUT COMPROMISE

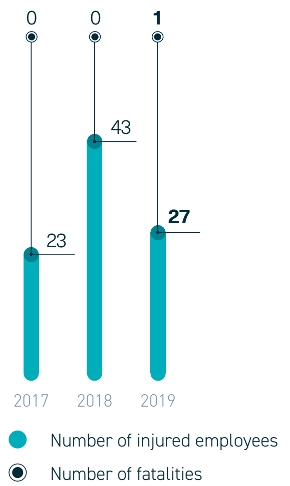
During the reporting year, the Safety without Compromise programme was launched, which aims to involve as many process personnel and contractors as possible. The programme enables the Company to equip every employee with the basic tools needed to do their work safely, and it allows managers to manage the process properly in order to achieve the goals specified in production contracts.



ACCIDENTS AND INCIDENTS



DYNAMICS OF INJURIES AND FATALITIES AMONG CONSTRUCTION COMPANIES



Targets to 2025

1. **An annual 5% reduction in the LTIF rate** for Company employees and contractors;
2. **Zero fatalities.**

Personnel Management

One of the Company's primary stakeholders are its employees. In order to communicate with staff and receive timely feedback, numerous internal communication channels are in place, including corporate newsletters, the social media accounts of Company enterprises, and staff morale assessments.

2019 HIGHLIGHTS

The Company employed

22,942

personnel in 2019

100%

of employees are covered by collective bargaining agreements

Labour productivity amounted to

RUB **20.8** mln

Staff turnover was

8.1%

>27 thousand

applications were received and

>20 thousand

ideas implemented through the Small Steps Improvement programme

Personnel structure

As of 31 December 2019, SIBUR employed 22,942 people. The gender breakdown is in line with the average in the petrochemical and gas processing industries: there are far more men than women employed mainly due to the higher number of men in blue-collar professions. Some 70% of the Company's employees are men, and 30% are women. In terms of age, the percentage of employees up to 30 years of age increased (up 4%), which can be attributed to efforts to attract students and young specialists. The majority of employees (62%) are between 30 and 50 years of age.

The staff breakdown in terms of business segment remained virtually unchanged from previous years. A large proportion (38%) work in administrative functions, marketing, logistics, etc. Nearly a third of employees (29%) are engaged in the production of plastics, elastomers and intermediate products; the remaining third work in the fuel and raw materials segment (16%) and in the production of olefins and polyolefins (17%).

New employees accounted for 15% of the total number of staff, which was comparable to the figures for 2018. Total staff turnover for 2019 was 8.1%.

PERSONNEL BREAKDOWN BY SEGMENT, %

Remuneration system

The availability of a straightforward and transparent remuneration system is SIBUR's most important competitive advantage in terms of attracting and retaining professional personnel. All Company enterprises share a unified system of grades as a common platform for the balanced management of remuneration, the structure of which includes both basic remuneration and a variable part in the form of bonuses, the size of which depends on the employee's grade, the fulfilment of key performance indicators and the Company's results.

The basic remuneration paid to SIBUR employees is reviewed on the basis of the economic situation and trends in the labour market, while also taking into account the results of each employee's work. As of the end of 2019, the average monthly salary of SIBUR employees had increased by 19% from 2018 to RUB 114,850.

Social programmes

With the aim of creating favourable conditions for all Company employees and members of their families, SIBUR's social policy significantly expands upon the programmes required by law. Most existing social programmes are focused on the health of Company employees and are designed to provide them with a wide range of opportunities for maintaining a healthy lifestyle.

The private medical insurance programme covers all SIBUR enterprises. In addition, the Company arranges and pays for all types of mandatory medical examinations. In 2019, 100% of staff working in hazardous conditions underwent a preliminary medical examination and an annual medical examination. In addition to mandatory medical examinations and insurance, SIBUR takes steps aimed at preventing disease and promoting sports and a healthy lifestyle among employees.

SIBUR's trade union represents the interests of the Company's employees, communicates with personnel, organises corporate events and deals with budget issues in conjunction with Human Resources departments.

The budget for corporate events organised by SIBUR in conjunction with the trade union amounted to RUB 33.6 million. About 20 events were organised, including a corporate marathon; skiing competitions; football, basketball, volleyball and chess tournaments; summer sports and other events.

The number of training hours per full-time employee was

42

↑17%

In 2019,

74 new programmes

were developed, including

134

educational modules

Training and development

The rapid pace of change in the modern world makes it necessary to develop new skills. The training system built by SIBUR enables our employees, customers and partners to adapt in a timely and effective manner to contemporary challenges by mastering required competencies.

At the end of each month or quarter, all SIBUR employees receive an assessment in the form of regular feedback. A dialogue is held with most employees about their performance and development.

Targets to 2025

1. **The introduction of corporate practices** related to leadership culture, equal opportunities and staff diversity;
2. **An increase in employee engagement** from 74% in 2019 to 80%.
3. **At least a twofold increase in the number of women** on the Management Board and in senior management.

Society and Partnerships

2019 HIGHLIGHTS

The Company's social investments amounted to

RUB 503.1 mln

↑65%

127 winners

were selected based on the results of a grant competition conducted through the Formula of Good Deeds programme;

the competition covered

14 cities

All interregional projects in 2019 covered a total of

>90 thousand people

13%

of SIBUR employees took part in volunteer activities

The Formula of Good Deeds social investment programme

Charity and social investments are an important component of the Company's activities in the regions where it operates. Together with key partners in the form of regional and municipal authorities, SIBUR identifies priorities and carries out important projects for the regions in question.

Strategic partnerships with regional and municipal authorities occupies an important place in SIBUR's regional development activities. Agreements on social and economic cooperation have been concluded with a number of regions where the Company operates: the Khanty-Mansiysk Autonomous Okrug, the Yamalo-Nenets Autonomous Okrug and the Amur and Tomsk regions. Partnerships with these regions help create new opportunities for regional development, while also solving urgent social problems and overcoming the challenges associated with environmental protection.

Since 2016, the Company has been officially operating its Formula of Good Deeds social investment programme, which combines all of SIBUR's public-interest initiatives. The Company's social investments contribute to solving a wide range of problems related to the socio-economic development of the regions where the Company operates through the implementation of:

- Regional (grant) projects;
- Interregional projects;
- Corporate volunteer programmes.

One of the goals of SIBUR's Sustainable Development Strategy is to increase to 20% the percentage of employees who volunteer and take part in other public-interest projects. In 2019, about 3 thousand employees (13% of the total) and more than 300 students participated in the volunteer programme. Total funding amounted to RUB 1.334 million. In 2019, SIBUR's social investment programme covered 16 enterprises.

FORMULA OF GOOD DEEDS AMBASSADORS

In 2019, SIBUR piloted an institute of ambassadors for the Formula of Good Deeds programme in Tobolsk, Tomsk and Nizhnevartovsk. The programme's ambassadors were well-known public figures in their cities with extensive experience in social design, including experience in implementing projects through this initiative. The ambassadors took part in the selection of applications received for participation in the grant competition, attended SIBUR's first corporate volunteer forum, "People Changing the World", and represented the Company at the annual International Volunteer Forum in Moscow.

ФОРМУЛА ХОРОШИХ ДЕЛ

Targets to 2025

1. **To establish a public council** for the Formula of Good Deeds programme;
2. **To increase to 20% the percentage of employees who volunteer** and take part in other public-interest projects;
3. **To launch at least three long-term projects** through the Formula of Good Deeds programme aimed at biodiversity conservation, as well as a separate area of activities for the development of social entrepreneurship.

THE PROGRAMME WAS DEVELOPED IN SIX MAIN AREAS:

Urban development

Implemented:

29 projects | **25** grant projects | **4** interregional projects

Total financing: RUB **37.8** million

Environmental protection

Implemented:

20 projects | **17** grant projects | **3** interregional projects

Total financing: RUB **20.3** million

Sport and healthy lifestyles

Implemented:

34 projects | **24** grant projects | **10** interregional projects

Total financing: RUB **104.9** million

Volunteering

Implemented:

7 projects | **6** grant projects | **1** interregional projects

Total financing: RUB **3.4** million

Culture

Implemented:

40 projects | **27** grant projects | **13** interregional projects

Total financing: RUB **157.7** million

Science and education

Implemented:

33 projects | **28** grant projects | **5** interregional projects

Total financing: RUB **65.6** million

Membership in organisations and stakeholder engagement

International partnerships, education, and exchanges of experience and knowledge are prerequisites for achieving the UN Sustainable Development Goals, for transitioning to a circular economy and for implementing SIBUR's ambitious plans.

We plan to improve the system for collecting and processing waste together with our partners: the Ministry of Natural Resources and the Environment of the Russian Federation and REO. Our tripartite agreement is aimed at increasing the share of high-quality polymer raw materials and the implementation of SIBUR's innovative investment project for the recycling of PET waste at POLIEF in Bashkortostan.

SIBUR is currently a voluntary participant in several Russian and international initiatives whose activities are aimed at developing best practices in the petrochemical industry, while also improving the sustainability and environmental friendliness of production and the use of products:

- The Russian Union of Chemists;
- The Russian Union of Industrialists and Entrepreneurs;
- The European Chemical Industry Council;
- Responsible Care;
- The United Nations Global Compact;
- PlasticsEurope and Operation Clean Sweep;
- The World Plastics Council.

Targets to 2025

1. **Together with professional market participants and government agencies**, to contribute to the achievement of national waste management goals;
2. **To enter into at least two international partnerships** and to play an active role in initiatives aimed at the responsible handling of polymer waste.

Active Stakeholder Dialogue

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

Our cooperation with major Russian oil and gas companies is only the most visible example of win-win partnerships. We have built infrastructure to provide them with a profitable solution for utilising the by-products of the oil and gas extraction process and for reducing harmful emissions from flaring, while securing feedstock for our business on the basis of long-term contracts. Our joint ventures, including RusVinyl, NPP Neftekhimia, Poliom and Yuzhno-Priobskyi GPP, are other examples of our collaborative growth model.

Our international partners also include China Petroleum and Chemical Corporation, or Sinopec, which purchased a 10% stake in our Company in 2015 to strengthen the opportunities driven by our complementary businesses and geographic markets. The purchase of an additional 10% stake in our Company by China's Silk Road Fund in 2017 furthers our relationship with Chinese stakeholders.

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

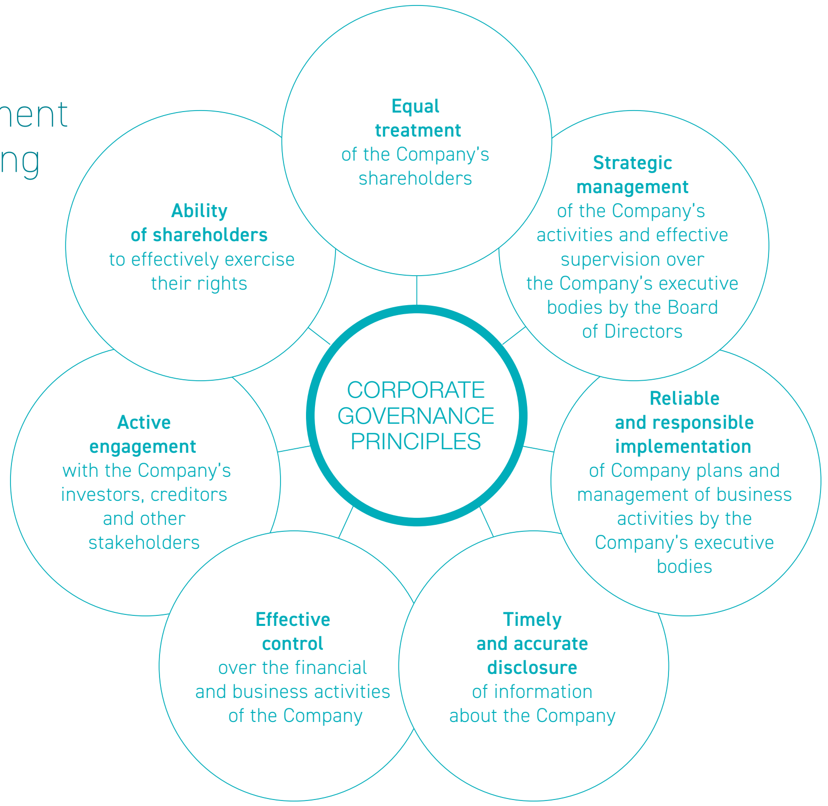
Visit the Company's website to find more information on these documents at: https://www.sibur.ru/en/about/corporate/documents/

Stakeholder groups	Contribution to success	Key interaction principles	Interaction tools
Shareholders	provide financial capital	value creation at levels of international benchmarks equal treatment transparent disclosure	shareholder meetings Board of Directors' meetings, operational and financial reporting internal restrictions on the use of insider information
Employees	run business efficiently and provide creative solutions to business challenges	equal opportunity safe working environment professional development	collective labour agreements internal communications social benefits training and career development programmes internal restrictions on the use of insider information
Customers	we operate our business for customers and value their feedback	gain and maintain loyalty by offering high quality and competitive pricing compliance with competition and antitrust law	information distribution via industry media participation in trade shows customer surveys
Suppliers	solid and reliable foundation of our business	mutually beneficial cooperation solution for processing the by-products of oil and gas extraction	long-term contracts tender procedures
Business partners	sharing expertise; provision of high-quality services at competitive prices	mutual benefit and respect	joint ventures long-term contracts tender procedures
Capital markets and lenders	provide investment and financing	value creation at levels of international benchmarks equal treatment transparent disclosure	operational and financial reporting press releases investor meetings
Communities and NGOs	provide feedback on all environmental and social aspects of our business	fair and open conduct of business high level of social responsibility environmental awareness	media public hearings roundtables social projects volunteering
Governmental authorities	maintaining and improving the regulatory framework of our operations	compliance with applicable law responsible taxpayer zero tolerance for corruption	agreements on social and economic development joint working groups

CORPORATE GOVERNANCE

Corporate Governance

Good corporate governance, transparency and risk management are critically important to building long-term value for SIBUR's shareholders and increasing our investment appeal.



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

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

SIBUR's management structure consists of the General Shareholders' Meeting, the Group's Board of Directors, the Management Board, the sole executive body and the Audit Commission.

THE GENERAL SHAREHOLDERS' MEETING, which is the supreme governing body of SIBUR, is empowered to decide on the Group's most critical issues and activities, as expressly set forth in the Russian Federation Law on Joint Stock Companies and SIBUR's Charter, including election of the Board of Directors. The most recent Annual General Shareholders' Meeting took place on 8 April 2019.

THE BOARD OF DIRECTORS is the collegial governing body of SIBUR responsible for the strategic management of the Group's activities focused on creating and enhancing shareholder value. The Board of Directors makes decisions on all general management issues except for those that are the exclusive prerogative of the General Shareholders' Meeting and the collegial and sole executive bodies.

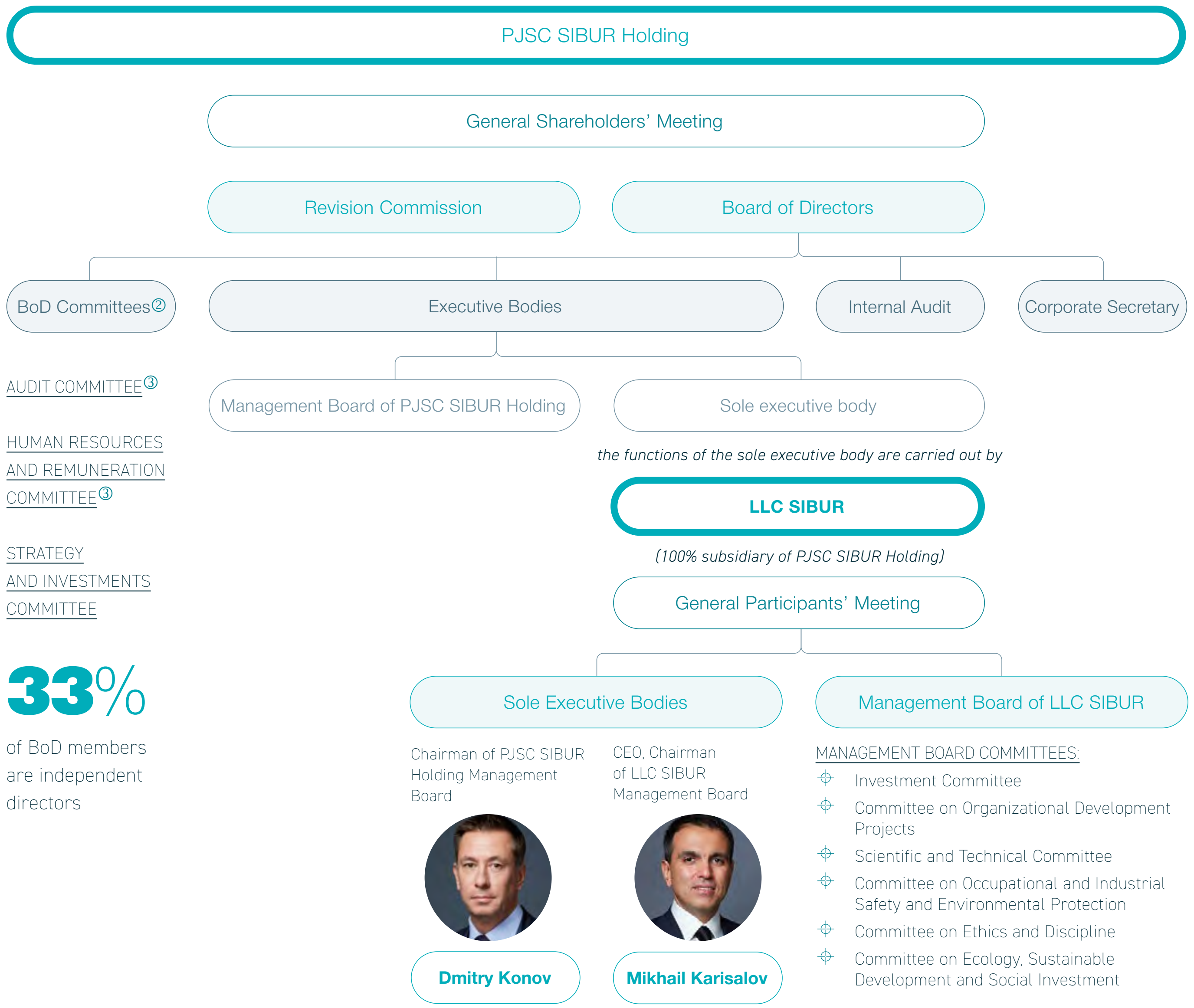
SIBUR's MANAGEMENT BOARD is the Group's collegial executive body responsible for effective management of the Group. The Management Board develops and monitors implementation of the Company's strategy and implements resolutions adopted by the General Shareholders' Meeting and the Group's Board of Directors.

SIBUR's SOLE EXECUTIVE BODY is the management company LLC SIBUR, which was established by a resolution of the General Shareholders' Meeting. The rights and responsibilities of the management company are governed by the Federal Law on Joint Stock Companies, the Group's Charter and the agreement between PJSC SIBUR Holding and the management company. The responsibilities of the management company include all day-to-day management issues except for those that are the exclusive prerogative of the General Shareholders' Meeting, the Board of Directors and the Management Board.

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

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

Corporate governance structure①



33% of BoD members are independent directors

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

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

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

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

https://www.sibur.ru/en/about/corporate/documents/

① As of 31 December 2019.

② In May 2020, SIBUR Holding's Board of Directors created a new designated Sustainable Development Committee.

③ Chaired by independent directors.

Board of Directors

LEONID MIKHELSON
Chairman of the Board of Directors
Non-executive Director

1

ALEXANDER DYUKOV
Deputy Chairman of the Board of Directors
Non-executive Director

2
Chairman since 2011
Since 2016

WANG DAN
Member of the Board of Directors
Non-executive Director

3
Since 2018

DMITRY KONOV
Member of the Board of Directors
Executive Director

4

VLADIMIR RAZUMOV
Member of the Board of Directors
Executive Director

5
Since 2012

KIRILL SHAMALOV
Member of the Board of Directors
Executive Director

6
Since 2014

GENNADY TIMCHENKO
Member of the Board of Directors
Non-executive Director

7
Since 2012

SERGEY VASNETSOV
Member of the Board of Directors

8
Since 2018
Since 2018

ANDREI VERNIKOV
Member of the Board of Directors

9
Since 2018
Since 2018

ALEXEY KOMISSAROV
Member of the Board of Directors

10
Since 2018
Chairman since 2018

PETER LLOYD O'BRIEN
Member of the Board of Directors

11
Chairman since 2018
Since 2018

LI CHENG FENG
Member of the Board of Directors
Non-executive Director

12
Since 2018

COMMITTEE MEMBERSHIP

- Audit Committee
- Strategy and Investments Committee
- Human Resources and Remuneration Committee
- Does not serve on any Board committee
- Chairman
- Independent Director①

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

1

LEONID MIKHELSON
Chairman of the Board of Directors
Non-executive Director

APPOINTMENT
Chairman of the Board of Directors since 2011

EDUCATION
1977: Kuybyshev Institute of Civil Engineering, degree in industrial civil engineering

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT①
Since 2003: Member of the Board of Directors and Chairman of the Management Board of PJSC NOVATEK

PAST EMPLOYMENT
Mr. Mikhelson began his career as a foreman at a construction and assembly company in the Tyumen region, where he worked on the construction of the first section of the Urengoi-Chelyabinsk gas pipeline. Mr. Mikhelson served as Chief Engineer of Ryazantruboprovodstroy, General Director of Kuibishevtruboprovodstroy, Managing Director of SNP NOVA and General Director of Novafininvest. He was also a member and chairman of the Board of Directors of OJSC Stroytransgaz and OJSC Yamal LNG, and a member of the Board of Directors of LLC Art Finance and of the Supervisory Board of JSC Russian Regional Development Bank.

Mr. Mikhelson was awarded the Order of the Badge of Honour of the Russian Federation, the Order of Merit for the Fatherland second degree and the honorary title of "person of the gas industry".

COMMITTEE MEMBERSHIP
Does not serve on any Board committee

2

ALEXANDER DYUKOV
Deputy Chairman of the Board of Directors
Non-executive Director

APPOINTMENT
Board member since 2005
Deputy Chairman since 2011

EDUCATION
1991: Leningrad Shipbuilding Institute, degree in engineering
2001: International Management Institute of St. Petersburg, MBA

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT①
Since 2008: Chairman of the Management Board, CEO, member of the Board of Directors of PJSC Gazprom Neft
Since 2019: President of the Russian public organisation Russian Football Union

Mr. Dyukov also serves as a member of the Board of Directors of LLC Hockey Club SKA (since 2010) and LLC Hockey City (since 2012). He is also a member of the Management Board, member of the Management Board Bureau, Chairman of the Industrial Safety Committee and co-Chairman of the Oil and Gas Industry Commission of the Russian Union of Industrialists and Entrepreneurs National Public Organisation (since 2013).

PAST EMPLOYMENT
Mr. Dyukov held various managerial positions at SIBUR between 2003 and 2011: he was the Company's CEO (2003–2006) and Chairman of the Board of Directors (2006–2011), and also acted as Chairman of the Board of Directors for OJSC SIBUR Russian Tyres (2005–2009).

Mr. Dyukov also served as Financial Director and General Director of the joint venture CJSC Petersburg Oil Terminal, and as Director of Economics and acting General Director of St. Petersburg Sea Port. He was chairman of the Board of Directors of the Petersburg Oil Terminal, Gazprom Neft Eastern European Projects (former JSC IFC Lakhta Center), JSC Football Club Zenit, LLC BK Zenit, LLC Gazprom Neft Shelf and OJSC NGK Slavneft; he was also a member of the Board of Directors of OJSC Moscow Oil and Gas Company, LLC Gazprom Gazomotornoye Toplivo, LLC LIGA-TV and LLC National Oil Consortium.

COMMITTEE MEMBERSHIP
Chairman of the Strategy and Investments Committee since 2011
Member of the Human Resources and Remuneration Committee since 2016

① As of 31 December 2019.

3

WANG DAN
Member of the Board of Directors
Non-executive Director

APPOINTMENT
Board member since 2017

EDUCATION
1991: Management School of Wuhan University, bachelor's degree with a major in international finance
1994: Tsinghua University PBC School of Finance, master's degree in international finance

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT[1]
Since 2015: Executive Vice President of Silk Road Fund Co., Ltd (SRF)

PAST EMPLOYMENT
Before joining SRF, Ms. Wang worked for the International Department and the Monetary Policy Department II of the People's Bank of China (PBOC), and her last position at PBOC was as Deputy Director-General of the Monetary Policy Department II. She also served as a Board director at Pirelli & C. S.p.A.

COMMITTEE MEMBERSHIP
Member of the Strategy and Investments Committee since 2018

4

DMITRY KONOV
Member of the Board of Directors
Executive Director

APPOINTMENT
Board member since 2007

EDUCATION
1994: Moscow State Institute of International Relations (MGIMO), degree in international economic relations
2001: IMD, MBA

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT[1]
Since February 2018: Chairman of the Management Board of PJSC SIBUR Holding[2]
Since 2017: Member of the Supervisory Board of PJSC AK ALROSA
Since 2016: Member of the Board of Directors of JSC NIPIGAZ (Chairman in 2016–2018)
Since 2014: Member of the Board of Directors of JSC Stroytransneftegaz and LLC STGM

PAST EMPLOYMENT
Mr. Konov joined SIBUR in 2004 and has held various positions in the Group, including those of Advisor to the President, Senior Vice President for Corporate Policy and Strategy at OJSC AK SIBUR (2004–2006), CEO of the management company (2006–February 2018) and Chairman of the Management Board of the management company (2009–February 2018).

Mr. Konov also served in the Treasury Department of OJSC NK YUKOS, held various positions at AKB Trust and Investment Bank, including that of Vice President and Head of the Investment Banking Department and Managing Director of the Corporate Finance Department. He was a member of the Board of Directors of OJSC Gazprom Neftekhim Salavat and OJSC Gazprombank, JSC SDS AZOT, LLC Tobolsk-Polymer, and Chairman of the Board of Directors of LLC RusVinyl, LLC SNHK and OJSC Stroytransgaz.

COMMITTEE MEMBERSHIP
Does not serve on any Board committees

[1] As of 31 December 2019.

[2] In February 2018, SIBUR updated the Articles of Association of the management company LLC SIBUR, which now has two sole executive bodies, namely the Chairman of the Management Board of SIBUR Holding (Dmitry Konov) and the CEO of LLC SIBUR (Mikhail Karisalov, previously COO of LLC SIBUR). This decision resulted from previous efforts to separate strategic from operational management, and is intended to further enhance management efficiency.

5

VLADIMIR RAZUMOV
Member of the Board of Directors
Executive Director

APPOINTMENT
Board member in 2011–April 2012 and since 2013

EDUCATION
1967: Voronezh Technological Institute, honours degree in engineering
1980: Plekhanov Russian Academy of Economics, degree in procurement
1989: Academy of the National Economy under the USSR Council of Ministers, specialisation in economics and management of the national economy

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT[1]
Since 2018: Deputy Chairman of the Management Board of PJSC SIBUR Holding (member since 2007)
Since 2006: Member of the Management Board of the management company LLC SIBUR

PAST EMPLOYMENT
Mr. Razumov first joined SIBUR in 1999 and held the positions of Vice President in charge of Production of Synthetic Rubber and Tyres and of Senior Vice President in charge of Petrochemical Production until 2002. In 2003, he rejoined the Group and held various managerial positions, including that of Advisor to the President, Senior Vice President in charge of Production and Marketing and Senior Executive Vice President. Mr. Razumov was also a member of the Board of Directors of OJSC SIBUR-Russian Tyres, OJSC SIBUR-Neftekhim, OJSC Plastic, JSC Sibur-Trans, OJSC SIBUR-Fertilisers and LLC Tobolsk-Polymer.

Prior to that, Mr. Razumov worked for the USSR Ministry of the Oil Refining and Petrochemicals Industry, first as Head of the Main Procurement Department and then as a Deputy Minister in 1989–1992. He also worked at Voronezh Synthetic Rubber Plant and went all the way from an engineer to Plant Director.

COMMITTEE MEMBERSHIP
Member of the Strategy and Investments Committee since 2012

6

KIRILL SHAMALOV
Member of the Board of Directors
Executive Director

APPOINTMENT
Board member since 2014

EDUCATION
2004: St. Petersburg State University, degree in law

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT[1]
Since 2018: CEO of LLC Ladoga Management
Since 2018: CEO of LLC Yudoga Investments
Since 2017: Deputy Chairman of the Management Board of PJSC SIBUR Holding
Since 2014: Member of the Board of Directors of LLC Russian Cement Company

PAST EMPLOYMENT
From 2008 to 2012, Mr. Shamalov served as Vice President for Business Administration at SIBUR. He was a member of the Management Board of the Company and member of the Management Board of the management company between 2009 and 2015.

Previously, Mr. Shamalov was Chief Legal Counsel for foreign economic activity at OJSC Gazprom, an expert in the Regional Department at Federal State Unitary Enterprise Rosoboronexport, Chief Lead Counsel in the Legal Department at CJSC AB Gazprombank, and an expert consultant in the Economics and Finance Department for the Russian Government.

COMMITTEE MEMBERSHIP
Member of the Strategy and Investments Committee since 2014

[1] As of 31 December 2019.

7

GENNADY TIMCHENKO
Member of the Board of Directors
Non-executive Director

APPOINTMENT
Board member since 2012
EDUCATION
1976: Leningradsky Mechanical University, degree in mechanical engineering

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT①
Since 2009: Member of the Board of Directors of PJSC NOVATEK
Since 2011: Co-Chairman of the Economic Council of the Franco-Russian Chamber of Commerce
Since 2014: Chairman of the Russian Council of the NPO Russian–Chinese Business Council

Mr. Timchenko also serves as Chairman of the Boards of Directors of the Ice Hockey Club SKA St. Petersburg (since 2011) and of the Continental Hockey League (since 2012) and is Vice President of the Olympic Committee of the Russian Federation (since 2014); a member of the Board of Trustees of the Russian public organisation Russian Geographical Society (since 2012).

PAST EMPLOYMENT
Mr. Timchenko has more than 20 years of experience in the Russian and international energy sectors. He began his career at the Izhorsk plant in Leningrad, which specialised in the engineering and production of equipment for the energy industry. Mr. Timchenko also served as Senior Engineer at the Ministry of Foreign Trade and as Vice President of Kirishineftekhimexport.

COMMITTEE MEMBERSHIP
Member of the Strategy and Investments Committee since 2012

8

SERGEY VASNETSOV
Member of the Board of Directors
Independent Director②

APPOINTMENT
Board member since April 2018
EDUCATION
1985: Novosibirsk State University, master's degree in chemistry
1990: Oxford University, study and research
1995: Rutgers University, MBA

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT①
Mr. Vasnetsov served as Senior Vice President of Strategic Planning and Transactions, and as Head of the Division of Special Plastics for the Automotive Industry to LyondellBasell; he was also a member of the Board of Directors of Eurochem AG.

COMMITTEE MEMBERSHIP
Member of the Strategy and Investments Committee since 2018
Member of the Audit Committee since 2018

9

ANDREI VERNIKOV
Member of the Board of Directors
Independent Director②

APPOINTMENT
Board member since April 2018
EDUCATION
1981: Moscow State Institute of International Relations of the Ministry of Foreign Affairs of the USSR, degree in international economic relations with a foreign language
2006: Doctorate in economics

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT①
Since 2005: Leading researcher at the Federal State Budgetary Institution of the Institute of Economics of the Russian Academy of Sciences

PAST EMPLOYMENT
Mr. Vernikov was a professor in the Department of Finance at the Higher School of Economics from 2006 to 2016.

COMMITTEE MEMBERSHIP
Member of the Audit Committee since 2018
Member of the Human Resources and Remuneration Committee since 2018

① As of 31 December 2019.
② In accordance with director independence criteria established by Russian law.

10

ALEXEY KOMISSAROV
Member of the Board of Directors
Independent Director②

APPOINTMENT
Board member since April 2018
EDUCATION
1994: Moscow State Automobile and Road Construction Technical University (MADI), degree in engineering for the maintenance and repair of vehicles
2003: Kingston University, MBA
2010: UK Institute of Directors, Chartered Director qualification

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT①
Since 2017: Vice-rector, Director of the Higher School of Public Administration, Ranepa
Since 2017: Independent Director at JSC Federal Freight Company
Since 2018: General Director of Autonomous Non-profit Organisation Russia is a Country of Opportunities
Since 2018: co-Chairman of the central headquarters of the Russian public movement People's Front
Since 2019: member of the Board of Directors, independent director, PLLC Yandex N.V.

PAST EMPLOYMENT
From 2015 to 2017, Mr. Komissarov was Director of the Industry Development Fund and served as an independent director and member of the Strategy and Investment Committee and Chairman of the Budget and Reporting Committee to GLONASS, a member of the Supervisory Board of the Federal Centre of Excellence in the Field of Labour Productivity, and a member of the Supervisory Board of the Fund for Infrastructure and Educational Programmes. From 2011 to 2015, Mr. Komissarov worked in the Moscow government as a Minister of the Government of Moscow; Head of the Department of Science, Industrial Policy and Entrepreneurship; and Advisor to the Mayor.

COMMITTEE MEMBERSHIP
Chairman of the Human Resources and Remuneration Committee since 2018
Member of the Audit Committee since 2018

11

PETER LLOYD O'BRIEN
Member of the Board of Directors
Independent Director②

APPOINTMENT
Board member since April 2018
EDUCATION
1991: Duke University, bachelor's degree
2000: Columbia Business School, MBA
2011: Harvard Business School, Advanced Management Program

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT①
Since 2018: Member of the Advisory Board of Invitro Holding Limited (Cyprus)

PAST EMPLOYMENT
Mr. O'Brien was a member of the Board of Directors of PJSC T plus (2015–2018), PJSC TransContainer (2016–2018), JSC Pipe Metallurgical Company and PJSC TransFin-M (2012–2019). He was also a member of the Board of Directors of Regalwood Global Energy (USA) (2018–2019) and of Sberbank CIB USA Inc. (2017–2018).

COMMITTEE MEMBERSHIP
Chairman of the Audit Committee since 2018
Member of the Human Resources and Remuneration Committee since 2018

12

LI CHENG FENG
Member of the Board of Directors
Non-executive Director

APPOINTMENT
Board member since December 2018
EDUCATION
1988: Zhe-Jiang University, master's degree in chemical engineering

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT①
Since 2018: Director-General of the Chemical Department at Sinopec Corporation

PAST EMPLOYMENT
Li Cheng Feng held various positions at Sinopec beginning in 2014, including those of Chairman of Sinopec Yangzi Petrochemical, President of Sinopec Wuhan Petrochemical and Chairman of Sinopec-SK Wuhan Petrochemical. He was also Chairman of BASF-YPC Company Limited in 2016–2018.

COMMITTEE MEMBERSHIP
Member of the Strategy and Investments Committee since 2018

① As of 31 December 2019.
② In accordance with director independence criteria established by Russian law.

Board of Directors

Strong corporate governance starts with the Board of Directors. SIBUR's Board focuses on overseeing corporate strategy development and management performance, and protecting the interests of our shareholders.

Board role and responsibilities

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

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

Board composition

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

The members of the Group's Board of Directors as of 31 December 2019 were elected by the Annual General Shareholders' Meeting held on 8 April 2019.

In accordance with the Charter, the minimum number of elected members of the Board of Directors is 10. The Group is committed to transparent election procedures for each member, which, among other provisions, entail the following:

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

MEMBERS OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2019

Name	Year of birth	Title	Year of appointment
Leonid Mikhelson	1955	Director, Chairman of the Board of Directors	2011
Wang Dan	1969	Director, Member of the Strategy and Investments Committee	2017
Alexander Dyukov	1967	Director, Deputy Chairman of the Board of Directors, Chairman of the Strategy and Investments Committee, Member of the Human Resources and Remuneration Committee	2005
Li Cheng Feng	1963	Director, Member of the Strategy and Investments Committee	2018
Alexey Komissarov	1969	Independent Director[1], Chairman of the Human Resources and Remuneration Committee, Member of the Audit Committee	2018
Dmitry Konov	1970	Director	2007
Peter Lloyd O'Brien	1969	Independent Director[1], Chairman of the Audit Committee, Member of the Human Resources and Remuneration Committee	2018
Vladimir Razumov	1944	Director, Member of the Strategy and Investments Committee	2013
Kirill Shamalov	1982	Director, Member of the Strategy and Investments Committee	2014
Gennady Timchenko	1952	Director, Member of the Strategy and Investments Committee	2012
Sergey Vasnetsov	1963	Independent Director[1], Member of the Strategy and Investments Committee, Member of the Audit Committee	2018
Andrey Vernikov	1960	Independent Director[1], Member of the Audit Committee, Member of the Human Resources and Remuneration Committee	2018

[1] Independent director in accordance with director independence criteria established by Russian law.

Activities review

In 2019, the Board of Directors held 10 meetings, including seven meetings held remotely.

STRATEGIC PLANNING AND INVESTMENT ACTIVITIES:

- review and approval of the report on execution of the 2018 annual investment programme;
- decisions were taken on the implementation of major investment projects;
- ongoing review of major investment projects.

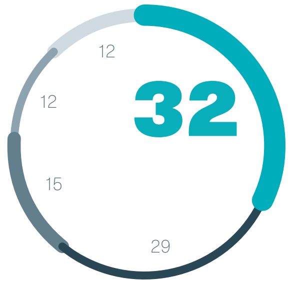
CORPORATE GOVERNANCE:

- approval of revisions to SIBUR's internal documents, including a new version of the dividend policy;
- approval of a number of decisions on corporate matters, including convening of the General Shareholders' Meeting to review and approve a revised version of the Charter and Company by-laws;
- extension of the agreement on the transfer of powers of the sole executive body of the management company;
- approval of PricewaterhouseCoopers as an independent auditor for SIBUR's 2019 financial statements in accordance with RAS and IFRS.

BUDGET PLANNING AND FINANCING ACTIVITIES:

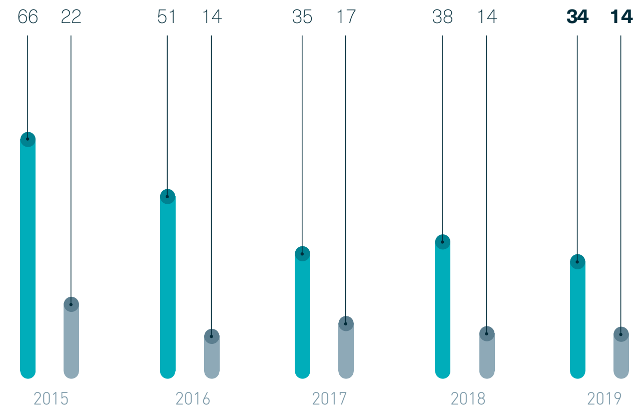
- review and recommendation for approval by the General Shareholders' Meeting of the 2018 annual report and financial results;
- review and approval of the report on execution of the 2018 annual business plan, including financial and operational performance;
- approval of the business plan and investment programme for 2020;
- approval of the SIBUR Performance Contract[2] for 2020;
- approval of a number of transactions to provide guarantees for subsidiaries in the implementation of investment projects.

ISSUES CONSIDERED BY MEETINGS OF THE BOARD OF DIRECTORS IN 2019, %



Corporate governance
Financial management
Strategic issues
Operational issues
Other

NUMBER OF ISSUES CONSIDERED BY MEETINGS OF THE BOARD OF DIRECTORS



Actual
Plan

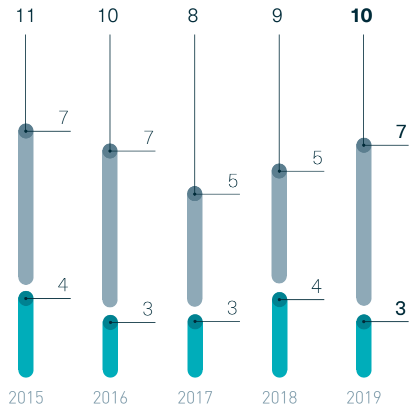
[2] The SIBUR Performance Contract is a set of indicators and targets against which the Company's performance is evaluated.

PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS IN THE WORK OF THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2019

Members of the Board of Directors in 2019	Independent director	Board of Directors (10 meetings)	Audit Committee (10 meetings)	Strategy and Investments Committee (5 meetings)	Human Resources and Remuneration Committee (4 meetings)
Leonid Mikhelson		All			
Wang Dan		All		All	
Alexander Dyukov		All		All	All
Li Cheng Feng		All		All	
Alexey Komissarov	+	All	All		All
Dmitry Konov		All			
Peter Lloyd O'Brien	+	All	All		All
Vladimir Razumov		All		All	
Kirill Shamalov		All		All	
Gennady Timchenko		All		All	
Sergey Vasnetsov	+	All	All	All	
Andrey Vernikov	+	All	All		All

NUMBER OF BOARD MEETINGS

10



Board remuneration

As of 31 December 2019, the Group's Board of Directors comprised 12 individuals. Members of the Board of Directors are entitled to annual remuneration for the execution of their duties and compensation of the costs involved, as stated in the by-laws of the Remuneration Committee.

During the years ended 31 December 2019 and 31 December 2018, the Group accrued RUB 136 million and RUB 102 million net of social taxes as compensation for the Board of Directors[1].

[1] In 2019, a new version of the Regulation on Remuneration of Members of the Board of Directors for the Performance of Their Duties was approved, according to which the amounts of remuneration and compensation were revised.

Board Committees

In order to ensure the effectiveness of the Board's functions, SIBUR's Board of Directors has established three Board committees. They undertake a more detailed review of the issues within their areas of responsibility and make recommendations to the Board as necessary.

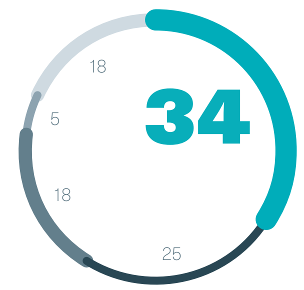
In accordance with corporate governance best practice, the Chairman of the Audit Committee is an independent member of the Board. Committee members are elected by the Board during the first meeting of the newly composed Board of Directors for a term lasting until the election of the next Board of Directors by shareholders. The current committee members were elected by the Board on 25 April 2019.

Audit Committee

10 meetings

of the Audit Committee in 2019

ISSUES CONSIDERED BY MEETINGS OF THE AUDIT COMMITTEE IN 2019, %



COMMITTEE MEMBERS


PETER LLOYD O'BRIEN
Chairman

ALEXEY KOMISSAROV


SERGEY VASNETSOV

ANDREY VERNIKOV

COMMITTEE ROLE

The Audit Committee is responsible for developing and issuing recommendations to the Board of Directors on the following:

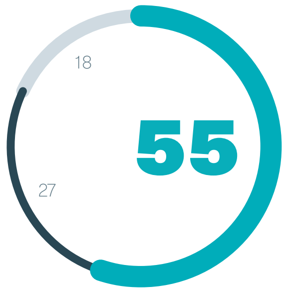
- the annual independent external audit of the Group's financial statements, including IFRS financial statements;
- the independent external auditor's qualifications, the quality of the services rendered by the auditor, and whether the auditor satisfies the requirements for independence;
- improvements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

Human Resources and Remuneration Committee

4 meetings

of the Human Resources and Remuneration Committee in 2019

ISSUES CONSIDERED BY MEETINGS OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE IN 2019, %



- HR policies
- Performance indicators
- Other

COMMITTEE ROLE

The Human Resources and Remuneration Committee is responsible for developing and making recommendations to the Board of Directors on the following:

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

The Committee submits recommendations to the Group's Board of Directors on improvements to the HR policies of the Group and the management company, as well as qualification criteria for independent directors.

COMMITTEE MEMBERS

ALEXEY KOMISSAROV
Chairman

PETER LLOYD O'BRIEN

ALEXANDER DYUKOV

ANDREY VERNIKOV

Strategy and Investments Committee

5 meetings

of the Strategy and Investments Committee in 2019

ISSUES CONSIDERED BY MEETINGS OF THE STRATEGY AND INVESTMENTS COMMITTEE IN 2019, %

- Strategic issues
- Operational issues
- Financial management
- Other

COMMITTEE ROLE

The Strategy and Investments Committee is responsible for developing and issuing recommendations to the Board of Directors on the following:

- determining SIBUR's priority areas for development;
- determining the Group's long-term strategy (including financing strategy), objectives and key initiatives, as well as annual and long-term investment programmes;
- evaluating the Group's investment programme and strategic planning process as well as the Group's policy on interaction with investors and shareholders and proposing improvements;
- issues related to the Group's establishment of commercial entities, as well as mergers, acquisitions, divestments or pledges of the Group's assets;
- issuance of bonds or other securities.

COMMITTEE MEMBERS

ALEXANDER DYUKOV
Chairman

WANG DAN

LI CHENG FENG

VLADIMIR RAZUMOV

KIRILL SHAMALOV

GENNADY TIMCHENKO

SERGEY VASNETSOV

Corporate Secretary

The Corporate Secretary position was established at SIBUR in 2008. The Corporate Secretary's key responsibilities are to ensure efficient corporate procedures aimed at protecting shareholder rights and ensuring SIBUR's commitment to their interests, as well as supporting management decision-making, including:

- interaction with shareholders and their representatives to support the effective work of the Group's governing bodies and ensure shareholders' rights and commitment to their interests;
- ensuring interaction between members of the Board of Directors and management;
- ensuring execution of procedures regulating the activities of collegial bodies in compliance with federal laws, SIBUR's Charter and other internal corporate policies;
- arrangement of the Company's engagement with shareholders, preparation of replies to their requests and inquires;
- advisory support for the Board of Directors, the Management Board and shareholders;
- ensuring the efficient functioning of the collegial executive bodies of PJSC SIBUR Holding and the management company LLC SIBUR, including:
  - the General Shareholders' Meeting of PJSC SIBUR Holding
  - the Board of Directors of PJSC SIBUR Holding
  - the Management Board of SIBUR Holding
  - the Management Board of the management company LLC SIBUR
  - the Board committees of PJSC SIBUR Holding
  - the Board committees of the management company LLC SIBUR
  - the governing boards of investment projects
- ensuring best practices in accordance with professional standards and bodies;
- oversight of the implementation of decisions made by the governing bodies;
- disclosure of information about the Company in the amount, terms and procedure stipulated by the legislation of the Russian Federation;
- interaction with government agencies, the Moscow Exchange, registrars and depositories, including preparation of necessary documents for obtaining permits/approvals and holding general shareholders' meetings;
- coordination of the process and preparation of quarterly and annual reports on the part of PJSC SIBUR Holding;
- corporate legal and methodological support for managing joint ventures.

MARINA MEDVEDEVA
Corporate Secretary of PJSC SIBUR Holding

EDUCATION

2000: Moscow Academy of Economics and Law, degree in law

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

2008: Moscow State Institute of International Relations (MGIMO), MBA course "International Oil & Gas Business"

2004-2009: INSEAD, various executive management courses

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT[1]

Since 2016: Secretary to the Board of Directors, Board Committees and Management Board of PJSC SIBUR Holding

Since 2016: Member of the Management Board and Managing Director, Business Processes, Shared Services, Corporate Governance at LLC SIBUR

Since 2012: Member of the Board of Directors of Reliance Sibur Elastomers Private Limited

PAST EMPLOYMENT

Ms. Medvedeva joined SIBUR in 2008 and served as Head of Governing and Executive Bodies Administration and Administrative Services Director. Prior to that, Ms. Medvedeva worked as Head of the Management Board and Committees Services Department, and Corporate Secretary to the Management Board of OJSC TNK-BP Management.

[1] As of 31 December 2019.

Management Board

Management Board role and responsibilities

SIBUR's Management Board is the Group's collegial executive body. The Management Board is responsible for the effective management of the Group. The Management Board also participates in the development and execution of the Group's strategy.

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

Management Board composition

In accordance with the Group's Charter, the Management Board is formed by the Board of Directors from the Group's senior executives based on the recommendations of the sole executive body.

7 members

The Group's Management Board as of 31 December 2019

MEMBERS OF THE MANAGEMENT BOARD AS OF 31 DECEMBER 2019

Name	Year of birth	Title	Year of appointment
Dmitry Konov	1970	Chairman of the Management Board	2007
Vladimir Razumov	1944	Deputy Chairman of the Management Board	2007
Kirill Shamalov	1982	Deputy Chairman of the Management Board	2017
Mikhail Karisalov	1973	Member of the Management Board	2007
Alexey Kozlov	1982	Member of the Management Board	2015
Sergey Lukichev	1964	Member of the Management Board	2016
Alexander Petrov	1981	Member of the Management Board	2016

DMITRY KONOV
Chairman of the Management Board of PJSC SIBUR Holding

See biography on p. 108

VLADIMIR RAZUMOV
Deputy Chairman of the Management Board of PJSC SIBUR Holding

Member of the Management Board of LLC SIBUR

See biography on p. 109

KIRILL SHAMALOV
Deputy Chairman of the Management Board of PJSC SIBUR Holding

See biography on p. 109

MIKHAIL KARISALOV

Member of the Management Board of PJSC SIBUR Holding

Chairman of the Management Board of LLC SIBUR

EDUCATION

1998: Russian Civil Service Academy under the President of the Russian Federation, degree in state and municipal management

2010: Tyumen State Oil and Gas University, professional retraining course "Chemical Technology of Natural Energy Sources and Carbon Materials"

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT[2]

Since February 2018: Chairman of the Management Board and CEO of LLC SIBUR[1] (member of the Management Board and Chief Operating Officer from 2016 to February 2018)

Since 2016: Member of the Board of Directors of JSC NIPIGAZ

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

Since 2007: Member of the Management Board of PJSC SIBUR Holding (Deputy Chairman until 2017)

PAST EMPLOYMENT

Mr. Karisalov joined SIBUR in 2003 and has held various positions in the Group, including those of Advisor to the President, Director of Procurement, and Head of Logistics and Capital Construction. In 2006–2011, he was Vice President and Head of the Hydrocarbon Feedstock Department at LLC SIBUR. Mr. Karisalov was also a member of the Board of Directors of LLC Tobolsk-Polymer and LLC Yuzhno-Priobskiy GPP.

ALEXEY KOZLOV

Member of the Management Board of PJSC SIBUR Holding

Member of the Management Board and Managing Director, Administrative Support and GR, LLC SIBUR

EDUCATION

2004: Moscow State Law University, degree in law; PhD in law

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT[2]

Since 2015: Member of the Management Board of PJSC SIBUR Holding (Deputy Chairman until 2017)

Since 2015: Member of the Management Board and Managing Director, Administrative Support and GR, LLC SIBUR

PAST EMPLOYMENT

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

[1] In February 2018, SIBUR updated the Articles of Association of the management company LLC SIBUR, which now has two sole executive bodies, namely the Chairman of the Management Board of SIBUR Holding (Dmitry Konov) and the CEO of LLC SIBUR (Mikhail Karisalov, previously COO of LLC SIBUR). This decision resulted from previous efforts to separate strategic from operational management, and is intended to further enhance management efficiency.

[2] As of 31 December 2019.

SERGEY LUKICHEV

Member of the Management Board of PJSC SIBUR Holding

Member of the Management Board and Managing Director, Corporate Security and Audit, LLC SIBUR

EDUCATION

1986: Perm High Command Military Academy, degree in physics and power plants

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT[3]

Since November 2018: Member of the Management Board and Managing Director, Corporate Security and Audit, LLC SIBUR

Since 2016: Member of the Management Board of PJSC SIBUR

PAST EMPLOYMENT

In 2011–2018, Mr. Lukichev was a member of the Management Board and Managing Director, Information Security of LLC SIBUR. In 2016–2019, he was a member of the Board of Directors of LLC STM (Advanced Metal Protection Technologies). Mr. Lukichev also served in the military.

ALEXANDER PETROV

Member of the Management Board of PJSC SIBUR Holding

Member of the Management Board and Managing Director, Economics and Finance, LLC SIBUR

EDUCATION

2003: Finance Academy under the Government of the Russian Federation, degree in finance and credit

2014: INSEAD, MBA

PROFESSIONAL EXPERIENCE

CURRENT EMPLOYMENT[3]

Since 2016: Member of the Management Board and Managing Director, Economics and Finance, LLC SIBUR

Since 2015: Member of the Board of Directors of LLC RusVinyl

PAST EMPLOYMENT

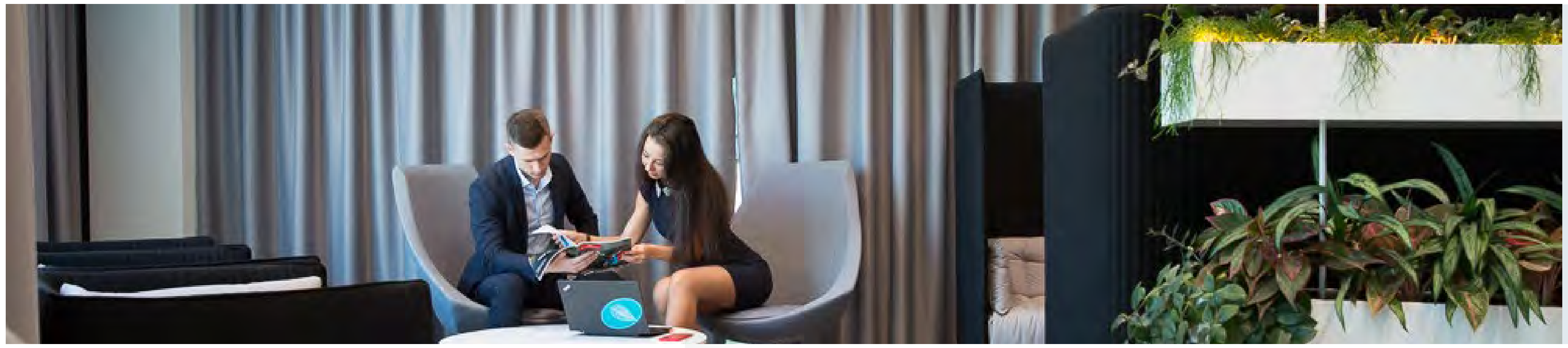
In 2006–2016, Mr. Petrov held various positions at SIBUR, including Head of the Economics Department, CFO at SiburTyumenGaz, Financial Director of the Hydrocarbons Division and Director for Financial Control.

Prior to that, he worked at PricewaterhouseCoopers Audit as an audit consultant and senior advisor.

[3] As of 31 December 2019.

Anti-corruption Policies and Compliance

SIBUR complies with the requirements of anti-corruption legislation and codes of conduct in each country where it operates. SIBUR applies anti-corruption principles in its operating activities, strategic projects, joint ventures and in relations with commercial and financial counterparties.



The fundamental requirements and principles that each SIBUR employee must follow to protect property rights, safeguard against bribery or fraud and avoid potential conflicts of interest are contained in SIBUR's Code of Corporate Conduct.

Visit the Company's website to find more information on **SIBUR's Code of Corporate Conduct** at https://www.sibur.ru/en/compliance/

SIBUR continuously reviews and strengthens its compliance management system and policies to prevent fraud, abuse and conflicts of interest. In this regard, the Company has adopted a by-law on managing conflicts of interest. In addition to policies that go above and beyond legal compliance that the Company has adopted voluntarily, SIBUR has approved an Anti-corruption Policy that provides guidelines and requirements for employees when interacting with governmental authorities and counterparties to ensure compliance with anti-corruption legislation. SIBUR regularly updates existing practices to adjust to changes in legislation and to align with international best practices.

The Company provides appropriate communication and education for employees regarding compliance with anti-corruption and conflicts-of-interest policies, including:

- directly or indirectly offering bribes to government officials;
- commercial bribery;
- requesting, accepting or approving illegally obtained money, securities or other material property from third parties;
- illegal abuse of authority for personal or third-party gains and purposes contrary to SIBUR's interests.

SIBUR'S KEY ANTI-CORRUPTION AND COMPLIANCE ACTIVITIES IN 2019 INCLUDED THE FOLLOWING:

- A new version of the anti-corruption policy of LLC SIBUR and the companies within PJSC SIBUR Holding was approved.
- An anti-corruption clause was added to all employment contracts.
- Anti-corruption procedures in the field of business hospitality were formalised.
- The Company passed its first supervisory audit of compliance with ISO 19600:2014 (compliance management systems).
- Employees and contractors underwent training.

AN INDEPENDENT ANONYMOUS HOTLINE

https://sibur.deloitte-hotline.ru

sibur-hotline@deloitte.ru

+7 800 500-08-74

To prevent the taking and receiving of bribes, SIBUR has issued employee guidelines on gift-giving.

The Ethics and Compliance Committee established by the Company's management comprises the heads of the Security, Legal Services, Corporate Secretary & Administrative Services, and Human Resources Departments. The Committee's key objective is to coordinate activities among SIBUR's subsidiaries and ensure compliance with regulatory requirements, ethical business behaviour, prevention of corrupt practices and violations, and resolution of conflicts of interest.

Ethics and Compliance Commissions at SIBUR's production sites are headed by the sites' General Directors, whose authority includes investigating conflicts of interest, evaluating identified conflicts and developing processes to mitigate conditions that may lead to conflicts of interest among employees.

According to SIBUR's conflicts-of-interest policies, all employees are required to report any existing or potential conflicts of interest.

An independent and anonymous hotline (website: https://sibur.deloitte-hotline.ru; e-mail: sibur-hotline@deloitte.ru; telephone: +7 800 500-08-74) was set up to receive information about circumstances that can be interpreted as a conflict of interest, as well as for consulting on such issues. Information is collected and processed by the independent operator Deloitte.

All situations that could signal a conflict of interest are investigated by the Ethics and Compliance Committee and Commissions at production sites. In 2019, these bodies held 45 meetings in total; as a result, 30 conflicts of interest were treated as material. Each case was evaluated separately and followed up with subsequent corrective actions.

SIBUR's anti-corruption and compliance strategy and policies are designed to mitigate the risk of Company management and employee involvement in corrupt activities regardless of their position and to minimise the negative consequences for the Company resulting from employee conflicts of interest.

45 meetings

were held by the Ethics and Compliance Committee and Commissions at production sites in 2019

MATERIAL CONFLICTS REVIEWED BY MEETINGS OF THE ETHICS AND COMPLIANCE COMMITTEE AND COMMISSIONS IN 2019, %

- Direct subordination to close relatives
- Receiving unjustified enrichment in the form of an additional payment for corporate apartment rental
- Usage of Company assets, property and information for the benefit of third parties
- Performance of part-time work
- Employees or their relatives are associated with contractors
- Other violations of the Code of Corporate Ethics

External Auditor

The Company hires an external auditor every year to perform an independent and unbiased assessment of the quality of its Russian Accounting Standards (RAS) and International Financial Reporting Standards (IFRS) financial statements.

External auditors are hired based on tenders providing an objective selection. The Company's auditor is approved by the General Shareholders' Meeting based on a proposal from the Board of Directors. A preliminary assessment of auditor candidates is conducted by the Audit Committee. PricewaterhouseCoopers Audit JSC (PwC) was re-elected as the Company's auditor at the General Shareholders' Meeting in April 2019.

The fees for conducting an audit according to RAS and IFRS of SIBUR Holding PJSC's financial statements for 2019, including review of interim semi-annual financial information for three, six and nine months of 2019, amounted to RUB 46,640,000 (excluding VAT).

Information for Shareholders and Investors

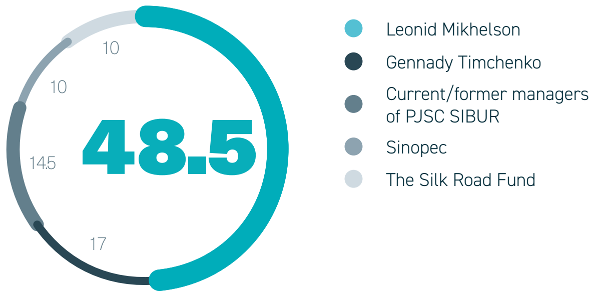
Share capital and shareholding structure

The share capital of PJSC SIBUR Holding amounts to RUB 21,784,791,000. As of 31 December 2019, the share capital consisted of 2,178,479,100 ordinary shares with a par value of RUB 10 each.

The state registration number is 1-02-65134-D, with a registration date of 31 May 2012.

The number of authorised shares amounts to 9,653,045,500 ordinary shares and 2,500,000,000 preferred shares with a par value of RUB 10 each. No preferred shares have been issued.

SHAREHOLDING STRUCTURE



Credit ratings

RATING AGENCY AND RATING TYPE	RATING	OUTLOOK	ASSIGNED
Fitch	BBB-	Stable	26 Jun 2019
Moody's	Baa3	Stable	29 Jan 2018
S&P	BBB-	Stable	22 Aug 2019
Expert RA	ruAAA	Stable	06 Dec 2019

In June 2019, Fitch Ratings upgraded SIBUR's long-term issuer default rating (IDR) to BBB- from BB+ with a stable outlook. The upgrade followed Fitch's decision from a year earlier to revise its outlook for SIBUR's IDR to positive. The most recent upgrade reflected significant progress on the ZapSib project, including the completion of major production units ahead of schedule and on budget and the start of commissioning, while maintaining leverage below the agency's forecasts throughout the intensive investment cycle.

Standard & Poor's assigned SIBUR a long-term issuer credit rating of BBB- with a stable outlook in August 2019. The agency noted that SIBUR's credit metrics have materially strengthened over the past three years, not least due to high EBITDA margins (among the highest of EMEA chemical producers), with its financial risk having decreased from intermediate to modest. The assigned rating also reflects S&P's expectations with regard to the commissioning of ZapSib.

As a result, SIBUR received investment-grade credit ratings with a stable outlook from the Big Three credit rating agencies. This was above all the result of continuous work aimed at creating an efficient business model that ensures cash flow stability[1].

Eurobonds

In September 2019, PJSC SIBUR Holding announced the successful float of five-year Eurobonds worth USD 500 million on the Irish Stock Exchange. The initial coupon rate, set at 3.75% per annum, decreased to 3.45% per annum during the book-building. Coupon payments are made every six months. The Company used the funds to continue carrying out its growth strategy and to optimise its credit portfolio.

Total demand exceeded USD 1.3 billion. The Company's Eurobonds were purchased by global investors, more than half of which were foreign (Russia, 41%; Continental Europe, 26%; Asia and MENA, 15%; the United Kingdom 11%; the United States, 7%). Moody's rated the bonds at Baa3, while Fitch gave them a rating of BBB-.

Outstanding[2] as of 31 December 2019	Amount	Coupon rate	Interest payment dates	Maturity date
Eurobond 2023	USD 500,000,000[3]	4.125%	5 Apr and 5 Oct	5 Oct 2023
Eurobond 2024	USD 500,000,000	3.45%	23 Mar and 23 Sep	23 Sep 2024

A payout ratio of not less than

35.0%

targeted by our updated dividend policy

For more information about **SIBUR bonds**, visit the Company's website at:
http://investors.sibur.com/bond-information/credit-ratings.aspx?sc_lang=en

Dividends

Our dividend policy is aimed at increasing SIBUR's investment appeal and shareholder value.

Our capital allocation objective is to balance the financial needs of the business and returns for shareholders, while respecting shareholders' rights and complying with Russian legislation and SIBUR's charter documents.

The General Shareholders' Meeting makes decisions on dividend payouts and amounts, as well as the timing and form of payment, based on the Board of Directors' recommendations.

The Board of Directors makes dividend recommendations based on SIBUR's payout target of not less than 35% of net profit,[4] payable to the shareholders of the parent company, as determined on the basis of the Company's consolidated financial statement prepared in accordance with IFRS standards for the relevant reporting period and adjusted for:

- the amounts of foreign exchange gains and/or losses;
- the amount of extraordinary non-cash income and expenses, including those related to the amount of share-based payments to employees obtained on behalf of the Company and not consolidated in the Company's IFRS financial statements;
- one-off (irregular) income and expenses.

DIVIDENDS ACCRUED AND PAID OUT FOR 2014–1H 2019

Dividend accrual period	Dividend per share, RUB	Dividends accrued, RUB
1H 2014	3.53	7,690,031,223
2H 2014	4.42	9,628,877,622
1H 2015	3.90	8,496,068,490
2H 2015	3.24	7,058,272,284
1H 2016	3.33	7,254,335,403
2H 2016	4.30	9,367,460,130
1H 2017	4.50	9,803,155,950
2H 2017	6.75	14,704,733,925
1H 2018	5.06	11,023,104,246
2H 2018	10.46	22,786,891,386
1H 2019	7.70	16,774,289,070

For more information about **SIBUR's dividend policy**, visit the Company's website at:
http://www.sibur.ru/en/about/corporate/documents/

[1] In 2Q 2020, Fitch and Moody's affirmed SIBUR's ratings at investment-grade BBB- and Baa3, with a stable outlook. S&P also affirmed its investment-grade BBB- though changed the outlook to negative.
[2] In June 2020, SIBUR raised USD 500 mln following the offering of 5-year Eurobonds. The coupon rate was set at 2.95%.
[3] In October 2018, SIBUR repurchased part of its USD 500 million Eurobond 2023 notes with a nominal value of USD 192 million at a price of 97.4% of the par value.
[4] In accordance with the updated dividend policy approved in March 2019 (previous version of the dividend policy provided for a 25% payout ratio).

FINANCIAL INFORMATION

For the full set of FY 2019 results materials visit **Financial results centre** on our website: http://investors.sibur.com/results-centre/financial-results.aspx?sc_lang=en

Management's Discussion and Analysis of Financial Condition and Results of Operations

as of and for the years ended 31 December 2019

You should read the following discussion and analysis of our financial condition and results of operations as of 31 December 2019 and for the years then ended (hereinafter referred to as "MD&A") in conjunction with our audited consolidated financial statements as of and for the years ended 31 December 2019 and 2018 (hereinafter referred to as the "consolidated financial statements"). The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

Selected data[1]

Operating Results

The following table presents the Group's key operational metrics for the years ended 31 December 2019 and 2018:

Thousand tonnes, except as stated	Year ended 31 December		Change, %
	2019	2018	
Processing and production volumes			
APG processing, SIBUR's share[2] (million cubic metres)	22,617	22,283	1.5%
NGLs purchasing	3,965	3,490	13.6%
Raw NGL fractionation[3], SIBUR's share	7,739	7,712	0.3%
Sales volumes			
Petrochemical products, including:	3,767	3,686	2.2%
PP	737	583	26.3%
PE (LDPE)	261	262	(0.6%)
Elastomers	529	486	8.8%
Plastics and organic synthesis products	793	800	(0.8%)
Intermediates and other chemicals	542	483	12.1%
Midstream products, including:	6,317	6,402	(1.3%)
LPG	5,145	5,357	(4.0%)
Naphtha	1,172	1,045	12.2%

[1] In this and other tables of this MD&A, immaterial deviations in the calculation of percentage changes, subtotals and totals are explained by rounding. All the operational data is presented in line with segment reporting.

[2] Excluding third-party volumes processed at SIBUR's capacities.

[3] Including volumes processed at third-party capacities and excluding third-party volumes processed at SIBUR's capacities.

Financial Results

The following table presents the Group's key financial metrics for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December		Change, %
	2019	2018	
Income statement highlights			
Revenue (net of VAT and export duties)	531,306	568,647	(6.6%)
Adjusted EBITDA[1]	178,442	205,529	(13.2%)
EBITDA	170,020	201,007	(15.4%)
EBITDA margin, %	32.0%	35.3%	
EBITDA of reportable segments			
Olefins & Polyolefins	48,979	37,679	30.0%
Plastics, Elastomers & Intermediates	19,511	34,816	(44.0%)
Midstream	99,788	127,107	(21.5%)
EBITDA (USD millions)	2,626	3,205	(18.1%)
Adjusted EBITDA (USD millions)	2,756	3,278	(15.9%)
Profit for the year	141,367	110,760	27.6%
Cash flow highlights			
Net cash from operating activities	124,468	160,409	(22.4%)
Operating cash flows before working capital changes	168,472	194,796	(13.5%)
Income tax paid	(35,797)	(24,582)	45.6%
Net cash used in investing activities, including	(125,555)	(133,286)	(5.8%)
Capital expenditures	(150,378)	(151,438)	(0.7%)
Net cash from/(used in) financing activities, including	4,389	(63,857)	n/m
Net proceeds from / (repayment of) debt	65,686	(22,266)	n/m
Dividends paid to the Company's shareholders	(41,524)	(27,126)	53.1%

	As of 31 December 2019	As of 31 December 2018
Key ratios		
Net debt/EBITDA	2.1x	1.6x
Net debt/EBITDA (in USD)	2.2x	1.4x
EBITDA/Interest[2]	9.6x	13.7x

In 2019, we observed unstable dynamics of crude oil prices, with Brent declining by 9.5% year-on-year and averaging 64.3 USD per barrel in the reporting period. Naphtha and LPG international benchmarks posted a deeper decline of around 20% due to imbalances on the markets mainly caused by higher volumes of LPG coming from the US to Europe and lower demand for naphtha as feedstock for chemical producers. Prices for petrochemical products also showed negative dynamics largely affected by (i) slowdown in global economic growth, (ii) elevated US/China trade issues, as well as (iii) capacity additions. The Russian ruble depreciated by 3.2% on average against the US dollar and appreciated by 2.0% against the euro.

[1] Adjusted EBITDA includes the Group's portion of EBITDA of joint ventures and associates and excludes the non-controlling interest portion of EBITDA of subsidiaries.

[2] Interest represents accrued interest, i.e. includes interest expense and capitalised interest net of capitalised foreign exchange loss.

In 2019, our APG processing volumes increased by 1.5% year-on-year to 22.6 billion cubic metres from 22.3 billion cubic metres in 2018 and our raw NGL fractionation volumes remained almost flat at 7.7 million tonnes. Growth in APG processing volumes resulted in additional volumes of LPG and naphtha produced on GPPs. Our sales volumes of petrochemical products increased by 2.2% year-on-year mainly due to the test sales of PP produced at ZapSibNeftekhim.

In 2019, our revenue decreased by 6.6% year-on-year to RUB 531,306 million from RUB 568,647 million in 2018 due to lower revenue from Midstream and Plastics, Elastomers and Intermediates segments resulted from negative pricing dynamics. This was partly compensated by growth in Olefins and Polyolefins segment revenue driven by higher sales volumes.

EBITDA decreased by 15.4% to RUB 170,020 million from RUB 201,007 million driven by weak performance of (i) Midstream segment, where EBITDA decreased by 21.5% to RUB 99,788 million from RUB 127,107 million affected by lower oil environment and market imbalances, and (ii) Plastics, Elastomers and Intermediates segment primarily reflecting tighter spreads. The decline was somewhat compensated by stronger Olefins & Polyolefins segment EBITDA mainly on wider spreads on the domestic market and higher PP sales.

Our net profit in 2019 increased by 27.6% to RUB 141,367 million as compared to RUB 110,760 million in 2018 largely on a substantial forex gain versus a forex loss recorded in 2018.

Net cash from operating activities decreased by 22.4% year-on-year on the back of lower EBITDA and higher income tax paid.

As of 31 December 2019, our total debt increased by 14.2% to RUB 379,739 million vs. 31 December 2018 due to new Eurobond issue and adoption of IFRS 16 "Leases" from 1 January 2019. Our net leverage increased to 2.13x as of 31 December 2019 from 1.58x as compared to 2018 year end due to higher debt coupled with lower EBITDA.

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

Overview

SIBUR is a leader in the Russian petrochemicals industry with uniquely positioned vertically integrated business model. More than 23,000 employees[1] working in SIBUR contribute to the success of customers engaged in the chemical, fast moving consumer goods (FMCG), automotive, construction, energy and other industries in 80 countries worldwide.

SIBUR HAS THREE OPERATING AND REPORTABLE SEGMENTS:

- Olefins & Polyolefins is a petrochemicals segment that produces polyolefins, such as polypropylene and polyethylene (LDPE), BOPP-films, as well as olefins represented by propylene and ethylene produced at our sites in Kstovo, Tomsk and Tobolsk, which are used internally by our petrochemicals segments and sold externally (primarily sales of ethylene to RusVinyl).
- Plastics, Elastomers & Intermediates is a petrochemicals segment that produces a variety of petrochemical products, such as (i) plastics and organic synthesis products comprising polyethylene terephthalate (PET), glycols, expandable polystyrene, alcohols, acrylates and dioctyl terephthalate (DOTP), (ii) elastomers comprising various grades of commodity and specialty rubbers and thermoplastic elastomers, (iii) methyl tertiary butyl ether (MTBE) and fuel additives, which are sold externally. The segment also produces intermediates, which are primarily used internally with a minor share being sold to the market.
- Midstream segment comprises (i) gathering and processing of associated petroleum gas (APG) that we purchase from major Russian oil companies, (ii) transportation, fractionation and other processing of natural gas liquids (NGLs) that we produce internally or purchase from major Russian oil and gas companies, and (iii) production, marketing and sales of energy products, such as natural gas, liquefied petroleum gases (LPG) and naphtha. We sell these energy products on the Russian and international markets and use some of them as feedstock for our petrochemicals segments.

Recent developments

In December 2019, SIBUR Board of Directors approved the 2025 Sustainable Development Strategy, identifying five key focus areas (Responsible Business, Environment, Society and Partnership, Sustainable Product Portfolio, and Climate Impact Mitigation) and setting respective goals within them. The Company intends to annually report to all stakeholders on the progress in implementation of the Sustainable Development Strategy.

In November 2019, SIBUR and Tatneft closed transaction on the sale and purchase of SIBUR's petrochemical facilities in Togliatti.

In October 2019, at ZapSibNeftekhim, we completed construction and pre-commissioning works at key processing and technological units and proceeded to the commissioning stage. As of 31 December 2019, ZapSib polypropylene production unit and a number of infrastructure facilities were put in use while the steam cracker and polyethylene production units were operating in a test mode.

In September 2019, SIBUR's subsidiary BIAXPLEN acquired a 50% stake in the European BOPP-film producer Manucor S.p.A. BIAXPLEN and Manucor are expected to share their best practices of R&D, sales and marketing, production, and technical support.

In September 2019, SIBUR placed a USD 500 million Eurobond notes on the Irish Stock Exchange maturing in 2024. The coupon rate was set at 3.45% per annum payable semi-annually.

In September 2019, SIBUR and Gazprom signed a preliminary agreement setting out the key commercial terms for the supply of LPG from Gazprom's Amur GPP to Amur GCC. According to the agreement, Gazprom will supply annually 1.5 mtpa of LPG and ethane fraction to the Amur GCC at formula-based prices. As a result, SIBUR will be able to increase its output from 1.5 mtpa of polyethylene to 2.3 mtpa of polyethylene and 400 ktpa of polypropylene. Earlier in 2018, SIBUR and Gazprom signed a contract for the supply of ca. 2 mtpa of ethane fraction.

[1] As of 31 December 2019, excluding the personnel of non-consolidated joint ventures.

In September 2019, SIBUR and Sinopec signed a framework cooperation agreement to produce SEBS (styrene, ethylene and butylene-based block copolymers) and a Memorandum of Understanding to cooperate in nitrile butadiene rubber (NBR) production.

In September 2019, SIBUR joined the United Nations Global Compact — the UN's most prominent global business initiative for corporate social responsibility and sustainable development.

In August 2019, Standard & Poor's assigned SIBUR its long-term issuer credit 'BBB-' rating with stable outlook. SIBUR now holds investment grade ratings with stable outlooks from all three major global credit ratings agencies.

In July 2019, Sibgazpolimer, a joint venture of SIBUR and Gazprom Neft, acquired a 50% stake in Poliom (a polypropylene plant in Omsk) from the Titan Group, consolidating 100% of its authorised capital. As a result, Poliom LLC became a 50/50 percent joint venture of SIBUR and Gazprom Neft.

In June 2019, Fitch Ratings upgraded SIBUR's long-term issuer default rating (IDR) to 'BBB-' from 'BB+' with stable outlook. The upgrade followed Fitch's decision from a year ago to revise its outlook for SIBUR's Long-Term Issuer Default Rating (IDR) to Positive.

In June 2019, SIBUR and Sinopec signed distribution agreement to supply polyethylene to China from SIBUR's ZapSibNeftekhim plant.

In June 2019, SIBUR and Sinopec signed a Term Sheet regulating key principals of a potential joint venture (JV) for development and operations of the Amur Gas Chemical Complex (AGCC). Subject to SIBUR's final investment decision, Sinopec is expected to participate at a 40% share stake in the JV.

In May 2019, SIBUR's Perm site launched production of eco-friendly dioctyl terephthalate plasticiser (DOTP) used in floor and roof coatings, wallpaper, cable compounds and automotive coatings and designed to ensure their plasticity, enhanced durability, and wear and cold resistance. 100 ktpa DOTP production facility not only will cover the needs of the domestic market (estimated at 60 ktpa) but also will contribute to the non-commodity non-energy exports to Europe and other regions. Unlike phthalate plasticisers DOTP is an eco-friendly product that complies to the highest European and other international environmental standards.

In April 2019, SIBUR Holding held Annual General Meeting of Shareholders. The Company's shareholders resolved to pay dividends of RUB 33.810 billion representing 25% of adjusted annual net profit under IFRS for 2018. The total dividend payout is RUB 15.52 per one ordinary share.

In March 2019, The Board of Directors approved changes to the Company's dividend policy and increased the dividend payout ratio from 25% to not less than 35% of Net Income[1]. Dividends for the first half of 2019 were paid in the amount of 35% of Net Income[1] in accordance with the updated dividend policy.

[1] Net income adjusted for FX gains / losses, extraordinary and one-off income and expenses.

Results of operations for the years ended 31 December 2019 and 2018

The following table presents selected data on our results of operations for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of revenue	2018	% of revenue	
Revenue	**531,306**	**100.0%**	**568,647**	**100.0%**	**(6.6%)**
Olefins & Polyolefins	105,717	19.9%	100,862	17.7%	4.8%
Plastics, Elastomers & Intermediates	152,805	28.8%	171,003	30.1%	(10.6%)
Midstream	213,030	40.1%	240,818	42.3%	(11.5%)
Unallocated	59,754	11.2%	55,964	9.8%	6.8%
incl. Revenue from Project Management and Construction Services	45,745	8.6%	41,047	7.2%	11.4%
Operating expenses	**(401,415)**	**(75.6%)**	**(403,566)**	**(71.0%)**	**(0.5%)**
Operating profit	**129,891**	**24.4%**	**165,081**	**29.0%**	**(21.3%)**
Net finance income / (expense)	37,424	7.0%	(29,359)	(5.2%)	n/m
Gain on disposal of subsidiary	1,940	0.4%	(425)	(0.1%)	n/m
Loss on acquisition of subsidiary	—	— %	(217)	n/m	n/m
Share of net income of joint ventures and associates	6,970	1.3%	3,173	0.6%	>100%
Profit before income tax	**176,225**	**33.2%**	**138,253**	**24.3%**	**27.5%**
Income tax expense	(34,858)	(6.6%)	(27,493)	(4.8%)	26.8%
Profit for the year	**141,367**	**26.6%**	**110,760**	**19.5%**	**27.6%**
Profit for the year, including attributable to:	**141,367**	**26.6%**	**110,760**	**19.5%**	**27.6%**
Non-controlling interest	6,140	1.2%	4,431	0.8%	38.6%
Shareholders of SIBUR	135,227	25.5%	106,329	18.7%	27.2%

Effect of the initial application of IFRS 16 "Leases"

Adoption of a new standard starting 1 January 2019 led to certain changes in SIBUR's accounting policies. The Group applied modified retrospective approach and did not restate comparatives for 2018.

(i) Shipping vessels that the Group uses to transport its produced goods to customers under long-term lease contracts which were previously classified as "operating leases" are now recognized as right-of-use assets and corresponding lease liabilities;

(ii) Depreciation and amortisation costs increased in relation to these items, while rent expenses related to these items decreased;

(iii) Cash payments for the lease liabilities are reflected within financial activities in the cash flow statement;

(iv) Interest expense on the lease liability is recognised in statement of profit or loss as part of finance expenses;

(v) Lease liabilities are part of financial liabilities, hence, they are included in SIBUR's net leverage position.

Revenue

In 2019, our revenue decreased by 6.6% year-on-year to RUB 531,306 million from RUB 568,647 million in 2018 with the following dynamics across the segments:

- Olefins & Polyolefins revenue increased by 4.8% to RUB 105,717 million from RUB 100,862, which was largely attributable to the test sales of PP produced at ZapSibNeftekhim, partially offset by negative dynamics of the international benchmarks;
- Plastics, Elastomers & Intermediates revenue decreased by 10.6% to RUB 152,805 million from RUB 171,003 million mainly due to average selling prices decline for all products groups;
- Midstream segment revenue decreased by 11.5% to RUB 213,030 million from RUB 240,818 million largely due to lower selling prices for LPG and naphtha;
- Unallocated revenue increased by 6.8% to RUB 59,754 million from RUB 55,964 million, which was mainly driven by higher revenue from NIPIGAS services.

For a detailed discussion on **results in each operating segment** see "Segment Information"

Operating Expenses

The following table presents a breakdown of our operating expenses for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of revenue	2018	% of revenue	
Feedstock and materials	118,087	22.2%	130,669	23.0%	(9.6%)
Transportation and logistics	79,387	14.9%	75,021	13.2%	5.8%
Staff costs	46,340	8.7%	43,171	7.6%	7.3%
Energy and utilities	42,702	8.0%	39,839	7.0%	7.2%
Depreciation and amortisation	39,836	7.5%	35,510	6.2%	12.2%
Services provided by third parties	29,582	5.6%	29,646	5.2%	(0.2%)
Goods for resale	24,481	4.6%	32,512	5.7%	(24.7%)
Repairs and maintenance	9,415	1.8%	12,792	2.2%	(26.4%)
Processing services of third parties	3,796	0.7%	3,696	0.6%	2.7%
Taxes other than income tax	3,032	0.6%	3,983	0.7%	(23.9%)
Charity and sponsorship, marketing and advertising	2,681	0.5%	2,297	0.4%	16.7%
Rent expenses	517	0.1%	1,603	0.3%	(67.7%)
Impairment of PPE	293	0.1%	416	0.1%	(29.6%)
Gain on disposal of PPE	(131)	n/m	(4,503)	(0.8%)	(97.1%)
Change in WIP and refined products balances	(451)	(0.1%)	(6,247)	(1.1%)	(92.8%)
Other	1,848	0.3%	3,161	0.6%	(41.5%)
Operating expenses	**401,415**	**75.6%**	**403,566**	**71.0%**	**(0.5%)**

In 2019, our operating expenses were almost flat at RUB 401,415 million compared to RUB 403,566 million in 2018. The decline was mainly driven by a decrease in feedstock costs largely on lower international benchmarks and substantial decrease in goods for resale, almost fully compensated by change in WIP and refined products balances as well as increase in transportation and logistics and depreciation and amortisation lines.

Feedstock and Materials

In 2019, our feedstock and materials costs decreased by 9.6% year-on-year to RUB 118,087 million from RUB 130,669 million, decreasing as a percentage of total revenue to 22.2% from 23.0% in 2018. The decrease was largely driven by (i) lower expenses related to purchases of hydrocarbon feedstock mainly due to the decrease in the respective export netbacks, (ii) lower purchases of materials and spare parts used by NIPIGAS, and (iii) higher amount of recoverable excise.

The following table presents information on our costs related to purchasing of feedstock and materials for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of feedstock and materials expenses	2018	% of feedstock and materials expenses	
NGLs	57,668	48.8%	63,234	48.4%	(8.8%)
APG	29,790	25.2%	30,445	23.3%	(2.2%)
Paraxylene	4,295	3.6%	9,174	7.0%	(53.2%)
Benzene	3,976	3.4%	5,001	3.8%	(20.5%)
Change of stock	(3,950)	(3.3%)	(2,875)	(2.2%)	37.4%
Other feedstock and materials	26,308	22.3%	25,690	19.7%	2.4%
Feedstock and materials, total	**118,087**	**100.0%**	**130,669**	**100.0%**	**(9.6%)**

In 2019, our expenses related to purchases of NGLs decreased by 8.8% year-on-year to RUB 57,668 million from RUB 63,234 million, remaining largely unchanged year-on-year as a percentage of total feedstock and materials expenses at 48.8%. As our feedstock purchase prices are formula-based and linked to international benchmarks for liquids, we recorded a decrease in expenses largely attributable to decline in the effective average purchase price by 19.6% due to decrease in international benchmarks, which was partially compensated by a structural change in NGLs consumption with marginal growth of more expensive naphtha. This factor was partially compensated by a 13.5% increase in purchasing volumes, or 469,937 tonnes in absolute terms, mainly attributable to: (i) higher volumes of raw NGL under supply contract with Surgutneftegas, (ii) new supply arrangements for naphtha deliveries to our crackers in Tomsk and Kstovo.

In 2019, our expenses related to purchases of APG decreased by 2.2% year-on-year to RUB 29,790 million from RUB 30,445 million, increasing as a percentage of total feedstock and materials expenses to 25.2% from 23.3%. The decrease in expenses in absolute terms was primarily driven by our formula-based supply contracts resulting in the effective average purchase price decline by 3.6% backed by lower international benchmarks for liquids and partially compensated by a 3.4% indexation of regulated natural gas prices as of 21 August 2018 and a 1.4% indexation as of 1 July 2019. This factor was partially compensated by a 1.5% increase in APG purchasing volumes due to higher supplies from Rosneft on higher oil production on certain oilfields.

In 2019, our expenses related to purchases of paraxylene decreased significantly year-on-year to RUB 4,295 million from RUB 9,174 million due to the implementation of PTA capacity expansion project and the following maintenance shutdown at our production site in Bashkortostan, which were accompanied by growth in external purchases of terephthalic acid for PET and DOTP production.

Other feedstock and materials expenses increased by 2.4% year-on-year to RUB 26,308 million from RUB 25,690 million mainly due to increase in external purchases of terephthalic acid, almost fully offset by (i) lower purchases of materials and spare parts used by NIPIGAS under project management and construction services as some of its projects move to completion, as well as (ii) higher amount of recoverable excise due to increase both in excise rate and volumes of processed naphtha.

Transportation and Logistics

In 2019, our transportation and logistics expenses increased by 5.8% year-on-year to RUB 79,387 million from RUB 75,021 million in 2018, increasing as a percentage of total revenue to 14.9% from 13.2% a year earlier. The increase was mainly explained by transfer of in-house transportation services to PTC LLC, a JV between SIBUR and SG-Trans. As a result, all logistic expenses related to railcar transportation are treated external starting 4th quarter 2018. We also observed a 3.6% indexation in railroad transportation tariffs by the FAS in January 2019 (see "Transportation Tariffs" in "Certain Factors Affecting Our Results of Operations") and Russian rouble depreciation. These factors were partially offset by application of IFRS 16 for lease contracts of shipping vessels effective 1 January 2019.

Staff Costs

In 2019, our staff costs increased by 7.3% year-on-year to RUB 46,340 million from RUB 43,171 million, increasing as a percentage of total revenue to 8.7% from 7.6% a year earlier. The increase in absolute terms was primarily attributable to (i) the growth in headcount of NIPIGAS as a result of the expansion of its operations, as well as (ii) increase in average salaries reflecting indexation in the mid-2018 and early 2019, partially offset by changes in perimeter and decrease in the headcount as of 31 December 2019. Our average headcount totalled 25,951 employees in 2019, down from 27,270 employees in 2018.

Energy and Utilities

In 2019, our energy and utilities expenses increased by 7.2% year-on-year to RUB 42,702 million from RUB 39,839 million, increasing as a percentage of total revenue to 8.0% from 7.0%. The increase in absolute terms was primarily attributable to higher electricity tariffs to compensate for capital expenditures of generating companies under the CDA (Capacity Delivery Agreement) modernization program.

Our effective average electricity and fuel tariffs were up by 9.8% and 2.9%, respectively, while our effective average heat tariff was almost flat. The decrease in heat costs was mainly driven by the divestment of petrochemical facilities located in Togliatti in the 4th quarter of 2019.

The following table presents data on our energy and utilities costs for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of total energy and utilities	2018	% of total energy and utilities	
Electricity	26,886	63.0%	23,978	60.2%	12.1%
Fuel (primarily natural gas)	8,806	20.6%	8,541	21.4%	3.1%
Heat	4,541	10.6%	5,036	12.6%	(9.8%)
Other	2,469	5.8%	2,284	5.7%	8.1%
Energy and utilities, total	**42,702**	**100.0%**	**39,839**	**100.0%**	**7.2%**

Depreciation and amortisation

In 2019, our depreciation and amortisation expenses increased by 12.2% year-on-year to RUB 39,836 million from RUB 35,510 million, increasing as a percentage of total revenue to 7.5% from 6.2%. The increase was mainly driven by right-of-use assets depreciation under IFRS 16.

Services Provided by Third Parties

In 2019, our expenses related to services provided by third parties were largely flat at RUB 29,582 million, increasing as a percentage of total revenue to 5.6% from 5.2%.

Goods for Resale

In 2019, our expenses related to purchases of goods for resale decreased by 24.7% year-on-year to RUB 24,481 million from RUB 32,512 million, decreasing as a percentage of total revenue to 4.6% from 5.7%. The decrease was largely attributable to lower volumes of MTBE purchased from Uralorgsintez under the trading arrangement, partly compensated by higher elastomers purchases for resale following the sale of Togliatti-based assets.

Repairs and maintenance

In 2019, our repairs and maintenance expenses decreased by 26.4% year-on-year to RUB 9,415 million from RUB 12,792 million, decreasing as a percentage of total revenue to 1.8% from 2.2%. The decrease was mainly driven by the sale of own LPG tank fleet to PTC LLC, lengthy maintenance shutdowns in 2018 and transition to extended overhaul period at certain production sites starting 2019.

Change in Work in Progress and Refined Products Balances

In 2019, we recorded a reversal to our operating expenses in the amount of RUB 451 million compared to a reversal in the amount of RUB 6,247 million a year earlier. Increase in refined product balances due to the ZapSibNeftekhim production buildup in the 4th quarter of 2019 did not result in additional charge to our operating expenses due to the high balances as of the 2018 year-end. A material reversal of 2018 was largely attributable to the accumulation of (i) refined products due to maintenance shutdowns at our production sites, inter alia as part of expansion project, as well as (ii) naphtha and LPG for export sales in transit.

Operating Profit

In 2019, our operating profit decreased by 21.3% year-on-year to RUB 129,891 million from RUB 165,081 million. The corresponding operating margin totalled 24.4% and 29.0% in 2019 and 2018, respectively.

Net Finance (Expense)/Income

In 2019, we reported a net finance income of RUB 37,424 million versus RUB 29,359 million expense in 2018, which was largely attributable to significant foreign exchange gain incurred in 2019.

The following table presents data on our finance income and expenses for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December		Change, %
	2019	2018	
Interest income	1,189	1,464	(18.8%)
Interest expense	(2,150)	(945)	>100%
Foreign exchange gain/(loss)	39,881	(28,888)	n/m
Other finance expense	(1,496)	(990)	51.1%
Net finance income/(expense)	**37,424**	**(29,359)**	**n/m**

In 2019, we recorded a non-cash foreign exchange gain in the amount of RUB 39,881 million compared to RUB 28,888 million loss reported in 2018. The gain from financing activities in 2019 was mainly attributable to the appreciation of the Russian ruble against US dollar and euro as of 31 December 2019 compared to the end of 2018 and respective revaluation of debt denominated in these currencies.

In 2019, our interest expense increased to RUB 2,150 million from RUB 945 million in 2018 mainly due to application of IFRS 16 effective 1 January 2019. The total accrued interest amounted to RUB 17,679 million and RUB 14,695 million in 2019 and 2018, respectively.

Gain/(loss) on disposal of subsidiary

In 2019, we recognized a gain of RUB 1,940 million on disposal of subsidiary following the sale of petrochemical facilities in Togliatti to Tatneft. The gain represents the difference between cash consideration and net book value of the asset as of the disposal date.

Share of net income of joint ventures and associates

In 2019, we recorded a share in net income of joint ventures and associates in the amount of RUB 6,970 million compared to RUB 3,173 million reported in 2018. The increase was largely attributable to the higher income of RusVinyl mainly due to foreign exchange dynamics related to their debt.

Income Tax Expense

In 2019, we recorded an income tax expense in the amount of RUB 34,858 million compared to RUB 27,493 million recorded in 2018. The increase was driven by higher pre-tax profit due to foreign exchange gain received in 2019 compared to the loss reported in the previous year, partly offset by lower operating profit.

Profit for the Reporting Period

In 2019, our profit increased by 27.6% year-on-year to RUB 141,367 million from RUB 110,760 million in 2018 on factors described above. Our net margin totalled 26.6% and 19.5% in 2019 and 2018, respectively.

Segment information

The following table presents selected financial information by segment for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December		Change, %
	2019	2018	
Revenue incl. Inter-Segment Transfers	**609,848**	**658,007**	**(7.3%)**
Olefins & Polyolefins	135,537	130,899	3.5%
Plastics, Elastomers & Intermediates	156,409	174,006	(10.1%)
Midstream	255,523	294,790	(13.3%)
Unallocated	62,379	58,312	7.0%
External Revenue	**531,306**	**568,647**	**(6.6%)**
Olefins & Polyolefins	105,717	100,862	4.8%
Plastics, Elastomers & Intermediates	152,805	171,003	(10.6%)
Midstream	213,030	240,818	(11.5%)
Unallocated	59,754	55,964	6.8%
EBITDA	**170,020**	**201,007**	**(15.4%)**
Olefins & Polyolefins	48,979	37,679	30.0%
PDH-PP production in Tobolsk	21,965	16,437	33.6%
Plastics, Elastomers & Intermediates	19,511	34,816	(44.0%)
Midstream	99,788	127,107	(21.5%)
Unallocated	1,742	1,405	24.0%
EBITDA margin①	**32.0%**	**35.3%**	
Olefins & Polyolefins	36.1%	28.8%	
PDH-PP production in Tobolsk	50.0%	46.0%	
Plastics, Elastomers & Intermediates	12.5%	20.0%	
Midstream	39.1%	43.1%	
Unallocated	2.8%	2.4%	
Adjusted EBITDA②	**178,442**	**205,529**	**(13.2%)**
Olefins & Polyolefins	59,255	46,507	27.4%
Plastics, Elastomers & Intermediates	19,415	34,611	(43.9%)
Midstream	100,411	127,771	(21.4%)
Unallocated	(639)	(3,360)	(81.0%)

① The Segment's EBITDA margin is calculated as the Segment's EBITDA divided by the Segment's Revenue incl. Inter-Segment Transfers. The Group's EBITDA margin is calculated as the Group's EBITDA divided by the Group's External Revenue.

② Adjusted EBITDA includes the Group's portion of EBITDA of joint ventures and associates and excludes the non-controlling interest portion of EBITDA of subsidiaries.

Olefins & Polyolefins Segment

The following table presents selected financial information for the Olefins & Polyolefins segment for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of external revenue	2018	% of external revenue	
Revenue incl. Inter-Segment Transfers	135,537		130,899		3.5%
External Revenue	105,717		100,862		4.8%
PP	57,202	54.1%	48,417	48.0%	18.1%
PE (LDPE)	18,588	17.6%	20,496	20.3%	(9.3%)
BOPP-films	18,336	17.3%	18,471	18.3%	(0.7%)
Ethylene	6,932	6.6%	7,726	7.7%	(10.3%)
Other polymers products	3,509	3.3%	4,930	4.9%	(28.8%)
Other sales	1,150	1.1%	822	0.8%	39.9%
EBITDA	48,979		37,679		30.0%
EBITDA margin①	36.1%		28.8%		
including					
EBITDA of PDH-PP production in Tobolsk	21,965		16,437		
EBITDA margin of PDH-PP production in Tobolsk	50.0%		46.0%		
JV contribution (the Group's portion of EBITDA of joint ventures and associates)	10,276		8,828		16.4%
Adj. EBITDA	59,255		46,507		27.4%

The following table presents selected operational information for the Olefins & Polyolefins segment for the years ended 31 December 2019 and 2018:

Tonnes, except as stated	Year ended 31 December		Change, %
	2019	2018	
External Sales Volumes			
PP	736,682	583,242	26.3%
PE (LDPE)	260,621	262,311	(0.6%)
BOPP-films	153,241	152,049	0.8%
Olefins	164,531	157,767	4.3%

① The Segment's EBITDA margin is calculated as the Segment's EBITDA divided by the Segment's Revenue incl. Inter-Segment Transfers.

External Revenue

Our Olefins & Polyolefins external revenue increased by 4.8% mainly due to positive dynamics in PP, partly offset by the decline in revenue from LDPE and Ethylene sales.

Polypropylene (PP)

In 2019, our revenue from sales of PP increased by 18.1% to RUB 57,202 million from RUB 48,417 million in the corresponding period of 2018 on a 26.3% increase in sales volumes despite a 6.5% decrease in the effective average selling price. The increase in sales volumes was caused by start of PP production at ZapSibNeftekhim and higher PP production in Tobolsk and Tomsk due to a shorter maintenance shutdown in 2019. Our effective selling price decreased as PP markets were under pressure following capacity additions in Asia, as well as lower feedstock prices (naphtha and LPG) caused by decline in oil prices, as well as imbalances on hydrocarbon feedstock markets. Despite negative dynamics on export market, prices for PP were almost flat on the domestic market as a result of temporary PP supply disruptions in the first half of 2019 year due to unplanned maintenance shutdowns in Russia and CIS. In 2019, domestic sales accounted for 64.3% of total PP revenue, while 35.7% was attributable to export sales.

Low Density Polyethylene (LDPE)

In 2019, our revenue from sales of LDPE decreased by 9.3% to RUB 18,588 million from RUB 20,496 million in the corresponding period of 2018 on an 8.7% decrease in the effective average selling price while sales volumes were almost flat. The decrease of our effective average selling price was caused by negative dynamics of the international benchmarks driven by ramp-ups of US and Asia capacities newly added in 2018, as well as lower feedstock prices. In 2019, our domestic sales accounted for 66.3% of total LDPE revenue, 33.7% was attributable to export sales.

BOPP-films

In 2019, our revenue from BOPP-film sales was largely flat year-on-year at RUB 18,336 million, where domestic sales accounted for 65.5% of total BOPP-film revenue and 34.5% was attributable to export sales.

Ethylene

In 2019, our external revenue from olefins sales represented by ethylene decreased by 10.3% to RUB 6,932 million from RUB 7,726 million in the corresponding period of 2018. The decrease was largely attributable to a 14.0% decline in the effective average selling price in line with the negative trend on the international markets. Sales volumes increased by 4.3% due to a shorter maintenance shutdown in 2019 at our JV RusVinyl, which is our key customer of ethylene. We sell 100% of produced ethylene in Russia.

EBITDA

Our Olefins & Polyolefins EBITDA increased by 30.0% mainly due to declining feedstock purchase price coupled with growth in PP sales volumes, partially offset by lower selling prices.

EBITDA margin increased to 36.1% from 28.8% year-on-year. The higher margin was driven by decreased feedstock prices.

Our share in EBITDA of joint ventures and associates increased by RUB 1,448 million thanks to acquisition of the remaining share stake in Poliom from Titan Group as well as wider spread between PVC prices and ethylene feedstock in RusVinyl.

Plastics, Elastomers & Intermediates Segment

The following table presents selected financial information for the Plastics, Elastomers & Intermediates segment for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December 2019	% of external revenue	2018	% of external revenue	Change, %
Revenue incl. Inter-Segment Transfers	156,409		174,006		(10.1%)
External Revenue	152,805		171,003		(10.6%)
Elastomers	55,048	36.0%	55,021	32.2%	0.0%
Plastics and organic synthesis products	50,989	33.4%	59,878	35.0%	(14.8%)
Intermediates and other chemicals	24,650	16.1%	25,137	14.7%	(1.9%)
MTBE and fuel additives	20,746	13.6%	29,753	17.4%	(30.3%)
Other sales	1,372	0.9%	1,214	0.7%	13.0%
EBITDA	19,511		34,816		(44.0%)
EBITDA margin①	12.5%		20.0%		
Adj. EBITDA	19,415		34,611		(43.9%)

The following table presents selected operational information for the Plastics, Elastomers & Intermediates segment for the years ended 31 December 2019 and 2018:

Tonnes, except as stated	Year ended 31 December 2019	2018	Change, %
External Sales Volumes			
Plastics and organic synthesis products	793,382	799,674	(0.8%)
Elastomers	528,842	486,001	8.8%
MTBE and fuel additives	517,046	677,546	(23.7%)
Intermediates and other chemicals	541,654	483,132	12.1%

External Revenue

Our Plastics, Elastomers & Intermediates segment external revenue decreased by 10.6% as we observed negative pricing dynamics across all product groups due to lower international benchmarks.

Elastomers

In 2019, our revenue from elastomers sales was almost flat at RUB 55,048 million compared to RUB 55,021 million in 2018. An 8.1% decrease in the effective average selling price driven by negative dynamics of international benchmarks was more than compensated by an 8.8% increase in sales volumes mainly due to higher contractual obligations and change in inventory balances. We also recorded increase in purchases for resale under trading arrangements following the sale of Togliatti-based assets, which was not accompanied by a corresponding decrease in production volumes due to: (i) biennial maintenance shutdown schedule, (ii) additional volumes of available feedstock coming from ZapSibNeftekhim that operated in a test mode. In 2019, export sales accounted for 66.0% of total elastomers revenue, while 34.0% was attributable to domestic sales.

① The Segment's EBITDA margin is calculated as the Segment's EBITDA divided by the Segment's Revenue incl. Inter-Segment Transfers.

Plastics and organic synthesis products

In 2019, our revenue from sales of plastics and organic synthesis products decreased by 14.8% year-on-year to RUB 50,989 million from RUB 59,878 million on a 14.2% decrease in the effective average selling price while sales volumes were almost flat. The decline in the effective average selling prices was attributable to the overall negative price dynamics across the product group largely in line with weakening of the international benchmarks. In 2019, domestic sales accounted for 74.9% of total plastics and organic synthesis products revenue, while 25.1% was attributable to export sales.

MTBE and fuel additives

In 2019, our revenue from MTBE and fuel additives sales decreased by 30.3% year-on-year to RUB20,746 million from RUB 29,753 million due to a 23.7% decrease in sales volumes and an 8.6% decrease in the effective average selling price. The decrease in MTBE sales volumes was caused by lower purchases from 3rd parties under trading arrangements. Lower average selling price in the reporting period was mainly driven by decline in international benchmark prices. In 2019, our share of domestic sales decreased to 53.1% of total MTBE and fuel additives revenue from 72.0% in 2018, while 46.9% and 28.0%, respectively, were derived from export sales.

Intermediates and other chemicals

In 2019, our revenue from sales of intermediates and other chemicals decreased by 1.9% year-on-year to RUB 24,650 million from RUB 25,137 million. The decrease was largely attributable to lower international market prices. This was partially offset by higher sales volumes, primarily of other intermediates as higher share of naphtha feedstock for our crackers resulted in higher by-product yield. In 2019, our share of domestic sales decreased to 72.0% of total intermediates and other chemicals revenue from 81.2% in 2018, while 28.0% and 18.8%, respectively, were derived from export sales.

EBITDA

Our Plastics, Elastomers & Intermediates EBITDA decreased by 44.0% primarily due to (i) tighter spreads compared to last year's high base, (ii) higher feedstock prices caused by purchases of terephthalic acid from third parties during the implementation of PTA capacity expansion project and the following maintenance shutdown at our production site in Bashkortostan, as well as (iii) increase in fixed costs, such as energy and staff costs.

The segment EBITDA margin totalled 12.5%, a year-on-year decrease from 20.0%. The lower margin was largely attributable to the decline in international benchmarks for end-products, as well as higher cost base.

Midstream Segment

The following table presents selected financial information for the Midstream segment for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of external revenue	2018	% of external revenue	
Revenue incl. Inter-Segment Transfers	255,523		294,790		(13.3%)
External Revenue	213,030		240,818		(11.5%)
LPG	122,659	57.6%	152,206	63.2%	(19.4%)
Natural gas	51,303	24.1%	49,067	20.4%	4.6%
Naphtha	36,586	17.2%	37,572	15.6%	(2.6%)
Other sales	2,482	1.2%	1,973	0.8%	25.8%
EBITDA	99,788		127,107		(21.5%)
EBITDA margin①	39.1%		43.1%		
Adj. EBITDA	100,411		127,771		(21.4%)

The following table presents selected operational information for the Midstream segment for the years ended 31 December 2019 and 2018:

Tonnes, except as stated	Year ended 31 December		Change, %
	2019	2018	
Raw NGL production	5,416,134	5,416,730	n/m
Raw NGL purchases	2,937,349	2,689,251	9.2%
Raw NGL fractionation	(7,738,725)	(7,712,269)	0.3%
Naphtha purchases	1,005,175	762,233	31.9%
External Sales			
LPG	5,144,877	5,357,156	(4.0%)
Natural gas (thousands of cubic metres)	18,816,539	18,519,244	1.6%
Naphtha	1,172,100	1,045,064	12.2%

External Revenue

Our Midstream segment's external revenue decreased by 11.5% year-on-year due to lower selling prices on LPG and naphtha following the decline in international benchmarks. This factor was partly compensated by higher sales volumes of naphtha.

Liquefied Petroleum Gases (LPG)

In 2019, our revenue from LPG sales decreased by 19.4% year-on-year to RUB 122,659 million from RUB 152,206 million on a 16.1% decrease in the effective average selling price and a 4.0% decrease in sales volumes. The decrease in our effective average selling price was driven by negative dynamics in international market prices. Our external sales volumes decreased mainly due to higher internal use of LPG at our of ZapSib cracker that operated in a test mode and PDH facility in Tobolsk that was on a lengthy maintenance shutdown in 2018. These factors were partially compensated by (i) lower internal use of LPG at our crackers in Tomsk and Kstovo following a shift towards higher share of naphtha feedstock, and (ii) higher volumes of LPG purchased under trading arrangements. In 2019, our export sales accounted for 71.0% of total LPG revenue, while 29.0% was attributable to domestic sales.

① The Segment's EBITDA margin is calculated as the Segment's EBITDA divided by the Segment's Revenue incl. Inter-Segment Transfers.

Natural Gas

In 2019, our revenue from natural gas sales increased by 4.6% year-on-year to RUB 51,303 million from RUB 49,067 million on a 2.9% increase in the effective average selling price and a 1.6% increase in sales volumes. The increase in the effective average selling price was attributable to the regulated natural gas prices indexation. Our sales volumes increased in line with volumes of processed APG. We sell 100% of our natural gas in Russia.

Naphtha

In 2019, our revenue from naphtha sales decreased by 2.6% year-on-year to RUB 36,586 million from RUB 37,572 million as a 12.2% increase in sales volumes was more than offset by a 13.2% decline in the effective average selling price. The decrease in our effective average selling price was driven by negative dynamics in international market prices. Our sales volumes increased mainly due to higher production volumes of naphtha at our gas fractionation units. We also redirected internally produced naphtha to external sales and used purchased naphtha at our crackers to take advantage of logistic savings. In 2019, our export sales accounted for 74.8% of total naphtha revenue, 25.2% was attributable to domestic sales.

EBITDA

In 2019, our Midstream EBITDA decreased by 21.5% year-on-year to RUB 99,788 million from RUB 127,107 million primarily due to decline in selling prices. This factor was partly compensated by (i) lower purchase prices for NGLs, (ii) the Group's adoption of IFRS 16 starting 1 January 2019, and (iii) growth of naphtha sales volumes.

In 2019, the segment EBITDA margin totalled 39.1%, a year-on-year decrease from 43.1%. The lower margin was mainly attributable to narrowing spreads between purchased hydrocarbon feedstock and NGLs selling prices.

Liquidity and capital resources

Cash Flow

The following table presents selected data on our net cash flows for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December		Change, %
	2019	2018	
Net cash from operating activities	124,468	160,409	(22.4%)
Operating cash flows before working capital changes	168,472	194,796	(13.5%)
Changes in working capital	(8,207)	(9,805)	(16.3%)
Income tax paid	(35,797)	(24,582)	45.6%
Net cash used in investing activities, including	(125,555)	(133,286)	(5.8%)
Capital expenditures	(150,378)	(151,438)	(0.7%)
Grants and subsidies①	17,215	9,536	80.5%
Proceeds from disposal of subsidiaries, net of cash disposed	11,300	—	n/m
Proceeds from sale of property, plant and equipment	1,556	9,617	(83.8%)
Net cash from/(used in) financing activities, including	4,389	(63,857)	n/m
Net proceeds from / (repayment of) debt	65,686	(22,266)	n/m
Dividends paid to the Company's shareholders	(41,524)	(27,126)	53.1%
Interest paid	(13,360)	(13,569)	(1.5%)
Repayment of lease liabilities	(5,818)	—	n/m
Effect of exchange rate changes on cash and cash equivalents	(642)	3,060	n/m
Net (decrease)/increase in cash and cash equivalents	**2,660**	**(33,674)**	**n/m**

*To improve presentation and reliability of information in the consolidated statement of cash flows the Group reclassified grants and subsidies received from financing to investing activities.

Net Cash from Operating Activities

In 2019, our net cash from operating activities decreased by 22.4% year-on-year to RUB 124,468 million from RUB 160,409 million. Our operating cash flows before working capital changes decreased by 13.5% year-on-year on the back of lower EBITDA. Changes in working capital had a negative impact on our net cash from operating activities in the amount of RUB 8,207 million as compared to a negative effect of RUB 9,805 million a year earlier. Working capital changes were primarily attributable to NIPIGAS operations. Our income tax paid increased by 45.6% as a result of (i) higher pre-tax profit for the reporting period due to substantial financial income recognised in the period, (ii) one-off gain recognised following the sale of LPG tank car fleet in the 4th quarter 2018 and (iii) utilisation of prepaid taxes in the first quarter of 2018.

The following table presents data on changes in working capital for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December	
	2019	2018
(Decrease)/Increase in advances received under project management and construction services	(22,313)	45,375
Increase in trade and other payables	70,554	26,127
Increase in taxes payable	120	2,413
Increase in trade and other receivables	(73,685)	(25,138)
Increase in prepayments and other current assets	(1,484)	(2,553)
Increase in inventories	(2,783)	(8,082)
Decrease/(increase) in advances issued under project management and construction services	21,384	(47,947)
Changes in working capital	**(8,207)**	**(9,805)**

SIBUR's management monitors its liquidity and operational efficiency on the basis of the adjusted working capital (see "Appendix I" for further details). Our adjusted working capital was positive at RUB 38,042 million as of 31 December 2019. Our working capital turnover days increased to 26.1 as of 31 December 2019 from 16.0 as of 31 December 2018.

Our net working capital balance may fluctuate from period to period due to factors within or outside our control, such as market conditions, our tactical marketing initiatives in response to changes in market conditions, logistical constraints as well as completion of major investment projects, which could require substantial inventory accumulation, as well as our activities under project management and construction services.

Net Cash Used in Investing Activities

In 2019, our net cash used in investing activities decreased by 5.8% year-on-year to RUB 125,555 million from RUB 133,286 million on lower capital expenditures on ZapSib due to the advanced stage of the project, partly compensated by higher expenses related to new projects. Throughout 2019, we received RUB 17,215 million of grants and subsidies compared to RUB 9,536 million in 2018. Proceeds in the amount of RUB 11,300 million were received in 2019 from the divestment of petrochemical facilities located in Togliatti compared to RUB 9,475 million the Group received in 2018 from sale of its own tanks for LPG transportation.

Net Cash Used in Financing Activities

In 2019 our net cash received from financing activities amounted to RUB 4,389 as opposed to the net cash used in financing activities in the amount of RUB 63,857 million in 2018. The change was mainly driven by new Eurobond issue in September 2019 and ECA drawdowns for ZapSib funding as opposed to the repayment of Eurobonds 2013 (USD 443 mln) in the 4th quarter of 2018. This was partially offset by higher dividend payouts as compared to the corresponding period of 2018 and repayment of lease liabilities under IFRS 16. We paid RUB 41,524 million and RUB 27,126 million in dividends to the Group's shareholders in 2019 and 2018, respectively.

Capital Expenditures

In 2019, our CapEx① remained flat year-on-year and equalled to RUB 150,378 million (net of VAT) compared to RUB 151,438 million in 2018. ZapSib financing decreased due to the advanced stage of the project by 26.1% to RUB 83,064 million from RUB 112,369 million in 2018. This factor was partly compensated by increase in expenses related to new projects, mainly comprised by infrastructure projects in Tobolsk. Maintenance CapEx (see Appendix II for details)② increased by 17.5% year-on-year to RUB 13,577 million in 2019 from RUB 11,554 million in 2018.

As a major investor in infrastructure and social projects in the regions where it operates, SIBUR has signed cooperation agreements with a number of regional authorities, including investment and financial support agreements. Under these agreements, the Company is entitled to a partial refund of capital expenditures incurred in the respective regions subject to certain conditions. During the years ended 31 December 2019 and 2018 the amounts of government subsidies received were RUB 17,215 million and RUB 9,536 million respectively.

ZapSibNeftekhim ("ZapSib") is designed to operate (i) a world-scale ethylene cracking unit with an annual capacity of 1.5 million tonnes, that will also produce 525 thousand tonnes of propylene and 223 thousand tonnes of butadiene and fuel components (technology provided by Linde), and (ii) polyolefin units with an annual capacity of 1.5 million tonnes of polyethylene (technology provided by INEOS) and 500 thousand tonnes of polypropylene (technology provided by LyondellBasell). This is a greenfield construction near our Tobolsk production site, and the facility will have direct access to the existing fractionation capacity. Positioned in the first quartile on the global IHS ethylene cost curve, ZapSib is expected to be one of the lowest-cost projects globally with cost advantage driven by competitive feedstock price (LPG netback in Western Siberia), economy of scale, as well as low energy and labour costs in Russia.

During 2019, construction and pre-commissioning works at all technological and production units were completed. As of 31 December 2019, commissioning and start-up works were at advanced stage. Polypropylene unit was put-in-use, while steam cracker and polyethylene units were operating in a test mode.

The residual capital expenditures for the project was estimated by the Company at USD 0.8③ billion as of 31 December 2019 with the following currency structure: approximately 48% denominated in Russian rubles, approximately 19% in US dollars and 33% in euro.

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SIBUR's Board of Directors has approved the 2020 capital expenditures budget in the amount of RUB 126 billion (net of VAT). These amounts represent investments into projects approved by the Investment committee, and 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 and exclude investments under joint ventures, loans issued to joint ventures or acquisitions.

The Board of Directors may review the budget during the year in case of changes in macroeconomic and market environment.

① Includes purchase of property, plant and equipment, intangible assets and other non-current assets.
② Total maintenance expenses include maintenance CAPEX and OPEX Repairs and Maintenance line.
③ The respective residual expenditures are calculated at the respective foreign exchange rates as of 31 December 2019.

Borrowings

As of 31 December 2019, our total debt amounted to RUB 379,739 million, an increase of 14.2% from RUB 332,411 million as of 31 December 2018. The increase was attributable to (i) new Eurobond issue, (ii) Group's adoption of IFRS 16 from 1 January 2019, and (iii) new drawdowns from credit facilities for ZapSib funding. On 23 September 2019, we placed five-year Eurobond due 2024, raising USD 500 million in gross proceeds. The coupon rate was set at 3.45% per annum and will be paid semi-annually. These factors were partially offset by the appreciation of the Russian ruble against the US dollar and euro.

Our net debt① increased by 14.1% to RUB 362,296 million as of 31 December 2019 from RUB 317,628 million as of 31 December 2018 following the increase in total debt.

The following table presents data on our total debt, cash and cash equivalents, as well as net debt position as of 31 December 2019 and 31 December 2018:

RUB millions	As of 31 December 2019	As of 31 December 2018	Change, %
Total debt	**379,739**	**332,411**	**14.2%**
Debt excluding related to ZapSib	116,213	86,637	34.1%
ZapSib related debt	248,202	245,774	1.0%
Lease liabilities	15,324	—	n/m
Cash and cash equivalents	17,443	14,783	18.0%
Net debt	**362,296**	**317,628**	**14.1%**
Net debt excluding related to ZapSib	119,390	74,770	59.7%
ZapSib related net debt	242,906	242,858	0.0%

As of 31 December 2019 all of our debt was unsecured.

① Net debt is calculated as total debt less cash and cash equivalents.

The following table presents detailed information on our total borrowings as of 31 December 2019 and 31 December 2018:

RUB millions, except as stated	Currency	Due	As of 31 December 2019	As of 31 December 2018
Variable rate loans				
National Wealth Fund financing (ZapSib related)	USD	2030	108,335	121,574
Deutsche Bank (ZapSib related ECA)	EUR	2020-2029	83,726	78,380
Gazprombank	RUB	2023	32,000	22,000
New Development Bank (ZapSib related)	USD	2021-2028	8,029	—
Raiffeisen Bank	USD	2025	7,552	—
Citibank	USD	2022	619	695
ING Bank Group	EUR	2011-2021	149	285
Other	RUB	2023	104	—
ING Bank Group (ZapSib related ECA)	EUR	2013-2029	—	2,705
Deutsche Bank	EUR	2014-2019	—	4,274
UniCredit Bank	EUR	2013-2019	—	253
Total variable rate loans			240,514	230,166
Fixed rate loans				
Eurobonds 2024	USD	2024	30,818	—
Vnesheconombank (ZapSib related)	USD	2021-2025	24,625	16,564
Russian ruble bonds	RUB	2019-2021	20,000	30,000
Eurobonds 2023	USD	2023	18,985	21,285
Credit Agricole (ECA financing)	EUR	2019-2029	18,180	13,293
Russian Direct Investment Fund (ZapSib related)	USD	2018-2020	5,307	13,258
UniCredit Bank Group	RUB	2022	4,987	4,980
Monotowns Development Fund	RUB	2021-2026	1,000	1,000
Gazprombank	RUB	2019	—	1,865
Total fixed rate loans			123,902	102,245
Total debt			**364,416**	**332,411**

SIBUR maintains a diversified debt portfolio with a balance of fixed and floating interest rate instruments. As of 31 December 2019, our share of fixed rate borrowings (including lease liabilities) increased to 36.7% from 30.8% as of 31 December 2018. Our share of variable rate borrowings decreased to 63.3% as of 31 December 2019 from 69.2% as of 31 December 2018. These changes were attributable to the new Eurobond placement with fixed interest rate.

Our weighted average interest rate on Russian rouble-denominated borrowings was 8.2% and 9.2% as of 31 December 2019 and 31 December 2018, respectively. US dollar-denominated borrowings' weighted average interest rate was 3.5% and 4.0% as of 31 December 2019 and 31 December 2018, respectively. Weighted average interest rate on euro-denominated borrowings was 1.2% as of 31 December 2019 and 1.1% compared to 31 December 2018.

The following table presents weighted average loan tenors of our outstanding debt as of 31 December 2019 and 31 December 2018:

	As of 31 December 2019	As of 31 December 2018
WA loan tenor (years)	6.0	7.1
WA debt excluding related to ZapSib	3.4	3.1
WA ZapSib related debt	7.3	8.5

The following table presents the currency split of our outstanding debt as of 31 December 2019 and 31 December 2018:

RUB millions, except as stated	As of 31 December 2019	% of total borrowings	As of 31 December 2018	% of total borrowings	Change, %
Denominated in:					
Russian ruble	61,717	16.3%	59,844	18.0%	3.1%
Euro	102,234	26.9%	99,191	29.8%	3.1%
US Dollar	215,788	56.8%	173,376	52.2%	24.5%
Total debt	**379,739**	**100.0%**	**332,411**	**100.0%**	**14.2%**

The following table presents our key liquidity and credit ratios as of 31 December 2019 and 31 December 2018:

	As of 31 December 2019	As of 31 December 2018
Current ratio	1.0x	0.9x
Debt / EBITDA	2.2x	1.7x
Debt / EBITDA (in USD)	2.3x	1.5x
Net debt / EBITDA[1]	2.1x	1.6x
Net debt excluding related to ZapSib	0.7x	0.4x
ZapSib related net debt	1.4x	1.2x
Net debt / EBITDA (in USD)	2.2x	1.4x
EBITDA / Interest[2]	9.6x	13.7x

As of 31 December 2019, our net debt to EBITDA ratio increased to 2.1x as of 31 December 2019 from 1.6x as of 31 December 2018. The EBITDA to interest[2] ratio decreased to 9.6x as of 31 December 2019 from 13.7x as of 31 December 2018 due to (i) decrease in EBITDA, as well as (ii) the increased level of interest expense related with implementation of IFRS 16 and interest capitalised in line with financing of ZapSib and other investment projects of the Group.

As of 31 December 2019, SIBUR had RUB 321,724 million available under its existing credit facilities denominated in Russian rubles, US dollars and euros, both short- and long-term, of which an equivalent of RUB 59,052 million was committed.

[1] Net debt is calculated as total debt less cash and cash equivalents and bank deposits.
[2] Interest represents accrued interest, i.e. includes interest expense and capitalised interest.

Certain factors affecting our results of operations

Macroeconomic and Other Economic Trends

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

GDP Growth

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

The following table contains selected data on year-on-year GDP growth for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
European Union (EU-15)	1,2%	1.8%
United States	2.3%	2.9%
China	6.1%	6.6%
Russia	1.3%	2.5%

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

Foreign Exchange Rate Fluctuations

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

The following table presents selected data on exchange rate movements for the years ended 31 December 2019 and 2018:

	Year ended 31 December		Change, %
	2019	2018	
RUB/USD			
at the beginning of the reporting period	69.5	57.6	
at the end of the reporting period	61.9	69.5	
	(10.9%)	20.6%	
Average RUB/USD rate for the period	64.7	62.7	3.2%
RUB/EUR			
at the beginning of the reporting period	79.5	68.9	
at the end of the reporting period	69.3	79.5	
	(12.7%)	15.4%	
Average RUB/EUR rate for the period	72.5	74.0	(2.0%)

Source: CBR

SIBUR's functional and reporting currency is the Russian ruble. Our sales to countries outside of Russia (40.4% and 41.4% of total revenue in 2019 and 2018, respectively) are primarily denominated in US dollars and, to a lesser extent, in euros. In many cases our domestic sales are linked to international benchmark prices quoted in US dollars and euros, however in case of substantial shifts in the Russian ruble exchange rate the adjustment of domestic selling prices can take a certain amount of time. At the same time, our expenses are primarily denominated in Russian rubles. As a result, depreciation of the Russian ruble relative to the US dollar or the euro positively affects our operational results, while appreciation of the Russian ruble relative to these currencies tends to have a negative effect on our operational results.

In 2019, the Russian ruble depreciated by 3.2% relative to the US dollar and appreciated by 2.0% relative to the euro on average year-on-year, which had a net positive impact on our revenue, as most of our export revenue is denominated in US dollars.

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

The Russian ruble as of 31 December 2019 appreciated by 10.9% relative to the US dollar and by 12.7% relative to euro as of 31 December 2018 resulting in financial profits reported in SIBUR's consolidated financial statements for the year 2019, which was largely attributable to the revaluation of our foreign currency denominated debt. The Russian ruble as of 31 December 2018 depreciated by 20.6% relative to the US dollar and by 15.4% relative to euro as compared to the level of 31 December 2017.

Inflation

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

The following table presents selected data on inflation rates for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019/2018	2018/2017
Consumer price index (CPI)	3.0%	4.3%
Producer price index (PPI)	(4.3%)	11.6%

Source: Russian Federal State Statistics Service

Prices for Crude Oil and Liquids

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

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

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

Oil and oil derivative prices have historically been volatile and dependent on a variety of factors including, among others, market supply and demand balances, geopolitical developments affecting the principal producing nations and force majeure events. In 2019, the average Brent price was 9.5% lower compared to the same period a year ago. Hydrocarbon prices picked up this dynamics, posting a much deeper decline of LPG and naphtha benchmarks of around 20% driven by higher LPG volumes imported from the US and lower demand for naphtha as a feedstock for chemical producers.

The following table presents average benchmark international market prices for crude oil, naphtha and LPG for the years ended 31 December 2019 and 2018:

USD per tonne except as stated	Year ended 31 December		Change, %
	2019	2018	
Brent crude oil (USD per bbl)	64.3	71.0	(9.5%)
Naphtha (CIF NWE)	505.3	601.3	(16.0%)
LPG DAF Brest	389.3	464.4	(16.2%)
LPG Sonatrach fob Bethioua	386.2	511.5	(24.5%)
LPG Argus cif ara (large)	394.9	507.7	(22.2%)

Source: Bloomberg, Argus

Export Duties on LPG and Naphtha

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

The export duty on LPG (excluding butane and isobutane) is formula-based and depends on the international benchmark price of LPG (LPG DAF Brest). When the market price for LPG is below USD 490 per tonne, no export duty is levied. In 2019, the average LPG price was below USD 490 per tonne, therefore a zero export duty was applied in respect of LPG export sales. In 2018, an export duty on LPG was imposed from August to December following a price increase to the level above USD 490.

Effective 1 January 2015, the Russian Government imposed an export duty on butane and isobutane, which is calculated as the percentage of the export duty on LPG grades excluding butane and isobutane. It was set at 40% for 2018 and 50% for 2019 with successive annual increases up to 90% effective 1 January 2022.

The export duty on naphtha is calculated as a percentage of export duties on crude oil (Urals). This rate was set at 55% of the crude oil export duty starting from 1 January 2017. The decrease in export duty rates for naphtha was implemented as part of the "tax maneuver" completion in the Russian oil industry.

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

The following table presents average export duties on LPG and naphtha for the periods indicated:

	Year ended 31 December		Change, %
Export duties, USD per tonne	2019	2018	
LPG			
excl. butane and isobutane	—	11.3	n/m
butane and isobutane	—	4.5	n/m
Naphtha (excl. pentane and isopentane)	51.5	70.6	(27.1%)

Source: Russian Government

Recoverable tax excise was introduced as a part of the tax maneuver. The Russian Tax Code defines a procedure for calculation of excise duties and tax deductions with respect to domestic sales and processing of naphtha, benzene and paraxylene. Local companies are eligible to receive an excise duty refund ("recoverable excise") with a scale-up factor if the product is processed into non-excisable petrochemical products. The scale-up factor was set at 1.7x for naphtha and at 3.4x for paraxylene and benzene for the years 2019 and 2018. The excise duty for naphtha was set at RUB 13,912 and RUB 13,100 per tonne for 2019 and 2018, respectively, and at RUB 2,929 and RUB 2,800 per tonne for paraxylene and benzene for 2019 and 2018, respectively.

Natural Gas Prices

The prices at which we purchase a large portion of feedstock and sell natural gas as well as our utility costs are significantly impacted by changes in regulated domestic gas prices at which Gazprom, the major Russian gas producer, sells natural gas on the domestic market. This price regulation is executed by the Russian Government, through the Federal Anti-Monopoly Service (FAS). Although this price regulation does not apply to independent gas producers, the regulated price significantly influences domestic market conditions and our effective selling prices.

Effective 21 August 2018, the Federal Anti-Monopoly Service (FAS) increased wholesale natural gas prices for sales to all customer categories (excluding residential customers) on the domestic market by 3.4%. Effective 1 July 2019, natural gas prices were increased by 1.4%. In September 2019, the Ministry of Economic Development of the Russian Federation published the "Forecast of Socio-economic Development of the Russian Federation for the period up to 2024". The forecast envisages an increase in wholesale natural gas prices for sales to all customer categories (excluding residential customers) by not more than 3% in 2020-2024. The Russian Federation government continues to discuss various concepts relating to the natural gas industry development, including natural gas prices and transportation tariffs growth rates on the domestic market.

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

Prices for APG, one of our key feedstock, are not regulated by the Russian Government. There is also no benchmark market price for APG. Prices at which we purchase APG from oil companies are negotiated on a case-by-case basis and depend on a variety of factors (see "Feedstock Sourcing and Mix" below). We typically purchase APG at a price that substantially differs from the regulated domestic natural gas prices because of the significant capital expenditures required to develop and maintain the processing and transportation infrastructure. At the same time, some of our supply contracts regularly index APG prices to reflect changes in the regulated domestic gas prices. Such indexations, however, are not always synchronised with the respective changes in the regulated domestic gas prices. Additionally, there are other factors that influence our APG purchase prices; hence there may be certain discrepancies between movements in our APG purchase prices and the regulated domestic gas prices (see "Feedstock Sourcing and Mix" below for further details).

Cyclicality of the Petrochemicals Industry

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

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

Feedstock Sourcing and Mix

Types of Hydrocarbon Feedstock

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

APG is a by-product of oil production. We process APG at our gas processing plants (GPPs) to produce natural gas and raw NGL. APG accounted for 34.1% and 32.5% of our expenses related to third-party hydrocarbon feedstock purchases in 2019 and 2018, respectively. As a percentage of total feedstock and materials costs, APG accounted for 25.2% and 23.3% in 2019 and 2018, respectively.

NGLs are used as raw material by all our operating segments. Raw NGL is produced as a result of APG processing or through stabilisation of unstable gas condensate which is obtained from the processing of wet gas extracted from gas fields. LPG and naphtha are produced through fractionation of raw NGL. We produce NGLs at our own GPPs and GFUs and also purchase them from third parties. NGLs accounted for 65.9% and 67.5% of our expenses related to third-party hydrocarbon feedstock purchases in 2019 and 2018, respectively. As a percentage of total feedstock and materials costs, NGLs accounted for 48.8% and 48.4% in 2019 and 2018, respectively.

Feedstock Sourcing

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

As of 31 December 2019, approximately 93% of our APG supplies for 2019 were guaranteed under multi-year supply contracts. Overall, as of 31 December 2019, our multi-year APG supply contracts had a weighted average maturity of 12.5 years. Rosneft remained our major APG supplier with 74.0% share in SIBUR's total APG supplies in volume terms in 2019.

As of 31 December 2019, approximately 71% of our NGLs supplies for 2019 were guaranteed under multi-year supply contracts. Overall, as of 31 December 2019, our multi-year NGLs supply contracts had a weighted average maturity of 14.4 years. Our major external raw NGL suppliers are NOVATEK and Gazprom.

SIBUR and Gazprom Neft jointly operate Yuzhno-Priobskiy Gas Processing Plant (Yuzhno-Priobskiy GPP) with annual APG processing capacity of 900 million cubic metres, each owning 50%. Gazprom Neft supplies APG to the plant for processing into raw NGL and natural gas. SIBUR pays for 50% of the total APG volumes supplied to the plant, while the remaining 50% is processed for Gazprom Neft. SIBUR obtains 50% of all raw NGL and dry gas volumes produced, while Gazprom Neft obtains the rest. Subsequently SIBUR purchases Gazprom Neft's share of raw NGL and sells its share of natural gas to Gazprom Neft.

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

Pricing

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

The Russian Government has consistently increased incentives for oil companies to utilise APG. Based on the Russian Government's resolution issued in November 2012, penalties for APG flaring exceeding permitted thresholds (currently set at 5% of APG production volumes) have been substantially increased and become material for oil companies: effective 1 January 2013, the penalty has been increased from 4.5x the standard emission charge in 2012 to 12x the standard emission charge in 2013 and 25x the standard emission charge starting from 2014. The standard emission charges depend on the type of pollutant and are regularly indexed. According to CDU TEK, the total volume of flared APG in Russia in 2019 was 20.4 billion cubic metres or 18% of total produced volumes, decreasing APG utilization rate in Russia to 82% compared to 85% in 2018 mainly due to increased oil production at some of oil fields in Eastern Siberia and the Yamalo-Nenets Autonomous Area, where the APG utilization infrastructure is still being formed.

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

CURRENTLY SIBUR HAS TWO TYPES OF APG PURCHASE CONTRACTS:

- Under first contract type, APG purchase price once agreed upon in absolute terms, is typically regularly indexed to reflect changes in the FAS regulated prices for natural gas.
- Under second contract type, the APG purchase price is indexed in line with changes in prices for APG derivatives: natural gas and raw NGL (see "Crude Oil, Naphtha, Raw NGL and LPG Prices" and "Natural Gas Prices" above).

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

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

Transportation Tariffs

We incur substantial transportation costs due to the geographic spread of our operations. For the transportation services we use railway, port facilities, trucks and multimodal transportation services. While we operate our own gas and raw NGL pipelines and railway carrier fleet, we also use third-party transportation services. Third-party transportation services accounted for 19.8% and 18.6% of our operating expenses in 2019 and 2018, respectively. Changes in transportation tariffs and prices for third-party services have a significant effect on our operating expenses.

Railway Transportation Tariffs

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

Our rail transportation costs comprise a transportation tariff charged for access to Russia's main railway and usage of locomotives (the "Railway Tariff"), which accounts for the majority of our total rail transportation costs. The Railway Tariff is charged by Russian Railways, Russia's state-owned monopoly, and is regulated by the FAS. The Railway Tariff is specific to types of products, types of carriers and their tonnage, transportation routes and the volume of a delivery. The FAS reviews the Railway Tariff on an annual basis.

In January 2018, the FAS increased the railway transportation tariff in several steps, which effectively totalled 5.4%. Effective 1 January 2019, the FAS increased the tariff by 3.6%.

Effective January 2018, export tariff surcharge was reduced to 8%. Effective January 2019, export tariff surcharge remained at the level of 8%.

Energy Procurement

Our business is energy-intensive. Purchases of electricity, fuel and heat account for the largest portion of our energy costs. As a result, changes in tariffs for electric power and heat, as well as natural gas prices have a significant effect on our operating expenses.

Electricity

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

The Russian electricity market has been liberalised gradually over the past few years. However, maximum levels of electricity prices remain under the supervision of the Federal Antimonopoly Service (FAS) and regional regulatory authorities. One of the most important factors that influence electricity prices is fuel cost (primarily natural gas and coal), and increases in natural gas prices tend to result in higher electricity prices. We also own our own electric power generating capacity in order to reduce our exposure to higher electricity prices from third-party suppliers. In 2014, SIBUR launched an 18 MW power plant at the Perm production site. In 2016, SIBUR acquired Tobolsk Heating and Power Plant with power capacity of 665 MW, all of which is sold on the wholesale market. In 2019, the share of internal electric power generation accounts for 2.6% of total electricity consumption.

Heat Energy

We source heat energy in the form of steam and hot water from regional suppliers at regulated prices. Heat energy prices are also largely dependent on prices for natural gas. In order to minimise dependence on third-party providers, we generate a substantial portion of heat energy at our own production sites. In February 2016, SIBUR acquired Tobolsk Heating and Power Plant with the capacity of 2,585 MW (or 2,223 gigacalories per hour) of heat. The Plant is the only supplier of steam for SIBUR's Tobolsk production site. At the Group's level, the share of internally generated heat accounted for 81.0% and 76.5% of total consumed volumes in 2019 and 2018, respectively.

Fuel

We source fuel (mainly represented by natural gas) at the prices linked primarily to the regulated natural gas prices. We utilise fuel mainly for electricity and heat generation at our production sites. We also utilise some volumes of natural gas produced at our GPPs, as well as gas emerging as a by-product at other production sites. Starting 2016, we significantly increased fuel consumption volumes due to acquisition of Tobolsk Heating and Power Plant. The share of fuel produced internally accounted for 51% and 50% of total consumption volumes in 2019 and 2018, respectively.

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

The following table presents volumes purchased and effective average tariffs① for electricity, heat and fuel for the 31 December 2019 and 2018:

	Year ended 31 December				Change, %	
	2019		2018			
	Volume	Average tariff	Volume	Average tariff	Volume	Average tariff
Electricity (millions of kw/hour or RUB per kw/hour)	10,146	2.57	10,233	2.34	(0.9%)	9.8%
Heat (thousands of gigacalories or RUB per gigacalory)	4,429	1,040	4,966	1,030	(10.8%)	0.9%
Fuel (natural gas, billions of cubic metres or RUB per cubic metre)	2,437	3.88	2,167	3.77	12.5%	2.9%

① Management data.

Operational data

Olefins and Polyolefins Segment

The following table presents data on our revenue from sales of olefins and polyolefins for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of revenue①	2018	% of revenue①	
PP	57,203	10.8%	48,417	8.5%	18.1%
Domestic	36,765	64.3%	31,857	65.8%	15.4%
Export	20,438	35.7%	16,560	34.2%	23.4%
PE (LDPE)	18,588	3.5%	20,496	3.6%	(9.3%)
Domestic	12,319	66.3%	13,114	64.0%	(6.1%)
Export	6,269	33.7%	7,382	36.0%	(15.1%)
BOPP-films	18,336	3.5%	18,471	3.2%	(0.7%)
Domestic	12,013	65.5%	12,397	67.1%	(3.1%)
Export	6,323	34.5%	6,074	32.9%	4.1%
Ethylene	6,932	1.3%	7,726	1.4%	(10.3%)
Domestic	6,932	100.0%	7,726	100.0%	(10.3%)
Export	—	— %	—	— %	n/m
Other polymers products	3,509	0.7%	4,930	0.9%	(28.8%)
Domestic	3,199	91.2%	4,174	84.7%	(23.4%)
Export	310	8.8%	756	15.3%	(59.0%)
Other sales	1,150	0.2%	822	0.1%	39.9%
Domestic	1,018	88.5%	822	100.0%	23.8%
Export	132	11.5%	—	— %	n/m
Olefins and Polyolefins, total	**105,718**	**19.9%**	**100,862**	**17.7%**	**4.8%**
Domestic	72,246	68.3%	70,090	69.5%	3.1%
Export	33,472	31.7%	30,772	30.5%	8.8%

① Percentages against domestic and export lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table presents data on our olefins and polyolefins production, purchases and sales volumes for the years ended 31 December 2019 and 2018:

Tonnes, except as stated	Year ended 31 December		Change, %
	2019	2018	
Production	**3,058,141**	**2,339,195**	**30.7%**
PP	813,215	578,658	40.5%
PE (LDPE)	379,169	256,298	47.9%
BOPP-films	153,566	152,757	0.5%
Ethylene	819,790	651,991	25.7%
Propylene	892,401	699,492	27.6%
Transfers from PE&I	70,865	84,394	(16.0%)
Purchases from third parties	147,177	153,723	(4.3%)
Total production, transfers and purchases	**3,276,184**	**2,577,312**	**27.1%**
(Internal use)①	(1,529,102)	(1,020,675)	49.8%
(Increase)/decrease in stock	(67,733)	15,727	n/m
Gross sales, including	1,679,349	1,572,364	6.8%
Intercompany sales to PE&I	293,409	332,600	(11.8%)
External sales			
PP	736,682	583,242	26.3%
Domestic	432,350	377,409	14.6%
Export	304,332	205,833	47.9%
PE (LDPE)	260,621	262,311	(0.6%)
Domestic	164,399	162,657	1.1%
Export	96,221	99,654	(3.4%)
BOPP-films	153,241	152,049	0.8%
Domestic	96,745	97,388	(0.7%)
Export	56,496	54,661	3.4%
Ethylene	164,531	157,767	4.3%
Domestic	164,531	157,767	4.3%
Export	—	—	n/m
Other polymers products	70,865	84,394	(16.0%)
Domestic	63,142	69,913	(9.7%)
Export	7,724	14,481	(46.7%)
External sales volumes	**1,385,940**	**1,239,764**	**11.8%**
Domestic	**921,167**	**865,134**	**6.5%**
Export	**464,773**	**374,629**	**24.1%**

① Including internal use at the segment's production facilities and immaterial natural losses.

Plastics, Elastomers and Intermediates Segment

The following table presents a breakdown of revenue from sales of our plastics, elastomers and intermediates for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December				Change %
	2019	% of revenue①	2018	% of revenue①	
Plastics, elastomers and intermediates, total	152,805	28.8%	171,003	30.1%	(10.6%)
Domestic	86,994	56.9%	109,245	63.9%	(20.4%)
Export	65,811	43.1%	61,758	36.1%	6.6%

Plastics and organic synthesis products

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of revenue①	2018	% of revenue①	
PET	17,666	3.3%	24,494	4.3%	(27.9%)
Domestic	17,382	98.4%	24,428	99.7%	(28.8%)
Export	284	1.6%	66	0.3%	>100%
Glycols	10,642	2.0%	12,100	2.1%	(12.0%)
Domestic	7,072	66.5%	7,778	64.3%	(9.1%)
Export	3,570	33.5%	4,322	35.7%	(17.4%)
Expandable polystyrene	8,909	1.7%	9,910	1.7%	(10.1%)
Domestic	5,791	65.0%	6,436	64.9%	(10.0%)
Export	3,118	35.0%	3,474	35.1%	(10.2%)
Alcohols (including 2-ethylhexanol)	4,542	0.9%	8,234	1.4%	(44.8%)
Domestic	2,972	65.4%	5,235	63.6%	(43.2%)
Export	1,570	34.6%	2,999	36.4%	(47.6%)
Acrylates	5,259	1.0%	5,140	0.9%	2.3%
Domestic	2,299	43.7%	2,213	43.1%	3.9%
Export	2,960	56.3%	2,927	56.9%	1.1%
DOTP	3,971	0.7%	—	— %	n/m
Domestic	2,671	67.3%	—	n/m	n/m
Export	1,300	32.7%	—	n/m	n/m
Plastics and organic synthesis products, total	**50,989**	**9.6%**	**59,878**	**10.5%**	**(14.8%)**
Domestic	38,187	74.9%	46,090	77.0%	(17.1%)
Export	12,802	25.1%	13,788	23.0%	(7.2%)

Elastomers

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of revenue①	2018	% of revenue①	
Commodity rubbers	31,517	5.9%	31,159	5.5%	1.1%
Domestic	11,033	35.0%	11,639	37.4%	(5.2%)
Export	20,484	65.0%	19,520	62.6%	4.9%
Specialty rubbers	12,631	2.4%	12,752	2.2%	(0.9%)
Domestic	1,762	13.9%	1,804	14.1%	(2.3%)
Export	10,869	86.1%	10,948	85.9%	(0.7%)
Thermoplastic elastomers	10,900	2.1%	11,110	2.0%	(1.9%)
Domestic	5,896	54.1%	6,666	60.0%	(11.6%)
Export	5,004	45.9%	4,444	40.0%	12.6%
Elastomers, total	**55,048**	**10.4%**	**55,021**	**9.7%**	**0.0%**
Domestic	18,691	34.0%	20,109	36.5%	(7.1%)
Export	36,357	66.0%	34,912	63.5%	4.1%

MTBE and fuel additives

RUB millions, except as stated	Year ended 31 December				Change, %
	2019	% of revenue①	2018	% of revenue①	
MTBE	17,016	3.2%	25,483	4.5%	(33.2%)
Domestic	7,313	43.0%	17,155	67.3%	(57.4%)
Export	9,703	57.0%	8,328	32.7%	16.5%
Other fuels and fuel additives	3,730	0.7%	4,270	0.8%	(12.6%)
Domestic	3,707	99.4%	4,270	100.0%	(13.2%)
Export	23	0.6%	—	— %	n/m
MTBE and fuel additives, total	**20,746**	**3.9%**	**29,753**	**5.2%**	**(30.3%)**
Domestic	11,020	53.1%	21,425	72.0%	(48.6%)
Export	9,726	46.9%	8,328	28.0%	16.8%

① Percentages against domestic and export lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

Intermediates and other chemicals

RUB millions, except as stated	Year ended 31 December 2019	% of revenue①	2018	% of revenue①	Change, %
Benzene	2,631	0.5%	3,085	0.5%	(14.7%)
Domestic	2,545	96.7%	3,033	98.3%	(16.1%)
Export	86	3.3%	52	1.7%	65.4%
Styrene	3,551	0.7%	5,348	0.9%	(33.6%)
Domestic	3,029	85.3%	4,015	75.1%	(24.6%)
Export	522	14.7%	1,333	24.9%	(60.8%)
Terephthalic acid	141	0.0%	301	0.1%	(53.2%)
Domestic	140	99.3%	150	49.8%	(6.7%)
Export	1	0.7%	151	50.2%	(99.3%)
Propylene	400	0.1%	2,543	0.4%	(84.3%)
Domestic	388	97.0%	2,391	94.0%	(83.8%)
Export	12	3.0%	152	6.0%	(92.1%)
Ethylene oxide	6,351	1.2%	5,522	1.0%	15.0%
Domestic	4,382	69.0%	4,236	76.7%	3.4%
Export	1,969	31.0%	1,286	23.3%	53.1%
Butadiene	217	0.0%	281	0.0%	(22.8%)
Domestic	217	100.0%	281	100.0%	(22.8%)
Export	—	— %	—	— %	n/m
Isoprene	106	0.0%	373	0.1%	(71.6%)
Domestic	15	14.2%	22	5.9%	(31.8%)
Export	91	85.8%	351	94.1%	(74.1%)
Isobutylene	635	0.1%	1,017	0.2%	(37.6%)
Domestic	635	100.0%	1,017	100.0%	(37.6%)
Export	—	— %	—	— %	n/m
Other intermediates	5,804	1.1%	3,771	0.7%	53.9%
Domestic	4,285	73.8%	2,870	76.1%	49.3%
Export	1,519	26.2%	901	23.9%	68.6%
Other chemicals	4,814	0.9%	2,896	0.5%	66.2%
Domestic	2,109	43.8%	2,406	83.1%	(12.3%)
Export	2,705	56.2%	490	16.9%	>100%
Intermediates and other chemicals, total	**24,650**	**4.6%**	**25,137**	**4.4%**	**(1.9%)**
Domestic	17,745	72.0%	20,421	81.2%	(13.1%)
Export	6,905	28.0%	4,716	18.8%	46.4%
Other sales	**1,372**	**0.3%**	**1,214**	**0.2%**	**13.0%**
Domestic	1,351	98.5%	1,200	98.8%	12.6%
Export	21	1.5%	14	1.2%	50.0%

① Percentages against domestic and export lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table presents data on our production, purchases and sales volumes in plastics, elastomers and intermediates for the years ended 31 December 2019 and 2018:

Plastics, Elastomers and Intermediates Segment

Tonnes, except as stated	Year ended 31 December 2019	2018	Change, %
Production	5,917,921	5,916,213	0.0%
Transfers from O&P	293,409	332,600	(11.8%)
Purchases from third parties	109,977	206,018	(46.6%)
Total production, transfers and purchases	**6,321,307**	**6,454,830**	**(2.1%)**
(Internal use)①	(3,895,457)	(3,890,614)	0.1%
(Increase)/decrease in stock	25,938	(33,470)	n/m
Gross sales, including	2,451,789	2,530,746	(3.1%)
Intercompany sales to O&P	70,865	84,394	(16.0%)
External sales	**2,380,923**	**2,446,352**	**(2.7%)**
Domestic	1,501,490	1,690,305	(11.2%)
Export	879,433	756,047	16.3%

① Including internal use at the segment's production facilities and immaterial natural losses.

Plastics and organic synthesis products

Tonnes, except as stated	Year ended 31 December 2019	2018	Change, %
Production	887,312	922,785	(3.8%)
Glycols	292,928	302,243	(3.1%)
Alcohols	159,941	170,510	(6.2%)
PET	224,382	295,161	(24.0%)
Acrylates	50,339	50,360	(0.0%)
DOTP	57,738	—	n/m
Expandable polystyrene	101,983	104,510	(2.4%)
Purchases from third parties	16,473	5,835	>100%
Total production and purchases	903,785	928,620	(2.7%)
(Internal use)①	(121,200)	(124,384)	(2.6%)
(Increase)/decrease in stock	10,797	(4,562)	n/m
External sales			
Glycols	243,921	204,055	19.5%
Domestic	162,145	133,405	21.5%
Export	81,776	70,650	15.7%
Alcohols	90,491	144,895	(37.5%)
Domestic	55,487	92,878	(40.3%)
Export	35,004	52,017	(32.7%)
PET	239,521	294,568	(18.7%)
Domestic	235,678	293,768	(19.8%)
Export	3,843	801	>100%
Acrylates	61,341	52,921	15.9%
Domestic	28,239	22,685	24.5%
Export	33,102	30,236	9.5%
DOTP	54,746	—	n/m
Domestic	37,010	—	n/m
Export	17,735	—	n/m
Expandable polystyrene	103,361	103,233	0.1%
Domestic	66,409	68,923	(3.6%)
Export	36,952	34,311	7.7%
External sales volumes	**793,382**	**799,674**	**(0.8%)**
Domestic	584,969	611,660	(4.4%)
Export	208,413	188,014	10.8%

① Including internal use at the segment's production facilities and immaterial natural losses.

Elastomers

Tonnes, except as stated	Year ended 31 December 2019	2018	Change, %
Production	**485,714**	**504,456**	**(3.7%)**
Commodity rubbers	301,674	320,299	(5.8%)
Specialty rubbers	101,025	104,880	(3.7%)
Thermoplastic elastomers	83,015	79,276	4.7%
Purchases from third parties	31,005	38	>100%
Total production and purchases	**516,719**	**504,494**	**2.4%**
(Internal use)①	(1,626)	121	n/m
(Increase)/decrease in stock	13,749	(18,614)	n/m
External sales			
Commodity rubbers	332,431	306,137	8.6%
Domestic	115,201	115,598	(0.3%)
Export	217,231	190,539	14.0%
Specialty rubbers	112,125	100,874	11.2%
Domestic	11,769	12,468	(5.6%)
Export	100,356	88,407	13.5%
Thermoplastic elastomers	84,286	78,989	6.7%
Domestic	44,709	49,248	(9.2%)
Export	39,576	29,742	33.1%
External sales volumes	**528,842**	**486,001**	**8.8%**
Domestic	171,679	177,313	(3.2%)
Export	357,163	308,687	15.7%

① Including internal use at the segment's production facilities and immaterial natural losses.

MTBE and fuel additives

Tonnes, except as stated	Year ended 31 December 2019	2018	Change, %
MTBE			
Production	322,997	327,020	(1.2%)
Purchases from third parties	41,779	193,707	(78.4%)
Total production and purchases	**364,776**	**520,727**	**(29.9%)**
(Internal use)ⓘ	(2,105)	(546)	>100%
(Increase) / decrease in stock	2,146	(137)	n/m
External sales volumes	**364,816**	**520,044**	**(29.8%)**
Domestic	150,407	337,235	(55.4%)
Export	214,409	182,809	17.3%
	—	—	
Other fuels and fuel additives			
Production	509,793	394,755	29.1%
Purchases from third parties	4,120	2,660	54.9%
Total production and purchases	**513,914**	**397,415**	**29.3%**
(Internal use)ⓘ	(362,944)	(240,370)	51.0%
(Increase) / decrease in stock	1,260	458	>100%
External sales volumes	**152,230**	**157,502**	**(3.3%)**
Domestic	151,267	157,502	(4.0%)
Export	963	—	n/m

Intermediates and other chemicals

Tonnes, except as stated	Year ended 31 December 2019	2018	Change, %
Production	**3,712,105**	**3,767,197**	**(1.5%)**
Intermediates, including	2,624,148	2,755,957	(4.8%)
Benzene	168,246	165,173	1.9%
Styrene	189,560	196,502	(3.5%)
Terephthalic acid	104,047	268,876	(61.3%)
Ethylene oxide	323,001	305,977	5.6%
Butadiene	281,025	284,409	(1.2%)
Isoprene	68,015	84,080	(19.1%)
Isobutylene	156,094	181,188	(13.8%)
Ethylene	55,830	56,748	(1.6%)
Propylene	65,040	66,112	(1.6%)
Other intermediates	1,213,292	1,146,892	5.8%
Other chemicals	1,087,957	1,011,240	7.6%
Transfers from O&P	293,409	332,600	(11.8%)
Ethylene	252,441	231,891	8.9%
Propylene	40,968	100,709	(59.3%)
Purchases from third parties	16,601	3,778	>100%
Total production, transfers and purchases	**4,022,115**	**4,103,575**	**(2.0%)**
(Internal use)ⓘ	(3,407,582)	(3,525,435)	(3.3%)
(Increase)/decrease in stock	(2,014)	(10,614)	(81.0%)
Gross sales, including	612,519	567,526	7.9%
Intercompany sales to O&P	70,865	84,394	(16.0%)
External sales			
Benzene	74,730	71,653	4.3%
Domestic	72,754	70,641	3.0%
Export	1,976	1,012	95.3%
Styrene	55,635	66,041	(15.8%)
Domestic	47,984	50,202	(4.4%)
Export	7,651	15,839	(51.7%)
Terephthalic acid	3,934	7,688	(48.8%)
Domestic	3,720	4,530	(17.9%)
Export	214	3,158	(93.2%)
Propylene	7,765	44,096	(82.4%)
Domestic	7,246	41,143	(82.4%)
Export	519	2,953	(82.4%)
Ethylene oxide	110,513	88,201	25.3%
Domestic	85,309	72,888	17.0%
Export	25,204	15,313	64.6%
Butadiene	2,959	3,073	(3.7%)
Domestic	2,959	3,073	(3.7%)
Export	—	—	n/m

ⓘ Including internal use at the segment's production facilities and immaterial natural losses.

Tonnes, except as stated	Year ended 31 December		Change, %
	2019	2018	
Isoprene	1,070	3,680	(70.9%)
Domestic	314	236	33.1%
Export	756	3,443	(78.0%)
Isobutylene	8,873	14,486	(38.7%)
Domestic	8,873	14,486	(38.7%)
Export	—	—	n/m
Other intermediates	215,688	133,493	61.6%
Domestic	163,714	107,149	52.8%
Export	51,973	26,345	97.3%
Other chemicals	60,488	50,722	19.3%
Domestic	50,296	42,248	19.0%
Export	10,192	8,474	20.3%
External sales volumes	**541,654**	**483,132**	**12.1%**
Domestic	443,167	406,596	9.0%
Export	98,486	76,536	28.7%

Midstream Segment

The following table presents a breakdown of our revenue from sales of midstream products for the years ended 31 December 2019 and 2018:

RUB millions, except as stated	Year ended 31 December				Change,%
	2019	% of revenue[1]	2018	% of revenue[1]	
LPG	122,659	23.1%	152,206	26.8%	(19.4%)
Domestic	35,575	29.0%	40,088	26.3%	(11.3%)
Export	87,084	71.0%	112,118	73.7%	(22.3%)
Natural gas, domestic sales	51,303	9.7%	49,067	8.6%	4.6%
Naphtha	36,586	6.9%	37,572	6.6%	(2.6%)
Domestic	9,235	25.2%	9,203	24.5%	0.3%
Export	27,351	74.8%	28,369	75.5%	(3.6%)
Other sales	2,482	0.5%	1,973	0.3%	25.8%
Domestic	2,172	87.5%	1,677	85.0%	29.5%
Export	310	12.5%	296	15.0%	4.7%
Midstream products, total	**213,030**	**40.1%**	**240,818**	**42.3%**	**(11.5%)**
Domestic	98,285	46.1%	100,035	41.5%	(1.7%)
Export	114,745	53.9%	140,783	58.5%	(18.5%)

[1] Percentages against domestic and export lines represent percentage of revenue from the respective product sales, while percentages against the respective total product lines represent percentages of total revenue.

The following table present data on production, purchases and sales volumes of our midstream products for the years ended 31 December 2019 and 2018:

Tonnes, except as stated	Year ended 31 December		Change, %
	2019	2018	
LPG			
Production[1]	7,628,135	7,626,454	0.0%
Production, SIBUR's share	**6,446,135**	**6,444,454**	**0.0%**
Purchases from third parties, including	698,498	657,577	6.2%
Purchases for resale	681,131	619,130	10.0%
Total production and purchases	7,144,633	7,102,031	0.6%
(Internal use)[2]	(12,156)	(18,857)	(35.5%)
(Increase) / decrease in stock	53,926	(35,565)	n/m
Gross sales, including	7,186,402	7,047,608	2.0%
Intercompany sales to petrochemical business, including	2,041,526	1,690,452	20.8%
Intercompany sales to O&P	1,098,970	769,130	42.9%
Intercompany sales to PE&I	942,556	921,322	2.3%
External sales	**5,144,877**	**5,357,156**	**(4.0%)**
Domestic	1,847,768	1,745,825	5.8%
Export	3,297,108	3,611,331	(8.7%)
	—	—	
Natural gas (thousands of cubic metres)			
Production[3]	19,980,980	19,729,662	1.3%
Production, SIBUR's share[4]	**19,628,300**	**19,355,569**	**1.4%**
Purchases from third parties	—	—	n/m
Total production and purchases	**19,628,300**	**19,355,569**	**1.4%**
(Internal use)[2]	(803,945)	(833,567)	(3.6%)
(Increase) / decrease in stock	(7,816)	(2,758)	>100%
External sales	**18,816,539**	**18,519,244**	**1.6%**
Domestic	18,816,539	18,519,244	1.6%
Export	—	—	n/m
	—	—	
Naphtha			
Production	1,574,926	1,490,148	5.7%
Purchases from third parties, including	1,005,175	762,233	31.9%
Purchases for resale	50	—	n/m
Total production and purchases	**2,580,100**	**2,252,382**	**14.5%**
(Internal use)[2]	1,523	108	>100%
(Increase) / decrease in stock	(7,177)	(12,892)	(44.3%)

[1] Including volumes under processing arrangements.
[2] Including internal use at the segment's production facilities and immaterial natural losses.
[3] Including third-party volumes processed at SIBUR's capacities.
[4] Excluding third-party volumes processed at SIBUR's capacities.
[5] Including volumes processed at third-party capacities and excluding third-party volumes processed at SIBUR's capacities.

Tonnes, except as stated	Year ended 31 December 2019	2018	Change, %
Gross sales, including	2,574,447	2,239,598	15.0%
Intercompany sales to O&P	1,402,347	1,194,534	17.4%
External sales	**1,172,100**	**1,045,064**	**12.2%**
Domestic	316,651	275,771	14.8%
Export	855,450	769,293	11.2%
	—	—	
Raw NGL			
Production③	5,568,432	5,577,788	(0.2%)
Production, SIBUR's share④	**5,416,134**	**5,416,730**	**(0.0%)**
Purchases from third parties, including	2,937,349	2,689,251	9.2%
Purchases for resale	-	-	n/m
Total production and purchases	**8,353,484**	**8,105,981**	**3.1%**
(Fractionation)①	(8,938,725)	(8,912,269)	0.3%
(Fractionation, SIBUR's share)⑤	**(7,738,725)**	**(7,712,269)**	**0.3%**
(Increase) / decrease in stock	(6,636)	10,738	n/m
Gross sales, including	608,123	404,450	50.4%
Intercompany sales to O&P	608,123	404,450	50.4%
External sales	—	—	n/m
Domestic	—	—	n/m
Export	—	—	n/m

Feedstock Purchasing Volumes①

Tonnes, except as stated	Year ended 31 December 2019	2018	Change, %
NGLs	3,959,810	3,489,873	13.5%
APG (thousand cubic metres)	22,616,865	22,283,359	1.5%
Paraxylene	96,079	176,386	(45.5%)
Benzene	138,901	143,433	(3.2%)

APG Processing Volumes

Million cubic metres	Year ended 31 December 2019	2018	Change, %
APG processing②	23,095	22,781	1.4%
APG processing, SIBUR's share③	22,617	22,283	1.5%

① Excluding volumes purchased for trading, which are reported as goods for resale.
② Including third-party volumes processed at SIBUR's capacities.
③ Excluding third-party volumes processed at SIBUR's capacities.

Description of Selected Operational and Financial Items

Revenue

Revenue, unless otherwise stated, represents revenue from sales to third parties, which excludes any inter-segment transfers. It is reported net of VAT, excise taxes and export duties and includes transportation costs incurred in relation to the delivery of respective refined products to the customers.

Operating Expenses

Feedstock and materials. Feedstock and materials include purchases from third-party suppliers of various types of feedstock and intermediates, which are used for further processing into higher value-added products, and materials. Our key raw materials are represented by hydrocarbon feedstock, such as APG and NGLs, which comprise raw NGL, LPG and naphtha, as well as paraxylene, which is used in the production of terephthalic acid (PTA) and polypropylene, which is used in the production of BOPP-films. We also purchase other feedstock and materials. Other feedstock includes methanol, which is used in the production of MTBE and certain intermediate chemicals such as butadiene, benzene and others. We purchase intermediates in addition to our own production of intermediates primarily for further processing into higher value-added petrochemical products. Materials primarily include materials and spare parts used by NIPIGAS under certain contracts for project management and construction services, as well as supplementary raw materials. Amounts of recoverable excise are reported under feedstock and materials expenses.

Transportation and logistics. Transportation and logistics comprise expenses related to transportation of feedstock, materials and refined products by railway, via pipelines that are not owned and operated by SIBUR, by trucks, as well as through multimodal transportation operators. These costs also include transshipment and storage services, as well as charges for rail cars/tankers used by SIBUR under short-term transportation contracts. Transportation and logistics costs are related to third-party services and exclude expenses associated with AO Sibur-Trans (the Group's subsidiary) activities and maintenance of our own gas and product pipelines.

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

Energy and utilities. Energy and utilities costs primarily comprise expenses associated with purchases of electric power, heat and fuel from third-party suppliers.

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 their respective residual values over their respective estimated useful lives (except for depreciation of catalysts, which are depreciated using the unit-of-production method). Depreciation also includes depreciation of right-of-use assets which is charged using the straight-line method to the earlier of the end of its useful life or the end of the lease term. 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.

Goods for resale. Goods for resale include purchases of products from third parties for further resale externally, including refined products and intermediates.

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 as well as legal, audit, consulting services, etc.

Repairs and maintenance. Repairs and maintenance comprise services for repairs and maintenance of the Group's production facilities provided by third parties, as well as spare parts, materials for auxiliary workshops and other operating supplies. These expenses include inter alia expenses incurred in relation to implementation of one-off targeted programmes.

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

Processing services of third parties. Processing services represent services we obtain from other manufacturers, including our non-consolidated joint ventures, to process our feedstock / intermediates into higher value-added products. Our decision to use such services depends on existing agreements, market trends, logistical issues and shortages of our own capacity.

Rent expenses. Rent expenses represent primarily payments for short-term lease for technological facilities and transport.

Charity and sponsorship. SIBUR places a very high degree of importance on social responsibility. As a major investor in the economic development of the regions where we operate, we have signed mutually beneficial agreements with a number of regional authorities, including agreements on social-economic cooperation. As part of our social initiatives, we implement a range of humanitarian projects and programmes in several regions, including Western Siberia, the Nizhny Novgorod regions and other areas, where we are implementing our strategic investment projects. This includes investments in regional infrastructure, improvement of people's life quality, ecological initiatives, support of sports organisations, promotion of child and youth sports, etc. We also actively promote Russia's chemical science and professional education in cooperation with leading chemical institutions, universities and schools.

Marketing and advertising. Marketing and advertising costs are associated with the promotion of SIBUR's corporate brand and are aimed at enhancing SIBUR's profile among our customers, suppliers, partners and general public. The majority of our marketing and advertising expenses relate to corporate sponsorships of leading Russian and regional football, hockey, basketball and volleyball teams in different regions of Russia, including Tyumen, Nizhny Novgorod, which positions us as an active promoter of Russian sports both nationally and in the regions where we operate.

Additionally, marketing and advertising costs include promotion of SIBUR's corporate brand and selected products at industrial exhibitions, conferences and forums, as well as via TV, print media and the Internet.

Change in work-in-progress and refined products balances. The change in work-in-progress 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 revenue from sale of these products will be recognised 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 the cost of production of such refined products incurred in the preceding periods, while revenue from the sale of these products is recognised in the reporting period.

Our volumes of refined product balances fluctuate from period to period depending on market conditions, changes in marketing and distribution strategy, as well as logistical constraints. They also tend to increase in the periods of completion of our major investment projects, which may trigger substantial inventory accumulation.

Operating Profit

Operating profit represents revenue less operating expenses.

EBITDA

EBITDA represents 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.

Adjusted EBITDA

Adjusted EBITDA represents EBITDA as defined above and including the portion of EBITDA of joint ventures and associates and excluding NCI share of related subsidiaries' EBITDA.

Finance Income and Expenses

Finance income includes primarily interest income on bank deposits and loans issued and foreign exchange gains. Finance expenses include primarily interest expense on debt, bank charges and foreign exchange losses as well as interest expense on the lease liability calculated using the incremental borrowing rate.

Share of Net Income/(Loss) of Joint Ventures

Share of net income/loss of joint ventures represents our share of post-acquisition profit or loss of joint ventures as recognised under equity accounting method.

Income Tax Expense

We do 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 our effective and statutory tax rates is typically attributable to certain non-deductible expenses and (or) non-taxable income as well as tax benefits that we may obtain in certain regions where we operate.

APPENDIX I: Net Working Capital[1]

SIBUR's management monitors its liquidity and operational efficiency on the basis of the adjusted working capital. SIBUR's net working capital position takes into account trade receivables net of advances from customers; inventory balances of refined products, goods for resale, feedstock and materials; VAT balance; trade payables net of prepayments and advances to suppliers; payables to employees; and other assets and liabilities listed in the table below.

The following table presents detailed calculation of our net working capital position as of 31 December 2019 and 31 December 2018:

RUB millions, except as stated	As of 31 December 2019	As of 31 December 2018
Current assets	280,939	218,524
Current liabilities	(277,928)	(234,477)
Working capital	**3,011**	**(15,953)**
Adjustments to assets, including:	**37,361**	**39,971**
Cash and cash equivalents	(17,443)	(14,783)
Long-term advances issued under project management and construction services	42,561	53,509
Prepaid borrowing cost	(2,455)	(4,091)
Receivables under project management and construction services	14,698	5,336
Adjustments to liabilities, including:	**(2,330)**	**966**
Accounts payable to contractors and suppliers of property, plant and equipment	34,846	44,210
Payables for acquisition of subsidiaries	2,262	3,280
Interest payable	1,675	1,863
Long-term advances received under project management and construction services	(58,678)	(66,268)
Payables under project management and construction services	(13,254)	(4,253)
Short-term lease liabilities	5,127	—
Short-term debt and current portion of long-term borrowings	25,692	22,134
Adjusted working capital	**38,042**	**24,984**
Revenue for the year	**531,306**	**568,647**
Working capital turnover, days	**26.1**	**16.0**

APPENDIX II: Total Maintenance Expenditures

RUB millions, except as stated	Year ended 31 December		Change, %
	2019	2018	
Maintenance (CAPEX)	13,577	11,554	17.5%
Repairs and maintenance (OPEX)	9,415	12,792	(26.4%)
Total Maintenance Expenditures	**22,992**	**24,346**	**(5.6%)**

[1] Starting 2017, net working capital was adjusted for long-term advances issued and received to reflect NIPIGAS operating activities under project management and construction services.

APPENDIX III: Revenue by products and reportable segments

	Year ended 31 December 2019				
	Revenue	Sale of goods	Transportation	Transportation tariff, KRUR	Price, KRUR
Midstream	**213,030**	**168,685**	**44,345**	**n/a**	**n/a**
Liquefied petroleum gas	122,659	84,780	37,879	7.36	16.48
Natural gas	51,303	51,303	—	—	2.73
Naphtha	36,586	30,120	6,466	5.52	25.70
Other sales	2,482	2,482	-	n/a	n/a
Olefins and Polyolefins	**105,717**	**100,745**	**4,972**	**n/a**	**n/a**
Polyolefins	75,790	71,245	4,545	4.55	71.39
BOPP films	18,336	17,922	414	2.70	116.99
Olefins	6,932	6,932	—	—	42.07
Other polymers products	3,509	3,509	n/a	n/a	n/a
Other sales	1,150	1,137	13	n/a	n/a
Plastics, Elastomers and Intermediates	**152,805**	**143,482**	**9,323**	**n/a**	**n/a**
Elastomers	55,048	52,203	2,845	5.37	98.61
Plastics and organic synthesis products	50,989	49,057	1,932	2.44	61.89
MTBE and fuel additives	20,746	19,491	1,255	2.43	37.70
Intermediates and other chemicals	24,650	21,444	3,206	n/a	n/a
Other sales	1,372	1,287	85	n/a	n/a
Unallocated	59,754	59,754	n/a	n/a	n/a
Revenue from project management and construction services	45,745	45,745	n/a	n/a	n/a
Other revenue	14,009	14,009	n/a	n/a	n/a
Total revenue	**531,306**	**472,666**	**58,640**	**n/a**	**n/a**

	Year ended 31 December 2018				
	Revenue	Sale of goods	Transportation	Transportation tariff, KRUR	Price, KRUR
Midstream	**240,818**	**196,622**	**44,196**	**n/a**	**n/a**
Liquefied petroleum gas	152,206	113,818	38,388	7.17	21.25
Natural gas	49,067	49,067	—	—	2.65
Naphtha	37,572	31,908	5,664	5.42	30.52
Other sales	1,973	1,829	144	n/a	n/a
Olefins and Polyolefins	**100,862**	**97,000**	**3,862**	**n/a**	**n/a**
Polyolefins	68,913	65,458	3,455	4.09	77.46
BOPP films	18,471	18,078	393	2.59	119.23
Olefins	7,726	7,726	—	—	48.90
Other polymers products	4,930	4,916	n/a	n/a	n/a
Other sales	822	822	14	n/a	n/a
Plastics, Elastomers and Intermediates	**171,003**	**163,294**	**7,709**	**n/a**	**n/a**
Elastomers	55,021	52,477	2,544	5.24	107.98
Plastics and organic synthesis products	59,878	57,992	1,886	2.36	72.88
MTBE and fuel additives	29,753	28,166	1,587	2.34	41.56
Intermediates and other chemicals	25,137	23,543	1,594	n/a	n/a
Other sales	1,214	1,116	98	n/a	n/a
Unallocated	**55,964**	**55,964**	**n/a**	**n/a**	**n/a**
Revenue from project management and construction services	41,047	41,047	n/a	n/a	n/a
Other revenue	14,917	14,917	n/a	n/a	n/a
Total revenue	**568,647**	**512,880**	**55,767**	**n/a**	**n/a**

Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC SIBUR Holding (the "Company") and its subsidiaries (together — the "Group") as of 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS COMPRISE:

- the consolidated statement of profit or loss for the year ended 31 December 2019;
- the consolidated statement of financial position as of 31 December 2019;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of comprehensive income for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

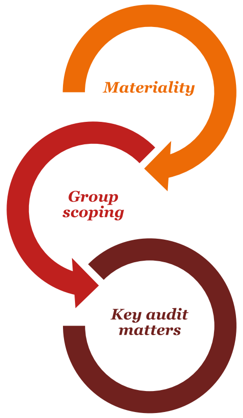
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview



- Overall Group materiality: Russian roubles ("RUB") 4,250 million, which represents 2.5% of the EBITDA.

  Refer to Note 7 in the consolidated financial statements.

- The Group has offices and operations in a number of countries. We conducted audit work covering significant reporting units located in two countries.
- The Group engagement team audited the Group component located in Russia, while a PwC network firm in Austria audited the Group's subsidiary.

- Business development of JSC NIPIgaspererabotka
- Construction and commissioning of the investment project
- Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 4,250 million
How we determined it	2.5% of EBITDA
Rationale for the materiality benchmark applied	We chose to apply EBITDA as the benchmark because, in our view, it is the benchmark against which the Group's performance is most commonly measured. We chose 2.5%, which is within the range of acceptable quantitative materiality thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Business development of JSC NIPIgaspererabotka Refer to Notes 2, 8 and 14 to the consolidated financial statements JSC NIPIgaspererabotka ("NIPIGAS"), a Group subsidiary, provides engineering, procurement, construction and project management services to external customers. We paid particular attention to NIPIGAS's operations, due to the materiality and the fact that they differ from the Group's core business activity.	Our audit procedures included review of NIPIGAS contracts and verification of revenue recognition criteria fulfilment. We reviewed the contractual terms and the accounting policies applied by management. We reviewed documents supporting the revenue recognized by the Group under project management and construction services, arrangements with subcontractors and suppliers, invoices and payment schedules, underlying budgets, revenue and cost forecasts. We discussed the status of the projects with management, including financial and technical experts. We also reviewed the presentation of these operations in the consolidated financial statements. No significant exceptions were noted as a result of our procedures.

Key audit matter	How our audit addressed the key audit matter
Construction and commissioning of the investment project Refer to notes 2, 9, 10 and 22 to the consolidated financial statements In 2019, the Group launched pre-commissioning activities on the main units of the investment project related to the construction of the ethylene cracking unit and polymers production units located in Tobolsk, Tyumen Region (hereinafter the "ZapSib"). In the second half of 2019, the logistics platform, infrastructural objects and a polypropylene production unit were put into operation. We focused on ZapSib construction and commissioning as these operations are not typical for the Group and have a significant impact on the consolidated financial statements. Accounting treatment of ZapSib construction and commissioning involves significant estimates and judgements, including appropriateness of capitalising costs attributable to ZapSib-related items under construction, accounting for testing production at the pre-commissioning stage, distribution of general costs on the ZapSib commissioning, commissioning of the Logistics platform and the polypropylene production plant and subsequent depreciation.	We evaluated the reasonableness of management's judgements applied in accounting for the construction and commissioning of ZapSib, as well as the correctness of accounting and disclosure of these operations by performing the following procedures: • physical inspection of property, plant and equipment and construction-in-progress items being part of ZapSib; • detailed testing of operations selected from total costs on the implementation of the investment project, to ensure compliance with the capitalisation criteria; • recalculation of interest accrued on loans and borrowings, as well as foreign exchange expenses capitalised in property, plant and equipment and construction-in-progress; • evaluation of total costs allocated between capital construction items being part of ZapSib at its commissioning; • detailed testing of individual operations related to commissioning of property, plant and equipment and construction-in-progress items for timely recognition, correct determination of the initial cost, useful lives and accrued depreciation. No significant exceptions were noted as a result of our procedures.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Refer to Note 4 to the consolidated financial statements. THIS YEAR WE CONTINUED TO FOCUS ON THE REVENUE RECOGNITION DUE TO THE FOLLOWING: - constant attention of users to this line of the consolidated financial statements as a performance indicator, - the amount's significance in value terms, - there is a rebuttable presumption of fraud risk in revenue recognition under ISAs. The Group's main source of revenue is the sale of petrochemical products in Russia and abroad. The Group recognises revenues from sale when it fulfils the performance obligation and the buyer obtains control over transferred goods and services. Contracts for the sale of products have different conditions for the recognition of revenue, including different definitions of performance obligations, due dates and transaction price allocation. Due to the high volume of transactions and possible manual intervention, there is the potential for deliberate manipulation or error. We assessed the risk of fraud and error and tailored our audit strategy based on the consolidated financial reporting process and expected internal control reliance.	This year, for the first time, we applied Computer Assisted Auditing Techniques (CAAT) to all operations related to sales of goods and services of the Company and the Group's foreign subsidiary located in Austria. Using these procedures, we reconciled revenue transactions with accrued receivables and / or payments received from the counterparty. These procedures covered all the sales of products transactions for the nine-months period ended 30 September 2019. For the remainder of the reporting period, we performed the substantive procedures as described below. Consistent with the prior year, we tested the design and operating efficiency of controls over revenue recognition across the Group. THIS YEAR OUR SUBSTANTIVE AUDIT PROCEDURES INCLUDED THE FOLLOWING PROCEDURES: - the verification of whether the Group was entitled to, and appropriately recognized revenue in line with the satisfaction of performance obligations; - the detailed testing of selected operations leading to revenue recognition that were not covered by CAAT; - the confirmation of selected accounts receivable balances as of 30 September 2019; - detailed testing of selected operations related to the occurrence and payment of receivables for sales of goods and services for the period from 30 September 2019 to 31 December 2019; - the verification of appropriateness of the timing of revenue recognition by comparing the dates of the satisfaction of performance obligation per contract arrangement against the corresponding dates of revenue recognition. We performed substantive procedures for 86% of the Group's revenue including all significant components. No significant exceptions were noted as a result of our procedures.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industry in which the Group operates.

Considering our ultimate responsibility for the opinion on the Group's consolidated financial statements, we are responsible for the direction, supervision and performance of the Group audit. In establishing the scope of our audit work, we determined the nature and extent of the audit procedures to be performed at the reporting units to ensure sufficient evidence has been obtained to support our opinion on the consolidated financial statements as a whole.

We also determined the type of work that needed to be performed directly by us, as the Group engagement team, by the component auditor represented by the PwC network, or by another audit firm. Where the work was performed by the component auditor, we determined the level of involvement we needed to have in the audit work at this component to be able to conclude whether sufficient appropriate audit evidence was obtained as a basis for our opinion as a whole.

In establishing our overall approach to the Group audit, we considered the significance of the Group components to the consolidated financial statements, our assessment of risk within each component, the overall coverage across the Group achieved by our procedures, as well as the risk associated with insignificant components not brought into the full scope of our audit.

Based on the above, we determined the nature and extent of work to be performed both at the reporting units and at the Group level. Where the work was performed by a PwC network firm, we performed consolidated level oversight and detailed testing of revenue to ensure sufficient evidence has been obtained to support our opinion on the consolidated financial statements taken as a whole.

Our approach to determining the scope of a Group audit is a process whereby reporting units are deemed to be within the scope for audit testing based on significant contribution or the presence of a significant risk, or to add elements of unpredictability.

Based on this process, we identified locations in Russia and Austria that required full scope audit procedures or procedures over specific financial statement line items. Together, these reporting units accounted for 86% of the Group's revenue. In respect of the Group's significant joint venture, RusVinyl LLC, the audit was performed by another audit firm under our instruction.

Other information

Management is responsible for the other information. The other information comprises "Management's discussion and analysis of financial condition and results of operations" for the year ended 31 December 2019 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the PJSC SIBUR Holding Annual Review for the year ended 31 December 2019 and first quarter 2020 Quarterly Issuer's Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the PJSC SIBUR Holding Annual Review for the year ended 31 December 2019 and first quarter 2020 Quarterly Issuer's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is A.M. Kulikov.

AO PricewaterhouseCoopers Audit

14 February 2020

Moscow, Russian Federation

A.M. Kulikov, certified auditor (licence no. 01-000827), AO PricewaterhouseCoopers Audit

Audited entity: PJSC SIBUR Holding

Certificate of inclusion in the Unified State Register of Legal Entities issued on 8 July 2005 under registration № 1057747421247

Block 1, No. 6, bld. 30, Eastern Industrial Park, Tobolsk, Tyumen Region, Russian Federation, 626150

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

IFRS Consolidated Statement of Profit or Loss

(In millions of Russian rubles, unless otherwise stated)

Notes		Year ended 31 December 2019	2018
4	Revenue	531,306	568,647
5	Operating expenses	(401,415)	(403,566)
	Operating profit	**129,891**	**165,081**
6	Finance income	41,429	2,331
6	Finance expenses	(4,005)	(31,690)
3	Result of subsidiary's disposal and remeasurement of related assets	1,940	(425)
	Result of subsidiary's acquisition and remeasurement of related liabilities	—	(217)
13	Share of net income of joint ventures and associates	6,970	3,173
	Profit before income tax	**176,225**	**138,253**
30	Income tax expense	(34,858)	(27,493)
	Profit for the year	**141,367**	**110,760**
	Profit for the year, including attributable to:	**141,367**	**110,760**
29	Non-controlling interest	6,140	4,431
	Shareholders of the parent company	135,227	106,329
	Basic and diluted earnings per share		
28	**(in Russian rubles per share)**	62.07	48.81
28	Weighted average number of shares outstanding (in thousands)	2,178,479	2,178,479

	Supplementary Information (non-IFRS measures)		
7	EBITDA	170,020	201,007
	EBITDA margin	**32.0%**	**35.3%**
7	Adjusted EBITDA	178,442	205,529

D.V. KONOV
Chairman of the Management Board

14 February 2020

A.A. PETROV
Chief Financial Officer

14 February 2020

The accompanying notes on pages 199 to 247 are an integral part of these consolidated financial statements.

IFRS Consolidated Statement of Financial Position

(In millions of Russian rubles, unless otherwise stated)

Notes		As of 31 December 2019	As of 31 December 2018
	ASSETS		
	Non-current assets		
9	Property, plant and equipment	916,050	769,309
10	Advances and prepayments for capital construction	17,928	33,988
11	Right-of-use assets	16,171	—
12	Goodwill	12,097	12,097
12	Intangible assets excluding goodwill	100,653	103,454
13	Investments in joint ventures and associates	47,440	35,853
30	Deferred income tax assets	8,034	8,465
14	Long-term advances issued under project management and construction services	42,561	53,509
	Loans receivable	295	1,878
18	Prepaid borrowing costs	20	1,665
15	Trade and other receivables	15,906	6,576
	Other non-current assets	3,924	3,723
	Total non-current assets	**1,181,079**	**1,030,517**
	Current assets		
16	Inventories	44,842	40,467
	Prepaid current income tax	3,405	1,190
15	Trade and other receivables	109,775	45,209
17	Prepayments and other current assets	27,291	26,620
14	Short-term advances issued under project management and construction services	75,728	86,164
18	Prepaid borrowing costs	2,455	4,091
20	Cash and cash equivalents	17,443	14,783
	Total current assets	**280,939**	**218,524**
	Assets classified as held for sale	—	9,605
	Total assets	**1,462,018**	**1,258,646**

The accompanying notes on pages 199 to 247 are an integral part of these consolidated financial statements

Notes		As of 31 December 2019	As of 31 December 2018
	LIABILITIES AND EQUITY		
	Non-current liabilities		
21	Long-term debt excluding related to ZapSibNeftekhim	106,114	73,337
22	Long-term ZapSibNeftekhim related debt	232,609	236,940
	Long-term lease liabilities	10,197	—
23	Deferred income from grants and subsidies	69,419	55,335
14	Long-term advances received under project management and construction services	58,678	66,268
30	Deferred income tax liabilities	39,122	34,261
24	Other non-current liabilities	28,368	15,885
	Total non-current liabilities	**544,507**	**482,026**
	Current liabilities		
25	Trade and other payables	173,469	119,888
14	Short-term advances received under project management and construction services	62,168	76,891
	Income tax payable	273	4,640
26	Short-term debt and current portion of long-term debt excluding related to ZapSibNeftekhim	10,099	13,300
22	Current portion of long-term ZapSibNeftekhim related debt	15,593	8,834
	Short-term lease liabilities	5,127	—
27	Taxes other than income tax payable	11,199	10,924
	Total current liabilities	**277,928**	**234,477**
	Liabilities associated with assets classified as held for sale	—	1,679
	Total liabilities	**822,435**	**718,182**
	Equity		
28	Ordinary share capital	21,784	21,784
	Share premium	9,357	9,357
	Equity-settled share-based payment plans	32,450	32,450
	Retained earnings	563,829	468,879
	Total equity attributable to the shareholders of the parent company	**627,420**	**532,470**
29	Non-controlling interest	12,163	7,994
	Total equity	**639,583**	**540,464**
	Total liabilities and equity	**1,462,018**	**1,258,646**

The accompanying notes on pages 199 to 247 are an integral part of these consolidated financial statements

IFRS Consolidated Statement of Cash Flows

(In millions of Russian rubles, unless otherwise stated)

Notes		Year ended 31 December 2019	Year ended 31 December 2018
	Operating activities		
31	Cash from operating activities before income tax payment	160,265	184,991
	Income tax paid	(35,797)	(24,582)
31	**Net cash from operating activities**	**124,468**	**160,409**
	Investing activities		
	Purchase of property, plant and equipment	(142,504)	(145,505)
	Purchase of intangible assets and other non-current assets	(7,874)	(5,933)
23	Grants and subsidies received	17,215	9,536
35	Acquisition of interest in subsidiary, net of cash acquired	(3,390)	(3,023)
3	Proceeds from disposal of subsidiary, net of cash disposed	11,300	—
13	Acquisition of interest and additional contributions to the share capital of joint ventures and associates	(1,160)	(598)
13	Dividends received	1,416	1,937
	Interest received	1,427	1,054
	Loans issued	(8,862)	(153)
	Repayment of loans receivable	5,203	—
	Proceeds from sale of property, plant and equipment	1,556	9,617
	Other	118	(218)
	Net cash used in investing activities	**(125,555)**	**(133,286)**
	Financing activities		
	Proceeds from debt	153,280	53,568
	Repayment of debt	(87,594)	(75,834)
	Repayment of lease liabilities	(5,818)	—
	Interest paid	(13,360)	(13,569)
28	Dividends paid	(41,524)	(27,126)
	Bank commissions paid	(295)	(896)
	Purchase of non-controlling interest	(300)	—
	Net cash from/(used in) financing activities	**4,389**	**(63,857)**
	Effect of exchange rate changes on cash and cash equivalents	(642)	3,061
	Net increase/(decrease) in cash and cash equivalents	**2,660**	**(33,673)**
	Cash and cash equivalents, at the beginning of the reporting year	14,783	48,456
	Cash and cash equivalents, at the end of the reporting year	**17,443**	**14,783**

The accompanying notes on pages 199 to 247 are an integral part of these consolidated financial statements

IFRS Consolidated Statement of Changes in Equity

(In millions of Russian rubles, unless otherwise stated)

Notes		Attributable to the shareholders of the parent company: Share capital	Share premium	Equity-settled share-based payment plans	Retained earnings	Total	Non-controlling interest	Total equity
	Balance as of 1 January 2018	**21,784**	**9,357**	**32,450**	**388,515**	**452,106**	**5,052**	**457,158**
37	Effect of transition to IFRS 15	—	—	—	(425)	(425)	—	(425)
	Balance as of 1 January 2018, restated	**21,784**	**9,357**	**32,450**	**388,090**	**451,681**	**5,052**	**456,733**
	Profit for the year	—	—	—	106,329	106,329	4,431	110,760
	Actuarial gain on post-employment benefit obligations	—	—	—	188	188	8	196
	Total comprehensive income for the year	—	—	—	**106,517**	**106,517**	**4,439**	**110,956**
	Deconsolidation of subsidiary	—	—	—	—	—	(99)	(99)
28	Dividends	—	—	—	(25,728)	(25,728)	(1,398)	(27,126)
	Balance as of 31 December 2018	**21,784**	**9,357**	**32,450**	**468,879**	**532,470**	**7,994**	**540,464**
	Balance as of 1 January 2019	**21,784**	**9,357**	**32,450**	**468,879**	**532,470**	**7,994**	**540,464**
	Profit for the year	—	—	—	135,227	135,227	6,140	141,367
	Actuarial loss on post-employment benefit obligations	—	—	—	(419)	(419)	(5)	(424)
	Total comprehensive income for the year	—	—	—	**134,808**	**134,808**	**6,135**	**140,943**
29	Transactions with non-controlling interest	—	—	—	(296)	(296)	(4)	(300)
28	Dividends	—	—	—	(39,562)	(39,562)	(1,962)	(41,524)
	Balance as of 31 December 2019	**21,784**	**9,357**	**32,450**	**563,829**	**627,420**	**12,163**	**639,583**

The accompanying notes on pages 199 to 247 are an integral part of these consolidated financial statements

IFRS Consolidated Statement of Comprehensive Income

(In millions of Russian rubles, unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	**141,367**	**110,760**
Other comprehensive (loss)/income:	**(424)**	**196**
Actuarial (loss)/gain on post-employment benefit obligations	(515)	249
Deferred tax effect	91	(53)
Total comprehensive income for the year	**140,943**	**110,956**
Total comprehensive income for the year, including attributable to:	**140,943**	**110,956**
Non-controlling interest	6,135	4,439
Shareholders of the parent company	134,808	106,517

The accompanying notes on pages 199 to 247 are an integral part of these consolidated financial statements

Notes to the IFRS Consolidated Financial Statements

1 NATURE OF OPERATIONS

PJSC SIBUR Holding (the "Company") and its subsidiaries (jointly referred to as the "Group") form a vertically integrated petrochemical business. The Group purchases and processes raw materials (primarily associated petroleum gas and natural gas liquids), and produces and markets energy and petrochemical products, both domestically and internationally. The Group's production facilities are located in the Russian Federation.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements under International Financial Reporting Standards (IFRS) requires the use of certain accounting estimates which, by definition, may differ from actual results. Estimates and judgements are continually evaluated; revisions of estimates are recognized prospectively. It also requires management to exercise judgement when applying the Group's accounting policies.

Judgements that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities in future financial reporting periods are as follows:

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (see Note 36).

Deferred income tax asset recognition. Deferred income tax assets are recognized to the extent that it is probable that the future taxable profit will be available to cover such assets. When determining future taxable profits and the amount of tax benefits available to certain Group entities, the management makes judgements and applies estimates based on recent taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

Useful lives of property, plant and equipment. Estimating the useful life of a property, plant and equipment item is based on experience with similar assets. When determining the useful life of an asset, the management considers the expected usage, estimated technical obsolescence, residual value, physical wear and tear, and the environment in which the asset is operated. Differences between such estimates and actual results may result in losses in future periods, and changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

The Group reassessed useful life of certain objects used for ZapSibNeftekhim ("ZapSib") construction. As a result, additional depreciation in the amount of RUB 8,068 was accrued in 2019.

Right-of-use assets. The majority of the Group's right-of-use assets are represented by lease contracts of shipping vessels that the Group uses to transport its produced goods to customers. Vessels can be used in geographic areas, which are specified in the contracts, within a predetermined period between dry-docking.

Estimated impairment of goodwill. The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amounts of cash-generating units are the higher of their fair value less costs to sell and their value-in-use calculations. These calculations require the use of estimates (see Note 12).

Estimated impairment of property, plant and equipment and intangible assets excluding goodwill. Property, plant and equipment and intangible assets excluding goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGU).

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

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 considers all information available at the year-end on the future development of the operating business and may deviate from actual future developments. An impairment charge is the difference between the carrying amount and the recoverable CGU amount.

Estimated impairment of trade and other receivables. Accrual and release of the impairment provision is recognized within other operating expenses in the consolidated statement of profit or loss. The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit loss, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles of sales, and the corresponding historical credit losses experienced. As a regular payment term specified for the majority of customers is prepayment or payment within 90 days the effect of adjustment on future expected losses is immaterial. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired amounts are derecognized when they are assessed as uncollectible.

Grants and subsidies. As a major investor in infrastructure and social projects in the regions where it operates, the Group has signed cooperation agreements with several regional authorities, including investment and financial support agreements, under which the Group is entitled to a partial refund of capital expenditures incurred in the respective regions subject to certain conditions. Such reimbursements are made after supporting documents have been submitted to the relevant authority in the form of a direct grant of public funds. Quarterly, at each reporting date, management assesses whether there is a reasonable assurance that the Group is able to comply with the required conditions. The management believes that the Group will be able to comply with the conditions stipulated by the agreements.

Contracts on construction services. JSC NIPIgaspererabotka ("NIPIGAS"), a Group subsidiary, is engaged in the construction of a combined oil refining unit for JSC Gazpromneft Moscow Refinery and the construction of utilities, infrastructure and offsites for JSC Gazpromneft Omsk Refinery. On both contracts, NIPIGAS acts as contractor, providing the construction services. Also, NIPIGAS is engaged in the ARCTIC LNG 2 project for PJSC NOVATEK by providing engineering services to LNG NOVAENGINEERING LLC.

The Group recognizes revenue for such contracts over time using the input method, applying judgement over the expected costs to be incurred until project completion. If circumstances arise that may change the original estimates of revenue (which is generally fixed in the contract with minor variable components), costs or the extent of progress toward completion, the estimates are revised. These revisions may result in increases or decreases in estimated revenues and total costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In addition, receivables related to contracts on project management and construction services are subject to credit risk. In other words, although some revenue continues to be contractually bound, the customer can still refuse to pay or to pay in time. Where revenue has been recognized on a contract, but an uncertainty subsequently arises about the recoverability of the related amount due from the customer, any provision against the amount due is recognized as an expense.

For the years ended 31 December 2019 and 31 December 2018, the Group recognized revenue from the application of the input method by reference to costs incurred of RUB 23,284 and RUB 26,409, respectively (see Note 8).

Amur GPP project. In July 2015, Gazprom Pererabotka Blagoveshchensk LLC, a Gazprom Group member, and NIPIGAS signed a contract to manage a project on constructing the Amur Gas Processing Plant ("Amur GPP") in the Amur Region. Under this agreement, NIPIGAS manages and supervises engineering work, procurement and delivery of equipment and materials, and construction work until the transfer of the plant to Gazprom Pererabotka Blagoveshchensk LLC in a state of mechanical completion. Amounts received under this contract include amounts payable to subcontractors for services rendered and equipment delivered, and NIPIGAS's management services fee.

The Group's management considered that under this project the Group's promise is to arrange for specified goods or services to be provided to the customer by the other parties, as the customer has a significant control over the construction process, including approval by Gazprom Pererabotka Blagoveshchensk LLC of contracts with subcontractors and preapproval of services rendered and equipment delivered by subcontractors before its acceptance by NIPIGAS. Thus, amounts received from the customer and transferred to subcontractors for construction services and equipment delivery are not recognized as revenue in the consolidated statement of profit or loss. The corresponding changes in settlement balances are driven by active contract phase. Remuneration for management services rendered by NIPIGAS is recognized within revenue from project management and construction services in the consolidated statement of profit or loss.

JSC NIPIgaspererabotka consolidation. The effective percentage of NIPIGAS's share capital held by the Group became 45 percent, representing 50 percent of the voting shares, as the result of shares sale to certain companies controlled by some of Company's shareholders, including those that simultaneously serve as senior Group management. The Group continued to consolidate NIPIGAS as it has retained control over its relevant activities as defined by IFRS 10 "Consolidated Financial Statements". The Group has made a significant judgement that it has retained control over NIPIGAS as the Group and its key management can cumulatively control a majority of votes at the meetings of NIPIGAS's governing bodies.

SIBUR-Portenergo LLC disposal. In 2015, the Company sold its 100% interest in SIBUR-Portenergo LLC, the subsidiary of the Group that operates the liquefied petroleum gas and naphtha transshipment terminal located in Ust-Luga, Leningrad Region ("Terminal"), to Baltic Sea Transshipment PTE. Ltd ("Buyer") and signed a long-term, take-or-pay transshipment contract with SIBUR-Portenergo LLC (valid through December 2029) under which the Company must transship its liquefied petroleum gas ("LPG") and fully utilize the Terminal's LPG transshipment capacity. As well, the Company must transship its naphtha and utilize a pre-determined percentage of the Terminal's naphtha transshipment capacity if there are no other customers.

After the disposal, Management company SIBUR-Portenergo LLC ("Management Company"), a subsidiary of the Group, manages Terminal operations for a service fee. The Buyer is entitled to terminate the service contract with the Management Company at any time.

The Buyer makes decisions regarding all relevant Terminal activities, as defined by IFRS 10 "Consolidated Financial Statements", including approving its budgets, setting the terms of significant contracts, and financing and investing activities. The Management Company operates under budgets approved by the Buyer. Should the Management Company disagree with the Buyer's approved budget, it will formally relinquish responsibility for Terminal operations and will officially notify the Buyer accordingly.

The Group's management made a significant judgement that, although the Group has retained some exposure or rights to variable returns from its involvement with the Terminal, it does not control the Terminal because it is the Buyer's prerogative to make decisions on relevant Terminal operations, and the Terminal's naphtha transshipment capacity may be utilized by third parties upon a decision of the Buyer.

3 DECONSOLIDATION OF SUBSIDIARIES

Petrochemical facilities in Togliatti

In the third quarter of 2018, the Group decided to sell part of its petrochemical production facilities which were not a strategic priority asset within the Group portfolio to an unrelated third party on market terms, related assets and liabilities were reclassified to the held for sale category. In 2019 the Group sold 100% interest in its petrochemical subsidiaries located in Togliatti (the "Companies") to Tatneft, a Russian crude oil, gas, petrol and petrochemicals producer, for a cash consideration of RUB 11,300 (net of cash disposed) that was received in the fourth quarter of 2019.

The financial result of the transaction was classified as a gain on disposal of subsidiary in the consolidated statement of profit or loss. The break-down of the Companies' assets and liabilities as of the disposal date and 31 December 2018 were as follows:

	Disposal date	31 December 2018
ASSETS		
Property, plant and equipment	8,961	8,331
Inventories	1,258	926
Other assets	1,927	348
Total assets	**12,146**	**9,605**
LIABILITIES		
Trade and other payables	750	1,118
Other liabilities	706	561
Total liabilities	**1,456**	**1,679**

The Group did not incur any significant transaction costs on this disposal. Until the disposal date subsidiaries' financial results are reported in the Plastics, Elastomers and Intermediates segment (see Note 7).

4 REVENUE

Revenue by products and reportable segments is presented below:

	Year ended 31 December	
	2019	2018
Midstream	**213,030**	**240,818**
Liquefied petroleum gas	122,659	152,206
Natural gas	51,303	49,067
Naphtha	36,586	37,572
Other sales	2,482	1,973
Olefins and Polyolefins	**105,717**	**100,862**
Polyolefins	75,790	68,913
BOPP films	18,336	18,471
Olefins	6,932	7,726
Other polymers products	3,509	4,930
Other sales	1,150	822
Plastics, Elastomers and Intermediates	**152,805**	**171,003**
Elastomers	55,048	55,021
Plastics and organic synthesis products	50,989	59,878
Intermediates and other chemicals	24,650	25,137
MTBE and fuel additives	20,746	29,753
Other sales	1,372	1,214
Unallocated	**59,754**	**55,964**
Revenue from project management and construction services	45,745	41,047
Other revenue	14,009	14,917
Total revenue	**531,306**	**568,647**

The amount of revenue recognized over time except for revenue from construction services recognized over time (separately disclosed in Note 8) for the years ended 31 December 2019 and 31 December 2018 equals to RUB 31,067 and RUB 20,668, respectively.

As of 31 December 2019 unsatisfied performance obligations on project management and construction services equals to RUB 91,754. Management expects that RUB 49,784 of this amount will be recognized as revenue in 2020 in accordance with the contract terms. The residual amount will be recognized until 2025.

5 OPERATING EXPENSES

	Year ended 31 December	
	2019	2018
Feedstock and materials	118,087	130,669
Transportation and logistics	79,387	75,021
Staff costs	46,340	43,171
Energy and utilities	42,702	39,839
Depreciation and amortization	39,836	35,510
Services provided by third parties	29,582	29,646
Goods for resale	24,481	32,512
Repairs and maintenance	9,415	12,792
Processing services of third parties	3,796	3,696
Taxes other than income tax	3,032	3,983
Marketing and advertising	1,464	1,439
Charity and sponsorship	1,217	858
Rent expenses	517	1,603
Impairment of property, plant and equipment	293	416
Gain on disposal of property, plant and equipment	(131)	(4,503)
Change in WIP and refined products balances	(451)	(6,247)
Other	1,848	3,161
Total operating expenses	**401,415**	**403,566**

The Group's production facilities are located in the Russian Federation and most of the Group's operating expenses are generated at these production plants. Transportation expenses are closely related to the Group's geography of sales disclosed in Note 7.

Staff costs for the years ended 31 December 2019 and 31 December 2018 included statutory pension and other social security contributions of RUB 8,183 and RUB 7,759, respectively.

6 FINANCE INCOME AND EXPENSES

	Year ended 31 December	
	2019	2018
Foreign exchange gain from financing activities	37,663	—
Foreign exchange gain from non-financing activities	2,218	—
Interest income	1,189	1,464
Other income	359	867
Total finance income	**41,429**	**2,331**
Interest expense	(2,150)	(945)
Unwinding of discount on non-current accounts payable	(1,465)	(1,379)
Interest expense on post-employment obligations	(195)	(196)
Bank commissions	(43)	(52)
Foreign exchange loss from financing activities	—	(25,907)
Foreign exchange loss from non-financing activities	—	(2,981)
Other expense	(152)	(230)
Total finance expenses	**(4,005)**	**(31,690)**

7 SEGMENT INFORMATION

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

The Group's chief operating decision-makers are the Chairman of the Management Board, the Chief Executive Officer, the Chief Financial Officer and three Executive Directors. These executives regularly review the Group's internal reporting in order to assess performance and allocate resources.

THE GROUP'S MANAGEMENT DETERMINES THREE OPERATING AND REPORTABLE SEGMENTS:

- Midstream — processing of associated petroleum gas and raw natural gas liquids to produce energy products, natural gas, liquefied petroleum gases and naphtha, which are used as feedstock by the Olefins and Polyolefins segment and the Plastics, Elastomers and Intermediates segment and also marketed and sold externally;
- Olefins and Polyolefins — mainly the production of polypropylene, polyethylene, propylene, ethylene and BOPP films;
- Plastics, Elastomers and Intermediates — the production of synthetic rubbers, plastics, organic synthesis products and other petrochemical products. In addition, the Plastics, Elastomers and Intermediates segment produces fuel additives, including MTBE, which is fully sold externally.

The Group's management assesses the performance of each operating segment based on their respective EBITDA contributions. The results from providing electricity and heat supply, transportation to third parties, managerial services are not allocated into the operating segments.

EBITDA is calculated as the profit or loss for the period, adjusted by income tax expense, finance income and expenses, share of net income of joint ventures and associates, depreciation and amortization, impairment of property, plant and equipment, profit or loss on disposal of investments, as well as other one-off items.

Adjusted EBITDA is calculated as EBITDA (calculated in accordance with the methodology as above) adjusted by the Group's portion of the EBITDA of joint ventures and associates and net of NCI share of related subsidiaries' EBITDA.

Inter-segment transfers include transfers of raw materials, goods and services from one segment to another, amount is determined based on the market prices for similar goods.

Other information provided to management, except as noted below, is measured in a manner consistent with that in these consolidated financial statements.

7 SEGMENT INFORMATION (CONTINUED)

	Midstream	Olefins and Polyolefins	Plastics, Elastomers and Intermediates	Total reportable segments	Unallocated	Total
Year ended 31 December 2019						
Total segment revenue	255,523	135,537	156,409	547,469	62,379	609,848
Inter-segment transfers	(42,493)	(29,820)	(3,604)	(75,917)	(2,625)	(78,542)
External revenue	**213,030**	**105,717**	**152,805**	**471,552**	**59,754**	**531,306**
EBITDA	**99,788**	**48,979**	**19,511**	**168,278**	**1,742**	**170,020**
Adjusted EBITDA	**100,411**	**59,255**	**19,415**	**179,081**	**(639)**	**178,442**
Year ended 31 December 2018						
Total segment revenue	294,790	130,899	174,006	599,695	58,312	658,007
Inter-segment transfers	(53,972)	(30,037)	(3,003)	(87,012)	(2,348)	(89,360)
External revenue	**240,818**	**100,862**	**171,003**	**512,683**	**55,964**	**568,647**
EBITDA	**127,107**	**37,679**	**34,816**	**199,602**	**1,405**	**201,007**
Adjusted EBITDA	**127,771**	**46,507**	**34,611**	**208,889**	**(3,360)**	**205,529**

For the years ended 31 December 2019 and 31 December 2018, EBITDA in US dollars measured at the weighted average exchange rate of the US dollar against the Russian ruble, calculated for corresponding periods (see Note 37), was USD 2,626 million and USD 3,205 million, respectively.

A reconciliation of Adjusted EBITDA and EBITDA to profit before income tax was as follows:

	Year ended 31 December	
	2019	2018
Adjusted EBITDA	**178,442**	**205,529**
Portion of EBITDA of joint ventures and associates	(15,555)	(9,971)
Non-controlling interest share of related subsidiaries' EBITDA	7,133	5,449
EBITDA	**170,020**	**201,007**
Finance income	41,429	2,331
Finance expenses	(4,005)	(31,690)
Result of subsidiary's acquisition and remeasurement of related liabilities	—	(217)
Result of subsidiary's disposal and remeasurement of related assets	1,940	(425)
Share of net income of joint ventures and associates	6,970	3,173
Depreciation and amortization	(39,836)	(35,510)
Impairment of property, plant and equipment	(293)	(416)
Profit before income tax	**176,225**	**138,253**

Geographical information

The breakdown of revenues by geographical regions was as follows:

	Year ended 31 December	
	2019	2018
Russia	316,586	333,394
Europe	148,025	179,196
Asia	37,326	26,082
CIS	24,362	25,661
Other	5,007	4,314
Total revenue	**531,306**	**568,647**

8 CONTRACTS ON CONSTRUCTION SERVICES

The Group's financial position with respect to contracts on construction services in progress as of 31 December 2019 and 31 December 2018 was as follows:

	31 December 2019	31 December 2018
Construction service revenue	24,900	33,216
Less:		
Progress billings	(23,517)	(33,472)
Advances from customers	(3,844)	(6,672)
Contract liabilities	**(2,461)**	**(6,928)**

	31 December 2019	31 December 2018
Construction service revenue	35,254	3,635
Less:		
Progress billings	(31,303)	(3,034)
Advances from customers	(134)	(137)
Contract assets	**3,817**	**464**

In 2019 the Group has updated costs to complete for its certain contracts. The resulted decrease in revenue was accounted for prospectively in the consolidated statement of profit or loss.

9 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 1 January 2018	**52,013**	**141,112**	**95,020**	**6,048**	**304,678**	**6,444**	**605,315**
Depreciation charge	(2,858)	(10,541)	(14,622)	(376)	—	(2,267)	(30,664)
Additions	—	—	—	—	203,381	6,190	209,571
Transfers	3,490	6,130	9,800	86	(20,249)	743	—
Impairment	—	—	—	—	(199)	(217)	(416)
Disposals	(705)	(81)	(249)	(4,324)	(20)	(717)	(6,096)
Reclassification to assets held for sale	(587)	(1,794)	(4,669)	(68)	(856)	(427)	(8,401)
Historical cost							
as of 31 December 2018	67,310	195,447	171,214	3,105	486,735	15,896	939,707
Accumulated depreciation	(15,957)	(60,621)	(85,934)	(1,739)	—	(6,147)	(170,398)
Net book value as of 1 January 2019	**51,353**	**134,826**	**85,280**	**1,366**	**486,735**	**9,749**	**769,309**
Depreciation charge	(9,578)	(12,047)	(14,427)	(186)	—	(2,015)	(38,253)
Additions	—	—	—	—	181,329	6,246	187,575
Transfers	30,369	78,334	46,305	130	(156,053)	915	—
Impairment	—	—	(115)	—	(63)	(115)	(293)
Disposals	(441)	(16)	(203)	(125)	(261)	(1,242)	(2,288)
Historical cost							
as of 31 December 2019	97,117	273,725	216,402	3,033	511,687	19,158	1,121,122
Accumulated depreciation	(25,414)	(72,628)	(99,562)	(1,848)	—	(5,620)	(205,072)
Net book value as of 31 December 2019	**71,703**	**201,097**	**116,840**	**1,185**	**511,687**	**13,538**	**916,050**

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the years ended 31 December 2019 and 31 December 2018, the Group capitalized borrowing costs of RUB 18,187 and RUB 30,595, respectively. Borrowing costs included foreign exchange losses in the amount of RUB 2,658 and RUB 16,845 for the respective years. The annual capitalization rates, excluding the effect of capitalized foreign exchange losses from financing activities, were 7.07 percent and 6.63 percent, respectively.

The Group is implementing ZapSib investment project, construction of the ethylene cracking unit and polymers production units located in Tobolsk, Tyumen Region. As of 31 December 2019 ZapSib polypropylene and a number of infrastructure objects were put in use while ethylene cracking and polyethylene units were under final stages of testing.

10 ADVANCES AND PREPAYMENTS FOR CAPITAL CONSTRUCTION

Advances and prepayments in the amount of RUB 17,928 and RUB 33,988 as of 31 December 2019 and 31 December 2018, respectively, primarily were paid to suppliers and contractors under the major investment project of the Group — ZapSib.

As of 31 December 2019, the most significant advances and prepayments were paid to Linde AG Engineering Division, Yamata Endüstriyel Projeler Inşaat Taahhüt ve Ticaret, Renaissance Heavy Industries.

As of 31 December 2018, the most significant advances and prepayments were paid to Renaissance Heavy Industries, Linde AG Engineering Division, Yamata Endüstriyel Projeler Inşaat Taahhüt ve Ticaret, JSC PROMSTROI-GROUP, China National Chemical Engineering No.7 Construction Co., Ltd, Technip France.

Management assessed the risks of non-recoverability and requested a collateral against advances and prepayments when the risk was considered as moderate or higher. On a regular basis, management reviews and monitors the status of work performed under each construction, other services and supply agreements. The Group's management assesses the risk that some of the advances and prepayments would not be recovered as insignificant.

11 RIGHT-OF-USE ASSETS

Movements in the net book value of right-of-use assets were as follows:

	Transport	Other	Total
Net book value as of 1 January 2019	**16,467**	**4,671**	**21,138**
Depreciation charge	(4,156)	(987)	(5,143)
Additions	—	176	176
Historical cost as of 31 December 2019	16,467	4,848	21,315
Accumulated depreciation	(4,156)	(988)	(5,144)
Net book value as of 31 December 2019	**12,311**	**3,860**	**16,171**

12 GOODWILL AND INTANGIBLE ASSETS

The net book value of intangible assets was as follows:

	Goodwill	Customer relationships	Supply contracts	Software and licences	Development costs	Total
Net book value as of 1 January 2018	**12,097**	**272**	**94,692**	**10,884**	**1,974**	**119,919**
Additions	—	—	—	5,335	597	5,932
Disposals	—	—	—	(57)	(95)	(152)
Amortisation charge	—	(71)	(7,013)	(2,988)	—	(10,072)
Reclassification to assets held for sale	—	—	—	(40)	(36)	(76)
Historical cost as of 31 December 2018	12,097	680	119,931	22,680	2,440	157,828
Accumulated amortisation	-	(479)	(32,252)	(9,546)	—	(42,277)
Net book value as of 1 January 2019	**12,097**	**201**	**87,679**	**13,134**	**2,440**	**115,551**
Additions	—	—	—	6,894	1,056	7,950
Disposals	—	—	—	(67)	(17)	(84)
Amortisation charge	—	(39)	(7,033)	(3,595)	—	(10,667)
Historical cost as of 31 December 2019	12,097	680	119,931	28,982	3,479	165,169
Accumulated amortisation	—	(518)	(39,285)	(12,616)	—	(52,419)
Net book value as of 31 December 2019	**12,097**	**162**	**80,646**	**16,366**	**3,479**	**112,750**

Intangible assets other than goodwill are presented in a separate line in the consolidated statement of financial position.

Impairment tests for goodwill

Goodwill related to the acquisitions of SIBUR International GmbH, Biaxplen LLC and Yugragazpererabotka LLC is allocated to the Group's cash-generating units ("CGUs"), which are the same as operating and reportable segments (see Note 7).

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

	31 December 2019	31 December 2018
Midstream	5,668	5,668
Olefins and Polyolefins	3,943	3,943
Plastics, Elastomers and Intermediates	2,348	2,348
Unallocated	138	138
Total goodwill	**12,097**	**12,097**

The recoverable amount for each CGU is the higher of its fair value, less the 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 management's five-year financial forecast prepared as of the year end. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of three percent. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The following key assumptions are used in the value-in-use calculation: a discount rate of 17.87 percent, an exchange rate of RUB 66-71 to USD 1, an oil price of USD 60-68 per bbl, and a Consumer Price Index of 4.0 percent. The discount rates used are pre-tax and reflect specific risks relating to the CGU's operating activity.

As the result of the management assessment no impairment of goodwill was identified.

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	Country of incorporation	Interest held (percent)	31 December 2019	31 December 2018
RusVinyl LLC	Russia	50	23,290	19,598
JSC Sibgazpolimer ①	Russia	50	10,021	3,061
Yuzhno-Priobsky GPP LLC	Russia	50	6,118	6,100
Reliance Sibur Elastomers Private Limited	India	25.1	4,524	4,084
NPP Neftekhimia LLC	Russia	50	2,210	2,470
PTC LLC	Russia	50	991	477
Manucor S.p.A.	Italy	50	202	—
LNG NOVAENGINEERING LLC	Russia	50.1	64	62
SNHK LLC	Russia	50	20	1
Total investments in joint ventures and associates			**47,440**	**35,853**

① Special purpose vehicle established for investing in production entities.

The voting and ownership percentage in joint ventures and associates are the same, except for LNG NOVAENGINEERING LLC.

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

	2019	2018
As of the beginning of the year	**35,853**	**33,673**
Share of profit of joint ventures and associates	6,959	3,173
Additions	6,540	253
Dividends received from joint ventures and associates	(1,462)	(1,937)
Translation differences	(450)	691
As of the end of the year	**47,440**	**35,853**

All individually material associates and joint ventures are private companies and, thus, there are no quoted prices for their shares. All of these entities have share capital consisting solely of ordinary shares, which are held directly by the shareholders.

The Group reviews its investments in joint ventures and associates for potential impairment indicators on a regular basis. As of 31 December 2019 and 31 December 2018 there were no circumstances that would indicate the carrying value of investments in joint ventures and associates exceeds its recoverable amount.

The nature of the Group's relationship with and the financial information of each individually material associate and joint venture are described below.

RusVinyl LLC. RusVinyl LLC is a joint venture between the Group and SolVin Holding Nederland B.V. (which is ultimately controlled by Solvay SA) to produce a polyvinyl chloride on a new plant, constructed by RusVinyl LLC in the Nizhny Novgorod Region.

After the project Completion date the Group issued a financial guarantee as a liquidity support undertaking for the RusVinyl LLC in the amount of EUR 62.5 million and pledged its shares in Rusvinyl LLC as a security. As of 31 December 2019 and 31 December 2018, the corresponding maximum credit risk exposure was RUB 4,334 and RUB 4,966, respectively.

The table below provides information on the statement of financial position and the results of RusVinyl LLC as of and for the years ended 31 December 2019 and 2018.

	31 December 2019	31 December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	58,307	62,088
Other non-current assets	1,921	2,211
Current assets		
Cash and cash equivalents	4,553	3,678
Other current assets	4,704	4,803
Total assets	**69,485**	**72,780**
LIABILITIES		
Non-current liabilities		
Financial liabilities	14,607	25,557
Current liabilities		
Financial liabilities	5,516	5,748
Other current liabilities	2,784	2,279
Total liabilities	**22,907**	**33,584**
Net assets	**46,577**	**39,196**

	Year ended 31 December	
	2019	2018
Revenue	29,283	27,058
Depreciation and amortisation	(3,522)	(3,484)
Interest income	88	39
Interest expense	(1,714)	(2,162)
Other finance expense	(82)	(355)
Foreign exchange gain/(loss)	2,544	(3,258)
Income tax expense	(1,921)	(200)
Profit for the period	7,383	586

Yuzhno-Priobsky GPP LLC. In 2007, the Group and the Gazprom Neft Group established a joint venture in the Khanty-Mansiysk Autonomous District to construct a gas processing plant based on Yuzhno-Priobskaya compressor station. On 3 September 2015, Yuzhno-Priobsky GPP LLC began its operation.

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The table below provides information on the statement of financial position and the results of Yuzhno-Priobsky GPP LLC as of and for the years ended 31 December 2019 and 2018.

	31 December 2019	31 December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	6,877	7,495
Other non-current assets	265	263
Current assets		
Cash and cash equivalents	3	1
Other current assets	5,776	5,141
Total assets	**12,920**	**12,900**
LIABILITIES		
Non-current liabilities		
Other non-current liabilities	338	326
Current liabilities		
Other current liabilities	345	375
Total liabilities	**684**	**701**
Net assets	**12,236**	**12,199**

	Year ended 31 December	
	2019	2018
Revenue	2,071	2,102
Depreciation and amortisation	(1,091)	(1,215)
Foreign exchange (loss)/gain	(1)	4
Income tax expense	(27)	(16)
Profit for the period	127	58

PTC LLC. In 2018 the Group established with JSC SG-Trans (one of the Russian major railway operators) a 50/50 percent joint venture, Petrochemical Transportation Company LLC (PTC LLC). PTC LLC is aimed to be a licensed railway operator, responsible for the provision of the transportation services both for company's owners and third parties.

The table below provides information on the statement of financial position and the results of PTC LLC as of and for the years ended 31 December 2019 and 2018.

	31 December 2019	31 December 2018
ASSETS		
Non-current assets		
Property, plant and equipment	14,236	9,542
Other non-current assets	53	5
Current assets		
Cash and cash equivalents	358	33
Other current assets	2,910	2,820
Total assets	**17,557**	**12,400**
Non-current liabilities		
Financial liabilities	6,889	7,462
Other non-current liabilities	—	5
Current liabilities		
Financial liabilities	7,917	3,247
Total liabilities	**14,806**	**10,714**
Net assets	**2,751**	**1,686**

	Year ended 31 December	
	2019	2018
Revenue	32,106	3,581
Depreciation and amortisation	(6,062)	(69)
Interest income	58	18
Interest expense	(2,234)	(193)
Income tax benefit	6	(129)
Profit for the period	1,030	491

The nature and summarised financial information of individually immaterial joint ventures and associates are provided below.

NPP Neftekhimia LLC. In September 2010, the Group established a joint venture, NPP Neftekhimia LLC, with JSC Gazpromneft Moscow Refinery, a member of the Gazprom Neft Group. The joint venture is a polypropylene producer located in Moscow, and the Group purchases substantially all of its production volumes.

Reliance Sibur Elastomers Private Limited. In February 2012, the Group and the Reliance Industries Limited established a company for the construction of butyl rubber production facility at Reliance Industries Limited's integrated petrochemical site in Jamnagar, India. In 2019, the Group made additional contributions to the associate's share capital of RUB 897; the Group's ownership share remained unchanged.

JSC Sibgazpolimer. In May 2014, JSC Sibgazpolimer acquired a 50 percent stake in Poliom LLC from JSC GK Titan, followed by purchase of additional 50 percent stake in July 2019. As a result, Poliom LLC became a 50/50 percent joint venture of the Group and PJSC Gazprom Neft. The acquisition of additional shares was financed by a loan issue on market terms which is presented as part of the investment in Poliom LLC.

Manucor S.p.A. In September 2019, the Group acquired a 50 percent stake in Manucor S.p.A. which became a 50/50 percent joint venture of the Group and PS Film S.p.A, a member of the PillarStone Fund. The company is a BOPP films producer located in Italy.

Summarized financial information of these individually immaterial joint venture and associate is provided below.

As of and for the year ended 31 December 2019	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Oper. profit/ (loss)	Profit/ (loss)
SNHK LLC	376	111	446	—	5,889	83	66
NPP Neftekhimia LLC	828	1,279	597	29	9,647	3,119	2,244
JSC Sibgazpolimer	22	22,676	—	2,656	3,520	3,519	3,173
Manucor S.p.A.	2,023	2,776	2,395	1,899	2,062	(128)	(121)
Reliance Sibur Elastomers Private Limited	5,264	34,504	2,771	20,253	922	811	(37)
LNG NOVAENGINEERING LLC	2,978	34	2,492	24	—	(20)	(16)

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

As of and for the year ended 31 December 2018	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Oper. profit/ (loss)	Profit/ (loss)
SNHK LLC	—	—	—	—	2,016	—	—
NPP Neftekhimia LLC	1,305	1,328	533	28	10,485	3,720	2,670
JSC Sibgazpolimer	1,668	6,928	—	2,475	2,655	2,652	2,509
Reliance Sibur Elastomers Private Limited	3,380	29,235	2,534	14,679	—	(8)	(18)
LNG NOVAENGINEERING LLC	8,045	940	1,536	6,947	392	377	291

The Group will finance investments in its joint ventures and associates should these entities be unable to attract third parties' financing. The Group's commitments under these investment arrangements comprised RUB nil and RUB 200 as of 31 December 2019 and 2018, respectively.

14 ADVANCES ISSUED AND RECEIVED UNDER PROJECT MANAGEMENT AND CONSTRUCTION SERVICES

Advances received from Gazprom Pererabotka Blagoveshchensk LLC under the project management of construction of the Amur GPP (see Note 2) were paid in full to suppliers and subcontractors as advances for their respective work. The Group's management considers the terms of advances received and paid based on the expected date of their utilization in the full amount, linked to contractual terms.

As of 31 December 2019 and 31 December 2018, the total amount of advances received from Gazprom Pererabotka Blagoveshchensk LLC under this project is presented in the long-term advances received under project management and construction services line in the amount of RUB 58,354 and RUB 64,746, respectively, and in the short-term advances received under project management and construction services line in the amount of RUB 58,891 and RUB 71,053, respectively, in the consolidated statement of financial position. Advances paid are presented in the long-term advances issued under project management and construction services line in the amount of RUB 42,561 and RUB 53,509, respectively, and in the short-term advances issued under project management and construction services line in the amount of RUB 73,305 and RUB 82,207, respectively, in the consolidated statement of financial position.

Advances issued and received under project management and construction services also include advances under the project of construction of combined oil refining unit for JSC Gazpromneft Moscow Refinery, the project of construction of utilities, infrastructure and offsites for JSC Gazpromneft Omsk Refinery and others (Note 2).

15 TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
Receivables under project management and construction services	106,289	32,552
Trade receivables	14,927	15,721
Other receivables	4,465	3,512
Total trade and other receivables	**125,681**	**51,785**
Less non-current portion:		
Receivables under project management and construction services	(14,698)	(5,336)
Other receivables	(1,208)	(1,240)
	109,775	**45,209**

The fair values of trade and other receivables approximate their carrying values. All non-current receivables are due up to twenty years from reporting period date.

16 INVENTORIES

	31 December 2019	31 December 2018
Refined products and work in progress	20,252	22,433
Materials and supplies	22,323	16,386
Goods for resale	2,267	1,648
Total inventories	**44,842**	**40,467**

17 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2019	31 December 2018
Non-financial assets		
VAT receivable	11,333	12,461
Recoverable VAT	6,583	3,170
Prepayments and advances to suppliers	5,267	6,394
Other prepaid taxes and custom duties	1,349	1,408
Recoverable excise	1,231	758
Prepaid excise	1,218	1,294
Other current assets	274	1,023
Total non-financial assets	**27,255**	**26,508**
Financial assets		
Other financial assets	36	112
Total financial assets	36	112
Total prepayments and other current assets	**27,291**	**26,620**

18 PREPAID BORROWING COSTS

As of 31 December 2019 and 31 December 2018, prepaid borrowing costs of RUB 2,475 and RUB 5,756, respectively, included credit agencies premiums and fees for arranging long-term credit facilities for the Group's subsidiary, ZapSibNeftekhim LLC, for the ZapSib execution. The current portion of prepaid borrowing costs of RUB 2,455 and RUB 4,091 as of 31 December 2019 and 31 December 2018, respectively, is accounted for under loans and borrowings within one year from the reporting date.

19 BANK DEPOSITS

In October 2016, the Group signed a USD 414 million long-term deposit agreement due in March 2023. The main terms of the deposit agreement, including maturity schedule and interest rate, matched with the respective terms of the agreement, under which the Group had obtained a loan from the same bank. As the transaction meets the pass-through arrangement criteria, the long-term deposit and long-term loan were derecognized by the Group from its consolidated statement of financial position on the transaction date.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included deposits held in banks, which are readily convertible to cash and have an original maturity of less than three months, of RUB 9,300 and RUB 10,002 as of 31 December 2019 and 31 December 2018, respectively, and cash in transit in the amount of RUB 606 and RUB 472 as of 31 December 2019 and 31 December 2018, respectively.

21 LONG-TERM DEBT EXCLUDING RELATED TO ZAPSIBNEFTEKHIM

Long-term debt payable to	Currency	Due	31 December 2019	31 December 2018
Variable rate				
Gazprombank	RUB	2023	32,000	22,000
Raiffeisen Bank	USD	2025	7,552	—
Citibank	USD	2022	619	695
ING Bank Group	EUR	2011-2021	149	285
SNHK LLC	RUB	2023	102	—
Deutsche Bank	EUR	2014-2019	—	4,274
UniCredit Bank	EUR	2013-2019	—	253
Fixed rate				
Eurobonds 2024	USD	2024	30,818	—
Russian ruble bonds	RUB	2019-2021	20,000	30,000
Eurobonds 2023	USD	2023	18,985	21,285
UniCredit Bank Group	RUB	2022	4,988	4,980
Monotowns Development Fund	RUB	2021-2026	1,000	1,000
Total long-term debt excluding related to ZapSibNeftekhim			**116,213**	**84,772**
Less: current portion			(10,099)	(11,435)
			106,114	**73,337**

Eurobonds 2024. On 23 September 2019, the Group issued notes worth USD 500 million on the Irish Stock Exchange, bearing 3.45 percent annual interest and maturing in 2024. The Group used the aggregate net proceeds from the notes issue for an early redemption of the ECA financing and for general corporate purposes.

The Group had no subordinated debt and no debts that may be converted into an equity interest in the Group.

The scheduled maturities of long-term debt excluding related to the ZapSib as of 31 December 2019 and 31 December 2018 are presented below:

	31 December 2019	31 December 2018
Due for repayment:		
Between one and two years	15,313	11,181
Between two and five years	90,402	61,584
More than five years	399	572
Total long-term debt excluding related to ZapSibNeftekhim	**106,114**	**73,337**

The carrying amounts of long-term fixed-rate borrowings approximate their fair value as of 31 December 2019 and 31 December 2018, except for those, which fair value is disclosed in Note 35.

The carrying amounts of long-term debts with variable interest rates linked to LIBOR, EURIBOR or the Central Bank of Russia key interest rate approximate their fair value.

As of 31 December 2019 and 31 December 2018, the Group had the following committed long-term credit facilities excluding related to the ZapSib:

	Credit limit	Undrawn amount
As of 31 December 2019		
USD-denominated (in millions of USD)	502	380
RUB-denominated (in millions of RUB)	10,000	10,000
As of 31 December 2018		
USD-denominated (in millions of USD)	200	200
RUB-denominated (in millions of RUB)	10,000	10,000

As of 31 December 2019 and 31 December 2018, the total ruble equivalent of the Group's undrawn committed long-term credit facilities excluding related to the ZapSib was RUB 33,551 and RUB 23,894, respectively.

22 LONG-TERM ZAPSIBNEFTEKHIM RELATED DEBT

Long-term debt payable to	Currency	Due	31 December 2019	31 December 2018
Variable rate				
National Wealth Fund financing	USD	2030	108,335	121,574
Deutsche Bank (ECA financing)	EUR	2020-2029	83,726	78,380
New Development Bank	USD	2021-2028	8,029	—
ING Bank Group (ECA financing)	EUR	2013-2029	—	2,705
Fixed rate				
Vnesheconombank	USD	2021-2025	24,625	16,564
Credit Agricole (ECA financing)	EUR	2019-2029	18,180	13,293
Russian Direct Investment Fund	USD	2018-2020	5,307	13,258
Total long-term ZapSibNeftekhim related debt			**248,202**	**245,774**
Less: current portion			(15,593)	(8,834)
			232,609	**236,940**

22 LONG-TERM ZAPSIBNEFTEKHIM RELATED DEBT (CONTINUED)

The scheduled maturities of long-term ZapSib related debt as of 31 December 2019 and 31 December 2018 are presented below:

	31 December 2019	31 December 2018
Due for repayment:		
Between one and two years	14,026	15,587
Between two and five years	50,286	37,212
Between five and ten years	59,962	53,920
More than ten years	108,335	130,221
Total long-term ZapSibNeftekhim related debt	**232,609**	**236,940**

The carrying amounts of long-term fixed-rate borrowings approximate their fair value as of 31 December 2019 and 31 December 2018, except for those, which fair value is disclosed in Note 35.

The carrying amounts of long-term debt with variable interest rates linked to LIBOR, EURIBOR or USA CPI approximate their fair value.

As of 31 December 2019 and 31 December 2018, the Group had the following committed long-term ZapSib related credit facilities:

	Credit limit	Undrawn amount
As of 31 December 2019		
USD-denominated (in millions of USD)	300	170
As of 31 December 2018		
EUR-denominated (in millions of EUR)	2,151	902

As of 31 December 2019 and 31 December 2018, the total ruble equivalent of the Group's undrawn committed long-term ZapSib related credit facilities was RUB 10,524 and RUB 71,684, respectively. As of 31 December 2019, the total ruble equivalent of the Group's undrawn committed short-term ZapSib related credit facilities was RUB 14,977 (RUB 11,115 as of 31 December 2018).

Total Group's long-term debt both related and excluding related to the ZapSib bore the following weighted average interest rates: RUB-denominated of 8.2 percent and 9.2 percent as of 31 December 2019 and 31 December 2018, respectively; USD-denominated of 3.5 percent and 4.0 percent as of 31 December 2019 and 31 December 2018, respectively; and EUR-denominated of 1.2 percent and 1.1 percent as of 31 December 2019 and 31 December 2018, respectively.

23 DEFERRED INCOME FROM GRANTS AND SUBSIDIES

	2019	2018
Deferred income from grants and subsidies as of 1 January	**55,335**	**48,720**
Grants and subsidies received	17,218	9,687
Recognized in profit or loss (depreciation)	(3,134)	(3,073)
Deferred income from grants and subsidies as of 31 December	**69,419**	**55,334**

24 OTHER NON-CURRENT LIABILITIES

	31 December 2019	31 December 2018
Financial liabilities		
Payables under project management and construction services	13,254	4,253
Payables to contractors and suppliers of property, plant and equipment	4,737	1,279
Payables under accommodation program	3,195	3,034
Payables for acquisition of subsidiaries	1,975	3,523
Trade payables	235	50
Other liabilities	8	8
Total financial non-current liabilities	**23,404**	**12,147**
Non-financial liabilities		
Post-employment obligations	2,834	2,077
Payables to employees	2,029	1,661
Other liabilities	101	—
Total non-financial non-current liabilities	**4,964**	**3,738**
Total other non-current liabilities	**28,368**	**15,885**

The Group maintains a cash-settled long-term incentive (LTI) plan. Among other factors, remuneration under the LTI plan is contingent upon the contribution that management makes toward increases in the Group's business fair value, which is measured by changes in the Group's business fair value divided by the median change in the business fair values of certain other international corporations operating in the petrochemical industry. The LTI plan requires that participants provide services to the Group within a specific time period. Remuneration granted is vested to each participant on an annual basis and in separate tranches. Each tranche equals 33.3 percent of the total remuneration granted, provided that the participant is continuously employed by the Group from the grant date until the applicable vesting date. Each tranche is accounted for as a separate arrangement and expensed, together with a corresponding increase within payables to employees in other non-current liabilities. The current portion of liabilities under the LTI plan is classified within payables to employees in trade and other payables. For the years ended 31 December 2019 and 31 December 2018, the Group recognized RUB 722 and RUB 848, respectively, as expenses under the LTI plan.

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

25 TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018
Financial liabilities		
Payables under project management and construction services	84,999	28,231
Payables to contractors and suppliers of property, plant and equipment	34,846	44,210
Trade payables	30,293	25,675
Payables for acquisition of subsidiaries	2,262	3,280
Interest payable	1,675	1,863
Other payables	651	825
Total financial trade and other payables	**154,726**	**104,084**
Non-financial liabilities		
Payables to employees	9,130	9,650
Advances from customers	5,628	4,958
Other payables	3,985	1,196
Total non-financial trade and other payables	**18,743**	**15,804**
Total trade and other payables	**173,469**	**119,888**

As of 31 December 2019 and 31 December 2018, payables to employees included provisions for annual and other bonuses, vacation accruals (including social taxes) of RUB 9,104 and RUB 9,623, respectively.

26 SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT EXCLUDING RELATED TO ZAPSIBNEFTEKHIM

	31 December 2019	31 December 2018
Short-term debt:		
RUB-denominated debt	—	1,865
Total short-term debt	**—**	**1,865**
Current portion of long-term debt excluding related to ZapSibNeftekhim (Note 21):		
Russian ruble bonds	10,000	10,000
Others	99	1,435
Total	**10,099**	**13,300**

As of 31 December 2019 and 31 December 2018, the Group had committed short-term credit facilities excluding related to the ZapSib in euro and rubles. As of 31 December 2019 and 31 December 2018, the total ruble equivalents of the Group's undrawn committed short-term credit facilities excluding related to the ZapSib were RUB 0 and RUB 27,084, respectively.

27 TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2019	31 December 2018
VAT	9,330	9,130
Property tax	754	1,009
Social taxes	726	494
Other taxes	389	291
Total taxes other than income tax payable	**11,199**	**10,924**

28 SHAREHOLDERS' EQUITY

As of 31 December 2019 and 31 December 2018, the Group didn't have direct parent company and an ultimate controlling shareholder.

Share capital. The share capital of PJSC SIBUR Holding (authorised, issued and paid-in) was RUB 21,784 as of 31 December 2019 and 31 December 2018, and consisted of 2,178,479,100 ordinary shares, each with a par value of ten Russian rubles.

Earnings per share. There were no events that would trigger dilution of earnings per share for the years ended 31 December 2019 and 31 December 2018.

Dividends. Dividends, including NCI share, in the amount of RUB 41,524 (18.16 Russian rubles per share) and RUB 27,126 (11.81 Russian rubles per share) were paid during years ended 31 December 2019 and 31 December 2018, respectively.

29 NON-CONTROLLING INTEREST

The following table provides information about each significant subsidiary with a non-controlling interest:

	Place of business	Proportion of non-controlling interest, percent	Proportion of non-controlling interest's voting rights held, percent	Accumulated non-controlling interest in the subsidiary
Year ended 31 December 2019				
JSC NIPIgaspererabotka	Russia	55	50	11,833
JSC Krasnoyarsk Synthetic Rubbers Plant	Russia	25	25	372
Others	—	—	—	(42)
				12,163
Year ended 31 December 2018				
JSC NIPIgaspererabotka	Russia	55	50	7,710
JSC Krasnoyarsk Synthetic Rubbers Plant	Russia	25	25	364
Others	—	—	—	(80)
				7,994

The summarised financial information of JSC NIPIgaspererabotka before inter-company eliminations was as follows:

As of and for the year ended	31 December 2019	31 December 2018
Non-current assets	71,718	65,144
Current assets	186,346	133,115
Non-current liabilities	74,780	71,219
Current liabilities	161,830	113,002
Revenue	50,792	44,276

During the years ended 31 December 2019 and 31 December 2018 the Group's subsidiary NIPIGAS distributed dividends to its shareholders.

In February 2019, the Group acquired a 33.3 percent non-controlling interest in Plastic-Geosintetika LLC for a cash consideration of RUB 300. As a result, the Group became the sole owner of Plastic-Geosintetika LLC and subsequently liquidated the subsidiary. The difference between the consideration paid and the non-controlling interest acquired was recognized in retained earnings.

30 INCOME TAX

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

	31 December 2019	Deconsolidation and disposal of subsidiaries	(Charged)/ credited to profit or loss/equity	31 December 2018	(Charged)/ credited to profit or loss/equity	Reclassifi-cations to / from assets held for sale	31 December 2017
Tax effects of taxable temporary differences							
Property, plant and equipment	(39,817)	232	(7,428)	(32,621)	(6,990)	457	(26,088)
Intangible assets	(16,856)	-	1,070	(17,926)	1,173	-	(19,099)
Trade and other receivables	(6,405)	-	1,054	(7,459)	(860)	1	(6,600)
Debt	(1,144)	-	68	(1,212)	(354)	-	(858)
Prepaid borrowing costs	(1,092)	-	257	(1,349)	-	-	(1,349)
Inventory	(407)	-	37	(444)	(281)	-	(163)
Others	(325)	-	(252)	(73)	33	-	(106)
Deferred tax liabilities	**(66,046)**	**232**	**(5,194)**	**(61,084)**	**(7,279)**	**458**	**(54,263)**
Less: deferred tax assets offset	26,924	-	101	26,823	11,669	(379)	15,533
Total deferred tax liabilities	**(39,122)**	**232**	**(5,093)**	**(34,261)**	**4,390**	**79**	**(38,730)**
Tax effects of deductible temporary differences							
Tax loss carry-forwards	22,213	40	(87)	22,259	7,932	(232)	14,560
Grants and subsidies	6,124	-	(753)	6,877	(152)	-	7,029
Trade and other payables	2,757	9	1,521	1,226	(365)	(13)	1,605
Payables to employees	2,372	70	(120)	2,422	330	(92)	2,184
Inventory	1,132	(8)	(345)	1,485	247	(28)	1,266
Intangible assets	50	4	(67)	113	(9)	(4)	126
Others	310	30	(625)	905	421	(10)	494
Deferred tax assets	**34,958**	**145**	**(475)**	**35,288**	**8,403**	**(379)**	**27,264**
Less: deferred tax liabilities offset	(26,924)	-	(101)	(26,823)	(11,669)	379	(15,533)
Total deferred tax assets	**8,034**	**145**	**(576)**	**8,465**	**(3,266)**	**-**	**11,731**
Total net deferred tax liabilities	**(31,088)**	**377**	**(5,669)**	**(25,796)**	**1,124**	**79**	**(26,999)**

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

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefits through future taxable profits is probable. Under the Russian Tax Code, during the period from 1 January 2017 to 31 December 2021 only up to 50% of a taxable income can be covered by tax losses carry-forward from previous periods. After 31 December 2021 a tax income can be covered by tax losses carry-forward from previous periods in full amount. Tax losses can be carried forward until fully recognized without time limitation.

	Year ended 31 December	
	2019	2018
Current income tax:		
Current income tax on profits for the year	29,686	28,765
Adjustments for prior years	(497)	(148)
Total current income tax	**29,189**	**28,617**
Deferred income tax:		
Accrual/(reversal) of temporary differences	5,669	(1,124)
Total deferred income tax	**5,669**	**(1,124)**
Total income tax expense	**34,858**	**27,493**

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

	Year ended 31 December	
	2019	2018
Profit before income tax	**176,225**	**138,253**
Theoretical income tax expense at statutory rate of 20 percent	(35,245)	(27,651)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-deductible expenses	(1,585)	(928)
Other non-taxable income	1,972	1,086
Total income tax (expense)	**(34,858)**	**(27,493)**

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

In April 2018, the Group's subsidiaries Belozerny Gas Processing Complex LLC, Nizhnevartovsky Gas Processing Complex LLC and Nyagangazpererabotka LLC merged with JSC SiburTyumenGaz. The merger caused netting off the deferred income tax assets and liabilities in the amount of RUB 3 billion.

31 CASH GENERATED FROM OPERATIONS AND NET DEBT RECONCILIATION

Notes		Year ended 31 December 2019	2018
	Profit before income tax	**176,225**	**138,253**
	Adjustments to profit before income tax		
5	Depreciation and amortization	39,836	35,510
	Foreign exchange (gain)/loss from investing and financing activities, net	(40,705)	25,502
6	Unwinding of discount on non-current accounts payable	1,465	1,379
6	Interest expense	2,150	945
	Reversal of provision for legal cases	(62)	(395)
5	Gain on disposal of property, plant and equipment	(131)	(4,503)
6	Bank commissions	43	52
	(Reversal of impairment)/impairment of trade and other receivables	(597)	848
	Result of subsidiary's acquisition and remeasurement of related liabilities	—	217
6	Pension liabilities	195	196
	Discount on borrowings and non-current accounts payable	(73)	(23)
	Result of subsidiary's disposal and remeasurement of related assets	(1,940)	425
5	Impairment of property, plant and equipment	293	416
6	Unwinding of discount on loans receivable and non-current accounts receivable	(278)	(124)
6	Interest income	(1,189)	(1,464)
24, 25	Change in provision for bonuses	606	878
13	Share of net income of joint ventures and associates	(6,970)	(3,173)
	Other adjustments	(396)	(143)
	Operating cash flows before working capital changes	**168,472**	**194,796**
	Changes in working capital		
	(Decrease)/Increase in advances received under project management and construction services	(22,313)	45,375
	Increase in trade and other payables	70,554	26,127
	Increase in taxes payable	120	2,413
	Increase in trade and other receivables	(73,685)	(25,138)
	Increase in prepayments and other current assets	(1,484)	(2,553)
	Increase in inventories	(2,783)	(8,082)
	Decrease/(increase) in advances issued under project management and construction services	21,384	(47,947)
	Total changes in working capital	(8,207)	(9,805)
	Cash generated from operating activities before income tax payment	**160,265**	**184,991**
	Income tax paid	(35,797)	(24,582)
	Net cash from operating activities	**124,468**	**160,409**

For the years ended 31 December 2019 and 31 December 2018, the reconciliation of net debt was as follows:

	Cash and cash equivalents	Long-term and short-term debt	Long-term and short-term lease liabilities	Net debt
As of 1 January 2018	**48,456**	**(312,344)**	**—**	**(263,888)**
Cash flows	(36,734)	22,266	—	(14,468)
Foreign exchange adjustments	3,061	(43,718)	—	(40,657)
Other non-cash movements	—	1,385	—	1,385
As of 31 December 2018	**14,783**	**(332,411)**	—	**(317,628)**
As of 1 January 2019	**14,783**	**(332,411)**	**(21,138)**	**(338,766)**
Cash flows	3,302	(65,686)	5,818	(56,566)
Foreign exchange adjustments	(642)	34,153	1,683	35,194
Other non-cash movements	—	(471)	(1,687)	(2,158)
As of 31 December 2019	**17,443**	**(364,415)**	**(15,324)**	**(362,296)**

32 PRINCIPAL SUBSIDIARIES

Principal wholly owned operating subsidiaries of the Group:

BIAXPLEN LLC	JSC Polief
BIAXPLEN T LLC	SIBUR Tobolsk LLC
SIBUR International GmbH	Tomskneftekhim LLC
JSC Sibur-Neftehim	SIBUR-Kstovo LLC
JSC SIBUR-PET	JSC Sibur-Himprom
Zapsibtransgaz LLC	JSC Voronezhsintezkauchuk
ZapSibNeftekhim LLC	JSC Siburenergomenedgment
JSC SiburTyumenGaz	

Other principal operating subsidiaries of the Group:

	Effective percent of share capital held by the Group as of 31 December 2019	31 December 2018
JSC NIPIgaspererabotka	45	45
JSC Krasnoyarsk Synthetic Rubbers Plant	75	75

The changes in the composition of the Group and changes in the ownership interest in the subsidiaries are disclosed in Notes 3 and 29.

As of 31 December 2019 and 31 December 2018, the voting and ownership percentage in the Group's subsidiaries with a non-controlling interest are the same, except for JSC NIPIgaspererabotka in which the Group had 50 percent voting rights.

The Group's operating subsidiaries are registered and located in the Russian Federation, except for SIBUR International GmbH, an export trading company of the Group registered in Austria.

33 RELATED PARTIES

For the purposes of these consolidated financial statements, parties are generally considered to be related if the party is part of the Group's key management or the Board of Directors; the party has the ability to control or jointly control the other party; both parties are under common control; or one party can exercise significant influence over the other party in the financial and operational decision-making process. In considering each possible related-party relationship, the Group's management pays attention to the substance of the relationship, and not merely the entities' legal form. Also, management applies judgement to decide whether party could exercise significant influence over the Group, considering not merely percentage of shareholding in the Group and governing bodies representation, but actual ability and participation in the Group's decision making.

The nature of the related-party relationships for those related parties with whom the Group entered into significant transactions during the years ended 31 December 2019 and 31 December 2018, or had significant balances outstanding as of 31 December 2019 and 31 December 2018, are presented below.

33 RELATED PARTIES (CONTINUED)

a) Significant transactions with parties under the control or joint control of PROMSTROI GROUP

JSC PROMSTROI-GROUP, jointly with its subsidiaries ("PROMSTROI GROUP"), is one of the providers of construction services to the Group. In 2016, the Group and PROMSTROI GROUP signed a strategic partnership agreement aimed to develop a reliable local provider of construction services by the way of a) monitoring operational and financial performance of PROMSTROI GROUP on a long-term basis; b) jointly participating in the construction business opportunities as a local EPC contractor by combining an engineering and construction expertise of NIPIGAS and PROMSTROI GROUP. In January 2018, the Group's representatives became members of the Board of Directors of PROMSTROI GROUP. Thus, the management of the Group has made a judgment that since 2018 the Group is able to exercise a significant influence over PROMSTROI GROUP and treated it as a related party in these consolidated financial statements.

The Group had the following transactions with PROMSTROI GROUP for the reporting periods ended 31 December 2019 and 31 December 2018:

	Year ended 31 December	
	2019	2018
Operating and investing activities		
Purchases of construction services	(11,535)	(14,279)
Sales of materials	25	152

As of 31 December 2019 and 31 December 2018, the Group had the following balances with PROMSTROI GROUP:

	31 December 2019	31 December 2018
Advances and prepayments for capital construction	255	2,144
Trade and other receivables	66	60
Prepayments and advances to suppliers	420	857
Accounts payable to contractors and suppliers of property, plant and equipment	402	201
Trade and other payables	377	1,291

b) Remuneration of directors and key management

During the years ended 31 December 2019 and 31 December 2018, the Company's Board of Directors comprised twelve individuals, including shareholder representatives. Members of the Board of Directors are entitled to annual compensation, as approved by the Annual General Shareholders' Meeting.

During the years ended 31 December 2019 and 31 December 2018, the Company accrued RUB 136 and RUB 102 net of social taxes, respectively, to Board of Directors members as part of their compensation for the years 2019 and 2018.

During the years ended 31 December 2019 and 31 December 2018, the number of key management personnel comprised 16 individuals. Key management personnel is entitled to salaries, bonuses, voluntary medical insurance and other employee benefits. Remuneration of key management personnel is determined by the terms set out in the relevant employment contracts and is substantially linked to the financial performance of the Group. Remuneration of key management personnel amounted to RUB 2,084 and RUB 2,119 net of social taxes for the years ended 31 December 2019 and 31 December 2018, respectively.

c) Joint ventures

The Group had the following transactions with its joint ventures for the years ended 31 December 2019 and 31 December 2018:

	Year ended 31 December	
	2019	2018
Operating and investing activities		
Purchases of materials, goods and services	(35,451)	(11,128)
Purchases of processing services	(956)	(972)
Sales of materials, goods and services	15,190	12,062

As of 31 December 2019 and 31 December 2018, the Group had the following balances with its joint ventures:

	31 December 2019	31 December 2018
Trade and other receivables	1,653	1,561
Loans receivable	315	1,878
Advances and prepayments for capital construction	186	—
Trade and other payables	2,917	3,030

The Group provided and received loans to and from its joint ventures on the market terms.

The Group has a number of long-term contracts with joint ventures, including contracts for procurement of processing services and purchase of finished goods. Also, the Group has several agency arrangements with its joint ventures under which the Group is providing marketing, selling, construction management and procurement services and receiving transportation services. The agent remuneration earned by the Group under the agency arrangements is included in sales of materials, goods and services line. The balances outstanding under the agency arrangements are included into trade and other payables and receivables lines.

34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

		Financial assets
	31 December 2019	31 December 2018
Non-current financial assets		
Trade and other receivables	15,311	6,109
Loans receivable	295	1,878
Contingent consideration for the sale of SIBUR-Portenergo LLC	595	467
Other non-current financial assets	23	87
Total non-current financial assets	**16,224**	**8,541**
Current financial assets		
Cash and cash equivalents	17,443	14,783
Trade and other receivables	109,775	45,209
Other current financial assets	36	112
Total current financial assets	**127,254**	**60,104**
Total current and non-current financial assets	**143,478**	**68,645**

34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

	Financial liabilities	
	31 December 2019	31 December 2018
Non-current financial liabilities		
Financial liabilities at amortised cost:		
Other non-current liabilities	21,429	8,624
Debt	338,723	310,277
Lease liabilities	10,197	—
Financial liabilities at fair value:	1	
Payables for the acquisition of Tobolsk HPP LLC	1,975	3,523
Total non-current financial liabilities	**372,324**	**322,424**
Current financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	152,464	102,020
Debt	25,692	22,134
Lease liabilities	5,127	—
Financial liabilities at fair value:	1	
Payables for the acquisition of Tobolsk HPP LLC	2,262	2,064
Total current financial liabilities	**185,545**	**126,218**
Total current and non-current financial liabilities	**557,869**	**448,642**

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

Financial risk management is carried out by the central finance function. The Group's treasury manages credit risks related to transactions with financial institutions and liquidity risk. Relevant business units manage credit risks related to operating activities in accordance with the Group policies.

Foreign exchange risk. As the Group operates internationally, exports its products to Europe and Asia, and has a substantial amount of foreign currency-denominated debt, it is exposed to foreign exchange risk.

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

	Denominated in		
As of 31 December 2019	USD	EUR	Other currency
Cash and cash equivalents	1,246	642	331
Trade and other receivables	2,394	55,923	9,516
Contingent consideration for the sale of SIBUR-Portenergo LLC	595	—	—
Total financial assets	**4,235**	**56,565**	**9,847**
Trade and other payables	12,715	75,890	9,022
Debt	204,270	102,056	—
Lease liabilities	11,520	178	35
Total financial liabilities	**228,505**	**178,124**	**9,057**

	Denominated in		
As of 31 December 2018	USD	EUR	Other currency
Cash and cash equivalents	1,169	527	121
Trade and other receivables	2,275	18,676	1,744
Contingent consideration for the sale of SIBUR-Portenergo LLC	467	—	—
Total financial assets	**3,911**	**19,203**	**1,865**
Trade and other payables	14,560	39,168	1,729
Debt	173,376	99,191	—
Total financial liabilities	**187,936**	**138,359**	**1,729**

The sensitivity analysis given in the table below reflects the hypothetical gain/(loss) that would occur assuming the Russian ruble had weakened/strengthened by 20 percent against the US dollar and euro and that there were no changes in the securities portfolio and other variables as of 31 December 2019 and 2018, respectively.

	Increase in exchange rate	31 December 2019	31 December 2018
Effect on profit before income tax			
RUB / USD	20 percent	(44,854)	(36,805)
RUB / EUR	20 percent	(24,312)	(23,831)

	Decrease in exchange rate	31 December 2019	31 December 2018
Effect on profit before income tax			
RUB / USD	20 percent	44,854	36,805
RUB / EUR	20 percent	24,312	23,831

Cash flow and fair value interest rate risk. The Group is exposed to interest rate risk primarily due to short- and long-term debt at variable rates. Debt issued at fixed rates exposes the Group to fair value interest rate risk. As of 31 December 2019 and 2018, the Group's debt at variable rates was denominated in Russian rubles, US dollars and euro (see Notes 21, 22, 26). As of 31 December 2019 and 2018, the Group's interest-bearing assets were primarily comprised by loans receivable and cash deposits. The Group analyses its interest rate exposure on a regular basis. The Group's management makes financial decisions after careful consideration of various scenarios, which may include refinancing, renewing existing positions or alternative financing.

If variable interest rates were higher/lower, assuming all other variables remain constant, the Group's profit before income tax would change as follows:

	Increase in floating rates by	31 December 2019	31 December 2018
Effect on profit before income tax			
RUB-denominated debt	10 percent	(200)	(171)
USD-denominated debt	10 percent	(122)	(135)
EUR-denominated debt	10 percent	(21)	—

	Decrease in floating rates by	31 December 2019	31 December 2018
Effect on profit before income tax			
RUB-denominated debt	10 percent	200	171
USD-denominated debt	10 percent	122	135
EUR-denominated debt	10 percent	21	—

Credit risk. The Group is exposed to credit risk primarily due to cash and cash equivalents, loans issued and customers credit risks.

The Group deposits cash and cash equivalents only in banks that have minimal risk of default within set credit limits at the deposit date.

34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)

A large portion of the Group's receivables from domestic sales relates to large companies such as Rosneft, Gazprom Pererabotka and Novatek, with low credit risks. The Group's export customers are also key market players such as BOREALIS AG, SHV Gas Supply & Risk Management. The Group sells its products on export sales based on prepayments or advances received or secures its export sales by letters of credit. The Group assesses the credit quality of its customers based on market segment, customer's financial position, its market share past experience and other relevant factors. Although economic factors affecting the Group's customers influence cash collection of the Group's accounts receivable, the Group's management assesses that there is no significant risk of loss other than bad debts provided as of 31 December 2019.

As of 31 December 2019 and 2018, the maximum credit risk exposure due to accounts receivable was RUB 125,740 and RUB 51,984 respectively.

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

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

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

As of and for the year ended 31 December 2019	Bank equity	Rating	Credit limit for one bank	Balance
Major banks	≥ 25,000	A+,BBB-, BB+, BB	USD 200 mln, in individual cases-unlimited	17,326
Other banks	Not set	Not set	Individually set	117
Total cash and cash equivalents				**17,443**

As of and for the year ended 31 December 2018	Bank equity	Rating	Credit limit for one bank	Balance
Major banks	≥ 25,000	A+,BBB-, BB+, BB	USD 200 mln, in individual cases-unlimited	14,675
Other banks	Not set	Not set	Individually set	108
Total cash and cash equivalents				**14,783**

The Group did not exceed its credit limits during the reporting period, and the Group's management does not expect any losses resulting from these counterparties' non-performance. As of 31 December 2019 and 2018, the maximum credit risk exposure due to cash and cash equivalents was RUB 17,443 and RUB 14,783, respectively.

Liquidity risk and capital risk management. Liquidity risk management includes maintaining sufficient cash balances, available funding from an adequate amount of committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's management maintains funding flexibility by ensuring funds availability under committed credit lines and expected cash flows from operating activities. Management monitors rolling forecasts of the Group's liquidity reserve, comprising the undrawn debt facilities (see Notes 21, 22, 26), and cash and cash equivalents on the basis of expected cash flow. This is carried out at the Group level on a monthly and annual basis. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet cash requirements while maintaining debt financing plans.

The table below analyses the Group's non-derivative financial liabilities in relevant maturity groupings based on the remaining period at the reporting date up to the contractual maturity date.

As of 31 December 2019	Less than one year	Between one and two years	Between two and five years	Over five years
Debt	37,950	40,181	163,100	189,678
Trade and other payables	153,051	9,647	10,309	13,948
Lease liabilities	5,283	4,830	7,170	1,014
Total	**196,284**	**54,658**	**180,579**	**204,640**
As of 31 December 2018				
Debt	35,389	38,178	124,186	217,039
Trade and other payables	102,221	4,479	6,733	5,762
Total	**137,610**	**42,657**	**130,919**	**222,801**

Guarantees issued by the Group as of 31 December 2019 and 31 December 2018 are disclosed in Note 13.

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

The Group monitors liquidity on the basis of the net debt to EBITDA ratio, which was calculated as net debt divided by EBITDA. Net debt is calculated as total debt less cash and cash equivalents.

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

In accordance with the Group's financial policy the Group shall maintain a number of financial covenants including a net debt to EBITDA ratio of no higher than 2.5. This policy is stricter than the relevant contractual requirements. The net debt to EBITDA ratio was 2.13 and 1.58 as of 31 December 2019 and 2018, respectively.

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

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

Recurring fair value measurements are those that are required or permitted under the relevant accounting standards in the consolidated statement of financial position at the end of each reporting period.

a) Financial instruments carried at fair value

Contingent and deferred considerations for the purchase of Tobolsk HPP LLC. In February 2016, the Group recognized a contingent consideration in the amount of RUB 585 as a financial liability within other non-current liabilities in the consolidated statement of financial position as a part of the total purchase consideration for the acquisition of its subsidiary Tobolsk HPP LLC ("Tobolsk HPP").

35 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Also, the Company should reimburse for all Tobolsk HPP cash inflows under its capacity supply contracts, which are specific to this industry revenue stream, guaranteed by the legislation of the Russian Federation, as the recovery of capital investments. Such reimbursements are payable on a monthly basis from the date of acquisition until 2021. During the years ended 31 December 2019 and 31 December 2018, the Company reimbursed cash inflows under its capacity supply contracts in the amount of RUB 1,800 and RUB 2,035, respectively.

The fair value of these financial instruments was determined using Level 3 measurements. For contingent consideration the sum of potential outcomes determined for different scenarios in which the Group realises synergies from integrating Tobolsk HPP into its production site infrastructure in Tobolsk, multiplied by the probability of each scenario. As of 31 December 2019 and 31 December 2018, the fair value of this contingent consideration was assessed as RUB 2,067 and RUB 2,016, respectively. As of 31 December 2019 the Group made first payout of the contingent consideration in the amount of RUB 211. The fair value of liability under capacity supply contracts was assessed based on the estimated future cash flows under the relevant capacity supply contracts discounted by the market interest rate for similar type of liabilities and amounting to RUB 2,107 and RUB 3,571 as of 31 December 2019 and 31 December 2018, respectively. The unwinding of discount on these liabilities amounting to RUB 598 and RUB 816 was recognized as a financial expense in the consolidated statement of profit or loss for the years ended 31 December 2019 and 31 December 2018, respectively.

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Liabilities carried at amortised cost. As of 31 December 2019 and 31 December 2018, the fair value of the Eurobonds 2023 (see Note 21) was RUB 20,145 and RUB 20,794, respectively. As of 31 December 2019, the fair value of the Eurobonds 2024 (see Note 21) was RUB 30,605. It was calculated based on Level 1 measurements such as quoted market prices. The fair values of other long-term and short-term debt carried at amortised cost were determined using valuation techniques. The estimated fair value of variable interest rate instruments linked to LIBOR, EURIBOR, USA CPI or the Central Bank of Russia key interest rate with stated maturity was estimated based on Level 2 measurements as expected cash flows discounted at current LIBOR, EURIBOR, USA CPI or the Central Bank of Russia key interest rate increased by the margin stipulated by the corresponding loan agreement. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on Level 3 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As of 31 December 2019 and 31 December 2018, the fair value of Credit Agricole Loan (see Note 22) was RUB 20,340 and RUB 14,604, respectively. As of 31 December 2019 and 31 December 2018, the fair value of Vnesheconombank Loan (see Note 22) was RUB 26,175 and RUB 16,320, respectively.

36 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

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

The Russian economy was growing in 2019 and 2018. The economy is impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile.

The Group considers international sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group's financial position and results of operations. As of 31 December 2019 the Group was not subject to economic sanctions and restrictions imposed by the USA and the EU.

The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

For the purpose of measurement of expected credit losses ("ECL") the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

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

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

Taxation. Russian tax, currency and customs legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and formal documentation supporting these tax positions may be challenged by tax authorities. There is a tendency in Russian Federation that Russian tax administration is gradually strengthening its awareness of the economic principles of taxpayers' operations, including the fact that there is a higher likelihood of more focused attention from Russian tax authorities towards complex business arrangements or transactions with counterparties deemed potentially non bona fide by Russian tax authorities. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The Management has implemented internal controls to comply with current TP legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices which established by the Group according to arm's length principle. It is possible, with the evolution of the interpretation of TP rules, specific features and unclear practice of application of TP legislation in Russia, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Group's operations.

The Group includes companies incorporated outside of Russia. Non-Russian companies of the Group may be subject to taxation in Russia if they are deemed to create a permanent establishment in Russia or if they are recognized as Russian tax residents based on the place of effective management and control. Appropriate procedures and controls are maintained in the Group to keep the said tax risks at an acceptable level.

36 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (CONTINUED)

Financial results of the foreign companies of the Group may be subject to tax in Russia in hands of PJSC "SIBUR Holding" under Controlled Foreign Company (CFC) legislation, unless they qualify for CFC tax exemption(s). Since virtually all foreign companies of the Group are either engaged in trading / provision of active services or generate losses for CFC purposes, these companies should reasonably qualify for CFC tax exemption or do not generate taxable profit above CFC taxation threshold, respectively; hence, the level of associated risk of challenge is assessed as not significant.

Russian tax legislation does not provide definitive guidance in certain areas and, as a result, is usually subject to varying interpretations by taxpayers. In such cases the Group adopts internally developed own tax positions of such uncertain areas based on analysis of relevant court cases and administrative practice, which estimated by the management as in line with applicable provisions of the Russian tax law and can probably be sustained. However, a risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities cannot be excluded. The impact of any such challenge was assessed as not significant to the financial condition and/or overall operations of the Group. Where the Group management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these consolidated financial statements.

Environmental matters. The enforcement of environmental regulations in the Russian Federation is evolving, and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. Obligations are recognized as soon as they are determined. Potential liabilities that could arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated, but could be material.

Management believes that there are no likely liabilities for environmental damage, that would have a materially adverse impact on the Group's financial position or operating results.

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

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

Capital commitments. The Group has entered into contracts for the purchase of property, plant and equipment and construction services. As of 31 December 2019, the Group had contractual capital expenditure commitments of RUB 81,200, including RUB 65,833 related to the ZapSib (as of 31 December 2018: RUB 113,119, including RUB 105,064 related to the ZapSib), calculated as the contractual amount of construction contracts less cash paid under these contracts. The capital commitments should not be considered as binding since they can be cancelled on the sole management's decision without any significant losses for the Group, except those liabilities, which were already recognized in the consolidated statement of financial position.

37 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities are measured at fair value; assets held for sale measured at fair value less costs to sell.

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

Consolidated financial statements. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Group may have power over an investee even when it holds less than a majority of voting power in an investee. In such cases, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes in an investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which such control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired, as well as liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, regardless of the extent of any non-controlling interest.

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

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

The consideration transferred for the acquiree is measured at the fair value of the assets released, equity instruments issued, and liabilities incurred or assumed, including the fair values of assets or liabilities from contingent consideration arrangements, but excludes acquisition-related costs such as fees for advisory, legal, valuation and similar professional services. Transaction costs related to an acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of a business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. In addition, unrealised losses are also eliminated unless the relevant cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies that are consistent with the Group's policies.

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 consolidated statement of financial position as "assets classified as held for sale" if their carrying amount will be recovered principally through a sale transaction (including loss of control over the subsidiary holding the assets) within 12 months after the reporting period and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

37 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets or disposal groups classified as held for sale in the current period's consolidated statement of financial position are not reclassified or presented again in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

Property, plant and equipment. Property, plant and equipment items are stated at cost less accumulated depreciation and provision for impairment, wherever required.

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

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

Depreciation. Depreciation of property, plant and equipment items is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (except for depreciation of catalysers, which are depreciated using the unit-of-production method):

	Useful lives in years
Buildings	20-60
Facilities	10-50
Machinery and equipment	5-30
Transport vehicles and other	5-20

The Group has a number of property, plant and equipment items, mainly temporary buildings and facilities, which are used for the project ZapSibNeftekhim (see Note 10). Due to its specifics, the estimated useful lives of such items could be lower than for similar types of the Group's assets stated in the Group's accounting policy.

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.

Scheduled maintenance costs. Significant expenses related to scheduled maintenance of property, plant and equipment occurred at least yearly are accounted for as part of property, plant and equipment in consolidated statement of financial position and depreciated until the next scheduled maintenance. Since the effect of change in accounting policy is not material, no retrospective adjustment was made.

Leases.

The Group's adoption of IFRS 16 "Leases" from 1 January 2019 led to changes in accounting policies. The Group applied modified retrospective approach and did not restate comparatives for 2018.

Effect of the initial application of IFRS 16. The Group applied the new rules with the following practical expedients permitted by the standard:

- Existing long-term service contracts which were not classified as lease contracts under the principles of IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease" were not reassessed by the new guidance regarding the definition of a lease in IFRS 16 "Leases";
- Lease contracts with a remaining lease term of 12 months or less from the date of initial application are accounted for as short-term leases and the related expenses are recognized as rent within operating expenses in the consolidated statement of profit or loss;
- A single discount rate was used to a portfolio of leases with reasonably similar characteristics, such as lease term, type of leased assets, etc. As of 1 January 2019, the weighted average incremental borrowing rate of the Group which was applied to the lease liabilities was 8.3 percent;
- Non-lease components were not separated for the purpose of lease liabilities accounting as they are not material and in majority of the Group's contracts they are not specifically predetermined;
- Initial direct costs were excluded for the measurement of right-of-use assets at the date of initial recognition as they are considered to be not material.

As of 1 January 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate applicable in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". On the adoption date the right-of-use assets were initially measured at the amount of lease liabilities.

The reconciliation of operating lease commitments and the amount of lease liabilities recognized as of 1 January 2019 is presented below:

	1 January 2019
Operating lease commitments as of 31 December 2018	**16,750**
Discounted using the incremental borrowing rate at 1 January 2019	13,900
Additional lease liabilities to be recognized	2,121
Recognition exemption for short-term leases	(60)
Change in estimate	5,177
Lease liability	**21,138**

Change in estimate mainly relates to the effect of minimum lease payments remeasurement under the principles of IFRS 16 "Leases", including those payments which are fixed by substance.

Accounting policies. Leases are recognized as right-of-use assets and corresponding lease liabilities once the leased asset is available for use by the Group ("commencement date").

The lease liability is recognized as present value of the lease payments that were not paid at the commencement date. The lease liability is discounted using the incremental borrowing rate. After initial recognition the lease liability is measured at amortised cost and interest expense on the lease liability is recognized in consolidated statement of profit or loss as part of finance expenses.

The right-of-use assets include the amount of initial recognition of the lease liability, any lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses (if any) in accordance with IAS 16 "Property, Plant and Equipment". Depreciation is charged using the straight-line method to the earlier of the end of its useful life or the end of the lease term. The Group makes specific judgments, taking into account its strategic business plans, while determine lease term for those contracts which include extension or termination options.

The corresponding deferred income tax differences are presented on net basis.

37 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group classifies cash payments for the lease liabilities within financial activities in the consolidated statement of cash flows.

Accounting policies applied until 31 December 2018.

Comparative information is presented with application Group's previous accounting policy:

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

The Group's operating lease commitments as of 31 December 2018 were as follows:

	31 December 2018
Less than 1 year	4,278
From 1 year to 5 years	11,797
More than 5 years	675
Total operating lease commitments	**16,750**

Intangible assets

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

Goodwill is allocated to cash-generating units for impairment testing. The allocation is made to those cash-generating units, or groups of cash-generating units, which are expected to benefit from the synergies as the result of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

b) Development costs directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include employee benefit expenses of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Development costs are carried at cost less accumulated amortisation.

c) Research expenditure is recognized as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

d) Other intangible assets with finite useful lives are carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives. Supply contracts are amortised during the contract maturity from 5 to 19 years. The useful lives are reviewed annually taking into consideration the nature of the intangible assets.

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

Joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for by the equity method of accounting and are initially recognized at cost. Dividends received from joint ventures reduce the carrying value of the investment in joint ventures. The carrying amount of joint ventures includes goodwill identified on acquisition less accumulated impairment losses, if any. The Group's share of the post-acquisition profit or loss of joint ventures is recorded in profit or loss for the year as a share of the net income of joint ventures. The Group's share of other post-acquisition comprehensive income of joint ventures is recognized in the Group's other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognize any further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. In addition, unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control. Investments in associates are accounted for using the equity method and are initially recognized at cost.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

37 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is assigned on a weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads, but nonetheless excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Prepayments. Prepayments are carried at cost less allowance for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which itself will be classified as non-current upon initial recognition.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held on call with banks, and other short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Foreign exchange gains and losses from deposits held on call with banks are classified as foreign exchange gains or losses from operating activities.

Cash inflows and outflows related to long-term deposits are classified within financing activities.

Grants and subsidies received for acquisition of property, plant and equipment are presented within investing activities.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and so that a reliable estimate of the relevant amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognized even if there is little likelihood of an outflow connected to any item included in the same class of obligations. Where the Group expects a provision to be reimbursed, under an insurance contract for example, the reimbursement is recognized as a separate asset but only when reimbursement is virtually certain. Provisions are reassessed at each reporting date and changes in the provisions are reflected in the profit or loss.

Provisions are measured at the present value of the expenditures expected to be required in order to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in a provision due to passage of time is recognized as interest expense.

Value added tax. Output value added tax (VAT) related to sales is payable to the relevant tax authorities upon the earlier of a) collection of receivables from customers or b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the relevant VAT invoice. The Russian tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases that have not been settled at the reporting date (VAT recoverable and payable) is recognized on a gross basis and disclosed separately as a current asset and current liability, respectively. Where a provision has been made for expected credit loss 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.

Deferred income from grants and subsidies. Grants and subsidies are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all accompanying conditions. Grants and subsidies related to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the profit or loss: a) on a straight-line basis over the expected lives of the related assets, or b) in full when the assets are sold. Grants and subsidies received as compensation for non-capital expense are credited to profit or loss reducing the corresponding expense.

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

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

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

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

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

Current and deferred income tax. Income taxes are covered in the consolidated financial statements in accordance with Russian law as enacted, or substantively enacted, by the reporting date. The income tax charge or credit comprises current tax and deferred tax, and is recognized in profit or loss, unless it is recognized in other comprehensive income or directly in equity because it relates to transactions that are recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current income tax is the amount expected to be paid to or refunded by the tax authorities on taxable profits or losses for the current and prior periods. Deferred income tax is recognized using the balance sheet liability method for tax loss carry-forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Under the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax assets and liabilities are netted only within individual Group companies. Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recorded only to the extent that there are sufficient taxable temporary differences, or that it is probable there will be future taxable profit against which the deductions can be utilised.

37 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognize deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

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

Trade and other payables. Trade payables are accrued when a single counterparty has performed its obligations under a relevant contract, and are recognized initially at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

Post-employment obligations. Some Group companies provide retirement benefits to their retired employees. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of such benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Employee benefits. Wages, salaries and contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered to the Group's employees.

Revenue recognition. The Group's adoption of IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 led to changes in accounting policies. In the transition to IFRS 15, the Group has elected to apply a modified retrospective approach. The transition to IFRS 15 did not have a significant effect on the Group's consolidated financial statements. Therefore, transition adjustment was recognized within retained earnings and trade and other receivables lines of the consolidated statement of financial position in the amount of RUB 425 as of 1 January 2018 and no additional disclosures are provided under IAS 11/18 for the year ended 31 December 2018.

The Group produces and sells a range of petrochemical products for domestic and international markets. Sales of goods are recognized when control of the products has transferred in accordance with each contract term. If the Group provides any additional services (such as transportation, etc.) to a customer after the control over goods has passed, the revenue from such services is considered to arise from a separate performance obligation, stated in the contract with a reference to delivery terms, and is recognized over the time that the service is rendered.

Revenue on contracts that include variable consideration is recognized only to the extent that it is highly probable that there will be no significant reversal of such consideration. Contracts with customers do not contain a significant financing component. Sales are shown net of VAT, excise tax, export duties and other similar mandatory payments.

The Group is involved in construction and project management services where it may act as a principal or an agent. The Group acts as a principal if it obtains control over goods and services from other parties that it then combines with other goods and services in providing a specified promise to a customer. Revenue for contracts on construction services is recognized based on the input method by reference to costs incurred relative to the total expected costs, as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group gets unconditional right to consideration when a customer accepts acts of services rendered (progress billings). If the services rendered by the Group exceed progress billings and advances received for services not yet accepted by the customer, a contract asset is recognized. If the progress billings and advances received for services not yet accepted by the customer exceed the services rendered, a contract liability is recognized. Progress billings not yet paid by customers and retentions are included within trade accounts receivable.

Contract liabilities related to construction services are recognized within advances received under project management and construction services in the consolidated statement of financial position. Contract assets related to construction services are recognized within trade and other receivables in the consolidated statement of financial position. Prior to the transition to IFRS 15, the Group separately disclosed advances from customers (for services not yet accepted by customers) and the gross amount due to customers for contract work where progress billings exceeded revenue recognized. Both were recognized within advances received under project management and construction services in the consolidated statement of financial position. Contract liabilities that relate to contracts under which the Group sells its products to customers are recognized within advances from customers within trade and other payables line in the consolidated statement of financial position.

The Group recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the contract.

The Group accounts for the contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the Group's measure of progress towards complete satisfaction of the performance obligation, is recognized as an adjustment to revenue at the date of the contract modification.

In an agency relationship, the Group satisfies its promise to a customer to arrange for the provision of the specified good or service by another party or parties. The Group's revenue under such an arrangement represents the agency fee. The Group assesses whether it acts as an agent or as a principal on a contract-by-contract basis. Agency fee is recognized in the amount to which the Group has a right for consideration from customers, which is directly linked to the actual value of services delivered to customers.

Financial instruments

Classification of financial assets. The Group's adoption of IFRS 9 "Financial Instruments" from 1 January 2018 led to changes in accounting policies. The transition to IFRS 9 did not have a significant effect on the Group's consolidated financial statements. The Group applied the new rules from 1 January 2018 with the practical expedients permitted under the standard.

Business model as a tool for classifying financial instruments. The classification of financial assets for measurement purposes depends on the business model for managing those assets in order to generate cash flows and contractual cash flow characteristics of the asset. IFRS 9 prescribes the following:

a) Hold to collect model: holding financial assets to collect contractual cash flows, where those cash flows solely represent payments of principal and interest.

b) Hold to collect and sell model: holding financial assets to collect contractual cash flows and selling, where those cash flows solely represent payments of principal and interest.

37 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) If a financial asset does not fall into one of the two prescribed business models, it is considered as held for trading.

Equity instruments. The Group classifies its financial assets in the form of equity instruments as measured at fair value (either through OCI, or through profit or loss).

For investments in equity instruments that are not held for trading, gains and losses will either be recorded in profit or loss or OCI, depending on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

Debt instruments. The Group classifies its financial assets in the form of debt instruments in the following measurement categories:

- those to be measured at fair value (either through OCI, or through profit or loss);
- those to be measured at amortised cost.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Initial recognition of financial assets

Equity and debt instruments. At initial recognition, the Group measures a financial asset at its fair value, plus the transaction costs that are directly attributable to the acquisition of the financial asset if the financial asset is not measured at fair value through profit or loss ("FVPL"). Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets

Debt instruments. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets are managed using the hold to collect business model. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented as finance income and expense.
- FVOCI: Assets are managed using the hold to collect and sell business model. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognized in profit or loss. When a financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in the finance income and expense line item.
- FVPL: Assets that do not fall into any business model are held for trading and measured at FVPL. A gain or loss on a revaluation of debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments. The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss upon the derecognition of the investment.

Impairment

Debt instruments. From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments and carried at amortised cost and FVOCI. For trade receivables and contract assets, the loss allowance is determined at initial recognition and throughout its life at an amount equal to the lifetime. The Group uses a provision matrix to estimate ECL for trade receivables. For other financial assets, the Group applies a significant increase in the credit risk model.

Impairment losses are presented in the operating expenses line item in the consolidated statement of profit or loss.

Derecognition of financial assets. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Equity instruments. Changes in the fair value of equity instruments at FVPL are recognized in other gains/(losses) in the consolidated statement of profit or loss.

Classification of financial liabilities. Financial liabilities fall in the following measurement categories: fair value and amortised cost. Financial liabilities are measured at amortised cost, unless they are required to be measured at FVPL or the Group has opted to measure a liability at FVPL. Derivatives and held for trading liabilities are measured at FVPL with all fair value movements, including those related to changes in the credit risk of the liability, and recognized in profit or loss. Financial guarantees are initially recognized at fair value and subsequently measured at the higher of:

- the amount determined in accordance with the ECL;
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

Fees paid for the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs and presented as prepaid borrowing costs. The split-off between the short-term and long-term portion of prepaid borrowing cost is performed based on the expected schedule of the related financing withdrawal.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that require considerable time to be prepared for their intended use or sale (qualifying assets) are capitalised as part of the costs for such assets. Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

Foreign currency transactions. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the given entity operates. The functional currency of the Company and most of its subsidiaries (including SIBUR International GmbH, an export trading company of the Group) and the Group's presentation currency, is the national currency of the Russian Federation, the Russian ruble (RUB).

37 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Monetary assets and liabilities held by Group entities as of 31 December 2019 and 2018 and denominated in foreign currencies are translated into RUB at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in a foreign currency are recognized as exchange gains or losses in profit or loss.

The official exchange rates of the US dollar (USD) and euro (EUR) against the Russian ruble (RUB), as set by the Central Bank of Russia, are as follows:

	USD/RUB	EUR/RUB
As of 31 December 2019	61.9057	69.3406
Year ended 31 December 2019 weighted average	64.7362	72.5021
As of 31 December 2018	69.4706	79.4605
Year ended 31 December 2018 weighted average	62.7078	73.9546

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

38 NEW ACCOUNTING DEVELOPMENTS

The following amended standards became effective from 1 January 2019, but did not have a material impact on the Group:

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017);

Prepayment Features with Negative Compensation — Amendments to IFRS 9 (issued on 12 October 2017);

Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28 (issued on 12 October 2017);

Annual Improvements to IFRSs 2015-2017 cycle — amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017);

Plan Amendment, Curtailment or Settlement — Amendments to IAS 19 (issued on 7 February 2018).

39 NEW ACCOUNTING PRONOUNCEMENTS

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Group has not early adopted.

The Group is currently assessing the impact of the amendments and new standards on its consolidated financial statements.

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021 (likely to be extended to 1 January 2022). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognizing the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognizing the loss immediately.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business — Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality — Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform — Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

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ADDITIONAL INFORMATION

Abbreviations and Units

ABBREVIATIONS

APG	Associated petroleum gas
BDF	Butylene-divinyl fraction
BIF	Butylene-isobutylene fraction
BOPP films	Biaxially oriented polypropylene films
BR	Polybutadiene rubber
CBR	Central Bank of Russia
CIS	Commonwealth of Independent States
COO	Chief Operating Officer
DMD	Dimethyl dioxane
DOTP	Dioctyl terephthalate
ECA	Export credit agency
ECHA	European Chemicals Agency
EIS	Environmental Impact Index
EP	Engineering and procurement
EPC	Engineering, procurement and construction
EPS	Expandable polystyrene
ESBR	Emulsion styrene-butadiene rubber
FAS	Federal Antimonopoly Service
FEED	Front-end engineering and design
FMCG	Fast-moving consumer goods
GCC	Gas chemical complex
GCP	Gas condensate plant
GDP	Gross domestic product
GFU	Gas fractionation unit
GPP	Gas processing plant
HDPE	High-density polyethylene
HPP	Heating and power plant
HSE	Health, safety and environment
IFRS	International Financial Reporting Standards
IHS Markit	Independent industry and research consulting firm (Information Handling Services)
IIF	Isobutane-isobutylene fraction
IIR	Butyl rubber
IMS	Integrated management system
IR	Polyisoprene rubber
ISO	International Organization for Standardization
JV	Joint venture
KPI	Key performance indicator
LDPE	Low-density polyethylene
LLDPE	Linear low-density polyethylene
LPG	Liquefied petroleum gas
LTIF	Lost time injury frequency
MEG	Monoethylene glycol
MGC	Medium gas carrier
MTBE	Methyl tertiary butyl ether
NBR	Nitrile-butadiene rubber
nd-PBR	Polybutadiene rubber Neodymium-based
NGLs	Natural gas liquids
NGO	Non-governmental organisation
OHSAS	Occupational Health and Safety Assessment Series
PDH facility	Propane dehydrogenation facility
PE	Polyethylene
PET	Polyethylene terephthalate
PP	Polypropylene
PSS	Production System of SIBUR
PTA	Pure terephthalic acid
PVC	Polyvinyl chloride
R&D	Research and development
RAS	Russian Accounting Standards
Raw NGL	Raw natural gas liquid
RDIF	Russian Direct Investment Fund
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
SBS	Styrene- butadiene- styrene thermoplastic elastomers
SRF	Silk Road Fund
SSBR	Solution styrene-butadiene rubber
UGSS	Unified Gas Supply System
VAT	Value-added tax

UNITS

barrel	One stock tank barrel, or 42 US gallons of liquid volume
bbl	Barrel(s)
bcm	Billion cubic metres
bcmpa	Billion cubic metres per annum
EUR	Euro
Gcal	Gigacalories
km	Kilometres
kWh	Kilowatt-hour
t	Tonne
mt	Million tonnes
mtpa	Million tonnes per annum
MW	Megawatt
RUB	Russian rouble
USD	United States dollar

Nameplate Capacity and Production Capacity Utilisation Rates

The nameplate capacity of our production sites is the capacity registered in the documentation. It is defined as the volume of products that could be produced by a plant or a unit if it operates a certain number of hours per annum, usually less than the number of hours in a calendar year. As such, the nameplate capacity implicitly assumes scheduled shutdowns, but it does not take into account the possible cyclicality of scheduled shutdowns (for example, the two-year maintenance cycle adopted at some of SIBUR's facilities).

The nameplate capacity also does not take into account quality, grade or other characteristics of the products produced. For our petrochemical facilities, we provide capacity for each product group separately, since certain petrochemicals are used for production of other products.

Capacity utilisation is calculated as total production as a percentage of the weighted average capacity during the year. Weighted average capacity during the year may differ from nameplate capacity as of the year end if the capacity was expanded or the asset was consolidated during the respective period. We seek to operate our production facilities at optimal levels of capacity utilisation, taking into consideration prevailing general economic conditions, availability of feedstock, demand for our products and other factors. Capacity utilisation below 100% at GPPs is driven primarily by availability of feedstock at a particular location. Capacity utilization below 100% at other production facilities is driven more by a combination of market demand for each particular product and our decision and ability to switch the production between different types of products.

In addition, capacity utilisation levels below 100% may reflect lost days of production due to unscheduled shutdowns at our own facilities as well as at facilities of our suppliers or customers. Capacity utilisation exceeds 100% when we are able to run a facility more efficiently over time, upgrading the technology and implementing various debottlenecking measures. As the nameplate capacity includes scheduled shutdowns, the capacity utilisation at a particular facility may exceed 100% during those periods in which the frequency and duration of shutdowns is less than scheduled, including two-year maintenance cycles (when there is a short maintenance shutdown during one year and a lengthy one during the next year).

Disclaimer

The information contained herein pertaining to SIBUR (the "Group") has been provided by the Company solely for information purposes. By reading this Annual Review, you agree to be bound by the limitations set out below.

The material contained in this Annual Review is presented solely for information purposes and is not to be construed as providing investment advice. As such, it has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It should not be regarded by recipients as a substitute for the exercise of their own judgment.

There may be material variances between estimated data set forth in this Annual Review and actual results, and between the data set forth in this Annual Review and corresponding data previously published by or on behalf of the Company.

This Annual Review contains forward-looking statements, including (without limitation) statements based on the current expectations and projections of the Company about future events, and these statements are subject to change without notice. All statements, other than statements of historical fact, contained herein are forward-looking statements.

Forward-looking statements are subject to inherent risks and uncertainties such that future events and actual results may differ materially from those set forth in, contemplated by or underlying such forward-looking statements. The Company may not actually achieve or realise its plans, intentions or expectations.

There can be no assurance that the Company's actual results will not differ materially from the expectations set forth in such forward-looking statements. Factors that could cause actual results to differ from such expectations include, but are not limited to, the state of the global economy, the ability of the petrochemical sector to maintain levels of growth and development, risks related to petrochemical prices and regional political and security concerns. The above is not an exhaustive list of the factors that could cause actual results to differ materially from the expectations set forth in such forward-looking statements. The Company and its affiliates are under no obligation to update the information, opinions or forward-looking statements in this Annual Review.

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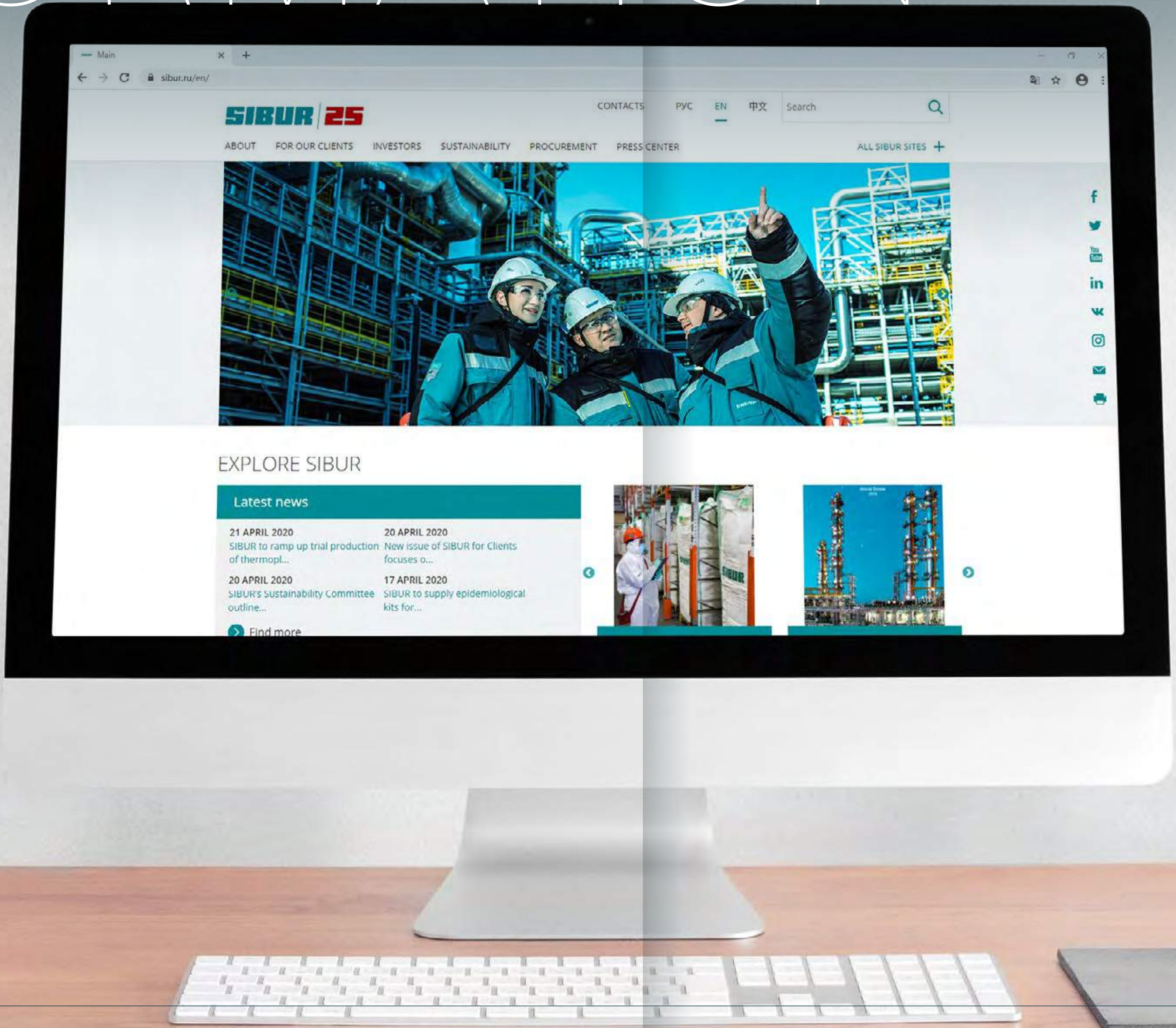

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